

**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, 2004

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:

Stock Options
(Title of class)

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 \$4.0 billion as of June 30, 2004. As of February 28,

2005, there were 132,644,803 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's Proxy Statement to be furnished in connection with the 2005 annual meeting of shareholders are incorporated by reference in Part III of this Report.

PART I

Item 1. Business

General. CenturyTel, Inc. ("CenturyTel") and its subsidiaries (the "Company") is an integrated communications company engaged primarily in providing local exchange, long distance, Internet access and broadband services. The Company strives to maintain its customer relationships by, among other things, bundling its service offerings to provide its customers with a complete offering of integrated communications services. All of the Company's operations are conducted within the continental United States.

At December 31, 2004, the Company's local exchange telephone subsidiaries operated approximately 2.3 million telephone access lines, primarily in rural areas and small to mid-size cities in 22 states, with over 70% of these lines located in Wisconsin, Missouri, Alabama, Arkansas and Washington. 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.

The Company also provides competitive local exchange carrier, security monitoring, and other communications and business information services in certain local and regional markets.

The Company has recently entered into agreements to provide co-branded satellite television service and to resell wireless service as part of its bundled product and service offerings, but these arrangements are not expected to contribute material revenues in the near term. The Company anticipates such offerings will dilute its earnings for 2005 by approximately \$.04 to \$.07 per share.

For information on the amount of revenue derived by the Company's various lines of services, see "Operations-Services" below and Item 7 of this report.

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

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

On February 28, 2002, the Company purchased from KMC Telecom Holdings, Inc. ("KMC") its fiber network and customer base 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 assets utilized to provide local exchange telephone service to over 490,000 telephone access lines 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 assets in 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 assets in Missouri for approximately \$297 million cash. 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. In the fourth quarter of 2003 and the first quarter of 2004, the Company purchased the remaining 24.3% interest in Spectra for an aggregate of \$34.0 million in cash.

- o On September 29, 2000, the Company purchased approximately 70,500 telephone access lines and related assets in 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 assets in 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.

In February 2005, the Company signed a definitive asset purchase agreement to acquire metro fiber networks in 16 markets from KMC for \$65 million cash, subject to purchase price adjustments. The networks to be acquired include almost 1,000 lit route miles of fiber optic cable located in small to medium cities in 11 states. The Company expects to complete this purchase in mid-2005, subject to the receipt of various consents, regulatory approvals and various other closing conditions.

The Company continually evaluates the possibility of acquiring additional communications assets in exchange for cash, securities or both, and at any given time may be engaged in discussions or negotiations regarding additional acquisitions. The Company generally does not announce its acquisitions or dispositions until it has entered into a preliminary or definitive agreement. 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.

Recent Dispositions. On August 1, 2002, the Company sold substantially all of its wireless operations principally to an affiliate of ALLTEL Corporation ("Alltel") for an aggregate of approximately \$1.59 billion in cash. In connection with this transaction, 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 are 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.

Where to find additional information. The Company makes available free of charge on its website (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.

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

Other. As of December 31, 2004, the Company had approximately 6,800 employees, of which approximately 1,800 were members of 13 different bargaining units represented by the International Brotherhood of Electrical Workers and the Communications Workers of America. In 2005, the contracts governing approximately 71% of the union workforce lapse and are scheduled to be renegotiated. The Company believes that relations with its 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.

OPERATIONS

According to published sources, the Company is the eighth largest local exchange telephone company in the United States, based on the approximately 2.3 million access lines it served at December 31, 2004. All of the Company's access lines are digitally switched. Through its operating telephone subsidiaries, the Company provides services to predominantly rural areas and small to mid-sized cities in 22 states. The following table sets forth certain information with respect to the Company's access lines as of December 31, 2004 and 2003.

State	December 31, 2004		December 31, 2003	
	Number of access lines	Percent of access lines	Number of access lines	Percent of access lines
Wisconsin (1)	466,021	20%	478,134	20%
Missouri	458,724	20	472,884	20
Alabama	275,093	12	283,501	12
Arkansas	256,130	11	264,787	11
Washington	182,990	8	186,329	8
Michigan	108,030	5	111,104	5
Louisiana	101,353	4	103,726	4
Colorado	94,139	4	95,726	4
Ohio	80,287	3	82,995	3
Oregon	74,020	3	75,530	3

Montana	64,145	3	64,863	3
Texas	43,697	2	46,397	2
Minnesota	30,046	1	30,469	1
Tennessee	26,728	1	27,084	1
Mississippi	24,137	1	24,420	1
New Mexico	6,428	*	6,512	*
Wyoming	5,905	*	5,669	*
Idaho	5,807	*	5,974	*
Indiana	5,346	*	5,401	*
Iowa	2,053	*	2,082	*
Arizona	1,995	*	2,000	*
Nevada	552	*	531	*
	2,313,626	100%	2,376,118	100%

* Represents less than 1%.

(1) As of December 31, 2004 and 2003, approximately 57,700 and 59,130, respectively, of these lines were owned and operated by CenturyTel's 89%-owned affiliate.

As indicated in the following table, the Company has experienced growth in its operations over the past five years, a substantial portion of which was attributable to the third quarter 2002 and third quarter 2000 acquisitions of telephone properties from Verizon and the internal growth of its long distance and Internet access businesses.

	Year ended or as of December 31,				
	2004	2003	2002	2001	2000
	(Dollars in thousands)				
Access lines	2,313,626	2,376,118	2,414,564	1,797,643	1,800,565
% Residential	75%	76	76	76	76
% Business	25%	24	24	24	24
Long distance lines	1,067,817	931,761	798,697	564,851	433,846
% Residential	81%	80	80	79	79
% Business	19%	20	20	21	21
Internet customers	262,085	215,548	179,440	144,817	108,700
% Dial-up service	49%	65	73	84	95
% Retail DSL service	51%	35	27	16	5
Operating revenues	\$ 2,407,372	2,367,610	1,971,996	1,679,504	1,402,357
Capital expenditures	\$ 385,316	377,939	386,267	435,515	391,069

As discussed further below, the Company's access lines (exclusive of acquisitions) have declined in recent years, and are expected to continue to decline. To offset these declines, the Company hopes to expand its telephone operations by (i) acquiring additional telephone properties, (ii) providing service to new customers, (iii) increasing network usage, (iv) further penetrating its existing customer base with existing services and (v) providing additional services which may be made possible by advances in technology, improvements in the Company's infrastructure and the bundling of integrated services. See "Services" and "Regulation and Competition."

Services

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

	2004	2003	2002
Local service	29.7%	30.1	29.0
Network access	40.1	42.3	44.9
Long distance	7.8	7.3	7.4
Data	11.5	10.4	9.1
Fiber transport and CLEC	3.1	1.8	1.1
Other	7.8	8.1	8.5
	100.0%	100.0	100.0

Local service. Local service revenues are derived from providing local exchange telephone services in the Company's service areas, including basic dial-tone service through the Company's regular switched network. Access lines declined 2.6% in 2004, 1.6% in 2003 and 1.1% in 2002 (exclusive of the 2002 Verizon acquisitions). The Company believes these declines in the number of access lines were primarily due to the

displacement of traditional wireline telephone services by other competitive services, including the Company's DSL product offering. Based on current conditions, the Company expects access lines to decline between 2.5 and 3.5% for 2005.

