

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

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

For the fiscal year ended December 31, 2002

or

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

*Commission file number 1-7784*

**CENTURYTEL, INC.**

(Exact name of Registrant as specified in its charter)

Louisiana  
(State or other jurisdiction of  
incorporation or organization)

72-0651161  
(IRS Employer  
Identification No.)

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

71203  
(Zip Code)

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

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

Title of each class	Name of each exchange on which registered
Common Stock, par value \$1.00	New York Stock Exchange Berlin Stock Exchange
Preference Share Purchase Rights	New York Stock Exchange Berlin Stock Exchange
Corporate Units issued May 2002	New York Stock Exchange

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

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

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

Indicate by check mark if the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of voting stock held by non-affiliates (affiliates being for these purposes only directors, executive officers and holders of more than five percent of the Company's outstanding voting securities) was \$4.2 billion as of June 28, 2002. As of February 28, 2003, there were 143,069,486 shares of common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE:**

Portions of the Registrant's Proxy Statement to be furnished in connection with the 2003 annual meeting of shareholders are incorporated by reference in Part III of this Report.

## PART I

### Item 1. Business

General. CenturyTel, Inc. ("CenturyTel") is a regional integrated communications company engaged primarily in providing local exchange telephone services. For the year ended December 31, 2002, local exchange telephone operations provided 88% of the consolidated revenues from continuing operations of CenturyTel and its subsidiaries (the "Company"). All of the Company's operations are conducted within the continental United States.

At December 31, 2002, the Company's local exchange telephone subsidiaries operated approximately 2.4 million telephone access lines, primarily in rural, suburban and small urban areas in 22 states, with the largest customer bases located in Wisconsin, Missouri, Alabama, Arkansas, Washington, Michigan, Louisiana, Colorado, Ohio and Oregon. According to published sources, the Company is the eighth largest local exchange telephone company in the United States based on the number of access lines served. For more information, see "Telephone Operations."

On August 1, 2002, the Company sold substantially all of its wireless operations for an aggregate of approximately \$1.59 billion in cash. For additional information, see "Recent acquisitions and dispositions" below.

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

Recent acquisitions and dispositions. On July 1, 2002, the Company completed the acquisition of approximately 300,000 telephone access lines in the state of Alabama from Verizon Communications, Inc. ("Verizon") for approximately \$1.022 billion cash. On August 31, 2002, the Company completed the acquisition of approximately 350,000 telephone access lines in the state of Missouri from Verizon for approximately \$1.179 billion cash. The assets purchased included (i) telephone access lines and related property and equipment comprising Verizon's local exchange operations in predominantly rural markets throughout Alabama and Missouri, (ii) Verizon's assets used to provide digital subscriber line ("DSL") and other high speed data services within the purchased exchanges and (iii) approximately 2,800 route miles of fiber optic cable within the purchased exchanges. The acquired assets did not include Verizon's cellular, personal communications services ("PCS"), long distance, dial-up Internet, or directory publishing operations, or rights under various Verizon contracts, including those relating to customer premise equipment. The Company did not assume any liabilities of Verizon other than (i) those associated with contracts, facilities and certain other assets transferred in connection with the purchase and (ii) certain employee-related liabilities, including liabilities for postretirement health benefits.

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

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

- o On July 31, 2000, the Company purchased approximately 231,000 telephone access lines and related local exchange assets comprising 106 exchanges throughout Arkansas for approximately \$842 million in cash.
- o On July 31, 2000, Spectra Communications Group, LLC ("Spectra") purchased approximately 127,000 telephone access lines and related local exchange assets comprising 107 exchanges throughout Missouri for approximately \$297 million cash. The Company currently owns 75.7% of Spectra, which was organized to acquire and operate these Missouri properties. At closing, the Company made a preferred equity investment in Spectra of approximately \$55 million (which represented a 57.1% interest) and financed substantially all of the remainder of the purchase price. In the first quarter of 2001, the Company purchased an additional 18.6% interest in Spectra for \$47.1 million.
- o On September 29, 2000, the Company purchased approximately 70,500 telephone access lines and related local exchange assets comprising 42 exchanges throughout Wisconsin for approximately \$197 million in cash.
- o On September 29, 2000, Telephone USA of Wisconsin, LLC ("TelUSA") purchased approximately 62,900 telephone access lines and related local exchange assets comprising 35 exchanges throughout Wisconsin for approximately \$172 million in cash. The Company owns 89% of TelUSA, which was organized to acquire and operate these Wisconsin properties. At closing, the Company made an equity investment in TelUSA of approximately \$37.8 million and financed substantially all of the remainder of the purchase price.

In August 2000, the Company acquired the assets of CSW Net, Inc., a regional Internet service provider that offers dial-up and dedicated Internet access, and web site and domain hosting to more than 18,000 customers in 28 communities in Arkansas.

On August 1, 2002, the Company sold substantially all of its wireless operations to an affiliate of ALLTEL Corporation ("Alltel") and certain partners in the Company's markets that exercised "first refusal" purchase rights for an aggregate of approximately \$1.59 billion in cash. In connection with this transaction, the Company divested its (i) interests in its majority-owned and operated cellular systems, which at June 30, 2002 served approximately 783,000 customers and had access to approximately 7.8 million pops (the estimated population of licensed cellular telephone markets multiplied by the Company's proportionate equity interest in the licensed operators thereof), (ii) minority cellular equity

interests representing approximately 1.8 million pops at June 30, 2002, and (iii) licenses to provide PCS covering 1.3 million pops in Wisconsin and Iowa. As a result, the Company's wireless operations have been reflected as discontinued operations in the Company's accompanying consolidated financial statements.

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

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

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

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

**Pending Acquisition and Disposition.** In connection with the August 2002 sale of its wireless operations to Alltel, the Company retained a minority interest in one market, which it agreed to sell to Alltel for approximately \$68 million, subject to several closing conditions. Alltel has asserted that some of these closing conditions have not been satisfied, and the parties are currently in discussions regarding such conditions. No assurance can be given that this sale will occur.

On February 13, 2003, a federal bankruptcy court approved the Company's \$38 million bid to acquire the assets of Digital Teleport, Inc., a regional fiber optics communications company providing wholesale data transport services to other communications carriers over a currently usable 3,800 route mile network located in Missouri, Arkansas, Oklahoma and Kansas. The Company intends to use the acquired assets to sell services to new and existing customers and to reduce the Company's reliance on third party transport providers. The transaction is expected to be completed in the second quarter of 2003, subject to regulatory approvals and other closing conditions.

Where to find additional information. Effective February 28, 2003, the Company makes available free of charge on its website ([www.centurytel.com](http://www.centurytel.com)) filings made with the Securities and Exchange Commission ("SEC") on Forms 10-K, 10-Q and 8-K as soon as reasonably practicable after such filings are made with the SEC.

**Other.** As of December 31, 2002, the Company had approximately 6,960 employees, approximately 1,900 of whom were members of 15 different bargaining units represented by the International Brotherhood of Electrical Workers, the Communications Workers of America, or the NTS Employee Committee. Relations with employees continue to be generally good.

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

## TELEPHONE OPERATIONS

According to published sources, the Company is the eighth largest local exchange telephone company in the United States, based on the approximately 2.4 million access lines it served at December 31, 2002. All of the Company's access lines are digitally switched. Through its operating telephone subsidiaries, the Company provides services to predominantly rural, suburban and small urban markets in 22 states. The table below sets forth certain information with respect to the Company's access lines as of December 31, 2002 and 2001.

State	December 31, 2002		December 31, 2001	
	Number of access lines	Percent of access lines	Number of access lines	Percent of access lines
Wisconsin (1)	490,116	21%	498,331	28%
Missouri (2)	478,207	20	130,651	7
Alabama	289,015	12	-	-
Arkansas	268,220	11	271,617	15
Washington	188,733	8	189,868	11
Michigan	112,713	5	114,643	6
Louisiana	104,408	4	104,043	6
Colorado	96,799	4	97,571	6
Ohio	84,452	4	84,636	5
Oregon	76,751	3	78,592	4

Montana	65,666	3	65,974	4
Texas	48,931	2	51,451	3
Minnesota	30,930	1	31,110	2
Tennessee	27,365	1	27,660	2
Mississippi	24,156	1	23,579	1
New Mexico	6,565	-	6,396	-
Idaho	5,976	-	6,119	-
Wyoming	5,494	-	5,408	-
Indiana	5,468	-	5,490	-
Iowa	2,099	-	2,072	-
Arizona	1,986	-	1,937	-
Nevada	514	-	495	-
	2,414,564	100%	1,797,643	100%

(1) As of December 31, 2002 and 2001, approximately 61,060 and 61,990, respectively, of these lines are owned and operated by CenturyTel's 89%-owned affiliate.

(2) As of December 31, 2002 and 2001, approximately 130,740 and 130,651, respectively, of these lines are owned and operated by CenturyTel's 75.7%-owned affiliate.

As indicated in the following table, the Company has generally experienced growth in its telephone operations over the past several years, a substantial portion of which was attributable to the third quarter 2002 acquisitions of telephone properties from Verizon, the third quarter 2000 acquisitions of telephone properties from Verizon, the acquisitions of other telephone properties and the expansion of services. A portion of the Company's access line growth was offset by the May 1999 sale of the Company's Alaska telephone operations.

	Year ended or as of December 31,				
	2002	2001	2000	1999	1998
	(Dollars in thousands)				
Access lines	2,414,564	1,797,643	1,800,565	1,272,867	1,346,567
% Residential	76%	76	76	75	74
% Business	24%	24	24	25	26
Operating revenues	\$ 1,733,592	1,505,733	1,253,969	1,126,112	1,077,343
Capital expenditures	\$ 319,536	351,010	275,523	233,512	223,190

The Company hopes to expand its telephone operations by (i) acquiring additional telephone properties, (ii) providing service to new customers, (iii) increasing network usage and (iv) providing additional services which may be made possible by advances in technology and improvements in the Company's infrastructure. For information on developing competitive trends, see "-Regulation and Competition."

## Services

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

	2002	2001	2000
Local service	34.9%	32.6	32.6
Network access	56.1	58.1	58.0
Other	9.0	9.3	9.4
	100.0%	100.0	100.0

Local service. Local service revenues are derived from the provision of local exchange telephone services in the Company's service areas. Access lines declined 1.1% in 2002 (exclusive of the 2002 Verizon acquisitions) and declined 0.2% in 2001. Internal access line growth during 2000 was 2.8%. The Company believes the decline in the number of access lines during 2002 and 2001 is primarily due to declines in second lines, soft general economic conditions in the Company's markets and the displacement of traditional wireline telephone services by other competitive service providers. Even when the economy recovers, the Company believes that any rebound in access lines will be limited by continued declines in second lines caused primarily by DSL substitution and the impact of competitive services. Based on current conditions, the Company expects to incur a decline in access lines of 1 to 2% for 2003.

The installation of digital switches, high-speed data circuits and related software has been an important component of the Company's growth strategy because it allows the Company to offer enhanced voice services (such as call forwarding, conference calling, caller identification, selective call ringing and call waiting) and data services (such as data private line, digital subscriber line, frame relay and local area/wide area networks) and to thereby increase utilization of existing access lines. In 2002 the Company continued to expand the availability of enhanced

services offered in certain service areas.

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

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

In 2002 the Company incurred a reduction in its intrastate revenues (exclusive of the properties acquired from Verizon in 2002) of approximately \$27.7 million compared to 2001 primarily due to (i) a reduction in intrastate minutes (partially due to the displacement of minutes by wireless and instant messaging services) and (ii) decreased access rates in certain states. The Company believes such trend of decreased intrastate minutes will continue in 2003. Although the magnitude of such decrease cannot be precisely estimated, the Company believes such decrease will be less than that incurred in 2002.

The Company is continuing to install fiber optic cable in certain high traffic routes providing diversity, increased bandwidth capability and improved quality of service for its telephone operations in strategic operating areas. At December 31, 2002 the Company's telephone subsidiaries had over 15,100 miles of fiber optic cable in use.

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

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

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

### **Federal Financing Programs**

Certain of the Company's telephone subsidiaries receive long-term financing from the Rural Utilities Service ("RUS") or the Rural Telephone Bank ("RTB"). The RUS has made long-term loans to telephone companies since 1949 for the purpose of improving telephone service in rural areas. The RUS continues to make new loans at interest rates that range from 5% to 7% based on borrower qualifications and the cost of funds to the United States government. The RTB, established in 1971, makes long-term loans at interest rates based on its average cost of funds as determined by statutory formula (which ranged from 6.05% to 6.51% for the RTB's fiscal year ended September 30, 2002), and in some cases makes loans concurrently with RUS loans. Some of the Company's telephone plant is pledged or mortgaged to secure obligations of the Company's telephone subsidiaries to the RUS and RTB. The Company's telephone subsidiaries that have borrowed from government agencies generally may not loan or advance any funds to CenturyTel, but may pay dividends if certain financial covenants are met.

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

### **Regulation and Competition**

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

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

In recent years, state legislatures and regulatory commissions in most of the 22 states in which the Company operates have either reduced the regulation of LECs or have announced their intention to do so, and it is expected that this trend will continue. Wisconsin, Missouri, Alabama,

Arkansas, Louisiana and several other states have implemented laws or rulings which require or permit LECs to opt out of rate of return regulation in exchange for agreeing to alternative forms of regulation which typically permit the LEC greater freedom to establish local service rates in exchange for agreeing not to charge rates in excess of specified caps. As discussed further below, subsidiaries operating over half of the Company's access lines in various states have agreed to be governed by alternative regulation plans, and the Company continues to explore its options for similar treatment in other states. Other states have imposed new regulatory models that do not rely on "rate of return" regulation. The Company believes that reduced regulatory oversight of certain of the Company's telephone operations may allow the Company to offer new and competitive services faster than under the traditional regulatory process. For a discussion of legislative, regulatory and technological changes that have introduced competition into the local exchange industry, see "-Developments Affecting Competition."

A portion of the Company's telephone operations in Wisconsin has been regulated under an alternative regulation plan since June 1996; such plan was subsequently modified in early 2000. In late 1999 and early 2000, most of the Company's remaining Wisconsin telephone subsidiaries agreed to be subject to alternative regulation plans. Each of these alternative regulation plans has a five-year term and permits the Company to adjust local rates within specified parameters if it meets certain quality-of-service and infrastructure-development commitments. These plans also include initiatives designed to promote competition. In November 2002, the Company applied to have its Wisconsin access lines acquired in December 1998 regulated under a similar alternative regulation plan. The Company's Wisconsin access lines acquired in mid-2000 continue to be regulated under "rate of return" regulation.

All of the Company's Missouri LECs are regulated under a price-cap regulation plan (effective in 2002) whereby basic service rates are adjusted annually based on an inflation-based factor; non-basic services may be increased up to 8% annually. The plan also allows the LECs to rebalance local basic service rates up to four times in the first four years of such regulation as a result of access rate or toll reductions.

Since 1995, the Company's Alabama LEC acquired as part of the acquisitions from Verizon in 2002 has been subject to an alternative regulation plan. Under this plan, local rates were frozen initially for five years, after which time such rates can be increased by an amount equal to the consumer price index less a 1% efficiency factor; non-basic service rates can be increased 10% per year.

In January 2003, the Company's Alabama LEC and the other independent LECs in the state filed a Petition for Adoption of Streamlined Regulation Plan with the Alabama Public Service Commission ("Alabama PSC"). As part of this proposed plan, basic local service rates could be increased by 3% per year while non-basic service rates could be increased as much as 7% per year. Access rates could not be reduced unless the Alabama PSC offsets the revenue loss by some other means. All rate adjustments proposed in the plan must be approved by the Alabama PSC before being implemented. The Alabama PSC is expected to issue a request for comments on the proposed plan in the second quarter of 2003.

The Company's Arkansas LECs, excluding the properties acquired from Verizon in 2000, are regulated under an alternative regulation plan adopted in 1997, which initially froze access rates for three years, after which time such rates can be adjusted based on an inflation-based factor. Local service rates can be adjusted without commission approval; however, such rates are subject to commission review if certain petition criteria are met. In addition, since 1995 the Company's Michigan LECs have been subject to a regulatory structure that focuses on price and quality of service as opposed to traditional rate of return regulation, and which relies more on existing federal and state law regarding antitrust consumer protection and fair trade to provide safeguards for competition and consumers.

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

Notwithstanding the movement towards alternative regulation, LECs operating approximately 45% of the Company's total access lines continue to be subject to "rate of return" regulation for intrastate purposes. These LECs remain subject to the powers of state regulatory commissions to conduct earnings reviews and adjust service rates, either of which could lead to revenue reductions.

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

Effective January 1, 1991, the FCC adopted price-cap regulation relating to interstate access rates for the Regional Bell Operating Companies. All other LECs may elect to be subject to price-cap regulation. Under price-cap regulation, limits imposed on a company's interstate rates are adjusted periodically to reflect inflation, productivity improvement and changes in certain non-controllable costs. In May 1993 the FCC adopted an optional incentive regulatory plan for LECs not subject to price-cap regulation. A LEC electing the optional incentive regulatory plan would, among other things, file tariffs based primarily on historical costs and not be allowed to participate in the relevant NECA pooling arrangements. The Company has not elected price-cap regulation or the optional incentive regulatory plan for its incumbent operations; however, the properties acquired from Verizon in 2002 are operated under price-cap regulation. In connection with this acquisition, the Company obtained a waiver of the FCC's "all or nothing" rule. This waiver is valid until the FCC reviews the future appropriateness of the "all or nothing" rule. Absent the waiver, present rules require a carrier that purchases access lines subject to price-cap regulation to convert all of its properties to price-cap regulation.

On October 11, 2001, the FCC modified its interstate access charge rules and universal service support system for rate of return local exchange carriers. This order, among other things, (i) increased the caps on the subscriber line charges ("SLC") to the levels paid by most subscribers nationwide; (ii) allowed limited SLC deaveraging, which will enhance the competitiveness of rate of return carriers by giving them pricing flexibility; (iii) lowered per minute rates collected for federal access charges; (iv) created a new explicit universal service support mechanism that will replace other implicit support mechanisms in a manner designed to ensure that rate structure changes do not affect the overall recovery of interstate access costs by rate of return carriers serving high cost areas and (v) terminated the FCC's proceeding on the reprerescription of the authorized rate of return for rate of return LECs, which will remain at 11.25%. The effect of this order on the Company was revenue neutral for interstate purposes; however, intrastate revenues were adversely affected in Arkansas and Ohio as the intrastate access rates in these states mirror the interstate access rates.

The FCC is pursuing rulemaking regarding the development of an appropriate federal incentive plan for rate of return LECs. The Company is actively monitoring this proceeding and has provided comments to the FCC on this issue.

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

As mandated by the 1996 Act, in May 2001 the FCC modified its existing universal service support mechanism for rural telephone companies. The FCC adopted an interim mechanism for a five-year period, effective July 1, 2001, based on embedded, or historical, costs that will provide predictable levels of support to rural local exchange carriers, including substantially all of the Company's local exchange carriers. During 2002 and 2001 the Company's telephone subsidiaries received \$192.4 million (which included \$9.9 million related to the Company's operations acquired from Verizon in 2002) and \$168.7 million, respectively, from the federal Universal Service Fund, representing 9.8% and 8.0%, respectively, of the Company's consolidated revenues from continuing operations for 2002 and 2001. Increasingly, wireless carriers have sought and received payments from the Universal Service Fund, which the Company believes is currently enhancing their ability to compete with wireline services and, in the long term, could adversely impact the amount of funding available for LECs. In addition, the Company's telephone subsidiaries received \$31.7 million and \$31.5 million in 2002 and 2001, respectively, from intrastate support funds.

In 1997, the FCC also established new programs to provide discounted telecommunications services annually to schools, libraries and rural health care providers. All communications carriers providing interstate telecommunications services, including the Company's LECs and long distance operations, are required to contribute to these programs. Prior to May 2001, the Company's LECs recovered their funding contributions in their rates for interstate services. Subsequent to May 2001, in accordance with a 2001 FCC order, such contributions are not recovered through access charges but instead are charged as an explicit item on customer's bills. The Company's contribution by its LEC and long distance operations, both of which is passed on to its customers, was approximately \$10.6 million and \$4.4 million, respectively, in 2002, and \$6.4 million and \$3.2 million, respectively, in 2001.

In late 2002, the FCC requested that the Federal-State Joint Board ("FSJB") on Universal Service review various FCC rules governing high cost universal service support, including rules regarding eligibility to receive support payments in markets served by LECs and competitive carriers. On February 7, 2003, the FSJB issued a notice for public comment on whether present rules fulfill their purpose and whether or not modifications are needed. The Company has been active in various dockets before the FCC and various state commissions related to wireless carriers seeking support payments for service in the Company's service areas.

In January 2003, the Louisiana Public Service Commission directed its staff to review the feasibility of converting the \$42 million Louisiana Local Optional Service Fund ("LOS Fund") into a state universal service fund. A recommendation by the Commission staff is expected by the end of 2003. Currently, the LOS Fund is funded primarily by BellSouth, which proposes to expand the base of contributors into the LOS Fund. The Company currently receives approximately \$21 million from the LOS Fund each year. There can be no assurance that this funding will remain at current levels.

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

Substantially all of the Company's LECs (except for the properties acquired from Verizon in 2002) concur with the common line tariff and certain of the Company's LECs concur with the traffic sensitive tariffs filed by the NECA; such LECs participate in the access revenue sharing arrangements administered by the NECA for interstate services. All of the intrastate network access revenues of the Company's LECs are based on access charges, cost separation studies or special settlement arrangements. See "- Services."

Certain long distance carriers continue to request that certain of the Company's LECs reduce intrastate access tariffed rates. Long distance carriers have also aggressively pursued regulatory or legislative changes that would reduce access rates. See "Services - Network Access" above for additional information.

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



As indicated above, in February 1996 Congress enacted the 1996 Act, which obligates LECs to permit competitors to interconnect their facilities to the LEC's network and to take various other steps that are designed to promote competition. The 1996 Act imposes several duties on a LEC if it receives a specific request from another entity which seeks to connect with or provide services using the LEC's network. In addition, each incumbent LEC is obligated to (i) negotiate interconnection agreements in good faith, (ii) provide "unbundled" access to all aspects of the LEC's network, (iii) offer resale of its telecommunications services at wholesale rates and (iv) permit competitors to collocate their physical plant on the LEC's property, or provide virtual collocation if physical collocation is not practicable. On February 20, 2003, the FCC revised its rules outlining the obligations of incumbent LECs to lease elements of their networks on an unbundled basis to competitors. The new framework eliminates the prior obligation of incumbent LECs to lease their high-speed data lines to competitors. Incumbent LECs will remain obligated to offer other telecommunications services to resellers at wholesale rates. This new rule also provides for a significant role of state regulatory commissions in implementing these new guidelines and establishing wholesale service rates.

Under the 1996 Act's rural telephone company exemption, approximately 50% of the Company's telephone access lines are exempt from certain of these interconnection requirements unless and until the appropriate state regulatory commission overrides the exemption upon receipt from a competitor of a bona fide request meeting certain criteria. States are permitted to adopt laws or regulations that provide for greater competition than is mandated under the 1996 Act. Management believes that competition in its telephone service areas has increased and will continue to increase as a result of the 1996 Act and additional FCC interpretations related to interconnection and the portability of universal service support. While competition through use of the Company's network is still limited in most of its markets, the Company will continue to witness competition from a variety of resellers and facilities-based service providers, including wireless and cable companies.

In addition to these changes in federal regulation, all of the 22 states in which the Company provides telephone services have taken legislative or regulatory steps to further introduce competition into the LEC business.

As a result of these regulatory developments, incumbent LECs ("ILECs") increasingly face competition from competitive local exchange carriers ("CLECs"), particularly in high population areas. CLECs provide competing services through reselling the ILECs' local services, through use of the ILECs' unbundled network elements or through their own facilities. The number of companies which have requested authorization to provide local exchange service in the Company's service areas has increased substantially in recent years, especially in the Company's Verizon markets acquired in 2002 and 2000, and it is anticipated that similar action may be taken by others in the future.

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

Wireless telephone services increasingly constitute a significant source of competition with LEC services, especially as wireless carriers expand and improve their network coverage and continue to lower their prices. As a result, some customers have chosen to completely forego use of traditional wireline phone service and instead rely solely on wireless service. This trend is particularly evident among younger customers, and in urban areas. The Company anticipates this trend will continue, particularly if wireless service rates continue to decline and the quality of wireless service in the Company's markets improves. Technological and regulatory developments in cellular telephone, personal communications services, digital microwave, coaxial cable, fiber optics, local multipoint distribution services and other wired and wireless technologies are expected to further permit the development of alternatives to traditional landline services.

Historically, ILECs had little or no competition associated with intra-LATA long distance calls in their service areas. Principally as a result of recent state regulatory changes, companies offering competing toll services have emerged in the Company's local exchange markets.

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

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

The Company anticipates that regulatory changes and competitive pressures will continue to place downward pressure on its telephone revenues. However, the Company anticipates that such reductions may be minimized by increases in revenues attributable to the continued demand for enhanced services and new product offerings. The Company expects its internal telephone revenues (exclusive of the properties acquired from Verizon in 2002) to decline in 2003 primarily due to continued access line loss and reduced intrastate revenues; however, the

Company expects its internal consolidated revenues to increase in 2003 primarily due to expected increased demand for its long distance, DSL and other product offerings, as discussed further below.

## **OTHER OPERATIONS**

The Company provides long distance, Internet access, competitive local exchange services, fiber network, security monitoring, and other communications and business information services in certain local and regional markets. The results of these operations, which accounted for 12.1% and 7.6%, respectively, of the Company's operating revenues and operating income during 2002, are reflected for financial reporting purposes in the "Other operations" section.

**Long distance.** In 1996 the Company began marketing long distance service in its equal access telephone operating areas. At December 31, 2002, the Company provided long distance services to approximately 648,800 customers. Approximately 75% of the Company's long distance revenues are derived from service provided to residential customers. Although the Company owns and operates switches in LaCrosse, Wisconsin; Shreveport, Louisiana and Vancouver, Washington which are utilized to provide long distance services, it anticipates that most of its near-term long distance service revenues will be provided by reselling service purchased from other facilities-based long distance providers. The Company intends to continue to expand its long distance business, principally through reselling arrangements.

**Internet access.** The Company began offering traditional Internet access services to its telephone customers in 1995. In late 1999, the Company began offering in select markets digital subscriber line ("DSL") Internet access services, a high-speed premium-priced data service. At December 31, 2002, the Company provided Internet access services to a total of approximately 179,400 customers, 131,500 of which receive traditional dial-up Internet service in select markets in 17 states (which markets represent 85% of the access lines served by the Company's LECs), and 47,900 of which receive retail DSL services in markets that cover approximately 59% of the access lines served by the Company's LECs.

**Competitive local exchange services.** In late 2000, the Company began offering competitive local exchange telephone services, coupled with long distance, Internet access and other Company services, to small to medium-sized businesses in Monroe and Shreveport, Louisiana. On February 28, 2002, the Company purchased the fiber network and customer base of KMC Telecom's operations in Monroe and Shreveport, Louisiana, which allowed the Company to offer broadband and competitive local exchange services to customers in these markets. At December 31, 2002, the Company had approximately 141,000 equivalent access lines in its competitive local exchange carrier business.

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

On February 13, 2003, a federal bankruptcy court approved the Company's \$38 million bid to acquire the assets of Digital Teleport, Inc., a regional fiber optics communication company providing wholesale data transport services to other communications carriers over a currently usable 3,800 route mile network located in Missouri, Arkansas, Oklahoma and Kansas. The Company intends to use the acquired assets to sell services to new and existing customers and to reduce the Company's reliance on third party transport providers. The transaction is expected to be completed in the second quarter of 2003, subject to regulatory approvals and other closing conditions.

**Security monitoring.** The Company offers 24-hour burglary and fire monitoring services to approximately 8,600 customers in select markets in Louisiana, Arkansas, Mississippi, Texas and Ohio.

The Company also provides audiotext services; printing, database management and direct mail services; and cable television services. From time to time the Company also makes investments in other domestic or foreign communications companies.

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

## **OTHER DEVELOPMENTS**

The Company is in the process of developing an integrated billing and customer care system which will provide the Company with, in addition to standard billing functionality currently being provided by our legacy system, custom built hardware and software technology for more efficient and effective customer care, billing and provisioning systems. The costs to develop such system have been capitalized in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," and aggregated \$139.5 million at December 31, 2002. A portion of these billing system costs related to the wireless business (\$30.5 million) was written off as a component of discontinued operations in the third quarter of 2002 as a result of the sale of substantially all of the Company's wireless operations on August 1, 2002. Excluding this write-off, the Company's aggregate billing system costs are expected to approximate \$180 million upon completion and are expected to be amortized over a twenty-year period. The Company expects to begin amortizing the billing system in

2003 as customer groups are migrated to this new system. In addition, the Company expects to incur duplicative system costs in 2003 until such time as all customers are migrated to the new system. Such amortization and duplicative system costs are expected to reduce diluted earnings per share by \$.04 for 2003.

The system remains in the development stage and has required substantially more time and money to develop than originally anticipated. Although the Company expects to complete all phases of the system in early 2004, there is no assurance that this deadline (or the Company's budget) will be met or that the system will function as anticipated. If the system does not function as anticipated, the Company may have to write off part or all of its remaining costs.

## **SPECIAL CONSIDERATIONS**

### **Risk Factors**

We have a substantial amount of indebtedness.

Principally, as a result of our recent acquisitions, we have a substantial amount of indebtedness. This could hinder our ability to adjust to changing market and economic conditions, as well as our ability to access the capital markets to refinance maturing debt in the ordinary course of business. In connection with executing our business strategies, we are continuously evaluating the possibility of acquiring additional communications assets, and we may elect to finance acquisitions by incurring additional indebtedness. If we incur significant additional indebtedness, our credit ratings could be adversely affected. As a result, our borrowing costs would likely increase, our access to capital may be adversely affected and our ability to satisfy our obligations under our current indebtedness could be adversely affected.

Our operations have undergone material changes, and our actual operating results will differ from the results indicated in our historical and pro forma financial statements.

As a result of our recently completed Verizon acquisitions and wireless divestiture, our mix of operating assets differs materially from those operations upon which our historical financial statements are based. Consequently, our historical financial statements may not be reliable as an indicator of future results. Moreover, the pro forma financial information that we have filed with the Securities and Exchange Commission, while helpful in illustrating certain effects of our recently completed transactions and related financings, does not attempt to predict or suggest future operating results. The pro forma information was prepared for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if such transactions had been consummated on the dates and in accordance with the assumptions described in such information, nor is it necessarily indicative of our future operating results or financial position. The results of operations for the Verizon assets acquired are reflected in our consolidated results of operations subsequent to each acquisition.

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

Recently, we have rapidly expanded our operations primarily through acquisitions and new product and service offerings, and we intend to pursue similar growth opportunities in the future. Our future success depends, in part, upon our ability to manage our growth, including our ability to:

- o upgrade our billing and other information systems
- o retain and attract technological, managerial and other key personnel to work at our Monroe, Louisiana headquarters and regional offices
- o effectively manage our day to day operations while attempting to execute our business strategy of expanding our wireline operations and our emerging businesses
- o realize the projected growth and revenue targets developed by management for our newly acquired and emerging businesses, and
- o continue to identify new acquisition or growth opportunities that we can finance, complete and operate on attractive terms.

Our rapid growth poses substantial challenges for us to integrate new operations into our existing business in an efficient and timely manner, to successfully monitor our operations, costs, regulatory compliance and service quality, and to maintain other necessary internal controls. We cannot assure you that these efforts will be successful, or that we will realize our expected operating efficiencies, cost savings, revenue enhancements, synergies or other benefits. If we are not able to meet these challenges effectively, our results of operations may be harmed.

We cannot assure you that we will acquire additional properties.

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

If we cannot expand through acquisitions, our growth could be limited primarily to growth associated with providing new or additional services. Our access lines (exclusive of acquisitions) declined 1.1% in 2002 and 0.2% in 2001, and we expect to incur a further decline of 1 to 2% for 2003.

We cannot assure you that our new billing system will be successful.

We are developing a new integrated billing and customer care system. The system remains in the development stage and has required substantially more time and money to develop than originally anticipated. We expect our aggregate costs associated with the billing system to total \$180 million upon completion of the system (excluding a write-off that we recorded in the third quarter of 2002). Although we expect to complete all phases of the system in early 2004, we cannot assure you that this deadline (or our budget) will be met or that the system will function as anticipated. If the system does not function as anticipated, we may have to write off part or all of our remaining costs.

Our industry is highly regulated, and continues to undergo various fundamental regulatory changes.

As a diversified full service incumbent local exchange carrier, or ILEC, we have traditionally been subject to significant regulation from federal, state and local authorities. This regulation restricts our ability to raise our rates and to compete, and imposes substantial compliance costs on us. In recent years, the communications industry has undergone various fundamental regulatory changes that have generally reduced the regulation of telephone companies and permitted competition in each segment of the telephone industry. These and subsequent changes could adversely affect us by reducing the fees that we are permitted to charge, altering our tariff structures, or otherwise changing the nature of our operations and competition in our industry. We are unable to predict the future actions of the various regulatory bodies that govern us, but such actions could materially affect our business.

We face competition, which could adversely affect us.

As a result of various technological, regulatory and other changes, the telecommunications industry has become increasingly competitive, and we expect these trends to continue. The number of companies that have requested authorization to provide local exchange service in our markets has increased in recent years, and we anticipate that others will take similar action in the future. As an ILEC, our competitors include competitive local exchange carriers, or CLECs, and other providers (or potential providers) of communications services, such as Internet service providers, wireless telephone companies, satellite companies, alternative access providers, neighboring ILECs, long distance companies and cable companies that may provide services competitive with ours or services that we intend to introduce. Wireless telephone services, in particular, increasingly constitute a significant source of competition with LEC services, especially as wireless owners expand and improve their network coverage and continue to lower their prices. We cannot assure you that we will be able to compete effectively with all of these industry participants.

We expect competition to intensify as a result of new competitors and the development of new technologies, products and services. We cannot predict which future technologies, products or services will be important to maintain our competitive position or what funding will be required to develop and provide these technologies, products or services. Our ability to compete successfully will depend on how well we market our products and services, and on our ability to anticipate and respond to various competitive factors affecting the industry, including a changing regulatory environment that may affect us differently from our competitors, new services that may be introduced, changes in consumer preferences, demographic trends, economic conditions and discount pricing strategies by competitors.

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

While we expect our internal consolidated revenues to grow as the economy improves, we expect our internal telephone revenues (exclusive of the properties acquired from Verizon in 2002) to decline in 2003 primarily due to continued access line loss and reduced intrastate revenues.

We could be harmed by rapid changes in technology.

The communications industry is experiencing significant technological changes. Rapid changes in technology could result in the development of products or services that compete with or displace those offered by traditional LECs. If we cannot develop new products to keep pace with technological advances, or if such products are not widely embraced by our customers, we could be adversely impacted.

We are reliant on support funds provided under federal and state laws.

We receive a substantial portion of our revenues from the federal Universal Service Fund and, to a lesser extent, intrastate support funds. These governmental programs are reviewed and amended from time to time, and we cannot assure you that they will not be changed or impacted in a manner adverse to us.

We could be harmed by the recent adverse developments affecting other communications companies.

Recently, WorldCom, Inc. and several other large communications companies have declared bankruptcy or suffered financial difficulties, which caused our provision for uncollectible receivables to increase. Likewise, a number of our suppliers have recently experienced financial challenges, which could cause us to experience delays, interruptions or additional expenses associated with upgrading and expanding our information systems and networks and offering new products and services. Continued weakness in the communications industry could have additional future adverse effects on us, including reducing our ability to collect receivables and to access the capital markets on favorable terms.

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

Under our articles of incorporation, each share of common stock that has been beneficially owned by the same person or entity continually since May 30, 1987 generally entitles the holder to ten votes on all matters duly submitted to a vote of shareholders. As of March 17, 2003, the holders of our ten-vote shares held approximately 42% of our total voting power. In addition, a number of other provisions in our agreements and organizational documents, including our shareholder rights plan, and various provisions of applicable law may delay, defer or prevent a future takeover of CenturyTel unless the takeover is approved by our board of directors. This could deprive our shareholders of any related takeover premium.

### **Forward-Looking Statements**

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

- o our ability to effectively manage our growth, including without limitation our ability to (i) integrate newly-acquired operations into our operations, (ii) attract and retain technological, managerial and other key personnel to work at our Monroe, Louisiana headquarters or regional offices, (iii) achieve projected economies of scale and cost savings, (iv) achieve projected growth and revenue targets developed by management in valuing newly-acquired businesses, (v) successfully upgrade our billing and other information systems in a timely and cost-efficient manner and
- (vi) otherwise monitor our operations, costs, regulatory compliance, and service quality and maintain other necessary internal controls.

- o the risks inherent in rapid technological change, including without limitation the risk that technologies will not be developed or embraced by us on a timely or cost-effective basis or perform according to expectations.

- o the effects of ongoing changes in the regulation of the communications industry, including without limitation (i) changes as a result of the 1996 Act and other similar federal and state legislation and federal and state regulations enacted thereunder, (ii) greater than anticipated interconnection requests or competition in our predominately rural local exchange telephone markets resulting therefrom, (iii) greater than anticipated reductions in revenues received from the federal Universal Service Fund or other current or future federal and state support funds designed to compensate LECs that provide services in high-cost markets, (iv) our failure to successfully transition from "rate of return" regulation to alternative regulation plans, (v) the final outcome of regulatory and judicial proceedings with respect to interconnection agreements and (vi) future judicial or regulatory actions taken in response to the 1996 Act.

- o the effects of greater than anticipated competition, including competition from wireless carriers, competitive local exchange companies or cable television companies in our local exchange markets.

- o possible changes in the demand for, or pricing of, our products and services, including without limitation (i) reduced demand for traditional telephone services caused by greater use of wireless or Internet communications or other factors, (ii) reduced demand for second lines, (iii) lower than anticipated demand for premium telephone services, (iv) lower than anticipated demand for our DSL Internet access services, CLEC services or broadband services and (v) reduced demand for our access or billing and collection services.

- o our ability to successfully introduce new product or service offerings on a timely and cost-effective basis, including without limitation our ability to (i) expand successfully our long distance and Internet offerings to new or acquired markets, (ii) offer bundled service packages on terms attractive to our customers and (iii) successfully initiate competitive local exchange and data services in our targeted markets.

- o our ability to collect receivables from financially troubled communications companies.

- o regulatory limits on our ability to change the prices for telephone services in response to competitive pressures.

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

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

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

o the impact of terrorist attacks on our business.

o other risks referenced from time to time in our filings with the Securities and Exchange Commission.

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

- \* changes in general industry and market conditions and growth rates
- \* changes in interest rates or other general national, regional or local economic conditions
- \* changes in legislation, regulation or public policy, including changes in federal rural financing programs
- \* unanticipated increases in capital, operating or administrative costs, or the impact of new business opportunities requiring significant up-front investments
- \* the continued availability of financing in amounts, and on terms and conditions, necessary to support our operations
- \* changes in our relationships with vendors, or the failure of these vendors to provide competitive products on a timely basis
- \* changes in our senior debt ratings
- \* unfavorable outcomes of regulatory or legal proceedings, including rate proceedings and environmental proceedings
- \* losses or unfavorable returns on our investments in other communications companies
- \* delays in the construction of our networks
- \* changes in accounting policies or practices adopted voluntarily or as required by generally accepted accounting principles.

For additional information, see the description of our business included above, as well as Item 7 of this report. Due to these uncertainties, you are cautioned not to place undue reliance upon these forward-looking statements, which speak only as of the date made. We undertake no obligation to update or revise any of our forward-looking statements for any reason, whether as a result of new information, future events or developments, or otherwise.

## OTHER MATTERS

The Company has certain obligations based on federal, state and local laws relating to the protection of the environment. Costs of compliance through 2002 have not been material and the Company currently has no reason to believe that such costs will become material.

For additional information concerning the business and properties of the Company, see Item 7 elsewhere herein, and the Consolidated Financial Statements and notes 2, 5, 6, 13, and 18 thereto set forth in Item 8 elsewhere herein.

### Item 2. Properties.

The Company's properties consist principally of telephone lines, central office equipment, and land and buildings related to telephone operations. As of December 31, 2002 and 2001, the Company's gross property, plant and equipment of approximately \$6.9 billion and \$5.7 billion, respectively, consisted of the following:

	December 31,	
	2002	2001
-----		
Telephone operations		
Cable and wire	53.0%	52.5
Central office	31.3	31.9
General support	6.9	5.9
Information origination/termination equipment	0.6	0.7
Construction in progress	0.5	1.1
Other	0.1	0.1
	92.4	92.2
Other operations	7.6	7.8
	100.0%	100.0
=====		

"Cable and wire" facilities consist primarily of buried cable and aerial cable, poles, wire, conduit and drops. "Central office equipment" consists primarily of switching equipment, circuit equipment and related facilities. "General support" consists primarily of land, buildings,

tools, furnishings, fixtures, motor vehicles and work equipment. "Information origination/termination equipment" consists primarily of premise equipment (private branch exchanges and telephones) for official company use. "Construction in progress" includes property of the foregoing categories that has not been placed in service because it is still under construction.

The properties of certain of the Company's telephone subsidiaries are subject to mortgages securing the debt of such companies. The Company owns substantially all of the central office buildings, local administrative buildings, warehouses, and storage facilities used in its telephone operations. The Company's property in its Other Operations consist primarily of (i) corporate general support assets, (ii) the fiber network in Michigan and (iii) equipment to provide competitive local exchange and Internet access services. For further information on the location and type of the Company's properties, see the descriptions of the Company's operations in Item 1.

### Item 3. Legal Proceedings.

Following the Company's rejection of an acquisition proposal publicly disclosed by Alltel Corporation on August 15, 2001, the Company and its directors were named as defendants in *Hannahs v. CenturyTel, Inc., et al.*, a case filed August 20, 2001 in the Fourth Judicial District Court, State of Louisiana, which asserted breach of fiduciary duty and related claims and sought injunctive relief pertaining to the Company's rejection of the acquisition proposal, as well as unspecified monetary damages. This case was dismissed without prejudice on March 24, 2003. Two other similar shareholder suits were previously either voluntarily dismissed or stayed and administratively closed.

On December 26, 2001, AT&T Corp. and one of its subsidiaries filed a complaint in the U.S. District Court for the Western District of Washington (Case No. CV0121512) seeking money damages against CenturyTel of the Northwest, Inc. The plaintiffs claim, among other things, that CenturyTel of the Northwest, Inc. has breached its obligations under a 1994 stock purchase agreement to indemnify the plaintiffs for various environmental costs and damages relating to properties sold to the plaintiffs under such 1994 agreement. The Company has investigated this claim and believes it has numerous defenses available. If the plaintiffs are successful in recovering any sums under this litigation, the Company believes it is entitled to indemnification under agreements with third parties.

On March 13, 2002, the Arkansas Court of Appeals vacated two orders issued by the Arkansas Public Service Commission ("APSC") in connection with the Company's acquisition of its Arkansas LECs from Verizon in July 2000, and remanded the case back to the APSC for further hearings. The Court took these actions in response to challenges to the rates the Company has charged other LECs for intrastate switched access service. On December 20, 2002, the APSC approved the access rates established by the Company at the time of acquisition. On January 29, 2003, AT&T filed with the APSC a petition for rehearing related to this ruling.

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

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

Not applicable.

### Executive Officers of the Registrant

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

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

#### Stockholder Matters

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

	Sales prices		Dividend per common share
	High	Low	
2002:			
First quarter	\$ 35.50	28.80	.0525
Second quarter	\$ 34.45	27.00	.0525
Third quarter	\$ 30.60	21.13	.0525
Fourth quarter	\$ 31.65	22.35	.0525
2001:			
First quarter	\$ 39.88	25.45	.0500
Second quarter	\$ 30.42	26.90	.0500
Third quarter	\$ 36.50	28.30	.0500
Fourth quarter	\$ 35.79	30.25	.0500

Common stock dividends during 2002 and 2001 were paid each quarter. As of February 28, 2003, there were approximately 4,890 stockholders of record of CenturyTel's common stock.

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

### Item 6. Selected Financial Data.

The following table presents certain selected consolidated financial data (from continuing operations) as of and for each of the years ended in the five-year period ended December 31, 2002:

#### Selected Income Statement Data

	Year ended December 31,				
	2002	2001	2000	1999	1998
	(Dollars, except per share amounts, and shares expressed in thousands)				
Operating revenues					
Telephone	\$ 1,733,592	1,505,733	1,253,969	1,126,112	1,077,343
Other	238,404	173,771	148,388	128,288	91,915
Total operating revenues	\$ 1,971,996	1,679,504	1,402,357	1,254,400	1,169,258
Operating income					
Telephone	\$ 543,113	423,420	376,290	351,559	334,604
Other	43,568	22,098	31,258	22,580	16,083
Corporate overhead costs allocable to discontinued operations	(11,275)	(20,213)	(21,411)	(19,416)	(14,957)
Total operating income	\$ 575,406	425,305	386,137	354,723	335,730
Nonrecurring gains and losses (pre-tax)	\$ 3,709	33,043	-	11,284	28,085
Income from continuing operations	\$ 189,919	144,146	124,229	135,520	117,128
Basic earnings per share from continuing operations	\$ 1.34	1.02	.88	.97	.85
Basic earnings per share from continuing operations, as adjusted for goodwill amortization	\$ 1.34	1.35	1.15	1.20	1.08
Diluted earnings per share from continuing operations	\$ 1.33	1.01	.88	.96	.84
Diluted earnings per share from continuing operations, as adjusted for goodwill amortization	\$ 1.33	1.34	1.13	1.18	1.06
Dividends per common share	\$ .210	.200	.190	.180	.173
Average basic shares outstanding	141,613	140,743	140,069	138,848	137,010
Average diluted shares outstanding	142,879	142,307	141,864	141,432	140,105

#### Selected Balance Sheet Data

	December 31,				
	2002	2001	2000	1999	1998
	(Dollars in thousands)				



Net property, plant and equipment	\$ 3,531,645	2,736,142	2,698,010	2,000,789	2,093,526
Goodwill	\$ 3,427,281	2,087,158	2,108,344	1,267,908	1,500,532
Total assets	\$ 7,770,408	6,318,684	6,393,290	4,705,407	4,935,455
Long-term debt	\$ 3,578,132	2,087,500	3,050,292	2,075,212	2,551,963
Stockholders' equity	\$ 3,088,004	2,337,380	2,032,079	1,847,992	1,531,482

See Items 7 and 8 for a discussion of the Company's discontinued wireless operations.

The following table presents certain selected consolidated operating data as of the end of each of the years in the five-year period ended December 31, 2002:

	Year ended December 31,				
	2002	2001	2000	1999	1998
Telephone access lines	2,414,564	1,797,643	1,800,565	1,272,867	1,346,567
Long distance customers	648,797	465,872	363,307	303,722	226,730

See Items 1 and 2 in Part I and Items 7 and 8 elsewhere herein for additional information.

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

### Results of Operations

#### OVERVIEW

CenturyTel, Inc. and its subsidiaries (the "Company") is a regional integrated communications company engaged primarily in providing local exchange, long distance, Internet access and data services to customers in 22 states.

On July 1, 2002, the Company acquired the local exchange telephone operations of Verizon Communications, Inc. ("Verizon") in the state of Alabama for approximately \$1.022 billion cash. On August 31, 2002, the Company acquired the local exchange telephone operations of Verizon in the state of Missouri for approximately \$1.179 billion cash. The results of operations for the Verizon assets acquired are reflected in the Company's consolidated results of operations subsequent to each respective acquisition. See "Acquisitions" below and Note 2 of Notes to Consolidated Financial Statements for additional information.

On August 1, 2002, the Company sold substantially all of its wireless operations to an affiliate of ALLTEL Corporation ("Alltel") and certain other purchasers in exchange for an aggregate of approximately \$1.59 billion in cash. As a result, the Company's wireless operations for the years ended December 31, 2002, 2001 and 2000 have been reflected as discontinued operations on the Company's consolidated statements of income and cash flows. For further information, see "Discontinued Operations" below.

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

During the three years ended December 31, 2002, the Company has acquired and sold various other operations, the impact of which has not been material to the financial position or results of operations of the Company.

The net income of the Company for 2002 was \$801.6 million, compared to \$343.0 million during 2001 and \$231.5 million during 2000. Diluted earnings per share for 2002 was \$5.61 compared to \$2.41 in 2001 and \$1.63 in 2000. Income from continuing operations (and diluted earnings per share from continuing operations) was \$189.9 million (\$1.33), \$144.1 million (\$1.01) and \$124.2 million (\$.88) for 2002, 2001 and 2000, respectively. In accordance with the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), amortization of goodwill ceased effective January 1, 2002. Had the results of operations for the years ended December 31, 2001 and 2000 been subject to the provisions of SFAS 142, income from continuing operations (and diluted earnings per share) would have been \$190.5 million (\$1.34) for 2001 and \$160.8 million (\$1.13) for 2000 and net income (and diluted earnings per share) would have been \$399.3 million (\$2.81) for 2001 and \$278.0 million (\$1.96) for 2000.

Year ended December 31,	2002	2001	2000
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(Dollars, except per share amounts,

	and shares in thousands)		
Operating income			
Telephone	\$ 543,113	423,420	376,290
Other	43,568	22,098	31,258
Corporate overhead costs allocable to discontinued operations	(11,275)	(20,213)	(21,411)
-----			
	575,406	425,305	386,137
Nonrecurring gains and losses, net	3,709	33,043	-
Interest expense	(221,845)	(225,523)	(183,302)
Other income and expense	(63,814)	32	4,936
Income tax expense	(103,537)	(88,711)	(83,542)
-----			
Income from continuing operations	189,919	144,146	124,229
Discontinued operations, net of tax	611,705	198,885	107,245
-----			
Net income	\$ 801,624	343,031	231,474
=====			
Net income, as adjusted for goodwill amortization	\$ 801,624	399,297	278,029
=====			
Basic earnings per share			
From continuing operations	\$ 1.34	1.02	.88
From continuing operations, as adjusted for goodwill amortization	\$ 1.34	1.35	1.15
From discontinued operations	\$ 4.32	1.41	.77
From discontinued operations, as adjusted for goodwill amortization	\$ 4.32	1.48	.84
Basic earnings per share	\$ 5.66	2.43	1.65
Basic earnings per share, as adjusted for goodwill amortization	\$ 5.66	2.83	1.98
Diluted earnings per share			
From continuing operations	\$ 1.33	1.01	.88
From continuing operations, as adjusted for goodwill amortization	\$ 1.33	1.34	1.13
From discontinued operations	\$ 4.28	1.40	.76
From discontinued operations, as adjusted for goodwill amortization	\$ 4.28	1.47	.83
Diluted earnings per share	\$ 5.61	2.41	1.63
Diluted earnings per share, as adjusted for goodwill amortization	\$ 5.61	2.81	1.96
Average basic shares outstanding	141,613	140,743	140,069
=====			
Average diluted shares outstanding	142,879	142,307	141,864
=====			

During the three years ended December 31, 2002, the Company has recorded certain nonrecurring items. Net income (and diluted earnings per share) excluding nonrecurring items for 2002, 2001 and 2000 was \$325.0 million (\$2.27), \$225.7 million (\$1.59; \$1.98, as adjusted), and \$228.8 million (\$1.61; \$1.94, as adjusted), respectively. The Company believes this presentation of results of operations excluding nonrecurring items is useful to investors because it (i) reflects management's view of recurring operations upon which management bases financial, operational, compensation and planning decisions and (ii) prevents investors from misconstruing the significance of financial data impacted by nonrecurring events. The following reconciliation table shows how the amounts of various line items reported under generally accepted accounting principles were impacted by these nonrecurring items.

Year ended December 31,	2002	2001	2000
-----			
(Dollars, except per share amounts, in thousands)			
Operating income, as reported	\$ 575,406	425,305	386,137
Less nonrecurring items:			
Reserve for uncollectible receivables, primarily WorldCom	(15,000)	-	-
Refund of access charges to interexchange carriers	(7,645)	-	-
Other	(1,929)	(2,000)	(504)
-----			
Operating income, excluding nonrecurring items	\$ 599,980	427,305	386,641
=====			
Nonrecurring gains and losses, net, as reported	\$ 3,709	33,043	-
Less nonrecurring items:			
Gain on sale of assets	3,709	58,523	-
Write down of non-operating assets	-	(25,480)	-
-----			
Nonrecurring gains and losses, net, excluding nonrecurring items	\$ -	-	-
=====			

Other income and expense, as reported	\$ (63,814)	32	4,936
Less nonrecurring items:			
Redemption premium on remarketable notes, net of unamortized premium	(59,949)	-	-
Write-off of nonoperating investment	(781)	-	-
Costs associated with unsolicited takeover proposal	(3,000)	(6,000)	-
Settlement of interest rate hedge contracts	-	-	(7,947)
-----			
Other income and expense, excluding nonrecurring items	\$ (84)	6,032	12,883
=====			
Income tax expense, as reported	\$ (103,537)	(88,711)	(83,542)
Less: Tax effect of nonrecurring items	29,608	(8,666)	2,957
-----			
Income tax expense, excluding nonrecurring items	\$ (133,145)	(80,045)	(86,499)
=====			
Discontinued operations, net of tax, as reported	\$ 611,705	198,885	107,245
Less nonrecurring items:			
Gain on sale of assets	805,628	185,133	20,593
Write down of wireless portion of billing system	(30,491)	-	-
Write down of non-operating assets	(1,702)	(18,205)	-
Proportionate share of nonrecurring charges recorded by entities in which the Company owns a minority interest	-	(10,054)	(5,330)
Company's share of gain on sale of assets	-	2,164	-
Minority interest effect of gain on sale of assets	-	(13)	-
Tax effect of nonrecurring items	(241,810)	(58,032)	(7,123)
-----			
Income from discontinued operations, net of tax, excluding nonrecurring items	\$ 80,080	97,892	99,105
=====			
Net income, as reported	\$ 801,624	343,031	231,474
Less: Effect of nonrecurring items	476,638	117,370	2,646
-----			
Net income, excluding nonrecurring items	\$ 324,986	225,661	228,828
=====			
Basic earnings per share, as reported	\$ 5.66	2.43	1.65
Less: Effect of nonrecurring items	3.37	.83	.02
-----			
Basic earnings per share, excluding nonrecurring items	\$ 2.29	1.60	1.63
=====			
Basic earnings per share, excluding nonrecurring items, as adjusted	\$ 2.29	2.00	1.96
=====			
Diluted earnings per share, as reported	\$ 5.61	2.41	1.63
Less: Effect of nonrecurring items	3.34	.82	.02
-----			
Diluted earnings per share, excluding nonrecurring items	\$ 2.27	1.59	1.61
=====			
Diluted earnings per share, excluding nonrecurring items, as adjusted	\$ 2.27	1.98	1.94
=====			

For additional information concerning the nonrecurring items described in the above table, see "Telephone Operations", "Nonrecurring Gains and Losses, Net", "Other Income and Expense", and "Discontinued Operations".

Contributions to operating revenues and operating income by the Company's telephone and other operations for each of the years in the three-year period ended December 31, 2002 were as follows:

Year ended December 31,	2002	2001	2000
-----			
Operating revenues			
Telephone operations	87.9 %	89.7	89.4
Other operations	12.1 %	10.3	10.6
Operating income			
Telephone operations	94.4 %	99.6	97.4
Other operations	7.6 %	5.2	8.1
Corporate overhead costs allocable to discontinued operations	(2.0)%	(4.8)	(5.5)
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In addition to historical information, management's discussion and analysis includes certain forward-looking statements regarding events and financial trends that may affect the Company's future operating results and financial position. Such forward-looking statements are subject to uncertainties that could cause the Company's actual results to differ materially from such statements. Such uncertainties include but are not

limited to: the Company's ability to effectively manage its growth, including integrating newly-acquired businesses into the Company's operations, hiring adequate numbers of qualified staff and successfully upgrading its billing and other information systems; the risks inherent in rapid technological change; the effects of ongoing changes in the regulation of the communications industry; the effects of greater than anticipated competition in the Company's markets; possible changes in the demand for, or pricing of, the Company's products and services; the Company's ability to successfully introduce new product or service offerings on a timely and cost-effective basis; the Company's ability to collect its receivables from financially troubled communications companies; and the effects of more general factors such as changes in interest rates, in general market or economic conditions or in legislation, regulation or public policy. These and other uncertainties related to the business are described in greater detail in Item 1 included herein. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. The Company undertakes no obligation to update any of its forward-looking statements for any reason.

## TELEPHONE OPERATIONS

The Company conducts its telephone operations in rural, suburban and small urban communities in 22 states. As of December 31, 2002, approximately 91% of the Company's 2.4 million access lines were in Wisconsin, Missouri, Alabama, Arkansas, Washington, Michigan, Louisiana, Colorado, Ohio and Oregon. The operating revenues, expenses and income of the Company's telephone operations for 2002, 2001 and 2000 are summarized below.

Year ended December 31,	2002	2001	2000
(Dollars in thousands)			
Operating revenues			
Local service	\$ 604,580	491,529	408,538
Network access	972,303	874,458	727,797
Other	156,709	139,746	117,634
	1,733,592	1,505,733	1,253,969
Operating expenses			
Plant operations	433,187	380,466	290,062
Customer operations	148,502	117,080	105,950
Corporate and other	211,924	186,483	163,761
Depreciation and amortization	396,866	398,284	317,906
	1,190,479	1,082,313	877,679
Operating income	\$ 543,113	423,420	376,290

**Local service revenues.** Local service revenues are derived from the monthly provision of local exchange telephone services in the Company's service areas. Of the \$113.1 million (23.0%) increase in local service revenues in 2002, \$102.8 million was due to the acquisition of the Verizon properties in 2002. The remaining \$10.3 million increase was primarily due to a \$7.6 million increase resulting from the provision of custom calling features to more customers and a \$1.8 million increase due to increased rates in certain jurisdictions. Of the \$83.0 million (20.3%) increase in local service revenues in 2001, \$73.7 million was due to the acquisition of the Verizon properties in 2000. The remaining \$9.3 million increase was due to a \$6.9 million increase due to increased rates in certain jurisdictions and an increase in the number of customer access lines in incumbent markets during most of 2001 and a \$3.9 million increase due to the increased provision of custom calling features. Internal access lines declined 1.1% and 0.2% during 2002 and 2001, respectively. Internal access line growth during 2000 was 2.8%. The Company believes the decline in the number of access lines during 2002 and 2001 is primarily due to declines in second lines, soft general economic conditions in the Company's markets and the displacement of traditional wireline telephone services by other competitive service providers. Even when the economy recovers, the Company believes that any rebound in access lines will be limited by continued declines in second lines caused primarily by digital subscriber line substitution and the impact of competitive services. Based on current conditions, the Company expects to incur a decline in access lines of 1 to 2% for 2003.

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

Network access revenues increased \$97.8 million (11.2%) in 2002 and \$146.7 million (20.2%) in 2001 due to the following factors:

	2002 increase (decrease)	2001 increase (decrease)
(Dollars in thousands)		
Acquisitions of Verizon properties in third quarter 2002	\$ 98,014	-
Acquisitions of Verizon properties in third quarter 2000	-	139,866

Increased recovery from the federal Universal Service Fund ("USF")	13,832	8,507
One-time refund of access charges to interexchange carriers	(7,645)	-
Intrastate revenues due to decreased minutes of use and decreased access rates in certain states	(27,740)	(3,048)
Partial recovery of increased operating costs through revenue sharing arrangements with other telephone companies, increased recovery from state support funds and return on rate base	9,756	16,252
Rate changes in certain jurisdictions	5,600	(916)
Revision of prior year revenue settlement agreements	1,912	(16,876)
Other, net	4,116	2,876
	\$ 97,845	146,661

In 2002 the Company incurred a reduction in its intrastate revenues (exclusive of the properties acquired from Verizon in 2002) of approximately \$27.7 million compared to 2001 primarily due to (i) a reduction in intrastate minutes (partially due to the displacement of minutes by wireless and instant messaging services) and (ii) decreased access rates in certain states. The Company believes such trend of decreased intrastate minutes will continue in 2003. Although the magnitude of such decrease cannot be precisely estimated, the Company believes such decrease will be less than that incurred in 2002.

**Other revenues.** Other revenues include revenues related to (i) leasing, selling, installing, maintaining and repairing customer premise telecommunications equipment and wiring ("CPE services"), (ii) providing billing and collection services for long distance carriers and (iii) participating in the publication of local directories. Other revenues increased \$17.0 million (12.1%) in 2002, of which \$18.2 million was due to the properties acquired from Verizon in 2002. Other revenues increased \$22.1 million in 2001, primarily due to a \$20.5 million increase attributable to revenues contributed by the properties acquired from Verizon in 2000. The remainder of the increase in 2001 was due primarily to a \$7.0 million increase in revenues from CPE services (primarily due to an increase in rates) which was partially offset by a \$5.0 million decrease in billing and collection revenues.

**Operating expenses.** Plant operations expenses during 2002 and 2001 increased \$52.7 million (13.9%) and \$90.4 million (31.2%), respectively. Of the \$52.7 million increase in 2002, \$58.4 million was attributable to the properties acquired from Verizon in 2002 and \$13.8 million related to increases in salaries and benefits. Such increases were partially offset by a \$16.4 million decrease in access expenses primarily as a result of changes in certain optional calling plans in Arkansas approved in late 2001 and a \$3.0 million decrease in repairs and maintenance expense. Of the \$90.4 million increase in 2001, \$87.3 million was attributable to the properties acquired from Verizon in 2000. The remaining \$3.1 million increase was primarily due to a \$6.1 million increase in salaries and benefits, a \$2.7 million increase in network operations expenses and a \$2.6 million increase in digital subscriber line ("DSL") expenses. Such increases were substantially offset by a \$9.9 million decrease in engineering expenses.

**Customer operations, corporate and other expenses** increased \$56.9 million (18.7%) in 2002 and \$33.9 million (12.6%) in 2001. Of the \$56.9 million increase in 2002, \$47.2 million related to the Verizon acquisitions in 2002. The remaining increase of \$9.7 million was due primarily to a \$7.7 million increase in salaries and benefits, a \$4.6 million increase in customer service expenses and a \$3.9 million increase in the provision for doubtful accounts. Such increases were partially offset by a \$5.0 million decrease in operating taxes and a \$1.4 million decrease in expenses related to the provision of CPE services. The Company recorded a provision for uncollectible receivables for telecommunications carriers, primarily related to the bankruptcy of WorldCom, Inc., in the amount of \$15.0 million during 2002. Such increase was partially offset by an \$11.1 million reduction in the provision for uncollectible receivables for non-carrier customers. Of the \$33.9 million increase in customer operations, corporate and other expenses in 2001, \$42.5 million related to the Verizon properties acquired in 2000. The remaining \$8.6 million decrease in 2001 was primarily due to a \$4.3 million decrease in the provision for uncollectible receivables and a \$3.1 million decrease in operating taxes.

**Depreciation and amortization** decreased \$1.4 million (0.4%) in 2002 and increased \$80.4 million (25.3%) in 2001. Of the \$1.4 million decrease in 2002, \$58.0 million related to ceasing amortization of goodwill effective January 1, 2002 in accordance with the provisions of SFAS 142. Such decrease was substantially offset by \$38.0 million of depreciation and amortization related to the properties acquired from Verizon in 2002 and a \$21.8 million increase in depreciation expense due to higher levels of plant in service in incumbent markets. Of the \$80.4 million increase in 2001, \$65.2 million was attributable to the properties acquired from Verizon in 2000 (which included \$14.7 million of amortization of goodwill) and the remainder was primarily due to higher levels of plant in service in incumbent markets. The composite depreciation rate for the Company's regulated telephone properties was 6.9% for 2002, 6.8% for 2001 and 7.2% for 2000.

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

## OTHER OPERATIONS

Other operations includes the results of continuing operations of subsidiaries of the Company which are not included in the telephone segment including, but not limited to, the Company's nonregulated long distance operations, Internet operations, competitive local exchange carrier ("CLEC") operations, fiber network business and security monitoring operations. The operating revenues, expenses and income of the Company's other operations for 2002, 2001 and 2000 are summarized below.

(Dollars in thousands)			
-----			
Operating revenues			
Long distance	\$ 146,536	117,363	104,435
Internet	58,665	39,057	23,491
Other	33,203	17,351	20,462
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	238,404	173,771	148,388
-----			
Operating expenses			
Cost of sales and operating expenses	180,076	142,919	112,219
Depreciation and amortization	14,760	8,754	4,911
-----			
	194,836	151,673	117,130
-----			
Operating income	\$ 43,568	22,098	31,258
=====			

Long distance revenues increased \$29.2 million (24.9%) and \$12.9 million (12.4%) in 2002 and 2001, respectively. The \$29.2 million increase in 2002 was primarily attributable to the growth in the number of customers and increased average minutes of use (\$34.8 million), partially offset by a decrease in the average rate charged by the Company per minute of use (\$5.8 million). The \$12.9 million increase in 2001 was due primarily to the growth in the number of customers and increased minutes of use, primarily due to penetration of the markets acquired from Verizon in 2000. The number of long distance customers as of December 31, 2002, 2001, and 2000 was approximately 648,790, 465,870, and 363,300, respectively.

Internet revenues increased \$19.6 million (50.2%) in 2002 due to growth in the number of customers, primarily due to the expansion of the Company's DSL product offering. Internet revenues increased \$15.6 million (66.3%) in 2001 primarily due to a \$12.6 million increase due to growth in the number of customers (including growth in the Company's DSL product offering) and a \$1.8 million increase due to Internet operations acquired in mid-2000.

Other revenues increased \$15.9 million in 2002, of which \$15.1 million was due to increased revenues in the Company's CLEC business, primarily due to an acquisition of certain CLEC operations in the first quarter of 2002. Other revenues decreased \$3.1 million in 2001 primarily due to the winding down of the Company's third party call center operations during 2000.

Cost of sales and operating expenses increased \$37.2 million (26.0%) in 2002 primarily due to (i) a \$23.9 million increase in expenses associated with the Company's long distance operations (of which \$13.4 million was due to increased payments to other carriers due to higher minutes of use partially offset by a decrease in the rate per minute of use; \$5.3 million related to increased sales and marketing costs; \$2.2 million was due to an increase in the provision for doubtful accounts; and \$2.3 million was due to an increase in billing and collection costs); (ii) an \$11.8 million increase in expenses associated with the Company's CLEC operations primarily due to the expansion of the business and operations acquired in the first quarter of 2002; and (iii) a \$12.3 million increase associated with expanding the Company's Internet operations. Such increases were partially offset by a \$7.4 million reduction in expenses primarily due to the increased intercompany profit with regulated affiliates (the recognition of which in accordance with regulatory accounting principles acts to offset operating expenses).

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

Depreciation and amortization increased \$6.0 million in 2002 and \$3.8 million in 2001 primarily due to increased depreciation expense in the Company's CLEC, Internet and fiber network businesses.

The Company incurred combined operating losses in 2002 and 2001 of \$16.7 million and \$16.5 million, respectively, in its CLEC and fiber network businesses, and expects to incur a combined operating loss ranging from \$13 to \$18 million in 2003 related to these operations.

Certain of the Company's service subsidiaries provide managerial, operational, technical, accounting and administrative services, along with materials and supplies, to the Company's telephone subsidiaries. In accordance with regulatory accounting, intercompany profit on transactions with regulated affiliates has not been eliminated in connection with consolidating the results of operations of the Company. When the regulated operations of the Company no longer qualify for the application of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"), such intercompany profit will be eliminated in subsequent financial statements, the primary result of which will be a decrease in operating expenses applicable to the Company's telephone operations and an increase in operating expenses applicable to the Company's other operations. The amount of intercompany profit with regulated affiliates which was not eliminated was approximately \$29.5 million, \$22.0 million and \$17.1 million in 2002, 2001 and 2000, respectively. For additional information applicable to SFAS 71, see "Regulation and Competition -- Other Matters."

## NONRECURRING GAINS AND LOSSES, NET

In 2002, the Company recorded a pre-tax gain of \$3.7 million from the sale of a PCS license.

In 2001, the Company's net favorable nonrecurring pre-tax gains were \$33.0 million. The Company recorded a pre-tax gain on the sale of its remaining shares of Illuminet Holdings, Inc. ("Illuminet") common stock aggregating \$54.6 million (\$35.5 million after-tax; \$.25 per diluted share) and a pre-tax gain of \$4.0 million (\$2.6 million after-tax; \$.02 per diluted share) on the sale of certain other assets. Additionally in 2001, the Company recorded pre-tax charges of \$25.5 million (\$16.6 million after-tax; \$.12 per diluted share) due to the write-down in the value of certain non-operating investments in which the Company owns a minority interest.

Certain other nonrecurring items for the three-year period ended December 31, 2002 are reflected in other line items of the Company's consolidated financial statements. See "Results of Operations - Overview".

## INTEREST EXPENSE

Interest expense decreased \$3.7 million in 2002 compared to 2001 due to a decrease in average debt outstanding and decreased rates.

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

## OTHER INCOME AND EXPENSE

Other expense was \$63.8 million in 2002 compared to other income of \$32,000 in 2001. Such decrease was primarily due to a \$59.9 million pre-tax charge related to the Company's payment of premium in connection with redeeming its Series I remarketable notes, net of unamortized premium.

Other income decreased \$4.9 million in 2001 compared to 2000 primarily due to \$6.0 million of costs incurred in 2001 associated with responding to an unsolicited takeover proposal; a \$1.7 million increase in minority interest expense due primarily to increased profitability of certain of the Company's majority-owned affiliates; and to other expense increases. These 2001 expense increases were partially offset by a favorable comparison to expenses in 2000, when the Company recorded a \$7.9 million charge related to the settlement of certain interest rate hedge contracts entered into in connection with financing the 2000 Verizon acquisitions.

## INCOME TAX EXPENSE

The Company's effective income tax rate (from continuing operations) was 35.3%, 38.1% and 40.2% in 2002, 2001 and 2000, respectively. The decrease in the effective tax rate in 2002 compared to 2001 is primarily attributable to the effect of ceasing amortization of goodwill (some of which was nondeductible for tax purposes) effective January 1, 2002 in accordance with the provisions of SFAS 142.

## DISCONTINUED OPERATIONS

On August 1, 2002, the Company sold substantially all of its wireless operations to Alltel and certain other purchasers for an aggregate of approximately \$1.59 billion in cash. As a result, the Company's wireless operations for 2002 have been reflected as discontinued operations in the Company's consolidated financial statements. The results of operations for 2001 and 2000 have been restated to conform to the 2002 presentation. The following table summarizes certain information concerning the Company's wireless operations for the periods presented.

Year ended December 31,	2002	2001	2000
	(Dollars in thousands)		
Operating revenues	\$ 246,705	437,965	443,569
Operating expenses, exclusive of corporate overhead costs of \$11.3 million, \$20.2 million and \$21.4 million	(175,447)	(305,351)	(304,293)
Income from unconsolidated cellular entities	31,350	27,460	26,986
Minority interest expense	(8,569)	(11,510)	(11,598)
Gain on sale of discontinued operations	803,905	-	-
Nonrecurring gains	-	166,928	20,593
Other income	188	4,707	3,157
Income tax expense	(286,427)	(121,314)	(71,169)
Income from discontinued operations, net of tax	\$ 611,705	198,885	107,245

Included in operating expenses for 2002 is a \$30.5 million charge associated with a write-off of all amounts expended to develop the wireless portion of the Company's billing system currently in development. Depreciation and amortization of long-lived assets and amortizable intangibles related to the Company's wireless operations ceased effective March 19, 2002, the date of the Company's definitive sales agreement with Alltel. Such cessation of depreciation and amortization had the effect of reducing depreciation and amortization expense approximately \$20 million in 2002 and thereby contributing approximately \$.08 to the Company's diluted earnings per share for 2002.

The Company recorded an \$803.9 million pre-tax gain on the sale of substantially all of its wireless business in the third quarter of 2002.

Nonrecurring gains for 2001 relate to the sale of 30 PCS licenses to Leap Wireless International, Inc. Nonrecurring gains for 2000 relate to the sale of the Company's remaining Alaska cellular operations and its minority interest in one other market.

For further information, see Notes 3 and 13 to the Company's consolidated financial statements appearing elsewhere in this report.

## ACQUISITIONS AND RELATED FINANCING ARRANGEMENTS

**Verizon 2002 Acquisitions.** On July 1, 2002, the Company completed the acquisition of approximately 300,000 telephone access lines in the state of Alabama from Verizon for approximately \$1.022 billion cash. On August 31, 2002, the Company completed the acquisition of approximately 350,000 telephone access lines in the state of Missouri from Verizon for approximately \$1.179 billion cash.

On May 6, 2002, the Company issued and sold in an underwritten public offering \$500 million of equity units. Net proceeds to the Company from this issuance were approximately \$483.4 million. Each of the 20 million equity units issued was priced at \$25 and consists initially of a beneficial interest in a CenturyTel senior unsecured note with a principal amount of \$25 and a contract to purchase shares of CenturyTel common stock no later than May 2005. The senior notes mature in May 2007. Each purchase contract will generally require the holder to purchase between .6944 and .8741 of a share of CenturyTel common stock in May 2005 based on the then current stock price of CenturyTel common stock in exchange for \$25, subject to certain adjustments and exceptions. Accordingly, upon full settlement of the purchase contracts in May 2005, the Company will receive proceeds of \$500 million and will deliver between 13.9 million and 17.5 million common shares in the aggregate. The senior notes are pledged by the holders to secure their obligations under the purchase contracts. The total distributions on the equity units will be at an initial annual rate of 6.875%, consisting of interest (6.02%) and contract adjustment payments (0.855%), each payable quarterly. On or after mid-February 2005, the senior notes will be remarketed, at which time the remarketing agent will reset the interest rate on the senior notes in order to generate sufficient proceeds to secure the holder's obligation under the purchase contract. In the event of an unsuccessful remarketing, the Company will exercise its right as a secured party to dispose of the senior notes and satisfy in full the holder's obligation to purchase common stock under the purchase contract.

On July 22, 2002, the Company entered into \$800 million of credit facilities, consisting of a \$533 million three-year facility and a \$267 million 364-day revolving facility with a one-year term-out option. These facilities replaced credit facilities that matured during the third quarter of 2002.

In the third quarter of 2002, the Company issued \$500 million of senior notes due 2012 (which bear interest at 7.875%) and \$165 million of convertible senior debentures (which bear interest at 4.75% and which may be converted into shares of CenturyTel common stock at a conversion price of \$40.455 per share).

The Company used proceeds from the sale of equity units, senior notes and convertible senior debentures, along with the \$1.59 billion cash proceeds received from the sale of substantially all of the Company's wireless operations and utilization of its credit facilities, to finance the third quarter 2002 acquisitions of telephone properties in Alabama and Missouri from Verizon which aggregated \$2.201 billion, the redemption of \$400 million principal amount in remarketable debt securities (plus an associated \$71.1 million premium payment) in October 2002, and the Company's fourth quarter 2002 estimated tax payment, which aggregated \$290 million and included the obligation to pay taxes associated with the sale of substantially all of its wireless operations.

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

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

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

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

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

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



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

## **ACCOUNTING PRONOUNCEMENTS**

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141") and SFAS 142. SFAS 141 requires all business combinations consummated after June 30, 2001 to be accounted for under the purchase method of accounting; the pooling of interests method is no longer permitted. The Company adopted SFAS 141 on July 1, 2001. SFAS 142 requires goodwill recorded in a business combination to be reviewed for impairment at least annually and to be written down only in periods in which the recorded amount of goodwill exceeds its fair value. Effective January 1, 2002, systematic amortization of goodwill is no longer permitted. The Company adopted SFAS 142 effective January 1, 2002.

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. The Company adopted the provisions of SFAS 144 on January 1, 2002. The Company's wireless operations have been reflected as discontinued operations for 2002 in accordance with the provisions of SFAS 144. Results of operations for 2001 and 2000 have been restated to conform to this presentation. The adoption of the impairment portion of SFAS 144 did not have a material effect on the results of operations of the Company.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). SFAS 143, effective beginning January 1, 2003, addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets and requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred and be capitalized as part of the book value of the long-lived asset.

Although the Company generally has had no legal obligation to remove assets, depreciation rates of certain assets established by regulatory authorities for the Company's telephone operations subject to SFAS 71 have historically included a component for removal costs in excess of the related estimated salvage value. SFAS 71 requires the Company to not remove this accumulated liability for removal costs in excess of salvage value even though there is no legal obligation to remove the assets. For the Company's telephone operations not subject to SFAS 71 (the properties acquired from Verizon in 2002) and its other operations, the Company has not accrued a liability for anticipated removal costs in the past and will continue to expense the costs of removal as incurred since there is no legal obligation to remove assets. The Company does not expect the adoption of SFAS 143 to have a material effect on its financial statements.

In December 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation" ("SFAS 148"). SFAS 148, effective for fiscal years ending after December 15, 2002, amends Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based compensation and the effect of the method used on reported results. The Company has elected to account for employee stock-based compensation using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," as allowed by SFAS 123.

## **CRITICAL ACCOUNTING POLICIES**

The Company's financial statements are prepared in accordance with accounting principles that are generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Management continually evaluates its estimates and judgments including those related to (i) revenue recognition, (ii) allowance for doubtful accounts, (iii) purchase price allocation, (iv) pension and postretirement benefits and (v) long-lived assets. Actual results may differ from these estimates. The Company believes the following critical accounting policies involve a higher degree of judgment or complexity.

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

**Allowance for doubtful accounts.** In evaluating the collectibility of its accounts receivable, the Company assesses a number of factors, including a specific customer's or carrier's ability to meet its financial obligations to the Company, the length of time the receivable has been past due and historical collection experience. Based on these assessments, the Company records both specific and general reserves for

uncollectible accounts receivable to reduce the related accounts receivable to the amount the Company ultimately expects to collect from customers and carriers. If circumstances change or economic conditions worsen such that the Company's past collection experience is no longer relevant, the Company's estimate of the recoverability of its accounts receivable could be further reduced from the levels reflected in the accompanying consolidated balance sheet.

**Purchase price allocation.** For the properties acquired from Verizon in 2002, the Company allocated the aggregate purchase price to the assets acquired and liabilities assumed based on fair value at the date of acquisition. The fair value of property, plant and equipment and identifiable intangible assets was determined by an independent appraisal of such assets. The fair value of the postretirement benefit obligation was determined through actuarial valuations. The fair value of current assets and current liabilities was assumed to approximate the recorded value at acquisition due to their short maturity. The remaining unallocated acquisition cost was considered goodwill.

**Pension and postretirement benefits.** The amounts recognized in the financial statements related to pension and postretirement benefits are determined on an actuarial basis, which utilizes many assumptions in the calculation of such amounts. A significant assumption used in determining the Company's pension and postretirement expense is the expected long-term rate of return on plan assets. For 2002, such expected return was assumed to range between 8-10%, with 10% being used on the plans with the greatest amount of assets. For the past several years, our actual return on plan assets has been significantly lower than the 8-10% range. For 2003, the Company lowered its expected long-term rate of return on plan assets to range from 8-8.25%, reflecting the expected moderation of long-term rates of return in the financial markets.

Another assumption used in the determination of the Company's pension and postretirement benefit plan obligations is the appropriate discount rate, which is generally based on the yield on high-quality corporate bonds. The Company lowered its assumed discount rate to 6.75% at December 31, 2002 from 7.00% at December 31, 2001. Changes in the discount rate do not have a material impact on the Company's results of operations.

See "Pension and Medical Costs" for additional information.

**Long-lived assets.** Effective January 1, 2002, the Company was subject to test for impairment of long-lived assets under two new accounting standards, Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), and SFAS 144.

SFAS 142 requires goodwill recorded in business combinations to be reviewed for impairment and requires write-downs only in periods in which the recorded amount of goodwill exceeds the fair value. Under SFAS 142, impairment of goodwill is tested by comparing the fair value of the reporting unit to its carrying value (including goodwill). Estimates of the fair value of the reporting unit are based on valuation models using techniques such as multiples of earnings. If the fair value of the reporting unit is less than the carrying value, a second calculation is required in which the implied fair value of goodwill is compared to its carrying value. If the implied fair value of goodwill is less than its carrying value, goodwill must be written down to its implied fair value. The Company completed the initial transitional goodwill impairment test (as of January 1, 2002) as well as the required annual test (as of September 30, 2002) of SFAS 142 and has determined its goodwill is not impaired. Prior to January 1, 2002, substantially all of the Company's goodwill was amortized over 40 years. The Company's amortization of goodwill for the years ended December 31, 2001 and 2000 totaled approximately \$69.2 million and \$60.1 million, respectively.

Under SFAS 144, the carrying value of long-lived assets other than goodwill is reviewed for impairment whenever events or circumstances indicate that such carrying amount cannot be recoverable by assessing the recoverability of the carrying value through estimated undiscounted net cash flows expected to be generated by the assets. If the undiscounted net cash flows are less than the carrying value, an impairment loss would be measured as the excess of the carrying value of a long-lived asset over its fair value.

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

## **INFLATION**

The effects of increased costs historically have been mitigated by the Company's ability to recover certain costs applicable to its regulated telephone operations through the rate-making process. While the rate-making process does not permit the Company to immediately recover the costs of replacing its physical plant, the Company has historically been able to recapture these costs over time. Possible future regulatory changes may alter the Company's ability to recover increased costs in its regulated operations. For the properties acquired from Verizon in 2002, which are regulated under price-cap regulation for interstate purposes, price changes are limited to the rate of inflation, minus a productivity offset. For additional information regarding the current regulatory environment, see "Regulation and Competition." As operating expenses in the Company's nonregulated lines of business increase as a result of inflation, the Company, to the extent permitted by competition, attempts to recover the costs by increasing prices for its services and equipment.

## **MARKET RISK**

The Company is exposed to market risk from changes in interest rates on its long-term debt obligations. The Company has estimated its 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 markets. The results of the sensitivity analysis used to estimate market risk are presented below, although the actual results may differ from these estimates.

At December 31, 2002, the fair value of the Company's long-term debt was estimated to be \$3.9 billion based on the overall weighted average rate of the Company's long-term debt of 6.0% and an overall weighted maturity of 11 years compared to terms and rates currently available in long-term financing markets. With respect to the Company's fixed-rate long-term debt obligations, market risk is estimated as the potential decrease in fair value of the Company's fixed rate long-term debt resulting from a hypothetical increase of 60 basis points in interest rates (ten percent of the Company's overall weighted average borrowing rate). Such an increase in interest rates would result in approximately a \$149.4 million decrease in fair value of the Company's long-term debt. As of December 31, 2002, after giving effect to interest rate swaps currently in place, approximately 86% of the Company's long-term debt obligations were fixed rate.

The Company seeks 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, the Company uses derivative instruments to (i) lock-in or swap its 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. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative instrument activities. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. Management periodically reviews the Company's exposure to interest rate fluctuations and implements strategies to manage the exposure.

At December 31, 2002, the Company had outstanding a fair value interest rate hedge associated with \$500 million aggregate principal amount of its Series H senior notes, due 2010, that pays interest at a fixed rate of 8.375%. This hedge is a "fixed to variable" interest rate swap that effectively converts the Company's fixed rate interest payment obligations under these notes into obligations to pay variable rates equal to the six-month London InterBank Offered Rate ("LIBOR") plus 3.59% with settlement and rate reset dates occurring each six months through the expiration of the hedge in October 2010. At December 31, 2002, the Company realized a rate under this hedge of 4.96%. Interest expense was reduced by \$7.8 million in 2002 as a result of this hedge. The fair market value of this hedge was \$22.2 million at December 31, 2002 and is reflected as an asset and as an adjustment to the underlying debt on the December 31, 2002 balance sheet. With respect to this hedge, 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 \$14.5 million decrease in the fair value of this hedge.

At December 31, 2002, the Company also had outstanding a cash flow hedge associated with \$400 million of borrowings under its \$800 million credit facilities. Such hedge expires in October 2003. This hedge is designed to swap the Company's future obligation to pay variable rate interest based on LIBOR into obligations that lock-in a fixed rate of 2.49%. The fair value of this hedge was \$1.3 million at December 31, 2002 and is reflected as a liability and Accumulated Other Comprehensive Loss (net of tax) on the December 31, 2002 balance sheet. A hypothetical 10% increase in the forward rates would result in a \$622,000 decrease in the fair value (liability) of this hedge.

## **DEVELOPMENT OF BILLING SYSTEM**

The Company is in the process of developing an integrated billing and customer care system. The costs to develop such system have been capitalized in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," and aggregated \$139.5 million at December 31, 2002. A portion of these billing system costs related to the wireless business (\$30.5 million) was written off as a component of discontinued operations in the third quarter of 2002 as a result of the sale of substantially all of the Company's wireless operations on August 1, 2002. See Note 4 to the Company's consolidated financial statements appearing elsewhere in this report. Excluding this write-off, the Company's aggregate billing system costs are expected to approximate \$180 million upon completion and are expected to be amortized over a twenty-year period. The Company expects to begin amortization of the billing system in 2003 as customer groups are migrated to this new system. In addition, the Company expects to incur duplicative system costs in 2003 until such time as all customers are migrated to the new system. Such amortization and duplicative system costs are expected to reduce diluted earnings per share by \$.04 for 2003.

The system remains in the development stage and has required substantially more time and money to develop than originally anticipated. Although the Company expects to complete all phases of the system in early 2004, there is no assurance that this deadline (or the Company's budget) will be met or that the system will function as anticipated. If the system does not function as anticipated, the Company may have to write off part or all of its remaining costs.

## **PENSION AND MEDICAL COSTS**

The decline in equity markets in recent years, coupled with record low interest rates and rising medical costs, have increased the Company's employee benefits expenses, including defined benefit pension expenses and pre- and post-retirement medical expenses. The Company expects these conditions will result in higher pension and pre- and post-retirement medical expenses in 2003. Based on the Company's current estimates, such costs are expected to increase between \$15 - 25 million in 2003 compared to 2002 amounts. As a result of continued increases in medical costs, the Company discontinued its practice of subsidizing post-retirement medical benefits for persons hired after January 1, 2003.