The use 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 2004 the Company continued to expand the availability of enhanced services offered in certain service areas.

Network access. Network access revenues primarily relate to (i) services provided by the Company to long distance carriers, wireless carriers and other carriers and customers in connection with the use of the Company's facilities to originate and terminate their interstate and intrastate voice and data transmissions and (ii) the receipt of universal support funds which allows the Company to recover a portion of its costs under federal and state cost recovery mechanisms (see - "Regulation and Competition - High-cost support funds, revenue sharing arrangements and related matters" below). 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.

The Telecommunications Act of 1996 allows local exchange carriers to file access tariffs on a streamlined basis and, if certain criteria are met, deems those tariffs lawful. Tariffs that have been "deemed lawful" in effect nullify an interexchange carrier's ability to seek refunds should the earnings from the tariffs ultimately result in earnings above the authorized rate of return prescribed by the FCC. Certain of the Company's telephone subsidiaries file interstate tariffs directly with the FCC using this streamlined filing approach. As of December 31, 2004, the amount of the Company's earnings in excess of the authorized rate of return reflected as a liability on the balance sheet for the combined 2001/2002 and 2003/2004 monitoring periods aggregated approximately \$63 million. The settlement period related to (i) the 2001/2002 monitoring period lapses on September 30, 2005 and (ii) the 2003/2004 monitoring period lapses on September 30, 2007. The Company will continue to monitor the legal status of any pending or future proceedings that could impact its entitlement to these funds, and may recognize as revenue some or all of the over-earnings at the end of the settlement period or as the legal status becomes more certain.

Long distance. Long distance revenues relate to the provision of retail long distance services which the Company began marketing to its local exchange customers in 1996. At December 31, 2004, the Company provided long distance services to nearly 1.1 million lines. The Company anticipates that most of its long distance service revenues will be provided as part of an integrated bundle with the Company's other service offerings, including its local exchange telephone service offering.

Data. Data revenues include revenues primarily related to the provision of Internet access services (both dial-up and DSL services) and the provision of data transmission services over special circuits and private lines. The Company began offering traditional dial-up Internet access services to its telephone customers in 1995. In late 1999, the Company began offering DSL Internet access services, a high-speed premium-priced data service. As of December 31, 2004, approximately 71% of the Company's access lines were DSL-enabled. At December 31, 2004, the Company provided Internet access services to over 262,000 customers, approximately 128,500 of which received traditional dial-up services and approximately 133,500 of which received retail DSL services. During 2004, the Company added over 57,000 retail DSL connections.

Fiber transport and CLEC. Fiber transport and CLEC revenues include revenues from the Company's fiber transport, competitive local exchange carrier ("CLEC") and security monitoring businesses.

In late 2000, the Company began offering competitive local exchange telephone services as part of a bundled service offering to small to medium-sized businesses in Monroe and Shreveport, Louisiana. On February 28, 2002, the Company purchased the fiber network and customer base of KMC's operations in Monroe and Shreveport, Louisiana, which allowed the Company to offer broadband and competitive local exchange services to customers in these markets.

During the second quarter of 2001, the Company began selling capacity to other carriers and businesses over a 700-mile fiber optic ring that the Company constructed in southern and central Michigan. In June 2003, the Company acquired the assets of Digital Teleport, Inc., a regional communications company providing wholesale data transport services to other communications carriers over its fiber optic network located in Missouri, Arkansas, Oklahoma and Kansas, for \$39.4 million cash. The Company has used the network to sell services to new and existing customers and to reduce the Company's reliance on third party transport providers. In addition, in December 2003, the Company acquired additional fiber transport assets in Arkansas, Missouri and Illinois from Level 3 Communications, Inc. for approximately \$15.8 million cash to provide services similar to those described above. The Company operates its fiber transport assets under the name LightCore. As of December 31, 2004, LightCore's network encompassed more than 8,700 route miles of lit fiber in the central United States. For a description of a pending acquisition of additional network assets, see "-Recent Acquisitions" above.

The Company offers 24-hour burglary and fire monitoring services to approximately 8,700 customers in select markets in Louisiana, Arkansas,

Mississippi, Texas and Ohio.

Other. Other revenues include revenues related to (i) leasing, selling, installing and maintaining customer premise telecommunications equipment and wiring, (ii) providing billing and collection services for third parties and (iii) participating in the publication of local directories. The Company also provides printing, database management and direct mail services and cable television services.

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 reductions of the Company's billing and collection revenues.

From time to time, the Company also makes investments in other domestic or foreign communications companies, the most significant of which is an interest in a start-up satellite service company.

For further information on regulatory, technological and competitive changes that could impact the Company's revenues, see "-Regulation and Competition" and "Special Considerations."

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"), both of which are federal agencies that have historically provided long-term financing to telephone companies at relatively attractive interest rates. Approximately 23% of the Company's telephone plant is pledged to secure obligations of the Company's telephone subsidiaries to the RUS and RTB. For additional information regarding the Company's financing, see the Company's consolidated financial statements included in Item 8 herein.

Regulation and Competition Relating to Incumbent Local Exchange Operations

Traditionally, LECs operated as regulated monopolies having the exclusive right and responsibility to provide local telephone services. (These LECs are sometimes referred to below as "incumbent LECs" or "ILECs"). Consequently, most of the Company's intrastate telephone operations have traditionally been regulated extensively by various state regulatory agencies (generally called public service commissions or public utility commissions) and its interstate operations have been regulated 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 attracting a substantial increase in the number of competitors and capital invested in existing and new services. 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 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, (iii) oversee implementation of several federal telecommunications laws and (iv) 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 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 60% 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. 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."

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

- o Approximately 70% of the Company's Wisconsin access lines are regulated under various 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. The Company's Wisconsin access lines acquired in mid-2000 continue to be regulated under "rate of return" regulation.

- o 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 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. Based on its annual filing effective September 2004, the Company estimates a \$2.2 million annual reduction in revenues as a result of recent declines in the inflation-based factor. If the inflation-based factor continues to decline, the Company's revenues will continue to be negatively impacted.

o Since 1995, the Company's Alabama telephone properties acquired from Verizon in 2002 have been subject to an alternative regulation plan. Under this plan, local rates were frozen initially for five years, after which time such rates could be raised by an amount equal to consumer price index increases less 1%; non-basic service rates could be increased up to 10% per year. The Alabama alternative regulation plan will be replaced in 2005 by the Alabama Telecommunications Regulation Plan. Under this plan, residential and business basic local service rates will remain at existing levels for two years, after which time rates can be increased up to five percent per year up to a maximum capped level. Rates for all other retail services may be adjusted depending on the tier designation established under the plan.

o 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 basic local and access rates for three years, after which time such rates can be adjusted based on an inflation-based factor. Other local rates can be adjusted without commission approval; however, such rates are subject to commission review if certain petition criteria are met.

Notwithstanding the movement toward alternative regulation, LECs operating approximately 38% 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 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 communications companies by the Company for use of its network in connection with the origination and termination of interstate voice and data transmissions. Additionally, the FCC has prescribed certain rules and regulations for telephone companies, including a uniform system of accounts and rules regarding the separation of costs between jurisdictions and, ultimately, between interstate services. LECs must obtain FCC approval to use certain radio frequencies, or to transfer control of any such licenses.