## **OTHER**

In connection with the acquisitions of telephone properties from Verizon in 2002, the Company had an independent appraisal performed to determine the fair value of the property, plant and equipment acquired from Verizon. Such appraisal was not completed until March 2003; therefore, the Company's December 31, 2002 balances of property, plant and equipment and goodwill, as presented in the Company's fourth quarter 2002 earnings news release contained in a Current Report on Form 8-K filed January 31, 2003, differ from those presented elsewhere herein. As a result of the appraisal, property, plant and equipment was increased by \$202.6 million and goodwill was decreased by a like

amount. Depreciation expense calculated based on the appraised values of property, plant and equipment is not materially different from that previously presented in the above-described Form 8-K and therefore has not been changed.

## LIQUIDITY AND CAPITAL RESOURCES

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

**Operating activities.** Net cash provided by operating activities from continuing operations was \$795.4 million, \$575.5 million and \$438.2 million in 2002, 2001 and 2000, respectively. The Company's accompanying consolidated statements of cash flows identify major differences between net income and net cash provided by operating activities for each of those years. For additional information relating to the continuing and discontinued operations of the Company, see Results of Operations.

**Investing activities.** Net cash used in investing activities from continuing operations was \$2.629 billion, \$420.9 million and \$1.914 billion in 2002, 2001 and 2000, respectively. Cash used for acquisitions was \$2.245 billion in 2002 (substantially all of which relates to the 2002 Verizon acquisitions), \$47.1 million in 2001 and \$1.536 billion in 2000 (substantially all of which relates to the 2000 Verizon acquisitions). Proceeds from the sales of assets were \$4.1 million in 2002 (excluding the Company's 2002 wireless divestiture) and \$58.2 million in 2001. Capital expenditures from continuing operations for 2002 were \$319.5 million for telephone operations and \$66.7 million for other operations. Capital expenditures from continuing operations during 2001 and 2000 were \$435.5 million and \$391.1 million, respectively.

**Financing activities.** Net cash provided by (used in) financing activities from continuing operations was \$506.3 million in 2002, (\$395.4) million in 2001 and \$1.314 billion in 2000. Proceeds from the issuance of debt, net of debt payments, were \$531.4 million during 2002, compared to net payments of debt of \$375.6 million during 2001. Net proceeds from the issuance of debt was \$1.340 billion during 2000 primarily due to an increase in borrowings due to the purchase of assets from Verizon.

On May 6, 2002, the Company issued and sold in an underwritten public offering \$500 million of equity units. Net proceeds to the Company from this issuance were approximately \$483.4 million. Each of the 20 million equity units issued was priced at \$25 and consists initially of a beneficial interest in a CenturyTel senior unsecured note with a principal amount of \$25 and a contract to purchase shares of CenturyTel common stock no later than May 2005. The senior notes will mature in May 2007. Each stock purchase contract will generally require the holder to purchase between .6944 and .8741 of a share of CenturyTel common stock in May 2005 in exchange for \$25, subject to certain adjustments and exceptions. The total distributions on the equity units will be at an initial annual rate of 6.875%, consisting of interest (6.02%) and contract adjustment payments (0.855%). For additional information, see Note 6 to the Company's consolidated financial statements appearing elsewhere in this report.

On July 22, 2002, the Company entered into \$800 million of credit facilities, consisting of a \$533 million three-year facility and a \$267 million 364-day revolving facility with a one-year term-out option. These facilities replaced credit facilities that matured during the third quarter of 2002.

In the third quarter of 2002, the Company issued \$500 million of senior notes due 2012 (which bear interest at 7.875%) and \$165 million of convertible senior debentures (which bear interest at 4.75% and which may be converted into shares of CenturyTel common stock at a conversion price of \$40.455 per share). Holders of the convertible senior debentures will have the right to require the Company to purchase all or a portion of the debentures on August 1, 2006, August 1, 2010 and August 1, 2017 at par plus any accrued and unpaid interest to the purchase date. For additional information, see Note 6 to the Company's consolidated financial statements appearing elsewhere in this report.

On August 1, 2002, the Company sold substantially all of its wireless operations to Alltel and certain other purchasers for an aggregate of approximately \$1.59 billion cash.

The Company used proceeds from the sale of equity units, senior notes and convertible senior debentures, along with the proceeds received from the sale of the Company's wireless operations and utilization of its \$800 million credit facilities, to finance the third quarter 2002 acquisitions of telephone properties in Alabama and Missouri from Verizon which aggregated \$2.201 billion, the redemption of \$400 million principal amount in remarketable debt securities (plus an associated \$71.1 million premium payment) in October 2002 and the Company's fourth quarter 2002 estimated tax payment, which aggregated \$290 million and included the obligation to pay taxes associated with the sale of substantially all of its wireless operations.

In second quarter 2001, the Company completed the sale of 30 PCS operating licenses for an aggregate of \$195 million to Leap. The Company received approximately \$108 million of the purchase price in cash at closing and the remainder was collected in installments through the fourth quarter of 2001. Such proceeds, and the proceeds from the Company's above-described divestiture of its wireless operations in 2002, are included as net cash provided by discontinued operations on the statements of cash flows appearing elsewhere in this report. In third quarter 2001, the Company sold its remaining shares of its investment in Illuminet common stock for an aggregate of approximately \$58.2 million. Proceeds from these sales were used to repay indebtedness.

**Other.** Budgeted capital expenditures for 2003 total \$370 million for telephone operations and \$30 million for other operations. The Company anticipates that capital expenditures in its telephone operations will continue to include the upgrading of its plant and equipment, including its

digital switches, to provide enhanced services, particularly in its newly acquired markets, and the installation of fiber optic cable.

The Company continually evaluates the possibility of acquiring additional telecommunications operations and expects to continue its long-term strategy of pursuing the acquisition of attractive communications properties in exchange for cash, securities or both. At any given time, the Company may be engaged in discussions or negotiations regarding additional acquisitions. The Company generally does not announce its acquisitions until it has entered into a preliminary or definitive agreement. Over the past few years, the amount and size of communications properties available to be purchased by the Company has increased substantially. The Company may require additional financing in connection with any such acquisitions, the consummation of which could have a material impact on the Company's financial condition or operations. Approximately 4.1 million shares of CenturyTel common stock and 200,000 shares of CenturyTel preferred stock remain available for future issuance in connection with acquisitions under CenturyTel's acquisition shelf registration statement.

The following table contains certain information concerning the Company's material contractual obligations as of December 31, 2002.

Total contractual obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
(Dollars in thousands)					
Long-term debt, including current maturities and capital lease obligations	\$ 3,648,869	70,737	702,188	635,619 (1)	2,240,325 (2)

(1) Includes \$500 million aggregate principal amount of the Company's senior notes, Series J, due 2007, which the Company is committed to remarket in 2005.

(2) Includes \$165 million aggregate principal amount of the Company's convertible debentures, Series K, due 2032, which can be put to the Company at various dates beginning in 2006.

As of December 31, 2002, the Company had available \$415.0 million of undrawn committed bank lines of credit and the Company's telephone subsidiaries had available for use \$123.0 million of commitments for long-term financing from the Rural Utilities Service and Rural Telephone Bank. In addition, in October 2000 the Company implemented a commercial paper program that authorizes the Company to have outstanding up to \$1.5 billion in commercial paper at any one time. As of December 31, 2002, the Company had no commercial paper outstanding under such program. The Company also has access to debt and equity capital markets, including its shelf registration statements.

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

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

	2002	2001	2000
Debt to total capitalization	54.2%	57.0	63.1
Ratio of earnings from continuing operations to fixed charges and preferred stock dividends	2.30	2.00	2.07

## REGULATION AND COMPETITION

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

Events affecting the communications industry. In 1996, the United States Congress enacted the Telecommunications Act of 1996 (the "1996 Act"), which obligates LECs to permit competitors to interconnect their facilities to the LEC's network and to take various other steps that are designed to promote competition. The 1996 Act provides certain exemptions for rural LECs such as those operated by the Company. Under the 1996 Act's rural telephone company exemption, approximately 50% of the Company's telephone access lines are exempt from certain of these interconnection requirements unless and until the appropriate state regulatory commission overrides the exemption upon receipt from a competitor of a bona fide request meeting certain criteria.

On February 20, 2003, the FCC revised its rules outlining the obligations of incumbent LECs to lease elements of their networks on an unbundled basis to competitors. The new framework eliminates the prior obligation of incumbent LECs to lease their high-speed data lines to competitors. Incumbent LECs will remain obligated to offer other telecommunications services to resellers at wholesale rates. This new rule also provides for a significant role of state regulatory commissions in implementing these new guidelines and establishing wholesale service

rates.

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

As mandated by the 1996 Act, in May 2001 the FCC modified its existing universal service support mechanism for rural telephone companies. The FCC adopted an interim mechanism for a five-year period, effective July 1, 2001, based on embedded, or historical, costs that will provide predictable levels of support to rural local exchange carriers, including substantially all of the Company's local exchange carriers. During 2002 the Company's interstate revenues from the federal universal service fund totaled approximately \$192.4 million (which includes \$9.9 million from the Verizon properties acquired in 2002). During 2001 and 2000, such revenues totaled \$168.7 million and \$146.4 million, respectively. Increasingly, wireless carriers have sought and received payments from the Universal Service Fund, which the Company believes is currently enhancing their ability to compete with wireline services and, in the long term, could adversely impact the amount of funding available for LECs.

On October 11, 2001, the FCC modified its interstate access charge rules and universal service support system for rate of return local exchange carriers, which includes the Company's local exchange carriers (excluding the properties acquired from Verizon in 2002). This order, among other things, (i) increased the caps on the subscriber line charges ("SLC") to the levels paid by most subscribers nationwide; (ii) allowed limited SLC deaveraging, which is expected to enhance the competitiveness of rate of return carriers by giving them pricing flexibility; (iii) lowered per minute rates collected for federal access charges, which might increase competition with CenturyTel's long distance operations to the extent other carriers seek to take advantage of this change; (iv) created a new explicit universal service support mechanism that will replace other implicit support mechanisms in a manner designed to ensure that rate structure changes do not affect the overall recovery of interstate access costs by rate of return carriers serving high cost areas and (v) terminated the FCC's proceeding on the represetation of the authorized rate of return for rate of return LECs, which will remain at 11.25%. The effect of this order on the Company was revenue neutral for interstate purposes; however, intrastate revenues were adversely effected in Arkansas and Ohio as the intrastate access rates in these states mirror the interstate access rates.

Recent events affecting the Company. During the last few years, several states in which the Company has substantial operations took legislative or regulatory steps to further introduce competition into the LEC business. The number of companies which have requested authorization to provide local exchange service in the Company's service areas has increased in recent years, especially in the markets acquired from Verizon in 2002 and 2000, and it is anticipated that similar action may be taken by others in the future.

State alternative regulation plans recently adopted by certain of the Company's LECs have also affected revenue growth recently.

Certain long distance carriers continue to request that the Company reduce intrastate access tariffed rates for certain of its LECs. In addition, the Company has recently experienced reductions in intrastate traffic, partially due to the displacement of minutes by wireless services. In 2002 the Company incurred a reduction in its intrastate revenues (exclusive of the properties acquired from Verizon in 2002) of approximately \$27.7 million compared to 2001 primarily due to these factors. The Company believes such trend of decreased intrastate minutes will continue in 2003. Although the magnitude of such decrease cannot be precisely estimated, the Company believes such decrease will be less than that incurred in 2002.

In August 2001, the Company was awarded an interim access rate increase by the Wisconsin Public Service Commission ("WPSC") for the former Verizon properties in Wisconsin in an amount of approximately \$7.9 million annually. In October 2002, the Company was awarded a permanent rate increase which will result in an additional \$8 to \$10 million annually above the \$7.9 million awarded on an interim basis.

On August 29, 2002, the Wisconsin Court of Appeals upheld a ruling upon appeal that ordered the Company to refund intrastate access charges collected from interexchange carriers from December 1998 through December 2000 on the Wisconsin properties acquired from Ameritech in December 1998. As a result of this ruling, the Company recorded a one-time charge of \$7.6 million (\$.03 per share) related to this refund in the third quarter of 2002. On October 31, 2001, the WPSC approved a permanent rate increase of \$8.3 million annually for these properties. This increase was partially offset by a one-time reduction in revenue of approximately \$300,000 arising out of the WPSC's order to refund a portion of the previously approved interim rates.

In August 2001, the Arkansas Public Utility Commission ("APUC") approved tariff amendments that limited the number of minutes included for a flat rate in certain optional calling plans in certain of the markets acquired from Verizon in 2000. These revisions resulted in reductions of the Company's operating expenses of approximately \$17.5 million during 2002 compared to 2001.

On March 13, 2002, the Arkansas Court of Appeals vacated two orders issued by the Arkansas Public Service Commission ("APSC") in connection with the Company's acquisition of its Arkansas LECs from Verizon in July 2000, and remanded the case back to the APSC for further hearings. The Court took these actions in response to challenges to the rates the Company has charged other LECs for intrastate switched access service. On December 20, 2002, the APSC approved the access rates established by the Company at the time of acquisition. On January 29, 2003, AT&T filed with the APSC a petition for rehearing related to this ruling.

In January 2003, the Louisiana Public Service Commission directed its staff to review the feasibility of converting the \$42 million Louisiana Local Optional Service Fund ("LOS Fund") into a state universal service fund. A recommendation by the Commission staff is expected by the

end of 2003. Currently, the LOS Fund is funded primarily by BellSouth, which proposes to expand the base of contributors into the LOS Fund. The Company currently receives approximately \$21 million from the LOS Fund each year. There can be no assurance that this funding will remain at current levels.

Competition to provide traditional telephone services has thus far affected large urban areas to a greater extent than rural, suburban and small urban areas such as those in which the Company's telephone operations are located. Although the Company does not believe that the increased competition it has thus far experienced is likely to materially affect it in the near term, the Company anticipates that regulatory changes and competitive pressures may result in future revenue reductions. The Company expects its internal telephone revenues (exclusive of the properties acquired from Verizon in 2002) to decline in 2003 primarily due to continued access line loss and reduced intrastate revenues; however, the Company expects its internal consolidated revenues to increase in 2003 primarily due to expected increased demand for its long distance, DSL and other product offerings.

Other matters. The Company's regulated telephone operations (except for the properties acquired from Verizon in 2002) are subject to the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"). Actions by regulators can provide reasonable assurance of the existence of an asset, reduce or eliminate the value of an asset and impose a liability on a regulated enterprise. Such regulatory assets are required to be recorded and, accordingly, reflected in the balance sheet of an entity subject to SFAS 71. The Company is monitoring the ongoing applicability of SFAS 71 to its regulated telephone operations due to the changing regulatory, competitive and legislative environments, and it is possible that changes in regulation, legislation or competition or in the demand for regulated services or products could result in the Company's telephone operations no longer being subject to SFAS 71 in the near future.

Statement of Financial Accounting Standards No. 101, "Regulated Enterprises - Accounting for the Discontinuance of Application of FASB Statement No. 71" ("SFAS 101"), specifies the accounting required when an enterprise ceases to meet the criteria for application of SFAS 71. SFAS 101 requires the elimination of the effects of any actions of regulators that have been recognized as assets and liabilities in accordance with SFAS 71 but would not have been recognized as assets and liabilities by nonregulated enterprises. 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.

The Company's consolidated balance sheet as of December 31, 2002 included regulatory assets of approximately \$3.2 million (primarily related to deferred financing costs, regulatory proceedings and income taxes) and regulatory liabilities of approximately \$1.7 million (related to income taxes). Net deferred income tax liabilities related to the regulatory assets and liabilities quantified above were \$1.1 million.

When the Company's regulated operations no longer qualify for the application of SFAS 71, the Company does not expect to record any impairment charge related to the carrying value of the property, plant and equipment of its regulated telephone operations. Additionally, upon the discontinuance of SFAS 71, the Company would be required to revise the lives of its property, plant and equipment to reflect the estimated useful lives of the assets. The Company does not expect such revisions in asset lives to have a material impact on the Company's results of operations. For regulatory purposes, the accounting and reporting of the Company's telephone subsidiaries will not be affected by the discontinued application of SFAS 71.

The Company has certain obligations based on federal, state and local laws relating to the protection of the environment. Costs of compliance through 2002 have not been material, and the Company currently has no reason to believe that such costs will become material.

#### **Item 7a. Quantitative and Qualitative Disclosure About Market Risk**

The Company is exposed to market risk from changes in interest rates on its long-term debt obligations. The Company has estimated its 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 markets. The results of the sensitivity analysis used to estimate market risk are presented below, although the actual results may differ from these estimates.

At December 31, 2002, the fair value of the Company's long-term debt was estimated to be \$3.9 billion based on the overall weighted average rate of the Company's long-term debt of 6.0% and an overall weighted maturity of 11 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 the Company's fixed rate long-term debt resulting from a hypothetical increase of 60 basis points in interest rates (ten percent of the Company's overall weighted average borrowing rate). Such an increase in interest rates would result in approximately a \$149.4 million decrease in fair value of the Company's long-term debt. As of December 31, 2002, after giving effect to interest rate swaps currently in place, approximately 86% of the Company's long-term debt obligations were fixed rate.

The Company seeks 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, the Company uses derivative instruments to (i) lock-in or swap its 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. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative instrument activities. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. Management periodically reviews the Company's exposure to interest rate fluctuations and implements strategies to manage the exposure.

At December 31, 2002, the Company had outstanding a fair value interest rate hedge associated with \$500 million aggregate principal amount of its Series H senior notes, due 2010, that pay interest at a fixed rate of 8.375%. This hedge is a "fixed to variable" interest rate swap that effectively converts the Company's fixed rate interest payment obligations under these notes into obligations to pay variable rates equal to the six-month London InterBank Offered Rate ("LIBOR") plus 3.59% with settlement and rate reset dates occurring each six months through the expiration of the hedge in October 2010. At December 31, 2002, the Company realized a rate under this hedge of 4.96%. Interest expense was reduced by \$7.8 million in 2002 as a result of this hedge. The fair market value of this hedge was \$22.2 million at December 31, 2002 and is reflected as an asset and as an adjustment to the underlying debt on the December 31, 2002 balance sheet. With respect to this hedge, 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 \$14.5 million decrease in the fair value of this hedge.

At December 31, 2002, the Company also had outstanding a cash flow hedge associated with \$400 million of borrowings incurred in the fourth quarter of 2002 under its \$800 million credit facilities. Such hedge expires in October 2003. This hedge is designed to swap the Company's future obligation to pay variable rate interest based on LIBOR into obligations that lock-in a fixed rate of 2.49%. The fair value of this hedge was \$1.3 million at December 31, 2002 and is reflected as a liability and Accumulated Other Comprehensive Loss (net of tax) on the December 31, 2002 balance sheet. A hypothetical 10% increase in the forward rates would result in a \$622,000 decrease in the fair value (liability) of this hedge.

## **Item 8. Financial Statements and Supplementary Data**

### **Report of Management**

The Shareholders  
CenturyTel, Inc.:

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

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

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

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

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



## **Independent Auditors' Report**

The Board of Directors  
CenturyTel, Inc.:

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CenturyTel, Inc. and subsidiaries as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for goodwill and other intangible assets in 2002.

*/s/ KPMG LLP  
KPMG LLP*

*Shreveport, Louisiana  
January 29, 2003*

CENTURYTEL, INC.  
Consolidated Statements of Income

	Year ended December 31,		
	2002	2001	2000
	(Dollars, except per share amounts, and shares in thousands)		
<b>OPERATING REVENUES</b>			
Telephone	\$ 1,733,592	1,505,733	1,253,969
Other	238,404	173,771	148,388
<b>Total operating revenues</b>	<b>1,971,996</b>	<b>1,679,504</b>	<b>1,402,357</b>
<b>OPERATING EXPENSES</b>			
Cost of sales and operating expenses (exclusive of depreciation and amortization)	973,689	826,948	671,992
Corporate overhead costs allocable to discontinued operations	11,275	20,213	21,411
Depreciation and amortization	411,626	407,038	322,817
<b>Total operating expenses</b>	<b>1,396,590</b>	<b>1,254,199</b>	<b>1,016,220</b>
<b>OPERATING INCOME</b>	<b>575,406</b>	<b>425,305</b>	<b>386,137</b>
<b>OTHER INCOME (EXPENSE)</b>			
Nonrecurring gains and losses, net	3,709	33,043	-
Interest expense	(221,845)	(225,523)	(183,302)
Other income and expense	(63,814)	32	4,936
<b>Total other income (expense)</b>	<b>(281,950)</b>	<b>(192,448)</b>	<b>(178,366)</b>
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE</b>	<b>293,456</b>	<b>232,857</b>	<b>207,771</b>
Income tax expense	103,537	88,711	83,542
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>189,919</b>	<b>144,146</b>	<b>124,229</b>
<b>DISCONTINUED OPERATIONS</b>			
Income from discontinued operations, net of \$286,427, \$121,314, and \$71,169 tax	611,705	198,885	107,245
<b>NET INCOME</b>	<b>\$ 801,624</b>	<b>343,031</b>	<b>231,474</b>
=====			
<b>NET INCOME, AS ADJUSTED FOR GOODWILL AMORTIZATION</b>	<b>\$ 801,624</b>	<b>399,297</b>	<b>278,029</b>
=====			

CENTURYTEL, INC.  
 Consolidated Statements of Income  
 (Continued)

	Year ended December 31,		
	2002	2001	2000
	(Dollars, except per share amounts, and shares in thousands)		
BASIC EARNINGS PER SHARE			
From continuing operations	\$ 1.34	1.02	.88
From continuing operations, as adjusted for goodwill amortization	\$ 1.34	1.35	1.15
From discontinued operations	\$ 4.32	1.41	.77
From discontinued operations, as adjusted for goodwill amortization	\$ 4.32	1.48	.84
Basic earnings per share	\$ 5.66	2.43	1.65
Basic earnings per share, as adjusted for goodwill amortization	\$ 5.66	2.83	1.98
DILUTED EARNINGS PER SHARE			
From continuing operations	\$ 1.33	1.01	.88
From continuing operations, as adjusted for goodwill amortization	\$ 1.33	1.34	1.13
From discontinued operations	\$ 4.28	1.40	.76
From discontinued operations, as adjusted for goodwill amortization	\$ 4.28	1.47	.83
Diluted earnings per share	\$ 5.61	2.41	1.63
Diluted earnings per share, as adjusted for goodwill amortization	\$ 5.61	2.81	1.96
DIVIDENDS PER COMMON SHARE	\$ .21	.20	.19
=====			
AVERAGE BASIC SHARES OUTSTANDING	141,613	140,743	140,069
=====			
AVERAGE DILUTED SHARES OUTSTANDING	142,879	142,307	141,864
=====			

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.  
Consolidated Statements of Comprehensive Income

	Year ended December 31,		
	2002	2001	2000
	(Dollars in thousands)		
NET INCOME	\$ 801,624	343,031	231,474
OTHER COMPREHENSIVE INCOME, NET OF TAXES			
Unrealized holding gains (losses):			
Unrealized holding gains (losses) related to marketable equity securities arising during period, net of \$5,385 and (\$20,941) tax	-	9,999	(38,891)
Less: reclassification adjustment for gains included in net income, net of (\$19,100) tax	-	(35,470)	-
Minimum pension liability adjustment:			
Minimum pension liability adjustment, net of (\$19,312) tax	(35,864)	-	-
Derivative instruments:			
Net losses on derivatives hedging variability of cash flows, net of (\$496) tax	(921)	-	-
Less: reclassification adjustment for losses included in net income, net of \$44 tax	82	-	-
COMPREHENSIVE INCOME	\$ 764,921	317,560	192,583
COMPREHENSIVE INCOME, AS ADJUSTED FOR GOODWILL AMORTIZATION	\$ 764,921	373,826	239,138

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.  
Consolidated Balance Sheets

	December 31, 2002	2001
(Dollars in thousands)		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,661	3,496
Accounts receivable		
Customers, less allowance of \$15,314 and \$13,908	161,319	118,376
Interexchange carriers and other, less allowance of \$18,648 in 2002	111,673	87,614
Materials and supplies, at average cost	10,150	10,916
Other	9,099	9,511
Total current assets	295,902	229,913
NET PROPERTY, PLANT AND EQUIPMENT	3,531,645	2,736,142
INVESTMENTS AND OTHER ASSETS		
Goodwill	3,427,281	2,087,158
Other	503,775	420,043
Total investments and other assets	3,931,056	2,507,201
ASSETS HELD FOR SALE	11,805	845,428
TOTAL ASSETS	\$ 7,770,408	6,318,684
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 70,737	955,834
Short-term debt	-	53,000
Accounts payable	64,825	61,056
Accrued expenses and other current liabilities		
Salaries and benefits	63,937	46,588
Income taxes	40,897	4,554
Other taxes	28,183	23,383
Interest	59,045	49,191
Other	18,596	15,968
Advance billings and customer deposits	41,884	29,308
Total current liabilities	388,104	1,238,882
LONG-TERM DEBT	3,578,132	2,087,500
DEFERRED CREDITS AND OTHER LIABILITIES	716,168	506,052
LIABILITIES RELATED TO ASSETS HELD FOR SALE	-	148,870
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized		
350,000,000 shares, issued and outstanding		
142,955,839 and 141,232,806 shares	142,956	141,233
Paid-in capital	537,804	524,668
Accumulated other comprehensive income (loss), net of tax	(36,703)	-
Retained earnings	2,437,472	1,666,004
Unearned ESOP shares	(1,500)	(2,500)
Preferred stock - non-redeemable	7,975	7,975
Total stockholders' equity	3,088,004	2,337,380
TOTAL LIABILITIES AND EQUITY	\$ 7,770,408	6,318,684

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.  
Consolidated Statements of Cash Flows

	Year ended December 31,		
	2002	2001	2000
	(Dollars in thousands)		
<b>OPERATING ACTIVITIES FROM CONTINUING OPERATIONS</b>			
Net income	\$ 801,624	343,031	231,474
Adjustments to reconcile net income to net cash provided by operating activities from continuing operations			
Income from discontinued operations, net of tax	(611,705)	(198,885)	(107,245)
Depreciation and amortization	411,626	407,038	322,817
Deferred income taxes	71,112	57,944	31,854
Nonrecurring gains and losses, net	(3,709)	(33,043)	-
Changes in current assets and current liabilities			
Accounts receivable	(13,481)	34,266	(74,736)
Accounts payable	3,769	(29,485)	36,493
Accrued taxes	43,046	1,078	(309)
Other current assets and other current liabilities, net	34,939	9,083	11,902
Increase in noncurrent assets	(30,543)	(65,698)	(46,026)
Increase in other noncurrent liabilities	33,719	9,919	10,677
Other, net	55,005	40,295	21,332
<b>Net cash provided by operating activities from continuing operations</b>	<b>795,402</b>	<b>575,543</b>	<b>438,233</b>
<b>INVESTING ACTIVITIES FROM CONTINUING OPERATIONS</b>			
Acquisitions, net of cash acquired	(2,245,026)	(47,131)	(1,535,683)
Payments for property, plant and equipment	(386,267)	(435,515)	(391,069)
Proceeds from sale of assets	4,144	58,184	-
Contribution from minority investor	-	-	20,000
Purchase of life insurance investment, net	-	(1,086)	(5,753)
Other, net	(1,378)	4,639	(1,089)
<b>Net cash used in investing activities from continuing operations</b>	<b>(2,628,527)</b>	<b>(420,909)</b>	<b>(1,913,594)</b>
<b>FINANCING ACTIVITIES FROM CONTINUING OPERATIONS</b>			
Proceeds from issuance of debt	2,123,618	3,896	2,715,852
Payments of debt	(1,592,246)	(379,516)	(1,375,895)
Payment of deferred hedge contracts	-	-	(4,345)
Proceeds from issuance of common stock	29,125	7,351	7,996
Payment of debt issuance costs	(12,999)	-	(4,274)
Payment of equity unit issuance costs	(15,867)	-	-
Cash dividends	(30,156)	(28,653)	(26,815)
Other, net	4,866	1,549	1,289
<b>Net cash provided by (used in) financing activities from continuing operations</b>	<b>506,341</b>	<b>(395,373)</b>	<b>1,313,808</b>
<b>Net cash provided by discontinued operations</b>	<b>1,326,949</b>	<b>232,828</b>	<b>116,815</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>165</b>	<b>(7,911)</b>	<b>(44,738)</b>
Cash and cash equivalents at beginning of year	3,496	11,407	56,145
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 3,661</b>	<b>3,496</b>	<b>11,407</b>

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.  
Consolidated Statements of Stockholders' Equity

	Year ended December 31,		
	2002	2001	2000
	(Dollars and shares in thousands)		
<b>COMMON STOCK</b>			
Balance at beginning of year	\$ 141,233	140,667	139,946
Conversion of convertible securities into common stock	-	254	254
Issuance of common stock through dividend reinvestment, incentive and benefit plans	1,723	312	467
Balance at end of year	142,956	141,233	140,667
<b>PAID-IN CAPITAL</b>			
Balance at beginning of year	524,668	509,840	493,432
Equity unit issuance costs and initial contract adjustment liability	(24,377)	-	-
Conversion of convertible securities into common stock	-	3,046	3,046
Issuance of common stock through dividend reinvestment, incentive and benefit plans	27,402	7,039	7,529
Amortization of unearned compensation and other	10,111	4,743	5,833
Balance at end of year	537,804	524,668	509,840
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>			
Balance at beginning of year	-	25,471	64,362
Change in other comprehensive income (loss) (net of reclassification adjustment in 2001), net of tax	(36,703)	(25,471)	(38,891)
Balance at end of year	(36,703)	-	25,471
<b>RETAINED EARNINGS</b>			
Balance at beginning of year	1,666,004	1,351,626	1,146,967
Net income	801,624	343,031	231,474
Cash dividends declared			
Common stock - \$.21, \$.20 and \$.19 per share	(29,757)	(28,254)	(26,416)
Preferred stock	(399)	(399)	(399)
Balance at end of year	2,437,472	1,666,004	1,351,626
<b>UNEARNED ESOP SHARES</b>			
Balance at beginning of year	(2,500)	(3,500)	(4,690)
Release of ESOP shares	1,000	1,000	1,190
Balance at end of year	(1,500)	(2,500)	(3,500)
<b>PREFERRED STOCK - NON-REDEEMABLE</b>			
Balance at beginning and end of year	7,975	7,975	7,975
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>\$ 3,088,004</b>	<b>2,337,380</b>	<b>2,032,079</b>
<b>COMMON SHARES OUTSTANDING</b>			
Balance at beginning of year	141,233	140,667	139,946
Conversion of convertible securities into common stock	-	254	254
Issuance of common stock through dividend reinvestment, incentive and benefit plans	1,723	312	467
Balance at end of year	142,956	141,233	140,667

See accompanying notes to consolidated financial statements.

# CENTURYTEL, INC.

## Notes to Consolidated Financial Statements

December 31, 2002

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Principles of consolidation** - The consolidated financial statements of CenturyTel, Inc. and its subsidiaries (the "Company") include the accounts of CenturyTel, Inc. ("CenturyTel") and its majority-owned subsidiaries and partnerships. Certain of the Company's regulated telephone operations are subject to the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation."

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

**Revenue recognition** - Revenues are generally recognized when services are provided or when products are delivered to customers. Revenue that is billed in advance includes monthly recurring network access services, special access services and monthly recurring local line charges. The unearned portion of this revenue is initially deferred as a component of advanced billings and customer deposits on the Company's balance sheet and recognized as revenue over the period that the services are provided. Revenue that is billed in arrears includes nonrecurring network access services, nonrecurring local services and long distance services. The earned but unbilled portion of this revenue is recognized as revenue in the period that the services are provided.

Certain of the Company's telephone subsidiaries participate in revenue sharing arrangements with other telephone companies for interstate revenue and for certain intrastate revenue. Such sharing arrangements are funded by toll revenue and/or access charges within state jurisdictions and by access charges in the interstate market. Revenues earned through the various sharing arrangements are initially recorded based on the Company's estimates.

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

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

**Long-lived assets** - In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Under SFAS 142, effective January 1, 2002, systematic amortization of goodwill is no longer permitted; instead, SFAS 142 requires goodwill recorded in a business combination to be reviewed for impairment and to be written down only in periods in which the recorded amount of goodwill exceeds its fair value. Impairment of goodwill is tested at least annually by comparing the fair value of the reporting unit to its carrying value (including goodwill). Estimates of the fair value of the reporting unit are based on valuation models using criterion such as multiples of earnings. Each adjustment reflected in the consolidated statements of income and comprehensive income by use of the term "as adjusted for goodwill amortization" reflects the effects of SFAS 142, as more fully described in Note 4. Prior to January 1, 2002, substantially all of the Company's goodwill was amortized over 40 years.

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets (exclusive of goodwill) and also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. As a result of the Company's agreement in March 2002 to sell its wireless operations (which was consummated on August 1, 2002) (see Note 3), such operations have been reflected as discontinued operations for the year ended December 31, 2002. Assets and liabilities related to the Company's wireless operations are reflected as "Held for sale" on the accompanying consolidated balance sheets. Results of operations for 2001 and 2000 have been restated to conform to this presentation.

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



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

Derivative financial instruments - Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 requires all derivative instruments be recognized as either assets or liabilities at fair value on the balance sheet. The Company uses derivative instruments to (i) lock-in or swap its exposure to changing or variable interest rates for fixed interest rates or (ii) swap obligations to pay fixed interest rates for variable interest rates. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative instrument activities. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. Management periodically reviews the Company's exposure to interest rate fluctuations and implements strategies to manage the exposure.

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

Stock-based compensation - The Company accounts for employee stock compensation plans using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," as allowed by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). Options have been granted to employees at a price either equal to or exceeding the then-current market price. Accordingly, the Company has not recognized compensation cost in connection with issuing stock options.

During 2002 the Company granted 1,983,150 options (the "2002 Options") at market price. The weighted average fair value of each of the 2002 Options was estimated as of the date of grant to be \$11.66 using an option-pricing model with the following assumptions: dividend yield - .7%; expected volatility - 30%; risk-free interest rate - 3.4%; and expected option life - seven years.

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

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

If compensation cost for CenturyTel's options had been determined consistent with SFAS 123, the Company's net income and earnings per share on a pro forma basis for 2002, 2001 and 2000 would have been as follows:

Year ended December 31,	2002	2001	2000
	-----		
	(Dollars in thousands, except per share amounts)		
Net income, as reported	\$ 801,624	343,031	231,474
Less: Total stock-based employee compensation expense determined under fair value based method, net of tax	\$ (15,001)	(8,971)	(6,310)
Pro forma net income	\$ 786,623	334,060	225,164
	=====		
Basic earnings per share			
As reported	\$ 5.66	2.43	1.65
Pro forma	\$ 5.56	2.37	1.60
Diluted earnings per share			
As reported	\$ 5.61	2.41	1.63
Pro forma	\$ 5.51	2.35	1.59
	-----		

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

Discontinued operations - Pursuant to a definitive agreement signed March 19, 2002, on August 1, 2002, the Company sold substantially all of its wireless operations to an affiliate of ALLTEL Corporation ("Alltel") and certain partners in the Company's markets that exercised "first refusal" purchase rights for an aggregate of approximately \$1.59 billion in cash. As a result, the Company's wireless operations have been reflected as discontinued operations for all periods presented. See Note 3 for additional information.

Reclassifications - Certain amounts previously reported for prior years have been reclassified to conform with the 2002 presentation.

## (2) ACQUISITIONS

On July 1, 2002, the Company completed the acquisition of approximately 300,000 telephone access lines in the state of Alabama from Verizon Communications, Inc ("Verizon") for approximately \$1.022 billion cash. On August 31, 2002, the Company completed the acquisition of approximately 350,000 telephone access lines in the state of Missouri from Verizon for approximately \$1.179 billion cash. The assets purchased include (i) telephone access lines and related property and equipment comprising Verizon's local exchange operations in predominantly rural markets throughout Alabama and Missouri, (ii) Verizon's assets used to provide digital subscriber line ("DSL") and other high speed data services within the purchased exchanges and (iii) approximately 2,800 route miles of fiber optic cable within the purchased exchanges. The acquired assets did not include Verizon's cellular, personal communications services ("PCS"), long distance, dial-up Internet, or directory publishing operations, or rights under various Verizon contracts, including those relating to customer premise equipment. The Company did not assume any liabilities of Verizon other than (i) those associated with contracts, facilities and certain other assets transferred in connection with the purchase and (ii) certain employee-related liabilities, including liabilities for postretirement health benefits. For financing arrangements related to these acquisitions, see Note 6.

The results of operations of the acquired properties are included in the Company's results of operations from and after the respective acquisition dates.

The following table presents the Company's allocation of its aggregate purchase price to the assets acquired and liabilities assumed in connection with the acquisitions.

	(In thousands)
Accounts receivable	\$ 49,716
Materials and supplies	1,458
Property, plant and equipment	855,752
Goodwill	1,304,786
Other assets	58,000
Accrued expenses and other liabilities	(1,195)
Advanced billings and customer deposits	(10,362)
Deferred credits and other liabilities	(56,897)
	-----
Aggregate purchase price	\$ 2,201,258
	=====

The Company believes the entire amount of goodwill will be deductible for income tax purposes.

The following pro forma information represents the consolidated results of continuing operations of the Company for the years ended December 31, 2002 and 2001 as if the Verizon acquisitions in 2002 had been consummated as of January 1, 2002 and 2001, respectively.

	2002	2001
	-----	-----
	(Dollars in thousands, except per share amounts)	
Operating revenues from continuing operations	\$ 2,285,866	2,231,631
Income from continuing operations	\$ 214,638	181,936
Basic earnings per share from continuing operations, as adjusted	\$ 1.51	1.62
Diluted earnings per share from continuing operations, as adjusted	\$ 1.50	1.60

The pro forma information is based on various assumptions and estimates, and on the above-mentioned allocations of the aggregate Verizon purchase price to the Verizon assets acquired. The pro forma information (i) reflects the effect of reduced interest expense after August 1, 2002 as a result of reducing outstanding indebtedness from utilization of proceeds received from the August 1, 2002 sale of substantially all of the Company's wireless operations described in Note 3 and (ii) makes no pro forma adjustments to reflect any assumed consummation of such sale (or any use of such sale proceeds) prior to August 1, 2002. The pro forma information is not necessarily indicative of the operating results that would have occurred if the Verizon acquisitions had been consummated as of January 1 of each respective period, nor is it necessarily indicative of future operating results. The pro forma information does not give effect to any potential revenue enhancements or cost synergies or other operating efficiencies that could result from the acquisitions. The actual results of operations of the Verizon properties are included in the consolidated financial statements only from the respective dates of acquisition.

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

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

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

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

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

### (3) DISCONTINUED OPERATIONS

Pursuant to a definitive agreement signed March 19, 2002, on August 1, 2002, the Company sold substantially all of its wireless operations to Alltel and certain partners in the Company's markets that exercised "first refusal" purchase rights for an aggregate of approximately \$1.59 billion in cash. In connection with this transaction, the Company divested its (i) interests in its majority-owned and operated cellular systems, which at June 30, 2002 served approximately 783,000 customers and had access to approximately 7.8 million pops, (ii) minority cellular equity interests representing approximately 1.8 million pops at June 30, 2002, and (iii) licenses to provide PCS covering 1.3 million pops in Wisconsin and Iowa. Proceeds from the sale of the wireless operations were used to partially fund the Company's acquisitions of telephone properties in Alabama and Missouri during the third quarter of 2002.

As a result of the sale, the Company's wireless operations have been reflected as discontinued operations in the Company's consolidated statements of income and cash flows for the years ended December 31, 2002, 2001 and 2000. Assets and liabilities related to the Company's wireless operations are reflected as "Held for sale" on the accompanying consolidated balance sheets. The depreciation and amortization of long-lived and amortizable intangible assets related to the wireless operations ceased on March 19, 2002, the date of the definitive agreement to sell such operations.

The Company had no outstanding indebtedness directly related to its wireless operations; therefore, no interest expense was allocated to discontinued operations. The following table represents certain summary income statement information related to the Company's wireless operations that is reflected in discontinued operations.

Year ended December 31,	2002	2001	2000
----- (Dollars in thousands)			
Operating revenues	\$ 246,705	437,965	443,569
Operating income (1)	\$ 71,258	132,614	139,276
Nonrecurring gains and losses, net	-	166,928	20,593
Income from unconsolidated cellular entities	31,350	27,460	26,986
Minority interest expense	(8,569)	(11,510)	(11,598)
Gain on sale of discontinued operations	803,905	-	-
Other income	188	4,707	3,157
Pre-tax income from discontinued operations	\$ 898,132	320,199	178,414
Income tax expense	(286,427)	(121,314)	(71,169)
Income from discontinued operations	\$ 611,705	198,885	107,245
=====			

(1) Excludes corporate overhead costs of \$11.3 million, \$20.2 million and \$21.4 million for 2002, 2001 and 2000, respectively, allocated to the wireless operations. Included as a reduction in operating income for 2002 is a \$30.5 million charge associated with the write-off of all amounts expended to develop the wireless portion of the Company's billing system currently in development.

The following table represents certain summary cash flow statement information related to the Company's wireless operations reflected as discontinued operations.

Year ended December 31,	2002	2001	2000
----- (Dollars in thousands)			
Net cash provided by (used in) operating activities	\$ (250,684) (1)	87,585	117,096
Net cash provided by (used in) investing activities	1,577,633 (2)	145,243	(482)
Net cash provided by financing activities	-	-	201
Net cash provided by discontinued operations	\$ 1,326,949	232,828	116,815

- =====
- (1) Includes approximately \$305 million estimated tax payment related to sale of wireless operations.  
(2) Includes cash proceeds of \$1.59 billion from the sale of substantially all of the Company's wireless operations.

The following table represents the net assets of the discontinued wireless operations as of December 31, 2002 and December 31, 2001 that are classified as held for sale on the consolidated balance sheets.

December 31,	2002	2001
-----		
(Dollars in thousands)		
Current assets	\$ -	70,360
Net property, plant and equipment	-	263,421
Goodwill	-	384,326
Other assets (1)	11,805	127,321
-----		
Assets held for sale	\$ 11,805	845,428
=====		
Current liabilities	\$ -	55,074
Deferred credits and other liabilities	-	93,796
-----		
Liabilities related to assets held for sale	\$ -	148,870
=====		

(1) At December 31, 2002, represents the Company's minority interest in a cellular partnership that the Company has agreed to sell to Alltel upon the satisfaction of various closing conditions. The Company is currently in discussions regarding whether these closing conditions have been met. No assurance can be given that this sale will occur.

#### (4) INVESTMENTS AND OTHER ASSETS

Investments and other assets at December 31, 2002 and 2001 were composed of the following:

December 31,	2002	2001
-----		
(Dollars in thousands)		
Goodwill	\$ 3,427,281	2,087,158
Billing system development costs	139,451	139,503
Cash surrender value of life insurance contracts	93,664	99,835
Prepaid pension asset	54,695	42,353
Franchise costs	35,300	-
Customer base, less accumulated amortization of \$729	21,971	-
Deferred interest rate hedge contracts	33,635	35,192
Debt issuance costs, net	23,491	12,108
Fair value of interest rate swap	22,163	-
Other	79,405	91,052
-----		
	\$ 3,931,056	2,507,201
=====		

The following information relates to the Company's goodwill as of December 31, 2002 and 2001:

December 31,	2002	2001
-----		
(Dollars in thousands)		
Carrying amount of goodwill		
Telephone segment	\$ 3,382,113	2,074,036
Other operations	45,168	13,122
-----		
Total goodwill	\$ 3,427,281	2,087,158
=====		

During 2002, the Company completed the initial transitional goodwill impairment test and the required annual test of SFAS 142 and determined its goodwill was not impaired in either test. The increase in goodwill in the telephone segment since December 31, 2001 is primarily due to the Verizon acquisitions consummated in third quarter 2002 (see Note 2).

The following is a reconciliation of reported net income and reported earnings per share to the amounts that would have been reported had the Company been subject to SFAS 142 during 2001 and 2000.

Year ended December 31,	2002	2001	2000
	(Dollars in thousands, except per share amounts)		
Net income, as reported	\$ 801,624	343,031	231,474
Goodwill amortization, net of taxes	-	56,266	46,555
Net income, as adjusted	\$ 801,624	399,297	278,029
Basic earnings per share, as reported	\$ 5.66	2.43	1.65
Goodwill amortization, net of taxes	-	.40	.33
Basic earnings per share, as adjusted	\$ 5.66	2.83	1.98
Diluted earnings per share, as reported	\$ 5.61	2.41	1.63
Goodwill amortization, net of taxes	-	.40	.33
Diluted earnings per share, as adjusted	\$ 5.61	2.81	1.96

Amortization of goodwill and other intangibles from continuing operations of \$729,000, \$58.4 million and \$43.6 million for 2002, 2001 and 2000, respectively, is included in "Depreciation and amortization" in the Company's Consolidated Statements of Income. In accordance with SFAS 142, effective January 1, 2002, goodwill is no longer subject to amortization but instead is tested for impairment at least annually.

The Company is in the process of developing an integrated billing and customer care system. The costs to develop such system have been capitalized in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," and aggregated \$139.5 million at both December 31, 2002 and 2001. A portion of these billing costs related to the wireless business (\$30.5 million) was written off as a component of discontinued operations in the third quarter of 2002 as a result of the sale of substantially all of the Company's wireless operations on August 1, 2002. Excluding this write-off, the Company's aggregate billing system costs are expected to approximate \$180 million upon completion and are expected to be amortized over a twenty-year period. The Company expects to begin amortization of the billing system in 2003 as customer groups are migrated to this new system.

In connection with the acquisitions of properties from Verizon in 2002, the Company assigned \$35.3 million as an intangible asset associated with franchise costs (which includes amounts necessary to maintain eligibility to provide telecommunications services in its licensed service areas). Such asset has an indefinite life and therefore is not subject to amortization currently.

The Company assigned \$22.7 million to a customer base intangible asset in connection with the acquisitions of Verizon properties in 2002. Such asset is being amortized over 15 years; amortization expense for 2002 was \$729,000 and is expected to be \$1.5 million for each of the next five years.

##### (5) PROPERTY, PLANT AND EQUIPMENT

Net property, plant and equipment at December 31, 2002 and 2001 was composed of the following:

December 31,	2002	2001
	(Dollars in thousands)	
Telephone		
Cable and wire	\$ 3,643,167	3,009,720
Central office	2,150,217	1,829,945
General support	474,022	340,416
Information origination/termination	44,198	42,038
Construction in progress	32,507	64,560
Other	3,789	5,576
	6,347,900	5,292,255
Accumulated depreciation	(3,136,107)	(2,839,268)
	3,211,793	2,452,987
Other, at cost		
General support	346,037	309,500
Fiber network	74,305	72,410
Other	100,950	65,010
	521,292	446,920
Accumulated depreciation	(201,440)	(163,765)
	319,852	283,155

Net property, plant and equipment	\$ 3,531,645	2,736,142
=====	=====	=====

Depreciation expense was \$410.9 million, \$348.6 million and \$279.2 million in 2002, 2001 and 2000, respectively. The composite depreciation rate for telephone properties was 6.9% for 2002, 6.8% for 2001 and 7.2% for 2000.

#### (6) LONG-TERM AND SHORT-TERM DEBT

The Company's long-term debt as of December 31, 2002 and 2001 was as follows:

December 31,	2002	2001
-----		
	(Dollars in thousands)	
CenturyTel		
2.05%* senior credit facilities, due through 2005	\$ 385,000	-
Senior credit facility	-	300,000
4.85% note	-	199,125
Senior notes and debentures:		
7.75% Series A, due 2004	50,000	50,000
8.25% Series B, due 2024	100,000	100,000
6.55% Series C, due 2005	50,000	50,000
7.20% Series D, due 2025	100,000	100,000
6.15% Series E, due 2005	100,000	100,000
6.30% Series F, due 2008	240,000	240,000
6.875% Series G, due 2028	425,000	425,000
8.375% Series H, due 2010	500,000	500,000
7.75% Series I	-	400,000
6.02% Series J, due 2007 (remarketable 2005)	500,000	-
4.75% Series K, due 2032	165,000	-
7.875% Series L, due 2012	500,000	-
9.38% notes, due through 2003	2,800	7,975
6.86%** Employee Stock Ownership		
Plan commitment, due in installments through 2004	1,500	2,500
Unamortized net (discount) premium	(5,084)	11,036
Fair value of derivative instrument related to		
Series H senior notes	22,163	-
Other	146	175
-----		
Total CenturyTel	3,136,525	2,485,811
-----		
Subsidiaries		
First mortgage debt		
5.92%** notes, payable to agencies of the U. S. government		
and cooperative lending associations, due in		
installments through 2025	250,325	265,240
7.98% notes, due through 2017	5,500	5,419
Other debt		
7.02%** unsecured medium-term notes, due through 2008	244,124	271,135
7.03%** notes, due in installments through 2020	5,361	6,725
6.46%** capital lease obligations, due through 2008	7,034	9,004
-----		
Total subsidiaries	512,344	557,523
-----		
Total long-term debt	3,648,869	3,043,334
Less current maturities	70,737	955,834
-----		
Long-term debt, excluding current maturities	\$ 3,578,132	2,087,500
=====		

\* variable interest rate at December 31, 2002 \*\* weighted average interest rate at December 31, 2002

The approximate annual debt maturities for the five years subsequent to December 31, 2002 are as follows: 2003 - \$70.7 million; 2004 - \$71.8 million; 2005 - \$630.4 million; 2006 - \$113.4 million (assuming the Company is not required to purchase any of its Series K debentures in 2006 pursuant to the put rights described below); and 2007 - \$522.3 million.

Certain of the loan agreements of CenturyTel and its subsidiaries contain various restrictions, among which are limitations regarding issuance of additional debt, payment of cash dividends, reacquisition of capital stock and other matters. In addition, the transfer of funds from certain consolidated subsidiaries to CenturyTel is restricted by various loan agreements. Subsidiaries which have loans from government agencies and cooperative lending associations, or have issued first mortgage bonds, generally may not loan or advance any funds to CenturyTel, but may pay dividends if certain financial ratios are met. At December 31, 2002, restricted net assets of subsidiaries were \$264.7 million and subsidiaries' retained earnings in excess of amounts restricted by debt covenants totaled \$1.377 billion. At December 31, 2002, all of the consolidated retained earnings reflected on the balance sheet was available under CenturyTel's loan agreements for the declaration of dividends.

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

On May 6, 2002, the Company issued and sold in an underwritten public offering \$500 million of equity units. Net proceeds to the Company from this issuance were approximately \$483.4 million. Each of the 20 million equity units issued was priced at \$25 and consists initially of a beneficial interest in a CenturyTel senior unsecured note (Series J) with a principal amount of \$25 and a contract to purchase shares of CenturyTel common stock no later than May 2005. The senior notes will mature in May 2007. Each purchase contract will generally require the holder to purchase between .6944 and .8741 of a share of CenturyTel common stock in May 2005 based on the then current stock price of CenturyTel common stock in exchange for \$25, subject to certain adjustments and exceptions. Accordingly, upon full settlement of the purchase contracts in May 2005, the Company will receive proceeds of \$500 million and will deliver between 13.9 million and 17.5 million common shares in the aggregate. The senior notes are pledged by the holders to secure their obligations under the purchase contracts. The total distributions on the equity units will be at an initial annual rate of 6.875%, consisting of interest (6.02%) and contract adjustment payments (0.855%), each payable quarterly. On or after mid-February 2005, the senior notes will be remarketed, at which time the remarketing agent will reset the interest rate on the senior notes in order to generate sufficient proceeds to secure the holder's obligation under the purchase contract. In the event of an unsuccessful remarketing, the Company will exercise its right as a secured party to dispose of the senior notes and satisfy in full the holder's obligation to purchase common stock under the purchase contract.

The senior note portion of the equity units is reflected on the balance sheet as long-term debt in the amount of \$500 million. Interest expense on the senior notes is accrued at a rate of 6.02%, the initial interest rate. The present value of the aggregate contract adjustment payments has been recorded as an \$11.6 million reduction to paid-in capital and as an equivalent liability. The Company will amortize the difference between the aggregate amount of all payments and the present value thereof as interest expense over the three-year term of the purchase contracts. Upon making each such payment, the Company will allocate most of the payment to the reduction of its \$11.6 million liability, and record the remainder as interest expense. The issuance costs of the equity units have been allocated to the units' debt and equity components. The debt issuance costs (\$3.3 million) were computed based on typical costs of a debt transaction and will be amortized to interest expense over the term of the senior notes. The remainder of the issuance costs (\$12.6 million) were treated as a cost of raising equity and recorded as a charge to paid-in capital.

On July 22, 2002, the Company entered into \$800 million of credit facilities, consisting of a \$533 million three-year facility and a \$267 million 364-day revolving facility with a one-year term-out option. The Company had \$385 million outstanding under these facilities at December 31, 2002. These facilities replaced credit facilities that matured during the third quarter of 2002.

In the third quarter of 2002, the Company issued \$500 million of senior notes, Series L, due 2012 (which bear interest at 7.875%) and \$165 million of convertible senior debentures, Series K, due 2032 (which bear interest at 4.75% and which may be converted into shares of CenturyTel common stock at a conversion price of \$40.455 per share). Holders of the convertible senior debentures will have the right to require the Company to purchase all or a portion of the debentures on August 1, 2006, August 1, 2010 and August 1, 2017. In each case, the purchase price payable will be equal to 100% of the principal amount of the debentures to be purchased plus any accrued and unpaid interest to the purchase date. The Company will pay cash for all debentures so purchased on August 1, 2006. For any such purchases on or after August 1, 2010, the Company may choose to pay the purchase price in cash or shares of its common stock, or any combination thereof (except that the Company will pay any accrued and unpaid interest in cash).

On October 15, 2002, the Company redeemed \$400 million principal amount of its Series I Remarketable Senior Notes at par value, plus accrued interest. In connection with such redemption, the Company also paid a premium of approximately \$71.1 million in accordance with the redemption provisions of the associated remarketing agreement. Such premium payment (net of \$11.1 million of unamortized net premium primarily associated with the option payment received by the Company in 2000 in connection with the original issuance of the remarketable notes) is reflected as an Other Expense in the Company's results of operations for year ended December 31, 2002.

At December 31, 2002, the Company had available \$415.0 million of undrawn committed bank lines of credit and the Company's telephone subsidiaries had available for use \$123.0 million of commitments for long-term financing from the Rural Utilities Service and Rural Telephone Bank.

## (7) DERIVATIVE INSTRUMENTS

During 2002, the Company entered into the following derivative transactions:

(a) A cash flow hedge designed to lock in a fixed interest rate for \$100 million of the \$500 million senior notes issued in the third quarter of 2002. Such hedge was settled in the third quarter of 2002 for a \$1.1 million payment by the Company. Such amount will be amortized as additional interest expense over a ten-year period, which equates to the term of the debt issuance hedged.

(b) A fair value hedge with respect to the Company's \$500 million aggregate principal amount of 8.375% Series H senior notes, due 2010. This hedge is a "fixed to variable" interest rate swap that effectively converts the Company's fixed rate interest payment obligations under these notes into variable rate obligations. As of December 31, 2002, the Company realized an interest rate of 4.96% related to such hedge. Interest expense was reduced by \$7.8 million in 2002 as a result of this hedge. The fair value of such hedge at December 31, 2002 was \$22.2 million and is reflected on the accompanying balance sheet as both an asset (included in "Other assets") and as an increase in the underlying debt (included in "Long-term debt").

(c) A cash flow hedge designed to eliminate the variability of interest payments for \$400 million of variable rate debt under the Company's

\$800 million credit facilities. Such hedge expires in October 2003 and is designed to swap the Company's future obligation to pay variable rate interest based on LIBOR into obligations that lock-in a fixed rate of 2.49%. Such hedge was deemed to be an effective hedge as of December 31, 2002 and its value on such date (\$1.3 million) is reflected as a liability and Accumulated Other Comprehensive Loss (net of tax) on the accompanying balance sheet.

#### (8) DEFERRED CREDITS AND OTHER LIABILITIES

Deferred credits and other liabilities at December 31, 2002 and 2001 were composed of the following:

December 31,	2002	2001
-----		
(Dollars in thousands)		
Deferred federal and state income taxes	\$ 352,161	303,708
Accrued postretirement benefit costs	208,542	139,020
Additional minimum pension liability	56,388	-
Minority interest	26,067	23,248
Other	73,010	40,076
-----		
	\$ 716,168	506,052
=====		

#### (9) STOCKHOLDERS' EQUITY

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

December 31,	2002
-----	
(In thousands)	
Incentive compensation programs	13,452
Acquisitions	4,064
Employee stock purchase plan	4,870
Dividend reinvestment plan	484
Conversion of convertible preferred stock	435
Other employee benefit plans	1,655
-----	
	24,960
=====	

Under CenturyTel's Articles of Incorporation each share of common stock beneficially owned continuously by the same person since May 30, 1987 generally entitles the holder thereof to ten votes per share. All other shares entitle the holder to one vote per share. At December 31, 2002, the holders of 9.6 million shares of common stock were entitled to ten votes per share.

Preferred stock - As of December 31, 2002, CenturyTel had 2.0 million shares of authorized convertible preferred stock, \$25 par value per share. At December 31, 2002 and 2001, there were 319,000 shares of outstanding preferred stock. Holders of outstanding CenturyTel preferred stock are entitled to receive cumulative dividends, receive preferential distributions equal to \$25 per share plus unpaid dividends upon CenturyTel's liquidation and vote as a single class with the holders of common stock.

Shareholders' Rights Plan - In 1996 the Board of Directors declared a dividend of one preference share purchase right for each common share outstanding. Such rights become exercisable if and when a potential acquiror takes certain steps to acquire 15% or more of CenturyTel's common stock. Upon the occurrence of such an acquisition, each right held by shareholders other than the acquiror may be exercised to receive that number of shares of common stock or other securities of CenturyTel (or, in certain situations, the acquiring company) which at the time of such transaction will have a market value of two times the exercise price of the right.

#### (10) POSTRETIREMENT BENEFITS

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

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

December 31,	2002	2001	2000
-----			
(Dollars in thousands)			
Change in benefit obligation			
Benefit obligation at beginning of year	\$ 215,872	165,266	156,724
Service cost	6,669	6,373	4,727
Interest cost	15,962	14,512	10,907
Participant contributions	617	548	677



Acquisitions	56,539	-	15,730
Actuarial (gain) loss	(29,534)	40,005	(14,773)
Benefits paid	(12,363)	(10,832)	(8,726)
-----			
Benefit obligation at end of year	\$ 253,762	215,872	165,266
=====			
Change in plan assets (primarily listed stocks and bonds)			
Fair value of plan assets at beginning of year	\$ 36,555	39,873	41,781
Return on assets	(2,896)	(1,379)	(270)
Employer contributions	6,784	8,345	6,411
Participant contributions	617	548	677
Benefits paid	(12,363)	(10,832)	(8,726)
-----			
Fair value of plan assets at end of year	\$ 28,697	36,555	39,873
=====			

Net periodic postretirement benefit cost for 2002, 2001 and 2000 included the following components:

Year ended December 31,	2002	2001	2000
-----			
(Dollars in thousands)			
Service cost	\$ 6,669	6,373	4,727
Interest cost	15,962	14,512	10,907
Expected return on plan assets	(3,656)	(3,987)	(4,178)
Amortization of unrecognized actuarial loss	1,470	1,337	26
Amortization of unrecognized prior service cost	(129)	(129)	(129)
-----			
Net periodic postretirement benefit cost	\$ 20,316	18,106	11,353
=====			

The following table sets forth the amounts recognized as liabilities for postretirement benefits at December 31, 2002, 2001 and 2000.

December 31,	2002	2001	2000
-----			
(Dollars in thousands)			
Benefit obligation	\$ (253,762)	(215,872)	(165,266)
Fair value of plan assets	28,697	36,555	39,873
Unamortized prior service cost	(918)	(1,046)	(1,175)
Unrecognized net actuarial (gain) loss	14,573	33,925	(9,621)
-----			
Accrued benefit cost	\$ (211,410)	(146,438)	(136,189)
=====			

Assumptions used in accounting for postretirement benefits as of December 31, 2002 and 2001 were:

	2002	2001
-----		
Weighted average assumptions		
Discount rate	6.75%	7.0
Expected return on plan assets	10.0%	10.0
-----		

For 2003, the Company lowered its expected return on plan assets from 10.0% to 8.25%.

For measurement purposes, the annual rate in the per capita cost of covered health care benefits was assumed to range between 4.9%-5.7% for 2003, reaching an ultimate trend of 4.5% in 2015. A one-percentage-point change in assumed health care cost rates would have the following effects:

	1-Percentage Point Increase	1-Percentage Point Decrease
-----		
(Dollars in thousands)		
Effect on total of service and interest cost components	\$ 1,474	(1,405)
Effect on postretirement benefit obligation	\$ 16,604	(15,584)
-----		

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

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

December 31,	2002	2001	2000
----- (Dollars in thousands)			
Change in benefit obligation			
Benefit obligation at beginning of year	\$ 271,490	249,835	205,455
Service cost	10,353	7,760	5,928
Interest cost	20,053	17,829	15,381
Plan amendments	-	1,205	3,387
Acquisitions	51,428	-	35,824
Actuarial (gain) loss	9,231	9,065	(3,726)
Benefits paid	(16,299)	(14,204)	(12,414)
-----			
Benefit obligation at end of year	\$ 346,256	271,490	249,835
=====			
Change in plan assets (primarily listed stocks and bonds)			
Fair value of plan assets at beginning of year	\$ 283,448	329,459	319,901
Return on plan assets	(43,564)	(33,184)	(14,991)
Employer contributions	14,887	1,377	572
Acquisitions	51,428	-	36,391
Benefits paid	(16,299)	(14,204)	(12,414)
-----			
Fair value of plan assets at end of year	\$ 289,900	283,448	329,459
=====			

Net periodic pension expense (benefit) for 2002, 2001 and 2000 included the following components:

Year ended December 31,	2002	2001	2000
----- (Dollars in thousands)			
Service cost	\$ 10,353	7,760	5,928
Interest cost	20,053	17,829	15,381
Expected return on plan assets	(29,578)	(31,901)	(31,586)
Recognized net (gains) losses	1,328	(2,325)	(7,107)
Net amortization and deferral	395	301	(602)
-----			
Net periodic pension expense (benefit)	\$ 2,551	(8,336)	(17,986)
=====			

The following table sets forth the combined plans' funded status and amounts recognized in the Company's consolidated balance sheet at December 31, 2002, 2001 and 2000.

December 31,	2002	2001	2000
----- (Dollars in thousands)			
Benefit obligation	\$ (346,256)	(271,490)	(249,835)
Fair value of plan assets	289,900	283,448	329,459
Unrecognized transition asset	(1,152)	(1,404)	(1,648)
Unamortized prior service cost	4,370	5,017	4,126
Unrecognized net actuarial (gain) loss	107,833	26,782	(49,336)
-----			
Prepaid pension cost	\$ 54,695	42,353	32,766
=====			

As of December 31, 2002, substantially all of the pension plans had benefit obligations in excess of plan assets.

Amounts recognized on the balance sheet consist of:

December 31,	2002	2001	2000
----- (Dollars in thousands)			
Prepaid pension cost	\$ 54,695	42,353	32,766
Additional minimum pension liability (reflected in Deferred Credits and Other Liabilities)	(56,388)	-	-
Intangible asset (reflected in Other Assets)	1,212	-	-

Accumulated Other Comprehensive Loss	55,176	-	-
	\$ 54,695	42,353	32,766

Assumptions used in accounting for the pension plans as of December 2002 and 2001 were:

	2002	2001
Discount rate	6.75%	7.0
Expected long-term rate of return on assets	8.0-10.0%	8.0-10.0
Weighted average rate of compensation increase	4.50%	4.50

For 2003, the Company lowered its expected long-term rate of return on assets from 8-10% to 8-8.25%.

CenturyTel sponsors an Employee Stock Ownership Plan ("ESOP") which covers most employees with one year of service with the Company and is funded by Company contributions determined annually by the Board of Directors. The Company's expense related to the ESOP during 2002, 2001 and 2000 was \$9.3 million, \$7.5 million, and \$9.5 million, respectively. At December 31, 2002, the ESOP owned an aggregate of 7.6 million shares of CenturyTel common stock.

CenturyTel and certain subsidiaries also sponsor qualified profit sharing plans pursuant to Section 401(k) of the Internal Revenue Code (the "401(k) Plans") which are available to substantially all employees of the Company. The Company's matching contributions to the 401(k) Plans were \$6.7 million in 2002, \$6.6 million in 2001 and \$6.1 million in 2000.

## (12) INCOME TAXES

Income tax expense from continuing operations included in the Consolidated Statements of Income for the years ended December 31, 2002, 2001 and 2000 was as follows:

Year ended December 31,	2002	2001	2000
	(Dollars in thousands)		
Federal			
Current	\$ 21,019	24,032	42,295
Deferred	80,056	62,164	30,932
State			
Current	11,406	6,735	9,393
Deferred	(8,944)	(4,220)	922
	\$ 103,537	88,711	83,542

Income tax expense from continuing operations was allocated as follows:

Year ended December 31,	2002	2001	2000
	(Dollars in thousands)		
Income tax expense in the consolidated statements of income	\$ 103,537	88,711	83,542
Stockholders' equity:			
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(7,471)	(1,051)	(2,702)
Tax effect of the change in accumulated other comprehensive income (loss)	(19,763)	(13,715)	(20,941)

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

Year ended December 31,	2002	2001	2000
	(Percentage of pre-tax income)		
Statutory federal income tax rate	35.0%	35.0	35.0
State income taxes, net of federal income tax benefit	.5	.7	3.2
Amortization of nondeductible goodwill	-	3.4	3.7
Amortization of investment tax credits	(.1)	(.2)	(.3)
Amortization of regulatory liability	(.3)	(.7)	(.8)

Other, net	.2	(.1)	(.6)
-----	-----	-----	-----
Effective income tax rate	35.3%	38.1	40.2
=====	=====	=====	=====

In accordance with SFAS 142, effective January 1, 2002, goodwill amortization for financial reporting purposes ceased.

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2002 and 2001 were as follows:

December 31,	2002	2001
-----	-----	-----
	(Dollars in thousands)	
Deferred tax assets		
Postretirement benefit costs	\$ 40,852	31,670
Regulatory support	11,414	12,163
Net state operating loss carryforwards	28,380	19,691
Other employee benefits	28,697	8,255
Other	18,720	21,036
-----	-----	-----
Gross deferred tax assets	128,063	92,815
Less valuation allowance	(28,380)	(19,691)
-----	-----	-----
Net deferred tax assets	99,683	73,124
-----	-----	-----
Deferred tax liabilities		
Property, plant and equipment, primarily due to depreciation differences	(189,663)	(152,506)
Goodwill	(256,801)	(218,461)
Deferred debt costs	(2,400)	(2,582)
Intercompany profits	(2,980)	(3,283)
-----	-----	-----
Gross deferred tax liabilities	(451,844)	(376,832)
-----	-----	-----
Net deferred tax liability	\$ (352,161)	(303,708)
=====	=====	=====

As of December 31, 2002 and 2001, the Company had available tax benefits associated with state operating loss carryforwards of \$28.4 million and \$19.7 million, respectively, which expire through 2017. Such amounts were reserved in total through the valuation allowance as it is likely that such operating loss carryforwards will not be utilized prior to expiration.

#### (13) NONRECURRING GAINS AND LOSSES, NET

In the second quarter of 2002, the Company recorded a pre-tax gain of \$3.7 million from the sale of a PCS license.

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

In the third quarter of 2001, the Company recorded a pre-tax gain on the sale of its remaining common shares of Illuminet Holdings, Inc. aggregating \$54.6 million (\$35.5 million after-tax; \$.25 per diluted share). The Company also recorded a pre-tax gain of \$4.0 million (\$2.6 million after-tax; \$.02 per diluted share) on the sale of certain other assets. Additionally in 2001, the Company recorded pre-tax charges of \$25.5 million (\$16.6 million after-tax; \$.12 per diluted share) due to the write-down in the value of certain non-operating investments in which the Company owns a minority interest.

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

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

#### (14) EARNINGS PER SHARE

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

Year ended December 31,	2002	2001	2000
-----	-----	-----	-----

(Dollars, except per share amounts, and shares in thousands)

Income (Numerator):				
Income from continuing operations	\$	189,919	144,146	124,229
Discontinued operations, net of tax		611,705	198,885	107,245
-----				
Net income		801,624	343,031	231,474
Dividends applicable to preferred stock		(399)	(399)	(399)
-----				
Net income applicable to common stock for computing basic earnings per share		801,225	342,632	231,075
Dividends applicable to preferred stock		399	399	399
Interest on convertible securities, net of taxes		-	-	132
-----				
Net income as adjusted for purposes of computing diluted earnings per share	\$	801,624	343,031	231,606
=====				
Net income applicable to common stock for computing basic earnings per share, as adjusted for goodwill amortization	\$	801,225	398,898	277,630
=====				
Net income as adjusted for purposes of computing diluted earnings per share, as adjusted for goodwill amortization	\$	801,624	399,297	278,161
=====				
Shares (Denominator):				
Weighted average number of shares outstanding during period		141,796	141,021	140,440
Employee Stock Ownership Plan shares not committed to be released		(183)	(278)	(371)
-----				
Weighted average number of shares outstanding during period for computing basic earnings per share		141,613	140,743	140,069
Incremental common shares attributable to dilutive securities:				
Shares issuable under convertible securities		435	435	707
Shares issuable under outstanding stock options		831	1,129	1,088
-----				
Number of shares as adjusted for purposes of computing diluted earnings per share		142,879	142,307	141,864
=====				
Basic earnings per share				
From continuing operations	\$	1.34	1.02	.88
From continuing operations, as adjusted for goodwill amortization	\$	1.34	1.35	1.15
From discontinued operations	\$	4.32	1.41	.77
From discontinued operations, as adjusted for goodwill amortization	\$	4.32	1.48	.84
Basic earnings per share	\$	5.66	2.43	1.65
Basic earnings per share, as adjusted for goodwill amortization	\$	5.66	2.83	1.98
Diluted earnings per share				
From continuing operations	\$	1.33	1.01	.88
From continuing operations, as adjusted for goodwill amortization	\$	1.33	1.34	1.13
From discontinued operations	\$	4.28	1.40	.76
From discontinued operations, as adjusted for goodwill amortization	\$	4.28	1.47	.83
Diluted earnings per share	\$	5.61	2.41	1.63
Diluted earnings per share, as adjusted for goodwill amortization	\$	5.61	2.81	1.96

The weighted average number of options to purchase shares of common stock that were excluded from the computation of diluted earnings per share because the exercise price of the option was greater than the average market price of the common stock was 3,285,000 for 2002, 1,346,000 for 2001 and 969,000 for 2000.

#### (15) STOCK OPTION PROGRAMS

CenturyTel maintains programs which allow the Board of Directors, through the Compensation Committee, to grant (i) incentives to certain employees in any one or a combination of several forms, including incentive and non-qualified stock options; stock appreciation rights; restricted stock; and performance shares and (ii) stock options to outside directors. As of December 31, 2002, CenturyTel had reserved 13.5 million shares of common stock which may be issued under CenturyTel's current incentive compensation programs.

Under the Company's programs, options have been granted to employees at a price either equal to or exceeding the then-current market price.

All of the options expire ten years after the date of grant and the vesting period ranges from immediate to three years.

Stock option transactions during 2002, 2001 and 2000 were as follows:

	Number of options	Average price
-----		
Outstanding December 31, 1999	3,485,842	14.92
Exercised	(369,308)	12.46
Granted	1,565,750	33.00
Forfeited	(1,125)	13.33
-----		
Outstanding December 31, 2000	4,681,159	21.16
Exercised	(149,806)	15.91
Granted	1,971,750	28.14
Forfeited	(135,583)	18.42
-----		
Outstanding December 31, 2001	6,367,520	23.51
Exercised	(1,366,560)	13.97
Granted	1,983,150	32.28
Forfeited	(88,308)	28.59
-----		
Outstanding December 31, 2002	6,895,802	27.95
=====		
Exercisable December 31, 2002	3,991,753	25.68
=====		
Exercisable December 31, 2001	3,342,216	17.81
=====		

The following tables summarize certain information about CenturyTel's stock options at December 31, 2002.

Options outstanding				
	Range of exercise prices	Number of options	Weighted average remaining contractual life outstanding	Weighted average exercise price
\$	11.67-17.64	1,382,141	2.8	\$ 14.93
	24.10-26.31	375,728	8.6	25.19
	26.62-31.54	1,976,839	8.3	28.18
	31.75-38.50	3,116,934	8.6	33.72
	39.00-46.19	44,160	6.4	42.29
		-----		
	11.67-46.19	6,895,802	7.6	27.95
		=====		

Options exercisable			
	Range of exercise prices	Number of options exercisable	Weighted average exercise price
\$	11.67-17.64	1,382,141	\$ 14.93
	24.10-26.31	225,345	25.21
	26.62-31.54	939,351	28.18
	31.75-38.50	1,400,756	34.15
	39.00-46.19	44,160	42.29
		-----	
	11.67-46.19	3,991,753	25.68
		=====	

#### (16) SUPPLEMENTAL CASH FLOW DISCLOSURES

The amount of interest actually paid by the Company, net of amounts capitalized of \$1.2 million, \$3.5 million and \$4.5 million during 2002, 2001 and 2000, respectively, was \$210.9 million, \$224.7 million and \$164.0 million during 2002, 2001 and 2000, respectively. Income taxes paid were \$325.5 million in 2002, \$128.3 million in 2001 and \$142.3 million in 2000.

CenturyTel has consummated the acquisitions of various operations, along with certain other assets, during the three years ended December 31, 2002. In connection with these acquisitions, the following assets were acquired and liabilities assumed:

Year ended December 31,

2002

2001

2000

(Dollars in thousands)			
Property, plant and equipment, net	\$ 866,575	-	607,415
Goodwill	1,335,157	33,183	917,468
Other investments	-	-	1,972
Long-term debt	-	-	(378)
Deferred credits and other liabilities	(56,897)	13,948	(44,465)
Other assets and liabilities, excluding cash and cash equivalents	100,191	-	53,671
Decrease in cash due to acquisitions	\$ 2,245,026	47,131	1,535,683

CenturyTel has disposed of various operations reflected within continuing operations, along with certain other assets, during the three years ended December 31, 2002. In connection with these dispositions, the following assets were sold, liabilities eliminated, assets received and gain recognized:

Year ended December 31,	2002	2001	2000
(Dollars in thousands)			
Property, plant and equipment, net	\$ -	(2,447)	-
Marketable equity securities	-	(3,614)	-
Other assets and liabilities, excluding cash and cash equivalents	(435)	(19,080)	-
Gain on sale of assets	(3,709)	(33,043)	-
Increase in cash due to dispositions	\$ (4,144)	(58,184)	-

For information on the Company's discontinued operations, see Note 3.

#### (17) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and estimated fair values of certain of the Company's financial instruments at December 31, 2002 and 2001.

	Carrying Amount	Fair value	
(Dollars in thousands)			
December 31, 2002			
Financial assets			
Interest rate swaps	\$ 22,163	22,163	(2)
Other	\$ 33,637	33,637	(2)
Financial liabilities			
Long-term debt (including current maturities)	\$ 3,648,869	3,937,535	(1)
Interest rate swaps	\$ 1,290	1,290	(2)
Other	\$ 41,884	41,884	(2)
December 31, 2001			
Financial assets			
	\$ 25,601	25,601	(2)
Financial liabilities			
Long-term debt (including current maturities)	\$ 3,043,334	3,040,242	(1)
Other	\$ 29,308	29,308	(2)

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

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

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximates the fair value due to the short maturity of these instruments and have not been reflected in the above table.

#### (18) BUSINESS SEGMENTS

The Company's only separately reportable business segment is its telephone operations. The operating income of this segment is reviewed by

the chief operating decision maker to assess performance and make business decisions. Due to the sale of the Company's wireless operations, such operations (which were previously reported as a separate segment) are classified as discontinued operations. Other operations include, but are not limited to, the Company's nonregulated long distance operations, Internet operations, competitive local exchange carrier operations, fiber network business and security monitoring operations.

The Company's telephone operations are conducted in rural, suburban and small urban communities in 22 states. Approximately 91% of the Company's telephone access lines are in Wisconsin, Missouri, Alabama, Arkansas, Washington, Michigan, Louisiana, Colorado, Ohio and Oregon.

	Operating revenues	Depreciation and amortization	Operating income
----- (Dollars in thousands)			
Year ended December 31, 2002			
Telephone	\$ 1,733,592	396,866	543,113
Other operations	238,404	14,760	43,568
Corporate overhead costs allocable to discontinued operations	-	-	(11,275)
Total	\$ 1,971,996	411,626	575,406
=====			

Year ended December 31, 2001			
Telephone	\$ 1,505,733	398,284	423,420
Other operations	173,771	8,754	22,098
Corporate overhead costs allocable to discontinued operations	-	-	(20,213)
Total	\$ 1,679,504	407,038	425,305
=====			

Year ended December 31, 2000			
Telephone	\$ 1,253,969	317,906	376,290
Other operations	148,388	4,911	31,258
Corporate overhead costs allocable to discontinued operations	-	-	(21,411)
Total	\$ 1,402,357	322,817	386,137
=====			

Year ended December 31,	2002	2001	2000
----- (Dollars in thousands)			
Operating income	\$ 575,406	425,305	386,137
Nonrecurring gains and losses, net	3,709	33,043	-
Interest expense	(221,845)	(225,523)	(183,302)
Other income and expense	(63,814)	32	4,936
Income from continuing operations before income tax expense	\$ 293,456	232,857	207,771
=====			

Year ended December 31,	2002	2001	2000
----- (Dollars in thousands)			
Capital expenditures			
Telephone	\$ 319,536	351,010	275,523
Other operations	66,731	84,505	115,546
Total	\$ 386,267	435,515	391,069
=====			

December 31,	2002	2001	2000
----- (Dollars in thousands)			
Total assets			
Telephone	\$ 6,962,713	4,754,522	4,769,557
Other operations	795,890	718,734	721,600
Assets held for sale	11,805	845,428	902,133



Total assets	\$ 7,770,408	6,318,684	6,393,290
--------------	--------------	-----------	-----------

Interexchange carriers and other accounts receivable on the balance sheets are primarily amounts due from various long distance carriers, principally AT&T, and several large local exchange operating companies.

#### (19) COMMITMENTS AND CONTINGENCIES

Construction expenditures and investments in vehicles, buildings and equipment during 2003 are estimated to be \$370 million for telephone operations and \$30 million for other operations.

On August 29, 2002, the Wisconsin Court of Appeals upheld a ruling upon appeal that ordered the Company to refund access charges collected from interexchange carriers from December 1998 through 2000 on the former properties acquired from Ameritech. As a result of this ruling, the Company recorded a \$7.6 million pre-tax charge related to this refund in the third quarter of 2002.

On December 26, 2001, AT&T Corp. and one of its subsidiaries filed a complaint in the U.S. District Court for the Western District of Washington (Case No. CV0121512) seeking money damages against CenturyTel of the Northwest, Inc. The plaintiffs claim, among other things, that CenturyTel of the Northwest, Inc. has breached its obligations under a 1994 stock purchase agreement to indemnify the plaintiffs for various environmental costs and damages relating to properties sold to the plaintiffs under such 1994 agreement. The Company has investigated this claim and believes it has numerous defenses available. If the plaintiffs are successful in recovering any sums under this litigation, the Company believes it is entitled to indemnification under agreements with third parties.

From time to time, the Company is involved in various other claims and legal actions relating to the conduct of its business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position or results of operations.

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

	First quarter	Second quarter	Third quarter	Fourth quarter
(Dollars in thousands, except per share amounts) (unaudited)				
2002				
Operating revenues	\$ 422,918	438,702	524,497	585,879
Operating income	\$ 119,049	109,531	157,716	189,110
Income from continuing operations	\$ 42,857	40,208	63,619	43,235
Net income	\$ 70,767	78,763	607,749	44,345
Basic earnings per share from continuing operations	\$ .30	.28	.45	.30
Basic earnings per share	\$ .50	.56	4.29	.31
Diluted earnings per share from continuing operations	\$ .30	.28	.45	.30
Diluted earnings per share	\$ .50	.55	4.26	.31
2001				
Operating revenues	\$ 411,602	409,250	423,973	434,679
Operating income	\$ 104,309	99,209	105,991	115,796
Income from continuing operations	\$ 26,851	21,069	59,570	36,657
Net income	\$ 46,722	154,241	92,305	49,763
Basic earnings per share from continuing operations	\$ .19	.15	.42	.26
Basic earnings per share from continuing operations, as adjusted	\$ .27	.23	.50	.34
Basic earnings per share	\$ .33	1.10	.65	.35
Basic earnings per share, as adjusted	\$ .43	1.20	.75	.45
Diluted earnings per share from continuing operations	\$ .19	.15	.42	.26
Diluted earnings per share from continuing operations, as adjusted	\$ .27	.23	.50	.34
Diluted earnings per share	\$ .33	1.09	.65	.35
Diluted earnings per share, as adjusted	\$ .43	1.19	.75	.45

Diluted earnings per share for the third quarter of 2002 included \$3.72 per share related to the gain on the sale of substantially all of the Company's wireless operations, net of amounts written off for costs expended related to the wireless portion of the new billing system currently in development. Diluted earnings per share for the fourth quarter of 2002 was negatively impacted by \$.27 per share related to the redemption premium on the Company Series I remarketable notes that were redeemed in October 2002. On July 1 and August 31, 2002, the Company acquired nearly 650,000 telephone access lines and related assets from Verizon. See Note 2 for additional information.

Diluted earnings per share for the second and third quarters of 2001 included \$.75 and \$.27 per share, respectively, of net gains on sales of assets. See Note 13 for additional information.

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

None.

**PART III**

**Item 10. Directors and Executive Officers of the Registrant.**

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

Name ----	Age ---	Office(s) held with CenturyTel -----
Glen F. Post, III	50	Chairman of the Board of Directors and Chief Executive Officer
Karen A. Puckett	42	President and Chief Operating Officer
R. Stewart Ewing, Jr.	51	Executive Vice President and Chief Financial Officer
Harvey P. Perry	58	Executive Vice President, Chief Administrative Officer, General Counsel and Secretary
David D. Cole	45	Senior Vice President - Operations Support
Michael Maslowski	55	Senior Vice President and Chief Information Officer

Each of the Registrant's executive officers, except for Ms. Puckett and Mr. Maslowski, has served as an officer of the Registrant and one or more of its subsidiaries in varying capacities for more than the past five years. Mr. Maslowski has served as Senior Vice President and Chief Information Officer since March 1999 and as Senior Information Systems Executive for Lucent Technologies and for a joint venture between Lucent Technologies and Phillips Consumer Communications from 1996 to early 1999.

Ms. Puckett has served as President and Chief Operating Officer since August 2002, as Executive Vice President and Chief Operating Officer from July 2000 through August 2002, as Sales and Marketing Senior Officer of BroadStream Communications from July 1999 through July 2000 and as Texas Region President for GTE Wireless from 1996 to mid-1999. Commco Technology LLC (formerly BroadStream Communications) filed for bankruptcy on December 18, 2000 in the United States Bankruptcy Court, District of Connecticut (Bridgeport). Ms. Puckett was an officer and employee of BroadStream Communications from July 1999 through July 2000.

Mr. Post has served as Chairman of the Board since June 2002, and previously served as Vice Chairman of the Board from 1993 to 2002 and President from 1990 to 2002. In May 1999, Messrs. Ewing and Perry were promoted from Senior Vice President to Executive Vice President, and Mr. Perry was named Chief Administrative Officer. Mr. Cole has served as Senior Vice President - Operations Support since November 1998 and served as President - Wireless Group from October 1996 to October 1998.

The balance of the information required by Item 10 is incorporated by reference to the Registrant's definitive proxy statement relating to its 2003 annual meeting of stockholders (the "Proxy Statement"), which Proxy Statement will be filed pursuant to Regulation 14A within the first 120 days of 2003.

**Item 11. Executive Compensation.**

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

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

The following table provides information as of December 31, 2002, concerning shares of CenturyTel common stock authorized for issuance under CenturyTel's existing equity compensation plans.

Plan category	(a) Number of securities to be issued upon conversion of outstanding options	(b) Weighted-average exercise price of outstanding options	remaining available for future issuance under plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	6,895,802	\$ 27.95	4,744,400
Employee Stock Purchase Plan approved by shareholders	-	-	4,869,559
Equity compensation plans not approved by security holders	-	-	685,743
Totals	6,895,802	\$ 27.95	10,299,702

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

### Item 13. Certain Relationships and Related Transactions.

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

### Item 14. Controls and Procedures

The Company's Chief Executive Officer, Glen F. Post, III, and the Company's Chief Financial Officer, R. Stewart Ewing, Jr., have evaluated the Company's disclosure controls and procedures within 90 days of the filing of this annual report. Based on the evaluation, Messrs. Post and Ewing have concluded that the Company's disclosure controls and procedures are effective in providing reasonable assurance that they are timely alerted of all material information required to be filed in this annual report. Since the date of Messrs. Post's and Ewing's most recent evaluation, there have been no significant changes in the Company's 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.

## PART IV

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

#### a. Financial Statements

##### (i) Consolidated Financial Statements:

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

Consolidated Statements of Income for the years ended December 31, 2002, 2001 and 2000

Consolidated Statements of Comprehensive Income for the years ended December 31, 2002, 2001 and 2000

#### Consolidated Balance Sheets - December 31, 2002 and 2001

Consolidated Statements of Cash Flows for the years  
ended December 31, 2002, 2001 and 2000

Consolidated Statements of Stockholders' Equity for the  
years ended December 31, 2002, 2001 and 2000

#### Notes to Consolidated Financial Statements

#### Consolidated Quarterly Income Statement Information (unaudited)

##### (ii) Schedules:\*

## II Valuation and Qualifying Accounts

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

### b. Reports on Form 8-K.

The following items were reported in a Form 8-K filed October 8, 2002:

#### **Item 5. Other events and Regulation FD Disclosure - Updated**

information concerning Registrant's disposition of its wireless operations and acquisitions of telephone properties from Verizon.