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. The Company has not elected price-cap regulation for its incumbent operations. However, the properties acquired from Verizon in 2002 have continued to operate under price-cap regulation based upon a waiver from rules that historically required a purchaser of price-cap properties to convert all of its properties to price-cap regulation. In February 2004, the FCC amended its rules to permit purchasers of price-cap regulated properties to either retain price-cap regulation for the acquired properties or migrate such properties to rate-of-return regulation.

In 2001, the FCC modified its interstate access charge rules and universal service support system for rate of return LECs. 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 enhanced 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 replaced 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) preserved the historic 11.25% authorized interstate return rate for rate of return LECs. The effect of this order on the Company was revenue neutral for interstate purposes, but did result in a reduction in intrastate revenues in Arkansas and Ohio (where intrastate access rates must mirror the interstate access rates).

In 2003, the FCC opened a broad intercarrier compensation proceeding with the ultimate goal of creating a uniform mechanism to be used by the entire telecommunications industry for payments between carriers originating, terminating, carrying or delivering telecommunications traffic. The FCC has received intercarrier compensation proposals from several industry groups, and on February 10, 2005 solicited comments on all proposals previously submitted to it. The Company is involved in this proceeding and will continue to monitor the implications of these plans to its operations.

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

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

Universal service support funds, revenue sharing arrangements and related matters. A significant number of the Company's telephone subsidiaries recover a portion of their costs from programs administered by the federal Universal Service Fund (the "USF") and from similar state "universal support" mechanisms. Disbursements from these programs traditionally have allowed LECs serving small communities and rural areas to provide communications services on terms and at prices reasonably comparable to those available in urban areas. The aggregate amount of revenues received from such support programs was \$365.2 million in 2004 (or 15.2% of 2004 consolidated revenues) and \$370.5 million in 2003 (or 15.6% of 2003 consolidated revenues). Included in such amounts are receipts from

(i) the High Cost Loop support program of \$187.9 million for 2004 and \$199.2 million for 2003 and (ii) various state support programs of \$35.8 million for 2004 and \$33.3 million for 2003.

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 provides relatively predictable levels of support to rural local exchange carriers, including substantially all of the Company's local exchange carriers. Based on recent FCC filings, the Company anticipates its 2005 revenues from the USF High Cost Loop support program will be approximately \$10-15 million lower than 2004 levels due to increases in the nationwide average cost per loop factor used to allocate funds among all recipients.

Wireless and other competitive service providers continue to seek eligible telecommunications carrier ("ETC") status in order to be eligible to receive USF support, which, coupled with changes in usage of telecommunications services, have placed stresses on the USF's funding mechanism. These developments have placed additional financial pressure on the amount of money that is necessary and available to provide support to all eligible service providers, including support payments the Company receives from the High Cost Loop support program. As a result of the continued increases in the nationwide average cost per loop factor (caused by limited growth in the size of the High Cost Loop support program and increases in requests for support from the USF), the Company believes the aggregate level of payments it receives from the USF will continue to decline in the near term under the FCC's current rules.

Recent FCC-mandated changes in the administration of the universal service support programs temporarily suspended the disbursement of funds under the E-rate (Schools and Libraries Universal Service Support Mechanism) program, and, more significantly, created questions that these administrative changes could similarly delay the disbursement of funds to rural LECs from the Universal Service High Cost Loop support program. In December 2004, Congress passed a bill that granted the USF a one-year exemption from the federal law that impacted the E-rate program. Congress has since introduced a bill to grant a permanent exemption to the USF from such federal law.

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. On February 27, 2004, the FSJB sent the FCC a series of recommendations concerning the process of designating ETCs and suggestions for gaining better control over the disbursement of high-cost universal service support in markets where one or more ETCs are present. The FSJB declined to recommend that the FCC modify the methodology used to calculate support in study areas with multiple ETCs, instead recommending an overall review of the high-cost support mechanism for rural and non-rural carriers.

On August 16, 2004, the FSJB released a notice requesting comments on the FCC's current rules for the provision of high-cost support for rural companies, including comments on whether eligibility requirements should be amended in a manner that would adversely affect larger rural LECs such as the Company. The FCC has taken various other steps in anticipation of restructuring universal service support mechanisms, including opening a docket that will change the method of funding contributions. The FCC is expected to act before its current rules are scheduled to expire on June 30, 2006. Congress is also exploring various universal service issues ranging from targeted universal service legislation to re-writing the 1996 Act. The Company has been and will continue to be active in monitoring these developments.

In January 2003, the Louisiana Public Service Commission staff began reviewing the feasibility of converting the \$42 million Louisiana Local Optional Service Fund ("LOS Fund") into a state universal service fund. 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. Although the Commission staff has recommended to transfer the fund's \$42 million to a state universal service fund, there can be no assurance that the Commission will adopt this recommendation or that 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 regulatory and technological changes, competition has been introduced and encouraged in each sector of the telephone industry in recent years. As a result, the Company increasingly faces competition from providers seeking to use the Company's network and from providers offering competitive services.

The 1996 Act, which obligates LECs to permit competitors to interconnect their facilities to the LEC's network and to take various other steps that are designed to promote competition, imposes several duties on a LEC if it receives a specific request from another entity which seeks to

connect with or provide services using the LEC's network. In addition, each incumbent LEC is obligated to (i) negotiate interconnection agreements in good faith, (ii) provide "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. During 2003, the FCC released new rules outlining the obligations of incumbent LECs to lease to competitors elements of their circuit-switched networks on an unbundled basis at prices that substantially limited the profitability of these arrangements to incumbent LECs. On March 2, 2004, a federal appellate court vacated significant portions of these rules, including the standards used to determine which unbundled network elements must be made available to competitors. In response to this court decision, on February 4, 2005, the FCC released rules (effective March 11, 2005) that require incumbent LECs to lease a network element only in those situations where competing carriers genuinely would be impaired without access to such network element, and where the unbundling would not interfere with the development of facilities-based competition. These rules are further designed to remove unbundling obligations over time as competing carriers deploy their own networks and local exchange competition increases.

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

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, 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 in recent years, especially in the Company's Verizon markets acquired in 2002 and 2000. The Company anticipates that similar action may be taken by other competitors in the future, especially if all forms of federal support available to ILECs continue to remain available to these competitors.