#### **Item 7. Financial Statements and Exhibits - Historical**

financial statements of Verizon properties acquired and pro forma financial information.

The following item was reported in a Form 8-K filed October 25, 2002:

#### **Item 5. Other events and Regulation FD Disclosure - News**

release announcing third quarter results of operations and fourth quarter 2002 earnings expectations.

### c. Exhibits:

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

3.2 Registrant's Bylaws, as amended through February 25, 2003, included elsewhere herein.

3.3 Governance Guidelines and Charters, all included elsewhere herein.

(a) Corporate Governance Guidelines

(b) Charter of the Audit Committee of the Board of Directors

(c) Charter of the Compensation Committee of the Board of Directors

(d) Charter of the Nominating and Corporate Governance Committee of the Board of Directors

(e) Charter of the Risk Evaluation Committee of the Board of Directors

4.1 Note Purchase Agreement, dated September 1, 1989, between Registrant, Teachers Insurance and Annuity Association of America and the Lincoln National Life Insurance Company (incorporated by reference to Exhibit 4.23 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1989).

4.2 Rights Agreement, dated as of August 27, 1996, between Registrant and Society National Bank, as Rights Agent, including the form of Rights Certificate (incorporated by reference to Exhibit 1 of Registrant's Current Report on Form 8-K filed August 30, 1996) and Amendment No.1 thereto, dated May 25, 1999 (incorporated by reference to Exhibit 4.2(ii) to Registrant's Report on Form 8-K dated May 25, 1999) and Amendment No. 2 thereto, dated and effective as of June 30, 2000, by and between the Registrant and Computershare Investor Services, LLC, as rights agent (incorporated by reference to Exhibit 4.1 of Registrant's Quarterly report on 10-Q for the quarter ended September 30, 2000).

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

4.4 Instruments relating to the Company's public senior debt

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

(b) Resolutions designating the terms and conditions of the Company's 7-3/4% Senior Notes, Series A, due 2004 and 8-1/4% Senior Notes, Series B, due 2024 (incorporated by reference to Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994).

(c) Resolutions designating the terms and conditions of the Company's 6.55% Senior Notes, Series C, due 2005 and 7.2% Senior Notes, Series

D, due 2025 (incorporated by reference to Exhibit 4.27 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).

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

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

(f) For information on Registrant's Series J notes and related First Supplemental Indenture, see Item 4.8 below.

(g) Second Supplemental Indenture dated as of August 20, 2002 between CenturyTel and Regions Bank (successor-in-interest to First American Bank & Trust of Louisiana and Regions Bank of Louisiana), as Trustee, designating and outlining the terms and conditions of CenturyTel's 4.75% Convertible Senior Debentures, Series K, due 2032 (incorporated by reference to Exhibit 4.3 of CenturyTel's registration statement on Form S-4, File No. 333-100480).

(h) Form of 4.75% Convertible Debentures, Series K, due 2032 (included in Exhibit 4.4(g)).

(i) Board resolutions designating the terms and conditions of CenturyTel's 7.875% Senior Notes, Series L, due 2012 (incorporated by reference to exhibit 4.2 of CenturyTel's registration statement on Form S-3, File No. 333-100481).

(i) Form of 7.875% Senior Notes, Series L, due 2012 (included in Exhibit 4.4(i)).

(k) Registration Rights Agreement dated as of August 26, 2002 by and among CenturyTel, and Banc of America Securities LLC, J.P. Morgan Securities Inc. and Wachovia Securities, Inc. (incorporated by reference to Exhibit 4.5 of CenturyTel's registration statement on Form S-4, File No. 333-100480).

(l) Exchange and Registration Rights Agreement dated as of August 26, 2002 by and among CenturyTel and Banc of America Securities LLC, J.P. Morgan Securities Inc. and Wachovia Securities, Inc., as representatives of the initial purchasers named therein (incorporated by reference to Exhibit 4.4 of CenturyTel's registration statement on Form S-3, File No. 333-100481).

4.5 \$533 Million Three-Year Revolving Credit Facility, dated July 22, 2002, between CenturyTel, Inc. and the lenders named therein (incorporated by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2002).

4.6 \$267 Million 364-Day Revolving Credit Facility, dated July 22, 2002, between CenturyTel, Inc. and the lenders named therein (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2002).

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

4.8 Agreements relating to equity units issued by CenturyTel in May 2002:

(a) Purchase Contract Agreement, dated as of May 1, 2002, between CenturyTel and Wachovia Bank, National Association, as Purchase Contract Agent (incorporated by reference to Exhibit 4.13 to CenturyTel's Registration Statement on Form S-3, File No. 333-84276).

(b) Pledge Agreement, dated as of May 1, 2002, by and among CenturyTel, JPMorgan Chase Bank, as Collateral Agent, Custodial Agent, and Securities Intermediary, and Wachovia Bank, National Association, as Purchase Contract Agent (incorporated by reference to Exhibit 4.15 to CenturyTel's Registration Statement on Form S-3, File No. 333-84276).

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

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

(a) Registrant's Employee Stock Ownership Plan and Trust, as amended and restated February 28, 2002 and amendment thereto dated December 31, 2002, both included elsewhere herein.

(b) Registrant's Dollars & Sense Plan and Trust, as amended and restated, effective September 1, 2000 and amendment thereto dated December

31, 2002, both included elsewhere herein.

(c) Registrant's Amended and Restated Retirement Plan, effective as of February 28, 2002, and amendment thereto dated December 31, 2002, both included elsewhere herein.

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

## 10.2 Stock-based Incentive Plans

(a) Registrant's 1983 Restricted Stock Plan, dated February 21, 1984, as amended and restated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(e) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated November 21, 1996, (incorporated by reference to Exhibit 10.1(e) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996), and amendment thereto dated February 25, 1997 (incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997), and amendment thereto dated April 25, 2001 (incorporated by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001), and amendment thereto dated April 17, 2000 (incorporated by reference to Exhibit 10.2(a) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001).

(b) Registrant's 1988 Incentive Compensation Program, as amended and restated August 22, 1989 (incorporated by reference to Exhibit 19.8 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1989) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1(g) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996).

(c) Registrant's 1995 Incentive Compensation Plan approved by Registrant's shareholders on May 11, 1995 (incorporated by reference to Exhibit 4.4 to Registration No. 33-60061) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1 (l) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996), and amendment thereto dated February 25, 1997 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997).

(i) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of May 22, 1995, entered into by Registrant and its officers (incorporated by reference to Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995).

(ii) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of June 23, 1995, entered into by Registrant and certain key employees (incorporated by reference to Exhibit 10.6 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995).

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

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

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

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

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

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

(ii) Form of Stock Option Agreement, pursuant to the 2000 Incentive Compensation Plan and dated as of February 25, 2002, entered into by Registrant and its officers, included elsewhere herein.

(e) CenturyTel's 2002 Directors Stock Option Plan (incorporated by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q

for the period ended September 30, 2002).

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

(f) CenturyTel's 2002 Management Incentive Compensation Plan (incorporated by reference to Exhibit 10.3 of Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2002).

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

(ii) Form of Stock Option Agreement, pursuant to the 2002 Management Incentive Compensation Plan and dated as of February 24, 2003, entered into by Registrant and its officers, included elsewhere herein.

### 10.3 Other Non-Qualified Employee Benefit Plans

(a) Registrant's Key Employee Incentive Compensation Plan, dated January 1, 1984, as amended and restated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(f) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1 (f) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996), amendment thereto dated February 25, 1997 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997), amendment thereto dated April 25, 2001 (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001) and amendment thereto dated April 17, 2000 (incorporated by reference to Exhibit 10.3(a) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001).

(b) Registrant's Restated Supplemental Executive Retirement Plan, dated April 3, 2000 (incorporated by reference to Exhibit 10.1(d) to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000.)

(c) Registrant's Restated Supplemental Defined Contribution Plan, restated as of July 17, 2001, (incorporated by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.)

(d) Registrant's Amended and Restated Supplemental Dollars & Sense Plan, effective as of January 1, 1999 (incorporated by reference to Exhibit 10.1

(q) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1998).

(e) Registrant's Supplemental Defined Benefit Plan, effective as of January 1, 1999 (incorporated by reference to Exhibit 10.1

(y) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1998), and amendment thereto dated February 28, 2002 (incorporated by reference to Exhibit 10.3(e) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001).

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

(g) Registrant's Restated Outside Directors' Retirement Plan, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(t) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated April 17, 2000 (incorporated by reference to Exhibit 10.3(g) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001) and amendment thereto dated December 31, 2002, included elsewhere herein.

(h) Registrant's Restated Deferred Compensation Plan for Outside Directors, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(u) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated April 17, 2000 (incorporated by reference to Exhibit 10.3(h) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001).

(i) Registrant's Chairman/Chief Executive Officer Short-Term Incentive Program (incorporated by reference to Exhibit 10.6 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).

(j) Registrant's 2001 Employee Stock Purchase Plan (incorporated by reference to Registrant's 2001 Proxy Statement).

### 10.4 Employment, Severance and Related Agreements

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

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

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

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

#### 10.5 Other Agreements

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

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

(c) Stock Purchase Agreement, dated March 19, 2002, between Registrant and Alltel Communications, Inc. (incorporated by reference to Registrant's Current Report on Form 8-K filed March 22, 2002), as amended by Amendment No. 1 to Stock Purchase Agreement, dated July 31, 2002 (incorporated by reference to Registrant's Current Report on Form 8-K and Form 8-K/A filed August 13, 2002).

21 Subsidiaries of the Registrant, included elsewhere herein.

23 Independent Auditors' Consent, included elsewhere herein.

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





-----  
C. G. Melville, Jr.

March 27, 2003

/s/ Jim D. Reppond

Director

-----  
Jim D. Reppond

March 27, 2003

/s/ Joseph R. Zimmel

Director

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Joseph R. Zimmel

March 27, 2003

## CERTIFICATIONS

I, Glen F. Post, III, certify that:

1. I have reviewed this annual report on Form 10-K of CenturyTel, Inc;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - (a) designed such disclosure controls and procedures 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 annual report is being prepared;
  - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 27, 2003

*/s/ Glen F. Post, III*

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

I, R. Stewart Ewing, Jr. certify that:

1. I have reviewed this annual report on Form 10-K of CenturyTel, Inc;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - (a) designed such disclosure controls and procedures 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 annual report is being prepared;
  - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

*Date: March 27, 2003*

*/s/ R. Stewart Ewing, Jr.*

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

**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS  
CENTURYTEL, INC.**

For the years ended December 31, 2002, 2001 and 2000

Description	Balance at beginning of period	Additions charged to costs and expenses	Deductions from allowance (1)	Other changes	Balance at end of period
----- (Dollars in thousands)					
Year ended December 31, 2002					
Allowance for doubtful accounts	\$ 13,908	34,045	(17,134)	3,143 (2)	33,962
Valuation allowance for deferred tax assets	\$ 19,691	8,689	-	-	28,380
Year ended December 31, 2001					
Allowance for doubtful accounts	\$ 9,968	22,533	(18,593)	-	13,908
Valuation allowance for deferred tax assets	\$ 6,211	13,480	-	-	19,691
Year ended December 31, 2000					
Allowance for doubtful accounts	\$ 2,594	15,977	(12,485)	3,882 (2)	9,968
Valuation allowance for deferred tax assets	\$ -	6,211	-	-	6,211

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

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

**BYLAWS**  
**OF**  
**CENTURYTEL, INC.**

(as amended through February 25, 2003)

**BYLAWS**  
**CENTURYTEL, INC.**

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# BYLAWS

(Amended entirely May 23, 1995)

(Amended Article I, Section I, Subsection 1.1(L),  
added new Subsection 1.1(O), and amended  
Subsection 1.2 - October 7, 1996)

(Amended Article III, Section 1.1(B), Section 1 by adding new Subsection 1.3, Sections 3 and 4 amended in their entirety - November 21, 1996) (Amended Article I, Section I by adding, deleting, revising or renumbering various paragraphs of Subsection 1.1 and by revising Subsection 1.2 - October 7, 1998) (Amended Article I, Section I by adding or renumbering various paragraphs of Subsection 1.1, by revising Subsection 1.2, Article IV, Section 5, Subsections 5.2 and 5.7 amended in their entirety - November 19, 1998) (Amended Article I, Section I by adding Subsection 1.1(G), amending Subsection 1.2 and renumbering subsections - August 24, 1999) (Amended Article III, Section 1.1(D) - November 18, 1999)

(Amended Article III in its entirety - February 25, 2003)

## ARTICLE I

### OFFICERS

#### Section 1. Required and Permitted Officers

1.1 Officers. The officers of the Corporation shall be a Chairman of the Board; a Chief Executive Officer; a President; a Secretary; and a Treasurer. The Board may elect such other officers as the Board may determine. An officer need not be a Director and any two or more of the offices may be held by one person, provided, however, that a person holding more than one office may not sign in more than one capacity any certificate or any instrument required to be signed by two officers. The required and permitted officers and duties thereof are as follows:

A. Chairman of the Board (Chairman). The Chairman shall preside at all meetings of the shareholders and Directors, ensure that all orders, policies and resolutions of the Board are carried out and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

B. Vice Chairman. The Board may from time to time elect one or more Vice Chairmen. The Vice Chairman shall serve in the absence or inability of the Chairman to serve. In the event of the death, resignation or permanent inability of the Chairman to serve, the Vice Chairman shall automatically succeed to the office of Chairman until such time as the Board of Directors duly elects a new Chairman. In the event that there is more than one Vice Chairmen, then the one who has served in that capacity for the longest period of time shall serve in the absence of the Chairman or assume the office of Chairman, as the case may be.

C. Chief Executive Officer (CEO). The CEO, subject to the powers of the Chairman and the supervision of the Board of Directors, shall have general supervision, direction and control of the business and affairs of the Corporation. He may sign, execute and deliver in the name of the Corporation powers of attorney, contracts, bonds and other obligations and shall perform such other duties as may be prescribed from time to time by the Board of Directors or these Bylaws. The CEO shall have general supervision and direction of the officers of the Corporation and all such powers as may be reasonably incident to such responsibilities except where the supervision and direction of an officer is delegated expressly to another by the Board of Directors or these Bylaws. Without limiting the generality of the foregoing the CEO shall establish the annual salaries of each non-executive officer of the Corporation, unless otherwise directed by the Board, and the annual salaries of each officer of the Corporation's subsidiaries, unless otherwise directed by the respective boards of directors of such subsidiaries.

D. President. The President may sign, execute and deliver in the name of the Corporation powers of attorney, contracts, bonds, and other obligations and shall perform such other duties as may be prescribed from time to time by the Board of Directors, the Chairman, the CEO, or these Bylaws.

E. Chief Operating Officer (COO). The COO, subject to the powers of the CEO and the supervision of the Board of Directors, shall manage the day-to-day operations of the Corporation, shall perform such other duties as may be prescribed by the Board of Directors or the CEO, and shall have the general powers and duties usually vested in the chief operating officer of a corporation. Without limiting the generality of the foregoing, the COO shall supervise any other officer designated by the CEO and shall have all such powers as may be reasonably incident to such responsibilities. Unless otherwise provided by law or the Board of Directors, he may sign, execute and deliver in the name of the Corporation powers of attorney, contracts, and bonds.

F. Chief Financial Officer. The Chief Financial Officer shall be the principal financial officer of the Corporation. He shall manage the financial affairs of the Corporation and direct the activities of the Treasurer, Controller and other officers responsible for the Corporation's finances. He shall be responsible for all internal and external financial reporting. Unless otherwise provided by law or the Board of Directors, he may sign, execute and deliver in the name of the Corporation powers of attorney, contracts, bonds, and other obligations, and shall perform such other duties as may be prescribed from time to time by the Board of Directors or by these Bylaws.

G. Chief Administrative Officer (CAO). The CAO, subject to the supervision of the Board of Directors, shall be in general and active charge of the administrative functions of the Corporation, shall perform such other duties as may be prescribed by the Board of Directors and shall have the general powers and duties usually vested in the chief administrative officer of a corporation. Without limiting the generality of the foregoing, the CAO shall have the authority to hire and discharge employees and agents of the Corporation under his supervision, other than officers, and shall oversee the development and implementation of the Corporation's administrative policies.

H. Chief Information Officer (CIO). The CIO, subject to the powers of the CEO, shall be responsible for identifying and addressing the Corporation's information systems needs. The CIO shall be responsible for identifying changes and trends in computer and systems technology that affect the Corporation and its operations, determining long-term corporate-wide information needs and developing overall strategy for information needs and systems development. The CIO shall be responsible for assuring the integrity of corporate data, proprietary information and related intellectual property stored in the Corporation's information systems.

I. General Counsel. The General Counsel shall be directly responsible for advising the Board of Directors, the Corporation, and its officers and employees in matters affecting the legal affairs of the Corporation. He shall determine the need for and, if necessary, select outside counsel to represent the Corporation and approve all fees in connection with their representation. He shall also have such other powers, duties and authority as may be prescribed to him from time to time by the CEO, the Board of Directors, or these Bylaws.

J. Treasurer. As directed by the Chief Financial Officer, the Treasurer shall have general custody of all the funds and securities of the Corporation. He may sign, with the CEO, President, Chief Financial Officer or such other person or persons as may be specifically designated by the Board of Directors, all bills of exchange or promissory notes of the Corporation. He shall perform such other duties as may be prescribed from time to time by the Chief Financial Officer or these Bylaws.

K. Controller. As directed by the Chief Financial Officer, the Controller shall be responsible for the development and maintenance of the accounting systems used by the Corporation and its subsidiaries. The Controller shall be authorized to implement policies and procedures to ensure that the Corporation and its subsidiaries maintain internal accounting control systems designed to provide reasonable assurance that the accounting records accurately reflect business transactions and that such transactions are in accordance with management's authorization. Additionally, as directed by the Chief Financial Officer, the Controller shall be responsible for internal and external financial reporting for the Corporation and its subsidiaries.

L. Assistant Treasurer. The Assistant Treasurer shall have such powers and perform such duties as may be assigned by the Treasurer. In the absence or disability of the Treasurer, the Assistant Treasurer shall perform the duties and exercise the powers of the Treasurer.

M. Secretary. The Secretary shall keep the minutes of all meetings of the shareholders, the Board of Directors and its committees or subcommittees. He shall cause notice to be given of meetings of shareholders, of the Board of Directors and of any committee or subcommittee of the Board. He shall have custody of the corporate seal and general charge of the records, documents and papers of the Corporation not pertaining to the duties vested in other officers, which shall at all reasonable times be open to the examination of any Director. He may sign or execute contracts with any other officer thereunto authorized in the name of the Corporation and affix the seal of Corporation thereto. He shall perform such other duties as may be prescribed from time to time by the Board of Directors or these Bylaws.

N. Assistant Secretary. The Assistant Secretary shall have powers and perform such duties as may be assigned by the Secretary. In the absence or disability of the Secretary, the Assistant Secretary shall perform the duties and exercise the powers of the Secretary.

O. Executive Vice President(s). The Executive Vice President(s) shall, in addition to exercising such powers and performing such duties associated with any other office held thereby, assist the CEO in discharging the duties of that office in any manner requested, and shall perform any other duties as may be prescribed by the Board of Directors, by the CEO or by these Bylaws.

P. Senior Vice President(s). The Senior Vice President(s) shall, in addition to exercising such powers and performing such duties associated with any other office held thereby, perform such duties as may be prescribed from time to time by the Board of Directors, by the CEO or by these Bylaws (or, with respect to any Senior Vice President(s) who reports to the COO, by the COO).

Q. Vice President(s). The Vice President(s) shall have such powers and perform such duties as may be assigned to them by the Board of Directors, the CEO, the President, or any Executive Vice President, Senior Vice President or other officer to whom they report. A Vice President may sign and execute contracts and other obligations pertaining to the regular course of his duties.

R. Assistant Vice President(s). The Assistant Vice President(s) shall have such powers and perform such duties as may be assigned to them by the Board of Directors, the CEO, the President or the officer to whom they report. An Assistant Vice President may sign and execute contracts and other obligations pertaining to the regular course of his duties.

1.2 Executive Officer Group. The Executive Officer Group shall be comprised of the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Chief Administrative Officer, the Chief Information Officer and each Executive or Senior Vice President.

## Section 2. Election and Removal of Officers



2.1 Election. The officers shall be elected annually by the Board of Directors at its first meeting following the annual meeting of the shareholders and, at any time, the Board may remove any officer (with or without cause, and regardless of any contractual obligation to such officer) and fill a vacancy in any office, but any election to, removal from or appointment to fill a vacancy in any office, and the determination of the terms of employment thereof, shall require the affirmative votes of (a) a majority of the Directors then in office and (b) a majority of the Continuing Directors, voting as a separate group.

2.2 Removal. In addition, the Chief Executive Officer is empowered in his sole discretion to remove or suspend any officer or other employee of the Corporation who (a) fails to respond satisfactorily to the Corporation respecting any inquiry by the Corporation for information to enable it to make any certification required by the Federal Communications Commission under the Anti-Drug Abuse Act of 1988, (b) is arrested or convicted of any offense concerning the distribution or possession of, or trafficking in, drugs or other controlled substances, or (c) the Chief Executive Officer believes to have been engaged in actions that could lead to such an arrest or conviction.

## **ARTICLE II**

### **BOARD OF DIRECTORS**

#### Section 1. Powers

In addition to the powers and authorities by these Bylaws expressly conferred upon it, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Articles of Incorporation or by these Bylaws required to be exercised or done by the shareholders.

#### Section 2. Organizational and Regular Meetings

The Board of Directors shall hold an annual organizational meeting, without notice, immediately following the adjournment of the annual meeting of the shareholders and shall hold a regular meeting on the first Tuesday after the twentieth day in the months of February, May, August and November of each year. The Secretary shall give not less than five days' written notice to each Director of all regular meetings, which notice shall state the time and place of the meeting.

#### Section 3. Special Meetings

3.1 Call of Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board or, if he is absent or unable or unwilling to act, by the President. Upon the written request of any two Directors delivered to the Chairman of the Board, the President or the Secretary of the Corporation, a special meeting shall be called.

3.2 Notice. Written notice of the time and place of special meetings shall be delivered personally to the Directors or sent to each Director by letter or by telegram, charges prepaid, addressed to him at his address shown in the Corporation's records. In case such notice is mailed or telegraphed, it shall be deposited in the United States mail at least 72 hours prior to the meeting or delivered to an overnight mail delivery service or to the telegraph company in the place in which the principal office of the corporation is located at least 48 hours prior to the meeting. In case such notice is personally delivered as above provided, it shall be so delivered at least 24 hours prior to the meeting. The foregoing notwithstanding, if the Chairman or the President shall determine, in his sole discretion, that the subject of the special meeting is urgent and must be considered by the Board without delay, notice may be given by personal delivery or by telephone not less than 12 hours prior to the time set for the meeting, provided a confirming telegram or overnight letter is sent to the Director contemporaneously. Such mailing, telegraphing, telephoning or personal delivery as above provided shall be due, legal and personal notice to such Director.

#### Section 4. Waiver of Notice

Any Director may waive notice of a meeting by written waiver executed either before or after the meeting. Directors present at any regular or special meeting shall be deemed to have received due, or to have waived, notice thereof, provided that a director who participates in a meeting by telephone shall not be deemed to have received or waived due notice if, at the beginning of the meeting, he objects to the transaction of any business because the meeting is not lawfully called.

#### Section 5. Quorum

A majority of the authorized number of Directors as fixed by or pursuant to the Articles of Incorporation shall be necessary to constitute a quorum for the transaction of business, provided, however, that a minority of the Directors, in the absence of a quorum, may adjourn from time to time, but may not transact any business. If a quorum is present when the meeting convened, the directors present may continue to do business, taking action by vote of a majority of a quorum, until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum or the refusal of any director present to vote.

#### Section 6. Notice of Adjournment

Notice of the time and place of holding an adjourned meeting need not be given to absent Directors if the time and place is fixed at the meeting

adjourned.

## Section 7. Written Consents

Anything to the contrary contained in these Bylaws notwithstanding, any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board of Directors shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of such Directors at a meeting.

## Section 8. Voting

At all meetings of the Board, each Director present shall have one vote. At all meetings of the Board, all questions, the manner of deciding which is not otherwise specifically regulated by law, the Articles of Incorporation or these Bylaws, shall be determined by a majority of the Directors present at the meeting, provided, however, that any shares of other corporations owned by the Corporation shall be voted only pursuant to resolutions duly adopted upon the affirmative votes of (a) 80% of the Directors then in office and (b) a majority of the Continuing Directors, voting as a separate group.

## Section 9. Use of Communications Equipment

Meetings of the Board of Directors may be held by means of telephone conference calls or similar communications equipment provided that all persons participating in the meeting can hear and communicate with each other.

## Section 10. Indemnification

### 10.1 Definitions. As used in this Section:

(a) The term "Expenses" shall mean any expenses or costs (including, without limitation, attorney's fees, judgments, punitive or exemplary damages, fines and amounts paid in settlement). If any of the foregoing amounts paid on behalf of Indemnitee are not deductible by Indemnitee for federal or state income tax purposes, the Corporation will reimburse Indemnitee for tax liability with respect thereto by paying to Indemnitee an amount which, after taking into account taxes on such amount, equals Indemnitee's incremental tax liability.

(b) The term "Claim" shall mean any threatened, pending or completed claim, action, suit, or proceeding, whether civil, criminal, administrative or investigative and whether made judicially or extra-judicially, or any separate issue or matter therein, as the context requires.

(c) The term "Determining Body" shall mean (i) those members of the Board of Directors who are not named as parties to the Claim for which indemnification is being sought ("Impartial Directors"), if there are at least three Impartial Directors, or (ii) a committee of at least three directors appointed by the Board of Directors (regardless of whether the members of the Board of Directors voting on such appointment are Impartial Directors) and composed of Impartial Directors or (iii) if there are fewer than three Impartial Directors or if the Board of Directors or a committee appointed thereby so directs (regardless of whether the members thereof are Impartial Directors), independent legal counsel, which may be the regular outside counsel of the Corporation.

(d) The term "Indemnitee" shall mean each director and officer and each former director and officer of the Corporation.

10.2 Indemnity. (a) To the extent any Expenses incurred by Indemnitee are in excess of the amounts reimbursed or indemnified pursuant to policies of liability insurance maintained by the Corporation, the Corporation shall indemnify and hold harmless Indemnitee against any such Expenses actually and reasonably incurred in connection with any Claim against Indemnitee (whether as a subject of or party to, or a proposed or threatened subject of or party to, the Claim) or in which Indemnitee is involved solely as a witness or person required to give evidence, by reason of his position (i) as a director or officer of the Corporation, (ii) as a director or officer of any subsidiary of the Corporation or as a fiduciary with respect to any employee benefit plan of the Corporation, or (iii) as a director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other for-profit or not-for-profit entity or enterprise, if such position is or was held at the request of the Corporation, whether relating to service in such position before or after the effective date of this Section 10, if (i) the Indemnitee is successful in his defense of the Claim on the merits or otherwise or (ii) the Indemnitee has been found by the Determining Body (acting in good faith) to have met the Standard of Conduct; provided that (a) the amount of Expenses for which the Corporation shall indemnify Indemnitee may be reduced by the Determining Body to such amount as it deems proper if it determines in good faith that the Claim involved the receipt of a personal benefit by Indemnitee and (b) no indemnification shall be made in respect of any Claim as to which Indemnitee shall have been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable for willful or intentional misconduct in the performance of his duty to the Corporation or to have obtained an improper benefit, unless, and only to the extent that, a court shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnity for such Expenses as the court shall deem proper; and provided further that, if the Claim involves Indemnitee by reason of his position with an entity or enterprise described in clause (ii) or (iii) of this Section 10.2(a) and if Indemnitee may be entitled to indemnification with respect to such Claim from such entity or enterprise, Indemnitee shall be entitled to indemnification hereunder only (x) if he has applied to such entity or enterprise for indemnification with respect to the Claim and (y) to the extent that indemnification to which he would be entitled hereunder but for this proviso exceeds the indemnification paid by such other entity or enterprise.

(b) For purposes of this Section, the Standard of Conduct is met when conduct by an Indemnitee with respect to which a Claim is asserted was conduct that he reasonably believed to be in, or not opposed to, the best interest of the Corporation, and, in the case of a Claim which is a criminal action or proceeding, conduct that the Indemnitee had no reasonable cause to believe was unlawful. The termination of any Claim by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not meet the Standard of Conduct.

(c) Promptly upon becoming aware of the existence of any Claim, Indemnitee shall notify the Chief Executive Officer of the existence of the Claim, who shall promptly advise the members of the Board of Directors thereof and that establishing the Determining Body will be a matter presented at the next regularly scheduled meeting of the Board of Directors. After the Determining Body has been established the Chief Executive Officer shall inform Indemnitee thereof and Indemnitee shall immediately notify the Determining Body of all facts relevant to the Claim known to such Indemnitee. Within 60 days of the receipt of such notice and information, together with such additional information as the Determining Body may request of Indemnitee, the Determining Body shall report to Indemnitee of its determination whether Indemnitee has met the Standard of Conduct. The Determining Body may extend the period of time for determining whether the Standard of Conduct has been met, but in no event shall such period of time be extended beyond an additional 60 days.

(d) If, after determining that the Standard of Conduct has been met, the Determining Body obtains facts of which it was not aware at the time it made such determination, the Determining Body on its own motion, after notifying the Indemnitee and providing him an opportunity to be heard, may, on the basis of such facts, revoke such determination, provided that, in the absence of actual fraud by Indemnitee, no such revocation may be made later than 30 days after final disposition of the Claim.

(e) Indemnitee shall promptly inform the Determining Body upon his becoming aware of any relevant facts not theretofore provided by him to the Determining Body, unless the Determining Body has obtained such facts by other means.

(f) In the case of any Claim not involving a proposed, threatened or pending criminal proceeding (i) if Indemnitee has, in the good faith judgment of the Determining Body, met the Standard of Conduct, the Corporation may, in its sole discretion, assume all responsibility for the defense of the Claim, and, in any event, the Corporation and Indemnitee each shall keep the other informed as to the progress of the defense of the Claim, including prompt disclosure of any proposals for settlement; provided that if the Corporation is a party to the Claim and Indemnitee reasonably determines that there is a conflict between the positions of the Corporation and Indemnitee with respect to the Claim, then Indemnitee shall be entitled to conduct his defense with counsel of his choice; and provided further that Indemnitee shall in any event be entitled at his expense to employ counsel chosen by him to participate in the defense of the Claim; and (ii) the Corporation shall fairly consider any proposals by Indemnitee for settlement of the Claim. If the Corporation proposes a settlement of the Claim and such settlement is acceptable to the person asserting the Claim or the Corporation believes a settlement proposed by the person asserting the Claim should be accepted, it shall inform Indemnitee of the terms of such proposed settlement and shall fix a reasonable date by which Indemnitee shall respond. If Indemnitee agrees to such terms, he shall execute such documents as shall be necessary to make final the settlement. If Indemnitee does not agree with such terms, Indemnitee may proceed with the defense of the Claim in any manner he chooses, provided that if Indemnitee is not successful on the merits or otherwise, the Corporation's obligation to indemnify such Indemnitee as to any Expenses incurred by following his disagreement shall be limited to the lesser of (A) the total Expenses incurred by Indemnitee following his decision not to agree to such proposed settlement or (B) the amount that the Corporation would have paid pursuant to the terms of the proposed settlement. If, however, the proposed settlement would impose upon Indemnitee any requirement to act or refrain from acting that would materially interfere with the conduct of Indemnitee's affairs, Indemnitee shall be permitted to refuse such settlement and proceed with the defense of the Claim, if he so desires, at the Corporation's expense in accordance with the terms and conditions of these Bylaws without regard to the limitations imposed by the immediately preceding sentence. In any event, the Corporation shall not be obligated to indemnify Indemnitee for an amount paid in settlement that the Corporation has not approved.

(g) In the case of a Claim involving a proposed, threatened or pending criminal proceeding, Indemnitee shall be entitled to conduct the defense of the Claim and to make all decisions with respect thereto, with counsel of his choice; provided that the Corporation shall not be obligated to indemnify Indemnitee for an amount paid in settlement that the Corporation has not approved.

(h) After notification to the Corporation of the existence of a Claim, Indemnitee may from time to time request of the Chief Executive Officer or, if the Chief Executive Officer is a party to the Claim as to which indemnification is being sought, any officer who is not a party to the Claim and who is designated by the Chief Executive Officer (the "Disbursing Officer"), which designation shall be made promptly after receipt of the initial request, that the Corporation advance to Indemnitee the Expenses (other than fines, penalties, judgments or amounts paid in settlement) that he incurs in pursuing a defense of the Claim prior to the time that the Determining Body determines whether the Standard of Conduct has been met. The Disbursing Officer shall pay to Indemnitee the amount requested (regardless of Indemnitee's apparent ability to repay the funds) upon receipt of an undertaking by or on behalf of Indemnitee to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation under the circumstances, provided that if the Disbursing Officer does not believe such amount to be reasonable, he shall advance the amount deemed by him to be reasonable and Indemnitee may apply directly to the Determining Body for the remainder of the amount requested.

(i) After a determination that the Standard of Conduct has been met, for so long as and to the extent that the Corporation is required to indemnify Indemnitee under these Bylaws, the provisions of Paragraph (h) shall continue to apply with respect to Expenses incurred after such time except that (i) no undertaking shall be required of Indemnitee and (ii) the Disbursing Officer shall pay to Indemnitee the amount of any fines, penalties or judgments against him which have become final for which the Corporation is obligated to indemnify him or any amount of indemnification ordered to be paid to him by a court.

(j) Any determination by the Corporation with respect to settlement of a Claim shall be made by the Determining Body.

(k) The Corporation and Indemnitee shall keep confidential to the extent permitted by law and their fiduciary obligations all facts and determinations provided pursuant to or arising out of the operation of these Bylaws and the Corporation and Indemnitee shall instruct its or his agents and employees to do likewise.

10.3 Enforcement. (a) The rights provided by this Section shall be enforceable by Indemnitee in any court of competent jurisdiction.

(b) If Indemnitee seeks a judicial adjudication of his rights under this Section, Indemnitee shall be entitled to recover from the Corporation, and shall be indemnified by the Corporation against, any and all Expenses actually and reasonably incurred by him in connection with such proceeding, but only if he prevails therein. If it shall be determined that Indemnitee is entitled to receive part but not all of the relief sought, then Indemnitee shall be entitled to be reimbursed for all Expenses incurred by him in connection with such proceeding if the indemnification amount to which he is determined to be entitled exceeds 50% of the amount of his claim. Otherwise, the Expenses sought incurred by Indemnitee in connection with such judicial adjudication shall be appropriately prorated.

(c) In any judicial proceeding described in this subsection, the Corporation shall bear the burden of proving that Indemnitee is not entitled to Expenses sought with respect to any Claim.

10.4 Saving Clause. If any provision of this Section is determined by a court having jurisdiction over the matter to require the Corporation to do or refrain from doing any act that is in violation of applicable law, the court shall be empowered to modify or reform such provision so that, as modified or reformed, such provision provides the maximum indemnification permitted by law and such provision, as so modified or reformed, and the balance of this Section, shall be applied in accordance with their terms. Without limiting the generality of the foregoing, if any portion of this Section shall be invalidated on any ground, the Corporation shall nevertheless indemnify and Indemnitee to the full extent permitted by any applicable portion of this Section that shall not have been invalidated and to the full extent permitted by law with respect to that portion that has been invalidated.

10.5 Non-Exclusivity. (a) The indemnification and payment of Expenses provided by or granted pursuant to this Section shall not be deemed exclusive of any other rights to which Indemnitee is or may become entitled under any statute, article of incorporation, bylaw, authorization of shareholders or directors, agreement or otherwise.

(b) It is the intent of the Corporation by this Section to indemnify and hold harmless Indemnitee to the fullest extent permitted by law, so that if applicable law would permit the Corporation to provide broader indemnification rights than are currently permitted, the Corporation shall indemnify and hold harmless Indemnitee to the fullest extent permitted by applicable law notwithstanding that the other terms of this Section would provide for lesser indemnification.

10.6 Successors and Assigns. This Section shall be binding upon the Corporation, its successors and assigns, and shall inure to the benefit of Indemnitee's heirs, personal representatives, and assigns and to the benefit of the Corporation, its successors and assigns.

10.7 Indemnification of Other Persons. The Corporation may indemnify any person not a director or officer of the Corporation to the extent authorized by the Board of Directors or a committee of the Board expressly authorized by the Board of Directors.

## Section 11. Certain Qualifications

No person shall be eligible for nomination, election or service as a director of the Corporation who shall (i) in the opinion of the Board of Directors fail to respond satisfactorily to the Corporation respecting any inquiry of the Corporation for information to enable the Corporation to make any certification required by the Federal Communications Commission under the Anti-Drug Abuse Act of 1988 or to determine the eligibility of such persons under this section; (ii) have been arrested or convicted of any offense concerning the distribution or possession of, or trafficking in, drugs or other controlled substances, provided that in the case of an arrest the Board of Directors may in its discretion determine that notwithstanding such arrest such persons shall remain eligible under this Section; or (iii) have engaged in actions that could lead to such an arrest or conviction and that the Board of Directors determines would make it unwise for such person to serve as a director of the Corporation. Any person serving as a director of the Corporation shall automatically cease to be a director on such date as he ceases to have the qualifications set forth in this Section, and his position shall be considered vacant within the meaning of the Articles of Incorporation of the Corporation.

## ARTICLE III

### COMMITTEES

#### Section 1. Committees

1.1 Standing Committees. The Board of Directors shall have the standing committees specified below:

A. The Executive Committee shall consist of three or more Directors (the exact number of which shall be set from time to time by the Board),

one of whom shall be the Chairman of the Board, who shall also serve as chairman of the Executive Committee. To the full extent permitted by law and the Articles of Incorporation, the Executive Committee shall have and may exercise all of the powers of the Board in the management of the business and affairs of the Corporation when the Board is not in session.

B. The Compensation Committee shall consist of three or more Directors (the exact number of which shall be set from time to time by the Board), who shall have such qualifications, powers and responsibilities as specified in any charter that may from time to time be adopted by the Compensation Committee and approved by the Board of Directors.

C. The Nominating and Corporate Governance Committee shall consist of three or more Directors (the exact number of which shall be set from time to time by the Board), who shall have such qualifications, powers and responsibilities as specified in any charter that may from time to time be adopted by the Nominating and Corporate Governance Committee and approved by the Board of Directors.

D. The Audit Committee shall consist of three or more Directors (the exact number of which shall be set from time to time by the Board), who shall have such qualifications, powers and responsibilities as specified in any charter that may from time to time be adopted by the Audit Committee and approved by the Board of Directors.

E. The Risk Evaluation Committee shall consist of three or more Directors (the exact number of which shall be set from time to time by the Board), who shall have such qualifications, powers and responsibilities as specified in any charter that may from time to time be adopted by the Risk Evaluation Committee and approved by the Board of Directors.

1.2 Special Purpose Committees. The Board may authorize on an ad hoc basis special pricing committees in connection with the issuance of securities or such other special purpose committees as may be necessary or appropriate in connection with the Board's management of the business and affairs of the Corporation.

1.3 Subcommittees. As necessary or appropriate, each of the standing committees listed in Section 1.1 may organize a standing or ad hoc subcommittee for such purposes within the scope of its powers as it sees fit, and may delegate to such subcommittee any of its powers as may be necessary or appropriate to enable such subcommittee to discharge its duties and responsibilities. Any such subcommittee shall be composed solely of members of the standing committee, which shall appoint and replace such subcommittee members. Each subcommittee member shall hold office during the term designated by the standing committee, provided that such term shall automatically lapse if such member ceases to be a member of the standing committee or fails to meet any other qualifications that may be imposed by the standing committee.

## Section 2. Appointment and Removal of Committee Members

Subject to Section 5 below, Directors shall be appointed to or removed from a committee only upon the affirmative votes of:

1. A majority of the Directors then in office; and
2. A majority of the Continuing Directors, voting as a separate group.

Each member of a committee shall serve until his or her successor is duly appointed and qualified.

## Section 3. Procedures for Committees

Each committee or subcommittee may adopt such charters, procedures or regulations as it shall deem necessary for the proper conduct of its functions and the performance of its responsibilities, provided that such charters, procedures or regulations are consistent with (i) the Company's articles of incorporation, bylaws and corporate governance guidelines, (ii) applicable laws, regulations and stock exchange listing standards, and (iii) any regulations or procedures specified for such committee by the Board of Directors or for such subcommittee by the standing committee that authorized its organization under Section 1.3 (collectively, the "Governing Standards"). Unless otherwise determined by a committee or subcommittee, each meeting thereof shall be convened pursuant to the notice requirements pertaining to meetings of the full Board. Each committee and subcommittee shall keep written minutes of its meetings.

## Section 4. Meetings

A committee or subcommittee may invite to its meetings other directors, representatives of management, counsel or other persons whose pertinent advice or counsel is sought by the committee or subcommittees. A majority of the members of any committee or subcommittee shall constitute a quorum and action by a majority (or by any super-majority required by the Governing Standards) of a quorum at any meeting of a committee or subcommittee shall be deemed action by the committee or subcommittee. The committee or subcommittee may also take action without meeting if all members thereof consent in writing thereto. Meetings of a committee or subcommittee may be held by telephone conference calls or other communications equipment provided each person participating may hear and be heard by all other meeting participants. Each committee shall make regular reports to the Board. All recommendations or actions of any committee or subcommittee shall be subject to approval or ratification by the full Board of Directors unless the committee or subcommittee possesses plenary power to act independently with respect to such matter and the submission of such matter to the full Board for action would be prohibited by, or contrary to

the intent and purpose of, any Governing Standards.

#### Section 5. Authority of Chairman to Fill Vacancies

Whenever the Board of Directors is not in session, the Chairman may fill vacancies in any committees with the concurrence of the Nominating and Corporate Governance Committee. Any such action by the Chairman shall be subject to ratification or disapproval by the Board at its next meeting.

### ARTICLE IV

#### SHAREHOLDERS' MEETINGS

##### Section 1. Place of Meetings

Unless otherwise required by law or these Bylaws, all meetings of the shareholders shall be held at the principal office of the Corporation or at such other place, within or without the State of Louisiana, as may be designated by the Board of Directors.

##### Section 2. Annual Meeting

An annual meeting of the shareholders shall be held on the date and at the time as the Board of Directors shall designate for the purpose of electing directors and for the transaction of such other business as may be properly brought before the meeting. If no annual shareholders' meeting is held for a period of 18 months, any shareholder may call such meeting to be held at the registered office of the Corporation as shown on the records of the Secretary of State of the State of Louisiana.

##### Section 3. Special Meetings

Special meetings of the shareholders, for any purpose or purposes, may be called by the Chairman of the Board, the President or the Board of Directors. Subject to the terms of any outstanding class or series of Preferred Stock that entitles the holders thereof to call special meetings, the holders of a majority of the Total Voting Power shall be required to cause the Secretary of the Corporation to call a special meeting of shareholders pursuant to La. R.S. 12:73B (or any successor provision). Such requests of shareholders must state the specific purpose or purposes of the proposed special meeting, and the business to be brought before such meeting by the shareholders shall be limited to such purpose or purposes.

##### Section 4. Notice of Meetings

Except as otherwise provided by law, the authorized person or persons calling a shareholders' meeting shall cause written notice of the time and place of the meeting to be given to all shareholders of record entitled to vote at such meeting at least 10 days and not more than 60 days prior to the day fixed for the meeting. Notice of the annual meeting need not state the purpose or purposes thereof, unless action is to be taken at the meeting as to which notice is required by law, the Articles of Incorporation or the Bylaws. Notice of a special meeting shall state the purpose or purposes thereof. Any previously scheduled meeting of the shareholders may be postponed, and (unless provided otherwise by law or the Articles of Incorporation) any special meeting of the shareholders may be canceled, by resolution of the Board of Directors upon public notice given prior to the date previously scheduled for such meeting of shareholders.

##### Section 5. Notice of Shareholder Nominations and Shareholder Business

5.1 Business Brought Before Meetings. At any meeting of the shareholders, only such business shall be conducted as shall have been properly brought before the meeting. Nominations for the election of directors at a meeting at which directors are to be elected may be made by or at the direction of the Board of Directors, or a committee duly appointed thereby, or by any shareholder of record entitled to vote generally for the election of directors who complies with the procedures set forth below. Other matters to be properly brought before a meeting of the shareholders must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, including matters covered by Rule 14a-8 of the Securities and Exchange Commission, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by any shareholder of record entitled to vote at such meeting who complies with the procedures set forth below.

5.2 Required Notice. A notice of the intent of a shareholder to make a nomination or to bring any other matter before the meeting shall be made in writing and received by the Secretary of the Corporation not more than 180 days and not less than 90 days in advance of the first anniversary of the preceding year's annual meeting of shareholders or, in the event of a special meeting of shareholders or annual meeting scheduled to be held either 30 days earlier or later than such anniversary date, such notice shall be received by the Secretary of the Corporation within 15 days of the earlier of the date on which notice of such meeting is first mailed to shareholders or public disclosure of the meeting date is made. In no event shall the public announcement of an adjournment of a shareholders' meeting commence a new time period for the giving of a shareholder's notice as described above.

5.3 Contents of Notice. Every such notice by a shareholder shall set forth:

(a) the name, age, business address and residential address of the shareholder of record who intends to make a nomination or bring up any other matter, and any beneficial owner or other person acting in concert with such shareholder;

(b) a representation that the shareholder is a holder of record of shares of the Corporation's capital stock that accord such shareholder the voting rights specified in paragraph 5.1 above and that the shareholder intends to appear in person at the meeting to make the nomination or bring up the matter specified in the notice;

(c) with respect to notice of an intent to make a nomination, a description of all agreements, arrangements or understandings among the shareholder, any person acting in concert with the shareholder, each proposed nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder;

(d) with respect to notice of an intent to make a nomination,

(i) the name, age, business address and residential address of each person proposed for nomination, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of capital stock of the Corporation of which such person is the beneficial owner, and (iv) any other information relating to such person that would be required to be disclosed in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had such nominee been nominated by the Board of Directors; and

(e) with respect to notice of an intent to bring up any other matter, a complete and accurate description of the matter, the reasons for conducting such business at the meeting, and any material interest in the matter of the shareholder and the beneficial owner, if any, on whose behalf the proposal is made.

5.4 Other Required Information. Notice of an intent to make a nomination shall be accompanied by the written consent of each nominee to serve as a director of the Corporation if so elected and an affidavit of each such nominee certifying that he meets the qualifications specified in Section 11 of Article II of these Bylaws. The Corporation may require any proposed nominee to furnish such other information or certifications as may be reasonably required by the Corporation to determine the eligibility and qualifications of such person to serve as a director.

5.5 Disqualification of Certain Proposals. With respect to any proposal by a shareholder to bring before a meeting any matter other than the nomination of directors, the following shall govern:

(a) If the Secretary of the Corporation has received sufficient notice of a proposal that may properly be brought before the meeting, a proposal sufficient notice of which is subsequently received by the Secretary and that is substantially duplicative of the first proposal shall not be properly brought before the meeting. If in the judgment of the Board of Directors a proposal deals with substantially the same subject matter as a prior proposal submitted to shareholders at a meeting held within the preceding five years, it shall not be properly brought before any meeting held within three years after the latest such previous submission if (i) the proposal was submitted at only one meeting during such preceding period and it received affirmative votes representing less than 3% of the total number of votes cast in regard thereto, (ii) the proposal was submitted at only two meetings during such preceding period and it received at the time of its second submission affirmative votes representing less than 6% of the total number of votes cast in regard thereto, or (iii) the proposal was submitted at three or more meetings during such preceding period and it received at the time of its latest submission affirmative votes representing less than 10% of the total number of votes cast in regard thereto.

(b) Notwithstanding compliance with all of the procedures set forth above in this Section, no proposal shall be deemed to be properly brought before a meeting of shareholders if, in the judgment of the Board, it is not a proper subject for action by shareholders under Louisiana law.

5.6 Power to Disregard Proposals. At the meeting of shareholders, the chairman shall declare out of order and disregard any nomination or other matter not presented in accordance with the foregoing procedures or which is otherwise contrary to the foregoing terms and conditions.

5.7 Rights and Obligations of Shareholders Under Federal Proxy Rules. Nothing in this Section shall be deemed to modify (i) any obligations of a shareholder to comply with all applicable requirements of the Securities Exchange Act of 1934 and the regulations promulgated thereunder with respect to the matters set forth in this Section of the Bylaws or (ii) any rights or obligations of shareholders with respect to requesting inclusion of proposals in the Corporation's proxy statement or soliciting their own proxies pursuant to the proxy rules of the Securities and Exchange Commission.

5.8 Rights of Preferred Shareholders. Nothing in this Section shall be deemed to modify any rights of holders of any outstanding class or series of Preferred Stock to elect directors or bring other matters before a shareholders' meeting in the manner specified by the terms and conditions governing such stock.

## Section 6. Quorum

6.1 Establishment of Quorum. At all meetings of shareholders, the holders of a majority of the Total Voting Power shall constitute a quorum to organize the meeting, provided, however, that at any meeting the notice of which sets forth any matter that, by law or the Articles of Incorporation, must be approved by the affirmative vote of the holders of a specified percentage in excess of a majority of the Total Voting Power present or represented at the shareholders' meeting, the holders of that specified percentage shall constitute a quorum, and further provided that when specified business is to be voted on by a class or series of stock voting as a class, the holders of a majority of the voting power of such class or series shall constitute a quorum of such class or series for the transaction of such business. Shares of Voting Stock as to

which the holders have voted or abstained from voting with respect to any matter considered at a meeting, or which are subject to Non-Votes (as defined in Section 6.3 below), shall be counted as present for purposes of constituting a quorum to organize a meeting.

6.2 Withdrawal. If a quorum is present or represented at a duly organized meeting, such meeting may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, or the refusal of any shareholders present to vote.

6.3 Non-Votes. As used in these Bylaws, "Non-Votes" shall mean the number of votes as to which the record holder or proxy holder of shares of Capital Stock has been precluded from voting thereon (whether by law, regulations of the Securities and Exchange Commission, rules or bylaws of any national securities exchange or other self-regulatory organization, or otherwise), including without limitation votes as to which brokers may not or do not exercise discretionary voting power under the rules of the New York Stock Exchange with respect to any matter for which the broker has not received voting instructions from the beneficial owner of the voting shares.

#### Section 7. Voting Power Present or Represented

For purposes of determining the amount of Total Voting Power present or represented at any annual or special meeting of shareholders with respect to voting on any particular matter, shares as to which the holders have abstained from voting, and shares which are subject to Non-Votes (as defined in Section 6.3), will be treated as not present and not cast.

#### Section 8. Voting Requirements

When a quorum is present at any meeting, the vote of the holders of a majority of the Total Voting Power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which, by express provision of law or the Articles of Incorporation, a different vote is required, in which case such express provision shall govern and control the decision of such question. Directors shall be elected by plurality vote.

#### Section 9. Proxies

At any meeting of the shareholders, every shareholder having the right to vote shall be entitled to vote in person or by proxy appointed by an instrument in writing subscribed by such shareholder and bearing a date not more than 11 months prior to the meeting, unless the instrument provides for a longer period, but in no case will an outstanding proxy be valid for longer than three years from the date of its execution. The person appointed as proxy need not be a shareholder of the Corporation.

#### Section 10. Adjournments

10.1 Adjournments of Meetings. Adjournments of any annual or special meeting of shareholders may be taken without new notice being given unless a new record date is fixed for the adjourned meeting, but any meeting at which directors are to be elected shall be adjourned only from day to day until such directors shall have been elected.

10.2 Lack of Quorum. If a meeting cannot be organized because a quorum has not attended, those present may adjourn the meeting to such time and place as they may determine, subject, however, to the provisions of Section 10.1 hereof. In the case of any meeting called for the election of directors, those who attend the second of such adjourned meetings, although less than a quorum as fixed in Section 6.1 hereof, shall nevertheless constitute a quorum for the purpose of electing directors.

#### Section 11. Written Consents

Any action required or permitted to be taken at any annual or special meeting of shareholders may be taken only upon the vote of the shareholders, present in person or represented by duly authorized proxy, at an annual or special meeting duly noticed and called, as provided in these Bylaws, and may not be taken by a written consent of the shareholders pursuant to the Business Corporation Law of the State of Louisiana.

#### Section 12. List of Shareholders

At every meeting of shareholders, a list of shareholders entitled to vote, arranged alphabetically and certified by the Secretary or by the agent of the Corporation having charge of transfers of shares, showing the number and class of shares held by each shareholder on the record date for the meeting, shall be produced on the request of any shareholder.

#### Section 13. Procedure at Shareholders' Meetings

The Chairman of the Board, or in his absence, the Vice Chairman, shall preside as chairman at all shareholders' meetings. The organization of each shareholders' meeting and all matters relating to the manner of conducting the meeting shall be determined by the chairman, including the order of business, the conduct of discussion and the manner of voting. Meetings shall be conducted in a manner designed to accomplish the



business of the meeting in a prompt and orderly fashion and to be fair and equitable to all shareholders, but it shall not be necessary to follow Roberts' Rules of Order or any other manual of parliamentary procedure.

## **ARTICLE V**

### **CERTIFICATES OF STOCK**

Certificates of stock issued by the Corporation shall be numbered and shall be entered into the books of the Corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by the President or any Vice President and by the Treasurer, Secretary or any Assistant Secretary, all in the manner required by law.

## **ARTICLE VI**

### **REGISTERED SHAREHOLDERS**

The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and accordingly shall not be bound to recognize any beneficial, equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, except as expressly provided by the laws of Louisiana.

## **ARTICLE VII**

### **LOSS OF CERTIFICATE**

Any person claiming a certificate of stock to be lost or destroyed shall make an affidavit or affirmation of that fact, and the Board of Directors, the General Counsel or the Secretary may, in his or its discretion, require the owner of the lost or destroyed certificate or his legal representative, to give the Corporation a bond, in such sum as the Board of Directors, the General Counsel or the Secretary may require, to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss or destruction of any such certificate; a new certificate of the same tenor and for the same number of shares as the one alleged to be lost or destroyed, may be issued without requiring any bond when, in the judgment of the Board of Directors, the General Counsel or the Secretary, it is proper to do so.

## **ARTICLE VIII**

### **CHECKS**

All checks, drafts and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

## **ARTICLE IX**

### **DIVIDENDS**

Dividends upon the capital stock of the Corporation, subject to the provisions of the Articles of Incorporation, if any, may be declared by the Board of Directors at any regular or special meetings, pursuant to law.

## **ARTICLE X**

### **INAPPLICABILITY OF LOUISIANA CONTROL SHARE STATUTE**

Effective May 23, 1995, the provisions of La. R.S.12:135 through 12:140.2 shall not apply to control share acquisitions of shares of the Corporation's Capital Stock.

## **ARTICLE XI**

### **CERTAIN DEFINITIONS**

The terms Capital Stock, Continuing Directors, Total Voting Power and Voting Stock shall have the meanings ascribed to them in the Articles of Incorporation, provided, however, that for purposes of Sections 3 and 6 of Article IV of these Bylaws, Total Voting Power shall mean the total number of votes that holders of Capital Stock are entitled to cast generally in the election of directors.

## **ARTICLE XII**

## **AMENDMENTS**

These Bylaws may only be altered, amended or repealed in the manner specified in the Articles of Incorporation.

**CenturyTel, Inc.**

**CORPORATE GOVERNANCE GUIDELINES**

**1. Director Qualifications**

The Board will have a majority of independent directors. The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of new Board members as well as the composition of the Board as a whole. This assessment will include members' independence qualifications, as well as consideration of diversity, age, skills and experience in the context of the needs of the Board. All directors must meet any additional qualifications established under the Company's organizational documents.

Nominees for directorship will be selected by the Nominating and Corporate Governance Committee in accordance with the qualifications and criteria described in these guidelines, as well as the policies and principles in the Committee's charter and any selection guidelines or criteria adopted thereunder. The invitation to join the Board should be extended on behalf of the full Board by the Chairman of the Nominating and Corporate Governance Committee and the Chairman of the Board.

The Board presently has 13 members. It is the sense of the Board that a size of 11 to 13 is about right. However, the Board would be willing to go to a somewhat larger size in order to accommodate the availability of an outstanding candidate. It is the general sense of the Board that no more than two management directors should serve on the Board.

The Board expects directors who change the job or responsibility they held when they were elected to the Board to volunteer to resign from the Board. It is not the sense of the Board that in every such instance the director should necessarily leave the Board. There should, however, be an opportunity for the Board, through the Nominating and Corporate Governance Committee, to review the continued appropriateness of Board membership under the circumstances.

No director may serve on more than two other unaffiliated public company boards, unless this prohibition is waived by the Board. Directors should advise the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on another public company board. No director may be appointed or nominated to a new term if he or she would be age 72 or older at the time of the election or appointment.

The Board does not believe it should establish term limits. While term limits could help insure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole. As an alternative to term limits, the Nominating and Corporate Governance Committee will review each director's continuation on the Board every three years. This will allow each director the opportunity to conveniently confirm his or her desire to continue as a member of the Board.

The Board has adopted a standard that no director qualifies as "independent" unless the Board affirmatively confirms that the director (and any organization with which the director is affiliated) receives no payments from CenturyTel, Inc. or its subsidiaries (the "Company") other than director's fees or a pension or other form of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service). In addition, (i) no director who is a former employee of the Company can be "independent" until five years after the employment has ended; (ii) no director who is, or in the past five years has been, affiliated with or employed by a (present or former) auditor of the Company can be "independent" until five years after the end of either the affiliation or the auditing relationship; (iii) no director can be "independent" if he or she is, or in the past five years has been, part of an interlocking directorate in which an executive officer of the Company serves on the compensation committee of another company that concurrently employs the director; and (iv) directors with immediate family members (as defined in the New York Stock Exchange Listed Company Manual) in the foregoing categories are likewise subject to the five-year "cooling-off" provision for purposes of determining "independence." The Board may determine a director to be independent if a family member is employed by the Company in a non-executive officer position, and may make other reasonable determinations or interpretations consistent with the foregoing standards.

Once the Board has determined that a director is independent, the director may not engage in any transaction with the Company, either directly or indirectly through an immediate family member or related entity, without such transaction being approved by the Board.

**2. Director Responsibilities**

The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors. The directors shall also be entitled to have the Company purchase reasonable directors' and officers' liability insurance on their behalf, to the benefits of indemnification to the fullest extent permitted by law and the Company's articles of incorporation, by-laws and any indemnification agreements, and to exculpation as provided by state law and the Company's articles of incorporation.

Directors are expected to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the directors before the meeting, and directors should review these materials in advance of the meeting.

The Board has no policy with respect to the separation of the offices of Chairman and the Chief Executive Officer. The Board believes that this issue is part of the succession planning process and that it is in the best interests of the Company for the Board to make a determination when it elects a new chief executive officer.

The Chairman will establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review the Company's long-term strategic plans and the principal issues that the Company will face in the future during at least one Board meeting each year.

The non-management directors will meet in executive session at least quarterly. The director who presides at each of these meetings will be an independent director chosen annually by the non-management directors, and will be disclosed in the annual proxy statement.

The Board believes that the management speaks for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. However, it is expected that Board members would do this with the knowledge of the management and, absent unusual circumstances or as contemplated by the committee charters, only at the request of management.

### 3. Board Committees

The Board will have at all times an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. All of the members of these committees will be independent directors under the criteria established by the New York Stock Exchange. Committee members will be appointed by the Board upon recommendation of the Nominating and Corporate Governance Committee with consideration of the desires of individual directors. It is the sense of the Board that consideration should be given to rotating committee members periodically, but the Board does not believe that rotation should be mandated as a policy.

Each key committee will have its own charter. The charters will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. The charters will also provide that each key committee will annually evaluate its performance.

The Chairman of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chairman of each committee, in consultation with members of the committee and others specified in the committee's charter, will develop the committee's agenda.

The Board and each committee have the power to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.

Each committee may meet in executive session as often as it deems appropriate.

The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

### 4. Director Access to Officers and Employees

Directors have full and free access to officers and employees of the Company. Any meetings or contacts that a director wishes to initiate may be arranged through the CEO or the Secretary or directly by the director. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and will, to the extent not inappropriate, copy the CEO on any written communications between a director and an officer or employee of the Company.

The Board welcomes regular attendance at each Board meeting of senior officers of the Company. If the CEO wishes to have additional Company personnel attendees on a regular basis, this suggestion should be brought to the Board for approval.

### 5. Director Compensation

The form and amount of director compensation will be determined by the Nominating and Corporate Governance Committee in accordance with the policies and principles set forth in its charter, and such Committee will conduct an annual review of director compensation. The Nominating and Corporate Governance Committee will consider whether directors' independence may be jeopardized if director compensation and perquisites exceed customary levels, or if the Company makes substantial charitable contributions to organizations with which a director is affiliated.

## 6. Director Orientation and Continuing Education

The Nominating and Corporate Governance Committee shall develop an Orientation Program for new directors. Once it is developed, all new directors must participate in the Company's Orientation Program, which should be conducted as soon as practicable after new directors are elected or appointed. This orientation will include presentations by senior management to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its corporate compliance programs (which includes its code of business conduct and ethics), its principal officers, and its internal and independent auditors. All other directors are also invited to attend the Orientation Program. The Company will also endeavor to periodically update directors on industry, technological and regulatory developments, and to provide adequate resources to support directors in understanding the Company's business and matters to be acted upon at board and committee meetings.

## 7. CEO Evaluation and Management Succession

The Nominating and Corporate Governance Committee will conduct an annual review of the CEO's performance. The Board of Directors will review the Nominating and Corporate Governance Committee's report in order to ensure that the CEO is providing the best leadership for the Company in the long- and short-term.

The Nominating and Corporate Governance Committee should report periodically to the Board on succession planning. The entire Board will consult periodically with the Nominating and Corporate Governance Committee regarding potential successors to the CEO. The CEO should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

## 8. Annual Performance Evaluation

The Board of Directors will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee will receive comments from all directors and report annually to the Board with an assessment of the Board's performance, which will be discussed with the full Board. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve.

## 9. Waivers of the Code of Business Conduct and Ethics

Any waiver of the Company's policies, principles or guidelines relating to business conduct or ethics for executive officers or directors may be made only by the Audit Committee, and will be promptly disclosed as required by law or stock exchange regulation.

\* \* \* \* \*

o Originally adopted by the Nominating and Corporate Governance Committee and the Board of Directors on February 17, 2003 and February 25, 2003, respectively.

**Exhibit 3.3(b)**  
**CENTURYTEL, INC.**

**CHARTER OF AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS**

**I. SCOPE OF RESPONSIBILITY**

**A. General**

Subject to the limitations noted in Section VI, the primary function of the Audit Committee is to assist the Board of Directors (the "Board") in fulfilling its oversight responsibilities by (1) overseeing the Company's system of financial reporting, auditing, controls and legal compliance, (2) monitoring the operation of such system and the integrity of the Company's financial statements, (3) monitoring the qualifications and independence of the outside auditors, and the performance of the outside and internal auditors, and (4) reporting to the Board periodically concerning activities of the Audit Committee.

**B. Relationship to Other Groups**

The management of the Company is responsible primarily for developing the Company's accounting practices, preparing the Company's financial statements, maintaining internal controls, maintaining disclosure controls and procedures, and preparing the Company's disclosure documents in compliance with applicable law. The internal auditors are responsible primarily for objectively assessing the Company's internal controls. The outside auditors are responsible primarily for auditing and attesting to the Company's financial statements and evaluating the Company's internal controls. Subject to the limitations noted in

Section VI, the Audit Committee, as the delegate of the Board, is responsible for overseeing this process and discharging such other functions as are assigned by law, the Company's organizational documents, or the Board. The functions of the Audit Committee are not intended to duplicate, certify or guaranty the activities of management or the internal or outside auditors.

The Audit Committee will strive to maintain an open and free avenue of communication among management, the outside auditors, the internal auditors, and the Board. The outside and internal auditors will report directly to the Audit Committee.

**II. COMPOSITION**

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

**III. MEETINGS**

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

**IV. POWERS**

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

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Company shall provide appropriate funding, as determined by the Audit Committee, for payment of compensation to the outside auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Audit Committee.

The Audit Committee shall have the power to (a) obtain and review any information that the Audit Committee deems necessary to perform its

oversight functions and (b) conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities.

The Audit Committee shall have the power to issue any reports or perform any other duties required by (a) the Company's articles of incorporation or bylaws, (b) applicable law or (c) rules or regulations of the SEC, the New York Stock Exchange, or any other self-regulatory organization having jurisdiction over the affairs of the Audit Committee.

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

## V. PERIODIC OVERSIGHT TASKS

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

## VI. LIMITATIONS

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

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

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

\*\*\*\*\*

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

o Amended by the Board on February 28, 2001, February 26, 2002 and February 25, 2003, in each case following prior approval thereof by the Audit Committee.

### ADDENDUM

#### AUDIT COMMITTEE CHECKLIST

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	As Needed
Annual Audit Planning -----					
1. appoint or replace the outside auditors and approve the compensation and other terms of the outside auditors' annual engagement	X				
2. pre-approve all auditing services	X				X
3. review significant relationships between the outside auditors and the Company, including those described in written statements of the outside auditors furnished to the Audit Committee under ISB Standard No. 1	X				X
4. discuss the scope and comprehensiveness of the audit plan, including changes from prior years and the coordination of the efforts of the outside and internal auditors		X			X
Review Earnings Releases and other Non-SEC Reports -----					
5. discuss the Company's earnings release	X	X	X	X	

with management and the outside auditors prior to its release

6. discuss with management the Company's financial information and earnings guidance provided to analysts and rating agencies	X	X	X	X
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Review of Financial Information in SEC Reports  
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7. review with management and the outside auditors the Company's financial information, and any report, opinion or review rendered on the financial statements by management or the outside auditors (including under SAS No.71)	X	X	X	X
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8. review and discuss reports from the outside auditors on:	X				X
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(a) the Company's critical accounting policies

(b) all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative treatments, and the treatment preferred by the outside auditors

(c) other material written communications between the outside auditors and management, such as any management letter or schedule of unadjusted differences

9. review and discuss reports from the outside auditors on:	X	X	X	X	X
---	---	---	---	---	---

(a) conditions or matters, if any, that must be reported under generally accepted auditing standards (including SAS No.61), including:

(i) difficulties or disputes with management or the internal auditors encountered during the audit

(ii) the outside auditors' views regarding the Company's financial disclosures, the quality of the Company's accounting principles as applied, the underlying estimates and other significant judgments made by management in preparing the financial statements, and the compatibility of the Company's principles and judgments with prevailing practices and standards

(b) matters, if any, that must be reported under the federal securities laws (including Section 10A of the Exchange Act)

(c) communications, if any, with the national office of the outside auditors pertaining to the Company's financial affairs

10. discuss with management and the outside auditors significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any (a) significant changes in the Company's use or application of accounting principles or policies, (b) major issues as to the adequacy of the Company's internal controls, its disclosure controls and procedures, or its financial reporting processes, and (c) special steps adopted in light of material control deficiencies	X	X	X	X
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11. discuss with management and the outside auditors the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements	X	X	X	X
--	---	---	---	---

12. discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures	X	X	X	X	X
---	---	---	---	---	---

13. review the accounting implications of significant new transactions, if any	X	X	X	X	X
--	---	---	---	---	---

Conduct of Meetings  
-----

14. in connection with each periodic report of the Company,



review:

(a) management's required disclosure, if any, to the Audit Committee under ss.302 of the Sarbanes-Oxley Act regarding significant deficiencies in internal controls or reportable fraud						X
(b) the contents of the certifications of the Company's CEO and CFO included in such report	X	X	X	X		
15. receive reports, if any, regarding non-audit services that the Chairman (or any subcommittee) pre-cleared the outside auditor to perform since the last meeting	X	X	X	X		
16. review the extent to which the Company has implemented changes in practices or controls that were previously recommended to or approved by the Audit Committee						X
17. receive reports regarding significant changes to GAAP or regulations impacting the Audit Committee						X
18. meet in executive session with the outside auditors, internal auditors and management, as necessary	X	X	X	X		X
Annual Reports -----						
19. recommend to the Board whether the audited financial statements should be included in the Company's 10-K report	X					
20. approve the annual proxy statement report of the audit committee required by the rules of the SEC	X					
21. review and approve the disclosures in each 10-K report regarding management's internal control report, upon effectiveness of the applicable rules implementing ss.404 of the Sarbanes-Oxley Act	X					
Oversight of the Company's Outside Auditors -----						
22. pre-clear the engagement of the outside auditors to conduct any non-audit services not pre-cleared by the Chairman (or a subcommittee)						X
23. obtain and review a report from the outside auditors regarding (a) the outside auditor's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting any audit engagement, (c) any steps taken to deal with any such issues, (d) all relationships between the outside auditors and the Company and (e) assurances that the outside auditing firm is registered in good standing with the Public Company Accounting Oversight Board (once the applicable rules become effective); evaluate the qualifications, performance and independence of the outside auditors						X
24. review and evaluate the lead audit partner and ensure his rotation as required by law	X					
25. review and approve hiring policies for employees or former employees of the outside auditors						X
Oversight of the Company's Internal Auditors -----						
26. review the performance of the chief internal auditing executive, and replace if necessary				X		
27. meet, if possible, with the entire internal auditing staff				X		
28. review the significant reports to management prepared by the internal auditing department and management's responses	X	X	X	X	X	X
29. discuss with the outside auditors and management the internal audit department's plans, responsibilities, preliminary budget, independence and staffing (including the use of third party firms) and any recommended changes thereto						X
Compliance Oversight Responsibilities						

- 
- 30. establish and monitor procedures for the receipt, retention and treatment of confidential, anonymous complaints received by the Company regarding accounting, controls or auditing matters X
  - 31. discuss any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies X
  - 32. review the adequacy of the Company's disclosure controls and procedures X
  - 33. review reports on "related party" transactions X
  - 34. solicit, as necessary, germane reports or information from other committees with related oversight functions X
  - 35. review periodically the procedures established by the Company to monitor its compliance with debt covenants X
  - 36. consult periodically with counsel concerning the Audit Committee's responsibilities or legal matters that may have a material impact on the Company's financial statements, controls, or corporate compliance procedures X

Self Assessment

-----

- 37. review annually the Audit Committee's own performance X
- 38. verify that all Committee members remain eligible to serve X

Charter

-----

- 39. review this checklist and the related Audit Committee charter annually, and consider, adopt and submit to the Board any proposed changes X
- 40. include a copy of the Audit Committee charter as an appendix to the proxy statement at least once every three years X
- 41. periodically review the charter of the internal audit department, and consider and adopt necessary changes X

\*\*\*\*\*

Last Revised: February 11, 2003.

**CENTURYTEL, INC.**

**CHARTER OF THE COMPENSATION COMMITTEE  
OF THE BOARD OF DIRECTORS**

**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, to oversee the administration of the Company's executive compensation plans and programs, and to produce an annual report on executive compensation for inclusion in the Company's proxy statement.

**II. COMPOSITION**

The Committee will consist of at least three directors, each of whom will be appointed and replaced by the Board. Each member of the Committee will meet the independence requirements of the New York Stock Exchange, Rule 16b-3 promulgated under the Securities Exchange Act of 1934, and Section 162(m) of the Internal Revenue Code. 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, evaluate the performance of the executive officers in light of these goals and objectives, and recommend to the Board the compensation levels of the executive officers based on this evaluation.
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, adopt and submit to the Board for its approval (i) any proposed plan or arrangement offering or providing any incentive, retirement 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, adopt and submit to the Board for its approval (i) any proposed employment, severance 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 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 regulations governing executive compensation, including Rule 16b-3 and Section 162(m).
7. The Committee will issue executive compensation reports to the Company's shareholders in the manner required under the rules and regulations of the U.S. Securities and Exchange Commission.
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 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.

\* \* \* \* \*

o Originally adopted and approved by the Committee and the Board on February 11, 2003, and February 25, 2003, respectively.

**Exhibit 3.3(d)**  
**CENTURYTEL, INC.**

**CHARTER OF THE NOMINATING AND CORPORATE GOVERNANCE  
COMMITTEE OF THE BOARD OF DIRECTORS**

**I. PURPOSE**

The Nominating and Corporate Governance Committee is appointed by the Board principally to (1) assist the Board by identifying individuals qualified to serve as directors and officers of the Company, and to recommend to the Board nominees for such positions, (2) monitor the composition of the Board and its committees, (3) recommend to the Board a set of corporate governance guidelines applicable to the Company and (4) lead the Board in its annual review of the Board's performance.

**II. COMPOSITION**

The Committee shall consist of at least three directors, each of whom shall be appointed and replaced by the Board. Each member of the Committee shall meet the independence requirements of the New York Stock Exchange. The Committee's chairperson shall be designated by the Board. The Committee may form and delegate authority to subcommittees when appropriate.

**III. MEETINGS**

The chairperson of the Committee will preside at each meeting and, in consultation with the other members of the Committee, 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 shall have the following authority and responsibilities:

1. The Committee shall lead the search for individuals qualified to serve as directors, and to recommend to the Board a slate of directors to be elected annually by the shareholders. In connection therewith, the Committee (i) shall consider candidates submitted by shareholders and others in accordance with the Company's bylaws, (ii) shall monitor the performance and contributions of incumbent directors and (iii) may, to the extent it deems necessary or appropriate, develop and recommend to the Board specific criteria for selecting director nominees. The Committee shall also recommend to the Board a slate of officers to be elected annually by the Board and individuals to fill vacancies as the need arises.
2. The Committee shall monitor the operation of the Board's committees. In connection therewith, the Committee (i) shall recommend to the Board a slate of directors to be elected annually to serve as committee members and directors to fill committee vacancies as needed and (ii) may recommend to the Board changes in committee structure, including the creation and elimination of committees.
3. The Committee shall, no less than annually, review and reassess the adequacy of the corporate governance guidelines applicable to the Company and recommend any proposed changes to the Board for approval.
4. The Committee shall receive comments from all directors and report annually to the Board with an assessment of the Board's performance, to be discussed with the full Board.
5. The Committee may make recommendations to the Board concerning the size and composition of the Board, the term of membership of directors, and the frequency, content and structure of Board meetings.
6. The Committee shall review and oversee any director orientation or continuing director education programs established by the Company.
7. The Committee shall conduct an annual review of the CEO's performance, and report its findings to the Board. The Committee shall also periodically report to the Board on succession planning for the senior executive officers.
8. The Committee shall review annually director compensation and benefits.
9. The Committee shall make regular reports to the Board.
10. The Committee shall have the sole authority to retain and terminate any search firm to be used to identify director or officer candidates and may, to the extent it deems necessary or appropriate, retain independent legal, financial or other advisors. The Committee shall approve related fees and other retention terms.
11. The Committee shall also discharge any additional functions that may be delegated or assigned to it by the Board from time to time, including (i) considering questions of conflict of interest of directors or executive officers and (ii) considering significant corporate governance

issues or shareholder relations issues that may arise from time to time.

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

\* \* \* \* \*

o Originally adopted and approved by the Committee and the Board on January 30, 2003 and February 25, 2003, respectively.

**CENTURYTEL, INC.**

**CHARTER FOR RISK EVALUATION COMMITTEE  
OF THE BOARD OF DIRECTORS**

**I. PURPOSE**

The Risk Evaluation Committee is appointed by the Board to identify, monitor and manage risks to the Company's business, properties and employees.

**II. COMPOSITION**

The Committee will consist of at least three directors, each of whom will be appointed and replaced by the Board. 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; provided, however, that any member of the Committee may call a meeting in his or her discretion. To assist it in discharging its functions, the Committee may invite to its meetings other directors or representatives of management, counsel and other persons whose pertinent advice or counsel is sought by the Committee.

**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 review periodically the Company's major risk exposures in the areas listed below:

- (a) risks to the Company's properties (including its information systems) posed by casualty events, terrorism or sabotage
- (b) risks to the Company's business caused by potential or actual regulatory developments or the Company's failure to comply with applicable telecommunications regulations
- (c) risks to the Company's business caused by the failure to comply with environmental, safety, health or other similar laws
- (d) risks of injury to the Company's employees
- (e) risks of potential, threatened or pending rate cases or lawsuits.

2. The Committee will review periodically the steps that the Company has taken or could take to mitigate major risks identified above or any others subsequently identified. In connection therewith, the Committee will periodically review and adjust the scope and coverage of the Company's insurance programs, subject to receiving the approval or ratification of the Board for material changes to such programs.

3. The Committee will oversee the operation of the Company's corporate compliance program and procedures. In connection therewith, the Committee (i) will review periodically the effectiveness and adequacy of the Company's corporate compliance program and procedures and recommend to the Board any necessary proposed changes thereto and (ii) may, to the extent it deems necessary or appropriate, investigate or cause to be investigated any material instance of noncompliance.

4. The Committee will oversee the Company's risk management, loss prevention and safety programs and activities.

5. The Committee will monitor the functions of the Board to ensure that management (or the chairpersons of other Board committees) are periodically making presentations to the Board regarding:

- (a) financial risks (including interest rate hedging, leverage and financing strategies)
- (b) operational or business risk (including entering new lines of business, developing new information technology systems, adopting new technological or competitive strategies, or entering into new strategic or business relations)
- (c) any other major risks not monitored by the Committee, including legal risks.

6. The Committee will make regular reports to the Board summarizing the Company's insurance programs and the Committee's activities.
7. The Committee will also discharge any additional functions that may be delegated or assigned to it by the Board from time to time.
8. 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.

\* \* \* \* \*

o Originally adopted and approved by the Committee and the Board on February 18, 2003 and February 25, 2003, respectively.



**CENTURYTEL, INC.**  
**EMPLOYEE STOCK OWNERSHIP PLAN**

(As Amended and Restated February 28, 2002)

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**STATE OF LOUISIANA  
PARISH OF OUACHITA**

BE IT KNOWN that on this 28th day of February, 2002, before me, Notary Public, duly commissioned and qualified in and for the Parish of Ouachita, State of Louisiana, therein residing and in the presence of the undersigned witnesses:

**PERSONALLY CAME AND APPEARED:**

CENTURYTEL, INC. represented herein by its Executive Vice President and Chief Financial Officer, R. Stewart Ewing, Jr., as Plan Sponsor.

The Plan Sponsor appoints Regions Morgan Keegan Trust as Trustee of the CenturyTel, Inc. Employee Stock Ownership Trust and the CenturyTel, Inc. Stock Bonus and PAYSOP Trust.

WHEREAS, the Plan Sponsor has previously established the CenturyTel, Inc. Employee Stock Ownership Plan; and

WHEREAS, by Merger Agreement dated September 18, 2001, the CenturyTel, Inc. Stock Bonus Plan and PAYSOP was merged into this Plan; and

WHEREAS, the Plan Sponsor desires to incorporate into this Plan certain provisions of the Stock Bonus Plan and PAYSOP, including but not limited to specific provisions relating to PAYSOP Accounts of Participants; and

WHEREAS, the Plan Sponsor desires to amend its Employee Stock Ownership Plan and Trust (including the Stock Bonus Plan and PAYSOP, as merged into the Employee Stock Ownership Plan) to comply with the General Agreement on Tariffs and Trade portion of the Uruguay Round Agreements Act ("GATT"), the Retirement Protection Act of 1994 ("RPA '94"), the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA"), the Small Business Job Protection Act of 1996 ("SBJPA"), the Taxpayer Relief Act of 1997 ("TRA '97"), the Internal Revenue Service Restructuring and Reform Act of 1998 ("RRA '98"), and the Community Renewal Tax Relief Act of 2000 ("CRA"), and other technical corrections and statutory revisions; and

WHEREAS, the Plan Sponsor desires that the Employee Stock Ownership Plan, as amended and restated, shall constitute a qualified employee benefit plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code") for the exclusive benefit of employees who participate herein, and shall constitute an employee stock ownership plan under Section 4975(e)(7) of the Code; and

WHEREAS, the Plan Sponsor desires that the separate trusts provided for herein shall constitute exempt trusts under Section 501(a) of the Code;

NOW, THEREFORE, effective September 18, 2001, except as may be indicated in specific Sections hereof and in Section 1.37, the Settlor hereby amends and restates its Employee Stock Ownership Plan, upon the terms and conditions as provided herein. The primary purpose of the Employee Stock Ownership Plan is to invest in employer securities.

**SECTION 1 DEFINITIONS AND EFFECTIVE DATES**

**1.1 Account.**

The ESOP Account, the Stock Bonus Account, the PAYSOP Account, the Merger Account, the Rollover Account, and the Suspense Account of a Participant, whether or not such accounts have been combined into one account.

**1.2 Active Participant.**

A Participant who has completed a Year of Service within the Plan Year ending on the Adjustment Date, whether or not the Participant is employed on such date.

**1.3 Adjustment Date.**

The last day of each Plan Year.

**1.4 Approved Absence.**

An absence from work not exceeding one year, including absence due to temporary disability, granted to and/or approved for the Employee by an Employer in a uniform and nondiscriminatory manner; or an absence from work for service in the Armed Forces or other government services, provided that, and only so long as, reemployment rights are protected by law.

**1.5 Break in Service.**

A twelve (12) consecutive month period (computation period) during which a Participant does not complete more than five hundred (500) Hours of Service with the Employer. Any Break in Service shall be deemed to have commenced on the first day of the Plan Year in which it occurs. No Break in Service shall be deemed to occur during an Employee's initial Eligibility Computation Period solely because of the failure of the Employee to complete more than five hundred (500) Hours of Service during any one Plan Year occurring in part during such twelve-month period if the Employee completes a Year of Service during such initial Eligibility Computation Period. A Break in Service shall not be deemed to have occurred during any period of Approved Absence if the Employee returns to the service of the Employer on or before the last day of the Approved Absence. A leave of absence mandated by the Family and Medical Leave Act of 1993 is not included in determining whether an Employee has incurred a Break in Service.

#### 1.6 Company Stock.

Shares of voting common stock, \$1.00 par value, issued by the Employer.

#### 1.7 Compensation.

Compensation will mean compensation as that term is defined in Section 4.12(b) of the Plan, and will include any amount which is contributed by the Employer pursuant to a salary reduction agreement and which is not includible in the gross income of the Employee under Sections 125, 402(e)(3), 402(h)(1)(B) or 403(b) of the Code.

Notwithstanding the foregoing, Compensation for purposes of this Section shall not include: (i) reimbursements or other expense allowances, fringe benefits (cash or noncash), moving expenses, deferred compensation, and welfare benefits; (ii) overtime; (iii) completion bonuses, Christmas bonuses, retirement bonuses, and other broad-based bonuses not included under the Employer's normal compensation programs; (iv) restricted stock awards under the Restricted Stock Plan or the Key Employee Incentive Compensation Plan; (v) stock options, performance shares and similar forms of compensation; and (vi) severance pay in any form.

For Plan Years beginning on or after January 1, 1989, and before January 1, 1994, the annual compensation of each Participant taken into account for determining all benefits provided under the Plan for any Plan Year shall not exceed \$200,000. This limitation shall be adjusted by the Secretary at the same time and in the same manner as under Section 415(d) of the Code, except that the dollar increase in effect on January 1 of any calendar year is effective for Plan Years beginning in such calendar year and the first adjustment to the \$200,000 limitation is effective on January 1, 1990.

For Plan Years beginning on or after January 1, 1994, the annual compensation of each Participant taken into account for determining all benefits provided under the Plan for any Plan Year shall not exceed \$150,000, as adjusted for increases in the cost-of-living in accordance with Section 401(a)(17)(B) of the Code. The cost-of-living adjustment in effect for a calendar year applies to any determination period beginning in such calendar year.

If a determination period consists of fewer than 12 months, the annual compensation limit is an amount equal to the otherwise applicable annual compensation limit multiplied by a fraction, the numerator of which is the number of months in the short determination period, and the denominator of which is 12.

If compensation for any prior determination period is taken into account in determining a Participant's allocations for the current Plan Year, the compensation for such prior determination period is subject to the applicable annual compensation limit in effect for that prior period. For this purpose, in determining allocations in Plan Years beginning on or after January 1, 1989, the annual compensation limit in effect for determination periods beginning before that date is \$200,000. In addition, in determining allocations in Plan Years beginning on or after January 1, 1994, the annual compensation limit in effect for determination periods beginning before that date is \$150,000.

Compensation shall include only that compensation which is actually paid to the Participant during the determination period. Except as provided elsewhere in this plan, the determination period shall be the Plan Year.

For employees of San Marcos Telephone Company, Inc., SM Telecorp, Inc., and subsidiaries thereof, who become participants in the Plan on or after June 20, 1993, compensation for the Plan Year ending December 31, 1993 shall be recognized commencing as of the effective date of participation of each such employee pursuant to Section 2.1.

#### 1.8 Date of Employment.

The date on which an Employee first performs an Hour of Service for the Employer.

#### 1.9 Date of Reemployment.

The first date occurring after an Employee's Break in Service on which he performs an Hour of Service.

#### 1.10 Disability.

A Participant shall be considered disabled if the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of at least twelve (12) months. A Participant shall only be considered disabled after proof of such disability satisfactory to the Employer is furnished (which proof shall include a determination of approval for Social Security disability benefits or, if such is not available, a written statement of a licensed physician appointed or approved by the Employer).

#### 1.11 Eligibility Computation Periods.

In determining Years of Service and Breaks in Service for purposes of eligibility, the initial Eligibility Computation Period is the twelve (12) consecutive month period beginning on an Employee's Date of Employment or Date of Reemployment. Subsequent Eligibility Computation Periods shall be twelve (12) consecutive month periods beginning on the first anniversary of an Employee's Date of Employment or Date of Reemployment and succeeding anniversaries thereof.

Years of Service, and Breaks in Service, for eligibility purposes will be measured on the same Eligibility Computation Period.