Technological developments have led to the development of new services that compete with traditional LEC services. Technological improvements have enabled cable television companies to provide traditional circuit-switched telephone service over their cable networks, and several national cable companies have aggressively pursued this opportunity. Recent improvements in the quality of "Voice-over-Internet Protocol" ("VoIP") service have led several large cable television and telephone companies, as well as start-up companies, to substantially increase their offerings of VoIP service to business and residential customers. VoIP providers route calls over the Internet, without use of ILEC's circuit switches and, in certain cases, without use of ILEC's networks to carry their communications traffic. VoIP providers use existing broadband networks to deliver flat-rate, all distance calling plans that may be priced below those currently charged for traditional local and long distance telephone services for several reasons, including lower network cost structures and the current ability of VoIP providers to use ILECs' networks without paying access charges. However, the service must be purchased in addition to the cost of the broadband connection. In December 2003, the FCC initiated rulemaking that is expected to address the effect of VoIP on intercarrier compensation, universal service and emergency services. On March 10, 2004, the FCC released a notice of proposed rulemaking seeking comment on the appropriate regulatory treatment of VoIP service and related issues. Although the FCC's rulemaking regarding VoIP-enabled services remains pending, the FCC has adopted orders establishing broad guidelines for the regulation of such services, including an April 2004 order in which the FCC ruled that the IP-telephony service of AT&T, which converts voice calls to IP format for routing over the public switched telephone network, is a regulated telecommunications service subject to interstate access charges. In addition, in November 2004, the FCC ruled that Internet-based services provided by Vonage Holdings Corporation should be subject to federal rather than state jurisdiction. Several state commissions have filed appeals of this decision to various federal appellate courts. Also pending at the FCC is a petition filed by Level 3 Communications, Inc. asking the FCC to forbear from imposing interstate or intrastate access charges on Internet-based calls that originate or terminate on the public switched telephone network. There can be no assurance that future rulemaking will be on terms favorable to ILECs, or that VoIP providers will not successfully compete for the Company's customers.

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. The Company anticipates this trend will continue, particularly if wireless service rates continue to decline and the quality of wireless service improves. Technological and regulatory developments in cellular telephone, personal communications services, digital microwave, satellite, coaxial cable, fiber optics, local multipoint distribution services and other wired and wireless technologies are expected to further permit the development of alternatives to traditional landline services. In September 2004, the Company announced it had entered into a reseller arrangement with Cingular Wireless that will allow the Company to provide wireless voice and text messaging services as part of its integrated service offering. The Company currently offers such bundled service to select markets and plans to expand its offering to the majority of its markets in 2005.

In addition to facing direct competition from those providers described above, ILECs increasingly face competition from alternate communication systems constructed by long distance carriers, large customers or alternative access vendors. These systems, which have become more prevalent as a result of the 1996 Act, are capable of originating or terminating calls without use of the ILECs' networks or switching services. Other potential sources of competition include 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.

In November 2003, the FCC adopted rules requiring companies to allow their customers to keep their wireline or wireless phone number when switching to another service provider (generally referred to as "local number portability"). For several years, customers have been able to retain their numbers when switching their local service between wireline carriers. The new rules now require local number portability between wireline and wireless carriers. This requirement went into effect November 24, 2003 for wireline carriers in the top 100 Metropolitan Statistical Areas ("MSAs"). The requirement went into effect May 24, 2004 for wireline carriers operating in markets smaller than the top 100 MSAs. Local number portability may increase the number of customers who choose to completely forego the use of traditional wireline phone service. To date, the costs to comply with the requirements of local number portability, net of the amount that is recoverable through the ratemaking process, have not had a material impact on the Company's results of operations.

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

As the telephone industry increasingly experiences competition, the size and resources of each respective competitor may increasingly influence its prospects. Many companies currently providing or planning to provide competitive communication services have substantially greater financial and marketing resources than 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 regulatory and technological developments affecting the ability of LECs to provide new services and the capability of long distance companies, CLECs, wireless companies, cable television companies, VoIP providers and others to provide competitive LEC services. Competition relating to traditional LEC services has thus far affected large urban areas to a greater extent than 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 larger markets and to continue to evaluate new business opportunities that may arise out of future technological, legislative and regulatory developments.

As previously mentioned, the Company has recently entered into agreements to provide co-branded satellite television service and to resell wireless service as part of its bundled product and service offerings. The Company anticipates that its diluted earnings will be negatively impacted in 2005 by approximately \$.04 to \$.07 per share primarily due to expenses associated with rolling out these new services.

While the Company expects its operating revenues in 2005 to continue to experience downward pressure due to continued access line losses and reduced network access revenues, the Company expects its consolidated revenues to increase in 2005 primarily due to increased demand for its long distance, fiber transport, DSL and other nonregulated product offerings (including its new video and wireless initiatives mentioned above).

Regulation and Competition Relating to Other Operations

Long Distance Operations. The Company offers intraLATA, intrastate and interstate long distance services. State public service commissions generally regulate intraLATA toll calls within the same LATA and intraLATA toll calls between different LATAs located in the same state. Federal regulators have jurisdiction over interstate toll calls. Recent state regulatory changes have increased competition to provide intra-LATA toll services in the Company's local exchange markets. Competition for intrastate and interstate long distance services has been intense for several years, and focuses primarily on price and pricing plans, and secondarily on customer service, reliability and communications quality. Traditionally, the Company's principal competitors for providing long distance services were AT&T, MCI, Sprint, regional phone companies and dial-around resellers. Increasingly, however, the Company has experienced competition from newer sources, including wireless and high-speed broadband providers, and as a result of technological substitutions, including VoIP and electronic mail.

Data Operations. In connection with its data business, the Company faces competition from Internet service providers, satellite companies and cable companies which offer both dial-up Internet access services and high-speed broadband services. Many of these providers are subject to less rigorous regulatory scrutiny than the Company's subsidiaries. The FCC is currently conducting several rulemakings considering the regulatory treatment of broadband services, the outcomes of which could significantly impact the competitive position of the Company and its competitors.

Fiber Transport Operations. When the Company's fiber transport networks are used to provide intrastate telecommunications services, the Company must comply with state requirements for telecommunications utilities, including state tariffing requirements. To the extent the Company's facilities are used to provide interstate communications, the Company is subject to federal regulation as a non-dominant common carrier. Due largely to excess capacity, the fiber transport industry is highly competitive. The Company's primary competitors are from other communications companies, many of whom operate networks and have resources much larger than those of the Company.

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

OTHER DEVELOPMENTS

The Company recently implemented a new integrated billing and customer care system. The capitalized costs of the system aggregated \$207 million (before accumulated amortization) at December 31, 2004 and are being amortized over a 20-year period. Virtually all of the Company's customers were converted to the new system in late 2004. In early 2005, the Company implemented software upgrades and other changes to enhance the productivity and efficiency of the system, the cost of which was not material.

In November 2004, the Company completed its previously announced \$400 million share repurchase program. In February 2005, the Company's board of directors approved an additional stock repurchase program, authorizing the Company to repurchase up to an aggregate of \$200 million of either its common stock or convertible equity units through December 2005. In addition, the Company currently expects, subject to market conditions and the availability of other investment opportunities, to pursue transactions that could mitigate the dilutive effect of the Company's \$500 million in Equity Units that are currently scheduled to settle in May 2005.

SPECIAL CONSIDERATIONS

Risk Factors

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 traditional local exchange service in our markets has increased in recent years, and we anticipate that others will take similar action in the future. Recent technological developments have led several competitors to substantially increase their service offerings, often at prices substantially below those charged for traditional phone services. Wireless telephone services 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 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 and technological factors affecting the industry, including changes in regulation (which may affect us differently from our competitors), changes in consumer preferences or demographics, and changes in the product offerings or pricing strategies of our competitors.

Many of our current and potential competitors have market presence, engineering, technical and marketing capabilities and financial, personnel and other resources substantially greater than ours. In addition, some of our competitors can conduct operations or raise capital at a lower cost than we can, are subject to less regulation, or 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.