#### 1.12 Employee.

Those persons regularly employed by the Employer, including employees of any other employer required to be aggregated with the Employer under Sections 414(b), (c), (m) or (o) of the Code. The term Employee shall also include any leased employee deemed to be an employee of the Employer as provided in Sections 414(n) or (o) of the Code. The term Employee shall not include any owner-employee, as defined in Code Section 401(c)(3), or self-employed individual, as defined in Code Section 401(c)(i).

The term Employee shall not include an individual who is retained by the Employer pursuant to a contract or agreement that specifies that the individual is not eligible to participate in the Plan, an individual whose basic compensation for services rendered is not paid by or on behalf of the Employer, or an individual who is not classified as a common-law employee by the Employer, regardless of any subsequent reclassification of such individual as a "common-law employee" of the Employer by the Employer, any governmental agency, or any court.

1.13 Employer.

CenturyTel, Inc.

1.14 Entry Date.

(a) The January 1 or July 1 on which or immediately following the date

on which an Employee satisfies the requirements of Section 2.1; or

(b) In the case of an Employee whose Years of Service are disregarded pursuant to Section 1.36(c), such Employee will be treated as a new Employee for eligibility purposes. If an Employee's Years of Service may not be disregarded pursuant to Section 1.36(c), such Employee shall continue to participate in the Plan, or, if terminated, shall participate immediately upon his Date of Reemployment.

#### 1.15 ESOP Account.

The individual account of a Participant to which has been credited his share of Employer contributions and forfeitures, and earnings and losses thereon, under the CenturyTel, Inc. Employee Stock Ownership Plan. This Account includes the account balance of the Participant under the CenturyTel, Inc. Employee Stock Ownership Plan as of the effective date of the merger of the CenturyTel, Inc. Stock Bonus Plan and PAYSOP into the CenturyTel, Inc. Employee Stock Ownership Plan. This Account, for the 2001 Plan Year and thereafter, shall be credited with the Participant's share of Employer contributions designated by the Employer as ESOP contributions, and shall be credited with forfeitures arising from Participants' ESOP Accounts, and earnings and losses.

1.16 ESOP Trust.

The CenturyTel, Inc. Employee Stock Ownership Trust.

1.17 Highly Compensated Employee.

A highly compensated employee means any Employee who (1) was a five

percent (5%) owner at any time during the year or the preceding year, or (2) for the preceding year had compensation from the Employer in excess of \$80,000 and, if the Employer so elects, was in the top-paid group for the preceding year. The \$80,000 amount is adjusted at the same time and in the same manner as under Code Section 415(d), except that the base period is the calendar quarter ending September 30, 1996.

For this purpose the applicable year of the Plan for which a determination is being made is called a determination year and the preceding twelve

(12) month period is called a look-back year.

A highly compensated former employee is based on the rules applicable to determining highly compensated employee status as in effect for that determination year in accordance with Section 1.414(g)-1T, A04 of the temporary Income Tax Regulations and Notice 97-45.

In determining whether an Employee is a highly compensated employee for years beginning in 1997, the amendments to Code Section 414(g) stated above are treated as having been in effect for years beginning in 1996.

#### 1.18 Hour of Service.

Each hour for an Employee under (a) through (c), determined from the employment records of the Employer. Any ambiguity which may arise shall be resolved in favor of crediting Employees with an Hour of Service.

(a) Each hour for which an Employee is paid, or entitled to payment, for the performance of duties for the Employer. These hours will be credited to the Employee for the computation period in which the duties are performed;

(b) Each hour for which an Employee is paid, or entitled to payment, by the Employer on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty, leave of absence or paid time off (PTO). No more than five hundred one (501) Hours of Service will be credited under this paragraph for any single continuous period (whether or not such period occurs in a single computation period). Hours under this paragraph will be calculated and credited pursuant to Section 2530.200(b) of the Department of Labor Regulations, which is incorporated herein by this reference; and

(c) Each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer. The same Hours of Service will not be credited both under paragraph (a) and/or (b), as the case may be, and under this paragraph (c). These hours will be credited to the Employee for the computation period or periods to which the award or agreement pertains rather than the computation period in which the award, agreement or payment is made.

Notwithstanding the above, (i) an hour for which an Employee is directly or indirectly paid, or entitled to payment, on account of a period during which no duties are performed is not required to be credited to the Employee if such payment is made or due under a plan maintained solely for the purpose of complying with applicable worker's compensation, unemployment compensation or disability insurance laws; and (ii) Hours of Service are not required to be credited for a payment which solely reimburses an Employee for medical or medically-related expenses incurred by the Employee.

Hours of Service will be credited for employment with other members of an affiliated service group (under Section 414(m)), a controlled group of corporations (under Section 414(b)), or a group of trades or businesses under common control (under Section 414(c)) of which the Employer is a member, and any other entity required to be aggregated with the Employer pursuant to Section 414(o) and the regulations thereunder.

Hours of Service will also be credited for any individual considered an Employee for purposes of this Plan under Section 414(n) or Section 414(o) and the Regulations thereunder.

Solely for purposes of determining whether a Break in Service, as defined in Section 1.5, for participation and vesting purposes has occurred in a computation period, an individual who is absent from work for maternity or paternity reasons shall receive credit for the Hours of Service which would otherwise have been credited to such individual but for such absence, or in any case in which such hours cannot be determined, eight Hours of Service per day of such absence. For purposes of this paragraph, an absence from work for maternity or paternity reasons means an absence (1) by reason of the pregnancy of the individual, (2) by reason of the birth of a child of the individual, (3) by reason of the placement of a child with the individual in connection with the adoption of such child by the individual, or (4) for purposes of caring for such child for a period beginning immediately following such birth or placement. The Hours of Service credited under this paragraph shall be credited (1) in the computation period in which the absence begins if the crediting is necessary to prevent a Break in Service in that period, or (2) in all other cases, in the following computation period.

Hours of Service shall be determined under the terms of the Family and Medical Leave Act of 1993 and the Uniformed Services Employment and Reemployment Rights Act of 1994.

#### 1.19 Leased Employee.

(a) Any person (other than an employee of the recipient) who pursuant to an agreement between the recipient and any other person ("leasing organization") has performed services for the recipient (or for the recipient and related persons determined in accordance with Code Section 414(n)(6)) on a substantially full time basis for a period of at least one year, and such services are performed under primary direction and control by the recipient. Contributions or benefits provided a leased employee by the leasing organization which are attributable to services performed for the recipient employer shall be treated as provided by the recipient employer.

(b) A leased employee shall not be considered an employee of the recipient if: (i) such employee is covered by a money purchase pension plan

providing: (1) a nonintegrated employer contribution rate of at least ten percent (10%) of compensation, as defined in Code Section 415(c)(3), but including amounts contributed pursuant to a salary reduction agreement which are excludable from the leased employee's gross income under Section 125, Section 402(e)(3), Section 402(h)(1)(B) or Section 403(b) of the Code, (2) immediate participation, and (3) full and immediate vesting; and (ii) leased employees do not constitute more than twenty percent (20%) of the recipient's nonhighly compensated workforce.

#### 1.20 Limitation Year.

The Plan Year unless any other twelve (12) consecutive month period is designated pursuant to a written resolution adopted by the Employer.

#### 1.21 Merger Account.

The account maintained for a Participant with respect to a plan which has merged with this Plan or transferred its assets to this Plan, in accordance with Section 9.2.

#### 1.22 Normal Retirement Age.

The fifty-fifth (55th) birthday of a Participant, at which time the Participant shall become fully vested.

#### 1.23 Participant.

An Employee who has satisfied the participation requirements of, and has begun participating in, the Plan, pursuant to Section 2.1.

#### 1.24 PAYSOP Account.

The individual account of a Participant to which has been credited his share of Employer contributions and forfeitures, and earnings and losses thereon, under the PAYSOP portion of the CenturyTel, Inc. Stock Bonus Plan and PAYSOP prior to its merger into this Plan. The PAYSOP Accounts of Participants shall be administered in accordance with Section 20 of this Plan.

#### 1.25 Plan Administrator.

The Committee referred to in Section 13 of this Plan.

#### 1.26 Plan Year.

The calendar year.

#### 1.27 Rollover Account.

The account maintained in accordance with Section 14.1 for each

Participant who has made a rollover contribution.

#### 1.28 Stock Bonus Account.

The individual account of a Participant to which has been credited his share of Employer contributions and forfeitures, and earnings and losses thereon, under the CenturyTel, Inc. Stock Bonus Plan and PAYSOP. This Account includes the account balance of the Participant under the CenturyTel, Inc. Stock Bonus Plan and PAYSOP as of the effective date of the merger of the CenturyTel, Inc. Stock Bonus Plan and PAYSOP into the CenturyTel, Inc. Employee Stock Ownership Plan. This Account, shall be credited with the Participant's share of Employer contributions designated as Stock Bonus contributions, and shall be credited with forfeitures arising from Participants' Stock Bonus Accounts, and earnings and losses.

#### 1.29 Stock Bonus and PAYSOP Trust.

The CenturyTel, Inc. Stock Bonus and PAYSOP Trust.

#### 1.30 Suspense Account.

The account maintained in accordance with Section 4.8.

#### 1.31 Top Heavy Valuation Date.

The date specified in Section 16.9 of this Plan.

#### 1.32 Trust or Trusts.

The ESOP Trust and/or the Stock Bonus and PAYSOP Trust, the assets of both of which are available to pay benefits under this Plan.



1.33 Trustee.

Regions Morgan Keegan Trust.

1.34 Valuation Date.

The date on which the Trustee shall make a revaluation of each Trust

pursuant to Section 4.4.

#### 1.35 Vesting Computation Period.

For purposes of determining Years of Service and Breaks in Service for computing an Employee's nonforfeitable (vested) right to the Account balance derived from Employer contributions, the computation period shall be the Plan Year.

#### 1.36 Year of Service.

A twelve (12) consecutive month period (computation period) during which an Employee completes at least five hundred (500) Hours of Service. Effective January 1, 1994, a Year of Service is a twelve-consecutive month period (computation period) during which an Employee completes at least one thousand (1,000) Hours of Service. All of an Employee's Years of Service shall be counted, subject to the following qualifications and exceptions:

(a) A Year of Service will not be credited for any period of Approved Absence after the Employee incurs a Break in Service during such absence from the service of the Employer;

(b) Service performed prior to a Break in Service shall not be taken into account until the Employee has completed a Year of Service after such Break in Service. Such Year of Service will be measured by the twelve (12) consecutive month period beginning on the Employee's Date of Reemployment and, if necessary, subsequent twelve (12) consecutive month periods beginning on anniversaries of the Employee's Date of Reemployment;

(c) In the case of an Employee who does not have any nonforfeitable right to his Regular Account, Years of Service, whether or not consecutive, before a period of consecutive one (1) year Breaks in Service shall not be taken into account if the number of consecutive one-year Breaks in Service in such period equals or exceeds the greater of five (5) or the aggregate number of Years of Service. Such aggregate number of Years of Service will not include any Years of Service disregarded under the preceding sentence by reason of prior Breaks in Service;

(d) In the case of a Participant who has five (5) or more consecutive one-year Breaks in Service, all service after such Breaks in Service will be disregarded for purposes of vesting the Employer-derived Account balance that accrued before such Breaks in Service. Such Participant's pre-break service will count in vesting the post-break Employer-derived Account balance only if either:

(i) such Participant has any nonforfeitable interest in the Account balance attributable to Employer contributions at the time of separation from service; or

(ii) upon returning to service the number of consecutive one-year Breaks in Service is less than the number of Years of Service.

Separate accounts will be maintained for the Participant's pre-break and post-break Employer-derived Account balance. Both Accounts will share in the earnings and losses of the Trusts;

(e) A Participant who does not meet the definition of Disability contained in Section 1.10 but who has been approved for benefits under the CenturyTel, Inc. Long Term Disability Plan shall be credited for all purposes under this Plan with service during the time the Participant is on disability leave and eligible for benefits under such plan;

(f) Any Employee who was employed by Central Telephone of Ohio ("Central") on March 31, 1992 who became employed by the Employer on or about April 1, 1992 pursuant to an offer of employment by the Employer, shall, upon eligibility to participate in this Plan, be credited for all purposes under this Plan with service performed prior to April 1, 1992 for Centel Corporation, Central, or any member of a controlled group in which Centel Corporation and Central were members;

(g) Service with San Marcos Telephone Company, Inc., SM Telecorp, Inc., and subsidiaries thereof, and any successors thereto by merger or otherwise, shall be counted for all purposes under this Plan; and

(h) Service performed for Spectra Communications Group, LLC by an Employee shall, upon such Employee's eligibility to participate in this Plan, be credited for all purposes under the Plan.

#### 1.37 Effective Dates.

The general effective date of this Restatement shall be January 1, 2001; provided, however, that amendments to certain Sections of the Plan shall be effective as stated in each such Section, and the amendments to the Sections listed below shall have effective dates as listed below:

SECTION # -----	EFFECTIVE DATE -----
1.7	Plan Years beginning after December 31, 1996.
1.17	Plan Years beginning after December 31, 1996.
1.19	Plan Years beginning after December 31, 1996.
4.12 (d)	Limitation Years beginning after December 31, 1994.
6.2 (f)	Calendar Years commencing after December 31, 1998.
5.7; 7.2(a); 7.3	Plan Years beginning after August 5, 1997.
20.3	Judgments, orders and decrees issued, and settlement agreements entered into, on or after August 5, 1997.

## SECTION 2 ELIGIBILITY

### 2.1 Participation.

Every Participant in the Plan prior to this Amendment and Restatement shall continue to participate in the Plan as of the effective date hereof. Additionally, every Employee who has completed one (1) Year of Service during an Eligibility Computation Period, shall become a Participant in the Plan as of the Entry Date. However, Employees whose terms of employment are subject to a collective bargaining agreement, which does not provide for their coverage under this Plan, as well as Employees for whom union representation negotiations have begun, which negotiations do not provide for their coverage under this Plan, are not eligible to participate. Self-employed individuals (as defined in Code Section 401(c)(1)) and owner-employees (as defined in Code Section 401(c)(3)) are not eligible to participate in the Plan.

Employees employed by Century Business Communications, LLC (formerly Century Business Communications, Inc., and formerly Century Printing & Publishing, Inc.), CenturyTel Interactive Company (formerly Century Interactive Communications, Inc., and formerly Interactive Communications, Inc.), CenturyTel Security Systems, Inc., CenturyTel of Northwest Arkansas, LLC, CenturyTel of Central Arkansas, LLC, CenturyTel of Central Wisconsin, LLC, Telephone USA of Wisconsin, LLC, Spectra Communications Group, LLC, CenturyTel Holdings, Inc., and CenturyTel Investments of Texas, Inc., and any wholly-owned subsidiaries or affiliates of any of the foregoing, are not eligible to participate in the Plan.

Employees of CenturyTel of Pecoco, Inc.(formerly Pecoco, Inc.) and its subsidiaries are eligible to participate in the Plan as of April 27, 1997. Non-represented Employees of CenturyTel of the Northwest, Inc. (formerly Pacific Telecom, Inc.) and Pacific Telecom Cellular, Inc., their subsidiaries, and their Affiliates prior to the acquisition of Pacific Telecom, Inc. by Century Telephone Enterprises, Inc. or an Affiliate thereof are eligible to participate in the Plan as of January 1, 1999.

### 2.2 Determination of Eligibility.

The Plan Administrator shall determine the eligibility of each Employee for participation in the Plan. Such determination shall be conclusive and binding upon all persons.

### 2.3 Omission of Eligible Employee.

If, in any Plan Year, any Employee who should be included as a Participant in the Plan is erroneously omitted and discovery of such omission is not made until after a contribution by the Employer for the year has been made, the Employer shall make a subsequent contribution, if necessary, so that, after the application of Section 4.2, the omitted Employee receives a total amount which the Employee would have received had he not been omitted. Such contribution shall be made regardless of whether or not it is deductible in whole or in part in any taxable year under applicable provisions of the Code.

### 2.4 Inclusion of Ineligible Employee.

If, in any year, any person who should not have been included as a Participant in the Plan is erroneously included and discovery of such

incorrect inclusion is not made until after a contribution for the year has been made, the Employer shall not be entitled to recover the contribution made with respect to the ineligible person regardless of whether or not a deduction is allowable with respect to such contribution. In such event, the amount contributed with respect to the ineligible person shall constitute a forfeiture for the Plan Year in which the discovery is made.

### 2.5 Election Not to Participate.

An Employee may, subject to the approval of the Employer, elect voluntarily not to participate in the Plan. The election not to participate must be communicated to the Employer, in writing, at least thirty (30) days before the beginning of a Plan Year. The foregoing election not to participate shall not be available with respect to partners in a partnership.

## SECTION 3 CONTRIBUTIONS

### 3.1 Contributions by Employer.

For the current Plan Year and for each Plan Year thereafter, the Employer may make a contribution to the Trust in cash or shares of Company Stock. The Employer's contribution for any Plan Year shall not exceed the maximum amount allowable as a deduction to the Employer under Section 404 of the Code.

Notwithstanding the foregoing, the Employer shall make a contribution to the extent necessary to provide the top heavy minimum allocations under Section 16.14, even if such contribution exceeds current or accumulated net profits or the maximum amount deductible from the Employer's income for the year.

### 3.2 Determination of Contribution.

The Employer shall determine the amount of any contributions to be made by it to the Trust under the terms of this Agreement. The Employer's determination of such contributions shall be binding on all Participants and the Trustee.

The Employer shall designate whether a contribution to the Plan is an ESOP contribution or a Stock Bonus contribution. Any contribution not designated by the Employer shall be an ESOP contribution.

The Trustee shall have no right or duty to inquire into the amount of the Employer's annual contribution, the method used in determining the amount of the Employer's contribution, or the designation of the contribution as an ESOP contribution or a Stock Bonus contribution by the Employer, but shall be accountable only for funds actually received by it.

### 3.3 Time of Payment of Contribution.

The Employer shall pay to the Trustee its contribution for each Plan Year within the time prescribed by law, including extensions of time, for the filing of its Federal income tax return for such year.

### 3.4 Benefits Provided Through Trust or Trusts.

Benefits under this Plan shall be funded through the CenturyTel, Inc. Employee Stock Ownership Trust and the CenturyTel, Inc. Stock Bonus and PAYSOP Trust, each established by agreement between CenturyTel, Inc. and Regions Morgan Keegan Trust. The Trustee of each Trust shall receive Employer contributions, hold and invest each Trust in accordance with the applicable Trust agreement, and distribute benefits to Participants in accordance with this Plan and directions of the Committee.

### 3.5 Exclusive Benefit.

Any and all contributions made by the Employer to the Trust shall be irrevocable, and neither such contributions nor any income therefrom shall be used for, or diverted to, purposes other than for the exclusive benefit of Participants or their beneficiaries under the Plan.

### 3.6 Return of Contributions.

Any contribution made by the Employer because of a mistake of fact must be returned to the Employer within one year of the contribution.

In the event that the Commissioner of Internal Revenue determines that the Plan is not initially qualified under the Internal Revenue Code, any contribution made incident to that initial qualification by the Employer must be returned to the Employer within one year after the date the initial qualification is denied, but only if the application for qualification is made by the time prescribed by law for filing the Employer's return for the taxable year in which the Plan is adopted, or such later date as the Secretary of the Treasury may prescribe.

In the event the deduction of a contribution made by the Employer is disallowed under Section 404 of the Code, such contribution (to the extent disallowed) must be returned to the Employer within one year of the disallowance of the deduction.

## SECTION 4 ACCOUNTS OF PARTICIPANTS

### 4.1 Individual Accounts for Each Participant.

The Plan Administrator or, if the Plan Administrator so determines, the Trustee, shall maintain an ESOP Account, a Stock Bonus Account and, if applicable, a PAYSOP Account for each Participant. With respect to a Participant who incurs five (5) consecutive one-year Breaks in Service before receiving a distribution, the vested portion of such Participant's ESOP Account and Stock Bonus Account shall remain in such Accounts, and the nonvested portion of the Participant's ESOP Account and Stock Bonus Account shall be forfeited as provided in Section 7.2. The PAYSOP Accounts of Participants are fully vested at all times in accordance with Section 7.1(b) and Section 19.5.

### 4.2 Allocation of Employer Contributions.

Contributions made by the Employer for a Plan Year shall, as of the Adjustment Date occurring within such Plan Year, be allocated among and posted to the ESOP Account and/or Stock Bonus Account (as determined by the Employer pursuant to Section 3.2) of each Active Participant in the proportion which the Compensation paid to such Active Participant for such year bears to the total Compensation of all Active Participants for such year.

### 4.3 Allocation of Forfeitures.

The amount of forfeitures determined under Section 7.2 shall be reallocated as of the Adjustment Date on which forfeitures occurred to the applicable ESOP and/or Stock Bonus Accounts of Active Participants by adding the total amount of forfeitures in ESOP Accounts to the Employer's contribution for the year designated as an ESOP contribution, and adding the total amount of forfeitures in Stock Bonus Accounts to the Employer's contribution for the year designated as a Stock Bonus contribution, and allocating the sums so computed to Participants' ESOP and Stock Bonus Accounts in accordance with Section 4.2. If there were no Employer contributions for the year, forfeitures in ESOP Accounts shall be allocated to Participants' ESOP Accounts, and forfeitures in Stock Bonus Accounts shall be allocated to Participants' Stock Bonus Accounts, in accordance with Section 4.2.

### 4.4 Year-End Valuation of Accounts.

The Trustee or Trustees, as of each Adjustment Date, shall determine the net worth of the assets of each Trust fund. In determining such net worth, the Trustee or Trustees shall value the assets of each Trust fund at their fair market value as of such Adjustment Date, and shall deduct all liabilities of the Plan and all expenses payable from each such Trust fund for which the Trustee has not yet obtained reimbursement. Such valuation shall not include any contribution for the year made by the Employer as of the Valuation Date.

As of each Adjustment Date, before allocation of forfeitures and Employer contributions for the year, the Trustee or Trustees shall credit the Account of each Participant with dividends paid on shares of Company Stock allocated to such Participant's Account, and thereafter shall adjust the net credit balance in the Accounts of all Participants (whether or not active) upward or downward, pro-rata, so that the total of such net credit balances will equal the net worth of all Trust funds as of the Adjustment Date. As used herein the term "net credit balance" means the balance to the credit of each Participant as of the immediately preceding Adjustment Date or Interim Valuation Date, if later, as reduced for payments from the Accounts and forfeitures on or subsequent to such date.

### 4.5 Interim Valuation of Accounts.

As of the end of any month, the Plan Administrator may request the Trustee or Trustees to determine, in accordance with the rules of Section 4.4, the then net worth of the assets constituting each Trust fund. The last day of each month as of which the Plan Administrator has requested the Trustee or Trustees to determine the aforementioned net worth is referred to herein as an "Interim Valuation Date."

All distributions which are to be made as of or after any such Interim Valuation Date, but prior to the next succeeding Adjustment Date, or, if earlier, the next succeeding Interim Valuation Date, shall be made as if the credit balances to all Participants' Accounts had actually been credited or debited so that the total credit balances of all Accounts would equal the net worth of the assets constituting all Trust funds as of such Interim Valuation Date.

### 4.6 Debiting of Distributions.

The amounts, if any, paid to or on behalf of a Participant at any time shall, concurrent with such payment, be debited against his Account.

### 4.7 Effective Date of Entries.

Each Account entry which, in accordance with the provisions hereof, needs to be made shall be considered as having been made on the date herein specified regardless of the date of actual entry.

## LIMIT ON ANNUAL ADDITIONS

### 4.8 Coverage Under This Plan Only.

(a) If the Participant does not participate in, and has never participated in another qualified plan maintained by the Employer, or a welfare benefit fund, as defined in Section 419(e) of the Code, maintained by the Employer, or an individual medical account, as defined in Section 415(l)(2) of the Code, maintained by the Employer, or a simplified employee pension, as defined in Section 408(k) of the Code, maintained by the Employer, which provides an annual addition as defined in Section 4.12, the amount of annual additions which may be credited to the Participant's Account for any Limitation Year will not exceed the lesser of the maximum permissible amount or any other limitation contained in this Plan. If the Employer contribution that would otherwise be contributed or allocated to the Participant's Account would cause the annual additions for the Limitation Year to exceed the maximum permissible amount, the amount contributed or allocated will be reduced so that the annual additions for the Limitation Year will equal the maximum permissible amount.

(b) Prior to determining the Participant's actual compensation for the Limitation Year, the Employer may determine the maximum permissible amount for a Participant on the basis of a reasonable estimate of the Participant's compensation for the Limitation Year, uniformly determined for all Participants similarly situated.

(c) As soon as is administratively feasible after the end of the Limitation Year, the maximum permissible amount for the Limitation Year will be determined on the basis of the Participant's actual compensation for the Limitation Year.

(d) If, pursuant to Section 4.8(c) or as a result of the allocation of forfeitures, there is an excess amount, the excess will be disposed of as follows:

(i) Any nondeductible voluntary employee contributions (plus attributable earnings), to the extent they would reduce the excess amount, will be returned to the Participant;

(ii) If after the application of paragraph (i) an excess amount still exists, any elective deferrals (plus attributable earnings), to the extent they would reduce the excess amount, will be distributed to the Participant;

(iii) If after the application of paragraph (ii) an excess amount still exists, and the Participant is covered by the Plan at the end of the Limitation Year, the excess amount in the Participant's Account will be used to reduce Employer contributions (including any allocation of forfeitures) for such Participant in the next Limitation Year, and each succeeding Limitation Year if necessary;

(iv) If after the application of paragraph (ii) an excess amount still exists, and the Participant is not covered by the Plan at the end of a Limitation Year, the excess amount will be held unallocated in a Suspense Account. The Suspense Account will be applied to reduce future Employer contributions for all remaining Participants in the next Limitation Year, and each succeeding Limitation Year if necessary;

(v) If a Suspense Account is in existence at any time during a Limitation Year pursuant to this Section, it will not participate in the allocation of the Trust's investment gains and losses. If a Suspense Account is in existence at any time during a particular Limitation Year, all amounts in the Suspense Account must be allocated and reallocated to Participants' Accounts before any Employer or any Employee contributions may be made to the Plan for that Limitation Year. Excess amounts may not be distributed to Participants or former Participants.

### 4.9 Coverage Under A Prototype Plan.

(a) This Section applies if, in addition to this Plan, the Participant is covered under a qualified master or prototype defined contribution plan maintained by the Employer, a welfare benefit fund maintained by the Employer, an individual medical account maintained by the Employer, or a simplified employee pension maintained by the Employer that provides an annual addition as defined in Section 4.12 during any Limitation Year. The annual additions which may be credited to a Participant's Account under this Plan for any such Limitation Year will not exceed the maximum permissible amount reduced by the annual additions credited to a Participant's account under the other qualified master or prototype defined contribution plans, and welfare benefit funds for the same Limitation Year. If the annual additions with respect to the Participant under other qualified master or prototype defined contribution plans, welfare benefit funds, individual medical accounts, and simplified employee pensions maintained by the Employer are less than the maximum permissible amount and the Employer contribution that would otherwise be contributed or allocated to the Participant's Account under this Plan would cause the annual additions for the Limitation Year to exceed this limitation, the amount contributed or allocated will be reduced so that the annual additions under all such plans and funds for the Limitation Year will equal the maximum permissible amount. If the annual additions with respect to the Participant under such other qualified master or prototype defined contribution plans, welfare benefit funds, individual medical accounts, and simplified employee pensions in the aggregate are equal to or greater than the maximum permissible amount, no amount will be contributed or allocated to the Participant's Account under this Plan for the Limitation Year.

(b) Prior to determining the Participant's actual compensation for the Limitation Year, the Employer may determine the maximum permissible amount for a Participant in the manner described in Section 4.8(b).

(c) As soon as is administratively feasible after the end of the Limitation Year, the maximum permissible amount for the Limitation Year will be determined on the basis of the Participant's actual compensation for the Limitation Year.

(d) If, pursuant to Section 4.9(c) or as a result of the allocation of forfeitures, a Participant's annual additions under this Plan and such other plans would result in an excess amount for a Limitation Year, the excess amount will be deemed to consist of the annual additions last allocated, except that annual additions attributable to a simplified employee pension will be deemed to have been allocated first, followed by annual additions to a welfare benefit fund or individual medical account, regardless of the actual allocation date.

(e) If an excess amount was allocated to a Participant on an allocation date of this Plan which coincides with an allocation date of another plan, the excess amount attributed to this Plan will be the product of:

(i) the total excess amount allocated as of such date, times

(ii) the ratio of (A) the annual additions allocated to the Participant for the Limitation Year as of such date under this Plan to (B) the total annual additions allocated to the Participant for the Limitation Year as of such date under this and all the other qualified master or prototype defined contribution plans.

(f) Any excess amount attributed to this Plan will be disposed in the manner described in Section 4.8(d).

#### 4.10 Coverage Under A Non-Prototype Plan.

If the Participant is covered under another qualified defined contribution plan maintained by the Employer which is not a master or prototype plan, annual additions which may be credited to the Participant's Account under this Plan for any Limitation Year will be limited in accordance with Section 4.9 as though the other plan were a master or prototype plan.

#### 4.11 Combined Limits.

If the Employer maintains, or at any time maintained, a qualified defined benefit plan covering any Participant in this Plan, the sum of the Participant's defined benefit plan fraction and defined contribution plan fraction will not exceed 1.0 in any Limitation Year. If the sum of the defined benefit plan fraction and the defined contribution plan fraction shall exceed 1.0 in any Limitation Year for any Participant in this Plan, the Plan Administrator shall adjust the numerator of the defined benefit plan fraction so that the sum of both fractions shall not exceed 1.0 in any Limitation Year for such Participant. This Section 4.11 does not apply for Limitation Years beginning on or after January 1, 2000.

#### 4.12 Definitions.

(a) Annual additions: The sum of the following amounts credited to a Participant's Account for the Limitation Year:

(i) Employer contributions;

(ii) Employee contributions;

(iii) Forfeitures;

(iv) Amounts allocated, after March 31, 1984, to an individual

medical account, as defined in Section 415(l)(2) of the Code, which is part of a pension or annuity plan maintained by the Employer are treated as annual additions to a defined contribution plan. Also amounts derived from contributions paid or accrued after December 31, 1985, in taxable years ending after such date, which are attributable to post-retirement medical benefits, allocated to the separate account of a key employee, as defined in Section 419A(d)(3) of the Code, under a welfare benefit fund, as defined in Section 419(e) of the Code, maintained by the Employer are treated as annual additions to a defined contribution plan; and

(v) Allocations under a simplified employee pension.

For this purpose, any excess amount applied under Sections 4.8(d) or 4.9(f) in the Limitation Year to reduce Employer contributions will be considered annual additions for such Limitation Year.

(b) Compensation: For purposes of this Section, compensation shall mean Section 415 safe-harbor compensation. Compensation is defined as all of a Participant's wages, salaries, and fees for professional services and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the Employer maintaining the Plan to the extent that the amounts are includable in gross income (including, but not limited to, commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits, and reimbursements, or other expense allowances under a nonaccountable plan [as described in Section 1.61-2(c)]), and excluding the following:

(i) Employer contributions to a plan of deferred compensation which are not includable in the Employee's gross income for the taxable year in which contributed, or Employer contributions under a simplified employee pension plan, or any distributions from a plan of deferred compensation;

(ii) Amounts realized from the exercise of a non-qualified stock option, or when restricted stock (or property) held by the Employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;

(iii) Amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option; and

(iv) Other amounts which received special tax benefits, or contributions made by the Employer (whether or not under a salary reduction agreement) towards the purchase of an annuity described in Section 403(b) of the Code (whether or not the amounts are actually excludable from the gross income of the Employee).

For any self-employed individual, compensation will mean earned income. For purposes of applying the limitations of this Section, compensation for a Limitation Year is the compensation actually paid or includable in gross income during such Limitation Year.

Notwithstanding the preceding sentence, compensation for a Participant in a defined contribution plan who is permanently and totally disabled (as defined in Section 22(e)(3) of the Code) is the compensation such Participant would have received for the Limitation Year if the Participant had been paid at the rate of compensation paid immediately before becoming permanently and totally disabled; for Limitation Years beginning before January 1, 1997, such imputed compensation for the disabled Participant may be taken into account only if the Participant is not a highly compensated employee (as defined in Section 414(q) of the Code) and contributions made on behalf of such Participant are nonforfeitable when made.

For Limitation Years beginning after December 31, 1997, for purposes of applying the limitations of this Section, compensation paid or made available during such Limitation Year shall include any elective deferral (as defined in Code Section 402(g)(3)), and any amount which is contributed or deferred by the Employer at the election of the Employee and which is not includible in the gross income of the Employee by reason of Code Section 125 or 457.

(c) Defined benefit fraction: A fraction, the numerator of which is the sum of the Participant's projected annual benefits under all defined benefit plans (whether or not terminated) maintained by the Employer, and the denominator of which is the lesser of one hundred twenty-five percent (125%) of the dollar limitation determined for the Limitation Year under Sections 415(b) and (d) of the Code or one hundred forty percent (140%) of the highest average compensation, including any adjustments under Section 415(b) of the Code.

Notwithstanding the above, if the Participant was a participant as of the first day of the first Limitation Year beginning after December 31, 1986, in one or more defined benefit plans maintained by the Employer which were in existence on May 6, 1986, the denominator of this fraction will not be less than one hundred twenty-five percent (125%) of the sum of the annual benefits under such plans which the Participant had accrued as of the close of the last Limitation Year beginning before January 1, 1987, disregarding any changes in the terms and conditions of the Plan after May 5, 1986. The preceding sentence applies only if the defined benefit plans individually and in the aggregate satisfied the requirements of Section 415 of the Code for all Limitation Years beginning before January 1, 1987.

(d) Defined contribution dollar limitation: \$30,000, as adjusted under Code Section 415(d).

(e) Defined contribution fraction: A fraction, the numerator of which is the sum of the annual additions to the Participant's account under all defined contribution plans (whether or not terminated) maintained by the Employer for the current and all prior limitation years (including the annual additions attributable to the Participant's nondeductible employee contributions to all defined benefit plans, whether or not terminated, maintained by the Employer, and the annual additions attributable to all welfare benefit funds, individual medical accounts, and simplified employee pensions maintained by the Employer), and the denominator of which is the sum of the maximum aggregate amounts for the current and all prior limitation years of service with the Employer (regardless of whether a defined contribution plan was maintained by the Employer). The maximum aggregate amount in any limitation year is the lesser of one hundred twenty-five percent (125%) of the dollar limitation determined under Sections 415(b) and (d) of the Code in effect under Section 415(c)(1)(A) of the Code or thirty-five percent (35%) of the Participant's compensation for such year.

If the Employee was a participant as of the end of the first day of the first Limitation Year beginning after December 31, 1986, in one or more defined contribution plans maintained by the Employer which were in existence on May 6, 1986, the numerator of this fraction will be adjusted if the sum of this fraction and the defined benefit fraction would otherwise exceed 1.0 under the terms of this Plan. Under the adjustment, an amount equal to the product of (1) the excess of the sum of the fractions over 1.0, times (2) the denominator of this fraction, will be permanently subtracted from the numerator of this fraction. The adjustment is calculated using the fractions as they would be computed as of the end of the last Limitation Year beginning before January 1, 1987, and disregarding any changes in the terms and conditions of the Plan made after May 5, 1986, but using the Code Section 415 limitation applicable to the first Limitation Year beginning on or after January 1, 1987.

The annual addition for any Limitation Year beginning before January 1, 1987, shall not be recomputed to treat all Employee contributions as annual additions.

(f) Employer: For purposes of this Section, Employer shall mean the Employer and all members of a controlled group of corporations (as defined in Section 414(b) of the Code as modified by Section 415(h)), all commonly controlled trades or businesses (as defined in Section 414(c) of the Code as modified by Section 415(h)) or affiliated service groups (as defined in Section 414(m) of the Code) of which the Employer is a part,

and any other entity required to be aggregated with the Employer pursuant to regulations under Section 414(o) of the Code.

- (g) Excess amount: The excess of the Participant's annual additions for the Limitation Year over the maximum permissible amount.
- (h) Highest average compensation: The average compensation for the three consecutive Years of Service with the Employer that produces the highest average. A Year of Service with the Employer is the twelve (12) consecutive month period defined in Section 1.36 of this Plan.
- (i) Limitation year: The calendar year. All qualified plans maintained by the Employer must use the same Limitation Year. If the Limitation Year is amended to a different twelve (12) consecutive month period, the new Limitation Year must begin on a date within the Limitation Year in which the amendment is made.
- (j) Master or prototype plan: A plan the form of which is the subject of a favorable opinion letter from the Internal Revenue Service.
- (k) Maximum permissible amount: The maximum annual addition that may be contributed or allocated to a Participant's Account under the Plan for any Limitation Year shall not exceed the lesser of:

- (i) the defined contribution dollar limitation, or
- (ii) 25 percent of the Participant's compensation for the Limitation Year.

The compensation limitation referred to in (ii) shall not apply to any contribution for medical benefits (within the meaning of Section 401(h) or Section 419A(f)(2) of the Code) which is otherwise treated as an annual addition under Section 415(l)(1) or 419A(d)(2) of the Code.

If a short Limitation Year is created because of an amendment changing the Limitation Year to a different twelve (12) consecutive month period, the maximum permissible amount will not exceed the defined contribution dollar limitation multiplied by the following fraction:

Number of months in the short Limitation Year

12

(l) Projected annual benefit: The annual retirement benefit (adjusted to an actuarially equivalent straight life annuity if such benefit is expressed in a form other than a straight life annuity or qualified joint and survivor annuity) to which the Participant would be entitled under the terms of the Plan assuming:

- (i) the Participant will continue employment until Normal Retirement Age under the Plan (or current age, if later), and
- (ii) the Participant's compensation for the current Limitation Year and all other relevant factors used to determine benefits under the Plan will remain constant for all future Limitation Years.

## SECTION 5 BENEFITS PAYABLE AFTER NORMAL RETIREMENT

### 5.1 Optional Methods of Payment Available at Retirement.

All sums credited to a Participant's Account shall become fully vested upon attainment of Normal Retirement Age. Upon actual retirement at or after Normal Retirement Age, a Participant shall be entitled to receive the full amount credited to his Account as of the Valuation Date or Interim Valuation Date immediately preceding the month in which payment is to be made, which amount shall be paid to the Participant in one lump sum within the later of: (i) sixty (60) days after the close of the Plan Year in which the Participant retires, or (ii) sixty (60) days after the distributable amount has been determined, unless prior to the date of his retirement he elects, in the manner prescribed by the Plan Administrator, any one of the following method or methods:

- (a) Payment of the entire amount of the Participant's Account in one lump sum at some future date, not later than one year after Normal Retirement Date;
- (b) Payment in substantially equal annual, quarterly or monthly installments (including net investment income, gain or loss) until the value of such Participant's Account is exhausted. Unless the Participant elects otherwise, the payment period for a Participant's ESOP Account shall not exceed five (5) years. This five (5) year payment period for ESOP Accounts shall be extended by one (1) year, up to five (5) additional years, for each \$100,000 (or fraction thereof) by which such Participant's Account balance exceeds \$500,000 (the dollar amounts herein are subject to cost of living adjustments prescribed by the Secretary of the Treasury; for the 2001 Plan Year, these amounts are \$155,000 and \$780,000, respectively); or
- (c) Any combination of the foregoing.

Notwithstanding anything contained in this Section 5.1, lump sum, installment or any other benefits may not be paid directly from the Plan in



any form of a life annuity or through the distribution of property in any form of a life annuity.

In addition, if the Participant's spouse is not the designated beneficiary, the method of distribution selected must assure that at least fifty percent (50%) of the present value of the amount available for distribution is paid within the life expectancy of the Participant.

All distributions required under this Section shall be determined and made in accordance with the proposed regulations under Section 401(a)(9) of the Code, including the minimum distribution incidental benefit requirement of Section 1.401(a)(9)-2 of the proposed regulations.

Any distribution under this Section 5.1 shall comply with the consent requirements contained in Section 7.3.

#### 5.2 Manner of Payment Following Commencement of Payments.

Following the commencement of payments under Section 5.1, a Participant and the Plan Administrator may, notwithstanding the fact that periodic benefits are being paid, agree that as of any subsequent date the balance credited to such Participant's Account shall be paid to or applied for the benefit of the Participant in accordance with any other payout method of Section 5.1.

#### 5.3 Required Beginning Date.

The entire interest of a Participant must be distributed or begin to be distributed no later than the Participant's required beginning date, as defined in Section 6.2(f).

#### 5.4 Determination of Amount to be Distributed Each Year.

If a Participant's interest is to be distributed in other than a single-sum, the following minimum distribution rules shall apply on or after the required beginning date:

(a) If a Participant's benefit is to be distributed over (1) a period not extending beyond the life expectancy of the Participant or the joint life and last survivor expectancy of the Participant and the Participant's designated beneficiary or (2) a period not extending beyond the life expectancy of the designated beneficiary, the amount required to be distributed for each calendar year, beginning with distributions for the first distribution calendar year, must at least equal the quotient obtained by dividing the Participant's benefit by the applicable life expectancy.

(b) For calendar years beginning before January 1, 1989, if the Participant's spouse is not the designated beneficiary, the method of distribution selected must assure that at least fifty percent (50%) of the present value of the amount available for distribution is paid within the life expectancy of the Participant.

(c) For calendar years beginning after December 31, 1988, the amount to be distributed each year, beginning with distributions for the first distribution calendar year shall not be less than the quotient obtained by dividing the Participant's benefit by the lesser of (1) the applicable life expectancy or (2) if the Participant's spouse is not the designated beneficiary, the applicable divisor determined from the table set forth in Q&A-4 of Section 1.401(a)(9)-2 of the proposed regulations. Distributions after the death of the Participant shall be distributed using the applicable life expectancy in Section 5.4(a) above as the relevant divisor without regard to proposed regulations Section 1.401(a)(9)-2.

(d) The minimum distribution required for the Participant's first distribution calendar year must be made on or before the Participant's required beginning date. The minimum distribution for other calendar years, including the minimum distribution for the distribution calendar year in which the Participant's required beginning date occurs, must be made on or before December 31 of that distribution calendar year.

#### 5.5 Age 65 Distributions.

Upon the attainment of the age of 65 years, a Participant shall be entitled to elect a distribution of all or a portion of his Account in the Plan. A Participant who elects to receive a distribution pursuant to this Section 5.5 shall continue to be eligible to participate in the Plan on the same basis as any other Participant.

#### 5.6 Definitions.

For purposes of this Section, the definitions contained in Section 6.2 shall apply.

#### 5.7 Small Accounts.

Any provision of the Plan to the contrary notwithstanding, the Administrator shall have the authority to direct the settlement of a Participant's Account having a balance of less than \$5,000.00 by the payment of one lump sum.

## SECTION 6 BENEFITS PAYABLE IN THE EVENT OF DEATH OR DISABILITY

### 6.1 Death Distribution Provisions.

Upon the death of a Participant, his or her beneficiary shall be entitled to receive the full amount credited to his Account. Upon the death of a Participant, the following distribution provisions shall take effect:

(a) If the Participant dies after distribution of his or her interest has begun, the remaining portion of such interest will continue to be distributed at least as rapidly as under the method of distribution being used prior to the Participant's death.

(b) If the Participant dies before distribution of his or her interest begins, distribution of the Participant's entire interest shall be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death except to the extent that an election is made to receive distributions in accordance with (i) or (ii) below:

(i) if any portion of the Participant's interest is payable to a designated beneficiary, distributions may be made over the life expectancy or over a period certain not greater than the life expectancy of the designated beneficiary commencing on or before December 31 of the calendar year immediately following the calendar year in which the Participant died;

(ii) if the designated beneficiary is the Participant's surviving spouse, the date distributions are required to begin in accordance with (i) above shall not be earlier than the later of (1) December 31 of the calendar year in which the Participant died and (2) December 31 of the calendar year in which the Participant would have attained age 70 2.

If the Participant has not made an election pursuant to this Section 6.1(b) by the time of his or her death, the Participant's designated beneficiary must elect the method of distribution no later than the earlier of (1) December 31 of the calendar year in which distributions would be required to begin under this Section, or (2) December 31 of the calendar year which contains the fifth anniversary of the date of death of the Participant. If the Participant has no designated beneficiary, or if the designated beneficiary does not elect a method of distribution, distribution of the Participant's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(c) For purposes of Section 6.1(b) above, if the surviving spouse dies after the Participant, but before payments to such spouse begin, the provisions of Section 6.1(b), with the exception of paragraph (ii) therein, shall be applied as if the surviving spouse were the Participant.

(d) For purposes of this Section 6.1, any amount paid to a child of the Participant will be treated as if it had been paid to the surviving spouse if the amount becomes payable to the surviving spouse when the child reaches the age of majority.

(e) For the purposes of this Section 6, distribution of a Participant's interest is considered to begin on the Participant's required beginning date (or, if Section 6.1(c) above is applicable, the date distribution is required to begin to the surviving spouse pursuant to Section 6.1(b) above). If distribution in the form of an annuity irrevocably commences to the Participant before the required beginning date, the date distribution is considered to begin is the date distribution actually commences.

### 6.2 Definitions.

For purposes of this Section and Section 5, the following definitions shall apply:

(a) Applicable life expectancy. The life expectancy (or joint and last survivor expectancy) calculated using the attained age of the Participant (or designated beneficiary) as of the Participant's (or designated beneficiary's) birthday in the applicable calendar year reduced by one for each calendar year which has elapsed since the date life expectancy was first calculated. If life expectancy is being recalculated, the applicable life expectancy shall be the life expectancy as so recalculated. The applicable calendar year shall be the first distribution calendar year, and if life expectancy is being recalculated such succeeding calendar year.

(b) Designated beneficiary. The individual who is designated as the beneficiary under the Plan in accordance with Section 401(a)(9) and the proposed regulations thereunder.

(c) Distribution calendar year. A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's required beginning date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to this Section 6.1 above.

(d) Life expectancy. Life expectancy and joint and last survivor expectancy are computed by use of the expected return multiples in Tables V and VI of Section 1.72-9 of the income tax regulations.

Unless otherwise elected by the Participant (or spouse, in the case of distributions described in Section 6.1(b)(ii) above) by the time distributions are required to begin, life expectancies shall be recalculated annually. Such election shall be irrevocable as to the Participant (or

spouse) and shall apply to all subsequent years. The life expectancy of a nonspouse beneficiary may not be recalculated.

(e) Participant's benefit.

(i) The Account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions or forfeitures allocated to the Account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date.

(ii) Exception for second distribution calendar year. For purposes of paragraph (i) above, if any portion of the minimum distribution for the first distribution calendar year is made in the second distribution calendar year on or before the required beginning date, the amount of the minimum distribution made in the second distribution calendar year shall be treated as if it had been made in the immediately preceding distribution calendar year.

(f) Required beginning date. The required beginning date of a Participant is the later of the April 1 of the calendar year following the calendar year in which the Participant attains age 70 2 or retires, except that benefit distributions to a five percent (5%) owner must commence by the April 1 of the calendar year following the calendar year in which the Participant attains age 702.

(g) 5-Percent owner.

(i) A Participant is treated as a 5-percent owner for purposes of this Section if such Participant is a 5-percent owner as defined in Section 416 of the Code at any time during the Plan Year ending with or within the calendar year in which such owner attains age 70 2.

(ii) Once distributions have begun to a 5-percent owner under this Section, they must continue to be distributed, even if the Participant ceases to be a 5-percent owner in a subsequent year.

### 6.3 Designation of Beneficiary.

A Participant at the time he joins the Plan shall designate a beneficiary or beneficiaries to receive the sums credited to his Account in the event of his death, which designation may be changed by the Participant from time to time. To be effective, the original designation of beneficiaries and any subsequent change must be in writing on the form provided for that purpose by the Plan Administrator.

The beneficiary of a Participant who is married at the time of his death shall be his surviving spouse unless his surviving spouse consents in writing on the form provided for that purpose by the Plan Administrator to the designation of another beneficiary. A consent by a Participant's spouse shall not be effective unless such consent is witnessed by the Plan Administrator or a Notary Public.

### 6.4 Failure to Designate a Beneficiary or Select a Method of Payment.

In the event that no beneficiary is properly designated or in the event that a beneficiary designated by the Participant predeceased the Participant and no new designation of beneficiary is made, the Plan Administrator, in its discretion, may direct the Trustee to make payment of all sums to which the deceased Participant is entitled to either:

(a) any one or more of the next of kin (including the surviving spouse) of the Participant and in such proportions as the Plan Administrator may determine; or

(b) the legal representative or representatives of the estate of the last to die of the Participant or his beneficiary.

If a Participant who is married at the time of his death has not properly designated a beneficiary other than his spouse in accordance with the last paragraph of Section 6.3, the Participant's beneficiary shall be his surviving spouse.

### 6.5 Disability of a Participant.

In the event of the Disability of a Participant prior to attaining Normal Retirement Age, such Participant shall be entitled to receive the entire amount credited to his Account. Payment shall begin as soon as administratively feasible after the close of the Plan Year in which the Administrator receives proof of the Participant's Disability, and shall be made in accordance with any of the methods provided in Section 5, as selected by the Participant. Any distribution hereunder shall comply with the consent requirements contained in Section 7.3.

### 6.6 Transitional Rule.

Notwithstanding the other requirements of this Section, distribution on behalf of any Employee, including a 5-percent owner, may be made in accordance with all of the following requirements (regardless of when such distribution commences):

- (a) The distribution by the Plan is one which would not have disqualified such Plan under Section 401(a)(9) of the Code as in effect prior to amendment by the Deficit Reduction Act of 1984.
- (b) The distribution is in accordance with a method of distribution designated by the Employee whose interest in the Plan is being distributed or, if the Employee is deceased, by a beneficiary of such Employee.
- (c) Such designation was in writing, was signed by the Employee or the beneficiary, and was made before January 1, 1984.
- (d) The Employee had accrued a benefit under the plan as of December 31, 1983.
- (e) The method of distribution designated by the Employee or the beneficiary specifies the time at which distribution will commence, the period over which distributions will be made, and in the case of any distribution upon the Employee's death, the beneficiaries of the Employee listed in order of priority.

A distribution upon death will not be covered by this transitional rule unless the information in the designation contains the required information described above with respect to the distributions to be made upon the death of the Employee.

For any distribution which commences before January 1, 1984, but continues after December 31, 1983, the Employee, or the beneficiary to whom such distribution is being made, will be presumed to have designated the method of distribution under which the distribution is being made if the method of distribution was specified in writing and the distribution satisfies the requirements in (a) and (e) above.

If a designation is revoked any subsequent distribution must satisfy the requirements of Section 401(a)(9) of the Code and the proposed regulations thereunder. If a designation is revoked subsequent to the date distributions are required to begin, the Plan must distribute by the end of the calendar year following the calendar year in which the revocation occurs the total amount not yet distributed which would have been required to have been distributed to satisfy Section 401(a)(9) of the Code and the proposed regulations thereunder, but for the Section 242(b)(2) election. For calendar years beginning after December 31, 1988, such distributions must meet the minimum distribution incidental benefit requirements in Section 1.401(a)(9)-2 of the proposed regulations. Any changes in the designation will be considered to be a revocation of the designation. However, the mere substitution or addition of another beneficiary (one not named in the designation) under the designation will not be considered to be a revocation of the designation, so long as such substitution or addition does not alter the period over which distributions are to be made under the designation, directly or indirectly (for example, by altering the relevant measuring life). In the case in which an amount is transferred or rolled over from one plan to another plan, the rules in Q&A J-2 and Q&A J-3 shall apply.

SECTION 7

**BENEFITS PAYABLE UPON BREAK IN SERVICE  
OR EMPLOYMENT TERMINATION**

7.1 Vesting Schedule.

Any Participant who incurs a Break in Service during a vesting computation period for reasons other than his retirement, death or disability shall be entitled to receive at the time and in the manner described hereinafter that percentage of the amount credited to his Account as of the Valuation Date or Interim Valuation Date coincident with or immediately preceding the Break in Service, determined as follows:

- (a) An ESOP Account, a Stock Bonus Account, and a Merger Account shall be vested in accordance with the following schedule:

YEARS OF SERVICE	VESTED PERCENTAGE
less than 5	0
5 or more	100

- (b) A Rollover Account and a PAYSOP Account shall be fully vested at all times.

Notwithstanding the above provisions of this Section 7.1, a Participant's vested interest shall not be less than it was before this amendment and restatement. Also, notwithstanding the above vesting schedule, an Employee's right to his or her Account balance is nonforfeitable upon the attainment of Normal Retirement Age.

Finally, notwithstanding the above vesting schedule, an Employee's right to his or her Account balance shall fully vest and become nonforfeitable automatically upon the occurrence of any of the following events, each of which shall constitute a "Change of Control": (i) the acquisition by any person of beneficial ownership of 30% or more of the outstanding shares of the Company Stock, or 30% or more of the combined voting power of the Employer's then outstanding securities entitled to vote generally in the election of directors; provided, however, that for purposes of this sub-item (i), the following acquisitions shall not constitute a Change of Control: (a) any acquisition (other than a Business Combination (as defined below) which constitutes a Change of Control under sub-item (iii) hereof) of Company Stock directly from the Employer, (b) any acquisition of Company Stock by the Employer or its subsidiaries, (c) any acquisition of Company Stock by any employee benefit plan (or related trust) sponsored or maintained by the Employer or any corporation controlled by the Employer, or (d) any

acquisition of Company Stock by any corporation pursuant to a Business Combination that does not constitute a Change of Control under sub-item (iii) hereof; or (ii) individuals who, as of January 1, 2000, constitute the Board of Directors of the Employer (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that any individual becoming a director subsequent to such date whose election, or nomination for election by the Employer's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, unless such individual's initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Incumbent Board; or (iii) consummation of a reorganization, share exchange, merger or consolidation (including any such transaction involving any direct or indirect subsidiary of the Employer), or sale or other disposition of all or substantially all of the assets of the Employer (a "Business Combination"); provided, however, that in no such case shall any such transaction constitute a Change of Control if immediately following such Business Combination: (a) the individuals and entities who were the beneficial owners of the Employer's outstanding Company Stock and the Employer's voting securities entitled to vote generally in the election of directors immediately prior to such Business Combination have direct or indirect beneficial ownership, respectively, of more than 50% of the then outstanding shares of common stock, and more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the surviving or successor corporation, or, if applicable, the ultimate parent company thereof (the "Post-Transaction Corporation"), and (b) except to the extent that such ownership existed prior to the Business Combination, no person (excluding the Post-Transaction Corporation and any employee benefit plan or related trust of either the Employer, the Post-Transaction Corporation or any subsidiary of either corporation) beneficially owns, directly or indirectly, 20% or more of the then outstanding shares of common stock of the corporation resulting from such Business Combination or 20% or more of the combined voting power of the then outstanding voting securities of such corporation, and (c) at least a majority of the members of the board of directors of the Post-Transaction Corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board of Directors, providing for such Business Combination; or (iv) approval by the shareholders of the Employer of a complete liquidation or dissolution of the Employer. For purposes of the immediately preceding sentence, the term "person" shall mean a natural person or entity, and shall also mean the group or syndicate created when two or more persons act as a syndicate or other group (including, without limitation, a partnership or limited partnership) for the purpose of acquiring, holding, or disposing of a security, except that "person" shall not include an underwriter temporarily holding a security pursuant to an offering of the security.

## 7.2 Distributions.

(a) If an Employee terminates service, and the value of the Employee's vested Account balance derived from Employer and Employee contributions is not greater than \$5,000, the Employee will receive a distribution of the value of the entire vested portion of such Account balance and the nonvested portion will be treated as a forfeiture. If an Employee would have received a distribution under the preceding sentence but for the fact that the Employee's vested Account balance exceeded \$5,000 when the Employee terminated service and if at a later time such Account balance is reduced such that is not greater than \$5,000, the Employee will receive a distribution of such Account balance and the nonvested portion will be treated as a forfeiture. For purposes of this Section, if the value of an Employee's vested Account balance is zero, the Employee shall be deemed to have received a distribution of such vested Account balance. A Participant's vested Account balance shall not include accumulated deductible employee contributions within the meaning of Section 72(o)(5)(B) of the Code for Plan Years beginning prior to January 1, 1989.

(b) If an Employee terminates service, and elects, in accordance with the requirements of this Section 7, to receive the value of the Employee's vested Account balance, the nonvested portion will be treated as a forfeiture. If the Employee elects to have distributed less than the entire vested portion of the Account balance derived from Employer contributions, the part of the nonvested portion that will be treated as a forfeiture is the total nonvested portion multiplied by a fraction, the numerator of which is the amount of the distribution attributable to Employer contributions and the denominator of which is the total value of the vested Employer-derived Account balance.

(c) If an Employee receives or is deemed to receive a distribution pursuant to this Section and the Employee resumes employment covered under this Plan, the Employee's Employer-derived Account balance will be restored to the amount on the date of distribution if the Employee repays to the Plan the full amount of the distribution attributable to Employer contributions before the earlier of five (5) years after the first date on which the Participant is subsequently re-employed by the Employer, or the date the Participant incurs five (5) consecutive one-year Breaks in Service following the date of the distribution. If an Employee is deemed to receive a distribution pursuant to this Section, and the Employee resumes employment covered under this Plan before the date the Participant incurs five (5) consecutive one-year Breaks in Service, upon the reemployment of such Employee, the Employer-derived Account balance of the Employee will be restored to the amount on the date of such deemed distribution.

In the event restoration is required under this Section 7.2(c), the sources of restoration, in the order listed, shall be:

(i) Forfeitures. To the extent used for restoration, they shall not be reallocated, or used to reduce the Employer contribution, as normally provided in Section 4.3.

(ii) Employer contribution. Notwithstanding Section 3.1, the Employer shall make any contribution required for restoration.

Such restoration shall be made for the year in which repayment occurs within the time prescribed by law, including extensions of time, for the filing of the Employer's Federal income tax return for such year.

For purposes of applying the limitations of Code Sections 415(c) and (e), and Section 4.8 and 4.9 of this Plan, the repayment by the Participant and the restoration provided for above shall not be treated as annual

additions.

### 7.3 Restrictions on Immediate Distributions.

(a) If the value of a Participant's vested Account balance derived from Employer and Employee contributions exceeds (or at the time of any prior distribution exceeded) \$5,000, and the Account balance is immediately distributable, the Participant must consent to any distribution of such Account balance. The Plan Administrator shall notify the Participant of the right to defer any distribution until the Participant's Account balance is no longer immediately distributable. Such notification shall include a general description of the material features, and an explanation of the relative values of, the optional forms of benefit available under the Plan in a manner that would satisfy the notice requirements of Section 417(a)(3), and shall be provided no less than thirty (30) days and no more than ninety (90) days prior to the annuity starting date. However, distribution may commence less than thirty (30) days after the notice described in the preceding sentence is given, provided the distribution is one to which Sections 401(a)(11) and 417 of the Code do not apply, the Plan Administrator clearly informs the Participant that the Participant has a right to a period of at least thirty (30) days after receiving the notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option), and the Participant, after receiving the notice, affirmatively elects a distribution.

(b) The consent of the Participant shall not be required to the extent that a distribution is required to satisfy Section 401(a)(9) or Section 415 of the Code. In addition, upon termination of this Plan if the Plan does not offer an annuity option (purchased from a commercial provider) and if the Employer or any entity within the same controlled group as the Employer does not maintain another defined contribution plan (other than an employee stock ownership plan as defined in Section 4975(e)(7) of the Code), the Participant's Account balance will, without the Participant's consent, be distributed to the Participant. However, if any entity within the same controlled group as the Employer maintains another defined contribution plan (other than an employee stock ownership plan as defined in Section 4975 (e)(7) of the Code) then the Participant's account balance will be transferred, without the Participant's consent, to the other plan if the Participant does not consent to an immediate distribution.

(c) An Account balance is immediately distributable if any part of the Account balance could be distributed to the Participant (or surviving spouse) before the Participant attains (or would have attained if not deceased) the later of Normal Retirement Age or age 62.

(d) For purposes of determining the applicability of the foregoing consent requirements to distributions made before the first day of the first Plan Year beginning after December 31, 1988, the Participant's vested Account balance shall not include amounts attributable to accumulated deductible employee contributions within the meaning of Section 72(o)(5)(B) of the Code.

(e) If the value of a Participant's vested Account balance derived from Employer and Employee contributions:

(i) for Plan Years beginning after August 6, 1997, exceeds \$3,500 (or exceeded \$3,500 at the time of any prior distribution),

(ii) for Plan Years beginning after August 5, 1997, and for a distribution made prior to March 22, 1999, exceeds \$5,000 (or exceeded \$5,000 at the time of any prior distribution),

(iii) and for Plan Years beginning after August 5, 1997, and for a distribution made after March 21, 1999, that either exceeds \$5,000 or is a remaining payment under a selected optional form of payment that exceeded \$5,000 at the time the selected payment began,

and the Account balance is immediately distributable, the Participant must consent to any distribution of such Account balance.

### 7.4 Payment of Account Balance.

Unless the Participant elects otherwise, distribution of benefits will begin no later than the 60th day after the latest of the close of the Plan Year in which:

(a) the Participant attains age 65 (or Normal Retirement Age, if earlier);

(b) occurs the 10th anniversary of the year in which the Participant commenced participation in the Plan; or

(c) the Participant terminates service with the Employer. Notwithstanding the foregoing, the failure of a Participant to consent to a distribution while a benefit is immediately distributable, within the meaning of

Section 7.3 of the Plan, shall be deemed to be an election to defer commencement of payment of any benefit sufficient to satisfy this Section.

### 7.5 Treatment of Accounts in Pay Status.

If payments are to be made under Section 5.1(b) or (c), at the election of the Plan Administrator:

(a) The Participant's Account shall continue to share in the annual and interim valuations of the trust fund and in the adjustment of the accounts for investment income, gains or losses as provided in Sections 4.4 and 4.5; or

(b) The Plan Administrator may instruct the trustee to segregate the Participant's Account which shall then be separately valued and adjusted each year to reflect the actual income derived thereon and any distributions made therefrom under this Plan.

## 7.6 Direct Rollovers.

(a) This Section applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the Plan to the contrary that would otherwise limit distributee's election under this Section, a distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an eligible rollover distribution that is equal to at least \$500 paid directly to an eligible retirement plan specified by the distributee in a direct rollover. The distributee may select only one (1) eligible retirement plan to which a direct rollover may be made.

### (b) Definitions

(i) Eligible rollover distribution: An eligible rollover

distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee

and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; any hardship distribution described in Code Section 401(k)(2)(B)(i)(IV) received after December 31, 1998; the portion of any other distribution that is not

includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities); and any other distribution(s) that is reasonably expected to total less than \$200 during a year.

(ii) Eligible retirement plan: An eligible retirement plan is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, or a qualified plan described in Section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

(iii) Distributee: A distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

(iv) Direct rollover: A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

## 7.7 Amendment of Vesting Schedule.

If the Plan's vesting schedule is amended, or the Plan is amended in any way that directly or indirectly affects the computation of the Participant's nonforfeitable percentage or if the Plan is deemed amended by an automatic change to or from a top-heavy vesting schedule, each Participant with at least three (3) Years of Service with the Employer may elect, within a reasonable period after the adoption of the amendment or change, to have the nonforfeitable percentage computed under the Plan without regard to such amendment or change. For Participants who do not have at least one (1) Hour of Service in any Plan Year beginning after December 31, 1988, the preceding sentence shall be applied by substituting "five (5) Years of Service" for "three (3) Years of Service" where such language appears.

The period during which the election may be made shall commence with the date the amendment is adopted or deemed to be made and shall end on the latest of:

(a) 60 days after the amendment is adopted;

(b) 60 days after the amendment becomes effective; or

(c) 60 days after the Participant is issued written notice of the amendment by the Employer or Plan Administrator.

## SECTION 8

### FORM OF DISTRIBUTION

## 8.1 Payment in Shares or Cash.

Any distributions under Sections 5, 6, and 7 shall be made by the Trustee by distributing whole shares of Company Stock, as determined by the Trustee, at the market value of such shares on a national securities exchange or a national quotation system, with the value of any fractional shares paid in cash.

The Trustee may, with the consent of the Participant or if the Participant is deceased, his beneficiary, make distributions under Sections 5, 6 and 7 in cash. With respect to a cash-out distribution under Section 5.7, 7.2(a) or 7.3, the consent of the Participant to a cash distribution shall be deemed unless the Participant instructs the Trustee in writing that the Participant desires a distribution in shares of Company Stock. The amount of cash to be distributed to a Participant for shares actually allocated to his Account shall be determined based on the market value of the shares of Company Stock as of the trading date immediately preceding the distribution.

## 8.2 Dividends.

Cash dividends on shares of Company Stock allocated to Accounts of Participants who are entitled to receive distributions from the Plan may be paid to Participants currently, or at such time as payment is otherwise due under Sections 5, 6, and 7, as determined in the sole discretion of the Plan Administrator, exercised in a uniform and nondiscriminatory manner.

## SECTION 9

### MERGER OR CONSOLIDATION

#### 9.1 Merger or Consolidation.

In the event of a merger or consolidation of this Plan with any other plan, or in the event of a transfer of assets or liabilities of this Plan to any other plan, each Participant in the Plan will receive a benefit immediately after the merger, consolidation, or transfer (as if the Plan then terminated) which is at least equal to the benefit the Participant would have been entitled to immediately before such merger, consolidation, or transfer (as if the Plan had then terminated).

#### 9.2 Merger Accounts.

In the event any other plan transfers its assets to this Plan or merges with this Plan, this Plan being the surviving plan, the Plan Administrator, or if the Plan Administrator so determines, the Trustee, shall create a "Merger Account" for each Participant whose accounts are transferred to this Plan. A Participant's Merger Account shall be paid to the Participant or his beneficiaries in accordance with Sections 5, 6, 7 and 8. Merger Accounts shall participate in the earnings and losses of the Trusts in the same manner as Regular Accounts.

#### 9.3 Merger Agreement or Agreement Relating to Transfer of Assets.

Upon instructions of the Plan Administrator, the Trustee shall enter into a merger agreement with any other plan or shall enter into an agreement respecting the transfer of assets of this Plan to another plan or from any other plan to this Plan; however, if this Plan is a profit-sharing plan which does not provide for a life annuity form of payment to Participants, the Plan Administrator shall not enter into any agreement for the transfer of assets from another plan to this Plan if the proposed transferor plan is a defined benefit plan, money purchase pension plan (including a target benefit plan), stock bonus, or profit sharing plan which would otherwise provide for a life annuity form of payment to the participants in such plan.

## SECTION 10

### CLAIMS PROCEDURE

#### 10.1 Filing of a Claim for Benefits.

(a) Every Participant and beneficiary (the claimant) who thinks he is entitled to a benefit under the Plan or who is not satisfied that the correct benefit is being paid shall have the right to file a claim for such benefit at any time.

(b) Such claim must be filed in writing with the Plan Administrator. The claim shall set forth the grounds on which it is based, but no particular form of written claim is required.

#### 10.2 Notification to Claimant of Decision.

(a) The Plan Administrator shall furnish notice of its decision (to grant the claim or to deny it in whole or in part) to the claimant within sixty (60) days after the claim is filed. If the Plan Administrator fails to give notice within sixty (60) days after the claim is filed, it shall be considered wholly denied.



(b) If the claim is denied in whole or in part, the notice of denial by the Plan Administrator to the claimant shall set forth in writing in a manner calculated to be understood by the claimant:

- (i) The specific reason or reasons for the denial;
- (ii) Specific reference to pertinent plan provisions on which the denial is based;

(iii) A description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and

(iv) An explanation of the Plan's claim review procedure as set forth in Section 10.3.

#### 10.3 Review Procedure.

(a) A claimant may appeal the denial of a claim, including a claim considered denied, to the Plan Administrator for a full and fair review of the claim.

(b) A request for review of a denied claim must be made in writing to the Plan Administrator within sixty (60) days after the date of the notice denying the claim or within sixty (60) days after the date on which the claim is considered denied.

(c) The claimant or his authorized representative shall have the right, during the review procedure, to review all pertinent documents and to submit issues and comments in writing to the Plan Administrator.

#### 10.4 Decision on Review.

(a) A decision on review shall be made promptly by the Plan Administrator and not later than sixty (60) days after it receives the request for review.

(b) The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant and specific references to pertinent Plan provisions on which the decision is based.

#### 10.5 Agent for Service of Process.

In any action against the Plan or Trust, the Plan Administrator, whose address is 100 CenturyTel Drive, Monroe, Louisiana 71203, shall be the agent for service of process of the Plan and Trust.

### SECTION 11

#### **ADOPTION BY OTHER COMPANIES**

##### 11.1 Rights of Other Companies to Participate.

Any other corporation, association, joint venture, proprietorship or partnership (hereinafter called adopting companies) may adopt the terms of this Plan by a resolution of the Board of Directors of such entity in the form specified by the Plan Administrator, provided that the Board of Directors of the Employer and the Plan Administrator both approve such participation. Unless otherwise provided in the Plan or in a separate written agreement, all subsidiaries of the Employer shall be deemed to be adopting companies participating in the Plan. A newly formed subsidiary, or a subsidiary acquired by the Employer, shall be deemed to be an adopting company as of the date of formation or acquisition, as the case may be, unless otherwise provided in the Plan or in a separate written agreement.

##### 11.2 Control of Plan by the Employer.

The administrative powers and control of the Employer as provided in the Plan, shall not be deemed diminished under the Plan by reason of participation of adopting companies in the Plan, and such administrative powers and control specifically granted herein to the Employer with respect to the appointment of the Plan Administrator and Trustee and other matters shall apply only with respect to the Employer. The Plan Administrator, under the control of the Employer, shall also be the Plan Administrator for the adopting companies.

##### 11.3 Allocations of Contributions and Forfeitures.

The amounts forfeited by Employees of the Employer and adopting companies shall be allocated across company lines in accordance with the provisions of Section 4.3 hereof to all Participants who were Employees of the Employer and applicable adopting companies during the Plan Year in which such forfeitures occurred and the contributions made by the Employer and each adopting company shall be allocated across company lines in accordance with the provisions of Section 4.2 hereof to Participants who were Employees of the Employer and applicable adopting companies during the Plan Year for which each contribution is made. One member of an affiliated group may make contributions on

behalf of another member of such group in accordance with Regulations Section 1.404(a)-10, as amended.

#### 11.4 Withdrawal of Employer or Adopting Companies.

The Employer or adopting company may withdraw at any time without affecting the others in the Plan. Such withdrawal may be accompanied by such amendments to the Plan as the withdrawing Employer or adopting company shall deem proper to continue a plan for its Employees separate and distinct from this Plan, but, if such withdrawing party does not provide for the continuance of a separate plan for its Employees, such withdrawal shall constitute a termination of this Plan with respect to that withdrawing party. The Employer may in its absolute discretion terminate any adopting company's participation at any time. Withdrawal from the Plan by any party shall not affect the continued operation of the Plan with respect to the other participating parties.

#### 11.5 Amendment of Plan.

The participation in the Plan of adopting companies shall not limit the power of the Employer under Trust Section 4.1; provided, however, that the Employer shall deliver notice of each amendment to the Plan to each adopting company within thirty (30) days of such amendment. Amendments by the Employer shall be binding upon all adopting companies to the extent accepted by such adopting companies. Acceptance by each such company shall be presumed unless the Employer and Trustee are given written notice of refusal to accept within sixty (60) days after the date of the amendment. The Employer and each adopting company may modify the provisions of the Plan as it pertains only to its own Employees by the adoption of an amendment to the Plan specifying such modifications which shall pertain only to its Employees except to the extent that Employer amendments are presumed accepted by the adopting companies, and shall not affect the continued operation of the Plan with respect to any other party.

#### 11.6 Termination of One or More Parties.

The Plan may be terminated by all parties at any time in the manner described in Trust Section 4.2, on the part of each party. The Plan may be terminated in the manner described above with respect to one, but less than all the parties hereto and the Plan continued for the remaining parties.

#### 11.7 Reference to Employer in Plan.

Except as provided in this Section 11 and unless the context indicates otherwise, references to "Employer" in this Plan shall mean the Employer and all adopting companies.

### SECTION 12

#### **PROVISIONS RELATING TO PARTICIPANTS**

##### 12.1 Information Required of Participants.

Each Participant shall furnish to the Plan Administrator such information as the Plan Administrator shall deem necessary and desirable for purposes of administering the Plan.

Any notice or information which, according to the provisions of the Plan, must be filed with the Plan Administrator shall be deemed so filed if addressed to 100 CenturyTel Drive, Monroe, Louisiana 71203, and either delivered in person or mailed to such address, postage fully paid.

### SECTION 13

#### **PLAN ADMINISTRATOR**

##### 13.1 Administration by Plan Administrator.

This Plan shall be administered by a Committee, which shall be the "Plan Administrator" and "named fiduciary."

##### 13.2 Appointment of Committee.

The Board of Directors of the Employer shall fix the number of persons to be members of the Committee (which number of voting members shall always be an odd number) and shall appoint persons from among the officers and Employees of the Employer to serve as members of the Committee. The Committee shall have complete control of the administration of the Plan. Members of the Committee shall serve without remuneration for so long as it is mutually agreeable to them and to the Employer but they shall be reimbursed for all expenses incurred by them in the performance of their duties. Any member may resign by delivering his written resignation to the Employer and to the other members of the committee. The Board of Directors of the Employer may remove or replace any member of the Committee, or fill any vacancy, no matter how created, by notifying the member concerned and the other members of the Committee in writing.

### 13.3 Majority Action.

Action taken by a majority of the members of the Committee shall, to the extent lawful, be binding upon the Employees, Participants, and all persons claiming any right under the Plan through any Employee or Participant. The Committee may act by vote, at a meeting, or in writing, without a meeting. Any act of the Committee shall be sufficiently evidenced if certified to by any two members thereof or by any person not a member of the Committee but who is designated, in writing, as the Secretary of the Committee by a majority thereof. A member of the Committee who is a Participant shall not vote on any question relating specifically to himself, and in the event the remaining members of the Committee are unable to agree to a determination of such question, another person shall be selected by the Board of Directors of the Employer for the purpose of making such determination.

#### 13.4 Powers of the Plan Administrator.

The Committee as Plan Administrator shall have the following powers:

(a) To make rules and regulations for the administration of the Plan

which are not inconsistent with the terms and provisions hereof;

(b) To construe all terms, provisions, conditions and limitations of this Plan;

(c) To correct any defect or supply any omission or reconcile any inconsistency that may appear in the Plan, in such manner and to such extent as it shall deem expedient to carry this Plan into effect for the greatest benefit of all interested parties;

(d) To select, employ and compensate from time to time such consultants, actuaries, accountants, attorneys, and other agents and employees as the Plan Administrator may deem necessary or advisable in the proper and efficient administration of this Plan and Trust to carry out nonfiduciary and fiduciary responsibilities (other than trustee responsibilities as defined in Section 405(c)(3) of ERISA);

(e) To determine all questions relating to the eligibility of Employees to become Participants, and to determine the amount of compensation upon which the allocation of each Participant shall be calculated;

(f) To make all determinations and computations concerning the benefits, credits and debits to which any Participant or beneficiary is entitled under the Plan;

(g) To determine all questions relating to the administration of this Plan and Trust (1) when differences of opinion arise between the Employer, the Trustee, a Participant, or any of them, and (2) whenever it is deemed advisable to determine such questions in order to promote the uniform administration of the Plan for the greatest benefit of all parties concerned;

(h) To appoint any Employee of the Employer to act as Secretary for the Plan Administrator, and to authorize the Secretary so appointed to act for the Plan Administrator in all routine matters connected with the administration of the Plan;

(i) To determine whether a Participant is disabled for the purposes of Section 6.5 hereof;

(j) To appoint an investment manager or managers (as defined in Section 3(38) of ERISA) to manage (including the power to acquire and dispose of) all or any part of the assets of the Plan; and

(k) To provide for the allocation of fiduciary responsibilities (other than trustee responsibilities as defined in Section 405(c)(3) of ERISA). Actions dealing with fiduciary responsibilities shall be taken in writing and the performance of agents, counsel, and fiduciaries to whom fiduciary responsibilities have been delegated shall be reviewed periodically.

The foregoing list of express powers is not intended to be either complete or conclusive, but the Plan Administrator shall, in addition, have such powers as it may reasonably determine to be necessary to the performance of its duties under the Plan and Trust. The decision or judgment of the Plan Administrator on any question arising in connection with the exercise of any of its powers or any matter of Plan administration or the determination of benefits shall be final, binding and conclusive upon all parties concerned.

### 13.5 Duties of the Plan Administrator.

The Committee as Plan Administrator shall, as a part of its general duty to supervise and administer the Plan:

(a) Establish and maintain the Accounts described herein and direct the maintenance of such other records and the preparation of such forms as are required for the efficient administration of the Plan;

(b) Give the Trustee specific directions in writing in respect to:

(i) The making of distribution payments, giving the names of the payees, the amounts to be paid and the time or times when payments shall be made; and

(ii) The making of any other payments which the Trustee is

not by the terms of the trust agreement authorized to make without a direction in writing by the Plan Administrator; and

(c) Prepare an annual report, as of the end of the Plan Year.

13.6 Expenses.

The Employer shall reimburse each Trust fund for all expenses (other

than normal brokerage charges which are included in the cost of securities purchased or charged to proceeds in the case of sales) incurred in the administration of the Plan under Section 1.5 of each Trust, including the expenses and fees of the Trustee, except that any such expenses not so reimbursed by the Employer shall be paid from the appropriate Trust fund.

## SECTION 14

### ROLLOVERS

#### 14.1 Rollover Contributions.

If the Plan Administrator instructs the Trustee in writing to accept Rollover Contributions, any Employee who is a Participant or who will become a Participant if he completes a Year of Service in an Eligibility Computation Period may make a Rollover Contribution at any time. The Trustee shall credit the fair market value of any Rollover Contribution to a Rollover Account of the contributing Participant as of the date the Rollover Contribution is made. A Rollover Account shall be fully vested and shall be paid to the Participant or his beneficiaries in accordance with Section 5, 6, 7 and 8. Rollover Accounts shall participate in the earnings and losses of the Trust Fund, but not in forfeitures or Employer contributions.

#### 14.2 Definition of Rollover Contribution.

The term Rollover Contribution is defined as the contribution of a Rollover Amount as defined in Section 14.3 to the Trustee on or before the sixtieth (60th) day immediately following the day the contributing Participant receives the Rollover Amount.

#### 14.3 Definition of Rollover Amount.

The term Rollover Amount is defined as a distribution which meets the following requirements:

(a) the amount distributed to the Participant is deposited to the Plan no later than the sixtieth day after such distribution was received by the Participant;

(b) the amount distributed is not one of a series of substantially equal periodic payments made for the life (or life expectancy) of the Participant or the joint lives (or joint life expectancies) of the Participant and the Participant's designated beneficiary, or for a specified period of ten years or more;

(c) the amount distributed is not required under Code Section 401(a)(9);

(d) if the amount distributed included property such property is rolled over, or if sold the proceeds of such property may be rolled over;

(e) the amount distributed is includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

In addition, if the Plan Administrator so instructs the Trustee in writing, the Plan will accept any eligible rollover distribution (as defined in Section 7.6) directly to the Plan.

Rollover Amounts which relate to distributions prior to January 1, 1993, must be made in accordance with paragraphs (a) through (e) and additionally meet the requirements of paragraph (f):

(f) The distribution from the qualified plan constituted the Participant's entire interest in such Plan and was distributed within one taxable year to the Participant:

(i) on account of separation from service, a Plan termination, or in the case of a profit-sharing or stock bonus plan, a complete discontinuance of contributions under such plan within the meaning of Code Section 402(a)(6)(A), or

(ii) in one or more distributions which constitute a

qualified lump sum distribution within the meaning of Code Section 402(e)(4)(A), determined without reference to subparagraphs (B) and (H).

#### 14.4 Conduit Rollovers.

A Rollover Contribution may also be made through an individual

retirement account (IRA) qualified under Code Section 408 where the IRA was used as a conduit from a qualified plan, the Rollover Contribution is made in accordance with the rules provided under paragraphs (a) through (f), above, and the Rollover Contribution does not include any regular IRA contributions, or earnings thereon, which the Participant may have made to the IRA. Rollover Contributions, which relate to distributions prior to January 1, 1993, may be made through an IRA in accordance with paragraphs (a) through (f), above, and additional requirements as provided in the previous sentence. The Trustee shall not be held responsible for determining the tax free status of any Rollover Contribution made under this Plan.

## SECTION 15

### TRADES OR BUSINESSES UNDER COMMON CONTROL

#### 15.1 Definitions.

All employees of all corporations which are members of a controlled group of corporations (as defined in Section 414(b) of the Code) and all employees of all trades or businesses (whether or not incorporated) which are under common control (as defined in Section 414(c) of the Code) will be treated as employed by a single employer.

Such other trades or businesses in a group with the Employer are hereinafter called "Associated Employer." The term "transferred participant" means an Employee of the Employer who was a Participant in this Plan and who is employed by an Associated Employer after his services with the Employer are terminated.

In addition to the foregoing, Hours of Service will also be credited for any individual required under Section 414(m) or 414(n) of the Code to be considered an employee of any employer aggregated under Section 414(b), (c), or (m) or the Code.

Any Leased Employee as defined in Section 1.19(a), excluding any Leased Employee described in Section 1.19(b), shall be treated as an employee of the recipient employer.

#### 15.2 Allocation.

No Employee shall be credited with any compensation for a year under Section 4.2 of this Plan except with respect to compensation actually paid to him by the Employer or accrued by the Employer with respect to him.

#### 15.3 Participation and Vesting.

All of an Employee's service with an Associated Employer shall be counted as service with the Employer for all purposes of this Plan, except as otherwise provided in the Plan or in a separate written agreement.

#### 15.4 Vesting and Distributions.

In determining whether a transferred participant incurs a Break in Service under this Plan, his service with the Employer shall be combined with his service with an Associated Employer. In determining whether a transferred participant subsequently incurs a Break in Service with the Employer for vesting and distribution purposes, his Hours of Service with Associated Employers shall be counted.

## SECTION 16

## TOP HEAVY PLAN RULES

### 16.1 Key Employee.

Any Employee or former Employee (and the beneficiaries of such Employee) who at any time during the determination period was an officer of the Employer if such individual's annual compensation exceeds fifty percent (50%) of the dollar limitation under Section 415(b)(1)(A) of the Code, an owner (or considered an owner under Section 318 of the Code) of one of the ten largest interests in the Employer if such individual's compensation exceeds one hundred percent (100%) of the dollar limitation under Section 415(c)(1)(A) of the Code, a five percent (5%) owner of the Employer, or a one percent (1%) owner of the Employer who has an annual compensation of more than \$150,000. Annual compensation means compensation as defined in Section 415(c)(3) of the Code, but including amounts contributed by the Employer pursuant to a salary reduction agreement which are excludable from the Employee's gross income under Section 125, Section 402(e)(3), Section 402(h)(1)(B) or Section 403(b) of the Code. The determination period is the Plan Year containing the determination date and the four (4) preceding Plan Years.

The determination of who is a Key Employee will be made in accordance with Section 416(i)(1) of the Code and the regulations thereunder.

### 16.2 Non-Key Employee.

Any Employee who is not a Key Employee.

### 16.3 Super Top Heavy Plan.

For any Plan Year beginning after December 31, 1983, this Plan is a

Super Top Heavy Plan if any of the following conditions exists:

- (a) If the top heavy ratio for this Plan exceeds ninety percent (90%) and this Plan is not part of any required aggregation group or permissive aggregation group of plans.
- (b) If this Plan is a part of a required aggregation group of plans but not part of a permissive aggregation group and the top heavy ratio for the group of plans exceeds ninety percent (90%).
- (c) If this Plan is a part of a required aggregation group and part of a permissive aggregation group of plans and the top heavy ratio for the permissive aggregation group exceeds ninety percent (90%).

### 16.4 Top Heavy Plan.

For any Plan Year beginning after December 31, 1983, this Plan is a Top Heavy Plan if any of the following conditions exists:

- (a) If the top heavy ratio for this Plan exceeds sixty percent (60%) and this Plan is not part of any required aggregation group or permissive aggregation group of plans.
- (b) If this Plan is a part of a required aggregation group of plans but not part of a permissive aggregation group and the top heavy ratio for the group of plans exceeds sixty percent (60%).
- (c) If this Plan is a part of a required aggregation group and part of a permissive aggregation group of plans and the top heavy ratio for the permissive aggregation group exceeds sixty percent (60%).

### 16.5 Top Heavy Ratio.

(a) If the Employer maintains one or more defined contribution plans (including any Simplified Employee Pension Plan) and the Employer has not maintained any defined benefit plan which during the five (5) year period ending on the determination date(s) has or had accrued benefits, the top heavy ratio for this Plan alone or for the required or permissive aggregation group as appropriate is a fraction, the numerator of which is the sum of the account balances of all Key Employees as of the determination date(s) (including any part of any account balance distributed in the five (5) year period ending on the determination date(s)), and the denominator of which is the sum of all Account balances (including any part of any Account balance distributed in the five (5) year period ending on the determination date(s)), both computed in accordance with Section 416 of the Code and the regulations thereunder. Both the numerator and denominator of the top heavy ratio are adjusted to reflect any contribution not actually made as of the determination date, but which is required to be taken into account on that date under Section 416 of the Code and the regulations thereunder.

(b) If the Employer maintains one or more defined contribution plans (including any Simplified Employee Pension Plan) and the Employer maintains or has maintained one or more defined benefit plans which during the five (5) year period ending on the determination date(s) has or has had any accrued benefits, the top heavy ratio for any required or permissive aggregation group as appropriate is a fraction, the numerator of which is the sum of account balances under the aggregated defined contribution plan or plans for all Key Employees, determined in accordance with (a) above, and the present value of accrued benefits under the aggregated defined benefit plan or plans for all Key Employees as of the

determination date(s), and the denominator of which is the sum of the account balances under the aggregated defined contribution plan or plans for all Participants determined in accordance with (a) above, and the present value of accrued benefits under the defined benefit plan or plans for all Participants as of the determination date(s), all determined in accordance with Section 416 of the Code and the regulations thereunder. The accrued benefits under a defined benefit plan in both the numerator and denominator of the top heavy ratio are increased for any distribution of an accrued benefit made in the five (5) year period ending on the determination date.

(c) For purposes of (a) and (b) above, the value of account balances and the present value of accrued benefits will be determined as of the most recent valuation date that falls within or ends with the twelve (12) month period ending on the determination date, except as provided in Section 416 of the Code and the regulations thereunder for the first and second plan years of a defined benefit plan. The account balances and accrued benefits of a Participant

(1) who is not a Key Employee but who was a Key Employee in a prior year, or (2) who has not been credited with at least one Hour of Service with any employer maintaining the Plan at any time during the five (5) year period ending on the determination date will be disregarded. The calculation of the top heavy ratio, and to the extent to which distributions, rollovers, and transfers are taken into account will be made in accordance with Section 416 of the Code and the regulations thereunder. Deductible employee contributions will not be taken into account for purposes of computing the top heavy ratio. When aggregating plans the value of account balances and accrued benefits will be calculated with reference to the determination dates that fall within the same calendar year.

The accrued benefit of a Participant other than a Key Employee shall be determined under (a) the method, if any, that uniformly applies for accrual purposes under all defined benefit plans maintained by the Employer, or (b) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional rule of Section 411(b)(1)(C) of the Code.

#### 16.6 Top Heavy Plan Year.

For a particular Plan Year commencing after December 31, 1983, the Plan is a Top Heavy Plan.

#### 16.7 Top Heavy Compensation.

For any Top Heavy Plan Year, compensation as defined in Code Section 415(c)(3) and Regs. Section 1.415-2(d), not in excess of \$200,000 (or such other amounts as the Secretary of Treasury or his delegate may designate), which shall be considered as compensation for all purposes of Section 16 of this Plan.

#### 16.8 Determination Date.

The last day of the preceding Plan Year, or, in the case of the first Plan Year, the last day of such Plan Year.

#### 16.9 Valuation Date.

The last day of the Plan Year, on which Account balances or accrued benefits are valued for purposes of calculating the Top Heavy Ratio.

#### 16.10 Aggregation Group.

Either a Required Aggregation Group or a Permissive Aggregation Group as hereinafter determined.

(a) Required Aggregation Group: (i) Each qualified plan of the Employer in which at least one Key Employee participates or participated at any time during the determination period (regardless of whether the Plan has terminated), and (ii) any other qualified plan of the Employer which enables a plan described in (i) to meet the requirements of Sections 401(a)(4) or 410 of the Code. In the case of a Required Aggregation Group, each plan in the group will be considered a Top Heavy Plan if the Required Aggregation Group is a Top Heavy Group. No plan in the Required Aggregation Group will be considered a Top Heavy Plan if the Required Aggregation Group is not a Top Heavy Group.

(b) Permissive Aggregation Group: The required aggregation group of plans plus any other plan or plans of the Employer which, when considered as a group with the required aggregation group, would continue to satisfy the requirements of Sections 401(a)(4) and 410 of the Code.

In the case of a Permissive Aggregation Group, only a plan that is part of the Required Aggregation Group will be considered a Top Heavy Plan if the Permissive Aggregation Group is a Top Heavy Group. No plan in the Permissive Aggregation Group will be considered a Top Heavy Plan if the Permissive Aggregation Group is not a Top Heavy Group.

#### 16.11. Present Value of Accrued Benefits.

The present value of an accrued benefit under a defined benefit plan shall be based on the interest and mortality rates specified in such defined benefit plan.

### TOP HEAVY REQUIREMENTS

#### 16.12. Top Heavy Plan Requirements.

If the Plan is or becomes top heavy in any Plan Year beginning after December 31, 1983, the provisions of this Section 16 will supersede any conflicting provisions in the Plan.

#### 16.13. Top Heavy Reduction.

(a) In Section 4.9(a), 1.0 shall be substituted for 1.25 unless the extra minimum allocation is being made pursuant to Section 16.14. However, for any Plan Year in which this Plan is a Super Top Heavy Plan, 1.0 shall be substituted for 1.25 in any event.

(b) \$41,500 shall be substituted for \$51,875 in determining the "transition fraction" of Section 4.9(b).

#### 16.14. Minimum Allocations.

(a) Except as otherwise provided in (c) and (d) below, the Employer contributions and forfeitures allocated on behalf of any Participant who is not a Key Employee shall not be less than the lesser of three percent of such Participant's compensation or in the case where the Employer has no defined benefit plan which designates this Plan to satisfy Section 401 of the Code, the largest percentage of Employer contributions and forfeitures, as a percentage of the Key Employee's compensation, as limited by Section 401(a)(17) of the Code, allocated on behalf of any Key Employee for that year. The minimum allocation is determined without regard to any Social Security contribution. This minimum allocation shall be made even though, under other Plan provisions, the Participant would not otherwise be entitled to receive an allocation, or would have received a lesser allocation for the year because of (i) the Participant's failure to complete 1,000 Hours of Service (or any equivalent provided in the Plan), or (ii) the Participant's failure to make mandatory employee contributions to the Plan, or (iii) compensation less than a stated amount.

(b) For purposes of computing the minimum allocation, compensation will mean compensation as defined in Section 1.7 of the Plan.

(c) The provision in (a) above shall not apply to any Participant who was not employed by the Employer on the last day of the Plan Year.

(d) The provision in (a) above shall not apply to any Participant to the extent the Participant is covered under any other plan or plans of the Employer and the Employer has elected that the minimum allocation or benefit requirement applicable to top heavy plans will be met in the other plan or plans.

(e) The minimum allocation required (to the extent required to be nonforfeitable under Section 416(b) of the Code) may not be forfeited under Section 411(a)(3)(B) or 411(a)(3)(D) of the Code.

#### 16.15. Top Heavy Vesting.

For any Plan Year in which this Plan is top-heavy, the following vesting schedule will automatically apply to the Plan, but only if the application of such schedule results in a higher vested percentage for the Participant:

YEARS OF SERVICE	VESTED PERCENTAGE
2	20%
3	40%
4	60%
5	80%
6	100%

The minimum vesting schedule applies to all benefits within the meaning of Section 411(a)(7) of the Code except those attributable to employee contributions, including benefits accrued before the effective date of Section 416 of the Code and benefits accrued before the Plan became top-heavy. Further, no decrease in a Participant's nonforfeitable percentage may occur in the event the Plan's status as top-heavy changes for any Plan Year. However, this Section does not apply to the Account balance of any Employee who does not have an Hour of Service after the Plan has initially become top-heavy and such Employee's Account balance attributable to Employer contributions and forfeitures will be determined without regard to this Section.

#### 16.16. Minimum Required Distribution.

A Key Employee's benefits shall be distributed to him or begin to be distributed to him under Section 5 no later than the taxable year in which he attains age 70 1/2 regardless of when he retires.

#### 16.17. Alternative Effective Date.

Notwithstanding any other provision of this Plan and Trust, the effective date otherwise provided for the application of this Section 16 shall be extended in accordance with any legislative act of Congress.



**ESOP PROVISIONS**

17.1 Exempt Loans.

(a) Subject to the provisions of this Section 17.1, the Trustee may incur installment obligations from time to time to finance the acquisition of Company Stock for the Trust or to repay a prior loan. Any such loan which is made or guaranteed, directly or indirectly, by a disqualified person or party in interest is referred to herein as an "exempt loan".

(b) An exempt loan must be primarily for the benefit of the Participants and beneficiaries of this Plan. At the time the loan is made, the interest rate and price of Company Stock to be acquired with loan proceeds should not be such that the Plan assets might be drained off. The terms of a loan must, at the time the loan is made, be at least as favorable to the Plan as the terms of a comparable loan resulting from arms length negotiations between independent parties.

(c) The proceeds of an exempt loan must be used within a reasonable time after receipt by the Plan and Trust only for any or all of the following purposes:

(i) To acquire Company Stock;

(ii) To repay such loan; or

(iii) To repay a prior exempt loan. A new loan the proceeds of which are so used must satisfy the provisions of this paragraph (c).

Except as otherwise provided in this section 17, or as otherwise required by applicable law, no Company Stock acquired with the proceeds of an exempt loan may be subject to a put, call, or other option, or buy-sell or similar arrangement while held by and when distributed from this Plan, whether or not this Plan is then an ESOP.

(d) An exempt loan shall be without recourse against the Plan and Trust; and only Company Stock acquired with the proceeds of the exempt loan or with the proceeds of a prior exempt loan repaid with the proceeds of the current exempt loan may be given as collateral.

(e) No person entitled to payment under the exempt loan shall have any rights to the assets of the Plan and Trust other than:

(i) Collateral given for the loan,

(ii) Contributions other than contributions of Company Stock that are made to the Plan to meet its obligations under the loan, and

(iii) Earnings attributable to such collateral and the investment of such contributions.

The payment made with respect to an exempt loan by the Plan and Trust during a Plan Year shall not exceed an amount equal to the sum of such contribution and earnings received during or prior to the year less such payments in prior years. Such contributions and earnings shall be accounted for separately on the books of account of the Plan until the loan is repaid.

(f) In the event of a default upon an exempt loan, the value of the Plan assets transferred in satisfaction of the loan shall not exceed the amount of default. If the lender is a disqualified person, the loan shall provide for a transfer of Plan assets upon default only upon and to the extent of the failure of the Plan to meet the payment schedule of the loan.

(g) The interest rate of an exempt loan must not be in excess of a reasonable rate of interest.

(h) An exempt loan shall provide for the release from encumbrance under this subsection (h) of the Plan assets used as collateral for the loan in one of the two methods described in this subsection (h):

(i) For each Plan Year during the duration of the loan, the number of securities released must equal the number of encumbered securities held immediately before release for the current Plan Year multiplied by a fraction, the numerator of which is the amount of principal and interest paid for the year and the denominator of which is the sum of the numerator plus the principal and interest to be paid for all future years. The number of future years on the loan must be definitely ascertainable and must be determined without taking into account any possible extensions or renewal periods. If the interest rate under the loan is variable, the interest to be paid in the future years must be computed by using the interest rate applicable as of the end of the Plan Year.

(ii) The number of shares of Company Stock to be released from encumbrance may be determined solely with reference to principal payments provided the following requirements are satisfied. The loan must provide for annual payments of principal and interest at a cumulative rate that is not less rapid at any time than level annual payments of such amounts for ten (10) years. Interest included in any payment is disregarded only to the extent that it would be determined to be interest under standard loan amortization tables. This subparagraph (h)(ii) is not applicable from

the time, that, by reason of a renewal, extension or refinancing, the sum of the expired duration of the exempt loan, the renewal period, the extension period, and the duration of the new exempt loan exceeds ten (10) years.

(i) All assets acquired by the Plan and Trust with the proceeds of an exempt loan shall be held in a Suspense Account, and shall be released from encumbrance under subsection (h). For purposes of the allocation to be made under Section 4.2, assets released from the Suspense Account shall be treated as having been contributed to the Plan in the Plan Year in which they are released, and shall be allocated to Participant's ESOP Accounts in non-monetary units. Income with respect to Company Stock acquired with the proceeds of an exempt loan shall be allocated as provided in Sections 4.4 and 4.5 except to the extent that income from such Company Stock is to be used to repay the loan.

#### 17.2 ESOP Voting Rights.

Each Participant in the Plan (or, in the event of the Participant's death, the Participant's beneficiary) is, for purposes of this Section 17.2, hereby designated a "named fiduciary" within the meaning of Section 403(a)(1) of ERISA and shall be entitled to direct the Plan and Trustee as to the manner in which Company Stock allocated to the ESOP Account of such Participant is to be voted on each matter brought before an annual or special stockholders' meeting of the Employer. Before each such meeting of stockholders, the Trustee shall cause to be furnished to each Participant (or beneficiary) a copy of the proxy solicitation material, together with a form requesting confidential directions on how such shares of stock allocated to such Participant's ESOP Account shall be voted on each such matter. Upon timely receipt of such directions the Trustee shall on each such matter vote as directed the number of votes attributable, as provided below, to the shares allocated to the ESOP Account of such Participant.

The instructions received by the Trustee from Participants shall be held by the Trustee in strict confidence and shall not be divulged or released to any person, including officers or employees of the Employer or any affiliate; provided, however, that to the extent necessary for the operation of the Plan, such instructions may be relayed by the Trustee to a recordkeeper, auditor or other person providing services to the Plan if such person (i) is not the Employer, an affiliate or any employee, officer or director thereof, and (ii) agrees not to divulge such directions to any other person, including employees, officers and directors of the Employer and its affiliates.

The number of votes attributable to each Participant shall be determined as follows:

(a) first, the total number of shares of Company Stock allocated to such Participant's ESOP Account as of the record date for the matter requiring the vote shall be determined;

(b) next, the total number of votes attributable to all Company Stock owned by the Plan and allocated to ESOP Accounts of Participants shall be determined;

(c) next, the number of votes attributable to allocated shares shall be determined by multiplying the total number of available votes by a fraction, the numerator of which shall be the number of allocated shares, and the denominator of which shall be total shares;

(d) next, the number of votes determined under (c), above, shall be attributed to each Participant, in the ratio which the number of shares allocated to such Participant's ESOP Account as of the immediately preceding Valuation Date bears to the total number of shares allocated to all Participants' ESOP Accounts as of such date.

Each Participant, as a named fiduciary, shall also be entitled to separately direct the vote of a portion of the number of votes with respect to which a signed voting-direction instrument is not timely received from the Participants and a portion of the number of votes with respect to any shares of stock not then released pursuant to Section 17.1(h) and (i) and held in the Suspense Account and a portion of the number of votes with respect to any shares of stock released pursuant to Section 17.1(h) and (i) and not allocated to Participants' ESOP Accounts ("Undirected ESOP Votes"). Such direction with respect to each Participant who timely elects to direct the vote of Undirected ESOP Votes as a named fiduciary shall be with respect to a number of Undirected ESOP Votes equal to the total number of Undirected Votes multiplied by a fraction, the numerator of which is the total number of votes attributable to shares of stock allocated to the ESOP Account of such Participant and the denominator of which is the total number of votes attributable to the ESOP Accounts of all Participants who timely elect to vote Undirected ESOP Votes as a named fiduciary.

#### 17.3 Rights on Tender or Exchange Offer.

Each Participant (or, in the event of the Participant's death, the Participant's beneficiary) is, for purposes of this Section 17.3, hereby designated a "named fiduciary" within the meaning of Section 403(a)(1) of ERISA and shall have the right, to the extent of the number of shares of Company Stock allocated to such Participant's ESOP Account, to direct the Trustee in writing as to the manner in which to respond to a tender or exchange offer with respect to shares of Company Stock. Each Participant, as a named fiduciary, shall also be entitled to separately direct the tender of a portion of the shares of Company Stock not released pursuant to Section 17.1(h) and (i) and held in the Suspense Account and a portion of the shares of Company Stock released pursuant to Section 17.1(h) and (i) and not allocated to Participants' ESOP Accounts. Such direction shall be with respect to the total of the number of shares of Company Stock in the Suspense Account and the number of shares of Company stock released and not allocated multiplied by a fraction, the numerator of which is the total shares of Company Stock allocated to the Participant's ESOP Account and the denominator of which is the total number of shares of Company Stock which are allocated to the ESOP Accounts of all Participants. The Trustee shall use its best efforts to timely distribute or cause to be distributed to each Participant (or beneficiary) such information as will be distributed to stockholders of the Employer in connection with any such tender or exchange offer.

Upon timely receipt of such instructions, the Trustee shall respond as instructed with respect to shares of Company Stock allocated to such Participant's ESOP Account. The instructions received by the Trustee from Participants shall be held by the Trustee in strict confidence and shall not be divulged or released to any person, including officers or employees of the Employer or any affiliate; provided, however, that to the extent necessary for the operation of the Plan, such instructions may be relayed by the Trustee to a recordkeeper, auditor or other person providing services to the Plan if such person (i) is not the Employer, an affiliate or any employee, officer or director thereof, and (ii) agrees not to divulge such directions to any other person, including employees, officers and directors of the Employer and its affiliates. If the Trustee shall not receive timely instruction from a Participant (or beneficiary) as to the manner in which to respond to such a tender or exchange offer, the Trustee shall not tender or exchange any shares of Company Stock allocated to the ESOP Account of such Participant with respect to which such Participant has the right of direction. In effecting the foregoing, to the extent possible, the Trustee shall tender or exchange shares of Company Stock entitled to one vote per share prior to shares of Company Stock having greater than one vote per share. 17.4 Special Limitation Rules.

Any Employer contributions which are used by the Trustee (not later than the due date, including extensions, for filing the Company's Federal income tax return for the Plan Year) to pay interest on an exempt loan shall not be included as annual additions under Section 4.8; provided, however, that the provisions of this Section 17.4 shall be applicable only for a Plan Year in which not more than one-third (1/3) of the Employer contributions applied to pay principal and/or interest on an exempt loan are allocated to Participants who are highly compensated employees, as defined in Section 414(q) of the Code; and the Committee shall reallocate such Employer contributions to the extent necessary to satisfy this special rule.

17.5 Limitation on Electing Shareholder.

[RESERVED]

17.6 Investment Diversification.

Each Participant in the Plan who has attained age fifty-five (55) and

has completed at least ten (10) years of participation in the Plan shall be permitted to direct the investment of twenty-five percent (25%) of the total number of shares of Company Stock acquired by or contributed to the Plan after December 31, 1986 and allocated to his ESOP Account, Stock Bonus Account, and PAYSOP Account in the Plan, reduced by the number of shares of Company Stock previously diversified pursuant to an election under this paragraph. This election may be made within the ninety (90) day period following the end of each Plan Year during the six (6) Plan Year period beginning with the first Plan Year in which the Participant is eligible to make the election. For the last Plan Year in which the Participant can make an election, this paragraph shall be applied by substituting "fifty percent (50%)" for "twenty-five percent (25%)" herein.

If a Participant elects to diversify pursuant to the preceding paragraph, the Committee shall facilitate such diversification by making available to the Participant at least three (3) investment options which are not Company Stock, and which are consistent with the requirements of regulations promulgated by the Secretary of the Treasury. These investment options may be provided either in this Plan or in another qualified plan sponsored by the Employer. The number and type of investment options available, and the determination regarding the inclusion of the investment options in this Plan or another qualified plan, shall be at the sole discretion of the Committee.

The Trustee shall comply with any diversification election hereunder within ninety (90) days following the ninety (90) day election period by either

(i) substituting other investment assets in this Plan for the Company Stock as to which the election is made, or (ii) if the Participant's investment options are made available under another qualified plan, transferring to such qualified plan the net cash proceeds realized from the sale by the Plan of the shares of Company Stock for which diversification is elected.

The provisions of this Section 17.6 shall apply to a Participant's ESOP Account, Stock Bonus Account and PAYSOP Account.

#### 17.7 Company Stock Distributions.

(a) Notwithstanding the provisions of Sections 5, 6, 7 and 8, distributions of Company Stock from Participants' ESOP Accounts in the Plan shall be made in accordance with this Section 17.7, unless the application of Sections 5, 6, 7 and 8 would result in an earlier distribution date.

(b) Unless the Participant (or his beneficiary, if the Participant is deceased) elects otherwise, if a Participant retires, dies or becomes disabled while employed by the Employer, distribution of Company Stock in his ESOP Account will be made or commenced as soon as practicable following the date on which the Participant retires, dies or becomes disabled, but not later than the sixtieth (60th) day next following the close of the Plan Year during which the Participant retires, dies or becomes disabled.

(c) Unless the Participant elects otherwise, upon termination of employment of the Participant with the Employer for reasons other than retirement, death or disability, distribution of Company Stock in his ESOP Account will be made not later than the later of:

(i) one (1) year after the close of the Plan Year which is the fifth (5th) Plan Year following the Plan Year in which his employment terminates, unless the Participant is reemployed by the Employer before the end of such year; or

(ii) the earlier of:

(A) the Plan Year in which an Exempt Loan is fully repaid with respect to distributions of Company Stock acquired with the proceeds of that Exempt Loan; or

(B) the sixtieth (60th) day following the end of the Plan Year in which the Participant attains Normal Retirement Age.

(d) Any distribution hereunder shall comply with the consent requirements contained in Sections 411(a)(11) and 409(o) of the Code.

## SECTION 18

### STOCK BONUS PLAN PROVISIONS

#### 18.1 Stock Bonus Voting Rights.

Each Participant in the Plan (or, in the event of the Participant's death, the Participant's beneficiary) is, for purposes of this Section 18.1, hereby designated a "named fiduciary" within the meaning of Section 403(a)(1) of ERISA and shall be entitled to direct the Plan and Trustee as to the manner in which Company Stock allocated to the Stock Bonus Account of such Participant is to be voted on each matter brought before an annual or special stockholders' meeting of the Employer. Before each such meeting of stockholders, the Trustee shall cause to be furnished to each Participant (or beneficiary) a copy of the proxy solicitation material, together with a form requesting confidential directions on how such shares of stock allocated to such Participant's Stock Bonus Account shall be voted on each such matter. Upon timely receipt of such directions the Trustee shall on each such matter vote as directed the number of votes attributable, as provided below, to such Participant.

The instructions received by the Trustee from Participants shall be held by the Trustee in strict confidence and shall not be divulged or released to any person, including officers or employees of the Employer or any affiliate; provided, however, that to the extent necessary for the operation of the Plan, such instructions may be relayed by the trustee to a recordkeeper, auditor or other person providing services to the Plan if such person (i) is not the Employer, an affiliate or any employee, officer or director thereof, and (ii) agrees not to divulge such directions to any other person, including employees, officers and directors of the Employer and its affiliates.

The number of votes attributable to each Participant shall be determined as follows:

(a) first, the total number of shares of Company Stock allocated to such Participant's Stock Bonus Account as of the record date for the matter requiring the vote shall be determined;

(b) next, the total number of votes attributable to all Company Stock owned by the Plan and allocated to Stock Bonus Accounts of Participants shall be determined;

(c) next, the number of votes attributable to allocated shares shall be determined by multiplying the total number of available votes by a fraction, the numerator of which shall be the number of allocated shares, and the denominator of which shall be total shares;

(d) next, the number of votes determined under (c), above, shall be attributed to each Participant, in the ratio which the number of shares allocated to such Participant's Stock Bonus Account as of the immediately preceding Valuation Date bears to the total number of shares owned by the Plan and allocated to Stock Bonus Accounts of Participants as of such date.

Each Participant, as a named fiduciary, shall also be entitled to separately direct the vote of a portion of the number of votes with respect to shares of stock allocated to Stock Bonus Accounts of Participants for which a signed voting-direction instrument is not timely received from the Participants and a portion of the number of votes with respect to any shares of stock purchased with Employer contributions designated as Stock Bonus contributions, not then allocated to Stock Bonus Accounts of Participants ("Undirected Stock Bonus Votes"). Such direction with respect to each Participant who timely elects to direct the vote of Undirected Stock Bonus Votes as a named fiduciary shall be with respect to a number of Undirected Votes equal to the total number of Undirected Votes multiplied by a fraction, the numerator of which is the total number of votes attributable to such Participant's Stock Bonus Account and the denominator of which is the total number of votes attributable to Stock Bonus Accounts of all Participants who timely elect to vote Undirected Stock Bonus Votes as a named fiduciary.

#### 18.2 Rights on Tender or Exchange Offer.

Each Participant (or, in the event of the Participant's death, the Participant's beneficiary) is, for purposes of this Section 18.2, hereby designated a "named fiduciary" within the meaning of Section 403(a)(1) of ERISA and shall have the right, to the extent of the number of shares of Company Stock allocated to such Participant's Stock Bonus Account to direct the Trustee in writing as to the manner in which to respond to a tender or exchange offer with respect to shares of Company Stock. Each Participant, as a named fiduciary, shall also be entitled to separately direct the tender of a portion of the shares of Company Stock purchased with Employer contributions designated as Stock Bonus contributions and not allocated to Stock Bonus Accounts of Participants. Such direction shall be with respect to the number of such unallocated shares of Company Stock multiplied by a fraction, the numerator of which is the total shares of Company Stock allocated to the Participant's Stock Bonus Account and the denominator of which is the total number of shares of Company Stock which are allocated to the Stock Bonus

Accounts of all Participants. The Trustee shall use its best efforts to timely distribute or cause to be distributed to each Participant (or beneficiary) such information as will be distributed to stockholders of the Employer in connection with any such tender or exchange offer. Upon timely receipt of such instructions, the Trustee shall respond as instructed with respect to shares of Company Stock allocated to such Participant's Stock Bonus Account. The instructions received by the Trustee from Participants shall be held by the Trustee in strict confidence and shall not be divulged or released to any person, including officers or employees of the Employer or any affiliate; provided, however, that to the extent necessary for the operation of the Plan, such instructions may be relayed by the Trustee to a recordkeeper, auditor or other person providing services to the Plan if such person (i) is not the Employer, an affiliate or any employee, officer or director thereof, and (ii) agrees not to divulge such directions to any other person including employees, officers and directors of the Employer and its affiliates. If the Trustee shall not receive timely instruction from a Participant (or beneficiary) as to the manner in which to respond to such a tender or exchange offer, the Trustee shall not tender or exchange any shares of Company Stock allocated to the Stock Bonus Account of such Participant with respect to which such Participant has the right of direction. In effecting the foregoing, to the extent possible, the Trustee shall tender or exchange shares of Company Stock entitled to one vote per share prior to shares of Company Stock having greater than one vote per share.

### 18.3 Investment Diversification.

The investment diversification rights provided for in Section 17.6 shall apply to Participants' Stock Bonus Accounts.

## SECTION 19

### **PAYSOP PROVISIONS**

#### 19.1 Nature of the Plan.

(a) This Tax Credit Employee Stock Ownership Plan ("PAYSOP") is an addition to the Stock Bonus Plan previously established by the Employer and merged into this Plan. The PAYSOP forms a part of an ESOP and a Stock Bonus Plan under Section 401(a) of the Internal Revenue Code and is a Tax Credit Employee Stock Ownership Plan under Section 409 of the Code. The PAYSOP is intended to make available to the Company the payroll-based employee stock ownership credit described in Section 41 of the Code and is designed to be invested primarily (or exclusively) in Company Stock.

(b) The PAYSOP has been and will be funded through the Stock Bonus and PAYSOP Trust established under the ESOP and is administered by the Plan Administrator described in Section 13 of the ESOP. The interests of Participants under the PAYSOP shall be reflected by separate PAYSOP Accounts under the Plan. Except as otherwise provided in this Section 19 or other Sections of this Plan, the provisions of the ESOP shall generally apply to the PAYSOP.

#### 19.2 Definitions.

Except to the extent that they are inconsistent with this Section 19, all of the definitions included in Section 1 of the ESOP apply to this Tax Credit Employee Stock Ownership Plan. Additional specific terms are defined below in this Section 19.2.

(a) PAYSOP - This CenturyTel, Inc. Tax Credit Employee Stock Ownership Plan established by the Employer as an addition to the Stock Bonus Plan.

(b) PAYSOP Account - The Account of a Participant which reflects his interest under the Plan attributable to PAYSOP contributions.

(c) Stock Bonus Plan - The CenturyTel, Inc. Stock Bonus Plan, as merged into the CenturyTel, Inc. Employee Stock Ownership Plan and Trust.

(d) PAYSOP Contributions - Employer contributions made to the Plan by the Company pursuant to Section 19.4 of the PAYSOP.

(e) PAYSOP Compensation - The compensation of each Participant within the meaning of Section 415(e)(3) of the Code and the regulations thereunder.

(f) ESOP - The CenturyTel, Inc. Employee Stock Ownership Plan and Trust, into which the Stock Bonus Plan was merged.

#### 19.3 Eligibility and Participation.

Each Participant under the ESOP will be eligible to share in the allocation of PAYSOP Contributions under Section 19.4 as of each Adjustment Date, provided that he is eligible to share in the allocation of Employer Contributions and forfeitures as described in Section 4 of the ESOP.

#### 19.4 Employer Contributions.

(a) PAYSOP Contributions shall be paid to the Plan for each Plan Year for which the Employer elects the payroll-based employee stock ownership credit available under Section 41 of the Code in any amount not exceeding the following percentages of PAYSOP Compensation of

those Participants eligible to share in the allocation of such Employer Contributions for that Plan Year:

Compensation Paid During Calendar Year	Applicable Percentage
1984	.50
1985	.50
1986	.50
1987	.50

(b) PAYSOP Contributions shall be paid to the Plan not later than thirty (30) days after the due date (including extensions) for filing the Employer's Federal income tax return for that Plan Year. PAYSOP Contributions may be paid in shares of Company Stock or in cash, as determined by the Employer's Board of Directors; provided, however, that PAYSOP Contributions in cash shall be used by the Trustee to acquire Company Stock within thirty (30) days.

(c) In the event that any Employer Contributions are paid to the Plan by reasons of a mistake of fact, such contributions may be returned to the Employer by the Trustee (upon the request of the Employer) within one year after payment to the Plan.

#### 19.5 Participant's Accounts.

(a) A PAYSOP Account shall be established for each Participant under the PAYSOP. It will be credited annually with shares of Company Stock (including fractional shares) representing his allocable share of PAYSOP Contributions, as well as Company Stock acquired with any dividends on Company Stock allocated to his PAYSOP Account (or with any net income of the Trust attributable to the PAYSOP). Each Participant shall at all times have a one hundred percent (100%) vested (nonforfeitable) interest in the balance of his PAYSOP Account.

The allocations to the PAYSOP Accounts of Participants for each Plan Year shall be made in the following manner.

(b) Employer Contributions - PAYSOP Contributions under Section 19.4(a) for each Plan Year will be allocated among the PAYSOP Accounts of Participants (so entitled under Section 19.3) as of the Adjustment Date in the ratio which the PAYSOP Compensation of each such Participant bears to the total PAYSOP Compensation of all such Participants for that Plan Year. For purposes of this allocation, however, PAYSOP Compensation of each Participant shall not exceed one hundred thousand dollars (\$100,000) for each Plan Year.

(c) Net Income and Dividends - Each Participant's PAYSOP Account shall share in any net income of the Trust attributable to the PAYSOP in the manner outlined in Section 4 of the ESOP. His PAYSOP Account shall also be credited with the amount of any dividends received on Company Stock allocated to such PAYSOP Account. All such amounts shall be allocated as of each Adjustment Date, but shall be reinvested in shares of Company Stock for allocation purposes.

(d) Allocation Limitations - The limitations outlined in Sections 4.8 and 4.9 of the ESOP shall be applied by including each Participant's share of PAYSOP Contributions as Employer Contributions. In no event, however, shall the allocation of PAYSOP Contributions to a Participant's PAYSOP Account be reduced to comply with such limitation until after reductions have been made to the Participant's other Accounts under the ESOP.

For each Plan Year, no more than one-third (1/3) of the PAYSOP Contributions under Section 19.4(a) may be allocated to the PAYSOP Accounts of Participants who are officers of the Employer, shareholders owning more than ten percent (10%) of Company Stock, as determined under Section 415(c)(6)(B)(iv) of the Code, or Participants whose PAYSOP Compensation for that Plan Year exceeds \$60,000. The \$60,000 amount shall be adjusted (after 1985) for increases in the cost of living, pursuant to regulations prescribed under Section 415(c)(6) and

(d)(1) of the Code. The Plan Administrator may reallocate PAYSOP Contributions for any Plan Year in order to satisfy this additional limitation in accordance with the principles of Section 4.8.

#### (e) Voting Company Stock -

(i) Each Participant (or beneficiary) shall be entitled to direct the voting rights with respect to the shares of Company Stock owned by the PAYSOP, but only to the extent required by Sections 401(a)(22) and 409(e)(3) of the Code and the regulations thereunder. The number of votes to which each Participant is entitled shall be determined under

(ii), below. On all other matters, the Plan Administrator need not solicit instructions from Participants. Prior to the holding of each annual or special meeting of Company shareholders, the Committee will send to all Participants who have Company Stock in their PAYSOP Accounts the proxy statements for such meeting, together with a form to be sent to the Trustee which will indicate the number of votes to which the Participant is entitled, and on which may be set forth each Participant's instructions as to the manner of voting the shares, including fractional shares, of Company Stock. Upon receipt of such instructions, the Trustee will vote the Company Stock in accordance with such instructions including fractional shares, which shares shall be aggregated with the fractional shares of other Participants with such accounts to the lowest whole number thereof for the purposes of voting. All shares of Company Stock held in PAYSOP Accounts of Participants for which no instructions have been received by the Trustee as to the manner of voting such shares prior to the established deadline for such meeting shall not be voted by the Trustee.

(ii) The number of votes available to each Participant shall be determined as follows:

(1) first, the total number of votes attributable to Company Stock owned by the PAYSOP shall be determined;

(2) next, the amount of votes determined under

(i), above, shall be allocated to each Participant in the ratio which such Participant's PAYSOP Account balance as of the immediately preceding Valuation Date bears to the total PAYSOP Account balances of all Participants as of such date.

(f) Rights on Tender or Exchange Offer - Each Participant (or, in the event of the Participant's death, the Participant's beneficiary) is, for purposes of this Section 19.5(f), hereby designated a "named fiduciary" within the meaning of Section 403(a)(1) of ERISA and shall have the right, to the extent of the number of shares of Company Stock allocated to such Participant's PAYSOP Account, to direct the Trustee in writing as to the manner in which to respond to a tender or exchange offer with respect to shares of Company Stock. Each Participant, as a named fiduciary, shall also be entitled to separately direct the tender of a portion of the shares of Company Stock not allocated to Accounts of Participants. Such direction shall be with respect to the number of such unallocated shares of Company Stock multiplied by a fraction, the numerator of which is the total shares of Company Stock allocated to the Participant's PAYSOP Account and the denominator of which is the total number of shares of Company Stock which are allocated to the PAYSOP Accounts of all Participants. The Trustee shall use its best efforts to timely distribute or cause to be distributed to each Participant (or beneficiary) such information as will be distributed to stockholders of the Employer in connection with any such tender or exchange offer. Upon timely receipt of such instructions, the Trustee shall respond as instructed with respect to shares of Company Stock allocated to such Participant's PAYSOP Account. The instructions received by the Trustee from Participants shall be held by the Trustee in strict confidence and shall not be divulged or released to any person, including officers or employees of the Employer or any affiliate; provided, however, that to the extent necessary for the operation of the Plan, such instructions may be relayed by the Trustee to a recordkeeper, auditor or other person providing services to the Plan if such person (i) is not the Employer, an affiliate or any employee, officer or director thereof, and (ii) agrees not to divulge such directions to any other person including employees, officers and directors of the Employer and its affiliates. If the Trustee shall not receive timely instruction from a Participant (or beneficiary) as to the manner in which to respond to such a tender or exchange offer, the Trustee shall not tender or exchange any shares of Company Stock allocated to the Participant's PAYSOP Account with respect to which such Participant has the right of direction. In effecting the foregoing, to the extent possible, the Trustee shall tender or exchange shares of Company Stock entitled to one vote per share prior to shares of Company Stock having greater than one vote per share.

(g) Investment Diversification - The investment diversification rights provided for in Section 17.6 shall apply to Participants' PAYSOP Accounts. 19.6 Expenses.

If brokerage commissions charged with respect to the purchase or sale of Company Stock of the PAYSOP exceed the lesser of the following amounts, they shall be paid by the Employer:

(a) the sum of -

(i) 10% of the first \$100,000 of the dividends paid to the PAYSOP with respect to Company Stock during the Plan Year, and

(ii) 5% of the amount of such dividends in excess of \$100,000,

or

(b) \$100,000.

19.7 Distributions.

(a) All distributions of benefits from a Participant's PAYSOP Account

shall be made at the same time and in the same manner outlined in Sections 5, 6, 7 and 8 of the ESOP.

(b) No Company Stock allocated to a Participant's PAYSOP Account may be distributed before the end of the eighty-fourth (84th) month beginning after the Adjustment Date as of which such Company Stock is allocated to such PAYSOP Account, except in the event of his retirement, disability, death or other termination of service. This eighty-four (84) month restriction shall not apply in the case of certain divisive corporate reorganizations, as provided in Section 409(d)(2) and (3) of the Code.

19.8 Future of the Plan.

The PAYSOP may be amended or terminated by the Company in accordance with the provisions of Section 21. The PAYSOP may be amended or terminated without there being an amendment or termination of the ESOP.

The Employer specifically reserves the right to amend the PAYSOP retroactively in order to satisfy the applicable requirements of Sections 401(a) and 409 of the Code.

## QUALIFIED DOMESTIC RELATIONS ORDERS

### DEFINITIONS

#### 20.1 Domestic Relations Order.

Any judgment, decree, or order (including approval of a property settlement agreement) that relates to the provision of child support, alimony payments, or marital property rights to a spouse, former spouse, child or other dependent of a Participant, made pursuant to a state domestic relations law, including a community property law.

#### 20.2 Alternate Payee.

Any spouse, former spouse, child or other dependent of a Participant who is recognized by a Qualified Domestic Relations Order as having a right to receive all, or a portion of, the benefits payable under the Plan with respect to a Participant.

#### 20.3 Qualified Domestic Relations Order.

A Domestic Relations Order as described in Section 414(p) of the Code

which:

(a) Creates or recognizes the existence of an Alternate Payee's right

to, or assigns to an Alternate Payee the right to, receive all or a portion of the benefits payable with respect to a Participant under the Plan; and

(b) Clearly specifies the following:

(i) the name and last known mailing address (if available) of the Participant and each Alternate Payee to which the order relates (unless the Plan Administrator has reason to know such addresses independently);

(ii) the amount or percentage of the Participant's benefits to be paid to an Alternate Payee or the manner in which the amount is to be determined; and

(iii) the number of payments or period for which payments are required. A Qualified Domestic Relations Order does not include an order which:

(a) requires the Plan to provide any type or form of benefit, or any option, not otherwise provided under the Plan;

(b) requires the Plan to provide increased benefits, i.e., provides for the payment of benefits in excess of the benefits to which the Participant would be entitled in the absence of the order; or

(c) requires the payment of benefits to an Alternate Payee that are required to be paid to another Alternate Payee under a previously existing Qualified Domestic Relations Order.

### PROCEDURES

#### 20.4 Notice.

Upon receipt of a Domestic Relations Order, the Plan Administrator shall promptly notify the Participant and any Alternate Payee of receipt of the order and of the Plan's procedures for determining whether the order is a Qualified Domestic Relations Order.

#### 20.5 Determination of Qualification.

Within a reasonable period of time after receipt of the order (as defined in regulations to be prescribed by the Secretary of Labor), the Plan Administrator shall determine whether the order is qualified and notify the Participant and any Alternate Payee of such determination.

#### 20.6 Deferral of Payment.

During any time period during which the issue of whether a Domestic Relations Order is qualified is being determined, any amount which would be payable pursuant to the terms of the order shall be deferred and the amounts so payable will be segregated into a separate account.

#### 20.7 Payment after Deferral.



If, within eighteen (18) months after payment is deferred in accordance with Section 20.6, the Plan Administrator determines that the Domestic Relations Order is qualified, the amounts segregated into the separate accounts, plus earnings thereon, shall be paid to the Alternate Payee(s) specified in the order, in accordance with the terms of the order (subject, however, to the provisions of Code Section 414 (p), this Section 20 and other applicable provisions of the Plan).

#### 20.8 Payments after Eighteen Months.

If, after eighteen (18) months have elapsed after the deferral of benefits pursuant to Section 20.6, the Plan Administrator determines that the order is qualified, the Plan Administrator shall make payments pursuant to the order; however, such payments shall be made prospectively only, and any amounts segregated into the special account for periods before the determination that the order is qualified shall be paid to the person or persons who would have received the amounts if the order had not been issued. Neither the Plan, nor the Plan Administrator, shall be liable for payments to any Alternate Payee for any period before the order is determined to be qualified.

#### 20.9 Payments Under Qualified Domestic Relations Order.

Payments may be made to an Alternate Payee prior to, coincident with, or after the Participant's termination of employment if made pursuant to a Qualified Domestic Relations Order. A distribution to an Alternate Payee may be made out of a Participant's Account on a date coincident with the Participant's "earliest retirement age," defined as the earlier of (i) the date on which the Participant is entitled to a distribution under the Plan, or (ii) the later of (A) the date the Participant attains age 50, or (B) the earliest date on which the Participant could begin receiving benefits under the Plan if he had separated from service. In addition, this Plan specifically authorizes distributions to an Alternate Payee under a Qualified Domestic Relations Order prior to the Participant's attainment of the earliest retirement age (as defined above and in Section 414(p) of the Code) but only if: (1) the order specifies distribution at the earlier date or permits an agreement between the Plan and the Alternate Payee authorizing an earlier distribution; and (2) the Alternate Payee consents to a distribution prior to the Participant's earliest retirement age if the present value of the Alternate Payee's benefits under the Plan exceeds \$5,000. Nothing in this Section 20 shall provide a Participant with a right to receive a distribution at a time not otherwise permitted under the Plan, nor shall it provide the Alternate Payee with a right to receive a form of payment not permitted under the Plan.

#### 20.10. Non-qualification.

If the Plan Administrator determines that the order is not qualified, or if eighteen (18) months have expired since deferral of benefits, the Plan Administrator shall pay the amounts segregated pursuant to Section 20.6 above to the person or persons who would have received the amounts if the order had not been issued.

#### 20.11 Effective Dates.

The provisions of this Section 20 shall be effective for orders issued on or after January 1, 1985; however, the Plan Administrator may treat any order issued before such date as a Qualified Domestic Relations Order if it otherwise meets the requirements of this Section 20. Additionally, the Plan Administrator shall treat a Domestic Relations Order received before January 1, 1985 as a Qualified Domestic Relations Order to the extent payments are being made pursuant to the order.

### SECTION 21

#### **AMENDMENT AND TERMINATION OF PLAN;**

#### **ASSIGNMENT OF BENEFITS**

##### 21.1 Amendment.

The Employer shall have the right at any time, and from time to time, to amend, in whole or in part, any or all of the provisions of the Plan. However, no such amendment shall authorize or permit any part of a Trust fund (other than such part as is required to pay taxes and administration expenses) to be used for or diverted to purposes other than for the exclusive benefit of the Participants or their beneficiaries or estates. Any such amendment shall become effective upon the adoption thereof by an appropriate written instrument executed by order of the Board of Directors or upon such later date as may be specified in such instrument provided that any amendment affecting the powers and duties of the Trustee shall not be effective until the date it is accepted in writing by the Trustee.

No amendment to the Plan shall be effective to eliminate or restrict an optional form of benefit. The preceding sentence shall not apply to a Plan amendment that eliminates or restricts the ability of a Participant to receive payment of his or her Account balance under a particular optional form of benefit if the amendment satisfies the conditions in (1) and (2) below:

(1) The amendment provides a single-sum distribution form that is otherwise identical to the optional form of benefit eliminated or restricted. For purposes of this condition (1), a single-sum distribution form is otherwise identical only if it is identical in all respects to the eliminated or restricted optional form of benefit (or would be identical except that it provides greater rights to the Participant) except with respect to the

timing of payments after commencement.

(2) The amendment is not effective unless the amendment provides that the amendment shall not apply to any distribution with an annuity starting date earlier than the earlier of: (i) the 90th day after the date the Participant receiving the distribution has been furnished a summary that reflects the amendment and that satisfies the ERISA requirements at 29 CFR 2520.104b-3 relating to a summary of material modifications or (ii) the first day of the second Plan Year following the Plan Year in which the amendment is adopted.

21.2. Termination; Discontinuance of Contributions.

The Employer shall have the right at any time to terminate this Plan. Such termination shall be effective upon execution by the Employer of an appropriate instrument terminating the Plan as authorized by the Board of Directors or upon such later date as may be specified in such instrument. A copy of such instrument shall be delivered to the Trustee.

Upon termination or partial termination of the Plan by any method, the Accounts of all Participants shall become fully vested and the Plan Administrator shall direct the Trustee to distribute all assets remaining in the Plan to Participants, their beneficiaries or estates in the ratio of the Participants' Account balances in the Plan.

In the event the Employer completely discontinues contributions for a fixed or indeterminate period, but without terminating this Plan, the Accounts of Participants shall be completely vested and nonforfeitable at the values determined by the Trustee as of the close of the year in which contributions have been suspended, and all adjustments in Participant's Accounts thereafter made under the terms of the Plan and Trust with respect to the amounts so vested shall similarly be completely vested in favor of each Participant but no distribution shall be made of any Account except on actual termination of the Plan or the occurrence of any of the events stated in Sections 5, 6, and 7 and then only in the manner provided in such Sections.

21.3. Assignment of Benefits.

No benefit or interest available hereunder will be subject to assignment or alienation, either voluntarily or involuntarily. The interest of each Participant or beneficiary shall be held subject to the maximum restraint on alienation permitted or required by applicable Louisiana or Federal law. The preceding sentences shall also apply to the creation, assignment, or recognition of a right to any benefit payable with respect to a Participant pursuant to a Domestic Relations Order, unless such order is determined to be a Qualified Domestic Relations Order, as defined in Section 414(p) of the Code.

THUS DONE AND SIGNED on the day first above shown, in the presence of the undersigned competent witnesses, who hereunto sign their names with the said appearers and me, Notary after reading of the whole.

WITNESSES:

/s/ Sandra Post

\_\_\_\_\_

/s/ Linda Vaughn

\_\_\_\_\_

CENTURYTEL, INC.

/s/ R. Stewart Ewing, Jr.

By: \_\_\_\_\_

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

/s/ G. Robert Collier, Jr.

\_\_\_\_\_

NOTARY PUBLIC

**CENTURYTEL, INC.  
EMPLOYEE STOCK OWNERSHIP PLAN**

**STATE OF LOUISIANA**

**PARISH OF OUACHITA**

BE IT KNOWN, that on this 31st day of December, 2002, before me, a Notary Public, duly commissioned and qualified in and for the Parish of Ouachita, State of Louisiana, therein residing, and in the presence of the undersigned witnesses:

**PERSONALLY CAME AND APPEARED:**

CENTURYTEL, INC., represented herein by its Executive Vice-President and Chief Financial Officer, R. Stewart Ewing, Jr., as Plan Sponsor, which hereby executes the following amendments to the CenturyTel, Inc. Employee Stock Ownership Plan:

1. Preamble:

"These amendments to the Plan are adopted to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). These amendments are intended to constitute good faith compliance with the requirements of EGTRRA and are to be construed in accordance with EGTRRA and guidance issued thereunder. Except as otherwise provided herein, each amendment shall be effective as of the first day of the first Plan Year beginning after December 31, 2001."

2. Section 4.12(d) is hereby amended to read as follows:

"(d) Defined contribution dollar limitation: \$30,000, as adjusted under Code Section 415(d). For Limitation Years beginning after December 31, 2001, the limitation shall be \$40,000, as adjusted for increases in the cost-of-living under Section 415(d) of the Code."

3. The first paragraph of Section 4.12(k) is hereby amended to read as follows:

"(k) Maximum permissible amount: The maximum annual addition that may be contributed or allocated to a Participant's Account under the Plan for any Limitation Year shall not exceed the lesser of:

(i) The defined contribution dollar limitation, or

(ii) Twenty-five percent (25%) of the Participant's compensation for the Limitation Year. For Plan Years beginning after December 31, 2001, this percentage shall be one hundred percent (100%)."

4. Insert the following as the fifth paragraph of Section 1.7:

"For Plan Years beginning after December 31, 2001, the annual compensation of each Participant taken into account in determining allocations for any Plan Year beginning after December 31, 2001, shall not exceed \$200,000 as adjusted for cost-of-living increases in accordance with Code Section 401(a)(17)(B). Annual compensation means compensation during the Plan Year or such other consecutive 12-month period over which compensation is otherwise determined under the Plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year."

5. Insert the following as the second paragraph of Section 16.1:

"For Plan Years beginning after December 31, 2001, any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the determination date was an officer of the Employer having annual compensation greater than \$130,000 (as adjusted under Code Section 416(i)(1) for Plan Years beginning after December 31, 2002), a 5-percent owner of the Employer, or a 1-percent owner of the Employer having annual compensation of more than \$150,000. For this purpose, annual compensation means compensation within the meaning of Code Section 415(c)(3). The determination of who is a Key Employee will be made in accordance with Code Section 416(i)(1) and the applicable regulations and other guidance of general applicability issued thereunder."

6. Insert the following as the second paragraph of Section 16.5(c):

"For Plan Years beginning after December 31, 2001, for purposes of (a) and (b), above, the provisions of this paragraph shall apply. The present value of accrued benefits and the amounts of account balances of an Employee as of the determination date shall be increased by the distributions made with respect to the Employee under the plan and any plan aggregated with the Plan under Code Section 416(g)(2) during the

1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under Code Section 416(g)(2)(A)(i). In the case of a distribution made for a reason other than severance from employment, death, or disability, this provision shall be applied by substituting `5-year period' for `1-year period.' The accrued benefits and accounts of any individual who has not performed services for the Employer during the 1-year period ending on the determination date shall not be taken into account."

7. Insert the following as the second paragraph of Section 7.6(b)(i):

"For distributions made after December 31, 2001, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includable in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Code Section 408(a) or (b), or to a qualified defined contribution plan described in Code Section 401(a) or 403(a) that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includable in gross income and the portion of such distribution which is not so includable."

8. Insert the following as the second paragraph of Section 7.6 (b)(ii):

"For distributions made after December 31, 2001, an eligible retirement plan shall also mean an annuity contract described in Code Section 403 (b) and an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or any instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code Section 414(p)."

9. Insert the following at the end of Section 7.2(a):

"For purposes of this Section, and Section 7.3, the value of a Participant's nonforfeitable account balance shall be determined without regard to that portion of the account balance that is attributable to rollover contributions (and earnings allocable thereto) within the meaning of Code Sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii) and 457(e)(16). If the value of the Participant's nonforfeitable account balance as so determined is \$5,000 or less, the Plan may immediately distribute the Participant's entire nonforfeitable account balance."

10. Section 1.7 is amended by inserting the following as the last paragraph thereof:

"For Plan Years beginning on and after January 1, 2001, for purposes of the definition of compensation contained in this Section 1.7, and Sections 1.17, 1.19(b), 4.12(b) and 16.8 of the Plan, compensation paid or made available during such years shall include elective amounts that are not includable in the gross income of the Employee by reason of Code Section 132(f)(4)."

THUS DONE AND SIGNED on the day first above shown, in the presence of the undersigned competent witnesses, who hereunto sign their names with the said appearer and me, Notary, after reading of the whole.

WITNESSES:

CENTURYTEL, INC.

/s/ Linda Vaughn

/s/ R. Stewart Ewing, Jr.

BY:

R. Stewart Ewing, Jr.

Executive Vice-President

and Chief Financial Officer

/s/ Linda Reeves

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NOTARY PUBLIC

## **CENTURYTEL, INC. DOLLARS & SENSE PLAN AND TRUST**

### **As Amended and Restated Effective September 1, 2000**

CenturyTel, Inc. (the "Company") previously established the CenturyTel, Inc. Dollars & Sense Plan (the "Plan"), for the exclusive benefit of eligible employees of the Company and its participating affiliates. The Plan is intended to constitute a qualified profit sharing plan, as described in Code Section 401(a), which includes a qualified cash or deferred arrangement, as described in Code Section 401(k). Effective July 1, 1993, the San Marcos Telephone Company, Inc. and SM Telecorp Companies Retirement Plan was merged into the Plan. Effective January 10, 1998, assets from the PacifiCorp K Plus Employee Savings Plan attributable to participants thereunder who immediately prior to the date of transfer were employees of Pacific Telecom, Inc. were transferred to the Plan.

This amendment and restatement hereby effectuates a merger into this Plan of the CenturyTel, Inc. Frozen Savings Plan, previously the Universal Telephone, Inc. Employees' Savings Plan, originally effective September 1, 1986, and amended and restated, and renamed as the CenturyTel, Inc. Frozen Savings Plan, effective October 1, 1997.

The provisions of the Plan and Trust relating to the Trustee constitute the trust agreement which is entered into by and between CenturyTel, Inc. and T. Rowe Price Trust Company. This amendment and restatement also serves to remove Merrill Lynch Trust Company, FSB as trustee and to appoint T. Rowe Price Trust Company as trustee. The Trust is intended to be tax exempt, as described in Code Section 501(a).

The Plan is intended to comply with the qualification requirements of the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), the Uruguay Round Agreements Act (GATT), the Small Business Job Protection Act of 1996 (SBJPA), the Taxpayer Relief Act of 1997 (TRA '97), and the Restructuring and Reform Act of 1998 (RRA '98), and is intended to comply in operation therewith. To the extent that the Plan, as set forth below, is subsequently determined to be insufficient to comply with such requirements and any regulations issued, the Plan shall later be amended to so comply.

The Plan constitutes an amendment and restatement of the CenturyTel, Inc. Dollars & Sense Plan effective September 1, 2000, which was originally established effective as of May 1, 1986, and its related trust agreement.

The CenturyTel, Inc. Dollars & Sense Plan and Trust, as set forth in this document, is hereby amended and restated effective as of September 1, 2000. The Plan and Trust were last restated generally effective January 1, 1998.

## **ARTICLE I**

### **DEFINITIONS**

1.1 **Accrued Benefit.** The balance in a Participant's or Beneficiary's account, including contributions, forfeitures, income, expenses, gains and losses (whether or not realized) allocated or attributable thereto, which account shall consist of its pro rata proportion of all commingled Trust assets or any Trust assets separately earmarked therefor. Said account balance shall be determined as of the most recent Valuation Date. Each Accrued Benefit shall be divided into one or more of the following subaccounts, to the extent applicable:

- (a) Additional Match Account;
- (b) Elective Deferral Account;
- (c) Employer Match Account;
- (d) ESOP Transfer Account;
- (e) Frozen After-Tax Account;
- (f) Frozen Other Employer Account;
- (g) Frozen Pre-Tax Account;
- (h) Frozen Qualified Nonelective Account;
- (i) Frozen Rollover Account;
- (j) Prior Match Account;
- (k) Qualified Non-Elective Contribution Account;
- (l) Qualified Matching Contribution Account;
- (m) Rollover/Transfer Account; and
- (n) Voluntary After-Tax Account.

The foregoing accounts, which are designated as functional accounts, are derived from the source of the funds contributed thereto.

1.2 **Active Participant.** Any Participant on whose behalf contributions are being made to the Plan.

1.3 Additional Match Account. The portion of a Participant's Accrued Benefit which consists of Additional Match Contributions made to the Plan for the Plan Year by the Employer and, if applicable, amounts transferred from the Predecessor Plans as set forth on Exhibit A.

1.4 Additional Match Contributions. Matching Contributions made to the Plan for the Plan Year by the Employer pursuant to Section 3.2(b) of the Plan.

1.5 Administrator or Plan Administrator. The person, persons or entity designated by the Employer pursuant to Article XII to administer and operate the Plan.

1.6 Affiliated Employer. The Employer and any corporation which is a member of a controlled group of corporations (as defined in Section 414(b) of the Code) which includes the Employer, any trade or business (whether or not incorporated) which is under common control (as defined in Section 414(c) of the Code) with the Employer, any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in Section 414(m) of the Code) which includes the Employer, and any other entity required to be aggregated with the Employer pursuant to regulations under Section 414(o) of the Code.

1.7 Beneficiary. The person or persons so designated by the Participant to receive his benefits under the Plan in the event of his death.

1.8 Code. The Internal Revenue Code of 1986, as amended.

1.9 Company. CenturyTel, Inc. or any successor by merger, purchase or otherwise.

1.10 Company Stock. Shares of voting common stock, \$1.00 par value, issued by the Company.

1.11 Compensation. All of each Participant's W-2 earnings, including any amount which is contributed by the Employer pursuant to a salary reduction agreement and which is not includible in the gross income of the Employee under Section 125, 402(e)(3), 402(h)(1)(B), 403(b), 408(p)(2)(A)(i) or 457 of the Code, and excluding (i) overtime, (ii) completion bonuses and Christmas bonuses, (iii) restricted stock awards under the Company's Restricted Stock Plan or Key Employee Incentive Compensation Plan, (iv) severance pay or termination allowance in any form, and (v) reimbursements or other expense allowances, cash and non-cash fringe benefits, moving expenses, deferred compensation and welfare benefits. For any Self-Employed Individual covered under the Plan, Compensation will mean Earned Income. Compensation shall include only that Compensation which is actually paid to the Participant during the applicable period. Except as provided elsewhere in this Plan, the applicable period shall be the Plan Year.

The annual Compensation of each Participant taken into account under the Plan for any year shall not exceed \$170,000, as adjusted for Cost-of-Living Increases pursuant to Code Sections 401(a)(17) and 415(d). The Cost-of-Living Increase in effect for a calendar year applies to any determination period beginning in such calendar year.

If a determination period consists of fewer than twelve (12) months, the annual compensation limit is an amount equal to the otherwise applicable annual compensation limit multiplied by a fraction, the numerator of which is the number of months in the short determination period, and the denominator of which is twelve (12).

For purposes of determining Highly Compensated Employees and Key Employees, and for purposes of Section 5.4(j), Compensation for the entire Plan Year shall be used. For purposes of determining ADP and ACP, Compensation shall be limited to amounts paid to a Covered Employee while a Participant.

1.12 Cost of Living Increase. An automatic increase (without necessity of Plan amendment) in a dollar value set forth or described in the Plan, for the purpose of reflecting increases in the cost of living to the extent prescribed in or pursuant to regulations under Section 415(d) of the Code.

1.13 Covered Employee. Any Employee eligible to participate in the Plan pursuant to Article II who is not excluded from participation pursuant to Section 2.2.

1.14 Distribution Date. The date on which a Participant reaches retirement, dies while in the active employ of the Employer, becomes totally and permanently disabled, or otherwise terminates employment.

1.15 Earned Income. The annual net earnings from self-employment in the trade or business with respect to which the Plan is established, provided that personal services of the individual are a material income-producing factor. Net earnings will be determined without regard to items not included in gross income and the deductions allocable to such items. Net earnings are reduced by contributions by the Employer to a qualified plan to the extent deductible under Section 404 of the Code. Earned Income will in all events be defined in a way which complies with Section 401(c)(2) of the Code and other applicable provisions of the Code.

Net earnings shall be determined with regard to the deduction allowed to the Employer by Section 164(f) of the Code for taxable years beginning after December 31, 1989.

1.16 Effective Date. The effective date of this amendment and restatement shall be September 1, 2000.

1.17 Elective Deferral Account. The portion of a Participant's Accrued Benefit which consists of Elective Deferrals made to the Plan for the Plan Year by the Employer on behalf of the Participant and, if applicable, amounts transferred from the Predecessor Plans as set forth on Exhibit A.

1.18 Elective Deferrals. Contributions made to the Plan for the Plan Year by the Employer at the election of the Participant in lieu of cash compensation, pursuant to Section 3.1 of the Plan, including contributions made pursuant to a salary reduction agreement.

1.19 Employee. Any person, including a Self-Employed Individual, employed by the Employer maintaining the Plan or of any other Employer required to be aggregated with such Employer under Section 414(b), (c), (m) or (o) of the Code and shall include Leased Employees within the meaning of Section 414(n)(2) or (o) of the Code. Notwithstanding the foregoing, if such Leased Employees constitute less than twenty percent of the Employer's non-highly compensated work force within the meaning of Section 414(n)(5)(C)(ii) of the Code, the term "Employee" shall not include those Leased Employees covered by a plan described in Section 414(n)(5) of the Code unless otherwise provided by the terms of the Plan.

1.20 Employer. The Company, any successor to the Company and any Affiliated Employer which is a Participating Employer under the Plan.

1.21 Employer Contribution Accounts. The portion of a Participant's Accrued Benefit consisting of his Employer Match Account and his Additional Match Account.

1.22 Employer Match Account. The portion of a Participant's Accrued Benefit which consists of Employer Match Contributions made to the Plan for the Plan Year by the Employer.

1.23 Employer Match Contributions. Matching Contributions made to the Plan for the Plan Year by the Employer pursuant to Section 3.2(a) of the Plan.

1.24 Entry Date. The first day on which a Covered Employee elects to participate in the Plan.

1.25 ERISA. The Employee Retirement Income Security Act of 1974, as amended.

1.26 ESOP. The CenturyTel, Inc. Employee Stock Ownership Plan and Trust.

1.27 ESOP Transfer Account. The portion of a Participant's Accrued Benefit which consists of amounts transferred to the Plan from the CenturyTel, Inc. Employee Stock Ownership Plan and Trust pursuant to diversification elections with respect to such plan under Section 401(a)(28) of the Code.

1.28 Family Member. An Employee's spouse and lineal ascendants or descendants and the spouses of such lineal ascendants or descendants.

1.29 Frozen Accounts. Collectively, a Participant's Frozen After-Tax Account, Frozen Other Employer Account, Frozen Pre-Tax Account, Frozen Qualified Nonelective Account, and Frozen Rollover Account.

1.30 Frozen After-Tax Account. The portion of a Participant's Accrued Benefit which consists of amounts transferred from the Frozen Predecessor Plans as set forth on Exhibit B.

1.31 Frozen Other Employer Accounts. The portion of a Participant's Accrued Benefit which consists of amounts attributable to "Employer Contribution Account" and "Merger Account" amounts as such terms were defined under the Frozen Plan prior to October 1, 1997 and amounts transferred from the Frozen Predecessor Plans as set forth on Exhibit B.

1.32 Frozen Plan. The CenturyTel, Inc. Frozen Savings Plan, which is hereby merged into this Plan pursuant to this amendment and restatement of the Plan.

1.33 Frozen Predecessor Plans. Plans which were merged, in whole or in part, into the Frozen Plan, which were:

(a) Kingsley Telephone Company Retirement Savings Plan, a qualified profit sharing plan, as described in Code Section 401(a), which included a qualified cash or deferred arrangement, as described in Code Section 401(k), originally effective January 1, 1988 and merged into the Frozen Plan effective on or about October 1, 1997;

(b) Lake Dallas Telephone Company, Inc. 401(k) Profit Sharing Plan, a qualified profit sharing plan, as described in Code Section

401(a), which included a qualified cash or deferred arrangement, as described in Code Section 401(k), originally effective January 1, 1985 and merged into the Frozen Plan effective on or about October 1, 1997; and

(c) Savings Plan for Employees of the National Telephone Cooperative Association and its Member Systems, a qualified profit sharing plan, as described in Code Section 401(a), which included a qualified cash or deferred arrangement, as described in Code Section 401(k), originally effective September 1, 1977 and merged into the Frozen Plan, in part, effective on or about October 1, 1997.

1.34 Frozen Pre-Tax Account. The portion of a Participant's Accrued Benefit which consists of amounts attributable to "Employee Deferral Account" amounts as such term was defined under the Frozen Plan prior to October 1, 1997 and amounts transferred from the Frozen Predecessor Plans as set forth on Exhibit B.

1.35 Frozen Qualified Nonelective Account. The portion of a Participant's Accrued Benefit which consists of amounts transferred from the Frozen Predecessor Plans as set forth on Exhibit B.

1.36 Frozen Rollover Account. The portion of a Participant's Accrued Benefit which consists of amounts attributable to "Rollover Account" amounts as such term was defined under the Frozen Plan prior to October 1, 1997 and amounts transferred from the Frozen Predecessor Plans as set forth on Exhibit B.

1.37 Highly Compensated Employee. The term Highly Compensated Employee includes active Highly Compensated Employees and former Highly Compensated Employees.

An active Highly Compensated Employee includes any Employee who:

- (1) was a five-percent (5%) owner at any time during the year or the preceding year, or
- (2) for the preceding year had compensation within

the meaning of Section 415(c)(3) of the Code from the Employer in excess of \$80,000. The \$80,000 amount is adjusted at the same time and in the same manner as under Code Section 415(d), except that the base period is the calendar quarter ending September 30, 1996. The applicable year of the Plan for which a determination is being made is called a determination year and the preceding twelve (12) month period is called a look-back year.

A former Highly Compensated Employee is determined based on the rules applicable to determining highly compensated employee status as in effect for the determination year, in accordance with Temp. Regulations Section 1.414(q)-1T, A-4, and Notice 97-45.

1.38 Inactive Participant. Any Employee or former Employee who has ceased to be an Active Participant and on whose behalf an account is maintained under the Plan.

1.39 Investment Options. Any regulated investment companies registered under the Investment Company Act of 1940, any common trust fund or collective investment fund of T. Rowe Price Associates, Inc. qualified under Sections 401 and 501 of the Code, and any other funding vehicle which the Employer permits under the terms of the Plan. The initial Investment Options under the Plan are as listed on Exhibit C. The Employer may change the available Investment Options from time to time, by attaching a new Exhibit C hereto, without the necessity of amending the Plan.

1.40 Leased Employee. Any person (other than an Employee of the recipient) who, pursuant to an agreement between the recipient and any other person ("leasing organization"), has performed services for the recipient (or for the recipient and related persons determined in accordance with Section 414(n)(6) of the Code) on a substantially full time basis for a period of at least one (1) year, and such services are performed under primary direction by the recipient employer.

Any Leased Employee shall be treated as an Employee of the recipient Employer. However, contributions or benefits provided by the leasing organization which are attributable to Service performed for the recipient Employer shall be treated as provided by the recipient Employer. The preceding sentence shall not apply to any Leased Employee if Leased Employees do not constitute more than twenty percent (20%) of the Employer's non-highly compensated force and, if such Employee is covered by a money purchase pension plan providing: (a) a nonintegrated Employer contribution rate of at least ten percent (10%) of Compensation as defined in Section 415(c)(3) of the Code, but including amounts contributed by the Employer pursuant to a salary reduction agreement which are excludible from the Employee's gross income under Section 125, 402(e)(3), 402(h)(1)(B) or 403(b) of the Code, (b) full and immediate vesting, and (c) each employee of the leasing organization (other than employees who perform substantially all of their services for the leasing organization) immediately participate in the plan. Item (c) shall not apply to any individual whose compensation from the leasing organization in each Plan Year during the 4-year period ending with the Plan Year is less than \$1,000.

1.41 Matching Contributions. Contributions to the Plan made by the Employer and allocated to a Participant's account by reason of the Participant's Elective Deferrals.



1.42 Net Profits. Current and accumulated earnings of the Employer, before federal and state taxes and contributions to this Plan or any other qualified plan.

1.43 Non-Highly Compensated Employee. An Employee of the Employer who is neither a Highly Compensated Employee nor a Family Member.

1.44 Normal Retirement Age. Age fifty-five (55).

1.45 Normal Retirement Date. The date on which a Participant attains age fifty-five (55).

1.46 Owner-Employee. A sole proprietor, if the Employer is a sole proprietorship, or a partner who owns either more than ten percent (10%) of the capital interests or more than ten percent (10%) of the profits interest, if the Employer is a partnership.

1.47 Participant. Any Covered Employee of the Employer who has met the eligibility requirements as specified in Article II.

1.48 Participating Employer. Any Affiliated Employer other than:

Spectra Communications Group, L.L.C.

Telephone USA of Wisconsin, L.L.C.  
CenturyTel Security Systems, Inc.

1.49 Plan. The retirement plan set forth herein as amended from time to time.

1.50 Plan Year. The calendar year.

1.51 Predecessor Plans. Plans which were merged, in whole or in part, into the Plan, which were:

(a) San Marcos Telephone Company, Inc. and SM Telecorp Companies Retirement Plan, a qualified profit sharing plan, as described in Code Section 401(a), which included a qualified cash or deferred arrangement, as described in Code Section 401(k), merged, in whole, into the Plan effective July 1, 1993; and

(b) PacifiCorp K Plus Employee Savings Plan, a qualified profit sharing plan, as described in Code Section 401(a), which included a qualified cash or deferred arrangement, as described in Code Section 401(k), merged, in part, into the Plan effective January 10, 1998.

1.52 Prior Match Account. The portion of a Participant's Accrued Benefit which consists of amounts transferred from the Predecessor Plans as set forth on Exhibit A.

1.53 Qualified Matching Contribution Account. The portion of a Participant's Accrued Benefit which consists of Qualified Matching Contributions made to the Plan for the Plan Year by the Employer.

1.54 Qualified Matching Contributions. Matching Contributions made by the Employer and allocated to the Participant's account that the Participant may not elect to receive in cash until distributed from the Plan, which are fully vested when made, which are subject to the distribution restrictions as provided in Article VI of this Plan, and which the Employer elects to treat as Qualified Matching Contributions.

1.55 Qualified Non-Elective Contribution Account. The portion of a Participant's Accrued Benefit which consists of Qualified Non-Elective Contributions made to the Plan for the Plan Year by the Employer.

1.56 Qualified Non-Elective Contributions. Contributions (other than Matching Contributions) made by the Employer and allocated to the Participant's account that the Participant may not elect to receive in cash until distributed from the Plan, which are fully vested when made, which are subject to the distribution restrictions as provided in Article VI of said Plan, and which the Employer elects to treat as Qualified Non-Elective Contributions.

1.57 Rollover/Transfer Account. The portion of a Participant's Accrued Benefit established in accordance with Section 3.5 of the Plan.

1.58 Self-Employed Individual. An individual who has Earned Income for the taxable year from the trade, business or partnership with respect to which the Plan is established; also, an individual who would have had Earned Income but for the fact the trade, business or partnership had no Net Profits for the taxable year.

1.59 Sponsor. The Sponsor of this Plan shall be CenturyTel, Inc..

1.60 Trust Agreement. The agreement between the Employer and the Trustee under which the assets of the Plan are held, administered and managed.

1.61 Trustee. The individual or corporate Trustee or Trustees under the Trust Agreement as they may be constituted from time to time.

1.62 Valuation Date. The last day of each Plan Year and such other dates as may be necessary for the proper administration of the Plan.

1.63 Voluntary After-Tax Account. That portion of a Participant's Accrued Benefit attributable to amounts transferred from the Predecessor Plans as set forth on Exhibit A.

## **ARTICLE II**

### **ELIGIBILITY AND PARTICIPATION**

2.1 Active Participation. Each Covered Employee shall be eligible to participate in the Plan on the Entry Date coincident with or following the date of employment of such Covered Employee.

2.2 Exclusion of Certain Employees. The following Employees are excluded from participation in the Plan:

(a) Employees whose compensation and conditions of employment are covered by a collective bargaining agreement to which the Employer is a party unless the agreement calls for the Employee's participation in the Plan;

(b) Temporary Employees hired specifically to fill temporary or occasional needs;

(c) Employees who are non-resident aliens and who receive no Earned Income from the Employer which constitutes income from sources within the United States; and

(d) Employees of any Affiliated Employer which is not a Participating Employer under the Plan.

In the event an Employee who is not a member of the eligible class of Employees becomes a member of the eligible class, such Employee shall be eligible to participate immediately.

In the event a Participant is no longer a member of an eligible class of Employees and becomes ineligible to participate, such Employee shall be eligible to participate immediately upon returning to an eligible class of Employees.

2.3 Re-employment. A former Participant shall become a Participant immediately upon returning to the employ of the Employer if such former Participant is a member of the eligible class of Employees when re-employed.

2.4 Waiver of Participation. The Employer may grant a waiver of participation to any Employee who so requests. Whether or not such waiver shall be granted, and the terms and conditions (including duration) thereof, shall be made in accordance with written and objective rules and shall be applied in a uniform and nondiscriminatory manner. Notwithstanding the foregoing, any Employee who has met the Plan's eligibility requirements shall be considered an "Eligible Participant" for purposes of Sections 3.7 and 3.8 of the Plan.

## **ARTICLE III**

### **CONTRIBUTIONS**

3.1 Elective Deferral Contributions. Subject to the limitation on Annual Additions as described in Article V of the Plan, for any Plan Year:

(a) Participant Election. A Participant may elect to defer, in the form of Employer contributions to the Plan on his behalf, Compensation that would otherwise be paid to him but for the deferral of such Compensation, in an amount expressed as a whole percentage from one percent (1%) to sixteen percent (16%) of his Compensation as he shall elect in writing on a form prescribed by the Employer. The Employer may change from time to time, in writing, without the necessity of amending the Plan, the minimum and maximum percentages of Compensation that a Participant can elect to defer hereunder. Such salary deferral contributions shall be accomplished through the direct reduction of Compensation in each payroll period during which the election is in effect. A Participant may elect to increase, decrease or discontinue his salary deferral contributions by submitting a written request to the Employer on a form prescribed by the Employer.

The Employer shall pay to the Trustee all salary deferral contributions no later than fifteen (15) days after the end of the month which includes the last day of the payroll period for which such contributions were deducted. A separate account shall be established for each Participant and such Participant's salary deferral contributions, as adjusted for withdrawals thereof, investment gain and losses, and income or expenses, shall be credited to such account. A Participant shall at all times have a nonforfeitable interest in his Elective Deferral Account.

(b) Elective Deferrals. With respect to any taxable year, a Participant's Elective Deferrals are the sum of all Employer contributions made on behalf of such Participant pursuant to an election to defer under any qualified CODA as described in Section 401(k) of the Code, any simplified employee pension or cash or deferred arrangement as described in Section 408(k)(b) of the Code, any SIMPLE IRA plan described in Section 408(p) of the Code, any eligible deferred compensation plan under Section 457 of the Code, any plan described under Section 501(c)(18) of the Code, and any Employer contributions made on the behalf of Participant for the purchase of an annuity contract under Section 403(b) of the Code pursuant to a salary reduction agreement. Elective Deferrals shall not include any deferrals properly distributed as excess Annual Additions.

(c) Limitation on Elective Deferrals. No Participant shall be permitted to have Elective Deferrals made under this Plan, or any other qualified plan maintained by the Employer, during any taxable year, in excess of the dollar limitation contained in Section 402(g) of the Code in effect at the beginning of such taxable year. Notwithstanding any other provisions of the Plan, the Employer may distribute to the Participant, not later than April 15 following the calendar year to which the deferral is attributable, any deferral in excess of the aforesaid limit together with any income (or minus any loss) allocable thereto. A Participant is deemed to notify the Plan Administrator of any Excess Elective Deferrals that arise by taking into account only those Elective Deferrals made to this Plan and any other plans of this Employer. Excess Deferrals that are distributed after April 15 are includible in the Participant's gross income in both the taxable year in which deferred and the taxable year in which distributed. The Employer may also distribute to the Participant any deferrals, together with any income allocable thereto which the Participant has advised the Employer (in writing by March 1) represent excess deferrals because of amounts deferred by the Participant during the preceding calendar year under any other plans or arrangements described in Section 401(i), 408(k) or 403(b) of the Code.

For purposes of the above, "Excess Elective Deferrals" shall mean those Elective Deferrals that are includible in a Participant's gross income under Section 402(g) of the Code to the extent such Participant's Elective Deferrals for a taxable year exceed the dollar limitation under such Code section. Excess Elective Deferrals shall be treated as Annual Additions under the Plan, unless such amounts are distributed no later than the first April 15 following the close of Participant's taxable year.

Determination of income or loss: Excess Elective Deferrals shall be adjusted for any income or loss. The income or loss allocable to Excess Elective Deferrals is the income or loss allocable to the Participant's Elective Deferral Account for the taxable year multiplied by a fraction, the numerator of which is such Participant's Excess Elective Deferrals for the year and the denominator is the Participant's account balance attributable to Elective Deferrals without regard to any income or loss occurring during such taxable year.

### 3.2 Employer Contributions.

(a) Employer Match Contributions. Subject to the limitation on Annual Additions as described in Article V of the Plan, for any Plan Year, the Employer shall contribute to the Plan on behalf of each eligible Participant in the form of a Matching Contribution, an amount equal to a percentage of such Participant's Elective Deferral Contributions as established by the Employer. The Employer Match Contribution to be made by the Employer for each period shall be equal to fifty-five percent (55%) of each Participant's Elective Deferrals, provided that no Employer Match Contribution shall be made based upon a Participant's Employee Deferrals in excess of six percent (6%) of his Compensation for such period. The percentage matching rate and percentage of considered Compensation as stated in the preceding sentence shall continue in effect until otherwise changed by resolution of the Employer's Board of Directors. Matching Contributions made on behalf of a Participant, as adjusted for withdrawals thereof, investment gain and losses, and income or expenses, shall be credited to such Participant's Employer Match Account. Any Matching Contributions made under this Section 3.2(a) on behalf of a Participant during the Plan Year, which are attributable to Excess Deferrals, shall be deemed forfeited.

Employer Match Contributions shall be fully vested at all times.

(b) Additional Match Contributions. Subject to the limitation on Annual Additions as described in Article V of the Plan, for any Plan Year, the Employer may make an additional Matching Contribution to the Plan in such amount as the Employer may, in its discretion, determine. Any such Additional Match Contribution shall be made on behalf of each eligible Participant who was an Active Participant in the Plan at any time during the Plan for the Plan Year and who was an Employee on the last day of the Plan Year, and shall be allocated to each such eligible Participant's Additional Match Account in the same proportion as the Employer Match Contributions on behalf of such Participant bears to the Employer Match Contributions on behalf of all Participants. Additional Match Contributions made on behalf of a Participant, as adjusted for withdrawals thereof, investment gain and losses, and income or expenses, shall be credited to such Participant's Additional Match Account.

Additional Match Contributions shall be fully vested at all times.

(c) Payment. All Employer contributions made pursuant to this Section 3.2 of the Plan shall become due on the last day in such Plan Year, unless actually paid prior thereto. The Employer shall pay to the Trustee all Employer contributions not later than the due date (including extensions) of the Employer's federal income tax return for the taxable year ending with or within the Plan Year.

(d) Qualified Matching Contributions. The Employer may make Qualified Matching Contributions to the Plan. A separate account shall be established for that portion of a Participant's Accrued Benefit attributable to such Qualified Matching Contributions and such account shall be adjusted for withdrawals thereof, and investment gain and losses and income or expenses allocable thereto. A Participant shall at all times have a nonforfeitable interest in his Qualified Matching Contributions Account.

The Employer shall pay to the Trustee all Qualified Matching Contributions no later than thirty (30) days after the close of the Plan Year for

which such contributions are deemed to be made, or such other time as provided in applicable regulations under the Code.

**3.3 Contribution Limitation.** The Employer shall make all contributions to the Plan without regard to current or accumulated earnings and profits for the taxable year or years ending with or within such Plan Year. Notwithstanding the foregoing, the Plan shall continue to be designed to qualify as a profit sharing plan for purposes of Sections 401(a), 402 and 417 of the Code. In no event shall Employer contributions in the aggregate exceed fifteen percent (15%) of all Participants' compensation as reportable on the Participants' IRS Form W-2 or such greater amount deductible for federal income tax purposes under Section 404 of the Code.

**3.4 Payroll Taxes.** The Employer shall withhold from the Compensation of each Participant, any FICA or other payroll taxes as the Employer determines necessary with respect to salary deferral contributions.

**3.5 Rollovers and Transfers.**

(a) A Covered Employee may pay over to the Trust an amount which constitutes a qualified rollover contribution under Section 402(c) or 408(d)(3) of the Code.

(b) The Trustee may accept a direct transfer of funds, pursuant to Section 401(a)(31) of the Code from a plan which the Trustee reasonably believes to be qualified under Section 401(a) of the Code, in which a Covered Employee was a Participant.

(c) The Trustee may accept a transfer of funds from the ESOP pursuant to diversification elections of Participants under Section 401(a)(28) of the Code.

(d) Any such rollover or transfer to the Plan shall constitute a part of the Covered Employee's Accrued Benefit under the Plan, shall be accounted for separately and shall be fully vested at all times.

**3.6 Average Actual Deferral Percentage Test Under Section 401(k) of the Code.**

(a) **General Tests.** Notwithstanding any other provisions in the Plan, for any Plan Year, the Employer shall be permitted to limit the amount which may be deferred by any Highly Compensated Employee (as defined in Article I of the Plan) to the extent necessary to ensure that the Plan satisfies one of the following tests:

(i) The Average Actual Deferral Percentage for Eligible Participants who are Highly Compensated Employees for the Plan Year shall not exceed the Average Actual Deferral Percentage for Eligible Participants who are Non-Highly Compensated Employees for the Plan Year multiplied by 1.25; or

(ii) the Average Actual Deferral Percentage for Eligible Participants who are Highly Compensated Employees for the Plan Year shall not exceed the Average Actual Deferral Percentage for Eligible Participants who are Non-Highly Compensated Employees for the Plan Year multiplied by two (2), provided that the Average Actual Deferral Percentage for Eligible Participants who are Highly Compensated Employees does not exceed the Average Actual Deferral Percentage for Eligible Participants who are Non-Highly Compensated Employees by more than two (2) percentage points.

(b) **Definitions.** For purposes of this Section 3.6 of the Plan, the following definitions shall apply:

(i) **Actual Deferral Percentage (ADP)** shall mean, for a specified group of Participants for a Plan Year, the average of the ratio (calculated separately for each Participant in such group) of (1) the amount of Employer contributions actually paid over to the Trust on behalf of such Participant for the Plan Year to (2) the Compensation of the Participant while a Participant during such Plan Year. Employer contributions on behalf of any Participant shall include: (1) any Elective Deferrals made pursuant to the Participant's deferral election (including Excess Elective Deferrals of Highly Compensated Employees), but excluding (a) Excess Elective Deferrals of Non-Highly Compensated Employees that arise solely from Elective Deferrals made under the Plan or plans, of this Employer, and (b) Elective Deferrals that are taken into account in the Contribution Percentage Test (provided the ADP test is satisfied both with and without exclusion of these Elective Deferrals); and (2) at the election of the Employer, Qualified Non-Elective Contributions and Qualified Matching Contributions. For purposes of computing Actual Deferral Percentages, an Employee who would be a Participant but for the failure to make Elective Deferrals shall be treated as a Participant on whose behalf no Elective Deferrals are made.

(ii) **Average Actual Deferral Percentage** shall mean the average (expressed as a percentage) of the Actual Deferral Percentages of the Eligible Participants in a group of either Highly Compensated Employees or Non-Highly Compensated Employees.

(iii) **Eligible Participant** shall mean any Employee of the Employer who is otherwise eligible under the Plan to have Elective Deferrals or Qualified Non-Elective Contributions allocated to his account for the Plan Year.

(c) **Special Rules.** The following special rules shall apply for purposes of this Section 3.6:

(i) A Participant is a Highly Compensated Employee for a particular Plan Year if he or she meets the definition of a Highly Compensated Employee in effect for that Plan Year. Similarly, a Participant is a Non-Highly Compensated Employee for a particular Plan Year if he or she does not meet the definition of a Highly Compensated Employee in effect for that Plan Year.

(ii) The Actual Deferral Percentage for any Eligible Participant who is a Highly Compensated Employee for the Plan Year and who is eligible to have Elective Deferrals or Qualified Non-Elective Contributions or Qualified Matching Contributions allocated to his account under two or more plans, or arrangements, described in Section 401(k) of the Code that are maintained by the Employer or an Affiliated Employer shall be determined as if all such Elective Deferrals, Qualified Non-Elective Contributions and Qualified Matching Contributions were made under a single arrangement. If a Highly Compensated Employee participates in two or more cash or deferred arrangements that have different Plan Years, all cash or deferred arrangements ending with or within the same calendar year shall be treated as a single arrangement. Notwithstanding the foregoing, certain plans will be treated as separate if mandatorily disaggregated under regulations under Section 401(k) of the Code.

(iii) For purposes of determining the ADP test, Elective Deferrals, Qualified Non-Elective Contributions and Qualified Matching Contributions must be made before the last day of the 12-month period immediately following the Plan Year to which contributions relate.

(iv) The Employer shall maintain records sufficient to demonstrate satisfaction of the ADP test and the amount of Qualified Non-Elective Contributions or Qualified Matching Contributions, or both, used in such test.

(v) The determination and treatment of the Elective Deferrals, Qualified Non-Elective Contributions, Qualified Matching Contributions and Actual Deferral Percentage of any Participant shall satisfy such other requirements as may be prescribed by the Secretary of the Treasury.

(vi) In the event that this Plan satisfies the requirements of Section 401(k), 401(a)(4) or 410(b) of the Code only if aggregated with one or more other plans, or if one or more other plans satisfy the requirements of such sections of the Code only if aggregated with this Plan, then this Section shall be applied by determining the ADP of Employees as if all such plans were a single plan. Plans may be aggregated in order to satisfy Section 401(k) of the Code only if they have the same Plan Year and use the same ADP testing method.

(d) Distribution of Excess Contributions. Notwithstanding any other provisions of this Plan, Excess Contributions, plus any income and minus any loss allocable thereto, shall be distributed no later than the last day of each Plan Year to Participants to whose accounts such Excess Contributions were allocated for the preceding Plan Year. If such excess amounts are distributed more than 2 1/2 months after the last day of the Plan Year in which such excess amounts arose, a ten percent (10%) excise tax will be imposed on the Employer maintaining the Plan with respect to such amounts. Excess Contributions are allocated to the Highly Compensated Employees with the largest amounts of Employer contributions taken into account in calculating the ADP test for the year in which the excess arose, beginning with the Highly Compensated Employee with the largest amount of such Employer contributions and continuing in descending order until all the Excess Contributions have been allocated. For purposes of the preceding sentence, the "largest amount" is determined after distribution of any Excess Contributions.

Excess Contributions (including the amounts recharacterized) shall be treated as Annual Additions under the Plan.

Determination of Income or Loss: Excess Contributions shall be adjusted for any income or loss up to the date of distribution. The income or loss allocable to Excess Contributions allocated to each Participant is the income or loss allocable to the Participant's Elective Deferral Account (and, if applicable, the Qualified Non-Elective Contribution Account or the Qualified Matching Contribution Account or both) for the Plan Year up to the date of distribution multiplied by a fraction, the numerator of which is such Participant's Excess Contributions for the year and the denominator is the Participant's account balance attributable to Elective Deferrals (and Qualified Non-Elective Contributions or Qualified Matching Contributions, or both, if any of such contributions are included in the ADP test) without regard to any income or loss occurring during such Plan Year.