Competition could adversely impact us in several ways, including (i) the loss of customers and market share, (ii) the possibility of customers shifting to less profitable services, (iii) our need to lower prices or increase marketing expenses to remain competitive and (iv) our inability to diversify by offering new products or services.

We could be harmed by rapid changes in technology.

The communications industry is experiencing significant technological changes, particularly in the areas of VoIP, data transmission and wireless communications. Some of our competitors may enjoy network advantages that will enable them to provide services more efficiently or at lower cost. Rapid changes in technology could result in the development of products or services that compete with or displace those offered by traditional LECs. 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.

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 imposes substantial compliance costs on us and restricts our ability to raise rates, to compete and to respond rapidly to changing industry conditions. In recent years, the communications industry has undergone various fundamental regulatory changes that have generally permitted competition in each segment of the telephone industry and reduced the regulation of telephone companies, in particular by requiring or permitting LECs to opt out of traditional "rate of return" regulation in exchange for agreeing to alternative forms of regulation. These alternative forms of regulation, which currently apply to over half our access lines, typically permit the LEC greater freedom to establish local service rates in exchange for agreeing not to charge rates in excess of specified caps. 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. Recent rule changes that permit customers to retain their wireline or wireless number when switching to another service provider could increase the number of our customers who choose to disconnect their

wireline service. Other pending rulemakings could have a substantial impact on our operations, including in particular rulemakings on intercarrier compensation, universal service, and VoIP regulations. Litigation and different objectives among federal and state regulators could create uncertainty and delay our ability to respond to new regulations. Moreover, changes in tax laws, regulations or policies could increase our tax rate, particularly if state regulators continue to search for additional revenue sources to address budget shortfalls. We are unable to predict the future actions of the various regulatory bodies that govern us, but such actions could materially affect our business.

We cannot assure you that our core businesses will grow or that our diversification efforts will be successful.

Due to the above-cited changes, the telephone industry has recently experienced a decline in access lines, intrastate minutes of use and long distance minutes of use. While we have not suffered as much as a number of other ILECs from recent industry challenges, the recent decline in access lines and usage, coupled with the other changes resulting from competitive, technological and regulatory developments, could materially adversely effect our core business and future prospects. Our access lines declined 2.6% in 2004 and we expect our access lines to decline between 2.5% and 3.5% in 2005. We also earned less intrastate revenues in 2004 due to reductions in intrastate minutes of use (partially due to the displacement of minutes of use by wireless, electronic mail and other optional calling services). We believe our intrastate minutes of use will continue to decline, although the magnitude of such decrease is uncertain.

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

In recent years, we have attempted to broaden our service and product offerings. During 2003, we expanded our fiber transport business through selective asset purchases. During 2004, we entered into agreements to provide co-branded satellite television services and to resell wireless services as part of our bundled product and service offerings, which we anticipate will dilute our earnings for 2005 by approximately \$.04 to \$.07 per share. We cannot assure you that our recent diversification efforts will be successful.

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. In August 2004, a federal-state joint board requested comments on the FCC's current rules for high-cost support payments to rural telephone companies, including comments on whether eligibility requirements should be amended in a manner that would adversely affect larger rural LECs such as the Company. The FCC is expected to act upon this request for comments before its current rules are scheduled to expire on June 30, 2006.

Recent changes in the nationwide average cost per loop factors used by the FCC to allocate support funds have reduced our receipts from the main support program administered by the federal Universal Service Fund. These changes reduced our receipts from such program by \$11.3 million in 2004 compared to 2003, and we expect these changes will further reduce our receipts from such program by approximately \$10 to \$15 million in 2005 compared to 2004. In addition, the number of eligible telecommunications carriers receiving support payments from this program continues to increase, which, coupled with other factors, is placing additional financial pressure on the amount of money that is necessary and available to provide support payments to all eligible recipients, including us. As a result of the continued increases in the nationwide average cost per loop factor (caused by limited growth in the size of the USF High Cost Loop support program and increases in requests for support from the Universal Service Fund), we believe the aggregate level of payments we receive from the Universal Service Fund will continue to decline in the near term under the FCC's current rules.

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

In the past few years, we have rapidly expanded our operations primarily through acquisitions and new product and service offerings, and we may 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
- 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, consummate 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 could be affected by certain changes in labor matters.

At December 31, 2004, approximately 26% of our employees were members of 13 separate bargaining units represented by two different unions. From time to time, our labor agreements with these unions lapse, and we typically negotiate the terms of new agreements. In 2005, the contracts governing approximately 71% of the union workforce lapse and are scheduled to be renegotiated. We cannot predict the outcome of these negotiations. We may be unable to reach new agreements, and union employees may engage in strikes, work slowdowns or other labor actions, which could materially disrupt our ability to provide services. In addition, new labor agreements may impose significant new costs on us, which could impair our financial condition or results of operations in the future.

We have a substantial amount of indebtedness.

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

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

Under our articles of incorporation, each share of common stock that has been beneficially owned by the same person or entity continually since May 30, 1987 generally entitles the holder to ten votes on all matters duly submitted to a vote of shareholders. As of February 28, 2005, the holders of our ten-vote shares held approximately 39% 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 based upon our judgment and assumptions as of the date of this report concerning future developments and events, many of which are outside of our control. These forward-looking statements, and the assumptions upon which such statements are based, are inherently speculative and are subject to uncertainties that could cause our actual results to differ materially from such statements. These uncertainties include but are not limited to those set forth below:

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

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

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

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, (iii) achieve projected growth, revenue and cost savings targets, and (iv) otherwise monitor our operations, costs, regulatory compliance, and service quality and maintain other necessary internal controls.

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 and (iii) reduced demand for our access 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) successfully roll out our co-branded satellite television service and our wireless reseller service, (ii) expand successfully our long distance, Internet access and fiber transport service offerings to new or acquired markets and (iii) offer bundled service packages on terms attractive to our customers.

o our ability to successfully take steps to mitigate the dilutive impact of the \$500 million aggregate stated amount of equity units which currently commit us to sell shares of our common stock upon settlement in mid-May 2005.

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 industry changes.

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

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

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 in this report and from time to time in our other 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 labor conditions, including workforce levels and labor negotiations

* changes in interest rates or other general national, regional or local economic conditions

* changes in legislation, regulation or public policy, including changes in federal rural financing programs or changes that increase our tax rate

* increases in capital, operating, medical or administrative costs, or the impact of new business opportunities requiring significant up-front investments

* the continued availability of financing in amounts, and on terms and conditions, necessary to 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

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

* delays in the construction of our networks

* changes in accounting policies, assumptions, estimates or practices adopted voluntarily or as required by generally accepted accounting principles.