Accounting for Excess Contributions: Excess Contributions allocated to a Participant shall be distributed from the Participant's Elective Deferral Account and Qualified Matching Contribution Account (if applicable) in proportion to the Participant's Elective Deferrals and Qualified Matching Contributions (to the extent used in the ADP test) for the Plan Year. Excess Contributions shall be distributed from the Participant's Qualified Non-Elective Contribution Account only to the extent that such Excess Contributions exceed the balance in the Participant's Elective Deferral Account and Qualified Matching Contribution Account.

For purposes of this Section, "Excess Contributions" shall mean, with respect to any Plan Year, the excess of:

(i) The aggregate amount of Employer Contributions actually taken into account in computing the ADP of Highly Compensated Employees for such Plan Year, over

(ii) The maximum amount of such contributions permitted by the ADP test (determined by hypothetically reducing contributions made on behalf of Highly Compensated Employees in order of the ADPs, beginning with the highest of such percentages).

(e) Qualified Non-Elective Contributions. In lieu of distributing Excess Contributions as provided in Section 3.6(d) above, the Employer may make Qualified Non-Elective Contributions on behalf of Employees that are sufficient to satisfy the Actual Deferral Percentage test. In addition, in lieu of distributing Excess Aggregate Contributions as provided in Section 3.7 of the Plan, the Employer may make Qualified Non-Elective Contributions on behalf of Non-Highly Compensated Employees that are sufficient to satisfy either the Actual Deferral Percentage test or the Average Contribution Percentage test, or both, pursuant to regulations under the Code.

For purposes of this Section, "Qualified Non-Elective Contributions" shall mean contributions (other than Matching Contributions or Qualified Matching Contributions) made by the Employer and allocated to Participant's accounts that the Participant may not elect to receive in cash until distributed from the Plan, that are fully vested when made and that are distributable only in accordance with the distribution provisions that are applicable to Elective Deferrals and Qualified Matching Contributions.

### 3.7 Limitations on Employee Contributions and Employer Matching Contributions.

(a) General Tests. Notwithstanding any other provisions in the Plan, for any Plan Year, the Employer shall be permitted to limit the contributions, as described in Section 3.2 of the Plan, for any Highly Compensated Employee to the extent necessary to ensure that the Plan satisfies one of the following tests:

(i) the Average Contribution Percentage for Eligible Participants who are Highly Compensated Employees for the Plan Year shall not exceed the Average Contribution Percentage for Eligible Participants who are Non-Highly Compensated Employees for the Plan Year multiplied by 1.25; or

(ii) the Average Contribution Percentage for Eligible Participants who are Highly Compensated Employees for the Plan Year shall not exceed the Average Contribution Percentage for Eligible Participants who are Non-Highly Compensated Employees for the Plan Year multiplied by two (2), provided that the Average Contribution Percentage for Eligible Participants who are Highly Compensated Employees does not exceed the Average Contribution Percentage for Eligible Participants who are Non-Highly Compensated Employees by more than two (2) percentage points.

(b) Definitions. For purposes of this Section 3.7 of the Plan, the following definitions shall apply:

(i) Average Contribution Percentage (ACP) shall mean the average (expressed as a percentage) of the Contribution Percentages of the Eligible Participants in a group.

(ii) Contribution Percentage shall mean the ratio (expressed as a percentage) of the Participant's Contribution Percentage Amounts to the Compensation of the Participant while a Participant during the Plan Year.

(iii) Eligible Participant shall mean any Employee who is eligible to make Employee Contributions or an Elective Deferral (if the Employer takes such contributions into account in the calculation of the Contribution Percentage) or to receive a Matching Contribution (including forfeitures) or a Qualified Matching Contribution. If an Employee Contribution is required as a condition of participation in the Plan, any Employee who would be a Participant in the Plan if such Employee made such a contribution shall be treated as an Eligible Participant on behalf of whom no Employee Contributions were made.

(iv) Aggregate Limit shall mean the sum of (1) 125% of the greater of the Average Deferral Percentage of the Non-Highly Compensated Employees for the Plan Year or the Average Contribution Percentage of Non-Highly Compensated Employees under the Plan subject to Section 401(m) of the Code for the Plan Year beginning with or within the Plan Year of the CODA and (2) the lesser of 200% or two plus the lesser of such Average Deferral Percentage or Average Contribution Percentage.

(v) Contribution Percentage Amounts shall mean the sum of the Employee Contributions, Matching Contributions and Qualified Matching Contributions (to the extent not taken into account for purposes of the Average Deferral Percentage test) made under the Plan on behalf of the Participant for the Plan Year. Such Contribution Percentage Amounts shall not include Matching Contributions that are forfeited either to correct Excess Aggregate Contributions or because the contributions to which they relate are Excess Deferrals, Excess Contributions or Excess Aggregate Contributions. The Employer may include Qualified Non-Elective Contributions in the Contribution Percentage Amounts. The Employer also may elect to use Elective Deferrals in the Contribution Percentage Amounts so long as the Average Deferral Percentage test is met before the Elective Deferrals are used in the Actual Deferral Percentage test and continues to be met following the exclusion of those Elective Deferrals that are used to meet the Actual Deferral Percentage test.

(vi) Employee Contribution shall mean any contribution made to the plan by or on behalf of a Participant that is included in the Participant's gross income in the year in which made and that is maintained under a separate account to which earnings and losses are allocated.

(vii) Matching Contribution shall mean an Employer contribution made to this or any other defined contribution plan on behalf of a Participant on account of an Employee Contribution made by such Participant, or on account of a Participant's Elective Deferral, under a plan maintained by the Employer.

(c) Special Rules. The following special rules shall apply for purposes of this Section 3.7:

(i) A Participant is a Highly Compensated Employee for a particular Plan Year if he or she meets the definition of a Highly Compensated Employee in effect for that Plan Year. Similarly, a Participant is a Non-Highly Compensated Employee for a particular Plan Year if he or she does not meet the definition of a Highly Compensated Employee in effect for that Plan Year.

(ii) For purposes of this Section, the Contribution Percentage for any Eligible Participant who is a Highly Compensated Employee for the Plan

Year and who is eligible to have Contribution Percentage Amounts allocated to his or her account under two or more plans described in Section 401(a) of the Code or arrangements described in Section 401(k) of the Code that are maintained by the Employer or an Affiliated Employer shall be determined as if the total of such Contribution Percentage Amounts was made under each plan. If a Highly Compensated Employee participates in two or more cash or deferred arrangements that have different Plan Years, all cash or deferred arrangements ending with or within the same calendar year shall be treated as a single arrangement. Notwithstanding the foregoing, certain plans shall be treated as separate if mandatorily disaggregated under regulations under Section 401(m) of the Code.

(iii) In the event that this Plan satisfies the requirements of Section 401(m), 401(a)(4) or 410(b) of the Code only if aggregated with one or more other plans, or if one or more other plans satisfy the requirements of Section 401(b) of the Code only if aggregated with this Plan, then this Section 3.7 of the Plan shall be applied by determining the contribution percentages of Eligible Participants as if all such plans were a single plan. Plans may be aggregated in order to satisfy Section 401(m) of the Code only if they have the same Plan Year and use the same ACP testing method.

(iv) Multiple Use: If one or more Highly Compensated Employees participate in both a CODA and a plan subject to the Average Contribution Percentage test maintained by the Employer and the sum of the Average Deferral Percentage and Average Contribution Percentage of those Highly Compensated Employees subject to either or both test exceeds the Aggregate Limit, then the Average Contribution Percentage of those Highly Compensated Employees who also participate in a CODA will be reduced (beginning with such Highly Compensated Employee whose Average Contribution Percentage is the highest) so that the limit is not exceeded. The amount by which each Highly Compensated Employee's Contribution Percentage Amounts is reduced shall be treated as an Excess Aggregate Contribution. The Average Deferral Percentage and Average Contribution Percentage of the Highly Compensated Employees are determined after any corrections required to meet the Average Deferral Percentage and Average Contribution Percentage tests. Multiple use does not occur if both the Average Deferral Percentage and Average Contribution Percentage of the Highly Compensated Employees does not exceed 1.25 multiplied by the Average Deferral Percentage and Average Contribution Percentage of the Non-Highly Compensated Employees.

(v) For purposes of determining the Contribution Percentage test, Employee Contributions are considered to have been made in the Plan Year in which contributed to the Trust. Matching Contributions and Qualified Non-Elective Contributions will be considered made for a Plan Year if made no later than the end of the twelve-month period beginning on the day after the close of the Plan Year.

(vi) The Employer shall maintain records sufficient to demonstrate satisfaction of the ACP test and the amount of Qualified Non-Elective Contributions or Qualified Matching Contributions, or both, used in such test.

(vii) The determination and treatment of the Contribution Percentage of any Participant shall satisfy such other requirements as may be prescribed by the Secretary of the Treasury.

(d) Distribution of Excess Aggregate Contributions. Notwithstanding any other provision of this Plan, Excess Aggregate Contributions, plus any income and minus any loss allocable thereto, shall be forfeited, if forfeitable, or if not forfeitable, distributed no later than the last day of each Plan Year to Participants to whose accounts such Excess Aggregate Contributions were allocated for the preceding Plan Year. Excess Aggregate Contributions are allocated to the Highly Compensated Employees with the largest Contribution Percentage Amounts taken into account in calculating the ACP test for the year in which the excess arose, beginning with the Highly Compensated Employee with the largest amount of such Contribution Percentage Amounts and continuing in descending order until all the Excess Aggregate Contributions have been allocated. For purposes of the preceding sentence, the "largest amount" is determined after distribution of any Excess Aggregate Contributions. If such Excess Aggregate Contributions are distributed more than 2 1/2 months after the last day of the Plan Year in which such excess amounts arose, a ten percent (10%) excise tax will be imposed on the Employer maintaining the Plan with respect to those amounts. Excess Aggregate Contributions shall be treated as Annual Additions under the Plan.

Determination of Income or Loss: Excess Aggregate Contributions shall be adjusted for any income or loss up to the date of distribution. The income or loss allocable to Excess Aggregate Contributions allocated to each Participant is the income or loss allocable to the Participant's Matching Contribution Account, Qualified Matching Contribution Account (if any, and if all amounts therein are not used in the ADP test) and, if applicable, Qualified Non-Elective Contribution Account and Elective Deferral Account for the Plan Year up to the date of distribution multiplied by a fraction, the numerator of which is such Participant's Excess Aggregate Contributions for the year and the denominator is the Participant's account balance(s) attributable to Contribution Percentage Amounts without regard to any income or loss occurring during such Plan Year.

Forfeitures of Excess Aggregate Contributions: Forfeitures of Excess Aggregate Contributions shall be applied to reduce Employer contributions.

Accounting for Excess Aggregate Contributions: Excess Aggregate Contributions allocated to a Participant shall be forfeited, if forfeitable, or distributed on a pro rata basis from the Matching Contribution Account and Qualified Matching Contribution Account (and, if applicable, the Participant's Qualified Non-Elective Contribution Account or Elective Deferral Account, or both).

For purposes of this Section, "Excess Aggregate Contributions" shall mean, with respect to any Plan Year, the excess of:

(i) The aggregate Contribution Percentage Amounts taken into account in computing the numerator of the Contribution Percentage actually made on behalf of Highly Compensated Employees for such Plan Year, over

(ii) The maximum Contribution Percentage Amounts permitted by the ACP test (determined by hypothetically reducing contributions made on behalf of Highly Compensated Employees in order of their Contribution Percentages beginning with the highest of such percentages).

Such determination shall be made after first determining Excess Elective Deferrals pursuant to Section 3.1 and then determining Excess Contributions pursuant to Section 3.6.

#### **ARTICLE IV ALLOCATION OF FUNDS**

4.1 Allocation of Employer Contributions. Employer Match Contributions made pursuant to Section 3.2(a) of the Plan shall be allocated to the Employer Match Accounts of the Participants for whom such contributions are made. Additional Match Contributions made pursuant to Section 3.2 of the Plan shall be allocated to the Additional Match Accounts of the Participants for whom such contributions are made.

4.2 Allocation of Net Earnings or Losses of the Trust. Subject to the provisions of Section 3.1 of the Trust Agreement, as of each Valuation Date, the net earnings or losses of the Trust, including capital gains and losses whether or not realized, since the preceding Valuation Date shall be allocated to the Accrued Benefit of all Participants (or Beneficiaries) in accordance with the ratio which the Accrued Benefit of each Participant bears to the aggregate of all such Accrued Benefits; provided, however, that earnings or losses of accounts for which Participants direct investment shall be specifically allocated to such accounts.

4.3 Valuations. In determining the earnings or losses of the Trust, as of each Valuation Date the Trust shall be valued at fair market value.

4.4 Accounting for Distributions. All withdrawals of Participant contributions, all distributions made to a Participant or his Beneficiary, and any transfers to another qualified plan shall be charged to the appropriate subaccount of the Participant's Accrued Benefit.

4.5 Separate Accounts. A separate account shall be established and maintained to reflect the Accrued Benefit for each Participant, with subaccounts to separately show the division described in Section 1.1 of the Plan.

4.6 Investment of Funds.

(a) Investment Control. Subject to the provisions of subsections (b), (c), (d) and (e) below, and only to the extent accepted by the Trustee, the management and control of the Trust shall be vested in the Trustee.

(b) Investment Limitations. The Trustee shall invest all funds received from the Employer and all Fund earnings in the Investment Options in the manner from time to time directed in writing by the Employer.

(c) Participant Directed Investments.

(i) Participants, subject to such reasonable restrictions as the Employer or Sponsor may impose for administrative convenience, may designate what percentage of all contributions other than Employer Match Contributions, and all accounts other than Employer Match Accounts, Additional Match Accounts and Qualified Matching Contribution Accounts will be invested in the Investment Options.

(ii) Employer Match Contributions, Employer Match Accounts, Additional Match Accounts, and Qualified Matching Contribution Accounts shall be invested entirely in Company Stock; provided, however, that a Participant who has attained age fifty-five (55) may direct the investment of the balances in such accounts.

(d) Participant Election. If a Participant does not make a written designation of an Investment Option, the Employer shall direct the Trustee to invest all amounts held or received on account of such Participant in the Investment Option which in the opinion of the Employer best protects principal.

(e) Employer Securities. Participants may direct that contributions will be invested in Qualifying Employer Securities (within the meaning of Section 407(d)(5) of ERISA), subject to such restrictions as the Employer or the Trustee may impose for administrative convenience or legal compliance. Participants must provide such directions in a form satisfactory to the Trustee.

(f) Facilitation. Notwithstanding any instruction from any Participant for investment of funds in an Investment Option as provided for herein, the Trustee shall have the right to hold uninvested any amounts intended for investment until such time as investment may be made in accordance with subsection (b), (c) or (e) above and the Trust Agreement.

#### **ARTICLE V LIMITATION ON ALLOCATIONS**

5.1 Participants Not Covered Under Other Plans.



(a) If the Participant does not participate in, and has never participated in another qualified plan maintained by the Employer, or a welfare benefit fund (as defined in Section 419(e) of the Code) maintained by the Employer, or an individual medical account (as defined in Section 415(1)(2) of the Code), maintained by the Employer, which provides an Annual Addition (as defined in Section 5.4 below), the amount of Annual Additions which may be credited to the Accrued Benefit of the Participant for any Limitation Year shall not exceed the lesser of the Maximum Permissible Amount or any other limitation contained in this Plan. If contributions for and/or allocations to the Accrued Benefit of the Participant would cause the Annual Additions for the Limitation Year to exceed the Maximum Permissible Amount, the amount contributed or allocated will be reduced so that the Annual Additions for the Limitation Year will equal the Maximum Permissible Amount.

(b) Prior to determining a Participant's actual Compensation for the Limitation Year, the Employer may determine the Maximum Permissible Amount for the Participant on the basis of a reasonable estimation of the Participant's Compensation for the Limitation Year, uniformly determined for all participants similarly situated.

(c) As soon as is administratively feasible after the end of the Limitation Year, the Maximum Permissible Amount for the Limitation Year will be determined on the basis of the Participant's actual Compensation for the Limitation Year.

(d) If, for any Limitation Year the maximum Annual Additions is exceeded by reason of allocation of forfeitures, a reasonable error in estimating a Participant's Compensation, a reasonable error in determining the amount of Elective Deferrals or under other limited facts and circumstances approved by the Internal Revenue Service, then, any such excess shall be disposed of in the following order:

(i) any non-deductible voluntary employee contributions, and any income attributable thereto, to the extent they would reduce the excess amount, shall be returned to the Participant;

(ii) if after the application of paragraph (i) an excess amount still exists, elective deferrals, and any income attributable thereto, to the extent they would reduce the excess amount, shall be returned to the Participant;

(iii) if after the application of paragraph (ii) an excess amount still exists, and the Participant is covered by the Plan at the end of the Limitation Year, the excess amount in the Participant's account shall be used to reduce Employer contributions (including any allocation of forfeitures) for such Participant in the next Limitation Year, and each succeeding Limitation Year, if necessary;

(iv) if after the application of paragraph (ii) an excess amount still exists, and the Participant is not covered by the Plan at the end of the Limitation Year, the excess amount shall be held unallocated in a suspense account. The suspense account shall be used to reduce future Employer contributions (including allocations of any forfeitures) for all remaining Participants in the next Limitation Year, and each succeeding Limitation Year if necessary;

(v) if a suspense account is in existence at any time during the Limitation Year pursuant to this Section, no investment gains or losses or other income may be allocated to such suspense account, and amounts held in the account may not be distributed to the Participants or Beneficiaries. Any balance which may be in the account upon termination of the Plan shall revert to the Employer. If a suspense account is in existence at any time during a particular Limitation Year, all amounts in the suspense account must be allocated and reallocated to Participants' accounts before any Employer or any Employee contributions may be made to the Plan for that Limitation Year. Excess amounts may not be distributed to Participants or former Participants.

## 5.2 Participants Covered Under Other Defined Contribution Plans.

(a) This Section applies if, in addition to this Plan, the Participant is covered under another qualified master or prototype defined contribution plan maintained by the Employer, a welfare benefit fund (as defined in Section 419(e) of the Code) maintained by the Employer, or an individual medical account (as defined in Section 415(1)(2) of the Code) maintained by the Employer, which provides an Annual Addition as defined in Section 5.4(a), during any Limitation Year. The Annual Additions which may be credited to the Accrued Benefit of a Participant under this Plan for any such Limitation Year shall not exceed the Maximum Permissible Amount reduced by the Annual Additions credited to the Accrued Benefit of a Participant under the other plans and welfare benefit funds for the same Limitation Year. If the Annual Additions with respect to the Participant under other defined contribution plans and welfare funds maintained by the Employer are less than the Maximum Permissible Amount and the Employer contributions that would otherwise be contributed or allocated to the Accrued Benefit of the Participant under this plan would cause the Annual Additions for the Limitation Year to exceed the Maximum Permissible Amount, the amount contributed or allocated will be reduced so that the Annual Additions under all plans and funds for the Limitation Year shall equal the Maximum Permissible Amount. If Annual Additions with respect to the Participant under such other defined contribution plans and welfare benefit funds in the aggregate are equal to or greater than the Maximum Permissible Amount, no amount will be contributed or allocated to the Accrued Benefit of the Participant under this Plan for the Limitation Year.

(b) Prior to determining the Participant's actual Compensation for the Limitation Year, the Employer may determine the Maximum Permissible Amount for a Participant in the manner described in Section 5.1(b).

(c) As soon as administratively feasible after the end of the Limitation Year, the Maximum Permissible Amount for the Limitation Year shall be determined on the basis of the Participant's actual Compensation for the Limitation Year.

(d) If pursuant to Section 5.2(c) or as a result of the allocation of forfeitures, a Participant's Annual Additions under this Plan and such other

plans would result in an excess amount for a Limitation Year, the excess amount shall be deemed to consist of the Annual Additions last allocated, except that Annual Additions attributable to a welfare benefit fund or individual medical account will be deemed to have been allocated first regardless of the actual allocation date.

(e) If an excess amount was allocated to a Participant on an allocation date of this Plan which coincides with an allocation date of another plan, the excess amount attributed to this Plan will be the product of:

(i) the total excess amount allocated as of such date,

(ii) the ratio of (1) the Annual Additions allocated to the Participant for the Limitation Year as of such date under this Plan to (2) the total Annual Additions allocated to the Participant for the Limitation Year as of such date under this and all the other qualified master or prototype defined contributions plans.

(f) Any excess amount attributed to this Plan shall be disposed of in the manner described in Section 5.1(d).

(g) If the Participant is covered under another qualified defined contribution plan maintained by the Employer which is not a master or prototype plan, Annual Additions which may be credited to the Participant's account under this Plan for any Limitation Year will be limited in accordance with Sections (a) through (f) above as though the other plan were a master or prototype plan.

**5.3 Participants Covered Under Both Defined Benefit and Defined Contribution Plans.** If the Employer maintains, or at any time maintained, a qualified defined benefit plan covering any Participant in this Plan, the sum of the Participant's Defined Benefit Fraction and Defined Contribution Fraction shall not exceed 1.0 in any Limitation Year. If the combined fraction exceeds 1.0 for any Plan Year, the Participant's benefit under any defined benefit plan (to the extent it has not been distributed or used to purchase an annuity contract) shall be limited so that the combined fraction does not exceed 1.0 before any defined contribution limits shall be enforced.

This Section 5.3 shall not apply for Limitation Years beginning on or after January 1, 2000.

**5.4 Definitions.** For purposes of Section 5.1 through 5.3, the following definitions shall apply:

(a) Annual Additions shall mean the sum of the following amounts credited to a Participant's Account for the Limitation Year:

(i) Employer contributions,

(ii) Employee contributions excluding rollovers and plan-to-plan transfers under Section 3.5,

(iii) forfeitures,

(iv) amounts allocated to an individual medical account, as defined in Section 415(1)(2) of the Code, which is part of a pension or annuity plan maintained by the Employer, and

(v) amounts derived from contributions which are attributable to post-retirement medical benefits, allocated to the separate account of a Key Employee, as defined in Section 419A(d)(3) of the Code, under a welfare benefit fund, as defined in Section 419(e) of the Code, maintained by the Employer.

For this purpose, any excess amount applied under Section 5.1 or 5.2 in the Limitation Year to reduce Employer contributions will be considered Annual Additions for such Limitation Year.

(b) Compensation for purposes of this Article V shall mean a Participant's Earned Income, wages, salaries and fees for professional services and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the Employer maintaining the Plan to the extent that the amounts are includible in gross income (including, but not limited to, commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits, and reimbursements or other expense allowances under a nonaccountable plan (as described in Regulation Section 1.62-2(c)), and excluding the following:

(i) Employer contributions to a plan of deferred compensation which are not includible in the Employee's gross income for the taxable year in which contributed, or Employer contributions under a simplified employee pension plan to the extent such contributions are deductible by the Employee, or any distributions from a plan of deferred compensation;

(ii) amounts realized from the exercise of a non-qualified stock option, or when restricted stock (or property) held by the Employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;

(iii) amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option; and

(iv) other amounts which received special tax benefits, or contributions made by the Employer (whether or not under a salary reduction agreement) towards the purchase of an annuity described in Section 403(b) of the Code (whether or not the amounts are actually excludible from the gross income of the Employee).

For purposes of applying the limitations of this Article, Compensation for a Limitation Year is the Compensation actually paid or includible in gross income during such year.

Notwithstanding the above, Compensation for a Participant who is permanently and totally disabled (as defined in Code Section 22(e)(3)) is the Compensation such Participant would have received for the Limitation Year if the Participant had been paid at the rate of Compensation paid immediately before becoming permanently and totally disabled; for Limitation Years beginning before January 1, 1997, such imputed Compensation for the disabled Participant may be taken into account only if the Participant is not a Highly Compensated Employee (as defined in Section 1.37 of the Plan) and contributions made on behalf of such Participant are nonforfeitable when made.

For purposes of applying the limitations of this Section, Compensation paid or made available during such Limitation Year shall include any elective deferral (as defined in Code Section 401(g)(3)), and any amount which is contributed or deferred by the Employer at the election of the Employee and which is not includible in the gross income of the Employee by reason of Code Section 125 or 457.

(c) Defined Benefit Fraction shall mean a fraction, the numerator of which is the sum of the Participant's projected annual benefit under all defined benefit plans (whether or not terminated) maintained by the Employer, and the denominator of which is the lesser of 125% of the dollar limitation in effect for the Limitation Year under Section 415(b) and (d) of the Code or one hundred forty percent (140%) of the Highest Average Compensation including any adjustments under Section 415(b) of the Code.

Notwithstanding the above, if the Participant was a Participant as of the first day of the first Limitation Year beginning after December 31, 1986, in one or more defined benefit plans maintained by the Employer which were in existence on May 6, 1986, the denominator of this fraction will not be less than 125% of the sum of the annual benefits under such plans which the Participant had accrued as of the close of the last Limitation Year beginning before January 1, 1987, disregarding any changes in the terms and conditions of the Plan after May 5, 1986. The preceding sentence applies only if the defined benefit plans individually and in the aggregate satisfied the requirements of Section 415 of the Code for all Limitation Years beginning before January 1, 1987.

(d) Defined Contribution Dollar Limitation shall mean \$30,000, as adjusted under Code Section 415(d).

(e) Defined Contribution Fraction shall mean a fraction, the numerator of which is the sum of the Annual Additions to the Participant's account under all defined contribution plans (whether or not terminated) maintained by the Employer for the current and all prior Limitation Years (including the annual Additions attributable to the Participant's nondeductible Employee Contributions to all defined benefit plans, whether or not terminated, maintained by the Employer and the annual Additions attributable to all welfare benefit funds, as defined in Section 419(e) of the Code, and individual medical accounts, as defined in Section 415(1)(2) of the Code, maintained by the Employer), and the denominator of which is the sum of the maximum aggregate amount for the current and all prior Limitation Years of Service with the Employer (regardless of whether a defined contribution plan was maintained by the Employer). The maximum aggregate amount in any Limitation Year is the lesser of one hundred twenty-five percent (125%) of the dollar limitation determined under Section 415(b) and (d) of the Code or thirty-five percent (35%) of the Participant's Compensation for such year.

If the Employee was a Participant as of the end of the first day of the first Limitation Year beginning after December 31, 1986, in one or more defined contribution plans maintained by the Employer which were in existence on May 6, 1986, the numerator of this fraction will be adjusted if the sum of this fraction and the defined benefit fraction would otherwise exceed 1.0 under the terms of this Plan. Under the adjustment, an amount equal to the product of (1) the excess of the sum of the fractions over 1.0 times (2) the denominator of this fraction, will be permanently subtracted from the numerator of this fraction. The adjustment is calculated using the fractions as they would be computed as of the end of the last Limitation Year beginning before January 1, 1987, and disregarding any changes in the terms and conditions of the Plan made after May 5, 1986, but using the Section 415 limitation applicable to the first Limitation Year beginning on or after January 1, 1987.

Annual Additions for any Limitation Year beginning before January 1, 1987, shall not be recomputed to treat all Employees Contributions as an Annual Addition.

(f) Employer shall mean the Employer that adopts this Plan, and all members of a controlled group of corporations (as defined in Section 414(b) of the Code as modified by Section 415(h) of the Code), all commonly controlled trades or businesses (as defined in Section 414(c) of the Code as modified by Section 415(h) of the Code) or affiliated service groups (as defined in Section 414(m) of the Code) of which the adopting Employer is a part and any other entity required to be aggregated with the Employer pursuant to regulations under Section 414(o) of the Code.

(g) Excess Amount shall mean the excess of the Participant's Annual Additions for the Limitation Year over the Maximum Permissible Amount.

(h) Highest Average Compensation shall mean the average Compensation for the three consecutive Years of Service (as measured by the Limitation Year) with the Employer that produces the highest average.

(i) Limitation Year shall mean the calendar year. If the Limitation Year is amended to a different 12 consecutive month period, the new Limitation Year must begin on a date within the Limitation Year in which the amendment is made.

(j) Maximum Permissible Amount shall mean the maximum Annual Additions that may be contributed or allocated to a Participant's account under this Plan for any Limitation Year shall not exceed the lesser of:

(i) the defined contribution dollar limitation, or

(ii) twenty-five percent (25%) of the Participant's Compensation for the Limitation Year.

The Compensation limitation referred to in (ii) above shall not apply to any contribution for medical benefits (within the meaning of Code Section 401(h) or 419A(f)(2)) which is otherwise treated as an Annual Addition under Section 415(l)(1) or 419A(d)(2) of the Code.

If a short Limitation Year is created because of an amendment changing the Limitation Year to a different twelve (12) consecutive month period, the Maximum Permissible Amount shall not exceed the defined contribution dollar limitation, multiplied by the following fraction:

Number of months in the short Limitation Year

12

(k) Projected Annual Benefit shall mean the annual retirement benefit (adjusted to an actuarially equivalent straight life annuity if such benefit is expressed in a form other than a straight life annuity or qualified joint and survivor annuity) to which a Participant would be entitled under the terms of the Plan assuming:

(i) The Participant will continue employment until the Normal Retirement Age under the Plan (or current age if later), and

(ii) the Participant's Compensation for the current Limitation Year and all other relevant factors used to determine benefits under the Plan remain constant for all future Limitation Years.

## **ARTICLE VI**

### **ENTITLEMENT TO BENEFITS**

6.1 Retirement. A Participant shall be deemed to have reached retirement upon his termination of employment on or after reaching his Normal Retirement Date.

As of his Distribution Date, a retired Participant shall be entitled to the full value of his Accrued Benefit, which shall be deemed to be one hundred percent (100%) vested and nonforfeitable upon reaching his Normal Retirement Date whether or not the Participant continues his employment with the Employer beyond such date.

6.2 Disability. In the event that a Participant, at any time prior to his retirement or other termination of employment with the Employer, shall become totally and permanently disabled, and if proof of such disability satisfactory to the Employer is furnished (which proof shall include a determination of approval for Social Security benefits or, if such is not available, a written statement of a licensed physician appointed or approved by the Employer), then, as of his Distribution Date, such Participant shall be entitled to the full value of his Accrued Benefit which shall be deemed to be one hundred percent (100%) vested and nonforfeitable. For purposes of this Section 6.2, total and permanent disability shall mean the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of at least twelve (12) months.

6.3 Death. In the event of the death of a Participant prior to his retirement, disability or other termination of employment with the Employer, the full value of his Accrued Benefit, which shall be deemed to be one hundred percent (100%) vested and nonforfeitable shall become payable (according to the provisions of Article VII of the Plan), to his designated Beneficiary, upon submission of proof of death satisfactory to the Employer.

6.4 Termination of Employment. In the event a Participant terminates employment with the Employer for any reason other than retirement, disability or death, such Participant shall become entitled to the vested portion of his Accrued Benefit, payable according to the provisions of Article VII of the Plan, which shall be determined as follows:

(a) A Participant shall at all times be one hundred percent (100%) vested in the portion of his Accrued Benefit derived from his Elective Deferral Account, Qualified Non-Elective Contribution Account, Qualified Matching Contribution Account and Rollover/ Transfer Account.

(b) A Participant shall at all times be one hundred percent (100%) vested in the portion of his Accrued Benefit derived from his Employer Contribution Accounts.

## 6.5 Other Permitted Distributions.

(a) **Hardship.** In addition to the in-service withdrawals described in Section 7.9, where applicable, distributions of Elective Deferrals (and earnings thereon accrued as of December 31, 1988), amounts from the Participant's Rollover/Transfer Account and amounts from the Participant's Frozen Accounts (other than earnings on a Frozen Pre-Tax Account, and on any "Employer Contribution Account" in a Frozen Other Contribution Account, allocated after December 31, 1988) may be made on account of financial hardship if the distribution is necessary in light of the immediate and heavy financial needs of the Participant. Notwithstanding the preceding, for Plan Years beginning after December 31, 1988, amounts attributable to Qualified Non-Elective Contributions and Qualified Matching Contributions may not be distributed merely on account of hardship. Also, income allocated to Elective Deferrals, Frozen Pre-Tax Accounts and any "Employer Contribution Account" within Frozen Other Employer Accounts after December 31, 1988 may not be distributed on account of hardship. For purposes of this Section, hardship is defined as an immediate and heavy financial need of the Employee where such Employee lacks other available resources.

(i) The following are the only financial needs considered immediate and heavy: unreimbursable medical care expenses (within the meaning of Section 213(d) of the Code) incurred (or to be incurred) by the Employee, the Employee's spouse, children or dependents (as defined in Code Section 152); the purchase (excluding mortgage payments) of a principal residence of the Employee; payment of unreimbursable tuition and related educational fees for the next twelve months of post-secondary education for the Employee, the Employee's spouse, children or dependents (as defined in Code Section 152); the payment of funeral expenses for an Employee's family member; or the need to prevent the eviction of the Employee from, or a foreclosure on the mortgage of, the Employee's principal residence.

(ii) A distribution will be considered as necessary to satisfy an immediate and heavy financial need of the Employee only if:

- (1) The Employee has obtained all distributions, other than hardship distributions, and all nontaxable loans under all plans maintained by the Employer;
- (2) All plans maintained by the Employer provide that the Employee's Elective Deferrals (and Employee Contributions) will be suspended for twelve months after the receipt of the hardship distribution;
- (3) The distribution is not in excess of the amount of an immediate and heavy financial need (including amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution); and
- (4) All plans maintained by the Employer provide that the Employee may not make Elective Deferrals for the Employee's taxable year immediately following the taxable year of the hardship distribution in excess of the applicable limit under Section 402(g) of the Code for such taxable year less the amount of such Employee's Elective Deferrals for the taxable year of the hardship distribution.

(iii) Processing of applications and distributions of amounts under this Section, on account of a bona fide financial hardship, must be made as soon as administratively feasible.

(iv) There is no minimum amount for a hardship withdrawal, and there is no restriction on the number of hardship withdrawals permitted to a Participant.

(b) **Attainment of Age 59 1/2.**

(i) A Participant shall be permitted to withdraw all or a portion of his vested Accrued Benefit under the Plan, on or after the attainment of age 59 1/2.

(ii) There is no minimum amount for an age-59 1/2 withdrawal, and there is no restriction on the number of age-59 1/2 withdrawals permitted to a Participant.

(c) **Distribution Upon Plan Termination.** The full value of a Participant's Accrued Benefit shall be distributed to the Participant (or his Beneficiary) as soon as administratively feasible after the termination of the Plan, provided that neither the Employer nor an Affiliated Employer maintains a successor plan.

(d) **Distribution Upon Sale of Assets.** The full value of a Participant's Accrued Benefit may at the Participant's discretion be distributed to the Participant as soon as administratively feasible after the sale, to an entity that is not an Affiliated Employer, of substantially all of the assets used by the Employer in the trade or business in which the Participant is employed. If such entity continues to maintain this Plan, this provision shall not apply with respect to Employees who continue employment with the entity acquiring such assets.

(e) **Distribution Upon Sale of Subsidiary.** The full value of a Participant's Accrued Benefit may at the Participant's discretion be distributed to the Participant as soon as administratively feasible after the sale, to an entity that is not an Affiliated Employer, of an incorporated Affiliated Employer's interest in a subsidiary of which the Participant is employed. If such entity continues to maintain this Plan, this provision shall not apply with respect to Employees who continue employment with such subsidiary.

## ARTICLE VII

### DISTRIBUTION OF BENEFITS

7.1 General. The requirements of this Article shall apply to any distribution of a Participant's interest and will take precedence over any inconsistent provisions of this Plan.

All distributions required under this Article shall be determined and made in accordance with the Income Tax Regulations under Section 401(a)(9), including the minimum distribution incidental benefit requirement of Regulations Section 1.401(a)(9)-2.

7.2 Method of Distribution. A Participant may elect to have his Accrued Benefit distributed in the following manner:

- (a) a single lump sum;
- (b) a portion paid in a lump sum, and the remainder paid later (partial payment);
- (c) periodic installments over a period not to exceed fifteen (15) years; or
- (d) only with respect to a Participant's Frozen Accounts, a single life annuity, a single life annuity with a five (5) year or ten (10) year term certain or a joint and 50% or 100% survivor annuity.

Any annuity option with respect to Frozen Accounts permitted and selected by a Participant shall be provided through the purchase of a non-transferable single premium contract from an insurance company which must conform to the terms of the Plan and which shall be distributed to the Participant or Beneficiary in complete satisfaction of the benefit due.

In the absence of an election by the Participant, distribution will be made in a lump sum payment in cash.

Notwithstanding any other provision of this Article VII, and except with respect to a Participant's Frozen Accounts, lump sum, installment, or any other benefits may not be paid from the Plan in any form of a life annuity or through the distribution of property in any form of a life annuity.

7.3 Installment Payments. If all or any portion of a Participant's Accrued Benefit is to be paid in installments, the Participant shall determine the period over which such installments shall be paid. The total amount to be so distributed shall continue to be invested in those assets currently retained in the Trust, and any income, gain or loss attributable thereto (but not Employer contributions or forfeitures) shall be reflected in the installment distributions.

7.4 Spousal Consent. Except as may be provided in Article VIII with respect to a Participant's Frozen Accounts, a Participant is not required to obtain spousal consent in order to receive a distribution of his Accrued Benefit.

7.5 Commencement of Benefits.

(a) Unless the Participant elects otherwise, distribution of benefits will begin no later than the 60th day after the latest of the close of the Plan Year in which:

- (i) the Participant attains age 65 (or the Normal Retirement Age specified in the Plan, if earlier);
- (ii) occurs the 10th anniversary of the year in which the Participant commenced participation in the Plan; or
- (iii) the Participant terminates Service with the Employer.

(b) Notwithstanding the foregoing, the failure of a Participant to consent to a distribution while a benefit is immediately distributable within the meaning of Section 7.6 of the Plan, shall be deemed to be an election to defer commencement of payment of any benefit sufficient to satisfy this Section.

7.6 Minimum Required Distributions.

(a) Required Beginning Date. The entire interest of a Participant must be distributed or begin to be distributed no later than the Participant's Required Beginning Date.

(b) Limits on Distribution Periods. As of the first distribution calendar year, distributions, if not made in a single sum, may only be made over one of the following periods (or a combination thereof):

(i) a period certain not extending beyond the life expectancy of the Participant, or

(ii) a period certain not extending beyond the joint life and last survivor expectancy of the Participant and a designated Beneficiary.

(c) Minimum Amounts to be Distributed. If the Participant's interest is to be distributed in other than a single sum, the following minimum distribution rules shall apply on or after the required beginning date:

(i) If a Participant's benefit is to be distributed over (a) a period not extending beyond the life expectancy of the Participant or the joint life and last survivor expectancy of the Participant and the Participant's designated Beneficiary or (b) a period not extending beyond the life expectancy of the designated Beneficiary, the amount required to be distributed for each calendar year, beginning with distributions for the first distribution calendar year, must at least equal the quotient obtained by dividing the Participant's benefit by the applicable life expectancy.

(ii) The amount to be distributed each year, beginning with distributions for the first distribution calendar year shall not be less than the quotient obtained by dividing the Participant's benefit by the lesser of (a) the applicable life expectancy or (b) if the Participant's spouse is not the designated Beneficiary, the applicable divisor determined from the table set forth in Q&A-4 of Section 4.401(a)(9)-2 of the Income Tax Regulations. Distributions after the death of the Participant shall be distributed using the applicable life expectancy in Section 7.6(c)(i) above as the relevant divisor without regard to Regulations Section 1.401(a)(9)-2.

(iii) The minimum distribution required for the Participant's first distribution calendar year must be made on or before the Participant's Required Beginning Date. The minimum distribution for other calendar years, including the minimum distribution for the distribution calendar year in which the Employee's required beginning date occurs, must be made on or before December 31 of that distribution calendar year.

#### 7.7 Distribution of Death Benefits.

(a) Method of Distributions.

(i) If the Participant dies after distribution of his or her interest has begun, the remaining portion of such interest will continue to be distributed at least as rapidly as under the method of distribution being used prior to the Participant's death.

(ii) If the Participant dies before distribution of his or her interest begins, distribution of the Participant's entire interest shall be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death except to the extent that an election is made to receive distributions in accordance with (1) or (2) below:

(1) if any portion of the Participant's interest is payable to a designated Beneficiary, distributions may be made over the life or over a period certain not greater than the life expectancy of the designated Beneficiary commencing on or before December 31, of the calendar year immediately following the calendar year in which the Participant died;

(2) if the designated Beneficiary is the Participant's surviving spouse, the date distributions are required to begin in accordance with (1) above shall not be earlier than the later of

(a) December 31 of the calendar year immediately following the calendar year in which the Participant died and (b) December 31 of the calendar year in which the Participant would have attained age 70 1/2.

If the Participant has not made an election pursuant to this Section (a) by the time of his or her death, the Participant's designated Beneficiary must elect the method of distribution no later than the earlier of (a) December 31 of the calendar year in which distributions would be required to begin under this Section, or (b) December 31 of the calendar year which contains the fifth anniversary of the date of death of the Participant. If the Participant has no designated Beneficiary, or if the designated Beneficiary does not elect a method of distribution, distribution of the Participant's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(iii) For purposes of Section 7.7(a)(ii) above, if the surviving spouse dies after the Participant, but before payments to such spouse begin, the provisions of Section 7.7(a)(ii), with the exception of Paragraph (2) therein, shall be applied as if the surviving spouse were the Participant.

(iv) For purposes of this Section 7.7, any amount paid to a child of the Participant will be treated as if it had been paid to the surviving spouse if the amount becomes payable to the surviving spouse when the child reaches the age of majority.

(v) For the purposes of this Section 7.7, distribution of a Participant's interest is considered to begin on the Participant's Required Beginning Date (or, if

Section 7.7(a)(iii) above is applicable, the date distribution is required to begin to the surviving spouse pursuant to Section 7.7(a)(ii) above).

(b) Definitions.

(i) **Applicable Life Expectancy.** The life expectancy (or joint life and last survivor expectancy) is calculated using the attained age of the Participant (or designated Beneficiary) as of the Participant's (or designated Beneficiary's) birthday in the applicable calendar year reduced by one for each calendar year which has elapsed since the date life expectancy was first calculated. If life expectancy is being recalculated, the applicable life expectancy shall be the life expectancy as so recalculated. The applicable calendar year shall be the first distribution calendar year, and if life expectancy is being recalculated, such succeeding calendar year.

(ii) **Designated Beneficiary.** The individual who is designated as the Beneficiary under the Plan in accordance with Section 401(a)(9) of the Code and the regulations thereunder.

(iii) **Distribution Calendar Year.** A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's required beginning date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to Section 7.7(a) above.

(iv) **Life Expectancy.** Life expectancy and joint life and last survivor expectancy are computed by use of the expected return multiples in Tables V and VI of Section 1.72-9 of the Income Tax Regulations.

Unless otherwise elected by the Participant (or spouse, in the case of distributions described in Section 7.6(a)(ii)(2) above) by the time distributions are required to begin, life expectancies shall be recalculated annually. Such election shall be irrevocable as to the Participant (or spouse) and shall apply to all subsequent years. The life expectancy of a nonspouse Beneficiary may not be recalculated.

(v) **Participant's Benefit.**

(1) The account balance as of the last Valuation Date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions or forfeitures allocated to the account balance as of the dates in the valuation calendar year after the Valuation Date and decreased by distributions made in the valuation calendar year after the Valuation Date.

(2) **Exception for second distribution calendar year.** For purposes of paragraph (1) above, if any portion of the minimum distribution for the first distribution calendar year is made in the second distribution calendar year on or before the required beginning date, the amount of the minimum distribution made in the second distribution calendar year shall be treated as if it has been made in the immediately preceding distribution calendar year.

(vi) **Required Beginning Date.**

(1) **General Rule.** The required beginning date of a Participant is the later of the April 1 of the calendar year following the calendar year in which the Participant attains age 70 1/2 or retires except that benefit distributions to a 5-percent owner must commence by the April 1 of the calendar year following the calendar year in which the Participant attains age 70 1/2.

(2) **Deferral or Cessation of Distributions.**

(A) Any Participant attaining age 70 1/2 in years after 1995 may elect by April 1 of the calendar year following the year in which the Participant attained age 70 1/2 (or by December 31, 1997 in the case of a Participant attaining age 70 1/2 in 1996) to defer distributions until the calendar year following the calendar year in which the Participant retires. If no such election is made the Participant will begin receiving distributions by the April 1 of the calendar year following the year in which the Participant attained age 70 1/2 (or by December 31, 1997 in the case of a Participant attaining age 70 1/2 in 1996).

(B) Any Participant attaining age 70 1/2 in years prior to 1997 may elect to stop distributions and recommence by the April 1 of the calendar year following the year in which the Participant retires. There will be a new annuity starting date upon commencement.

(3) **5-Percent Owner.** A Participant is treated as a 5-percent owner for purposes of this Section if such Participant is a 5-percent owner as defined in Section 416 of the Code at any time during the Plan Year ending with or within the calendar year in which such owner attains age 70 1/2.

(4) **Distributions Begun.** Once distributions have begun to a 5-percent owner under this Section, they must continue to be distributed, even if the Participant ceases to be a 5-percent owner in a subsequent year.

**7.8 Distribution Upon Termination of Employment and Restrictions on Immediate Distribution.** If the value of a Participant's vested account balance derived from employer and employee contributions exceeds (or at the time of any prior distribution exceeded) \$5,000, and the account balance is immediately distributable, the Participant must consent to any distribution of such account balance. The consent of the Participant shall be obtained in writing within the 90-day period ending on the annuity starting date. The annuity starting date is the first day of the first period for which an amount is paid as an annuity or any other form. The Plan Administrator shall notify the Participant of the right to defer any distribution until the Participant's account balance is no longer immediately distributable. Such notification shall include a general description of the material features, and an explanation of the relative values of the optional forms of benefit available under the Plan, in a manner that



would satisfy the notice requirements of Section 417(a)(3) of the Code, and shall be provided no less than 30 days and no more than 90 days prior to the annuity starting date.

The consent of the Participant shall not be required to the extent that a distribution is required to satisfy Section 401(a)(9) or 415 of the Code. In addition, upon termination of this Plan, if the Plan does not offer an annuity option (purchased from a commercial provider), the Participant's account balance may, without the Participant's consent, be distributed to the Participant or transferred to another defined contribution plan (other than an employee stock ownership plan as defined in Section 4975(e)(7) of the Code) within the same controlled group.

An account balance is immediately distributable if any part of the account balance could be distributed to the Participant (or surviving spouse) before the Participant attains (or would have attained if not deceased) the later of Normal Retirement Age or age 62.

For purposes of determining the applicability of the foregoing consent requirements to distributions made before the first day of the first Plan Year beginning after December 31, 1988, the Participant's vested account balance shall not include amounts attributable to accumulated deductible Employee Contributions within the meaning of Section 72(o)(5)(B) of the Code.

In the absence of an election to receive an immediate distribution, the Participant's Accrued Benefit shall remain invested in the commingled Trust assets. The following provisions shall apply to termination benefits:

(a) The distribution of benefits to a Participant who has reached his Distribution Date by reason of a termination of employment other than retirement, disability or death shall be deferred until the first date the Participant would have been eligible for retirement under the Plan unless the Participant elects to commence distribution of such benefits at an earlier date. Prior to the commencement of benefits, the deferred benefits shall, in the discretion of the Employer, remain invested in the commingled Trust assets or be transferred to a Segregated Account.

(b) If the vested portion of the Accrued Benefit of a Participant who terminates employment for reasons other than retirement, disability or death is less than 100%, so that his Distribution Date does not coincide with the date on which he ceases to be an Employee, such Accrued Benefit shall, in the discretion of the Employer, remain invested in the commingled assets of the Trust or be transferred to a Segregated Account pending distribution. The Participant may elect to receive the vested portion of his Accrued Benefit at any time prior to the Distribution Date.

(c) If a Participant separates from service before satisfying the age requirement for early retirement, but has satisfied the Service requirement, the Participant will be entitled to elect an early retirement benefit upon satisfaction of such age requirements.

#### 7.9 Distribution From After-Tax and Rollover/Transfer Accounts.

(a) Voluntary After-Tax and Frozen After-Tax Accounts. A Participant may withdraw any amount from his Voluntary After-Tax Account and Frozen After-Tax Account at such times as permitted by the Employer by submitting a written request to the Administrator specifying the amount to be withdrawn. A distribution from either such account shall be calculated on a pro-rata basis; thus, such distribution shall be considered in part a return of contributions and in part earnings on such contributions. However, if on May 5, 1986, Voluntary After-Tax Accounts and/or Frozen After-Tax Accounts were available for distribution under the terms of the Plan, the Frozen Plan, a Predecessor Plan, or a Frozen Predecessor Plan, prior to separation of service, then the pro-rata rules will not apply to after-tax contributions made to such accounts prior to January 1, 1987. The Participant may designate whether the distribution is to be made from pre-1987 or post-1986 contributions.

(b) Rollover/Transfer Account. A Participant may withdraw any amount from his Rollover/Transfer Account, not in excess of the value of his account, at such times as permitted by the Employer by submitting a written request to the Administrator specifying the amount to be withdrawn.

Subject to the provisions of this Section 7.9 and Sections 6.5(a) and

(c) of the Plan, the Participant's Voluntary After-Tax Account, Frozen After-Tax Account, and Rollover/Transfer Account shall be payable at the same time, in the same manner, and, in the event of death, to the same Beneficiary as is his Elective Deferral and Employer Contribution Accounts.

#### 7.10 Direct Rollover.

(a) Applicability. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Article, a distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(b) Definitions.

(i) Eligible Rollover Distribution. An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated Beneficiary, or for a specified period of ten years or more; any distribution to the extent such

distribution is required under Section 401(a)(9) of the Code; any hardship distribution described in Code Section 401(k)(2)(B)(i)(iv) received after December 31, 1998; and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to Employer securities).

(ii) **Eligible Retirement Plan.** An eligible retirement plan is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

(iii) **Distributee.** A distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as described in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

(iv) **Direct Rollover.** A direct rollover is a payment by the plan to the eligible retirement plan specified by the distributee.

## **ARTICLE VIII**

### **ANNUITY REQUIREMENTS**

To the extent applicable, provisions of this Article shall take precedence over any conflicting provisions of the Plan.

**8.1 Applicability.** The provisions of this Article shall apply to the Frozen Accounts of a Participant who is eligible for payment in the form of an annuity and who elects payment in the form of an annuity. The provisions of this Article shall only apply with respect to a Participant's Frozen Accounts.

**8.2 Qualified Joint and Survivor Annuity.** Unless an optional form of benefit is selected pursuant to a qualified election within the 90-day period ending on the annuity starting date, a married Participant's vested Accrued Benefit attributable to Frozen Accounts will be paid in the form of a Qualified Joint and Survivor Annuity and an unmarried Participant's vested Accrued Benefit attributable to Frozen Accounts will be paid in the form of a life annuity. The Participant may elect to have such annuity distributed upon attainment of the earliest retirement age under the Plan.

**8.3 Qualified Preretirement Survivor Annuity.** Unless an optional form of benefit has been selected within the election period pursuant to a qualified election, if a Participant dies before his annuity starting date, then the Participant's vested Accrued Benefit attributable to Frozen Accounts shall be applied toward the purchase of an annuity for the life of the surviving spouse. The surviving spouse may elect to have such annuity distributed immediately after the Participant's death.

#### **8.4 Definitions**

(a) **Election Period.** The period which begins on the first day of the Plan Year in which the Participant attains age 35 and ends on the date of the Participant's death. If a Participant separates from Service prior to the first day of the Plan Year in which age 35 is attained, with respect to the account balance as of the date of separation, the election period shall begin on the date of separation.

(b) **Earliest Retirement Age.** The earliest date on which, under the Plan, the Participant could elect to receive retirement benefits.

(c) **Qualified Election.** A waiver of a Qualified Joint and Survivor Annuity or a Qualified Preretirement Survivor Annuity. Any waiver of a Qualified Joint and Survivor Annuity or a Qualified Preretirement Survivor Annuity shall not be effective unless: (i) the Participant's spouse consents in writing to the election; (ii) the election designates a specific Beneficiary, including any class of Beneficiaries or any contingent Beneficiaries, which may not be changed without spousal consent (or the spouse expressly permits designations by the Participant without any further spousal consent); (iii) the spouse's consent acknowledges the effect of the election; and (iv) the spouse's consent is witnessed by a Plan representative or notary public. Additionally, a Participant's waiver of the Qualified Joint and Survivor Annuity shall not be effective unless the election designates a form of benefit payment which may not be changed without spousal consent (or the spouse expressly permits designations by the Participant without any further spousal consent). If it is established to the satisfaction of a Plan representative that there is no spouse or that the spouse cannot be located, a waiver will be deemed a qualified election.

Any consent by a spouse obtained under this provision (or establishment that the consent of a spouse may not be obtained) shall be effective only with respect to such spouse. A consent that permits designations by the Participant without any requirement of further consent by such spouse must acknowledge that the spouse has the right to limit consent to a specific Beneficiary, and a specific form of benefit where applicable, and that the spouse voluntarily elects to relinquish either or both of such rights. A revocation of a prior waiver may be made by a Participant without the consent of the spouse at any time before the commencement of benefits. The number of revocations shall not be limited. No consent obtained under this provision shall be valid unless the Participant has received notice as provided in Section 8.5 below.

(d) **Qualified Joint and Survivor Annuity.** An immediate annuity for the life of the Participant with a survivor annuity for the life of the spouse which is not less than 50% and not more than 100% of the amount of the annuity which is payable during the joint lives of the Participant and the spouse and which is the amount of benefit which can be purchased with the Participant's vested account balance. The percentage of the survivor annuity under the Plan shall be 50%.

(e) **Spouse (Surviving Spouse).** The spouse or surviving spouse of the Participant, provided that a former spouse will be treated as the spouse or surviving spouse (and a current spouse will not be treated as the spouse or surviving spouse to the extent provided) under a qualified domestic relations order as described in Section 414(p) of the Code.

(f) **Annuity Starting Date.** The first day of the first period for which an amount is paid as an annuity or any other form.

(g) **Vested Account Balance.** The aggregate value of the Participant's vested account balances derived from Employer and Employee contributions (including rollovers), whether vested before or upon death, including the proceeds of insurance contracts, if any, on the Participant's life. The provisions of this Article shall apply to a Participant who is vested in amounts attributable to Employer contributions, Employee contributions or both at the time of death or distribution.

## 8.5 Notice Requirements.

(a) In the case of a Qualified Joint and Survivor Annuity as described in Section 8.4(d) of this Article, the Plan Administrator shall no less than 30 days and no more than 90 days prior to the annuity starting date provide each Participant a written explanation of: (i) the terms and conditions of a Qualified Joint and Survivor Annuity; (ii) the Participant's right to make and the effect of an election to waive the Qualified Joint and Survivor Annuity form of benefit; (iii) the rights of a Participant's spouse; and (iv) the right to make, and the effect of, a revocation of a previous election to waive the Qualified Joint and Survivor Annuity.

(b) In the case of a Qualified Preretirement Survivor Annuity as described in Section 8.3 of this Article, the Plan Administrator shall provide each Participant within the applicable notice period a written explanation of the Qualified Preretirement Survivor Annuity in such terms and in such manner as would be comparable to the explanation provided for meeting the requirements of Section 8.5(a) applicable to a Qualified Joint and Survivor Annuity.

The applicable notice period means with respect to a Participant, whichever of the following periods ends last:

(i) the period beginning with the first day of the Plan Year in which the Participant attains age 32 and ending with the close of the Plan Year preceding the Plan Year in which the Participant attains age 35,

(ii) a reasonable period ending after the individual becomes a Participant,

(iii) a reasonable period ending after notice is required because of the cessation of a benefit subsidy as described in subsection (c) below,

(iv) a reasonable period ending after this Article first applies to the Participant,

(v) a reasonable period after separation from Service in the case of a Participant who separates before attaining age 35.

For purposes of applying the preceding paragraph, a reasonable period ending after the enumerated events described in (ii), (iii) and (iv) is the end of the two-year period beginning one year prior to the date the applicable event occurs, and ending one year after that date. In the case of a Participant who separates from Service before the Plan Year in which age 35 is attained, notice shall be provided within the two-year period beginning one year prior to separation and ending one year after separation. If such a Participant thereafter returns to employment with the Employer, the applicable period for such Participant shall be redetermined.

(c) Notwithstanding the other requirements of this Section 8.5, the respective notices prescribed by this Section need not be given to a Participant if (i) the Plan "fully subsidizes" the costs of a Qualified Joint and Survivor Annuity or Qualified Preretirement Survivor Annuity and (ii) the Plan does not allow the Participant to waive the Qualified Joint and Survivor Annuity or Qualified Preretirement Annuity and does not allow a married Participant to designate a nonspouse Beneficiary. For purposes of this Section 8.5(c), a plan fully subsidizes the costs of a benefit if no increase in cost or decrease in benefits to the Participant may result from the Participant's failure to elect another benefit

(d) If a distribution is one to which Sections 401(a)(11) and 417 of the Internal Revenue Code do not apply, such distribution may commence less than 30 days after the notice required under Section 1.411(a)-11(c) of the Income Tax Regulations is given, provided that (i) the Plan Administrator clearly informs the Participant that the Participant has a right to a period of at least 30 days after receiving the notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option), and (ii) the Participant, after receiving the notice, affirmatively elects a distribution.

8.6 **Spousal Consent.** A Participant is required to obtain spousal consent for a distribution of his Accrued Benefit attributable to Frozen Accounts if the provisions of this Article VIII apply to such Frozen Accounts pursuant to Section 8.1.

## ARTICLE IX

### BENEFICIARY AND PARTICIPANT INFORMATION

#### 9.1 Designation of Beneficiary.

(a) Each Participant from time to time may designate any person or persons (who may be named contingently or successively) to receive any benefits payable under the Plan upon or after his death, and any such designation may be changed from time to time by the Participant by filing a new designation. Each designation will revoke all prior designations made by the Participant, shall be in writing in the form prescribed by the Employer and shall be effective only when the written designation is filed with the Employer during his lifetime.

(b) The beneficiary of a Participant who is married at the time of his death shall be his surviving spouse unless his surviving spouse consents in writing on the form provided for that purpose by the Plan Administrator to the designation of another beneficiary. A consent by a Participant's spouse shall not be effective unless such consent is witnessed by the Plan Administrator or a Notary Public.

(c) In the absence of a valid Beneficiary designation (except in conjunction with the election of a form of benefit payment which does not require the designation of a specific Beneficiary) or if, at the time any benefit becomes payable to a Beneficiary, there is no living Beneficiary properly designated by the Participant to receive the benefit, the Employer shall direct the Trustee to distribute such benefit to the Participant's spouse, if then living. If there is no surviving spouse, then the benefit shall be paid to the Participant's then living descendants, if any, per stirpes, otherwise to the Participant's then living parent or parents, equally, otherwise to the Participant's estate.

9.2 Information to be Furnished by Participant and Beneficiaries. Any communications, addressed to a Participant or Beneficiary at his last post office address filed with the Employer, shall be binding on the Participant or Beneficiary for all purposes of the Plan. Except for the Employer's sending of a registered letter to the last known address, neither the Trustees nor the Employer shall be obliged to search for any Participant or Beneficiary.

If a benefit is forfeited because the Participant or Beneficiary cannot be found, such benefit will be reinstated if a claim is made by the Participant or Beneficiary.

## ARTICLE X

### LOANS TO PARTICIPANTS

Subject to the consent of the Trustee, the Plan Administrator shall establish a loan program under which:

- (1) Loans shall be made available to all Participants and Beneficiaries on a reasonably equivalent basis.
- (2) Loans shall not be made available to Highly Compensated Employees (as defined in Section 414(q) of the Code) in an amount greater than the amount made available to other Employees.
- (3) Loans must be adequately secured and bear a reasonable interest rate.
- (4) No Participant loan shall exceed 50% of the present value of the Participant's vested Accrued Benefit.
- (5) A Participant is not required to obtain the consent of his or her spouse, if any, to use of the account balance as security for the loan.
- (6) In the event of default, foreclosure on the note and attachment of security will not occur until a distributable event occurs in the Plan.
- (7) No loans will be made to any shareholder-employee or Owner-Employee. For purposes of this requirement, a shareholder-employee means an Employee or officer of an electing small business (Subchapter S) corporation who owns (or is considered as owning within the meaning of Section 318(a)(1) of the Code), on any day during the taxable year of such corporation, more than 5% of the outstanding stock of the corporation.
- (8) Loan repayments will be suspended under the Plan as permitted under Code Section 414(u)(4).
- (9) Loans are only available from a Participant's Elective Deferral Account and Rollover/Transfer Account.

Notwithstanding any other provision of this Plan, the portion of the Participant's vested account balance used as a security interest held by the Plan by reason of a loan outstanding to the Participant shall be taken into account for purposes of determining the amount of the account balance payable at the time of death or distribution, but only if the reduction is used as repayment of the loan. If less than 100% of the Participant's vested account balance (determined without regard to the preceding sentence) is payable to the surviving spouse, then the account balance shall be adjusted by first reducing the vested account balance by the amount of the security used as repayment of the loan, and then

determining the benefit payable to the surviving spouse.

No loan to any Participant or Beneficiary can be made to the extent that such loan when added to the outstanding balance of all other loans to the Participant or Beneficiary would exceed the lesser of (a) \$50,000 reduced by the excess (if any) of the highest outstanding balance of loans during the one year period ending on the day before the loan is made, over the outstanding balance of loans from the Plan on the date the loan is made, or (b) one-half the present value of the nonforfeitable Accrued Benefit of the Participant. For the purpose of the above limitation, all loans from all plans of the Employer and other members of a group of Employers described in section 414(b), (c), (m) and (o) of the Code are aggregated. Furthermore, any loan shall by its terms require that repayment (principal and interest) be amortized in level payments, not less frequently than quarterly, over a period not extending beyond five years from the date of the loan, unless such loan is used to acquire a dwelling unit which within a reasonable time (determined at the time the loan is made) will be used as the principal residence of the Participant. An assignment or pledge of any portion of the Participant's interest in the Plan and a loan, pledge or assignment with respect to any insurance contract purchased under the Plan, will be treated as a loan under this paragraph.

## **ARTICLE XI**

### **TOP HEAVY PROVISIONS**

11.1 Applicability. Notwithstanding any other provisions of the Plan or Adoption Agreement to the contrary, if for any Plan Year the Plan becomes a Top Heavy Plan, the requirements of this Article XI of the Plan shall be applied for such Plan Year.

11.2 Definitions. The following terms shall have the following meanings in the determination of whether or not the Plan is a Top Heavy Plan:

(a) Determination Date. For any Plan Year subsequent to the first Plan Year, the last day of the preceding Plan Year. For the first Plan Year of the Plan, the last day of that year.

(b) Employer. The Employer who adopted this Plan and any other Employer some or all of whose Employees participate in this Plan or in a retirement plan which is aggregated with this Plan as part of a permissive or required aggregation group.

(c) Employer Group. A group of Employers who, for purposes of Section 416 of the Code, are treated as a single Employer under Section 414(b), (c) or (m) of the Code.

(d) Key Employee. Any Employee or former Employee (and the beneficiaries of such Employee) who, at any time during the determination period, was an officer of the Employer if such individual's annual Compensation exceeds 50% of the dollar limitation under Section 415(b)(1)(A) of the Code, an owner (or considered an owner under Section 318 of the Code) of one of the ten largest interests in the Employer if such individual's Annual Compensation exceeds 100% of the dollar limitation under Section 415(c)(1)(A) of the Code, a 5-percent owner of the Employer, or a 1-percent owner of the Employer who has Annual Compensation of more than \$150,000. Annual Compensation means Compensation as defined in Section 415(c)(3) of the Code, but including amounts contributed by the Employer pursuant to a salary reduction agreement which are excludible from the Employee's gross income under Section 125, 402(e)(3), 401(h)(1)(B) or 403(b) of the Code. The determination period is the Plan Year containing the Determination Date and the 4 preceding Plan Years. The determination of who is a Key Employee will be made in accordance with Section 416(i)(1) of the Code and the regulations thereunder.

(e) Non-Key Employee. Any Employee or former Employee (or Beneficiaries of such Employee) who is not considered to be a Key Employee.

(f) Permissive Aggregation Group. The required aggregation group of plans plus any other plan or plans of the Employer which, when considered as a group with the required aggregation group, would continue to satisfy the requirements of Sections 401(a)(4) and 410 of the Code.

(g) Present Value. Present value shall be based only on the interest and mortality rates specified in the Adoption Agreement.

(h) Required Aggregation Group. (i) Each qualified plan of the Employer in which at least one Key Employee participates or participated at any time during the determination period (regardless of whether the plan has terminated), and (ii) any other qualified plan of the Employer which enables a plan described in (i) to meet the requirements of Section 401(a)(4) or 410 of the Code.

(i) Top Heavy Plan. For any Plan Year, this Plan is Top Heavy if any of the following conditions exist:

(i) If the Top Heavy Ratio for this Plan exceeds 60% and this Plan is not part of any required aggregation group or permissive aggregation group of plans.

(ii) If this Plan is a part of a required aggregation group of plans but not part of a permissive aggregation group of the Top Heavy Ratio for the group of plans exceeds 60%.

(iii) If this Plan is a part of a required aggregation group and part of a permissive aggregation group of plans and the Top Heavy Ratio for the

permissive aggregation group exceeds 60%.

(j) Top Heavy Ratio.

(i) If the Employer maintains one or more defined contribution plans (including any Simplified Employee Pension Plan) and the Employer has not maintained any defined benefit plan which during the 5-year period ending on the determination date(s) has or has had Accrued Benefits, the Top Heavy Ratio for this Plan alone or for the required or permissible aggregation group as appropriate is a fraction, the numerator of which is the sum of the account balances of all Key Employees as of the determination date(s) (including any part of any account balance distributed in the 5-year period ending on the determination date(s)), and the denominator of which is the sum of all account balances (including any part of any account balance distributed in the 5-year period ending on the determination date(s)), both computed in accordance with Section 416 of the Code and the regulations thereunder. Both the numerator and denominator of the Top Heavy Ratio are increased to reflect any contribution not actually made as of the determination date, but which is required to be taken into account on that date under Section 416 of the Code and the regulations thereunder.

(ii) If the Employer maintains one or more defined contribution plans (including any Simplified Employee Pension Plan) and the Employer maintains or has maintained one or more defined benefit plans which during the 5-year period ending on the determination date(s) has or has had any accrued benefits, the Top Heavy Ratio for any required or permissible aggregation group as appropriate is a fraction, the numerator of which is the sum of account balances under the aggregated defined contribution plan or plans for all Key Employees, determined in accordance with (a) above, and the present value of accrued benefits under the aggregated defined benefit plan or plans for all Key Employees as of the determination date(s), and the denominator of which is the sum of the account balances under the aggregated defined contribution plan or plans for all Participants, determined in accordance with (a) above, and the present value of accrued benefits under the defined benefit plan or plans for all Participants, determined in accordance with (a) above, and the present value of accrued benefits under the defined benefit plan or plans for all Participants as of the determination date(s), all determined in accordance with Section 416 of the Code and the regulations thereunder. The accrued benefits under a defined benefit plan in both the numerator and denominator of the Top Heavy Ratio are increased for any distribution of an accrued benefit made in the five year period ending on the determination date.

(iii) For purposes of (i) and (ii) above, the value of account balances and the present value of accrued benefits will be determined as of the most recent Valuation Date that falls within or ends with the twelve (12) month period ending on the determination date, except as provided in Section 416 of the Code and the regulations thereunder for the first and second plan years of a defined benefit plan. The account balances and accrued benefits of a Participant (1) who is not a Key Employee but who was a Key Employee in a prior year, or (2) who has not been credited with at least one Hour of Service with any employer maintaining the Plan at any time during the 5-year period ending on the determination date will be disregarded. The calculation of the Top Heavy Ratio, and the extent to which distributions, rollovers and transfers are taken into account will be made in accordance with Section 416 of the Code and the regulations thereunder. Deductible employee contributions will not be taken into account for purposes of computing the Top Heavy Ratio. When aggregating plans, the value of account balances and accrued benefits will be calculated with reference to the determination dates that fall within the same calendar year.

The accrued benefit of a Participant other than a Key Employee shall be determined under (1) the method, if any, that uniformly applies for accrual purposes under all defined benefit plans maintained by the Employer, or (2) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional rule of Section 411(b)(1)(C) of the Code.

(k) Valuation Date. December 31 in each Plan Year, the date as of which account balances or Accrued Benefits are valued for purposes of calculating the Top Heavy Ratio.

(l) Present Value. For purposes of establishing the present value of accrued benefits under defined benefit plans required to be aggregated with this Plan to compute the Top Heavy Ratio, any benefit shall be discounted only for mortality and interest based on the mortality assumptions and interest rate specified in such defined benefit plan.

11.3 Minimum Compensation. For any Plan Year in which the Plan is Top Heavy, only the first \$170,000 (or such larger amount as may be prescribed by the Secretary of Treasury or his delegate) of a Participant's annual Compensation shall be taken into account for purposes of determining Employer contributions under the Plan.

11.4 Minimum Allocation.

(a) Except as otherwise provided in (c) and (d) below, the Employer contributions and forfeitures allocated on behalf of any Participant who is not a Key Employee shall not be less than the lesser of three percent of such Participant's Compensation or in the case where the Employer has no defined benefit plan which designates this Plan to satisfy Section 401 of the Code, the largest percentage of Employer contributions (including any salary deferral contribution) and forfeitures, as a percentage of the Key Employee's Compensation, as limited by Section 401(a) (17) of the Code, allocated on behalf of any Key Employee for that year. The minimum allocation is determined without regard to any Social Security contribution. This minimum allocation shall be made even though under other plan provisions, the Participant would not otherwise be entitled to receive an allocation, would have received a lesser allocation for the year because of (i) the Participant's failure to complete 1,000 hours of service (or any equivalent provided in the Plan), (ii) the Participant's failure to make mandatory employee contributions (including elective deferral contributions) to the Plan, or (iii) Compensation less than a stated amount. Neither Elective Deferrals nor Matching Contributions may be taken into account for the purpose of satisfying the minimum Top Heavy contribution requirements.

(b) For purposes of computing the minimum allocation, Compensation will mean Compensation as defined in Section 1.11 of the Plan, as

limited by Section 401(a)(17) of the Code.

(c) The provision in (a) above shall not apply to any Participant who was not employed by the Employer on the last day of the Plan Year.

(d) The Employer hereby designates that the minimum allocation or benefit requirement applicable to Top Heavy plans will be met in any other plan or plans maintained by the Employer, and the provision in

(a) above shall not apply to any Participant to the extent the Participant is covered under any other such plan or plans of the Employer.

(e) The minimum allocation or benefit requirement applicable to Top Heavy plans (to the extent required to be nonforfeitable under section 416(b) of the Code) may not be forfeited under Section 411(a)(3)(B) or 411(a)(3)(D) of the Code.

11.5 Vesting. For any Plan Year in which this Plan is Top Heavy, each Employee's interest in his or her Account Balance attributable to Employer contributions shall be fully vested and nonforfeitable. The minimum vesting schedule applies to all benefits within the meaning of Section 411(a)(7) of the Code except those attributable to employee contributions, including benefits accrued before the effective date of Section 416 of the Code and benefits accrued before the Plan became Top Heavy. Further, no decrease in a Participant's nonforfeitable percentage may occur in the event the Plan's status as Top Heavy changes for any Plan Year. However, this Section does not apply to the account balances of any Employee who does not have an hour of service after the Plan has initially become Top Heavy and such Employee's account balance attributable to Employer contributions and forfeitures will be determined without regard to this Section.

## ARTICLE XII

### ADMINISTRATION OF THE PLAN

12.1 Duties and Responsibilities of Fiduciaries; Allocation of Fiduciary Responsibility. A fiduciary to the Plan shall have only those specific powers, duties, responsibilities and obligations as are explicitly given him under the Plan and Trust Agreement. In general, the Employer shall have the sole responsibility for making contributions to the Plan required under Article III of the Plan, appointing the Trustee and the Plan Administrator, and determining the funds available for investment under the Plan. The Plan Administrator shall have the sole responsibility for the administration of the Plan, as more fully described in Section 12.2. It is intended that each fiduciary shall be responsible only for the proper exercise of his own powers, duties, responsibilities and obligations under the Plan and Trust Agreement, and shall not be responsible for any act or failure to act of another fiduciary. A fiduciary may serve in more than one fiduciary capacity with respect to the Plan.

12.2 Powers and Responsibilities of the Plan Administrator.

(a) Administration of the Plan. The Plan Administrator shall have all powers necessary to administer the Plan, including the power to construe and interpret the Plan documents; to decide all questions relating to an individual's eligibility to participate in the Plan; to determine the amount, manner and timing of any distribution of benefits or withdrawal under the Plan; to approve and insure the repayment of any loan to a Participant under the Plan; to resolve any claim for benefits in accordance with Section 12.7; and to appoint or employ advisors, including legal counsel, to render advice with respect to any of the Plan Administrator's responsibilities under the Plan. Any construction, interpretation or application of the Plan by the Plan Administrator shall be final, conclusive and binding. All actions by the Plan Administrator shall be taken pursuant to uniform standards applied to all persons similarly situated. The Plan Administrator shall have no power to add to, subtract from or modify any of the terms of the Plan, or to change or add to any benefits provided by the Plan, or to waive or fail to apply any requirements of eligibility for a benefit under the Plan.

(b) Records and Reports. The Plan Administrator shall be responsible for maintaining sufficient records to reflect the Compensation of each Participant for purposes of determining the amount of contributions that may be made by or on behalf of the Participant under the Plan. The Plan Administrator shall be responsible for submitting all required reports and notification relating to the Plan to Participants or their Beneficiaries, the Internal Revenue Service and the Department of Labor.

(c) Furnishing Trustee with Instructions. The Plan Administrator shall be responsible for furnishing the Trustee with written instructions regarding all contributions to the Trust, all distributions to Participants and all loans to Participants. In addition, the Plan Administrator shall be responsible for furnishing the Trustee with any further information respecting the Plan which the Trustee may request for the performance of its duties or for the purpose of making any returns to the Internal Revenue Service or Department of Labor as may be required of the Trustee.

(d) Rules and Decisions. The Plan Administrator may adopt such rules as it deems necessary, desirable or appropriate in the administration of the Plan. All rules and decisions of the Plan Administrator shall be applied uniformly and consistently to all Participants in similar circumstances. When making a determination of calculation, the Plan Administrator shall be entitled to rely upon information furnished by a Participant or Beneficiary, the Employer, and the legal counsel of the Employer or the Trustee.

(e) Application and Forms for Benefits. The Plan Administrator may require a Participant or Beneficiary to complete and file with it an application for a benefit, and to furnish all pertinent information requested by it. The Plan Administrator may rely upon all such information so furnished to it, including the Participant's or Beneficiary's current mailing address.

12.3 Allocation of Duties and Responsibilities. The Plan Administrator may by written instrument allocate among its members or employees any of its duties and responsibilities not already allocated under the plan or may carry out any of the Plan Administrator's duties and

responsibilities under the Plan. Any such duties or responsibilities thus allocated must be described in the written instrument. If a person other than an Employee of the Employer is so designated, such person must acknowledge in writing his acceptance of the duties and responsibilities allocated to him.

12.4 Appointment of the Plan Administrator. The Employer shall designate the Plan Administrator who shall administer the Plan. Such Plan Administrator may consist of an individual, a committee of two or more individuals, whether or not, in either such case, the individual or any of such individuals are Employees of the Employer, a consulting firm or other independent agent, the Trustee (with its consent) or the Employer itself. Except as the Employer shall otherwise expressly determine, the Plan Administrator shall be charged with the full power and the responsibility for administering the Plan in all its details. If no Plan Administrator has been appointed by the Employer, or if the person designated as Plan Administrator by the Employer is not serving as such for any reason, the Employer shall be deemed to be the Plan Administrator of the Plan. The Plan Administrator may be removed by the Employer, or may resign by giving notice in writing to the Employer, and in the event of the removal, resignation or death, or other termination of service by the Plan Administrator, the Employer shall, as soon as practicable, appoint a successor Plan Administrator, such successor thereafter to have all of the rights, privileges, duties and obligations of the predecessor Plan Administrator.

12.5 Expenses. The Employer shall pay all expenses authorized and incurred by the Plan in the administration of the Plan (including Trustee's fees) except to the extent such expenses are paid from the Trust.

12.6 Liabilities. The Plan Administrator and each person to whom duties and responsibilities have been allocated pursuant to Section 12.3 may be indemnified and held harmless by the Employer with respect to any alleged breach of responsibilities performed or to be performed hereunder.

12.7 Claims Procedure.

(a) Filing a Claim. Any Participant or Beneficiary under the Plan may file a written claim for a Plan Benefit with the Plan Administrator or with a person named by the Plan Administrator to receive claims under the Plan.

(b) Notice of Denial of Claim. In the event of a denial or limitation of any benefit or payment due to or requested by any Participant or Beneficiary under the Plan ("Claimant"), Claimant shall be given a written notification containing specific reasons for the denial or limitation of his benefit. The written notification shall contain specific reference to the pertinent Plan provisions on which the denial or limitation of his benefit is based. In addition, it shall contain a description of any other material or information necessary for the Claimant to perfect a claim, and an explanation of why such material or information is necessary. The notification shall further provide appropriate information as to the steps to be taken if the Claimant wishes to submit his claim for review. This written notification shall be given to a Claimant within 90 days after receipt of his claim by the Plan Administrator unless special circumstances require an extension of time for processing the claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the claimant prior to the termination of said 90-day period, and such notice shall indicate the special circumstances which make the postponement appropriate.

(c) Right of Review. In the event of denial or limitation of his benefit, the Claimant or his duly authorized representative shall be permitted to review pertinent documents and to submit to the Plan Administrator issues and comments in writing. In addition, the Claimant or his duly authorized representative may make a written request for a full and fair review of his claim and its denial by the Plan Administrator; provided, however, that such written request must be received by the Plan Administrator (or its delegate to receive such requests) within 60 days after receipt by the Claimant of written notification of the denial or limitation of the claim. The 60-day requirement may be waived by the Plan Administrator in appropriate cases.

(d) Decision on Review. A decision shall be rendered by the Plan Administrator within 60 days after the receipt of the request for review, provided that where special circumstances require an extension of time for processing the decision, it may be postponed on written notice to the Claimant (prior to the expiration of the initial 60-day period) for an additional 60 days after the receipt of such request for review. Any decision by the Plan Administrator shall be furnished to the Claimant in writing and shall set forth the specific reasons for the decision and the specific Plan provisions on which the decision is based.

(e) Court Action. No Participant, Beneficiary or other Claimant shall have the right to seek judicial review of a denial of benefits, or to bring any action in any court to enforce a claim for benefits prior to filing a claim for benefits or exhausting his rights to review under this Section 12.7.

## **ARTICLE XIII**

### **AMENDMENT, TERMINATION AND MERGER**

13.1 Amendments.

(a) The Employer expressly reserves the right to amend this Plan and Trust from time to time. No such amendment shall in any way impair, reduce or affect any Participant's vested and nonforfeitable rights in the Trust.

(b) No amendment to the Plan shall be effective to the extent that it has the effect of decreasing a Participant's Accrued Benefit.



Notwithstanding the preceding sentence, a Participant's account balance may be reduced to the extent permitted under Section 412(c)(8) of the Code. For purposes of this paragraph, a plan amendment which has the effect of decreasing a Participant's account balance or eliminating an optional form of benefit, with respect to benefits attributable to service before the amendment shall be treated as reducing an Accrued Benefit. Furthermore, if the vesting schedule of a plan is amended, in the case of an Employee who is a Participant in the Plan as of the later of the date such amendment is adopted or the date it becomes effective, the nonforfeitable percentage (determined as of such date) of such Employee's right to his Employer-derived Accrued Benefit will not be less than his percentage computed under the Plan without regard to such amendment.

#### 13.2 Plan Termination; Discontinuance of Employer Contributions.

(a) The Employer may terminate the Plan at any time in whole or in part. In the event of the dissolution, merger, consolidation or reorganization of the Employer, the Plan shall automatically terminate and the Trust shall be liquidated as provided in paragraph (b) below unless the Plan is continued by a successor Employer in accordance with Section 13.3.

(b) Upon the complete or partial termination of the Plan or the complete discontinuance of Employer contributions under the Plan, the Accrued Benefit of all Participants affected thereby shall become fully vested and nonforfeitable, and the Plan Administrator shall direct the Trustee to distribute assets remaining in the Trust, after payment of any expenses properly chargeable thereto, to Participants or their Beneficiaries.

13.3 Successor Employer. In the event of the dissolution, merger, consolidation or reorganization of the Employer, provision may be made by which the Plan and Trust shall be continued by a successor Employer, in which case such successor Employer shall be substituted for the Employer under the Plan. The substitution of the successor Employer shall constitute an assumption of Plan liabilities by the successor Employer, and the successor Employer shall have all powers, duties and responsibilities of the Employer under the Plan.

13.4 Merger, Consolidation or Transfer. In the event of a merger or consolidation of the Plan with, or transfer of assets or liabilities of the Plan to, any other plan of deferred compensation maintained or to be established for the benefit of all or some of the Participants of the Plan, the transaction shall be structured so that each Participant would (if the Plan then terminated) receive a benefit immediately after the merger, consolidation or transfer which is equal to or greater than the benefit the Participant would have been entitled to receive immediately before the merger, consolidation or transfer (if this Plan had then terminated).

### ARTICLE XIV

#### MISCELLANEOUS PROVISIONS

##### 14.1 Exclusive Benefit of Participants and Beneficiaries.

(a) All assets of the Trust shall be retained for the exclusive benefit of Participants and their Beneficiaries, and shall be used only to pay benefits to such persons or to pay reasonable fees and expenses of the Trust and of the administration of the Plan. The assets of the Trust shall not revert to the benefit of the Employer, except as otherwise specifically provided in Section 14.1(b).

(b) Contributions to the Trust under this Plan are subject to the following conditions:

(i) If a contribution or any part thereof is made to the Trust by the Employer under a mistake of fact, such contribution or part thereof shall be returned to the Employer within one year after the date the contribution is made;

(ii) In the event that the Commissioner of Internal Revenue determines that the Plan is not initially qualified under the Internal Revenue Code, any contribution made incident to that initial qualification by the Employer must be returned to the Employer within one year after the date the initial qualification is denied, but only if the application for the qualification is made by the time prescribed by law for filing the Employer's return for the taxable year in which the Plan is adopted, or such later date as the Secretary of the Treasury may prescribe; and

(iii) Contributions to the Trust are specifically conditioned on their deductibility under the Code and, to the extent a deduction is disallowed for any such contribution, such amount shall be returned to the Employer within one year after the date of the disallowance of the deduction.

14.2 Nonguarantee of Employment. Nothing contained in this Plan shall be construed as a contract of employment between the Employer and any Employee, or as a right of any Employee to be continued in the employment of the Employer, or as a limitation of the right of the Employer to discharge any of its Employees, with or without cause.

14.3 Rights to Trust Assets. No Employee, Participant or Beneficiary shall have any right to, or interest in, any assets of the Trust upon termination of employment or otherwise, except as provided under the Plan. All payments of benefits under the Plan shall be made solely out of the assets of the Trust.

14.4 Nonalienation of Benefits. Except as provided under Article X of the Plan, with respect to Plan loans, benefits payable under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, voluntary or involuntary; provided, however, that the Trustee shall not be hereby precluded from complying with a qualified

domestic relations order described in Section 414(p) of the Code, or any domestic relations order entered before January 1, 1985, requiring deduction from distributions to a recipient in pay status for alimony or support payments. Any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to benefits payable hereunder shall be void. The Trust shall not in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements or torts of any person entitled to benefits hereunder.

14.5 Gender . The use of the masculine pronoun shall extend to and include the feminine gender wherever appropriate, the use of the singular shall include the plural and the use of the plural shall include the singular wherever appropriate.

14.6 Titles and Headings. The titles or headings of the respective Articles and Sections are inserted merely for convenience and shall be given no legal effect.

14.7 Compliance with Laws, Rules and Regulations. If any of the provisions of this Plan or of the Trust Agreement are at any time in any way inconsistent with any laws of the United States of America or the laws of any state if not preempted by ERISA, or any regulations of the Internal Revenue Service, U.S. Department of Labor, or any other Federal or state regulatory authority, in a manner that adversely affects the qualified status of the Plan under Section 401(a) of the Code or the tax-exempt status of the Trust under Section 501(a) of the Code, or may result in any civil penalties under ERISA or any other law, then the Employer, the Administrator and the Trustee shall comply with the requirements of such laws or regulations, rather than with the provisions of the Plan and Trust which are inconsistent therewith. The Employer, Administrator and Trustee shall incur no liability for following such laws, rules or regulations.

14.8 Qualified Military Service. Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code.

## **TRUST AGREEMENT**

The Employer has established a Plan to provide retirement, death and disability benefits for eligible Employees and their Beneficiaries pursuant to section 401 of the Internal Revenue Code of 1986, as amended. As part of the Plan, the Employer has requested T. Rowe Price Trust Company to serve as Trustee pursuant to the Trust established for the investment of contributions under the Plan upon the terms and conditions set forth in this Agreement. Unless the context of this Trust Agreement clearly indicates otherwise, the terms defined in Article I of the Plan entered into by the Employer, of which this Trust Agreement forms a part, shall, when used herein, have the same meaning as in said Plan.

## **ARTICLE I**

### **Accounts**

#### **1.1 Establishing Accounts**

The Trustee shall open and maintain a trust account for the Plan and, as part thereof, Participant's accounts for such individuals as the Administrator shall, from time to time, give written notice to the Trustee as being Participants in the Plan. The Trustee shall also open and maintain such other accounts as may be appropriate or desirable to aid in the administration of the Plan. A separate account shall be maintained for each Participant and shall be credited with the contributions made and any forfeitures allocated to each such Participant pursuant to the Plan (and all earnings thereon). The Trustee shall open and maintain as a part of the Trust a separate account for each Participant who makes required or voluntary contributions, each such account to be credited with the Participant's required or voluntary contributions (and all earnings attributable to such contributions).