For additional information, see the description of our business included above, as well as Item 7 of this report. Due to these uncertainties, there can be no assurance that our anticipated results will occur, that our judgments or assumptions will prove correct, or that unforeseen developments will not occur. Accordingly, you are cautioned not to place undue reliance upon 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 2004 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, and 17 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, 2004 and 2003, the Company's gross property, plant and equipment of approximately \$7.4 billion and \$7.2 billion, respectively, consisted of the following:

	December 31,	
	2004	2003
Cable and wire	53.1%	53.1
Central office	32.1	31.8
General support	10.6	11.3
Fiber transport and CLEC	2.0	1.8
Construction in progress	0.9	0.8
Other	1.3	1.2
	100.0	100.0

"Cable and wire" facilities consist primarily of buried cable and aerial cable, poles, wire, conduit and drops used in providing local and long distance services. "Central office" consists primarily of switching equipment, circuit equipment and related facilities. "General support" consists primarily of land, buildings, tools, furnishings, fixtures, motor vehicles and work equipment. "Fiber transport and CLEC" consist of network assets and equipment to provide fiber transport and competitive local exchange services. "Construction in progress" includes property of the foregoing categories that has not been placed in service because it is still under construction.

The properties of certain of 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.

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.

In *Barbrasue Beattie and James Sovis, on behalf of themselves and all others similarly situated, v. CenturyTel, Inc.*, filed on October 29, 2002 in the United States District Court for the Eastern District of Michigan (Case No. 02-10277), the plaintiffs allege that the Company unjustly and unreasonably billed customers for inside wire maintenance services, and seek unspecified money damages and injunctive relief under various legal theories on behalf of a purported class of over two million customers in the Company's telephone markets. The Court has not yet ruled on the plaintiffs' certification motion, and has not yet set a date to resolve this issue. Given the current status of this case, the Company cannot estimate the potential impact, if any, that this case will have on its results of operations.

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

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, Related Stockholder Matters and Issuer Purchase of Equity Securities

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	
2004:			
First quarter	\$ 33.40	26.20	.0575
Second quarter	\$ 30.32	26.22	.0575
Third quarter	\$ 34.47	29.79	.0575
Fourth quarter	\$ 35.54	31.00	.0575
2003:			
First quarter	\$ 31.79	25.25	.0550
Second quarter	\$ 35.90	27.33	.0550
Third quarter	\$ 35.85	32.45	.0550
Fourth quarter	\$ 36.76	30.09	.0550

Common stock dividends during 2004 and 2003 were paid each quarter. As of February 28, 2005, there were approximately 4,700 stockholders of record of CenturyTel's common stock. As of March 15, 2005, the closing stock price of CenturyTel common stock was \$33.77.

In early February 2004, the Company's board of directors approved a repurchase program authorizing the Company to repurchase up to an aggregate of \$400 million of either its common stock or equity units prior to December 31, 2005. The following table reflects the Company's repurchases of its common stock during the fourth quarter of 2004, all of which were effected in open-market transactions in accordance with the above-described program. These fourth quarter 2004 purchases completed the Company's \$400 million stock repurchase program.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1 - October 31, 2004	265,200	\$ 33.97	265,200	\$ 72,882,412
November 1 - November 30, 2004	2,237,390	\$ 32.88	2,237,390	\$ -
December 1 - December 31, 2004	-	\$ -	-	\$ -
Total	2,502,590	\$ 32.99	2,502,590	\$ -

The Company did not repurchase any of its equity units during the fourth quarter of 2004.

For information regarding the Company's new share repurchase program and shares of CenturyTel common stock authorized for issuance under CenturyTel's equity compensation plans, see Items 7 and 12, respectively.

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, 2004:

Selected Income Statement Data

	Year ended December 31,				
	2004	2003	2002	2001	2000
	(Dollars, except per share amounts, and shares expressed in thousands)				
Operating revenues	\$ 2,407,372	2,367,610	1,971,996	1,679,504	1,402,357
Operating income	\$ 753,953	750,396	575,406	425,305	386,137
Nonrecurring gains and losses, net (pre-tax)	\$ -	-	3,709	33,043	-
Income from continuing operations	\$ 337,244	344,707	193,533	149,081	127,474

Basic earnings per share from continuing operations	\$	2.45	2.40	1.36	1.06	.91
Basic earnings per share from continuing operations, as adjusted for goodwill amortization	\$	2.45	2.40	1.36	1.39	1.17
Diluted earnings per share from continuing operations	\$	2.41	2.35	1.35	1.05	.90
Diluted earnings per share from continuing operations, as adjusted for goodwill amortization	\$	2.41	2.35	1.35	1.37	1.16
Dividends per common share	\$.23	.22	.21	.20	.19
Average basic shares outstanding		137,215	143,583	141,613	140,743	140,069
Average diluted shares outstanding		142,144	148,779	144,408	142,307	141,864

Diluted earnings per share and average diluted shares outstanding reflect the application of Emerging Issues Task Force No. 04-8 (which was effective in fourth quarter 2004) related to the effect of contingent convertible debt on the diluted earnings per share calculation. Prior periods have been restated to reflect this change. See Note 13 of Item 8 for additional information.

Selected Balance Sheet Data

	December 31,				
	2004	2003	2002	2001	2000
	(Dollars in thousands)				
Net property, plant and equipment	\$ 3,341,401	3,455,481	3,531,645	2,736,142	2,698,010
Goodwill	\$ 3,433,864	3,425,001	3,427,281	2,087,158	2,108,344
Total assets	\$ 7,796,953	7,895,852	7,770,408	6,318,684	6,393,290
Long-term debt	\$ 2,762,019	3,109,302	3,578,132	2,087,500	3,050,292
Stockholders' equity	\$ 3,409,765	3,478,516	3,088,004	2,337,380	2,032,079

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, 2004:

	Year ended December 31,				
	2004	2003	2002	2001	2000
Telephone access lines	2,313,626	2,376,118	2,414,564	1,797,643	1,800,565
Long distance lines	1,067,817	931,761	798,697	564,851	433,846

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. ("CenturyTel") and its subsidiaries (the "Company") is an integrated communications company engaged primarily in

providing local exchange, long distance, Internet access and broadband services to customers in 22 states. The Company currently derives its revenues from providing (i) local exchange telephone services, (ii) network access services, (iii) long distance services, (iv) data services, which includes both dial-up and digital subscriber line ("DSL") Internet services, as well as special access and private line services, (v) fiber transport, competitive local exchange and security monitoring services and (vi) other related services.

The Company strives to maintain its customer relationships by, among other things, bundling its service offerings to provide its customers with a complete offering of integrated communications services. Effective in the first quarter of 2004, as a result of the Company's increased focus on integrated bundle offerings and the varied discount structures associated with such offerings, the Company determined that its results of operations would be more appropriately reported as a single reportable segment under the provisions of Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information." Therefore, the results of operations for 2004 reflect the presentation of a single reportable segment. Results of operations for 2003 and 2002 have been conformed to the Company's 2004 presentation of a single reportable segment. In connection with the change in segment reporting, the Company has, among other things, (i) eliminated certain revenues arising out of previously-reported intersegment transactions (which reduced operating expenses by a like amount and therefore had no impact on operating income), (ii) reclassified certain revenues to conform to the new revenue components and (iii) reclassified depreciation expense related to certain service subsidiaries of the Company from operating expenses of its regulated operations to depreciation expense.

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. During 2003, the Company also acquired fiber transport assets in five central U.S. states (which the Company operates under the name LightCore) for \$55.2 million cash.

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

During the three years ended December 31, 2004, 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 2004 was \$337.2 million, compared to \$344.7 million during 2003 and \$801.6 million during 2002. Diluted earnings per share for 2004 was \$2.41 compared to \$2.35 in 2003 and \$5.56 in 2002. Income from continuing operations (and diluted earnings per share from continuing operations) was \$337.2 million (\$2.41), \$344.7 million (\$2.35) and \$193.5 million (\$1.35) for 2004, 2003 and 2002, respectively. The diluted earnings per share calculation reflects the application of Emerging Issues Task Force No. 04-8 to all periods presented. See Note 13 for additional information.

Year ended December 31,	2004	2003	2002

(Dollars, except per share amounts, and shares in thousands)			
Operating income	\$ 753,953	750,396	575,406
Interest expense	(211,051)	(226,751)	(221,845)
Income from unconsolidated cellular entity	7,067	6,160	5,582
Nonrecurring gains and losses, net	-	-	3,709
Other income (expense)	(2,597)	2,154	(63,814)
Income tax expense	(210,128)	(187,252)	(105,505)

Income from continuing operations	337,244	344,707	193,533
Discontinued operations, net of tax	-	-	608,091

Net income	\$ 337,244	344,707	801,624
=====			
Basic earnings per share			
From continuing operations	\$ 2.45	2.40	1.36
From discontinued operations	\$ -	-	4.29
Basic earnings per share	\$ 2.45	2.40	5.66
Diluted earnings per share			
From continuing operations	\$ 2.41	2.35	1.35
From discontinued operations	\$ -	-	4.21
Diluted earnings per share	\$ 2.41	2.35	5.56
Average basic shares outstanding			
	137,215	143,583	141,613
=====			
Average diluted shares outstanding			
	142,144	148,779	144,408
=====			

Operating income increased \$3.6 million in 2004 as a \$39.8 million increase in operating revenues was substantially offset by a \$36.2 million increase in operating expenses. Operating income increased \$175.0 million in 2003 as a \$395.6 million increase in operating revenues was partially offset by a \$220.6 million increase in operating expenses.

In addition to historical information, this management's discussion and analysis includes certain forward-looking statements that are based on current expectations only, and are subject to a number of risks, uncertainties and assumptions, many of which are beyond the control of the Company. Actual events and results may differ materially from those anticipated, estimated or projected if one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect. Factors that could affect actual results include but are not limited to: the timing, success and overall effects of competition from a wide variety of competitive providers; the risks inherent in rapid technological change; the effects of ongoing changes in the regulation of the communications industry; the Company's ability to effectively manage its growth, including integrating newly-acquired businesses into the Company's operations and hiring adequate numbers of qualified staff; 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 successfully take steps to mitigate the dilutive effect of the \$500 million of equity units currently scheduled to settle in May 2005; other risks referenced from time to time in this report or other of the Company's filings with the Securities and Exchange Commission; and the effects of more general factors such as changes in interest rates, in tax rates, in accounting policies or practices, in operating, medical or administrative costs, in general market, labor or economic conditions, or in legislation, regulation or public policy. These and other uncertainties related to the business are described in greater detail in Item 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.

OPERATING REVENUES

Year ended December 31,	2004	2003	2002
	(Dollars in thousands)		
Local service	\$ 716,028	712,565	570,871
Network access	966,011	1,001,462	884,982
Long distance	186,997	173,884	146,536
Data	275,777	244,998	179,695
Fiber transport and CLEC	74,409	43,041	21,666
Other	188,150	191,660	168,246
Operating revenues	\$ 2,407,372	2,367,610	1,971,996

Local service revenues. Local service revenues are derived from the provision of local exchange telephone services in the Company's service areas. Of the \$3.5 million (.5%) increase in local service revenues in 2004, \$12.6 million was due to the provision of custom calling features to more customers, which was partially offset by an \$8.4 million decrease due to the decline in access lines. Of the \$141.7 million (24.8%) increase in local service revenues in 2003, \$121.2 million was due to the properties acquired from Verizon in the third quarter of 2002. Of the remaining \$20.5 million increase, \$8.4 million was due to the provision of custom calling features to more customers and \$5.9 million was due to increased rates in certain jurisdictions. Access lines declined 62,500 (2.6%) during 2004 compared to a decline of 38,400 (1.6%) in 2003. The Company believes the decline in the number of access lines during 2004 and 2003 is primarily due to the displacement of traditional wireline telephone services by other competitive services, including the Company's DSL product offering. Based on current conditions, the Company expects access lines to decline between 2.5 and 3.5% for 2005.

Network access revenues. Network access revenues primarily relate to (i) services provided by the Company to long distance carriers, wireless carriers and other carriers and customers in connection with the use of the Company's facilities to originate and terminate their interstate and intrastate voice and data transmissions and (ii) the receipt of universal support funds which allows the Company to recover a portion of its costs under federal and state cost recovery mechanisms. 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 local exchange carriers ("LECs") administered by the National Exchange Carrier Association. Intrastate network access revenues are based on tariffed access charges filed with state regulatory agencies or are derived under revenue sharing arrangements with other LECs.

Network access revenues decreased \$35.5 million (3.5%) in 2004 and increased \$116.5 million (13.2%) in 2003 due to the following factors:

	2004 increase (decrease)	2003 increase (decrease)
	(Dollars in thousands)	
Acquisitions of Verizon properties in third quarter 2002	\$ -	107,319
Recovery from the federal Universal Service High Cost Loop support program	(11,311)	250
One-time refund of access charges to interexchange carriers in 2002	-	7,645

Intrastate revenues due to decreased minutes of use and decreased access rates in certain states	(25,916)	(6,798)
Partial recovery of increased operating costs through revenue sharing arrangements with other telephone companies, interstate access revenues, increased recovery from state support funds and return on rate base	3,980	3,513
Rate changes in certain jurisdictions	5,052	2,472
Revision of prior year revenue settlement agreements	(3,690)	7,368
Other, net	(3,566)	(5,289)
	\$ (35,451)	116,480

As indicated in the chart above, in 2004 the Company experienced a reduction in its intrastate revenues of approximately \$25.9 million primarily due to (i) a reduction in intrastate minutes (partially due to the displacement of minutes by wireless, electronic mail and other optional calling services) and (ii) decreased access rates in certain states. The corresponding decrease in 2003 compared to 2002 was \$6.8 million. The Company believes intrastate minutes will continue to decline in 2005, although the magnitude of such decrease cannot be precisely estimated.

The Company anticipates its 2005 revenues from the federal Universal Service High Cost Loop support program will be approximately \$10-15 million lower than 2004 levels due to increases in the nationwide average cost per loop factor used to allocate funds among all recipients.

Long distance revenues. The Company's long distance revenues relate to the provision of retail long distance services to its customers. Long distance revenues increased \$13.1 million (7.5%) and \$27.3 million (18.7%) in 2004 and 2003, respectively. The \$13.1 million increase in 2004 was primarily attributable to a 14.9% increase in the average number of long distance lines served and a 15.3% increase in minutes of use (aggregating \$21.7 million), partially offset by a decrease in the average rate charged by the Company (\$9.2 million). The \$27.3 million increase in 2003 was primarily attributable to the 28.3% increase in the average number of long distance lines served and increased minutes of use (\$32.6 million), primarily due to penetration of the markets acquired from Verizon in 2002. Such increase was partially offset by a decrease in the average rate charged by the Company (\$5.3 million). The Company anticipates that increased competition and its current level of customer penetration will continue to place downward pressure on rates and slow the growth rate of the number of long distance lines served.