#### **1.2 Charges Against Accounts**

Upon receipt of written instructions from the Administrator, the Trustee shall charge the appropriate account of the Participant for any withdrawals or distributions made under the Plan and any forfeiture of unvested interests attributable to Employer contributions which may be required under the Plan. The Administrator will give written instructions to the Trustee specifying the manner in which Employer contributions and any forfeiture of the nonvested portion of accounts, as allocated by the Administrator in accordance with the provisions of the Plan, are to be credited to the various accounts maintained for Participants.

#### **1.3 Prospectus to be Provided**

The Administrator shall ensure that a Participant who makes a required or voluntary contribution has previously received or receives a copy of the then current prospectus relating to the Investment Options. Delivery of such a required or voluntary contribution, pursuant to the provisions of the Plan by the Administrator to the Trustee, shall entitle the Trustee to assume that the Participant has received such a prospectus.

## **ARTICLE II**

### **2.1 Receipt of Contributions**

The Trustee shall accept and hold in the trust contributions made by the Employer and Participants under the Plan. The Administrator shall give

written instructions to the Trustee specifying the specific Participants' accounts to which contributions are to be credited, the amount of each such credit which is attributable to Employer contributions and the amount, if any, which is attributable to the Participants' required or voluntary contributions. If written instructions are not received by the Trustee, or if such instructions are received but are deemed by the Trustee to be unclear, upon notice to the Employer, the Trustee may elect to hold all or part of any such contribution in cash, without liability for rising security prices or distributions made pending receipt by it from the Administrator of written instructions or other clarifications. If any contributions or earnings are less than any minimum which the then current prospectus for the Investment Options require, the Trustee may hold the specified portion of the contributions or earnings in cash, without interest, until such time as the proper amount has been contributed or earned so that the investment in the Investment Options required under the Plan may be made.

### **ARTICLE III**

#### **Investment Powers of the Trustee**

##### **3.1 Investment of Trust Assets.**

The Trustee shall invest the amount of each contribution made hereunder and all earnings thereon in full and fractional shares of the Investment Options in accordance with the current prospectus for such Investment Option, in such amounts and proportions as shall from time to time be designated by the Administrator, or the Participant if the Plan so permits, on forms provided by T. Rowe Price Associates, Inc. or a subsidiary thereof, and shall credit such Investment Options to the accounts of each Participant on whose behalf or by whom the contributions are made and any forfeitures are allocated. All dividends and capital gain distributions received on the Investment Options held by the Trustee in each account, shall, if received in cash, be reinvested in such Investment Options in accordance with the current prospectus for such Investment Option and shall in any event be credited to such account. The Trustee shall deliver, or cause to be executed and delivered, to the Administrator all notices, prospectuses, financial statements, proxies and proxy soliciting materials relating to the Investment Options held hereunder. The Trustee shall not vote any of the shares of the Investment Options held hereunder, except in accordance with the written instructions of the Administrator and/or Participant. The obligations of the Trustee hereunder may be delegated by it as provided in Sections 9.1 and 9.2 of this Trust Agreement.

The Trustee shall sell shares and purchase shares in the Investments Options to accomplish any change in investments desired by the Employer as indicated in any amended Plan or other instruction in accordance with the terms of the Plan.

##### **3.2 Directed Investments.**

With respect to any directions received by the Trustee with regard to the investment of Employer and Participant contributions, designating the investments to be made in the Investment Options by Participants, the Trustee is authorized and empowered to make and deal with such investments as provided in such direction and shall have in connection with such investments all powers herein provided.

##### **3.3 General Investment Powers.**

To the extent that the Trustee is not given appropriate directions with respect to investments, then, the Trustee shall be authorized and empowered to invest and reinvest all of the funds in any of the Investment Options which, in the opinion of the Trustee, offers reasonable possibilities for preservation of capital.

##### **3.4 Other Powers of the Trustee**

The Trustee is authorized and empowered with respect to the Trust:

- (a) subject to the requirement of investment in shares of the Investment Options, the Trustee may sell, exchange, convey, transfer or otherwise dispose of, either at public or private sale, any property, any time held by it, for such consideration and on such terms and conditions as to credit or otherwise as the Trustee may deem best;
- (b) subject to the provisions of Section 3.1 hereof, and subject to the provisions of Section 3.7 hereof, to vote in person or by proxy any shares of the Investment Options held by it and to join in, or to dissent from and to oppose, the reorganization, consolidation, liquidation, sale or merger of any corporation or properties in which it may be interested as Trustee, upon such terms and conditions as it may deem wise;
- (c) to make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;
- (d) to register any investment held in the trust in its own name, in the name of the Trust or in the name of a nominee, and to hold any investment in bearer form, but the books and records of the Trustee shall at all times show that all such investments are part of the Trust;
- (e) to employ suitable agents and counsel (who may also be counsel for the Employer) and to pay their reasonable expenses and compensation;
- (f) to borrow or raise monies for the purpose of the Trust from any source and for any sum so borrowed to issue its promissory note as Trustee,

and to secure the repayments thereof by pledging all or any part of the Trust, but nothing herein contained shall obligate the Trustee to render itself liable individually for the amount of any such borrowing; and no person loaning money to the Trustee shall be bound to see to the application of money loaned or to inquire into the validity, expedience or propriety of any such borrowing; and

(g) if any dispute shall arise as to the persons to whom payments and the delivery of any monies or property shall be made by the Trustee or the amounts thereof, to retain such payments and/or postpone such delivery until actual adjudication of such dispute shall have been made in a court of competent jurisdiction or until the Trustee shall be indemnified against loss to his satisfaction.

Each and all of the foregoing powers may be exercised without court order or approval. No one dealing with the Trustee need inquire concerning the validity or propriety of anything that is done or need see to the application of any money paid or property transferred to or upon the order of the Trustee.

### 3.5 General Powers

The Trustee shall have all of the powers necessary or desirable to do all acts, take all such proceedings and exercise all such rights and privileges, whether or not expressly authorized herein, which it may deem necessary or proper for the administration and protection of the property of the Trust and to accomplish any action provided for in the Plan.

### 3.6 Employer Securities

The Administrator and/or Participants in the Plan may direct that all or a portion of the Fund be invested in Qualifying Employer Securities within the meaning of Section 407(d)(5) of the Employee Retirement Income Security Act of 1974, as amended, and the Trustees shall follow the proper directions of the Administrator and/or Participants as to such investment.

The Trustee shall be fully entitled to rely upon the directions of the Administrator and/or Participants as to investments in Qualifying Employer Securities and the Employer shall indemnify and hold harmless the Trustee against any and all claims, liabilities and expenses arising out of or related to such directions and the acquisition and retention of Qualifying Employer Securities pursuant thereto.

As a condition of acquiring or retaining Qualifying Employer Securities pursuant to this Section 3.6, the Trustee may, in its discretion, require assurances satisfactory to it that the acquisition and holding of such Qualifying Employer Securities will not constitute prohibited transactions under Section 406 of ERISA, or under Section 4975 of the Code.

The Trustee shall deliver, or cause to be executed and delivered to the Administrator, all notices, prospectuses, financial statements, proxies and proxy-soliciting materials relating to Qualifying Employer Securities held by it.

### 3.7 Voting, Tendering and Exchanging Company Stock

Each Participant in the Plan (or, in the event of the Participant's death, the Participant's Beneficiary) is, for purposes of this Section 3.7, hereby designated a "named fiduciary" within the meaning of ERISA Section 403(a)(1).

(a) Instructed Share Voting. Each Participant (or, if applicable, Beneficiary), as a named fiduciary, shall be entitled to direct the Plan and Trustee as to the manner in which Company Stock allocated to such Participant's (or Beneficiary's) accounts is to be voted on each matter brought before an annual or special stockholders' meeting of the Company. Before each such meeting of stockholders, the Trustee shall cause to be furnished to each Participant (or, if applicable, Beneficiary) a copy of the proxy solicitation material, together with a form requesting confidential directions on how such shares of Company Stock allocated to such Participant's (or Beneficiary's) accounts shall be voted on each such matter. Upon timely receipt of such directions, the Trustee shall on each such matter, vote as directed the number of votes attributable to such Participant (or Beneficiary).

The number of votes attributable to each Participant (or, if applicable, Beneficiary) shall be determined as follows:

- (1) first, the total number of votes attributable to Company Stock held in the Plan shall be determined;
- (2) second, the number of votes determined under (1), above, shall be attributed to each Participant (or, if applicable, Beneficiary), in the ratio which the number of shares of Company Stock allocated to such Participant's accounts as of the record date bears to the total number of shares of Company Stock held in the Plan as of such date.

Each Participant (or, if applicable, Beneficiary), as a named fiduciary, shall be entitled to separately direct the vote of a portion of the number of votes with respect to which a signed voting-direction instrument is not timely received from other Participants (or, if applicable, Beneficiaries) ("Undirected Votes"). Such direction with respect to each Participant (or, if applicable, Beneficiary) who timely elects to direct the vote of Undirected Votes as a named fiduciary shall be with respect to a number of Undirected Votes equal to the total number of Undirected Votes multiplied by a fraction, the numerator of which is the total number of votes attributable to such Participant (or Beneficiary) and the denominator of which is the total number of votes attributable to all Participants (or, if applicable, Beneficiaries) who timely elect to

vote Undirected Votes as a named fiduciary.

(b) Responding to Tender and Exchange Offers. Each Participant (or, if applicable, Beneficiary), as a named fiduciary, shall have the right, to the extent of the number of shares of Company Stock allocated to such Participant's (or Beneficiary's) accounts, to direct the Trustee in writing as to the manner in which to respond to such tender or exchange offer with respect to shares of Company Stock. The Trustee shall use its best efforts to timely distribute or cause to be distributed to each Participant (or, if applicable, Beneficiary) such information as will be distributed to stockholders of the Company in connection with any such tender or exchange offer. Upon timely receipt of such instructions, the Trustee shall respond as instructed with respect to shares of Common Stock allocated to such Participant's accounts. If the Trustee shall not receive timely instructions from a Participant (or, if applicable, Beneficiary) as to the manner in which to respond to such a tender or exchange offer, the Trustee shall not tender or exchange any shares of Company Stock with respect to which such Participant (or Beneficiary) has the right of direction. In effecting the foregoing, to the extent possible, the Trustee shall tender or exchange shares of Company Stock entitled to one vote per share prior to shares of Company Stock having greater than one vote per share.

Any instructions received by the Trustee from Participants (or, if applicable, Beneficiaries) pursuant to this Section 3.7 shall be held by the Trustee in strict confidence and shall not be divulged or released to any person, including officers or Employees of the Company or a Related Company; provided, however, that to the extent necessary for the operation of the Plan, such instructions may be relayed by the Trustee to a recordkeeper, auditor or other person providing services to the Plan if such person (i) is not the Company, an Affiliated Employer or any Employee, officer or director thereof, and (ii) agrees not to divulge such directions to any other person, including Employees, officers and directors of the Company and its Affiliated Employers.

### 3.8 Registration and Disclosure for Company Stock

The Plan Administrator shall be responsible for determining the applicability (and, if applicable, complying with) the requirements of the Securities Act of 1933, as amended, the California Corporate Securities Law of 1968, as amended, and any other applicable blue sky law. The Plan Administrator shall also specify what restrictive legend or transfer restriction, if any, is required to be set forth on the certificates for the securities and the procedure to be followed by the Trustee to effectuate a resale of such securities.

## ARTICLE IV

### 4.1 Distributions from a Participant's Account

Distribution from the Trust shall be made by the Trustee in accordance with proper written directions or the Administrator in accordance with the provisions of Articles VII and VIII of the Plan, and the Administrator shall have the sole responsibility for determining that the directions given conform to provisions of the Plan and applicable law, including (without limitation) responsibility for calculating the vested interests of the Participants, for calculating the amounts payable to a Participant pursuant to Article VII of the Plan, and for determining the proper person to whom benefits are payable under the Plan.

## ARTICLE V

### 5.1 Reports of the Trustee and the Administrator

The Trustee shall keep accurate and detailed records of all receipts, investments, disbursements and other transactions required to be performed hereunder with respect to the Trust. Not later than ninety (90) days after the close of each Plan Year (or after the Trustee's resignation or removal pursuant to Article XI hereof), the Trustee shall file with the Administrator a written report or reports reflecting the receipts, disbursements and other transactions effected by it with respect to the Trust during such Plan Year (or period ending with such resignation or removal) and the assets and liabilities of the Trust at the close of each Plan Year. Such report or reports shall be open to inspection by any Participant for a period of one hundred eighty (180) days immediately following the date on which it is filed with the Administrator. Except as otherwise prescribed by ERISA, upon the expiration of such one hundred eighty (180) days period, the Trustee shall be forever released and discharged from all liability and accountability to anyone with respect to its acts, transactions, duties, obligations or responsibilities as shown in or reflected by such report, except with respect to any such acts or transactions as to which the Administrator shall have filed written objections with the Trustee within such one hundred eighty (180) day period, and except for willful misconduct or lack of good faith on the part of the Trustee.

## ARTICLE VI

### 6.1 Trustee's Fees and Expenses of the Trust

The Trustee's fees for performing its duties hereunder shall be such reasonable amounts as shall be established by it from time to time. The Trustee will furnish the Administrator with its current schedule of fees and shall give written notice to the Administrator whenever its fees are changed or revised. Such fees, any taxes of any kind whatsoever which may be levied or assessed upon or in respect of the Trust, and any and all expenses incurred by the Trustee in the performance of its duties, including fees for legal services rendered to the Trustee, shall, unless paid by the Employer, be paid from the Trust in the manner provided for in the Plan.

All fees of the Trustee and taxes and other expenses charged to a Participant's account will be collected by the Trustee from the amount of any

contribution to be credited or distribution to be charged to such account or, if there are no such contributions or distributions, shall be paid by redeeming or selling assets credited to such accounts.

## **ARTICLE VII**

### **Duties of the Employer and the Administrator**

#### **7.1 Information and Data to be Furnished the Trustee.**

In addition to making the contributions called for in Article II hereof, the Employer, through the Administrator, agrees to furnish the Trustee with such information and data relative to the Plan as is necessary for the proper administration of the Trust established hereunder.

#### **7.2 Limitation of Duties.**

Neither the Employer nor any of its officers, directors or partners, nor the Administrator shall have any duties or obligations with respect to this Trust Agreement, except those expressly set forth herein and in the Plan.

## **ARTICLE VIII**

### **8.1 Liability of the Trust**

(1) The Trustee shall not be responsible in any way for the collection of contributions provided for under the Plan, the adequacy of the assets of the Plan to meet the Plan's obligation, the propriety of any contribution, the purpose or the propriety of any distribution made pursuant to Article VII thereof or of any allocation of contributions or forfeitures, or any other action or nonaction taken pursuant to the Administrator's request. The Trustee shall not be responsible for the administration of the Plan, its validity or effect, or the qualification of the Plan under the Code. The Trustee shall be under no duty to take any action other than as herein specified with respect to the Trust unless the Administrator shall furnish the Trustee with instructions in proper form and such instructions shall have been specifically agreed to by the Trustee in writing; or to defend or engage in any suit with respect to the Trust unless the Trustee shall have first agreed in writing to do so and shall have been fully indemnified to the satisfaction of the Trustee. The Trustee, unless it knows that the instruction constitutes a breach of the Administrator's duties or responsibilities under the Plan, may conclusively rely upon and shall be protected in acting upon any written order from the Administrator or any other notice, request, consent, certificate or other instrument or paper believed by it to be genuine and to have been properly executed and, so long as it acts in good faith, in taking or omitting to take any other action.

(2) The Employer shall indemnify and hold the Trustee (including its affiliates, representatives and agents) harmless from and against any liability, cost or other expense, including, but not limited to, the payment of attorney's fees that the Trustee may incur in connection with this Agreement or the Plan unless such liability, cost or other expenses (whether direct or indirect) arises from the Trustee's own willful misconduct or gross negligence. The Employer recognizes that a burden of litigation may be imposed upon the Trustee as a result of some act or transaction for which it has no responsibility or over which it has no control under this Agreement. Therefore, the Employer agrees to indemnify and hold harmless and, if requested, defend the Trustee (including its affiliates, representatives and agents) from any expenses (including counsel fees, liabilities, claims, damages, actions, suits or other charges) incurred by the Trustee in prosecuting or defending against any such litigation.

(3) The Trustee shall not be liable for, and the Employer will indemnify and hold harmless the Trustee (including its affiliates, representatives and agents) from and against all liability or expense (including counsel fees) because of (i) any investment action taken or omitted by the Trustee in accordance with any direction of the Employer or Participant, or investment inaction in the absence of directions from the Employer or a Participant or (ii) any investment action taken by the Trustee pursuant to an order to purchase or sell securities placed by the Employer or a Participant directly with a broker, dealer or issuer. It is understood that although, when the Trustee is subject to the direction of the Employer or a Participant, the Trustee will perform certain ministerial duties with respect to the portion of the Trust subject to such direction (the "Directed Fund"). Such duties do not involve the exercise of any discretionary authority or other authority to manage and control assets of the Directed Fund and will be performed in the normal course of business by officers and Employees of the Trustee or its affiliates, representatives or agents who may be unfamiliar with investment management. It is agreed that the Trustee is not undertaking any duty or obligation, express or implied, to review, and will not be deemed to have any knowledge of or responsibility with respect to, any transaction involving the investment of the Directed Fund as a result of the performance of its ministerial duties. Therefore, in the event that "knowledge" of the Trustee shall be a prerequisite of imposing a duty upon or determining liability of the Trustee under the Plan or this Trust or any law or regulation regulating the conduct of the Trustee, with respect to the Directed Fund, as a result of any act or omission of the Employer of any Participant, or as a result of any transaction engaged in by any of them, then the receipt and processing of investment orders or other documents relating to Plan assets by an officer or other Employee of the Trustee or its affiliates, representatives or agents engaged in the performance of purely ministerial functions shall not constitute "knowledge" of the Trustee.

## **ARTICLE IX**

### **Delegation of Powers**

#### **9.1 Delegation by the Trustee.**

The Trustee may delegate, by instrument in writing, to a person (individual, corporate or other entity) appointed as agent or custodian by it, any of the powers or functions of the Trustee hereunder other than the investment of the Trust assets, including (without limitation):

- o custodianship of all or any part of the assets of the Trust;
- o maintaining and accounting for the Trust and for Participant and other accounts as a part thereof;
- o distribution of benefits as directed by the Administrator; and
- o preparation of the annual report on the status of the Trust.

The agent or custodian so appointed may act as agent for the Trustee, without investment responsibility, for fees to be mutually agreed upon by the Employer and the agent or custodian and paid in the same manner as Trustees' fees. The Trustee shall not be responsible for any act or omission of the agent or custodian arising from any such delegation, except to the extent provided in Article VIII hereof.

If the Plan has more than one (1) Trustee, then fiduciary duties may be allocated among such Trustees.

## 9.2 Delegation with Employer Approval

The Trustee and the Employer may, by mutual agreement, arrange for the delegation by the Trustee to the Administrator or any agent of the Employer of any powers or functions of the Trustee hereunder other than the investment and custody of the Trust assets. The Trustee shall not be responsible for any act or omission of such person or persons arising from any such delegation, except to the extent provided in Article VIII hereof.

## ARTICLE X

### 10.1 Amendment

As provided in Article XII of the Plan, and subject to the limitations set forth therein, the Plan and Trust Agreement may be amended at any time, in whole or in part, by the Employer. No amendment to the Plan or Trust Agreement shall place any greater burden on the Trustee without the Trustee's written consent.

## ARTICLE XI

### 11.1 Resignation or Removal of Trustee

The Trustee may resign at any time upon ninety (90) days notice in writing to the Employer, and may be removed by the Employer at any time upon ninety (90) days notice in writing to the Trustee. Upon such resignation or removal, the Employer shall appoint a successor Trustee or Trustees. Upon receipt by the Trustee of written acceptance of such appointment by the successor Trustee, the Trustee shall transfer and pay over to such successor the assets of the Trust and all records pertaining thereto, provided that any successor Trustee shall agree not to dispose of any such records without the Trustee's consent. The successor Trustee shall be entitled to rely on all accounts, records and other documents received by it from the Trustee, and shall not incur any liability whatsoever for such reliance. The Trustee is authorized, however, to reserve such sum of money or property as it may deem advisable for payment of all its expenses, or for payment of any other liabilities constituting a charge on or against the assets of the Trust or on or against the Trustee, with any balance or of such reserve remaining after the payment of all such items to be paid over to the successor Trustee. Upon the assignment, transfer and payment over of the assets of the Trust, and obtaining a receipt thereof from the successor Trustee, the Trustee shall be released and discharged for any and all claims, demands, duties and obligations arising out of the Trust and its management thereof, excepting only claims based upon the Trustee's willful misconduct or lack of good faith. The successor Trustee shall hold the assets paid over to it under terms similar to those of an agreement that qualifies under section 401 of the code. If within thirty (30) days after the Trustee's resignation or removal, the Employer has not appointed a successor Trustee which has accepted such appointment, the Trustee shall, unless it elects to terminate the Trust pursuant to Article XII hereof, appoint such successor itself.

## ARTICLE XII

### Termination of the Trust Agreement

12.1 Term of the Trust Agreement.

This Trust Agreement shall continue so long as the Plan is in full force and effect. If the Plan ceases to be in full force and effect, this Trust Agreement shall thereupon terminate unless expressly extended by the Employer.

12.2 Termination by the Trustee

The Trustee may elect to terminate the Agreement if within thirty (30) days after its resignation or removal pursuant to Article XI the Employer has not appointed a successor Trustee which has accepted such appointment. Termination of the Agreement shall be effected by distributing all assets thereof to the Participants or other persons entitled thereto pursuant to the direction of the Administrator (or in the absence of such direction, as determined by the Trustee) as provided in Article VII of the Plan, subject to the Trustee's right to reserve Trusts as provided in Article XI hereof. Upon the completion of such distribution, the Trustee shall be relieved from all further liability with respect to all amounts so paid, other than any liability arising out of the Trustee's willful misconduct or lack of good faith.

12.3 Failure of Initial Qualification

Anything herein to the contrary notwithstanding, if a final determination letter is received from the Internal Revenue Service that the Plan as herein set forth or as amended prior to the receipt of such ruling does not qualify under Section 401 and 501 of the Code as to the Employer for the first taxable year for which it has been adopted by the Employer, the Employer, at its option, may withdraw all contributions theretofore made by it and any income earned thereon, less all expenses incurred, at the then current value thereof, and the Plan shall thereupon terminate and all rights of each Participant or his Beneficiary in the contributions made on his behalf by the Employer shall cease and come to an end. In the event of termination of the Plan pursuant to this Article there shall also be forthwith paid to each Participant the then value, if any, of his salary reduction and Rollover/Transfer Accounts. In the event of the receipt of such an adverse determination letter and the termination of the Plan as to an Employer, no Participant or Beneficiary of a Participant shall have a right or claim against the Trust or to any benefit under the Plan, and no benefits shall be paid to any Participant, former Participant or his Beneficiary.

### ARTICLE XIII

#### Miscellaneous

13.1 No Diversion of Assets

At no time shall it be possible for any part of the assets of the Trust to be used for or diverted to purposes other than for the exclusive benefit of Participants and their Beneficiaries or revert to the Employer, except as specifically provided in the Plan or this Trust Agreement.

13.2 Notices

Any notice from the Trustee to the Employer or from the Employer to the Trustee provided for in this Plan and Trust Agreement shall be effective if sent by first class mail at their respective last address of record.

13.3 Multiple Trustees

In the event that there shall be two (2) or more Trustees serving hereunder, any action taken or decision made by any such Trustees may be taken or made by a majority of them with the same effect as if all had joined therein, if there be more than two (2), or unanimously if there be two (2).

13.4 Conflict with Plan

In the event of any conflict between the provisions of the Plan and those of this Trust Agreement, the former shall prevail.

13.5 Applicable Law

This Trust Agreement shall be construed in accordance with the laws of the state where the Trustee has its principal place of business.



THUS DONE AND SIGNED this 1st day of September, 2000.

CENTURYTEL, INC.

/s/ R. Stewart Ewing, Jr.

By: \_\_\_\_\_  
R. Stewart Ewing, Jr.

THUS DONE AND SIGNED this 1st day of September, 2000.

T. ROWE PRICE TRUST COMPANY

By: \_\_\_\_\_

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**EXHIBIT A**

**PREDECESSOR PLAN ACCOUNTS**

Predecessor Plan Name/Account Name	Date of Transfer	Employee Pre-Tax	After-Tax	Rollover	Prior Match
<hr/>					
San Marcos Telephone Company, Inc. and SM Telecorp Companies Retirement Plan:	07/01/93				
o Pre-Tax		-			
o After-Tax			-		
o Rollover				-	
o Prior Match					-
<hr/>					
PacifiCorp K Plus Employee Savings Plan: 1	01/10/98				

- o Pre-Tax -
- o After-Tax -
- o Rollover -
- o Company Match 2 -

---

1 Account Names were provided by the recordkeeper and not specifically identified in plan document for the PacifiCorp K Plus Employee Savings Plan.

2 A former PacifiCorp K Plus Employee Savings Plan participant's interest in the PacifiCorp K Plus Employee Stock Ownership Plan was liquidated and deposited to his or her Company Match Account under the plan prior to the date of transfer to the Plan.

## EXHIBIT B

### FROZEN PREDECESSOR PLAN ACCOUNTS

---

Frozen Plan Name/ Account Name	Date of Merger	Employee Pre-Tax	After-Tax	Rollover	Other Employer
Kingsley Telephone Company Retirement Savings Plan:	10/01/97				
o Elective Deferral*		-			
o Employer*					-

---

Lake Dallas Telephone Company, Inc. 401(k)	10/01/97				
---	----------	--	--	--	--

#### Profit Sharing Plan:

- o Employee Deferral\* -
- o Rollover\* -
- o Employer Matching\* -
- o Employer Discretionary\* -

---

Savings Plan for Employees of the National Telephone Cooperative Association and Its Member Systems:	On or About 10/01/97				
o Employee Contribution 401(k)*		-			
o Employee Contribution Non 401(k)*			-		
o Rollover Contribution*				-	
o Employer Contribution*					-

---

\*Account names as recorded on prior recordkeeper's accounting.

## EXHIBIT C

### INVESTMENT OPTIONS

(Plan ss. 1.39)

T. Rowe Price Summit Cash Reserves Fund

PIMCO Total Return Fund

BGI Asset Allocation Fund

T. Rowe Price Equity Index 500 Fund

Janus Fund

T. Rowe Price Equity Income Fund

Janus Overseas Fund

MSDW Institutional Small Company Growth Portfolio Fund

T. Rowe Price Mid-Cap Growth Fund

BGI LifePath Income Fund

BGI LifePath 2010 Fund

BGI LifePath 2020 Fund

BGI LifePath 2030 Fund

BGI LifePath 2040 Fund

CenturyTel, Inc. Common Stock

**AMENDMENTS TO THE  
CENTURYTEL, INC. DOLLARS & SENSE  
PLAN AND TRUST**

CENTURYTEL, INC., represented herein by its Executive Vice-President and Chief Financial Officer, R. Stewart Ewing, Jr., as Plan Sponsor and Employer, does hereby execute the following amendments to the CenturyTel, Inc. Dollars & Sense Plan and Trust:

1. Preamble:

"These amendments to the Plan are adopted to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). These amendments are intended to constitute good faith compliance with the requirements of EGTRRA and are to be construed in accordance with EGTRRA and guidance issued thereunder. Except as otherwise provided herein, each amendment shall be effective as of the first day of the first Plan Year beginning after December 31, 2001."

2. Article X is hereby amended to delete paragraph (7) thereof, and to re-number paragraphs (8) and (9) as (7) and (8), respectively.

3. Section 5.4(d) is hereby amended to read as follows:

"(d) Defined Contribution Dollar Limitation shall mean \$30,000, as adjusted under Code Section 415(d). For Limitation Years beginning after December 31, 2001, the limitation shall be \$40,000, as adjusted for increases in the cost-of-living under Section 415(d) of the Code."

4. The first paragraph of Section 5.4(j) is hereby amended to read as follows:

"(j) Maximum Permissible Amount shall mean the maximum Annual Additions that may be contributed or allocated to a Participant's Account under the Plan for any Limitation Year, not to exceed the lesser of:

(i) the defined contribution dollar limitation, or

(ii) twenty-five percent (25%) of the Participant's Compensation for the Limitation Year. For Plan Years beginning after December 31, 2001, this percentage shall be one hundred percent (100%)."

5. Insert the following as the second sentence of the second paragraph of Section 1.11:

"For Plan Years beginning after December 31, 2001, the annual Compensation of each Participant taken into account in determining allocations for any Plan Year beginning after December 31, 2001, shall not exceed \$200,000 as adjusted for Cost-of-Living Increases in accordance with Code Section 401(a)(17)(B). Annual Compensation means Compensation during the Plan Year or such other consecutive 12-month period over which Compensation is otherwise determined under the Plan (the determination period)."

6. Insert the following as the second paragraph of Section 11.2(d):

"For Plan Years beginning after December 31, 2001, any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the determination date was an officer of the Employer having annual Compensation greater than \$130,000 (as adjusted under Code Section 416(i)(1) for Plan Years beginning after December 31, 2002), a 5-percent owner of the Employer, or a 1-percent owner of the Employer having annual Compensation of more than \$150,000. For this purpose, annual Compensation means compensation within the meaning of Code Section 415(c)(3). The determination of who is a Key Employee will be made in accordance with Code Section 416(i)(1) and the applicable regulations and other guidance of general applicability issued thereunder."

7. Insert the following as the second paragraph of Section 11.2(j)(iii):

"For Plan Years beginning after December 31, 2001, for purposes of (i) and (ii), above, the provisions of this paragraph shall apply. The present value of accrued benefits and the amounts of account balances of an Employee as of the determination date shall be increased by the distributions made with respect to the Employee under the plan and any plan aggregated with the Plan under Code Section 416(g)(2) during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under Code Section 416(g)(2)(A)(i). In the case of a distribution made for a reason other than severance from employment, death, or disability, this provision shall be applied by substituting '5-year period' for '1-year period.' The accrued benefits and accounts of any individual who has not performed services for the Employer during the 1-year period ending on the determination date shall not be taken into account."

8. Insert the following as the second paragraph of Section 11.4(a):



"For Plan Years beginning after December 31, 2001, Matching Contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Code Section 416(c)(2) and the Plan. The preceding sentence shall apply with respect to matching contributions under the Plan or, if the Plan provides that the minimum contribution requirement shall be met in another plan, such other plan. Matching Contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes of the actual contribution percentage test and other requirements of Code Section 401(m)."

9. Insert the following as the second paragraph of Section 7.10(b)(i):

"For distributions made after December 31, 2001, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includable in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Code Section 408(a) or (b), or to a qualified defined contribution plan described in Code Section 401(a) or 403(a) that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includable in gross income and the portion of such distribution which is not so includable."

10. Insert the following as the third paragraph of Section 7.10(b)(i):

"Effective for distributions made after December 31, 2001, any amount that is distributed on account of hardship shall not be an eligible rollover distribution and the distributee may not elect to have any portion of such a distribution paid directly to an eligible retirement plan."

11. Insert the following as the second paragraph of Section 7.10(b)(ii):

"For distributions made after December 31, 2001, an eligible retirement plan shall also mean an annuity contract described in Code Section 403(b) and an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or any instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code Section 414(p)."

12. Insert the following as the fifth paragraph of Section 7.8:

"The value of a Participant's nonforfeitable account balance shall be determined without regard to that portion of the account balance that is attributable to rollover contributions (and earnings allocable thereto) within the meaning of Code Sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii) and 457(e)(16). If the value of the Participant's nonforfeitable account balance as so determined is \$5,000 or less, the Plan may immediately distribute the Participant's entire nonforfeitable account balance."

13. Insert the following as the second paragraph of Section 6.4:

"For distributions made after December 31, 2001, if an Employee so elects, a Participant's Elective Deferral Contributions, qualified non-elective contributions, qualified matching contributions, and earnings attributable to these contributions shall be distributed on account of the Participant's severance from employment. However, such a distribution shall be subject to the other provisions of the Plan regarding distributions, other than provisions that require a separation from service before such amounts may be distributed."

14. Section 1.11 is amended by inserting the following as the last paragraph thereof:

"For Plan Years beginning on and after January 1, 2001, for purposes of the definition of Compensation contained in this Section 1.11, and Sections 1.37, 1.40, 5.4(b) and 11.3 of the Plan, Compensation paid or made available during such years shall include elective amounts that are not includable in the gross income of the Employee by reason of Code Section 132(f)(4)."

15. Insert the following as Section 3.7(c)(viii):

"(viii) The multiple use test described in Treasury Regulation Section 1.401(m)-2 and this Section of the Plan shall not apply for Plan Years beginning after December 31, 2001."

16. Delete the first sentence of Section 3.1(c) and insert the following in lieu thereof:

"(c) No Participant shall be permitted to have Elective Deferrals made under this Plan, or any other qualified plan maintained by the Employer during any taxable year, in excess of the dollar limitation contained in Code Section 402(g) in effect for such taxable year, except to the extent permitted under Section 3.1(d) of this Plan and Code Section 414(v), if applicable."

17. Insert the following as Section 3.1(d):

"(d) All Employees who are eligible to make Elective Deferral Contributions under this Plan and who have obtained age 50 before the close of the Plan Year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of, Code Section 414(v). Such

catch-up contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Code Sections 402(g) and 415. The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of Code Sections 401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416, as applicable, by reason of the making of such catch-up contributions."

18. Delete Section 6.5(a)(ii)(2) and insert the following in lieu thereof:

"(2) All plans maintained by the Employer provide that the Employee's Elective Deferrals (and Employee Contributions) will be suspended for six months after receipt of the hardship distribution;"

**THUS DONE AND SIGNED this 31st day of December, 2002.**

**CENTURYTEL, INC.**

*/s/ R. Stewart Ewing, Jr.*  
BY: \_\_\_\_\_  
*R. Stewart Ewing, Jr.*  
*Executive Vice-President and*  
*Chief Financial Officer*

**THUS DONE AND SIGNED this \_\_\_\_\_ day of \_\_\_\_\_, 200 \_\_\_\_.**

**T. ROWE PRICE TRUST COMPANY**

BY: \_\_\_\_\_

**CENTURYTEL RETIREMENT PLAN**

**As Amended and Restated February 28, 2002**

CenturyTel, Inc. (the "Company") hereby amends and restates the CenturyTel Retirement Plan (the "Plan"), which has previously been established for the exclusive benefit of eligible employees of certain subsidiaries and affiliates of the Company, and other entities permitted to adopt the Plan by the Company. The Plan is intended to constitute a qualified defined benefit pension plan, as described in Code Section 401 (a).

The provisions of the Plan and Trust relating to the Trustee constitute the trust agreement which is entered into by and between CenturyTel, Inc., the adopting employers and Bankers Trust Company, N.A.. The Trust is intended to be tax exempt, pursuant to Code Section 501(a).

The Plan, as amended and restated, is intended to comply with the qualification requirements of the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), the General Agreement of Tariffs and Trade portion of the Uruguay Round Agreements Act (GATT), the Retirement Protection Act of 1994 (RPA '94), the Small Business Job Protection Act of 1996 (SBJPA), the Taxpayer Relief Act of 1997 (TRA '97), the Restructuring and Reform Act of 1998 (RRA '98), and the Community Renewal Tax Relief Act of 2000 (CRA), and is intended to comply in operation therewith. To the extent that the Plan, as set forth below, is subsequently determined to be insufficient to comply with such requirements and any regulations issued, the Plan shall later be amended to so comply.

This Amendment and Restatement of the CenturyTel Retirement Plan, as set forth in this document, is effective as of January 1, 2002, except as otherwise indicated in specific Sections hereof.

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**ARTICLE I  
EFFECTIVE DATE AND APPLICATION**

1.1 Effective Date. The effective date of this Amendment and Restatement of the Plan shall be January 1, 2002, except as otherwise indicated in specific Sections hereof.

1.2 Qualification. It is the intention of the Company that the Plan shall satisfy the requirements of ERISA, that the Plan shall be qualified under Section 401(a) of the Code, and that the Trust established under the Plan shall be exempt from taxation under Section 501(a) of the Code. If the Commissioner of Internal Revenue determines that the Plan as restated does not qualify under Section 401(a) of the Code, the Plan may be retroactively amended to so qualify.

1.3 Sponsoring and Adopting Employers. The Company is the adopting sponsor of the Plan. Any Affiliate or Adopting Entity approved by the Company may also adopt the Plan, by a statement in writing, signed by the Affiliate or Adopting Entity and approved by the Company. The statement shall include the effective date of adoption of the Plan by the adopting Affiliate or Adopting Entity and may include any special provisions applicable only to employees of such adopting Affiliate or Adopting Entity.

1.4 Incorporation of Trust Agreement. The Trust Agreement(s) established under the Plan shall be incorporated into, and made a part of, the Plan in accordance with Section 9.2.

**ARTICLE II  
DEFINITIONS**

The following terms, when used with an initial capital letter in this Plan, shall have the following meanings unless the context clearly requires a different meaning.

2.1 "Accrued Benefit" means, for any Participant as of any determination date, the amount of retirement income (whether or not vested) that would be payable to the Participant as of his Normal Retirement Date in accordance with the provisions of Section 6.1, based on the Participant's Credited Service and Final Average Compensation as of the date of determination.

2.2 "Actuarial Equivalency" or "Actuarial Equivalent" means a benefit under which the present value of the expected payments is equal to the present value of the expected benefit otherwise payable under the Plan, determined on the basis of the following mortality and interest assumptions:

Mortality: UP- 1984 Morality Table

Interest Rate: 8% per annum

Notwithstanding the foregoing, for determinations of cash amounts, interest shall be the annual rate of interest on 30 year Treasury securities for the September preceding the year in which the cash amount is paid and mortality shall be as provided in the mortality table prescribed by the Commissioner of Internal Revenue under Section 417(e)(3)(A)(ii)(I) of the Internal Revenue Code.

For valuing benefits accrued on or before December 31, 1987, the Consumer Price Index shall be assumed to increase at least two percent (2%) per annum.

When the term "Actuarial Value" is used herein, it shall mean the present value of a benefit computed using the factors and assumptions provided in this Section 2.2.

If the actuarial factors for determining equivalent benefits are changed by Plan amendment, the benefit actually paid in any form shall not be less than the amount determined for the same form by applying the prior factors to the Participant's Accrued Benefits as of the date the change is adopted or is effective, whichever is later.

2.3 "Adopting Entity" means an entity which, with approval of the Company, adopts this Plan for the benefit of its eligible employees.

2.4 "Affiliate" means:

(a) any corporation that is a member of a controlled group of corporations (as defined in Section 1563(a) of the Code, without regard to Sections 1563(a)(4) and 1563(e)(3)(C) of the Code) with the Company;

(b) any unincorporated business under common control with the Company, as determined under Section 414(c) of the Code and, to the extent not inconsistent therewith, under such rules as may be adopted by the Board;

(c) a member of any affiliated service group that includes the Company, as determined under Section 414(m) of the Code; or

(d) except to the extent otherwise provided in Treasury Regulations, a leasing organization with respect to the periods of service performed by any individual who is a leased employee (within the meaning of Section 414(n) of the Code) with respect to an Affiliate (determined without regard to this paragraph (e)) or any related person (within the meaning of Section 144(a)(3) of the Code).

A corporation, unincorporated business, or other organization shall qualify as an Affiliate only with respect to the period during which it satisfies one or more of the applicable descriptions in paragraphs (a) through (d), above. Except as otherwise specifically provided in the Plan, the employment of an individual with an Affiliate for purposes of the Plan shall not include any period with respect to which the corporation, unincorporated business, or other organization constituting the Affiliate fails to satisfy one or more of the applicable descriptions in paragraphs (a) through (d), above, and an individual's employment with an Affiliate shall be considered terminated for purposes of the Plan no later than the date on which the corporation, unincorporated business, or other organization constituting the Affiliate ceases to satisfy any of the applicable descriptions in paragraphs (a) through (d), above. Paragraphs (c) and (d), above, shall apply solely for purposes of determining an individual's Eligibility Service and Vesting Service, and shall not apply for any other purpose under the Plan, including, without limitation, for purposes of determining his Credited Service.

2.5 "Alternative Joint and Survivor Annuity" means an optional form of benefit payment provided under Section 7.7(a), which may be elected by a Participant (with Spousal consent) pursuant to Section 7.3.

2.6 "Annuity Starting Date" has the same meaning as in Code Section 417(f), i.e., the first day of the first period for which an amount is payable as an annuity or, in the case of a benefit not payable in the form of an annuity, the first day on which all events have occurred which entitle the Participant to payment of such benefit.

2.7 "Beneficiary" means any individual designated or deemed designated by a Participant or former Participant to receive a benefit under the Plan after the death of the Participant or former Participant.

2.8 "Benefit Computation Period" means the period determined under Section 4.3(a).

2.9 "Board" means the Board of Directors of the Company, the executive committee of the Board, and any other committee of the Board authorized to act on its behalf.

2.10 "Break in Service" means a Computation Period in which an Employee fails to complete more than five hundred (500) Hours of Service with the Employer.

2.11 "Code" means the Internal Revenue Code of 1986, as amended.

2.12 "Committee" means the committee appointed by the Board to administer the Plan pursuant to Article IX.

2.13 "Company" means CenturyTel, Inc.

2.14 "Compensation" means the sum of (a) and (b), as adjusted under (c), (d), and (e) and after applying the provisions of (f), (g) and (h):

(a) All nondeferred compensation reportable on Form W-2 except the following:

- (1) Overtime or premium pay.
- (2) Imputed income from expense reimbursements or fringe benefits.
- (3) Prizes and awards (such as employee recognition awards and safety awards).
- (4) Payment for termination of employment (such as retirement bonuses, disability benefits and severance pay).
- (5) Long-term incentive compensation.

(b) Salary reduction amounts elected by the Participant under a qualified cash or deferred arrangement or a cafeteria plan.

(c) During periods of reduced compensation because of such causes as illness, disability or leave of absence, compensation shall be figured at the last regular rate before the start of the period.

(d) The maximum amount of annual compensation taken into account for any year for a Participant shall be \$150,000 plus any cost-of-living adjustment authorized for the year by applicable regulations. For the Plan Years beginning before January 1, 1997, for purposes of this limit, the following shall apply to any Participant who is a highly compensated employee (as defined in Internal Revenue Code Section 414(q) and



related Treasury Regulations) and is either a five percent owner or one of the 10 highest paid employees:

(1) The Participant's compensation shall be aggregated with any compensation paid by the Employer to the Participant's spouse and to the Participant's lineal descendants under age 19.

(2) If the \$150,000 limit is exceeded in the aggregate, pay counted for each aggregated employee shall be reduced pro rata to stay within the limit.

(e) The reduction in the maximum compensation counted under (d) to \$150,000 shall be made providing a Participant with the greater of the following (formula with extended wear-away):

(1) The Participant's benefit accrued under the Plan as of December 31, 1993 based on compensation up to the maximum permitted amount of compensation in each earlier year, plus the benefit accrued on the basis of service after that date and on compensation at the reduced level.

(2) The Participant's benefit accrued on the basis of service before and after December 31, 1993 and on compensation at the reduced level.

(f) A bonus earned in one calendar year and paid in the following calendar year, including any bonus paid in the year following employment termination, shall be treated as received in the year in which the bonus is paid or, if earlier, the year in which employment terminates.

(g) A lump sum payment in lieu of an increase in base salary shall not be treated as a bonus and shall be counted as salary received one-twelfth in each calendar month of employment in the year in which the lump sum amount is paid.

(h) For the month in which a Participant terminates employment, Compensation shall be pro-rated based on a fraction, the numerator of which is the number of days worked by the Participant in the month and the denominator is thirty (30).

2.15 "Computation Period" means an Eligibility Computation Period, Vesting Computation Period or Benefit Computation Period, as is appropriate in the context in which used. Years of Service and Breaks in Service will be measured on the same Computation Period (Eligibility, Vesting or Benefit, as applicable)

2.16 "Credited Service" means the number of Years of Credited Service credited to a Participant for benefit accrual purposes pursuant to Section 4.3.

2.17 "Disability" or "Disabled" means the total disability of an Employee as evidenced by the Employee's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of at least twelve (12) months. An Employee shall only be considered disabled after proof of such disability satisfactory to the Employer is furnished (which proof shall include a determination of approval for Social Security disability benefits or, if such is not available, a written statement of a licensed physician appointed or approved by the Employer).

2.18 "Early Retirement Date" means any date prior to his Normal Retirement Date on which an Employee actually retires or is retired pursuant to Section 5.2.

2.19 "Eligibility Computation Period" means the period determined under Section 4.1(a).

2.20 "Eligible Employee" means an Employee described in Section 3.1.

2.21 "Employee" means any person regularly employed by the Employer, including employees of any other employer required to be aggregated with the Employer under Section 414(b), (c), (m) or (o) of the Code. The term Employee shall not include any leased employee deemed to be an employee of the Employer as provided in Sections 414(n) or (o) of the Code, or any owner-employee, as defined in Code Section 401(c)(3), or self-employed individual, as defined in Code Section 401(c)(1).

The term Employee shall not include an individual who is retained by the Employer pursuant to a contract or agreement that specifies that the individual is not eligible to participate in the Plan, an individual whose basic compensation for services rendered is not paid by or on behalf of the Employer, or an individual who is not classified as a common-law employee by the Employer, regardless of any subsequent reclassification of such individual as a "common-law employee" of the Employer by the Employer, any governmental agency, or any court.

2.22 "Employer" means the Company, any Affiliate which has adopted this Plan, and any Adopting Entity. This Plan is a single plan maintained by multiple employers in which all of the Plan assets are available to pay benefits for all Participants in the Plan.

2.23 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

2.24 "Final Average Compensation" means the Participant's average Monthly Compensation over the sixty (60) consecutive calendar months of

highest Monthly Compensation in the last one hundred twenty (120) months of employment with the Employer. Months separated by a period when the Employee is not in such employment shall be treated as consecutive. If an Employee has fewer than sixty (60) months of compensation, all months shall be used. For purposes of computing Final Average Compensation, Compensation for Employees of CenturyTel, Inc., any Affiliate or any Adopting Entity (not including former employees of Pacific Telecom, Inc. who became employees of CenturyTel, Inc. or an Affiliate thereof as of the date of acquisition of Pacific Telecom, Inc. by CenturyTel, Inc. or an Affiliate thereof) shall only be counted beginning with the 1999 Plan Year.

2.25 "Hour of Service" means:

(a) Each hour for which an Employee is compensated by the Employer, or is entitled to be so compensated, for service rendered by him to the Employer. These hours will be credited to the Employee for the computation period in which the duties are performed.

(b) Each hour for which an Employee is compensated by the Employer, or is entitled to be so compensated, on account of a period of time during which no services are rendered by him to the Employer (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence. No more than five hundred and one (501) Hours of Service shall be credited pursuant to this subparagraph (b) on account of any single continuous period during which an Employee renders no services to the Employer (whether or not such period occurs in a single computation period). Hours under this paragraph will be calculated and credited pursuant to Section 2530.200b-2 of the Department of Labor Regulations which are incorporated herein by this reference.

(c) Each hour for which back pay, without regard to mitigation of damages, has been awarded or agreed to by the Employer. The same Hours of Service shall not be credited both under subparagraph (a) or subparagraph (b), whichever shall be applicable, and also under this subparagraph (c). The hours will be credited to the Employee for the computation period or periods to which the award or agreement pertains rather than the computation period in which the payment is made.

An Employee whose compensation is not determined on an hourly basis or for whom hourly employment records are not maintained shall be credited with forty-five (45) Hours of Service per week.

Hours of Service will be credited for eligibility, participation and vesting purposes for employment with other members of an affiliated service group (under Section 414(m) of the Code), a controlled group of corporations (under Section 414(b) of the Code), or a group of trades or businesses under common control (under Section 414(c) of the Code), of which the Employer is a member, and any other entity required to be aggregated with the Employer pursuant to Section 414(o) of the Code and the regulations thereunder. Hours of Service for purposes of determining Years of Credited Service shall only include Hours of Service with the Employer. Hours of Service will be credited for eligibility, participation and vesting purposes for periods during which an Eligible Employee is on Layoff or a Leave of Absence.

Hours of Service will also be credited for any individual considered an Employee under Section 414(n) or (o) of the Code, and regulations thereunder.

Solely for purposes of determining whether a Break in Service for participation and vesting purposes has occurred in a computation period, an individual who is absent from work for maternity or paternity reasons shall receive credit for the Hours of Service which would otherwise have been credited to such individual but for such absence, or in any case in which such hours cannot be determined, eight (8) Hours of Service per day of such absence. For purposes of this paragraph, an absence from work for maternity or paternity reasons means an absence (i) by reason of the pregnancy of the individual, (ii) by reason of a birth of a child of the individual, (iii) by reason of the placement of a child with the individual in connection with the adoption of such child by such individual, or (iv) for purpose of caring for such child for a period beginning immediately following such birth or placement. The Hours of Service credited under this paragraph shall be credited only (i) in the computation period in which the absence begins if the crediting is necessary to prevent a Break in Service in that period, or (ii) in all other cases, in the following computation period.

2.26 "Layoff" means the termination of employment due to the reduction of the Employer's work force. An Employee shall continue as laid off until (i) the Employee retires, dies or resumes employment at the request of the Employer, (ii) the Employer notifies the Employee that employment has been terminated, (iii) the Employee elects to terminate employment, or the employee fails to return to work when recalled, or (iv) twelve (12) months have elapsed since the date of the Layoff. Termination of a Layoff under (ii), (iii) or (iv) above, shall be effective as of the date of the Layoff.

2.27 "Leave of Absence" means (i) a leave authorized by the Employer if the Employee returns within the time prescribed by the Employer and otherwise fulfills all the conditions of the leave imposed by the Employer, (ii) absence because of Disability, or (iii) periods of military service if the Employee returns with employment rights protected by law. If a person on Leave of Absence fails to meet the conditions of the leave or fails to return to work when required, employment shall terminate and termination of the Leave of Absence shall be effective as of the date the leave began unless the failure is due to death or retirement. In authorizing Leaves of Absence, the Employer shall treat all Employees similarly situated alike as much as possible.

2.28 "Monthly Compensation" shall mean a Participant's Compensation determined under Section 2.14 for a Plan Year, divided by twelve (12).

2.29 "Normal Form" means the form of benefit payable to a Participant pursuant to Section 7.2 of this Plan.

2.30 "Normal Retirement Age" means age sixty-five (65).

2.31 "Normal Retirement Date" means the first day of the calendar month coinciding with or following the date the Participant attains Normal Retirement Age.

2.32 "Participant" means an Employee participating in the Plan in accordance with the provisions of Article III.

2.33 "Plan" means the provisions of this CenturyTel Retirement Plan, as set forth herein and as may be amended from time to time.

2.34 "Plan Administrator" means the Committee.

2.35 "Plan Year" means the calendar year, except that the first plan year with respect to each Employer shall mean the period from the Effective Date with respect to such Employer to December 31 of such year.

2.36 "Prior Plan" means the Pacific Telecom Retirement Plan.

2.37 "Qualified Domestic Relations Order" means a "qualified domestic relations order" within the meaning of ERISA Section 206(d).

2.38 "Qualified Joint and Survivor Annuity" means, for any Participant who has a Spouse at his retirement date, an annuity payable monthly for the lifetime of the Participant and a survivor annuity payable monthly to the Spouse (if living) upon the Participant's death which is fifty-percent (50%) of the amount of the annuity payable during the lifetime of the Participant.

2.39 "Required Beginning Date" means

(1) General Rule. The required beginning date of a Participant is the later of the April 1 of the calendar year following the calendar year in which the Participant attains age 70 1/2 or retires except that benefit distributions to a 5-percent owner must commence by the April 1 of the calendar year following the calendar year in which the Participant attains age 70 1/2 .

(2) Deferral or Cessation of Distributions.

(A) Any Participant attaining age 70 1/2 in years after 1995 may elect by April 1 of the calendar year following the year in which the Participant attained age 70 1/2 (or by December 31, 1997 in the case of a Participant attaining age 70 1/2 in 1996) to defer distributions until the calendar year following the calendar year in which the Participant retires. If no such election is made the Participant will begin receiving distributions by the April 1 of the calendar year following the year in which the Participant attained age 70 1/2 (or by December 31, 1997 in the case of a Participant attaining age 70 1/2 in 1996).

(B) Any Participant attaining age 70 1/2 in years prior to 1997 may elect to stop distributions and recommence by the April 1 of the calendar year following the year in which the Participant retires. There will be a new annuity starting date upon recommencement.

(3) 5-Percent Owner. A Participant is treated as a 5-percent owner for purposes of this Section if such Participant is a 5-percent owner as defined in Section 416 of the Code at any time during the Plan Year ending with or within the calendar year in which such owner attains age 70 1/2 .

(4) Distributions Begun. Once distributions have begun to a 5-percent owner under this Section, they must continue to be distributed, even if the Participant ceases to be a 5-percent owner in a subsequent year.

2.40 "Single Life Annuity" means an annuity payable monthly in equal installments for the life of a Participant, which terminates upon the death of the Participant and does not provide any survivor benefits.

2.41 "Social Security Covered Compensation" means the covered compensation amount for a person with the Participant's Social Security retirement age, as determined in accordance with applicable regulations. The Committee may, in its discretion, use a table of Social Security Covered Compensation published by the Internal Revenue Service with rounded amounts.

2.42 "Spouse" means any individual who is legally married to a Participant as of any applicable date, provided that a former spouse shall be treated as the spouse of a Participant to the extent provided under a Qualified Domestic Relations Order.

2.43 "Trust Agreement" means the Trust Agreement between CenturyTel, Inc. and Bankers Trust Company, as from time to time amended and in effect, and any other or additional trust agreement under the Plan, so designated for such purpose by the Board, between the Company, any adopting Affiliate, or Adopting Entity, and any Trustee at any time acting thereunder.

2.44 "Trustee" means the trustee under a Trust Agreement.

2.45 "Vesting Computation Period" means the period determined under Section 4.2(a).

2.46 "Year of Credited Service" means a Benefit Computation Period in which an Employee meets the requirements of Section 4.3(b) and is credited with a Year of Credited Service thereunder.

2.47 "Year of Eligibility Service" means an Eligibility Computation Period in which an Employee meets the requirements of Section 4.1(b) and is credited with a Year of Eligibility Service thereunder.

2.48 "Year of Service" means a Plan Year in which an Employee completes one thousand (1000) or more Hours of Service (whether or not continuous) with the Company, a participating Affiliate, or an Adopting Entity.

2.49 "Year of Vesting Service" means a Vesting Computation Period in which an Employee meets the requirements of Section 4.2(b) and is credited with a Year of Vesting Service thereunder.

### **ARTICLE III ELIGIBILITY AND PARTICIPATION**

3.1 Eligible Employees. Any Employee of an Employer shall be eligible to participate in the Plan, except for the following:

- (a) Any Employee covered by a collective bargaining agreement that does not provide for participation in this Plan.
- (b) A leased employee treated as an employee for pension purposes solely because of Code Section 414(n).
- (c) A "casual employee" as categorized in the Employer's personnel policies, generally including workers who are on call, have no regular established work week and no fixed days or hours of work.
- (d) A temporary employee hired specifically to fill temporary or occasional needs.
- (e) An employee of CenturyTel, Inc. or an Affiliate who was on disability under the CenturyTel, Inc. Long Term Disability Plan as of January 1, 1999, until such time as the employee returns to active employment.
- (f) An employee of an Affiliate or other entity which is not an adopting Affiliate or an Adopting Entity.
- (g) Employees of the following Affiliates:
  - (i) Century Business Communications, LLC;
  - (ii) CenturyTel Interactive Company;
  - (iii) CenturyTel Security Systems, Inc.;
  - (iv) CenturyTel of Northwest Arkansas, LLC;
  - (v) CenturyTel of Central Arkansas, LLC;
  - (vi) CenturyTel of Central Wisconsin, LLC;
  - (vii) Telephone USA of Wisconsin, LLC;
  - (viii) Spectra Communications Group, LLC;
  - (ix) CenturyTel Holdings, Inc.;
  - (x) CenturyTel Investments of Texas, Inc.;
  - (xi) CenturyTel of Alabama, LLC; and
  - (xii) CenturyTel of Missouri, LLC.

Effective January 1, 1999, the Company became the sponsor of this Plan, and Employees of the Company, any adopting Affiliate, and any Adopting Entity became eligible to participate in this Plan effective January 1, 1999.

3.2 Requirements for Participation. To be eligible to participate in the Plan, an Employee must:

- (a) Be an Eligible Employee under Section 3.1;
- (b) Complete one (1) Year of Eligibility Service, as determined under Section 4.1; and
- (c) Attain age twenty-one (21).

3.3 Effective Time of Participation. An Eligible Employee who meets the requirements of Section 3.2 shall be a Participant in the Plan as of the first day of the Eligibility Computation Period in which the Employee meets such requirements.

3.4 Reassignment and Reemployment. In the event an Employee who is not a member of the eligible class of Employees becomes a member of the eligible class, such Employee shall be eligible to participate immediately.

In the event a Participant is no longer a member of the eligible class of Employees and becomes ineligible to participate, such Employee shall be eligible to participate immediately upon returning to the eligible class of Employees.

A former Participant shall become a Participant immediately upon returning to the employ of the Employer if such former Participant is a member of the eligible class of Employees when re-employed.

3.5 Waiver of Participation. The Employer may grant a waiver of participation to any Employee who so requests. Whether or not such waiver shall be granted, and the terms and conditions (including duration) thereof, shall be made in accordance with written and objective rules and shall be applied in a uniform and nondiscriminatory manner.

## **ARTICLE IV CREDITING OF SERVICE**

### 4.1 Eligibility Service.

(a) A Year of Eligibility Service for purposes of satisfying Section 3.2(b) shall be measured on an employment year, which is the twelve (12) month period starting on the date the Employee first performs an Hour of Service for the Employer, or an anniversary of such date (Eligibility Computation Period).

(b) An Employee shall be credited with a Year of Eligibility Service for each Eligibility Computation Period in which the Employee completes at least one thousand (1000) Hours of Service.

(c) For purposes of computing Years of Eligibility Service, an Employee's service shall also include service credited under Sections 4.6 and 4.7.

### 4.2 Vesting Service.

(a) For Plan Years ending prior to January 1, 1999, a Year of Vesting Service shall be measured on an employment year, which is the twelve (12) month period starting on the date the Employee first performs an Hour of Service for the Employer, or an anniversary of such date. For Plan Years commencing on or after January 1, 1999, a Year of Vesting Service shall be measured on a Plan Year (Vesting Computation Period).

(b) Subject to the provisions of Section 4.5(d), an Employee shall be credited with a Year of Vesting Service for each Plan Year in which the Employee completes at least one thousand (1000) Hours of Service.

(c) For purposes of computing Years of Vesting Service, an Employee's service shall include service credited under Section 4.6. In the case of an Employee who was enrolled in and met the eligibility and disability requirements of the CenturyTel, Inc. Long-Term Disability Plan (the "LTD Plan") and who has not retired and become eligible for a disability benefit under this Plan, service shall also include the period of time (i) commencing with the beginning of the disability covered by the LTD Plan and (ii) ending when eligibility for benefits under the LTD Plan ceases.

### 4.3 Credited Service.

(a) For Plan Years ending prior to January 1, 1999, a Year of Credited Service shall be measured on an employment year, which is the twelve (12) month period starting on the date the Participant first performs an Hour of Service for the Employer, or an anniversary of such date. For Plan Years commencing on or after January 1, 1999, service for purposes of determining an Employee's Years of Credited Service shall be measured on a Plan Year (Benefit Computation Period).

(b) Subject to the provisions of Section 4.5(a), below, an Employee shall be credited with a full Year of Credited Service for any Plan Year in which he has been credited, for service with the Employer, with at least one thousand (1000) Hours of Service.

(c) In the case of an Employee who was eligible to participate in the Plan and who was enrolled in and met the eligibility and disability requirements of the CenturyTel, Inc. Long-Term Disability Plan (the "LTD Plan"), who has not retired and become eligible for a disability benefit under this Plan, and who has completed ten (10) Years of Service, service for purposes of determining an Employee's Years of Credited Service shall also include the period of time (i) commencing with the beginning of the disability covered by the LTD Plan and (ii) ending when eligibility for benefits under the LTD Plan ceases, with his rate of compensation immediately prior to his Disability being deemed to continue during such period for the purpose of computing Final Average Compensation.

(d) Subject to the provisions of Section 4.6, service of Employees of CenturyTel, Inc., any adopting Affiliate, and any Adopting Entity (other than former employees of Pacific Telecom, Inc. who became employees of CenturyTel, Inc. or an Affiliate thereof as of the date of acquisition

of Pacific Telecom, Inc. by CenturyTel, Inc. or an Affiliate thereof) shall begin to be counted for purposes for computing Years of Credited Service effective January 1, 1999. Such Employees shall not be credited with Years of Credited Service for years beginning before January 1, 1999.

(e) Notwithstanding the foregoing provisions of this Section 4.3, Credited Service shall not include any period of an individual's employment during which the individual is not classified by the Company, an Affiliate or an Adopting Entity as a common-law employee of the Company, an Affiliate, or an Adopting Entity regardless of any subsequent reclassification of such individual as a "common-law" employee of the Company, an Affiliate or an Adopting Entity by the Company, an Affiliate, an Adopting Entity, any governmental agency, or any court.

#### 4.4 Reemployment after Break in Service.

(a) When an Employee who has a vested interest in his or her benefit under Section 5.6(b) incurs a Break in Service, and thereafter is reemployed by the Employer and the number of Years of Service before the Break in Service is greater than the number of consecutive Breaks in Service, then the break in the Employee's employment shall be bridged, and there shall be added to the service that has accumulated since his reemployment the aggregate of all previous periods of service that the Employee had prior to the break, provided that the Employee had at least one (1) Year of Service preceding the Break in Service.

(b) Upon retirement or separation from service following the bridging of a Break in Service hereunder, the Employee's benefits under this Plan shall be based on his Final Average Compensation and Years of Credited Service both before and after the Break in Service.

(c) Notwithstanding the foregoing, if the application of the bridging of service provisions contained in this Section 4.4 would result in a lower or reduced benefit for a Participant, then the provisions of this Section 4.4 shall not apply to such Participant.

#### 4.5 Transition Rules and Short and Overlapping Computation Periods

(a) For each Computation Period commencing prior to 1999, if a Participant was credited in a Plan Year with less than 2080 of Hours of Service, the Participant will be credited for such Computation Period with a fraction of a Year of Credited Service (not in excess of one (1)), where the numerator of the fraction is the number of Hours of Service credited to the Participant during such Computation Period and the denominator is 2080. For Plan Years commencing in 1999 and thereafter, a Participant shall be credited with one (1) full Year of Credited Service if the Participant completes one thousand (1000) Hours of Service during such Plan Year. For the 1998 Plan Year, each Participant's Year of Credited Service shall be determined pursuant to

(c)(iii) below.

(b) If the compensation (if any) used to determine a Participant's accrued benefit under any benefit formula in the Plan is so defined as to cause application of the preceding subsection (a) otherwise to violate the prohibition against double proration in 29 C.F.R. ss.2530.204-2(d), then the Participant's compensation under such definition for any Plan Year during which the Participant is credited with less than 2080 of Hours of Service in the Plan Year shall be adjusted by multiplying the Participant's compensation under such definition for the Plan Year by a fraction, the numerator of which is 2080 Hours of Service, and the denominator of which is the number of Hours of Service credited to the Participant during such Plan Year.

(c) For any short and/or overlapping computation period for vesting, break in service or benefit accrual purposes which arose due to the changes in the Computation Periods for Years of Vesting Service and Years of Credited Service, commencing on or after January 1, 1999, the following rules shall apply:

(i) For vesting purposes, a Participant who is credited with 1000 Hours of Service in both the Computation Period commencing in 1998 and the overlapping Computation Period commencing January 1, 1999 shall be credited with two (2) Years of Service for vesting purposes.

(ii) For Break in Service purposes, an Employee who has terminated employment will have a One-Year Break in Service for each of the Computation Periods commencing in 1998 and commencing on January 1, 1999 if the Employee has not more than 500 Hours of Service in such Computation Periods, respectively.

(iii) For benefit accrual purposes, a Participant shall be credited with a pro-rated portion of a Year of Credited Service for the Computation Period commencing in 1998 if the Participant completes a pro-rated portion of 1000 Hours of Service by December 31, 1998. The pro-rated portion of the 1000-hour requirement shall be determined by multiplying the number of calendar days between the participant's employment anniversary date and December 31, 1998 times 2.7.

4.6 Special Rules for Service Under Prior Plan. An Eligible Employee shall be credited with service for all purposes under this Plan, including eligibility, participation, vesting and benefit accrual, for service credited under the terms of the Prior Plan. Notwithstanding the preceding sentence, this Section 4.6 shall not be applied in a manner which, in conjunction with the service crediting rules above, would result in an Employee being credited with more than one Year of Service in any Plan Year, and in such event, the Employee's service credit will be limited to one (1) year of service. An Employee will receive service credit under this Section 4.6 only if the Employee is a participant in this Plan upon his initial hire by the Employer, and only if this Plan receives a transfer of benefit liabilities and assets with respect to such Employee from the Prior Plan.

#### 4.7 Transfers between Company, Affiliates and Adopting Entities

- (a) Transfer of employment between the Company, an adopting Affiliate, or an Adopting Entity shall not be considered a termination of employment.
- (b) Service for an Affiliate or Adopting Entity shall only be counted after the date of affiliation, or such earlier date fixed by the Company in a statement of adoption.
- (c) Years of Eligibility Service and Years of Vesting Service shall be counted for service with the Company, any Affiliate, and any Adopting Entity. Except as provided in (d) below, Years of Credited Service shall be counted for service with an Employer, and a nonadopting Affiliate only if the obligation to pay benefits based on service with such Affiliate is assumed from a plan maintained by the Affiliate, as evidenced by a statement of assumption signed by the Company, provided to the Committee and communicated to Employees.
- (d) Years of Credited Service shall be counted for service with CenturyTel, Inc. or any Affiliate beginning as of January 1, 1999, and service with CenturyTel, Inc. or any adopting Affiliate prior to January 1, 1999, shall not be counted under this Plan for purposes of determining Years of Credited Service.
- (e) An Employee's Year of Credited Service for the year in which the Employee transfers to or from employment with an Employer shall be determined as follows:
- (i) The total number of days worked by the Employee for an Employer during a Plan Year shall be divided by 365.
- (ii) The total number of hours worked by the Employee for the Company, any Affiliate and any Adopting Entity for the Plan Year shall be determined and shall be utilized to determine if the Employee would have been entitled to be credited with a Year of Credited Service under Section 4.3 if the Employee had worked for an Employer during the entire Plan Year.
- (iii) The result of the determination under (ii) above, shall be multiplied by the fraction resulting from the computation under (i) above, and the result shall be the fractional Year of Credited Service, if any, credited to the Employee under this Plan for such Plan Year.

### **ARTICLE V BENEFITS ON RETIREMENT, DEATH, DISABILITY AND TERMINATION OF EMPLOYMENT**

5.1 Normal Retirement. An Employee who attains Normal Retirement Age shall have the right to retire with a fully vested and nonforfeitable basic benefit computed in accordance with Section 6.1, subject to the limitations contained in Section 5.7, commencing as of the first day of the month coinciding with or immediately following his retirement.

#### 5.2 Early Retirement.

(a) An Employee who has attained age fifty-five (55) and completed five (5) Years of Credited Service may retire before attaining Normal Retirement Age and shall be entitled to a benefit hereunder.

(b) The benefit provided on Early Retirement under this Section 5.2 shall be a fully vested and nonforfeitable benefit computed in accordance with Section 6.2, subject to the limitations contained in Section 5.7.

5.3 Deferred Retirement. An Employee who continues to work for the Employer after his Normal Retirement Age shall be entitled to a deferred retirement benefit, computed in accordance with Section 6.3, subject to the limitations contained in Section 5.7.

5.4 Disability Retirement. An Employee shall be entitled to a disability retirement benefit if he becomes Disabled. An Employee's disability retirement benefit will be computed in accordance with Section 6.4, and will commence as of the first day of the month coinciding with or following the Employee's Normal Retirement Age; provided, however, that an Employee may elect an early commencement of his disability retirement benefit pursuant to Section 7.11.

5.5 Spouse's Benefit. A Spouse of a Participant shall be entitled to a benefit computed in accordance with Section 6.5 if the Participant dies before the Annuity Starting Date and if the requirements of (a) or (b), below, are met, and the requirement of (c), below, is met.

(a) the Participant was employed by the Employer on his date of death and had earned a nonforfeitable right to benefits hereunder.

(b) (i) the Participant had terminated employment with the Employer after attaining Normal Retirement Age or becoming eligible for an early retirement benefit under Section 5.2 or a disability retirement benefit under Section 5.4; or

(ii) the Participant had terminated employment with the Employer after earning a nonforfeitable right to benefits hereunder but prior to attaining Normal Retirement Age or becoming eligible for an early or disability retirement benefit hereunder.

(c) the Participant was legally married to the surviving spouse at death and was so married for the year preceding death.

The spouse of a Participant who has a Platteville employee contribution account under the Plan shall be entitled to a benefit determined under Section 6.5(d) upon the death of the Participant.

No Spouse's benefit shall be payable to the Spouse of a Participant who dies before the Annuity Starting Date without having met the requirements of this Section 5.5. Except as otherwise provided in the Plan, whether a Participant has earned a nonforfeitable right to a benefit shall be determined in accordance with Section 5.6(b).

#### 5.6 Benefit on Termination of Employment.

(a) A Participant who terminates employment prior to becoming eligible for a normal, early or disability retirement benefit hereunder, and prior to his death, shall be entitled to a benefit computed in accordance with Section 6.6, subject to the vesting schedule contained in subparagraph (b) below, and the limitations contained in Section 5.7.

(b) Participants shall earn a nonforfeitable interest in their benefits under this Plan according to the following schedule:

YEARS OF VESTING SERVICE	VESTING PERCENTAGE
less than five (5)	0%
five (5) or more	100%

Notwithstanding the foregoing schedule, a Participant's right to benefits under this Plan shall be fully vested and nonforfeitable upon attainment of Normal Retirement Age, upon meeting the requirements for an early retirement benefit under Section 5.2, and upon meeting the requirements for a disability benefit under Section 5.4.

(c) Notwithstanding the vesting schedule in (b), above, a Participant's Accrued Benefit shall fully vest and become nonforfeitable automatically upon the occurrence of any of the following events, each of which shall be referred to herein as a "Change of Control":

(i) the acquisition by any person of beneficial ownership of 30% or more of the outstanding shares of the Company's common stock, \$1.00 par value per share (the "Common Stock"), or 30% or more of the combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors; provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control:

(A) any acquisition (other than a Business Combination (as defined below) which constitutes a Change of Control under Section 5.6(c)(iii)) of Common Stock directly from the Company,

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

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

(D) any acquisition of Common Stock by any corporation pursuant to a Business Combination that does not constitute a change of control under Section 5.6(c)(iii); or

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

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

(A) the individuals and entities who were the beneficial owners of the Company's outstanding Common Stock and the Company's voting securities entitled to vote generally in the election of directors immediately prior to such Business Combination have direct or indirect beneficial ownership, respectively, of more than 50% of the then outstanding shares of common stock, and more than 50% of the combined



voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the surviving or successor corporation, or, if applicable, the ultimate parent company thereof (the "Post-Transaction Corporation"), and

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

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

(d) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

For purposes of this Section 5.6(c), the term "person" shall mean a natural person or entity, and shall also mean the group or syndicate created when two or more persons act as a syndicate or other group (including, without limitation, a partnership or limited partnership) for the purpose of acquiring, holding, or disposing of a security, except that "person" shall not include an underwriter temporarily holding a security pursuant to an offering of the security.

### 5.7 Limitations on Pensions.

(a) In addition to any other limits set forth in the Plan, and notwithstanding any other provision of the Plan, in no event shall the annual amount of any retirement benefit payable with respect to a Participant under the Plan exceed the maximum annual amount permitted by Section 415 of the Code for a retirement benefit payable in the form and commencing at the age provided for with respect to the Participant. The determination in the preceding sentence shall be made after taking into account the retirement benefits payable with respect to the Participant under all other defined benefit plans required to be aggregated with this Plan under Section 415(f)(1)(A) of the Code, and after taking into account the annual additions with respect to the Participant under all defined contribution plans required to be aggregated under Section 415(f)(1)(B) of the Code.

(b) If the limits imposed by subsection (a), above, with respect to a Participant would otherwise be exceeded, the retirement benefits and annual additions with respect to the Participant under the plans described in subsection (a), above, shall be reduced until those limits are satisfied. For purposes of applying the preceding sentence, the retirement benefits payable with respect to the Participant under the defined benefit plans described in subsection (a), above, shall be reduced before the annual additions with respect to the Participant are reduced under the defined contribution plans described in subsection

(a), above. Among plans of the same type (defined benefit or defined contribution), reductions shall be made in reverse chronological order, that is, on a plan-by-plan basis, beginning with the plan under which the Participant most recently accrued a benefit or was allocated an annual addition, and ending with the plan under which the Participant least recently accrued a benefit or was allocated an annual addition.

(c) The limits imposed by subsection (a), above, shall be applied on the basis of:

(i) before January 1, 2000, an interest rate assumption of five percent (5%) per annum, compounded annually, and on and after January 1, 2000, in accordance with Section 415(b)(2)(E) of the Code, as amended by Section 767 of the Uruguay Round Agreements Act (as subsequently amended by Section 1449 of the Small Business Job Protection Act of 1996),

(ii) the definition of compensation in Treas. Reg. ss. 1.415-2(d)(11)(i),

(iii) any cost-of-living increase that the Plan is permitted to take into account under Section 415(d) of the Code,

(iv) any applicable transition rule prescribed in Section 1106(i) of the Tax Reform Act of 1986, and

(v) any other applicable transition rule that preserves a Participant's accrued benefit under the Plan as of the effective date of the enactment or amendment of Section 415 of the Code.

(d) Notwithstanding the foregoing, the application of this Section 5.7 shall not cause a Participant's accrued benefit (including any optional benefit) determined under the provisions of the Plan to be less than the greater of:

(i) the Participant's accrued benefit based on all service credited under the Plan taking into account the limitations of Section 415 of the Code in effect as of the date of the determination; or

(ii) the sum of

(A) the Participant's accrued benefit under the terms of the Prior Plans in effect as of December 31, 1999, taking into account the limitations of

Section 415 of the Code in effect as of December 7, 1994, and

(B) the Participant's accrued benefit based solely on service after December 31, 1999, taking into account the limitations of Section 415 of the Code in effect as of the date of the determination.

(e) This Section 5.7 is intended to satisfy the requirements imposed by Section 415 of the Code and shall be construed in a manner that will effectuate this intent. This Section 5.7 shall not be construed in a manner that would impose limitations that are more stringent than those required by Section 415 of the Code.

## **ARTICLE VI COMPUTATION OF BENEFIT AMOUNTS**

### 6.1 Normal Retirement Benefit.

(a) Except as provided in Section 6.1(b) and subject to the limitations contained in Section 5.7, the basic benefit on normal retirement for a person retiring on or after January 1, 1990 is a monthly pension for the life of the Participant equal to the sum of:

(i) Years of Credited Service (YCS) as of December 31, 1998, up to a maximum of thirty (30), times the sum of 1.3 percent of Final Average Pay (FAP) plus .65 percent of Final Average Pay in excess of Social Security Covered Compensation (SSCC) as follows:

$$\text{YCS (up to 30) X ((1.3\% X FAP) + (.65 X (FAP - SSCC))), and}$$

(ii) Years of Credited Service (YCS) accrued after December 31, 1998, up to a maximum of thirty (30), taking into account Years of Credited Service under clause (i), above, first in determining the thirty (30) year maximum, times the sum of 0.50 percent of Final Average Pay plus 0.50 percent of Final Average Pay in excess of Social Security Covered Compensation (SSCC) as follows:

$$\text{YCS (up to 30, taking into account benefit years under (i), above, first) X ((0.50\% X FAP) + (FAP - SSCC))}.$$

(b) For Participants covered by a collective bargaining agreement which provides for participation in this Plan, and subject to the limitations contained in Section 5.7, the basic benefit on normal retirement for a person retiring on or after January 1, 1990 is a monthly pension for the life of the Participant equal to the number of Years of Credited Service (YCS), up to a maximum of thirty (30), times the sum of 1.3 percent of Final Average Pay (FAP) plus .65 percent of Final Average Pay in excess of Social Security Covered Compensation (SSCC) as follows:

$$\text{YCS (up to 30) X ((1.3\% X FAP) + (.65\% X (FAP - SSCC)))}.$$

(c) Notwithstanding the provisions of (a) and (b), above, the benefit of former employees of Pacific Telecom, Inc. who were on long-term disability under the Pacific Telecom, Inc. Long-Term Disability Plan as of December 31, 1998 shall, subject to the limitations contained in Section 5.7, be computed in accordance with the benefit formula contained in Section 6.1(b), above.

(d) If a Participant either becomes covered by a collective bargaining agreement which provides for participation in this Plan or ceases to be so covered, the Participant's basic benefit shall be determined by applying Section 6.1(a) above to the time period during which the Participant is not covered by a collective bargaining agreement which provides for participation in this Plan, and Section 6.1(b) above shall apply to the time period during which the Participant is so covered. In the event a Participant's basic benefit is determined under both Section 6.1(a) and (b) for periods within a single Plan Year, the Participant shall not be given duplicate credit under both Section 6.1(a) and 6.1(b), but each period shall be counted only once in determining the Participant's basic benefit.

(e) (i) The benefits for certain employees of certain Affiliates and Adopting Entities, and benefits attributable to transfers of assets from other plans to this Plan are determined in accordance with Exhibit "A".

(ii) The entities reflected on Exhibit "A" as of the date of execution of this Amended and Restated Plan are as follows:

Alascom, Inc./RCA (including Telephone Utilities of Alaska, Greatland Telephone Company, Sitka Telephone Company and PACOM, Inc.)  
Inter-Island Telephone Co.

Telephone Utilities International

Cencom, Inc., Cencom of Wisconsin, Inc. and Weyauwega Telephone Co.

National Gateway Telecom

Pacific Corp Trans, Inc. Contel (Glacier State Telephone Company) Upsouth Peninsula

Telecommunications, Inc. Telephone Utilities of Wyoming, Inc. Turtle Lake Telephone Company Postville Telephone Company Tharp Telephone Company PACCOM Leasing  
 Northland Telephone Company Wayside Telephone Company Shell Lake Telephone Company North-West Telecommunications/Platteville  
 Pacific Telecom Service Company Casco Telephone Company Ameritech  
**CSW NET**

**CenturyTel of Upper Michigan, Inc.**

**6.2 Early Retirement Benefit.**

On early retirement, the basic benefit shall be the normal retirement benefit under Section 6.1 reduced as follows. The amount of basic benefit attributable to the appropriate percentage of Final Average Pay determined under Section 6.1(a) or 6.1(b) (the Base Benefit) and the amount attributable to the appropriate percentage of Final Average Pay in excess of Social Security Covered Compensation determined under Section 6.1(a) or 6.1(b) (the Excess Benefit) shall be adjusted to the Annuity Starting Date by the percentages prescribed in the following table, interpolating between ages through the last full month.

Age at Benefit Starting Date	Base Benefit Percentage	Excess Benefit Percentage
64	100%	92%
63	100%	84%
62	100%	76%
61	95%	72%
60	90%	68%
59	84%	64%
58	78%	60%
57	72%	56%
56	66%	52%
55	60%	48%

**6.3 Deferred Retirement Benefit.**

- (a) On deferred retirement, the basic benefit shall be that for normal retirement based on Years of Credited Service and Final Average Pay at actual retirement.
- (b) A Participant who works past the month in which normal retirement benefits would have begun shall be notified in writing during that month that benefits will not be started, except for payments under Section 7.10. The notification shall contain the information required by applicable law and regulations on suspension of benefits.
- (c) If benefits start under Section 7.10 to a Participant during employment the following shall apply:
  - (i) The starting date under Section 7.10 shall be the Annuity Starting Date.
  - (ii) All provisions with respect to the time, form and amount of benefit shall apply as of the Annuity Starting Date. The form of benefit determined as of that date shall be final and shall not be reopened at later termination of employment. The amount of benefit for service to the Annuity Starting Date shall not be changed by later changes in Final Average Pay.
  - (iii) Additional accruals shall be calculated at each calendar year-end after the Annuity Starting Date as follows:
    - (A) The additional benefit shall be based on additional service and on Final Average Pay as of the year-end.
    - (B) Added benefits shall be in the form determined under (ii) above.
    - (C) In the year in which the Employee terminates employment the date of termination shall be substituted for year-end.
  - (iv) The preretirement death benefit for a spouse under Section 5.5 will not apply if the Participant dies after the Annuity Starting Date.

**6.4 Disability Retirement Benefit.** The annual benefit amount payable to a disabled Participant shall be computed in the same manner as the basic benefit under Section 6.1, determined on the basis of Years of Credited Service and Final Average Pay at retirement and Social Security Covered Compensation at Disability.

**6.5 Spouse's Benefit.** The benefit payable to a Spouse who qualifies for a Spouse's benefit under Section 5.5 shall be determined as follows:

- (a) If at death the Participant is age fifty-five

(55) or over, or actively employed by the Employer with thirty (30) or more Years of Service, the benefit of the Spouse shall be the amount payable to the Spouse as beneficiary under the survivor annuity portion of the Qualified Joint and Survivor Annuity with respect to the Participant, determined as though the Participant had retired on the first day of the month in which death occurs. On the death of a Participant with thirty (30) or more Years of Service before age fifty-five (55), the Participant shall be assumed to be age fifty-five (55) for purposes of this subparagraph (a).

(b) If the Participant does not meet the requirements of (a), above, at death, the benefit of the Spouse shall be the amount payable to the Spouse as beneficiary under the survivor annuity portion of the Qualified Joint and Survivor Annuity with respect to the Participant, determined as though the Participant had separated from service on the date of death, if not already separated, and had survived until age fifty-five (55).

(c) Notwithstanding the foregoing, if at the time of death the Actuarial Value of the Participant's Accrued Benefit is such that the provisions of Section 7.9 would have applied to require a lump sum payment of such Participant's Accrued Benefit if the Participant had terminated employment on the date of his or her death, the Spouse shall be paid the amount of the lump sum payment as determined under Section 7.9.

(d) In addition to any benefit to which a Spouse may be entitled under this Plan, a Spouse of a Participant who has a Platteville employee contribution account under the Plan shall be entitled to a benefit upon the death of the Participant equal to the value of such account.

#### 6.6 Benefits for Terminated Vested Employees.

(a) The benefit amount payable on or after Normal Retirement Age to a Participant who terminates employment prior to death, disability or meeting the requirements for Early Retirement under Section 5.2, and with a nonforfeitable interest (in whole or in part) in his accrued benefit hereunder shall be computed in accordance with Section 6.1, based on Years of Credited Service, Final Average Pay and Social Security Covered Compensation at termination of employment.

(b) If a terminated vested Participant elects early commencement of benefits under Section 7.1(f), the benefit payable on such an early commencement of benefits shall be the Accrued Benefit, reduced to the Annuity Starting Date under the following table, interpolating between ages through the last full month.

Age at Annuity Starting Date	Benefit Percentage
64	88%
63	78%
62	68%
61	61%
60	54%
59	48%
58	43%
57	38%
56	34%
55	30%

#### 6.7 Reduction for Other Benefits.

(a) If an Employee becomes entitled to workers' compensation

benefits for disability, the normal retirement basic benefit shall be reduced as follows:

(i) Each monthly benefit shall be reduced by the amount of any workers' compensation installment payment for that month.

(ii) The total benefit shall be reduced actuarially by the portion of any lump sum workers' compensation award that is actuarially attributable to years after normal retirement date.

(b) If an Employee becomes entitled to benefits under any other defined benefit pension maintained by an Employer, based on service counted for purposes of determining Years of Credited Service under this Plan, the Employee's benefit under this Plan shall be reduced by the Actuarial Equivalent of the Employee's benefit based on such service under the other Plan.

#### 6.8 Cost of Living Adjustment

(a) The amount currently payable to each Participant who has no Hours of Service after December 31, 1987, or to the Spouse or other beneficiary of such a Participant, shall be adjusted by the amount under (b), below, as follows:

(i) The adjustment shall be made each January 1 beginning with the first January that is at least twelve (12) months after benefits payments commence.

(ii) The adjustment shall be made to the benefit actually being paid after conversion to an optional form.

(b) The adjustment under (a) shall be the lesser of:

(i) The percentage increase in the U.S. Consumer Price Index (all items) during the twelve (12) months ending with the September index preceding the adjustment date, and

(ii) Two (2) Percent.

(c) If the Consumer Price Index decreases during the period described in (b)(i), no downward adjustment in retirement benefits shall be made. Any such decrease shall offset any subsequent increases.

(d) The benefit of a Participant who has Hours of Service after December 31, 1987 shall not be adjusted as provided above. The amount of the benefit shall be at least as much as the actuarial equivalent of the Participant's accrued benefit under the Prior Plan as of December 31, 1987, including the value of potential cost-of-living adjustments.

**ARTICLE VII  
TIMING AND FORM OF BENEFIT PAYMENTS**

7.1 Commencement of Benefits. Subject to the provisions of Sections 7.9 and 7.10, benefits to a Participant (or Spouse under Sections 5.5 and 6.5) shall commence as of the following dates:

(a) For normal retirement benefits under Section 5.1 and 6.1, as of the last day of the month in which the Participant's Normal Retirement Date occurs, unless the Participant elects deferred retirement.

(b) For early retirement benefits under Section 5.2 and 6.2, benefits shall commence as of the last day of the month after the Participant attains Normal Retirement Age, unless the Participant elects to commence benefits as of the first day of any month coincident with or following the date of early retirement, in which event benefits shall commence as of the last day of such month.

(c) For deferred retirement benefits under Sections 5.3 and 6.3, benefits shall commence as of the last day of the month following the first day of the month coinciding with or following the date on which the Participant actually retires and elects to commence receiving benefits.

(d) For disability benefits under Sections 5.4 and 6.4, benefits shall commence as of the Participant's Normal Retirement Age, provided that, if otherwise eligible for early retirement, the Participant may elect for benefits to commence on or after the Participant's meeting the requirements for early retirement. If the Participant notifies the Committee in writing that disability benefits under this Plan would reduce any other disability benefit, the Committee shall defer payment until the other benefit stops.

(e) For benefits of a Spouse under Section 5.5 and 6.5, benefits under Section 6.5(a) shall commence as of the last day of the month following the first day of the month coinciding with or following the date of death of the Participant, benefits under Section 6.5(b) shall commence on the last day of the month following the first day of the month coinciding with or following the later of the date of death of the Participant or the date on which the Participant would have attained age fifty-five (55), and benefits for a Spouse under Section 6.5(d) shall be paid as soon as administratively feasible following the date of death of the Participant.

(f) For benefits of a terminated vested Participant under Sections 5.6 and 6.6, benefits shall normally commence as of the last day of the month after the Participant reaches Normal Retirement Age, provided that a Participant may elect to commence receiving benefits as of the last day of any month after the first day of the month coinciding with or following the date the Participant attains age fifty-five (55). In such event, benefits shall be reduced as provided in Section 6.6(b).

7.2 Normal Form. Unless a Participant elects another form of payment in accordance with Section 7.3,

(a) a Participant who is married as of the commencement date of his benefits shall receive benefits in the form of a Qualified Joint and Survivor Annuity.

(b) a Participant who is not married on the commencement date of his benefits shall receive his benefits in the form of a Single Life Annuity.

7.3 Waiver of Normal Form.

(a) a Participant may elect, subject to the provisions of this Section 7.3 and during the applicable election period, to waive the Normal Form of benefit and to receive his benefits in an optional form provided in Section 7.7 pursuant to the following terms and conditions:

(i) a married Participant may elect to waive the Qualified Joint and Survivor Annuity provided in Section 7.2(a) above in favor of an Alternative Joint and Survivor Annuity, a Single Life Annuity, or any other optional form of benefit provided in Section 7.7.

(ii) an unmarried Participant may elect to waive the Single Life Annuity provided under Section 7.2(b) above in favor of any optional form of benefit provided in Section 7.7.

(iii) any election hereunder of an alternative form of benefit must specify such form, and any election of an alternative form of joint and survivor annuity must be accompanied by proof of the age of the designated beneficiary satisfactory to the Committee.

(iv) a married Participant shall not be entitled to waive the Spouse's benefit provided in Section 5.5.

(b) Any election under this Section 7.3 may be revoked, either automatically in the circumstances described in Section 7.6, below, or by filing a written revocation with the Committee in a form and in a manner acceptable to the Committee. After any such revocation, a new election under

Section 7.6(a) above may be made at any time before the commencement of benefits to the Participant (or during such other period permitted or required by law). However, except as provided in Section 7.12(b) or as the Committee may otherwise provide on the basis of uniform and nondiscriminatory rules, any election under Section 7.3(a) shall be irrevocable after benefits have commenced to the Participant.

7.4 Timing of Election and Spousal Consent. An election or revocation of an election under Sections 7.2 and 7.3 shall be subject to the following terms and conditions:

(a) Any election or revocation of a form of benefit shall be made within the ninety (90) day period ending on the date of commencement of benefits to the Participant (or during such other period permitted or required by law), and shall be made by giving written notice in such form and manner as may be required by the Committee.

(b) The election by a married Participant of any form of benefit other than a Qualified Joint and Survivor Annuity shall be ineffective unless the Spouse consents in writing to the election, the election designates a specific alternate beneficiary, including any class of beneficiaries or any contingent beneficiaries, and/or a form of benefit payment, which may not be changed without Spousal consent (or the Spouse expressly permits designations by the Participant without any further Spousal consent), the consent of the Spouse acknowledges the effect of the election, and the consent of the Spouse is witnessed by a notary public or plan representative. The consent of the Spouse must acknowledge the effect of the election of the form of benefit that the Participant has made, as well as the effect of the designation of any beneficiary or beneficiaries other than the Spouse which a Participant has made. The consent of the Spouse shall be irrevocable unless the Participant and the Spouse agree to a revocation.

(c) Spousal consent as provided in (b), above, shall not be required if the Committee determines that the consent cannot be obtained because there is no Spouse, the Spouse cannot be located, or in any other circumstance specified by any written guidance issued by the Internal Revenue Service.

(d) The consent of a Spouse pursuant to (b), above, shall be effective only with respect to that Spouse. Also, any establishment that the consent of a Spouse cannot be obtained under (c), above, shall be effective only with respect to that Spouse. A consent that permits designations by the Participant without any requirements of further consent by the Spouse must acknowledge that the Spouse has the right to limit consent to a specific beneficiary, and a specific form of benefit where applicable, and that the Spouse voluntarily elects to relinquish either or both of such rights.

(e) Any consent by a Spouse pursuant to (b), above, shall be effective only as long as the Participant makes no change in the designated beneficiary or class of beneficiaries.

7.5 Notice Requirements. Not less than thirty (30) days nor more than ninety (90) days before the date of commencement of benefits to a Participant (or during such other period permitted or required by law), the Committee shall provide to each Participant a written explanation of:

(a) The material features and relative financial values of the alternative forms of benefits to which the Participant is entitled, or which the Participant could elect to receive, under the Plan;

(b) In the case of a married Participant, his right to elect to waive the Normal Form of benefit provided in Section 7.2(a) above, the effect of such an election, and the requirements (including any spousal consent requirements) applicable to his election;

(c) In the case of an unmarried Participant, his right to elect or receive, and the effect of such an election, any other form of benefit as an alternative benefit to the normal form of benefit specified in Section 7.2(b) above;

(d) In the case of a Participant who is entitled to elect commencement of a form of payment before attaining Normal Retirement Age, his right not to elect such early commencement; and

(e) The terms and conditions (if any) under which an election by a Participant, or a consent by the Spouse of a married Participant, may be revoked, and the effect of such revocation.

The notice requirement contained in this Section 7.5 shall not apply in the case of a lump sum cash out distribution to a Participant pursuant to Section 7.9.

The commencement date for a benefit in a form other than a Qualified Joint and Survivor Annuity may be less than thirty (30) days after receipt of the written explanation described above provided: (a) the Participant has been provided with information that clearly indicates that the Participant has at least thirty (30) days to consider whether to waive the Qualified Joint and Survivor Annuity and elect (with Spousal consent) a form of distribution other than a Qualified Joint and Survivor Annuity; (b) the Participant is permitted to revoke any affirmative distribution election at least until the commencement date of his benefit or, if later, at any time prior to the expiration of the seven (7) day period that begins the day after the explanation of the Qualified Joint and Survivor Annuity is provided to the Participant; and (c) the commencement date of the Participant's benefit is a date after the date that the written explanation was provided to the Participant.

7.6 Special Rules for Death of Participant or Beneficiary.

(a) If the designated Beneficiary with respect to an Alternative Joint and Survivor Annuity dies before the Annuity Starting Date for the Participant, the election of such annuity (including, if applicable, any election pursuant to Section 7.3, above, to waive the Spouse's benefit) shall be void, and the Participant shall be deemed not to have previously elected an Alternative Joint and Survivor Annuity. If the designated

Beneficiary with respect to an Alternative Joint and Survivor Annuity dies before the Participant, but after the Annuity Starting Date for the Participant, the amount of the benefit thereafter payable to the Participant shall not be affected in any way as a result thereof.

(b) If a Participant dies before his Annuity Starting Date without having made a valid election of an optional form of payment described in Section 7.7, no individual shall have a right to any payment under the Plan with respect to the Participant, unless the Participant is survived by a spouse who is entitled to a Spouse's benefit.

(c) If a Participant dies before his Annuity Starting Date after terminating employment with the Employer and after having made (and not revoked) a valid election of an Alternative Joint and Survivor Annuity leaving the designated Beneficiary with respect to the Alternative Joint and Survivor Annuity surviving him, the Beneficiary shall be eligible to receive the survivor annuity payable under such Alternative Joint and Survivor Annuity as if the Employee had died on the day following his Annuity Starting Date.

(d) If a Participant dies before his Annuity Starting Date after terminating employment with the Employer and after having made (and not revoked) a valid election of a lump sum distribution described in Section 7.7(b), the lump sum distribution shall be paid to the Participant's designated Beneficiary (or, if the Participant has not designated a Beneficiary, or if none of his designated Beneficiaries survives him, the lump sum distribution shall be paid to the executor of the Participant's will or the administrator of his estate).

(e) If a Participant dies before his Annuity Starting Date after terminating employment with the Employer and after having made (and not revoked) a valid election of a Ten-Year Certain and Life Annuity Option described in Section 7.7(c), the Participant's designated Beneficiary shall be eligible to receive the ten-year certain payments pursuant to such option as if the Employee had died on the day following his Annuity Starting Date (or, if the Participant has not designated a Beneficiary, or if none of his designated Beneficiaries survives him, the ten-year certain payments pursuant to such option shall be paid to the executor of his will or the administrator of his estate).

(f) If a Participant dies on or after his Annuity Starting Date, any distribution that was scheduled to be paid to him on or before his date of death but that was not paid to him on or before his date of death due to administrative or other delay, shall be paid instead to the executor of his will or the administrator of his estate.

#### 7.7. Optional Forms of Payment.

##### (a) Alternative Joint and Survivor Annuity.

(i) Under the Alternative Joint and Survivor Annuity, a reduced amount shall be payable to the retired Employee for his lifetime. The Beneficiary, if surviving at the retired Employee's death, shall be entitled to receive thereafter a lifetime survivor benefit in an amount equal to 100 percent of the reduced amount that had been payable to the retired Employee.

(ii) The reduced amount payable to the retired Employee shall be the Actuarial Equivalent of the amount determined under Section 6.1, 6.2, 6.3 and/or 6.4, as the case may be. The appropriate actuarial factor shall be determined for any Employee and his Beneficiary as of the commencement date of the Employee's benefits.

(iii) If an Employee designates any individual other than his or her spouse as his Beneficiary, the annual amount of the Employee's annuity under the Alternative Joint and Survivor Annuity shall be not less than fifty percent (50%) of the annual benefit calculated as a single life annuity, and the Beneficiary's survivor annuity under the Alternative Joint and Survivor Annuity shall be reduced to the extent necessary to reflect any adjustment required by this paragraph (iii) in the amount of the Employee's annuity under the Alternative Joint and Survivor Annuity.

##### (b) Lump Sum Distribution Option.

(i) Any Employee who qualifies for a benefit under Section 5.1, 5.2, 5.3, 5.4 or 5.6 may elect to receive his or her benefit in the form of a lump sum distribution if the Actuarial Value of the vested, accrued benefit of the Participant is over \$5,000 but not over \$10,000. The amount of any such lump sum distribution shall be the Actuarial Equivalent (as of the Annuity Starting Date for the Employee) of his benefit computed under Section 6.1 (or in the case of a terminated vested Employee's benefit, as computed under Section 6.6) as a single life annuity commencing on his Annuity Starting Date.

(ii) If the Actuarial Value of the Spouse's death benefit under Section 5.5 and 6.5 is greater than \$5,000 and not over \$10,000, the Spouse may elect to receive his or her benefits as a lump sum.

(iii) Notwithstanding anything to the contrary in Section 7.7, the payment of a benefit in the form of a lump sum distribution shall be made in a single taxable year of the recipient and shall be made on or as soon as practicable after the commencement date of the Employee's benefits.

##### (c) Ten-Year Certain and Life Annuity Option.

(i) A Participant in the Plan shall be eligible to elect to receive his benefits in the form of an annuity that is actuarially equivalent to the Plan's



Single Life Annuity and that provides equal monthly payments for the life of the Participant, with the condition that if the Participant dies before he has received one-hundred twenty (120) monthly payments, the Participant's designated Beneficiary shall receive monthly payments in the same amount as the Participant until a total of one-hundred twenty (120) monthly payments have been made to the Participant and his Beneficiary combined.

(d) Early Retirement Annuity Option

(i) On Early Retirement, a Participant in the Plan shall be eligible to elect to receive his benefits in the form of an annuity under which the monthly payments before first eligibility for Social Security retirement benefits (either age 62 or age 65, as elected by the Participant) are increased by a temporary supplement and the remaining payments are reduced so as to provide approximately equal payments throughout when combined with Social Security.

7.8 Annuity Form of Payment. All benefits, except those benefits paid in a lump sum distribution pursuant to Section 7.7(b) or 7.9, shall be payable in monthly installments as follows:

(a) The first installment shall be paid to the retired Employee (or Spouse, in the case of a Spouse's benefit) as of the commencement date determined in accordance with Section 7.1;

(b) Where installments are to be paid to a Beneficiary under an Alternative Joint and Survivor Annuity, the first installment to the Beneficiary shall be paid as of the beginning of the first month following the death of the Participant;

(c) The final installment shall be paid as of the beginning of the month during which the death of the retired Employee or Beneficiary, as the case may be, occurs, except that disability benefit installments shall cease prior to the death of the retired Employee if and when such Employee ceases to satisfy the disability conditions of Section 5.4; and

(d) A check in payment of a monthly installment may be mailed, in the discretion of the Committee, before the date as of which the payment is made.

7.9 Mandatory Lump Sum Distribution of Small Benefits. If a former Employee is entitled to a termination benefit and the Actuarial Value of such termination benefit does not exceed \$5,000, the former Employee shall receive such termination benefit in the form of a lump sum payment equal to the Actuarial Value of the termination benefit otherwise payable to him under the Plan. If a Spouse is entitled to a Spouse's benefit and the Actuarial Value of such Spouse's benefit does not exceed \$5,000, the Spouse shall receive such Spouse's benefit in the form of a lump sum payment equal to the Actuarial Value of the Spouse's benefit otherwise payable to the Spouse under the Plan. Notwithstanding the foregoing, this Section 7.8 shall not apply in the case of a former Employee or a Spouse who is otherwise eligible to elect immediate commencement of a termination benefit or Spouse's benefit.

7.10 Minimum Distributions Required Under Code Section 401(a)(9). The following subsections limit the timing of benefit distributions under the Plan:

(a) Any benefit that is payable to a Participant hereunder shall be distributed or commence not later than the Participant's Required Beginning Date. The benefit shall be distributed, in accordance with Section 401(a)(9) of the Code (including the incidental benefit rules applicable thereunder),

(i) in a lump sum (to the extent otherwise permitted under the Plan, including, without limitation, under Section 7.7(b) or 7.9),

(ii) over the life of the Participant,

(iii) over the lives of the Participant and the Participant's Beneficiary,

(iv) over a period not extending beyond the Participant's life expectancy,

(v) over a period not extending beyond the joint and last survivor expectancy of the Participant and the Participant's Beneficiary.

If the Participant's entire interest is to be distributed over a period of more than one (1) year, then the amount to be distributed each year shall be no less than the amount prescribed under Section 401(a)(9) of the Code.

(b) If the distribution of the Participant's benefit has commenced in conformity with subsection (a), above, and the Participant dies before his entire benefit has been distributed to him, the remaining portion of his benefit shall be distributed to his Beneficiary at least as rapidly as under the method of distribution that was in effect as of the date of the Participant's death.

(c) Subject to subsection (d), below, if the Participant dies before distribution of his benefit has commenced, any benefit that is payable under the terms of the Plan shall be distributed within five (5) years after the Participant's death.

(d) Subsection (c), above, shall not apply to:

(i) any portion of the Participant's benefit payable to (or for the benefit of) a Beneficiary that is distributed (in accordance with Section 401(a)(9) of the Code) over the Beneficiary's life (or a period not extending beyond his life expectancy) commencing within one (1) year after the date of the Participant's death (or such later date as may be prescribed under Section 401(a)(9) of the Code), or

(ii) any portion of the Participant's benefit payable to his Spouse that is distributed over the Spouse's life (or a period not extending beyond the Spouse's life expectancy) commencing no later than the date on which the Participant would have attained age 70 1/2 ; provided that if the Spouse dies before payments to such Spouse begin, subsections (c) and

(d) shall apply as if the Spouse were the Participant; and further provided that any amount paid to the child of the Participant shall be treated as if it had been paid to the Spouse of the Participant if such amount is payable to the Spouse upon such child's reaching majority (or such other event as may be prescribed by the regulations under Section 401(a)(9) of the Code).

(e) For purposes of this Section 7.10, the life expectancy of the Participant and his Spouse shall be recomputed on an annual basis, but the life expectancy of any non-Spouse Beneficiary shall be computed only on the date as of which the distribution commences.

(f) This Section 7.10 shall apply notwithstanding any other provision of the Plan. The sole purpose of this Section 7.10 is to limit the manner in which the benefit payments may be made under the Plan in accordance with Section 401(a)(9) of the Code. This Section 7.10 does not confer any rights or benefits upon any Participant, spouse, Beneficiary, or any other person.

(g) This Section 7.10 shall not apply to any method of distribution designated in writing by a Participant under the terms of the Plan or a Prior Plan before January 1, 1984, in accordance with Section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act of 1982 (as in effect before the amendments made by the Tax Reform Act of 1984).

(h) Any Participant who does not elect a form of distribution before his distribution is required to commence under this Section 7.10 shall receive the distribution in the form provided for under Section 7.2.

7.11 Early Commencement Election. Notwithstanding any other provision in the Plan, and subject to the provisions of Sections 7.2 - 7.6 and Section 7.9, the Participant (or his Spouse, in the case of a Spouse's benefit) may elect a commencement date that precedes the normal commencement date if he is otherwise eligible to do so under the terms of the Plan. The election shall be in writing, in a form acceptable to the Committee, and executed and filed with the Committee during the ninety (90) day period ending on the commencement date of the Employee's benefits, or during such other period permitted or required by law.

#### 7.12 Suspension of Benefits.

(a) No benefit shall be paid or payable with respect to a Participant (including a retired or terminated Employee) during any month in which he is credited with forty (40) or more Hours of Service as a regular or temporary employee of the Employer. For purposes of this Section 7.12 only, the term "Employer" shall mean the applicable Employer and any Affiliate of such Employer (as determined under Section 2.4, but disregarding the phrase "other than the Company" in Section 2.4(a)). Thus,

(i) a retired or terminated Employee's benefit shall be suspended during any month during which he is credited with forty (40) or more Hours of Service as a regular or temporary employee of the Employer; and

(ii) the benefit of a Participant other than a retired or terminated Employee shall be suspended during any month during which he is credited with forty (40) or more Hours of Service as a regular or temporary employee of the Employer.

The preceding provisions of this subsection (a) shall apply, even though the retired or terminated Employee's or Participant's service as a regular or temporary employee of the Employer does not constitute "Section 203(a)(3)(B) service" described in 29 C.F.R. ss.2530.203-3(c), and even though the procedures regarding notice, review, and administration otherwise prescribed under 29 C.F.R. ss.2530.203-3 are not observed.

(b) If a Participant (including a retired or terminated Employee) is reemployed or remains in employment as a regular or temporary employee of the Employer, as described in subsection (a), above, the commencement date of his benefit shall occur no earlier than the first day of the first month in which he ceases to be so employed, and his benefit shall be calculated, in accordance with Sections 4.3 and 4.4, to take such employment into account. If a retired or terminated Employee, subject to subsections (a)(i) or (ii), above, becomes entitled to have his benefit resume, the amount and form of the benefit shall be governed by the generally applicable provisions of the Plan, as if he had then first retired.

(c) (i) If the benefit of a Participant (including a retired or terminated Employee) is suspended during any period after his Age 65 Normal Retirement Date pursuant to subsection (a), above, the amount of his benefit determined under subsection (b), above, shall not be less than the actuarial equivalent of the Single Life Annuity that would have been payable to him (or that he could have elected to receive) commencing on the day after his Age 65 Normal Retirement Date (or if later, the day his benefits were suspended), had his benefit not been suspended. For this purpose, actuarial equivalence shall be determined using an interest rate of seven percent (7%) per annum and the TPF&C 1971 Forecast Mortality Table for Males (with ages set back 2 years).

(ii) If the benefit of a Participant (including a retired or terminated Employee) is suspended pursuant to subsection (a), above, during any period after his Normal Retirement Date (but before his Age 65 Normal Retirement date, if later), and his employment during such period constitutes "section 203(a)(3)(B) service" described in 29 C.F.R. ss.2530.203-3(c), the Company shall notify the Participant of such suspension or delay by personal delivery or first class mail during the first calendar month in which the benefit is to be suspended, shall afford him a review of such suspension under the procedure specified in Section 9.13, and shall otherwise administer such suspension and any subsequent resumption or commencement of benefit payments in a manner consistent with 29 C.F.R. ss.2530.203-3.

(d) If an Employee subject to subsection (a)(i) or (ii), above, previously received a total distribution of his benefit in accordance with Section 7.7(b) or 7.9, the amount of the Single Life Annuity used to determine his benefit upon retirement under subsection (b), above, shall be reduced by the amount of the Single Life Annuity upon which such total distribution was based.

### 7.13 Eligible Rollover Distributions

(a) Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Section 7.13, a distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(b) Definitions.

(i) Eligible rollover distribution: An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten (10) years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for eligible rollover distributions or the exclusion for net unrealized appreciation with respect to employer securities).

(ii) Eligible retirement plan: An eligible retirement plan is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

(iii) Distributee: A distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

(iv) Direct rollover: A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

## **ARTICLE VIII MEDICAL BENEFITS**

### 8.1 Eligibility

(a) Medical benefits under this Article shall be provided to a Participant, or the dependents of a Participant, who:

(i) Has terminated employment, commenced receiving pension benefits on early, normal or deferred retirement, and qualifies for post-retirement medical benefits under the CenturyTel, Inc. Welfare Benefits Plan or successor thereto.

(ii) Retires and commences benefits on or after January 1, 1998.

(iii) Is not covered by a collective bargaining agreement at retirement.

(iv) Has never been a "key employee" as defined in Section 416(i) of the Internal Revenue Code.

(b) The term "benefits" used alone in this Plan shall refer to pension benefits under Article V and Article VI and not to medical benefits provided under this Article.

### 8.2 Medical Benefits

(a) The medical benefits provided under this Plan to Participants eligible under Section 8.1 shall be all medical benefits, as defined in Internal

Revenue Code Section 213(d)(1), provided to such Participants after retirement under the CenturyTel, Inc. Welfare Benefits Plan or successor thereto. The provisions of such Welfare Benefits Plan can limit medical benefits to retired Participants who meet further eligibility requirements. Any medical benefits to which retired Participants are entitled under such Welfare Benefits Plan that are not provided under this Plan due to insufficiency of funding or otherwise, shall be paid from a welfare benefits trust established by the Company for that purpose or from the Employer's general assets.

(b) The document evidencing the CenturyTel, Inc. Welfare Benefits Plan or successor thereto, including all of the separate documents incorporated into it, is incorporated by reference as part of this Plan. This incorporation by reference shall include any amendments made from time to time to the CenturyTel, Inc. Welfare Benefits Plan and any successor plan.

### 8.3 Separate Medical Benefits Account

(a) Subject to 8.4, each Employer may make contributions to fund the medical benefits provided in Section 8.2 for its Employees. A separate account shall be maintained for all such contributions, and earnings on them. Any medical benefits for Participants shall be paid only from such account.

(b) Investment earnings and losses of the trust fund shall be allocated to the accounts in Section 8.3(a) in proportion to the investment earnings and losses of the entire trust.

### 8.4 Limitation on Contributions

The aggregate actual contributions (measured from January 1, 1989) to fund medical benefits shall not exceed twenty five (25) percent of the total actual contributions (measured from January 1, 1989) to the Plan, disregarding in such total any contributions to fund past service credits.

### 8.5 Satisfaction of Liabilities

(a) Unless all obligations under Section 8.2 have been satisfied, no part of the medical benefits account shall be used for any purpose other than payment of either of the following:

(i) Medical benefits.

(ii) Necessary or appropriate expenses attributable to the administration of the medical benefits account.

(b) Following satisfaction of the obligations under Section 8.2, any amounts remaining in the medical benefits account shall be returned to the Employers on an equitable basis as determined by the Committee.

### 8.6 Forfeiture of Benefits

If a person's interest in the medical benefits account is forfeited prior to termination of the Plan, the amount forfeited shall be applied as soon as possible to reduce the Employer's contributions to fund medical benefits.

## **ARTICLE IX FUNDING**

9.1 Plan Assets. The assets of the Plan shall be held in of one or more Trust Funds and/or one or more arrangements with insurance companies for the funding of benefits, as determined by the Company.

9.2 Trust Agreement. Each Trust Fund shall be established and maintained pursuant to a Trust Agreement that contains such provisions as the Company shall determine. The terms of each Trust Agreement are hereby incorporated into and made a part of the Plan.

9.3 Insurance Arrangements. Each arrangement with an insurance company shall be established and maintained pursuant to a written contract or policy between the Company and an insurance company qualified to do business in a State, which shall contain such provisions as the Company shall determine.

9.4 Contributions. The Company intends to make contributions to the Plan sufficient to comply with the minimum funding standards imposed by the Code. The Company's contributions shall be determined annually, or more frequently, by the Board. Each contribution made to the Plan shall be made on the condition that it is currently deductible under Section 404 of the Code for the taxable year with respect to which the contribution is made and without regard to any subsequent amendment improving benefits under the Plan.

9.5 Exclusive Benefit. Except as provided in this Section 9.5 and in Section 9.6, all Company contributions to the Plan and all property of the Plan, including income from investments and other sources, shall be used for the exclusive benefit of Employees, retired Employees, former Employees, and Beneficiaries and shall be used to provide benefits under the Plan and to pay the reasonable expenses of administering the Plan

and the Trust, except to the extent that such expenses are paid by the Company. Any forfeitures arising under the Plan shall be applied to reduce the Company's contributions to the Plan and shall not be used to increase the benefit that any Employee, retired Employee, former Employee, or Beneficiary would otherwise be entitled to receive under the Plan. Except as provided in Section 9.6, it shall be impossible at any time prior to the satisfaction of all liabilities under the Plan for any portion of the assets of the Plan to be used for, or diverted to, purposes other than the exclusive benefit of Employees, retired Employees, former Employees, and Beneficiaries; provided, however, that after all liabilities under the Plan have been satisfied, any assets remaining in the Trust that are attributable to erroneous actuarial computations shall be distributed to the Company, except as otherwise required by Section 4044(d)(3)(A) of ERISA.

9.6 Return of Contributions. Notwithstanding any other provision of the Plan, the Company shall be entitled upon request to the return of any contribution made to the Plan (adjusted, in the case of any contribution described in subsection (a) or (c), below, to reflect any investment losses allocable thereto, but not to reflect any investment gains allocable thereto):

- (a) within one (1) year after the payment of the contribution, in the case of a contribution made by mistake of fact;
- (b) within one (1) year after the date of denial of the Plan's qualification, if the contribution is conditioned on initial qualification of the Plan under Section 401(a) of the Code; or
- (c) within one (1) year after the disallowance of the deduction, to the extent the deduction is disallowed, if the contribution is conditioned on the deductibility of the contribution under Section 404 of the Code.

9.7 Prohibition Against Assignment or Alienation of Benefits. Benefits under the Plan may not be anticipated, assigned (either at law or in equity), alienated, or subjected to attachment, garnishment, levy, execution, or other legal or equitable process, provided that:

- (a) an arrangement whereby benefit payments are paid to a Participant's savings or checking account in a financial institution is not prohibited;
- (b) once a Participant begins receiving benefits under the Plan, such Participant may assign or alienate the right to future payments if such transaction is limited to assignments or alienations that:
  - (i) are voluntary and revocable,
  - (ii) with respect to a particular benefit payment, do not in the aggregate exceed ten percent (10%) of such payment, and
  - (iii) neither are for the purpose, nor have the effect, of defraying administrative costs of the Plan; and
- (c) payments made in accordance with a Qualified Domestic Relations Order are not prohibited.

For purposes of subsection (b), above, an attachment, garnishment, levy, execution or other legal or equitable process is not considered a voluntary assignment or alienation.

## **ARTICLE X FIDUCIARY RESPONSIBILITIES AND PLAN ADMINISTRATION**

10.1 Allocation of Fiduciary Responsibilities. Fiduciary responsibilities in connection with the Plan shall be allocated in accordance with the provisions of this Article X and shall be carried out in accordance with the Plan and applicable law. It is intended that, to the extent permitted by applicable law, each fiduciary shall be obligated to discharge only the responsibilities assigned to him and that he shall not be charged with the responsibilities assigned to any other fiduciary.

10.2 Committee. The Committee shall consist of not less than three (3) nor more than eleven (11) persons to be appointed by and serve at the pleasure of the Board of Directors of CenturyTel, Inc.

10.3 Committee Action by Majority Vote. The Committee may act, with or without a meeting, by a vote of a majority of its members then in office.

10.4 Plan Administrator. The Committee shall be the Plan Administrator and shall be responsible for the administration of the Plan. In addition to any implied powers and duties that may be necessary or appropriate to the conduct of its affairs, the Committee shall have the following powers and duties, including the discretionary power:

- (a) to make and enforce such rules and regulations as it shall determine to be necessary or proper for the administration of the Plan;
- (b) to interpret the Plan and to decide all matters arising thereunder, including the right to remedy possible ambiguities, inconsistencies, and omissions;

- (c) to determine the right of any person to benefits under the Plan and the amount of such benefits;
- (d) to issue instructions to a Trustee or insurance company to make disbursements from the Trust, and to make any other arrangement necessary or appropriate to provide for the orderly payment and delivery of disbursements from the Trust;
- (e) to delegate to other persons such of its responsibilities as it may determine;
- (f) to retain an Enrolled Actuary;
- (g) to employ suitable agents, actuaries, auditors, legal counsel, and other advisers as it may determine;
- (h) to allocate among its members such of its responsibilities as it may determine; and
- (i) to prepare, file, and distribute such forms, statements, descriptions, returns, and reports relating to the Plan as may be required by law.

The foregoing list of express powers is not intended to be either complete or conclusive, but the Committee shall, in addition, have such powers as it may reasonably determine to be necessary to the performance of its duties under the Plan. The decision or judgment of the Committee on any question arising in connection with the exercise of any of its powers or any matter of Plan Administration or the determination of benefits shall be final, binding and conclusive upon all parties concerned.

10.5 Committee Reliance on Professional Advice. The Committee is authorized to obtain, and act on the basis of, tables, valuations, certificates, opinions, and reports furnished by an enrolled actuary, accountant, legal counsel, or other advisers.

10.6 Plan Administration Expenses. All reasonable expenses of administering the Plan (including, without limitation, the expenses of the Committee) shall be paid out of the assets of the Trust, in accordance with and to the extent provided in the provisions of the Trust Agreement, except to the extent paid by the Company without request by the Company for reimbursement from the Trust.

10.7 Responsibilities of Trustee. Each Trustee shall be responsible for the custody of the assets of the Plan assigned to it, making disbursements at the order of the Committee, and accounting for all receipts and disbursements with respect to the assets of the Plan assigned to it.

10.8 Investment Management by Trustee. Each Trustee shall be responsible for managing the investment of the Plan assets in its custody, or any part thereof, when directed to do so by CenturyTel, Inc. in accordance with the terms of the Trust Agreement.

10.9 Allocation of Investment Management Responsibilities. CenturyTel, Inc. shall have the sole fiduciary responsibility for determining whether investment of the Plan assets held by a Trustee shall be managed by the Trustee, or by one or more investment managers, or whether both the Trustee and one or more investment managers are to participate in investment management and, if so, how investment responsibility is to be divided.

10.10 Appointment and Removal of Investment Managers. CenturyTel, Inc. shall have the sole fiduciary responsibility for the appointment or removal of any investment manager and shall enter into an investment management agreement with each investment manager appointed by it on such terms and conditions consistent with the provisions of this Plan as it shall deem advisable. Each investment manager shall be responsible for managing the investment of such portion of the Trust as shall be placed under its management pursuant to the investment management agreement.

10.11 Ascertainment of Plan Financial Needs. CenturyTel, Inc. shall have the sole fiduciary responsibility for periodically ascertaining the financial needs of the Plan, including the Plan's liquidity needs, and shall convey the pertinent information to the Trustee and/or investment managers responsible for managing the investments of the Trust.

10.12 Delegation of Company's Duties. CenturyTel, Inc. shall designate, in accordance with its normal practice, such of its officers or other employees as it shall consider appropriate to carry out its duties under the foregoing Sections 10.8, 10.9, 10.10 and 10.11.

10.13 Benefit Claim Procedure.

(a) If an individual is denied any benefits (in whole or in part) to which he believes he is entitled under the Plan, he may file a claim for benefits as set forth herein. Any claim for benefits under the Plan shall be delivered in writing by the claimant to the Plan Administrator. The claim shall identify the benefits requested and shall include a statement of the reasons why the benefits should be granted. The Plan Administrator shall grant or deny the claim. If the claim is denied in whole or in part, the Plan Administrator shall give written notice to the claimant, setting forth: (i) the reasons for the denial, (ii) specific reference to pertinent Plan provisions on which the denial is based, (iii) a description of any additional material or information necessary for the perfection of the claim and an explanation of why such material or information is necessary, and (iv) an explanation of the Plan's claim review procedure. The notice described in the preceding sentence shall be furnished to the claimant within a period of time not exceeding ninety (90) days after receipt of the claim; except that such period of time may be extended, if special circumstances should require, for an additional ninety (90) days commencing at the end of the initial ninety (90) day period. Written notice of such an extension shall be given to the claimant before the expiration of the initial ninety (90) day period and shall indicate the special

circumstances requiring the extension and the date by which the final decision is expected to be rendered. In exercising its responsibilities pursuant to this Section 10.13, the Plan Administrator shall have the discretionary power to interpret the Plan and to decide all matters arising thereunder, including the right to remedy possible ambiguities, inconsistencies, and omissions.

(b) A claimant who has been denied a claim for benefits, in whole or in part, may, within a period of sixty (60) days thereafter, request a review of such denial by filing a written notice of appeal with the Committee. In connection with an appeal, the claimant (or his duly authorized representative) may review pertinent documents and may submit evidence and arguments in writing to the Committee. The Committee shall decide the questions presented by the appeal, either with or without holding a hearing, and shall issue to the claimant a written notice setting forth: (i) the specific reasons for the decision and (ii) the specific reference to pertinent Plan provisions on which the decision is based. The notice described in the preceding sentence shall be issued within a period of time not exceeding sixty (60) days after receipt of the request for review; except that such period of time may be extended, if special circumstances (including, but not limited to, the need to hold a hearing) should require, for an additional sixty (60) days commencing at the end of the initial sixty (60) day period. Written notice of such an extension shall be provided to the claimant prior to the expiration of the initial sixty (60) day period. The decision of the Committee shall be final and conclusive. In the event that the Plan Administrator is a member of the Committee, he shall not participate in the decision of the Committee or in any of the proceedings with respect thereto.

10.14 QDRO Procedures. The Committee shall establish written procedures to determine the qualified status of domestic relations orders and to administer distributions under Qualified Domestic Relations Orders. Such procedures shall be consistent with any regulations prescribed under Section 206(d) of ERISA. The Committee shall promptly notify the Participant and any alternate payee (as defined in Section 206(d)(3)(K) of ERISA) of the receipt of an order and the procedures for determining the qualified status of domestic relations orders. Within a reasonable period after receipt of an order, the Committee shall determine whether the order is qualified and shall notify the Participant and each alternate payee of such determination. During any period in which the qualified status of a domestic relations order is being determined (by the Committee, by a court, or otherwise), the Committee shall direct the Trustee to account separately for the amounts that would have been payable to each alternate payee if the order had been determined to be a Qualified Domestic Relations Order. If within eighteen (18) months of the receipt of the order, the order (or modification thereof) is determined to be a Qualified Domestic Relations Order, the Committee shall direct the Trustee to pay the segregated amounts (plus any interest thereon) to the person or persons entitled thereto. If within eighteen (18) months of the receipt of the order, it is determined that the order is not qualified, or the issue as to whether the order is qualified is not resolved, then the Committee shall direct the Trustee to pay the segregated amount (plus any interest thereon) to the person or persons who would have been entitled to such amounts if there had been no order. Any determination that an order is qualified that is made after the close of the eighteen (18) month period shall be applied prospectively only.

10.15 Service in Multiple Fiduciary Capacities. Any person or group of persons may serve in more than one (1) fiduciary capacity with respect to the Plan, in accordance with Section 402(c)(1) of ERISA.

## **ARTICLE XI CO-SPONSORSHIP OF PLAN AND MERGERS WITH OTHER PLANS**

11.1 Co-sponsorship of Plan by Affiliates. Any Affiliate, with the specific approval of the Board and the Affiliate's board of directors (or other governing body, if applicable), may join in this Plan as a co-sponsor. Thereupon, such Affiliate shall be included in the definition of Company hereunder and shall have the obligation to make contributions to this Plan sufficient to fund the benefits of its Employees and their Beneficiaries. In any such case, this Plan shall remain a single plan with any and all of its assets derived from Company contributions (regardless of the entity to whose contributions such assets can be traced) available to pay the benefits to each Participant and Beneficiary hereunder and any other liabilities of the Plan. A list of the Affiliates that have become co-sponsors of the Plan pursuant to this Section 11.1, together with the respective effective dates of their co-sponsorship, appears in Exhibit A.

11.2 Co-sponsorship of Plan by Adopting Entities. Any Adopting Entity, with the specific approval of the Board and the Adopting Entity's board of directors (or other governing body, if applicable), may join in this Plan as a co-sponsor. Thereupon, such Adopting Entity shall be included in the definition of Company hereunder and shall have the obligation to make contributions to this Plan sufficient to fund the benefits of its Employees and their Beneficiaries. A list of the Adopting Entities that have become co-sponsors of the Plan pursuant to this Section 11.2, together with the respective effective dates of their co-sponsorship, appears in Exhibit A.

11.3 Merger with Plan of Affiliate.

(a) Any other pension or retirement plan, sponsored by an Affiliate, may be merged into this Plan, with this Plan as the surviving instrument, with the specific approval of the Board and, if applicable, the board of directors (or other governing body, if applicable) of the Affiliate. Thereupon, if the employer sponsoring the merged plan is an Affiliate, the Affiliate shall become a co-sponsor of the Plan, and included in the definition of Company hereunder. In any such case, the Plan shall remain a single plan with any and all of its assets derived from Company contributions (regardless of the entity to whose contributions such assets can be traced) available to pay the benefits of each Participant and Beneficiary hereunder and any other liabilities of the Plan.

(b) The assets of the merged plan shall be transferred to the Trustee and be assets of the Plan, and the liabilities of the merged plan shall be liabilities of the Plan.

(c) Each Participant in the merged plan shall become a Participant in the Plan on the merger date, with accrued or vested benefits under the Plan equal to his accrued or vested benefits under the merged plan, and thereafter shall continue to participate in the Plan in accordance with its

terms. Furthermore, each Participant in the merged plan who is an Employee on the merger date shall be entitled to Credited Service for his service under the merged plan and the greater of (i) his accrued or vested benefits under the Plan on account of such Credited Service or (ii) his accrued or vested benefits under the merged plan.

(d) It is the intention, and it shall be the effect, of this Section 11.3 that any merger of a plan into this Plan be carried out in accordance with Section 12.3.

## **ARTICLE XII DURATION AND AMENDMENT**

12.1 Reservation of Right to Suspend or Terminate Plan. Except as otherwise provided herein, while it is the intention of the Company that the Plan shall remain in effect indefinitely, the Board reserves the right to suspend or terminate the Plan in whole or in part, at any time and from time to time, and for any reason whatsoever that in the Board's sole discretion appears to it to make such action advisable.

12.2 Reservation of Right to Amend Plan. Except as otherwise provided herein, the Plan may be amended in accordance with the procedures set forth in this Section 12.2. The Board by duly adopted written resolution or by unanimous written consent may modify or amend the Plan in whole or in part, prospectively or retroactively, at any time and from time to time. The Board by duly adopted written resolution or by unanimous written consent may delegate the power to so modify or amend the Plan to one or more officers of the Company, subject to such conditions as the Board may in its sole discretion impose. Notwithstanding the preceding sentence, and without the necessity of a delegation of authority from the Board, the General Counsel of the Company may adopt any amendment or modification to the Plan that is, in the opinion of such General Counsel, necessary or appropriate to comply with applicable laws and regulations, including without limitation ERISA and the Code. The officers of the Company may take all actions necessary or appropriate to implement or effectuate any amendment or modification to the Plan described herein. Any modification or amendment of the Plan by one or more officers of the Company (including without limitation the General Counsel) shall be adopted by a written instrument executed by such officer or officers. Notwithstanding the foregoing, no amendment shall reduce any benefit, that is accrued or treated as accrued under Section 411(d)(6) of the Code, of any Participant, or the percentage (if any) of such benefit that is vested, on the later of the date on which the amendment is adopted or the date on which the amendment becomes effective.

12.3 Transactions Subject to Code Section 414(l). Except as otherwise provided herein, the Plan may be merged into or consolidated with another plan, and its assets or liabilities may be transferred to another plan. However, to the extent that Section 401(a)(12) or 414(l) of the Code is applicable and in accordance therewith, no such merger, consolidation, or transfer shall be consummated unless each Employee, retired Employee, former Employee, and Beneficiary under the Plan would, if the resulting plan then terminated, receive a benefit immediately after the merger, consolidation, or transfer that is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer, if the Plan had then terminated; provided that the foregoing provisions of this Section 12.3 shall not apply if such alternative requirements as may be imposed by the regulations under Section 414(l) of the Code are satisfied. For purposes of the preceding sentence, the benefit of an Employee, retired Employee, former Employee, or Beneficiary upon the deemed termination of a plan shall be determined without regard to any requirement under Title IV of ERISA or otherwise that (a) the Employer or any other person make additional contributions to the Plan in connection with its termination, or (b) any assets of the Plan attributable to employee contributions remaining after satisfaction of all liabilities described in Section 4044(a) of ERISA be distributed to Participants pursuant to Section 4044(d)(3) of ERISA. Any liability transferred from the Plan to another plan pursuant to this Section 12.3 shall result in the extinguishment of such liability hereunder immediately upon such transfer, and no benefit previously payable under the Plan on account of such liability shall be payable under the Plan following such transfer.

## **ARTICLE XIII DISTRIBUTION UPON PLAN TERMINATION**

13.1 Vesting on Plan Termination. In case of a termination or partial termination of the Plan, the rights of all affected Employees, retired Employees, and Beneficiaries to benefits accrued under the Plan to the date of such termination or partial termination, to the extent then funded, shall be nonforfeitable.

13.2 Allocation of Assets on Plan Termination. Upon termination of the Plan, the Committee shall allocate the assets of the Plan in accordance with the following priority schedule, after providing for reasonable Plan administration expenses:

- (a) First, there shall be paid any portion of a Participant's accrued benefits derived from any non-mandatory contributions by him to the Plan;
- (b) Second, there shall be paid any portion of a Participant's accrued benefits derived from any mandatory contributions by him to the Plan;
- (c) Third, there shall be allocated to (i) the benefit of each retired Employee (or Beneficiary) that was being paid on the date three (3) years prior to the date of termination, and (ii) the benefit of each Employee (or former Employee or Beneficiary) that would have been in pay status three (3) years prior to the date of termination if the Employee or former Employee had retired prior to such earlier date and if his benefit had commenced (in the normal form of annuity under the Plan) as of the beginning of such three (3) year period, an amount that is sufficient to provide such benefit, payable from the date of termination based on the provisions of the Plan as in effect during the five (5) year period ending on such date and under which the benefit was or would have been the least;



(d) Fourth, there shall be allocated to each benefit an amount that together with any amount allocated under subsection (c), above, is sufficient to provide the portion of the benefit that is guaranteed by the Pension Benefit Guaranty Corporation, as provided under Title IV of ERISA (without regard to Sections 4022(b)(5) and 4022(b)(6) thereof);

(e) Fifth, there shall be allocated to each benefit an amount that together with any amounts allocated under subsections (c) and (d), above, is sufficient to provide each such benefit, to the extent it is nonforfeitable;

(f) Sixth, there shall be allocated to each benefit the amount that together with any amounts allocated under subsections (c) through (e), above, is sufficient to provide the accrued benefit on the date of the termination; and

(g) Seventh, after all liabilities of the Plan have been satisfied, any residual assets shall be distributed to the Company, except as otherwise required by Section 4044(d)(3)(A) of ERISA.

If the assets of the Plan are insufficient to provide in full the amounts required under subsections (a) through (d), above, such assets shall be allocated pro rata among the benefits described in the subsection for which the required amounts first cannot be provided in full. If the assets of the Plan are insufficient to provide in full the amounts required under subsection (e), above, the assets available for allocation under subsection (e) shall be allocated first to provide the amounts required under such subsection on the basis of the terms of the Plan as in effect at the beginning of the five (5) year period ending on the date of the Plan termination. If the assets of the Plan are insufficient to provide such amounts in full, the assets shall be allocated among such amounts on a pro rata basis. If the assets of the Plan are sufficient to provide such amounts in full, then any remaining assets shall be allocated to provide the amounts under such subsection based on the benefits resulting from each successive amendment during the five (5) year period until the available assets are insufficient to provide the amounts required under subsection (e). The assets available for allocation with respect to the benefits resulting from the first such amendment shall be allocated on a pro rata basis.

**13.3 Provision for Benefits After Plan Termination.** The provision of benefits pursuant to Section 13.2 may be made, in the discretion of CenturyTel, Inc., by the purchase of annuities or by continuing in existence any Trust Agreements or arrangements with insurance companies entered into pursuant to the Plan and making provision therefrom for benefits, or both, or by immediate distribution from the Plan, or by any combination of these means, as CenturyTel, Inc., in its sole discretion, shall determine.

**13.4 Computation of Benefits After Plan Termination.** The benefits specified in Section 13.2 shall be computed in accordance with the provisions of Article VI or the Schedules of the Plan, as applicable, except that, to the extent permitted by law, the periods of Vesting Service and Credited Service used in the computation of benefits for Employees shall be regarded as ended as of the Plan termination date and only Average Annual Compensation as of that date shall be taken into account.

**13.5 Continued Employment Not Required After Plan Termination.** The payment of benefits on termination of the Plan shall not be contingent on an Employee's continuing in the service of the Company or any other employer after the termination of the Plan, except to the extent such service is otherwise required under the Plan to become eligible for a particular benefit or form of payment.

**13.6 Data in Company Records on Plan Termination.** In all cases benefits on termination of the Plan shall be determined, to the extent permitted by law, on the basis of the Employee's age, Vesting Service, Credited Service, and Average Annual Compensation as shown by the Company's records as of the Plan termination date.

**13.7 Satisfaction of Liabilities on Plan Termination.** In the case of all benefits for which provision is made for the purchase of annuities from an insurance company, the delivery of an annuity contract or certificate of the insurance company from which the annuity is purchased to each Employee, retired Employee, former Employee, or Beneficiary to whom such benefits are payable shall, to the extent permitted by applicable law, serve to relieve the Plan from any further obligations for the payment of such benefits. In the case of all benefits for which provision is not made through the purchase of annuities from an insurance company, the judgment of CenturyTel, Inc. as to the adequacy of the alternative provision shall be final to the extent permitted by applicable law. If such alternative provision made as of the Plan termination date should thereafter at any time appear, in the judgment of CenturyTel, Inc., inadequate or more than sufficient to continue the payment of the amounts previously estimated to be payable, the remaining payments of such benefits shall be adjusted pro rata in the order of precedence set forth in Section 13.2.

**13.8 High-25 Distribution Restrictions.**

(a) Upon the termination of the Plan, the benefit of each highly compensated employee and each highly compensated former employee (both as defined in Section 414(q) of the Code) shall be limited to a benefit that is nondiscriminatory under Section 401(a)(4) of the Code.

(b) The annual payments under the Plan with respect to a Participant shall not exceed the annual payments that would be made with respect to the Participant under a straight life annuity that is the actuarial equivalent of his Accrued Benefit. The preceding sentence shall not apply to a Participant for a calendar year if: (i) the Participant is not among the twenty-five (25) highly compensated employees and highly compensated former employees (both as defined in Section 414(q) of the Code) of an adopting Affiliate or Adopting Entity with the greatest compensation in that calendar year or any prior calendar year; (ii) after satisfying all benefits payable to the Participant under the Plan, the value of Plan assets does not fall below 110 percent of the Plan's current liabilities (as defined in Section 412(l)(7) of the Code); (iii) the value of the benefits payable with respect to the Participant under the Plan is less than one percent (1%) of the value of the Plan's current liabilities (as defined in

Section 412(l)(7) of the Code and determined before distribution to the Participant); or (iv) the value of the benefits payable with respect to the Participant under the Plan does not exceed the amount described in Section 411(a)(11)(A) of the Code. If the Plan is terminated while the restrictions pursuant to this subsection (b) are in effect, amounts in excess of those restrictions shall first be applied in a nondiscriminatory manner to the satisfaction of any Plan liabilities to Participants who are not subject to the restrictions, and any balance remaining shall then be applied in a nondiscriminatory manner to any Plan liabilities that may be outstanding with respect to Participants who are subject to the restrictions.

(c) This Section 13.8 is intended to satisfy the requirement of Treas. Reg. ss.1.401(a)(4)-5(b). This Section 13.8 shall not be construed in a manner that would impose limitations that are more stringent than those required by Section 1.401(a)(4)-5(b) of the Treasury Regulations. If Congress should provide by statute, or the United States Treasury Department or the Internal Revenue Service should provide by regulation, ruling, or other guidance of general applicability, that the foregoing restrictions are no longer necessary for the Plan to meet the requirements of Section 401(a) of the Code or any other applicable provision of the Internal Revenue Code then in effect, such restrictions shall become void and shall no longer apply, without the necessity of further amendment to the Plan.

#### **ARTICLE XIV INTERCHANGE OF BENEFIT OBLIGATIONS**

14.1 Interchange Agreement Permitted. Agreements may be made by the Company with Affiliates other than the Company for an interchange of the obligations to which they may be subject under similar pension plans. These agreements shall provide that:

(a) pension plans shall be maintained on a consistent and substantially uniform basis by all of the companies participating in such interchange agreements;

(b) advance provision for the payment of pensions shall be made by each company in such amounts as may be necessary to provide for and fulfill all requirements of its plan as in effect from time to time; and

(c) the vesting service and credited service of the Participants under the pension plans sponsored by the companies that are parties to such agreements shall include service with all such companies.

#### **ARTICLE XV GENERAL PROVISIONS**

15.1 No Employment Rights Conferred. Neither the action of the Company establishing this Plan nor any action taken by the Company under the Plan shall be construed as giving to any Employee a right to be retained in the service of the Company.

15.2 Integration Clause. No Employee, retired Employee, former Employee, Beneficiary, or any other person shall be entitled to or have any vested right in or claim to a benefit under the Plan, except as expressly provided herein.

15.3 Incapacity of Recipient. Benefit payments to a retired Employee or a Beneficiary unable to execute a proper receipt therefor may be made to a relative or other person, selected by the Committee, for the benefit of the retired Employee or the Beneficiary, and the receipt executed by such person shall discharge the obligations of the Plan and the Committee to such retired Employee or Beneficiary and anyone claiming through either of them.

15.4 ERISA Fiduciary Duties. Nothing in the Plan shall relieve or be deemed to relieve any Plan fiduciary from any responsibility, obligation, or duty imposed by or under ERISA.

15.5 Compliance with State and Local Law. The provisions of this Plan relating to an Employee's age of retirement shall not be applied in circumstances that would cause such provisions to be in violation of applicable state or local law. In such circumstances, the Employee Benefits Committee as Plan Administrator shall modify the application of such provisions to the extent necessary to comply with applicable state or local law, but only to the extent such laws are not preempted by federal law.

15.6 Usage. Words in the masculine gender shall include the feminine gender and the plural shall include the singular unless the context indicates otherwise.

15.7 Titles and Headings. The titles to Articles and the headings of Sections, subsections, paragraphs, and subparagraphs in this Plan are placed herein for convenience of reference only and, as such, shall be of no force or effect in the interpretation of the Plan.

15.8 Severability Clause. In the event any provision of the Plan is held to be in conflict with or in violation of any state or federal statute, rule, or decision, all other provisions of this Plan shall continue in full force and effect. In the event that the making of any payment or the provision of any other benefit required under the Plan is held to be in conflict with or in violation of any state or federal statute, rule, or decision or otherwise invalid or unenforceable, such conflict, violation, invalidity, or unenforceability shall not prevent any other payment or benefit from being made or provided under the Plan, and in the event that the making of any payment in full or the provision of any other benefit required under the Plan in full would be in conflict with or in violation of any state or federal statute, rule or decision or otherwise invalid or

unenforceable, then such conflict, violation, invalidity or unenforceability shall not prevent such payment or benefit from being made or provided in part, to the extent that it would not be in conflict with or in violation of any state or federal statute, rule or decision or otherwise invalid or unenforceable, and the maximum payment or benefit that would not be in conflict with or in violation of any state or federal statute, rule or decision or otherwise invalid or unenforceable, shall be made or provided under the Plan.

15.9 USERRA - Military Service Credit. Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code.

## **ARTICLE XVI TOP-HEAVY REQUIREMENTS**

16.1 In General. This Article XVI shall apply only if the Plan is Top-Heavy, as defined below. If, as of any Determination Date, as defined below, the Plan is Top-Heavy, the provisions of Section 16.4, below, shall take effect as of the first day of the Plan Year next following the Determination Date and shall continue to be in effect until the first day of any subsequent Plan Year following a Determination Date as of which it is determined that the Plan is no longer Top-Heavy.

16.2 Definitions. For purposes of this Article XVI, the following definitions shall apply, and shall be interpreted in accordance with the provisions of Section 416 of the Code and the regulations thereunder:

(a) "Aggregation Group" means a group of CenturyTel, Inc. Plans consisting of each CenturyTel, Inc. Plan in the Required Aggregation Group and each other CenturyTel, Inc. Plan selected by the Committee for inclusion in the Aggregation Group that would not, by its inclusion, prevent the group of CenturyTel, Inc. Plans included in the Aggregation Group from continuing to meet the requirements of Sections 401(a)(4) and 410 of the Code.

(b) "Average Compensation" means the Participant's average Compensation, as defined in Section 16.2(c), below, for the period of consecutive years (not exceeding five) during which the Participant had the greatest aggregate Compensation from the Company, excluding (i) years ending before 1984, and (ii) years commencing after the last Top-Heavy Year, and adjusted, in accordance with Section 416(c)(1)(D)(ii) of the Code, for years not included in a year of Vesting Service.

(c) "Compensation" means compensation for a calendar year within the meaning of Section 415 of the Code and the regulations thereunder, but shall not exceed the annual compensation limit in effect for the calendar year under Section 401(a)(17) of the Code.

(d) "Determination Date" means the December 31 immediately preceding the Plan Year for which the determination is made.

(e) "CenturyTel Plan" means any stock bonus, pension, or profit-sharing plan of the Company and the Affiliates intended to qualify under Section 401(a) of the Code.

(f) "Key Employee" means any employee of the Employer who satisfies the criteria set forth in Section 416(i)(1) of the Code. For purposes of determining who is a Key Employee, compensation shall mean compensation as defined in Section 415 of the Code and the regulations thereunder.

(g) "Required Aggregation Group" means a group of one or more CenturyTel Plans including each CenturyTel Plan in which a Key Employee is a Participant and each CenturyTel Plan that enables any CenturyTel Plan in which a Key Employee is a Participant to meet the requirements of Section 401(a)(4) or 410 of the Code.

(h) "Top-Heavy" means that the plan is included in an Aggregation Group under which, as of the Determination Date, the sum of the present value of the cumulative accrued benefits for Key Employees under all defined benefit plans in the Aggregation Group and the aggregate of all accounts of Key Employees under all defined contribution plans in the Aggregation Group exceeds sixty percent (60%) of the analogous sum determined for all employees. The determination of whether the Plan is Top-Heavy shall be made in accordance with Section 416(g)(2)(B) of the Code and the regulations thereunder.

(i) "Top-Heavy Ratio" means the percentage calculated in accordance with Section 16.2(h) hereof and Section 416(g)(2) of the Code and the Regulations thereunder.

(j) "Top-Heavy Year" means a Plan Year for which the Plan is Top-Heavy.

Unless otherwise specified herein, other terms in this Article XVI have the respective meanings ascribed thereto by the other provisions of the Plan.

16.3 Determination of Top-Heavy Ratio. In determining the Top-Heavy Ratio with respect to any Plan Year, the following rules shall apply:

(a) The accrued benefit of any current Participant shall be calculated, as of the most recent valuation date that is within a twelve (12) month period ending on the Determination Date, as if the Participant had voluntarily terminated employment as of such valuation date. Such valuation

date shall be the same valuation date used for computing plan costs for purposes of the minimum funding provisions of Section 412 of the Code. Unless, as of the valuation date, the Plan provides for a nonproportional subsidy, the present value of the accrued benefit shall reflect a benefit commencing at age sixty-five (65) (or attained age, if later). If, as of the valuation date, the Plan provides for a nonproportional subsidy, the benefit shall be assumed to commence at the age at which the benefit is most valuable.

(b) The present value of such accrued benefit shall be calculated by multiplying the accrued benefit by the appropriate factor in the following table based on the Participant's age as of the Determination Date.

Age	Deferred Annuity Factor To Age 65
19	0.36752
20	0.39337
21	0.42104
22	0.45067
23	0.48240
24	0.51637
25	0.55274
26	0.59169
27	0.63340
28	0.67806
29	0.72589
30	0.77713
31	0.83202
32	0.89084
33	0.95388
34	1.02145
35	1.09389
36	1.17156
37	1.25486
38	1.34422
39	1.44010
40	1.54301
41	1.65348
42	1.77212
43	1.89957
44	2.03654
45	2.18380
46	2.34220
47	2.51265
48	2.69619
49	2.89392
50	3.10709
51	3.33707
52	3.58536
53	3.85366
54	4.14383
55	4.45797
56	4.79844
57	5.16786
58	5.56923
59	6.00589
60	6.48169
61	7.00098
62	7.56874
63	8.19069
64	8.87343
65	9.62458
66	9.41000
67	9.19088
68	8.96748
69	8.73999
70	8.50892

(c) The Plan shall be aggregated with all CenturyTel Plans

included in the Aggregation Group.

#### 16.4 Top-Heavy Minimum Benefits.

(a) In any Top-Heavy Year, each Participant shall be entitled to the greater of:

(i) the Pension he otherwise is entitled to under the Plan, or

(ii) an annual benefit that, when expressed as a benefit commencing at his Normal Retirement Date (with no ancillary benefits), is equal to two percent (2%) of the Participant's Average Compensation for each of the Participant's first ten (10) years of Credited Service after 1983 during which the Plan is Top-Heavy.

The annual benefit described in paragraph (ii), above, shall not be adjusted to take into account the availability of preretirement death benefits under the Plan.

(b) A Participant who has completed at least three (3) years of Vesting Service and who is credited with an Hour of Service in a Top-Heavy Year shall have a nonforfeitable right to his Accrued Benefit.

(c) For each Top-Heavy Year, the Annual Compensation of each Participant taken into account under the Plan for all Plan Years (including Plan Years before the first Top-Heavy Year) shall not exceed his Compensation (as defined in Section 16.2(c)); provided that any benefits accrued before a Top-Heavy Year (determined without regard to any Plan amendments adopted after the end of the Plan Year next preceding the Top-Heavy Year) shall not be reduced as a result of the application of this subsection (c).

(d) The benefit required by Section 16.4(a) and vested pursuant to the provisions of Section 16.4(b) shall not be forfeitable under provisions that otherwise would be permitted by Section 411(a)(3)(B) (relating to suspension of benefits upon reemployment) or 411(a)(3)(D) (relating to forfeitures upon withdrawal of mandatory contributions) of the Code.

(e) The Plan shall meet the requirements of this Section 16.4 without taking into account, in accordance with Section 416(e) of the Code, contributions or benefits under Chapter 21 of the Code (relating to the Federal Insurance Contributions Act), Title II of the Social Security Act, or any other federal or state law.

(f) The requirements of this Section 16.4 shall not apply

with respect to any employee included in a unit of employees covered by an agreement that the Secretary of Labor finds to be a collective bargaining agreement between employee representatives and one or more Affiliates if there is evidence that retirement benefits were the subject of good faith bargaining between such employee representatives and the Affiliate.

16.5 Termination of Top-Heavy Status. If, for any Plan Year after a Top-Heavy Year, the Plan is no longer Top-Heavy, the provisions of Section 16.4, above, shall not apply with respect to such Plan Year; provided that

(a) the Accrued Benefit of any Participant shall not be reduced on account of the operation of this Section 16.5;

(b) each Participant shall remain fully vested in any portion of the Participant's Accrued Benefit that was fully vested before the Plan ceased to be Top-Heavy; and

(c) any Participant who was a Participant in a Top-Heavy Year and who has completed at least five (5) years of Vesting Service as of the first day of the Plan Year in which the Plan is no longer Top-Heavy may elect to remain subject to the provisions of Section 16.4(b).

16.6 Interpretation. This Article XVI is intended to satisfy the requirements imposed by Section 416 of the Code and shall be construed in a manner that will effectuate this intent. This Article XVI shall not be construed in a manner that would impose requirements that are more stringent than those imposed by Section 416 of the Code.

**THUS DONE AND SIGNED, this 31st day of December, 2002.**

**CENTURYTEL, INC.**

*/s/ R. Stewart Ewing, Jr.*

By: \_\_\_\_\_

**AMENDMENTS TO THE  
CENTURYTEL RETIREMENT PLAN**

CENTURYTEL, INC., represented herein by its Executive Vice-President and Chief Financial Officer, R. Stewart Ewing, Jr., does hereby execute the following amendments to the CenturyTel Retirement Plan:

1. Preamble:

"These amendments to the Plan are adopted to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). These amendments are intended to constitute good faith compliance with the requirements of EGTRRA and are to be construed in accordance with EGTRRA and guidance issued thereunder. Except as otherwise provided herein, each amendment shall be effective as of the first day of the first Plan Year beginning after December 31, 2001."

2. Insert the following as the last paragraph of Section 2.2:

"Notwithstanding any other Plan provision to the contrary, effective for distributions with annuity starting dates on or after January 1, 2003, the applicable mortality table used for purposes of adjusting any benefit or limitation under Code Section 415(b)(2)(B), (C), or (D) set forth in this Plan and the applicable mortality table used for purposes of satisfying the requirements of Code Section 417(e) set forth in this Plan is the table prescribed in Rev. Rul. 2001-62."

3. Insert the following as the second paragraph of Section 2.14(d):

"For Plan Years beginning after December 31, 2001, the annual compensation of each Participant taken into account in determining allocations for any Plan Year beginning after December 31, 2001, shall not exceed \$200,000 as adjusted for cost-of-living increases in accordance with Code Section 401(a)(17)(B). Annual compensation means compensation during the Plan Year or such other consecutive 12-month period over which compensation is otherwise determined under the Plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year."

4. Insert the following as the second paragraph of Section 16.2(f):

"For Plan Years beginning after December 31, 2001, 'Key Employee' means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the determination date was an officer of the Employer having annual compensation greater than \$130,000 (as adjusted under Code Section 416(i)(1) for Plan Years beginning after December 31, 2002), a 5-percent owner of the Employer, or a 1-percent owner of the Employer having annual compensation of more than \$150,000. For this purpose, annual compensation means compensation within the meaning of Code Section 415(c)(3). The determination of who is a Key Employee will be made in accordance with Code Section 416(i)(1) and the applicable regulations and other guidance of general applicability issued thereunder."

5. Insert the following as Section 16.3(d):

"For Plan Years beginning after December 31, 2001, the present value of accrued benefits and the amounts of account balances of an Employee as of the determination date shall be increased by the distributions made with respect to the Employee under the plan and any plan aggregated with the Plan under Code Section 416(g)(2) during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under Code Section 416(g)(2)(A)(i). In the case of a distribution made for a reason other than severance from employment, death, or disability, this provision shall be applied by substituting '5-year period' for '1-year period.' The accrued benefits and accounts of any individual who has not performed services for the Employer during the 1-year period ending on the determination date shall not be taken into account."

6. Insert the following as Section 16.3(e):

"The accrued benefits and accounts of any individual who has not performed services for the Employer during the 1-year period ending on the determination date shall not be taken into account."

7. Insert the following as Section 16.4(g):

"For purposes of satisfying the minimum benefit requirements of Code Section 416(c)(1) and this Plan, in determining Years of Service with the Employer, any service with the Employer shall be disregarded to the extent that such service occurs during a Plan Year when the Plan benefits (within the meaning of Code section 410(b)) no Key Employee or former Key Employee."

7. Insert the following as the second sentence of Section 7.13(b)(i):

"For distributions made after December 31, 2001, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includable in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Code Section 408(a) or (b), or to a qualified defined contribution plan described in Code Section 401(a) or 403(a) that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includable in gross income and the portion of such distribution which is not so includable."

8. Insert the following as the third sentence of Section 7.13(b)(ii):

"For distributions made after December 31, 2001, an eligible retirement plan shall also mean an annuity contract described in Code Section 403 (b) and an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or any instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code Section 414(p)."

9. Section 2.14 is amended by inserting the following as Section 2.14(i):

"(i) For Plan Years beginning on and after January 1, 2001, for purposes of the definition of compensation contained in this Section 2.14, and Sections 5.7(c) and 16.2(c) of the Plan, compensation paid or made available during such years shall include elective amounts that are not includable in the gross income of the Employee by reason of Code Section 132(f)(4)."

**THUS DONE AND SIGNED, this 31st day of December, 2002.**

**CENTURYTEL, INC.**

*/s/ R. Stewart Ewing, Jr.*

BY: \_\_\_\_\_

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

**FORM OF NON-QUALIFIED STOCK OPTION AGREEMENT  
UNDER THE AMENDED AND RESTATED  
CENTURYTEL, INC.  
2000 INCENTIVE COMPENSATION PLAN  
(February 25, 2002 Grants)**

THIS AGREEMENT is entered into as of February 25, 2002 by and between CenturyTel, Inc., a Louisiana corporation ("CenturyTel"), and \_\_\_\_\_ ("Optionee").

WHEREAS Optionee is a key employee of CenturyTel or one of its subsidiaries (collectively, the "Company") and CenturyTel considers it desirable and in its best interest that Optionee be given an incentive to advance the interests of CenturyTel by possessing an option to purchase shares of the common stock, \$1.00 par value per share, of CenturyTel (the "Common Stock") under the Amended and Restated CenturyTel, Inc. 2000 Incentive Compensation Plan (the "Plan"), which was approved by the Board of Directors of CenturyTel on February 22, 2000, approved by the shareholders at CenturyTel's 2000 Annual Meeting of Shareholders and amended and restated by the Board of Directors on May 23, 2000;

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

1.

**Grant of Option**

1.01 CenturyTel hereby grants to Optionee effective February 25, 2002 (the "Date of Grant") the right, privilege and option to purchase \_\_\_\_\_ shares of Common Stock (the "Option") at an exercise price of \$32.99 per share.

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

2.

**Time of Exercise**

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

With respect to 1/3 of the shares  
covered by the Option..... beginning February 25, 2003

With respect to 2/3 of the shares  
covered by the Option, less any  
shares previously issued..... beginning February 25, 2004

With respect to all of the shares  
covered by the Option, less any  
shares previously issued..... beginning February 25, 2005.

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

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

3.

**Conditions for Exercise of Option**

During Optionee's lifetime, the Option may be exercised only by him

or by his legal representative. The Option must be exercised while Optionee is employed by the Company, or, to the extent exercisable at the time of termination of employment, within 190 days of the date on which he ceases to be an employee, except that (a) if he ceases to be an employee because of Retirement, the Option may be exercised within three years from the date on which he ceases to be an employee, (b) if an



Optionee's employment is terminated for cause, the unexercised portion of the Option is immediately terminated, and (c) in the event of Optionee's Disability or death, the Option may be exercised by the Optionee or, in the case of death, by his estate or by the person to whom such right devolves from him by reason of his death within two years after the date of his Disability or death; provided, however, that the Option and all option gain, as defined in Section 4.01, shall at all times be subject to the forfeiture provisions of Section 4 hereof; and provided further that no Option may be exercised later than ten years after the Date of Grant.

4.

#### **Forfeiture of Option and Option Gain**

4.01 If, at any time during Optionee's employment by the Company or within 18 months after termination of employment, Optionee engages in any activity in competition with any activity of the Company, or inimical, contrary or harmful to the interests of the Company, including, but not limited to: (a) conduct relating to Optionee's employment for which either criminal or civil penalties against Optionee may be sought, (b) conduct or activity that results in termination of Optionee's employment for cause, (c) violation of Company policies, including, without limitation, the Company's insider trading policy,

(d) accepting employment with, acquiring a 5% or more equity or participation interest in, serving as a consultant, advisor, director or agent of, directly or indirectly soliciting or recruiting any employee of the Company who was employed at any time during Optionee's tenure with the Company, or otherwise assisting in any other capacity or manner any company or enterprise that is directly or indirectly in competition with or acting against the interests of the Company or any of its lines of business (a "competitor"), except for (A) any isolated, sporadic accommodation or assistance provided to a competitor, at its request, by Optionee during Optionee's tenure with the Company, but only if provided in the good faith and reasonable belief that such action would benefit the Company by promoting good business relations with the competitor and would not harm the Company's interests in any material respect or (B) any other service or assistance that is provided at the request or with the written permission of the Company, (e) disclosing or misusing any confidential information or material concerning the Company, or (f) participating in a hostile takeover attempt, then

(i) the Option shall terminate effective the date on which Optionee engages in such activity, unless terminated sooner by operation of another term or condition of this Agreement or the Plan, and (ii) Optionee shall pay in cash to the Company, without interest, any option gain realized by Optionee from exercising all or a portion of the Option during the period beginning one year prior to termination of employment (or one year prior to the date Optionee first engages in such activity if no termination occurs) and ending on the date on which the Option terminates. For purposes hereof, "option gain" shall mean the difference between the closing market price of the Common Stock on the date of exercise minus the exercise price, multiplied by the number of shares purchased.

4.02 If Optionee owes any amount to the Company under Section 4.01 above, Optionee acknowledges that the Company may deduct such amount from any amounts the Company owes Optionee from time to time for any reason (including amounts owed to Optionee as wages or other compensation, fringe benefits, or vacation pay). Whether or not the Company elects to make any such set-off in whole or in part, if the Company does not recover by means of set-off the full amount Optionee owes it, Optionee agrees to pay immediately the unpaid balance to the Company.

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

5.

#### **Preference Share Purchase Rights**

Upon exercise of an Option at a time when preference share purchase rights to purchase shares of Series BB Participating Cumulative Preference Stock or other securities or property of the Company (the "Rights" and each a "Right") remain outstanding pursuant to that certain Rights Agreement dated as of August 27, 1996 between CenturyTel and the Rights Agent named therein, as amended (the "Rights Agreement"), or any successor rights agreement, then Optionee shall receive Rights in conjunction with Optionee's receipt of shares of Common Stock on the terms and conditions of the Rights Agreement.

6.

#### **Additional Conditions**

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

7.

### **Attorneys' Fees and Expenses**

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

8.

### **No Contract of Employment Intended**

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

9.

### **Taxes**

The Company may make such provisions as it may deem appropriate for the withholding of any federal, state and local taxes that it determines are required to be withheld on the exercise of the Option.

10.

### **Binding Effect**

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, legal representatives and successors. Without limiting the generality of the foregoing, whenever the word "Optionee" is used in any provision of this Agreement under circumstances where the provision appropriately applies to the heirs, executors, administrators or legal representatives to whom this Option may be transferred by will or by the laws of descent and distribution, the word "Optionee" shall be deemed to include such person or persons.

11.

### **Inconsistent Provisions**

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

12.

### **Adjustments to Options**

Appropriate adjustments shall be made to the number and class of shares of Common Stock subject to the Option and to the exercise price in certain situations described in Section 10.6 of the Plan.

13.

### **Termination of Option**

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

14.

### **Severability**

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

15.

#### **Entire Agreement; Modification**

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

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

**CENTURYTEL, INC.**

By:

{insert name} Optionee

**FORM OF NON-QUALIFIED STOCK OPTION AGREEMENT  
UNDER THE CENTURYTEL, INC.**

**2002 MANAGEMENT INCENTIVE COMPENSATION PLAN**

(February 24, 2003 Grants)

THIS AGREEMENT is entered into as of February 24, 2003 by and between CenturyTel, Inc., a Louisiana corporation ("CenturyTel"), and \_\_\_\_\_ ("Optionee").

WHEREAS, Optionee is a key employee of CenturyTel or one of its subsidiaries (collectively, the "Company") and CenturyTel considers it desirable and in its best interest that Optionee be given an incentive to advance the interests of CenturyTel by possessing an option to purchase shares of the common stock, \$1.00 par value per share, of CenturyTel (the "Common Stock") under the CenturyTel, Inc. 2002 Management Incentive Compensation Plan (the "Plan"), which was approved by the Board of Directors of CenturyTel on February 26, 2002, and approved by the shareholders at CenturyTel's 2002 Annual Meeting of Shareholders on May 9, 2002;

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 24, 2003 (the "Date of Grant"), the right, privilege and option to purchase \_\_\_\_\_ shares of Common Stock (the "Option") at an exercise price of \$27.48 per share.

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

2.

Time of Exercise

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

With respect to 1/3 of the shares  
covered by the Option..... beginning February 24, 2004  
With respect to 2/3 of the shares  
covered by the Option, less any  
shares previously issued..... beginning February 24, 2005  
With respect to all of the shares  
covered by the Option, less any  
shares previously issued..... beginning February 24, 2006.

The Option shall expire and may not be exercised later than ten years after the Date of Grant. 2.02.....Notwithstanding the foregoing, the Option shall become accelerated and immediately exercisable in full (a) if Optionee dies while he is employed by the Company, (b) if Optionee becomes disabled within the meaning of

Section 22(e)(3) of the Code ("Disability") while he is employed by the Company,

(c) if Optionee retires from employment with the Company on or after attaining the age of 55 ("Retirement") or (d) pursuant to the provisions of the Plan.

3.

Conditions for Exercise of Option

During Optionee's lifetime, the Option may be exercised only by him or by his legal representative. The Option must be exercised while Optionee is employed by the Company, or, to the extent exercisable at the time of termination of employment, within 190 days of the date on which he ceases to be an employee, except that (a) if he ceases to be an employee because of Retirement, the Option may be exercised within three years from the date on which he ceases to be an employee, (b) if an Optionee's employment is terminated for cause, the unexercised portion of the Option is immediately terminated, and

(c) in the event of Optionee's Disability or death, the Option may be exercised by the Optionee or, in the case of death, by his estate or by the person to whom such right devolves from him by reason of his death within two years after the date of his Disability or death; provided, however, that the Option and all option gain, as defined in Section 4.01, shall at all times be subject to the forfeiture provisions of Section 4

hereof; and provided further that no Option may be exercised later than ten years after the Date of Grant.

4.

#### Forfeiture of Option and Option Gain

4.01. If, at any time during Optionee's employment by the Company or within 18 months after termination of employment, Optionee engages in any activity in competition with any activity of the Company, or inimical, contrary or harmful to the interests of the Company, including but not limited to: (a) conduct relating to Optionee's employment for which either criminal or civil penalties against Optionee may be sought, (b) conduct or activity that results in termination of Optionee's employment for cause, (c) violation of Company policies, including, without limitation, the Company's insider trading policy 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 the Company'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 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 or other compensation, fringe benefits, or vacation pay). Whether or not the Company elects to make any such set-off in whole or in part, if the Company does not recover by means of set-off the full amount Optionee owes it, Optionee 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 Compensation Committee (the "Committee") determines in its sole discretion that such action is in the best interests of the Company.

5.

#### Preference Share Purchase Rights

Upon exercise of an Option at a time when preference share purchase rights to purchase shares of Series BB Participating Cumulative Preference Stock or other securities or property of the Company (the "Rights" and each a "Right") remain outstanding pursuant to that certain Rights Agreement dated as of August 27, 1996 between CenturyTel and the Rights Agent named therein, as amended by Amendment No. 1 to Rights Agreement dated May 25, 1999 and Amendment No. 2 to Rights Agreement dated June 30, 2000, and as may be further amended (the "Rights Agreement"), or any successor rights agreement, then Optionee shall receive Rights in conjunction with Optionee's receipt of shares of Common Stock on the terms and conditions of the Rights Agreement.

6.

#### Additional Conditions

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

Stock issuable hereunder shall be issued as provided herein.

7.

#### Attorneys' Fees and Expenses

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

8.....

#### No Contract of Employment Intended

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

9.

#### Taxes

The Company may make such provisions as it may deem appropriate for the withholding of any federal, state and local taxes that it determines are required to be withheld on the exercise of the Option.

10.

#### Binding Effect

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, legal representatives and successors. Without limiting the generality of the foregoing, whenever the word "Optionee" is used in any provision of this Agreement under circumstances where the provision appropriately applies to the heirs, executors, administrators or legal representatives to whom this Option may be transferred by will or by the laws of descent and distribution, the word "Optionee" shall be deemed to include such person or persons.

11.

#### Inconsistent Provisions

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

12.

#### Adjustments to Options

Appropriate adjustments shall be made to the number and class of shares of Common Stock subject to the Option and to the exercise price in certain situations described in Section 4.5 of the Plan.

13.

#### Termination of Option

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

14.

Severability

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

15.

Entire Agreement; Modification

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

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

**CENTURYTEL, INC.**

By:

Name:

Title:

{insert name}  
Optionee

**AMENDMENT TO THE  
CENTURYTEL, INC. OUTSIDE DIRECTORS' RETIREMENT PLAN  
1995 RESTATEMENT**

**This Amendment to the CenturyTel, Inc. Outside Directors' Retirement**

Plan 1995 Restatement, is executed this 31st day of December, 2002, effective

as of May 31, 2002.

1. Delete Section 2.09 in its entirety and insert the following in lieu thereof:

" 2.09 "COMPENSATION" shall mean moneys designated as Directors' fees which are paid to the Participant as an annual retainer, whether paid currently, accrued or deferred, as in effect as of May 31, 2002. In addition, fees paid for attending one special meeting of the Board, as in effect as of May 31, 2002, shall also be included as Compensation. Compensation shall be limited to the amounts in effect as of May 31, 2002, and shall not be increased or decreased for any subsequent adjustments to the annual retainer or special meeting fee paid to Directors.

2. Add the following as the second sentence of Section 2.19:

"No Years of Benefit Accrual Service shall accrue for service after May 31, 2002, and benefits under this Plan shall be determined based on a Participant's full and fractional Years of Benefit Accrual Service as of such date."

3. Add the following as the second sentence of Article III:

"Effective as of May 31, 2002, no Outside Directors other than Outside Directors already participating in the Plan as of such date shall be eligible to participate in the Plan."

4. Add the following at the end of Section 5.04:

" Notwithstanding the foregoing sentence, accrual of Years of Benefit Accrual Service by Participants shall cease as of May 31, 2002, and Accrued Benefits computed under the foregoing schedule shall be based on full and fractional Years of Benefit Accrual Service of Participants as of May 31, 2002."

IN WITNESS WHEREOF, CenturyTel, Inc. has executed this amendment in its

*corporate name on the date indicated above.*

CENTURYTEL, INC.

/s/ R. Stewart Ewing, Jr.

By: \_\_\_\_\_  
R. Stewart Ewing, Jr.  
Executive Vice President and  
Chief Financial Officer



**CENTURYTEL, INC.**  
**SUBSIDIARIES OF THE REGISTRANT**  
**AS OF DECEMBER 31, 2002**

Subsidiary	State of incorporation
Actel, LLC	Delaware
Century Business Communications, LLC	Louisiana
Century Interactive Fax, Inc.	Louisiana
CenturyTel Arkansas Holdings, Inc.	Arkansas
CenturyTel Holdings, Inc.	Louisiana
CenturyTel Interactive Company, Inc.	Louisiana
CenturyTel Internet Services, LLC	Louisiana
CenturyTel Investments, LLC	Louisiana
CenturyTel Investments of Texas, Inc.	Delaware
CenturyTel Long Distance, Inc.	Louisiana
CenturyTel Michigan Network, LLC	Louisiana
CenturyTel Midwest - Michigan, Inc.	Michigan
CenturyTel of Adamsville, Inc.	Tennessee
CenturyTel of Alabama, LLC	Louisiana
CenturyTel of Arkansas, Inc.	Arkansas
CenturyTel of Central Arkansas, LLC	Arkansas
CenturyTel of Central Indiana, Inc.	Indiana
CenturyTel of Central Louisiana, LLC	Louisiana
CenturyTel of Central Wisconsin, LLC	Delaware
CenturyTel of Chatham, LLC	Louisiana
CenturyTel of Chester, Inc.	Iowa
CenturyTel of Claiborne, Inc.	Tennessee
CenturyTel of Colorado, Inc.	Colorado
CenturyTel of Cowiche, Inc.	Washington
CenturyTel of Eagle, Inc.	Colorado
CenturyTel of East Louisiana, LLC	Louisiana
CenturyTel of Eastern Oregon, Inc.	Oregon
CenturyTel of Evangeline, LLC	Louisiana
CenturyTel of Fairwater-Brandon-Alto, LLC	Delaware
CenturyTel of Forestville, LLC	Delaware
CenturyTel of Idaho, Inc.	Delaware
CenturyTel of Inter Island, Inc.	Washington
CenturyTel of Lake Dallas, Inc.	Texas
CenturyTel of Larsen-Readfield, LLC	Delaware
CenturyTel of Michigan, Inc.	Michigan
CenturyTel of Minnesota, Inc.	Minnesota
CenturyTel of Missouri, LLC	Louisiana
CenturyTel of Monroe County, LLC	Wisconsin
CenturyTel of Montana, Inc.	Oregon
CenturyTel of Mountain Home, Inc.	Arkansas
CenturyTel of North Louisiana, LLC	Louisiana
CenturyTel of North Mississippi, Inc.	Mississippi
CenturyTel of Northern Michigan, Inc.	Michigan
CenturyTel of Northern Wisconsin, LLC	Delaware
CenturyTel of Northwest Arkansas, LLC	Delaware
CenturyTel of Northwest Louisiana, Inc.	Louisiana
CenturyTel of Northwest Wisconsin, LLC	Delaware
CenturyTel of Odon, Inc.	Indiana
CenturyTel of Ohio, Inc.	Ohio
CenturyTel of Ooltewah-Collegedale, Inc.	Tennessee
CenturyTel of Oregon, Inc.	Oregon
CenturyTel of Port Aransas, Inc.	Texas
CenturyTel of Postville, Inc.	Iowa
CenturyTel of Redfield, Inc.	Arkansas
CenturyTel of Ringgold, LLC	Louisiana
CenturyTel of San Marcos, Inc.	Texas
CenturyTel of South Arkansas, Inc.	Arkansas
CenturyTel of Southeast Louisiana, LLC	Louisiana
CenturyTel of Southern Wisconsin, LLC	Louisiana
CenturyTel of Southwest Louisiana, LLC	Louisiana
CenturyTel of the Gem State, Inc.	Idaho
CenturyTel of the Midwest-Kendall, LLC	Delaware
CenturyTel of the Midwest-Wisconsin, LLC	Delaware
CenturyTel of the Northwest, Inc.	Washington
CenturyTel of the Southwest, Inc.	New Mexico
CenturyTel of Upper Michigan, Inc.	Michigan
CenturyTel of Washington, Inc.	Washington
CenturyTel of Wisconsin, LLC	Louisiana
CenturyTel of Wyoming, Inc.	Wyoming
CenturyTel Security Systems Holding Company, LLC	Louisiana
CenturyTel Service Group, LLC	Louisiana

CenturyTel Solutions, LLC  
CenturyTel Supply Group, Inc.  
CenturyTel Web Solutions, LLC  
CenturyTel/Area Long Lines, Inc.  
CenturyTel/Tele-Max, Inc.  
CenturyTel/Televue of Wisconsin, Inc.  
Spectra Communications Group, LLC  
Telephone USA of Wisconsin, LLC

Louisiana  
Louisiana  
Louisiana  
Wisconsin  
Texas  
Wisconsin  
Delaware  
Delaware

Certain of the Company's smaller subsidiaries have been intentionally omitted from this exhibit pursuant to rules and regulations of the Securities and Exchange Commission.

**Independent Auditors' Consent**

The Board of Directors  
CenturyTel, Inc.:

We consent to incorporation by reference in the Registration Statements (No. 333-91361, No. 333-84276 and No. 333-100481) on Form S-3, the Registration Statements (No. 33-46562, No. 33-60061, No. 333-67815, No. 333-91351, No. 333-37148, No. 333-60806, No. 333-64992, No. 333-65004 and No. 333-89060) on Form S-8, the Registration Statements (No. 33-31314 and No. 33-46473) on combined Form S-8 and Form S-3, and the Registration Statements (No. 33-48956, No. 333-17015 and No. 333-100480) on Form S-4 of CenturyTel, Inc. of our report dated January 29, 2003, relating to the consolidated balance sheets of CenturyTel, Inc. and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity and related financial statement schedule for each of the years in the three-year period ended December 31, 2002, which report appears in the December 31, 2002 annual report on Form 10-K of CenturyTel, Inc.

*/s/ KPMG LLP*

*KPMG LLP*

*Shreveport, Louisiana  
March 26, 2003*

**Exhibit 99**

**CenturyTel, Inc.**

March 27, 2003

**VIA EDGAR TRANSMISSION**

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

Re: CenturyTel, Inc. Certification of Contents of Form 10-K for the year ending December 31, 2002, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Ladies and Gentlemen:

CenturyTel, Inc. (the "Company") filed today, via EDGAR, its annual report on Form 10-K for the year ending December 31, 2002. The undersigned, acting in their capacities as the Chief Executive Officer and the Chief Financial Officer of the Company, certify that the Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by such report.

This certification is being furnished as an exhibit to the Form 10-K solely to comply with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, Pub. L. No. 107-204, and should not be deemed to be filed with the Securities and Exchange Commission, either as a part of the Form 10-K or otherwise.

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 of Directors*  
*and Chief Executive Officer*

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