Data revenues. Data revenues include revenues primarily related to the provision of Internet access services (both dial-up and DSL services) and the provision of data transmission services over special circuits and private lines. Data revenues increased \$30.8 million (12.6%) in 2004 and \$65.3 million (36.3%) in 2003. The \$30.8 million increase in 2004 was primarily due to a \$20.3 million increase in Internet revenues due primarily to growth in the number of customers, principally due to expansion of the Company's DSL product offering, and an \$11.3 million increase in special access revenues due to an increase in the number of special circuits provided and an increase in the partial recovery of increased operating expenses through revenue sharing arrangements with other telephone companies. The \$65.3 million increase in 2003 was primarily due to (i) a \$38.4 million increase due to the acquisition of the Verizon properties in 2002 and (ii) a \$21.3 million increase in Internet revenues due primarily to growth in the number of customers in the Company's incumbent markets, principally due to expansion of the Company's DSL product offering.

Fiber transport and CLEC. Fiber transport and CLEC revenues include revenues from the Company's fiber transport, competitive local exchange carrier ("CLEC") and security monitoring businesses. Fiber transport and CLEC revenues increased \$31.4 million (72.9%) in 2004 substantially all of which is attributable to the Company's acquisitions of fiber transport assets (which are operated under the name LightCore) in June and December 2003. Fiber transport and CLEC revenues increased \$21.4 million (98.7%) in 2003 primarily due to (i) \$16.7 million of revenues associated with the acquisition of the Company's LightCore operations and (ii) a \$4.3 million increase in revenues in the Company's CLEC business primarily due to an increased number of customers, including those acquired in connection with the purchase of certain CLEC operations on February 28, 2002.

Other revenues. Other revenues include revenues related to (i) leasing, selling, installing and maintaining customer premise telecommunications equipment and wiring, (ii) providing billing and collection services for long distance carriers and (iii) participating in the publication of local directories. Other revenues decreased \$3.5 million (1.8%) during 2004 primarily due to a \$3.4 million decrease in directory revenues due to the expiration of the Company's rights to share in the revenues of yellow page directories published in certain markets acquired from Verizon in 2002. Other revenues increased \$23.4 million (13.9%) in 2003, substantially all of which is due to the properties acquired from Verizon in 2002.

OPERATING EXPENSES

Year ended December 31,	2004	2003	2002
	(Dollars in thousands)		
Cost of services and products (exclusive of depreciation and amortization)	\$ 755,413	739,210	635,164
Selling, general and administrative	397,102	374,352	301,681
Corporate overhead costs allocated to discontinued operations	-	-	9,548

Depreciation and amortization	500,904	503,652	450,197

Operating expenses	\$ 1,653,419	1,617,214	1,396,590
=====			

Cost of services and products. Cost of services and products increased \$16.2 million (2.2%) in 2004 primarily due to (i) a \$14.6 million increase in expenses associated with operating the Company's fiber transport assets acquired in June and December 2003; (ii) an \$8.5 million increase in expenses associated with the Company's Internet operations due to an increase in the number of customers; (iii) a \$7.8 million increase in customer service and retention related expenses; and (iv) a \$6.0 million increase in plant operations expenses. Such increases were partially offset by a \$13.8 million decrease in access expenses (which included a one-time credit of \$3.1 million recorded in 2004) and a \$9.2 million decrease in the cost of providing retail long distance service primarily due to a decrease in the average cost per minute of use and a decrease in circuit costs.

Cost of services and products increased \$104.0 million (16.4%) in 2003 primarily due to (i) a \$77.0 million increase due to the properties acquired from Verizon in the third quarter of 2002, (ii) an \$11.1 million increase in expenses associated with the Company's Internet operations due to an increase in the number of customers, (iii) a \$7.4 million increase in expenses associated with the Company's long distance operations (primarily attributable to higher minutes of use partially offset by a decrease in the rate per minute of use), (iv) a \$6.3 million increase in expenses associated with operating the Company's LightCore assets acquired in 2003, and (v) a \$4.8 million increase in access expenses.

Selling, general and administrative. Selling, general and administrative expenses increased \$22.8 million (6.1%) in 2004 due to (i) a \$9.0 million increase in marketing expenses; (ii) a \$6.4 million increase in expenses attributable to the Company's Sarbanes-Oxley internal controls compliance effort; (iii) a nonrecurring \$5.0 million reduction in bad debt expense recorded in the first quarter of 2003 due to the partial recovery of amounts previously written off related to the bankruptcy of MCI (formerly WorldCom); and (iv) a \$4.3 million increase in expenses associated with operating the Company's LightCore assets acquired in 2003. Such increases were partially offset by a \$6.6 million decrease in bad debt expense (exclusive of the MCI recovery mentioned above).

Selling, general and administrative expenses increased \$72.7 million (24.1%) in 2003 due to (i) a \$50.3 million increase related to the Verizon acquisitions in 2002, (ii) a \$14.0 million increase in operating taxes, which included a \$7.5 million charge arising out of various operating tax audits in 2003, (iii) a \$6.7 million increase in information technology expenses largely attributable to the Company's development of the new billing system described below under "Development of Billing System", (iv) a \$4.9 million increase associated with expanding the Company's Internet operations due to an increase in customers and (v) a \$4.4 million increase in expenses associated with the Company's long distance operations (of which \$2.4 million was due to an increase in billing and collection costs). Such increases were partially offset by an \$11.4 million decrease in the provision for uncollectible receivables (as 2002 was adversely impacted by the establishment of a \$15.0 million reserve for uncollectible receivables primarily related to the bankruptcy of MCI (formerly WorldCom, Inc.), whereas 2003 was positively impacted by a \$5.0 million reduction in the provision for uncollectible receivables due to the partial recovery of amounts previously written off related to the bankruptcy of MCI).

Depreciation and amortization. Depreciation and amortization decreased \$2.7 million (.5%) in 2004 and increased \$53.5 million (11.9%) in 2003. The year 2004 included a reduction in depreciation expense of \$13.2 million to adjust the balances of certain over-depreciated property, plant and equipment accounts. In order to reduce the risk of similar event, in early 2005 the Company implemented automated controls to replace previous manual controls to ensure that depreciation ceases once an asset group is fully depreciated (after consideration of salvage and removal costs). Depreciation expense for 2004 was also reduced by \$8.4 million due to certain assets becoming fully depreciated. Such decreases were partially offset by a \$16.7 million increase due to higher levels of plant in service, a \$3.1 million adjustment in 2004 related to depreciation of fixed assets related to the Company's new billing system, and a \$3.0 million increase in depreciation due to the assets acquired in connection with the Company's LightCore operations. Of the \$53.5 million increase in 2003, \$50.9 million was due to the properties acquired from Verizon in 2002. The remaining increase is primarily due to increased depreciation expense in the Company's CLEC and fiber transport businesses (including LightCore) and higher levels of plant in service.

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

INTEREST EXPENSE

Interest expense decreased \$15.7 million (6.9%) in 2004 compared to 2003 partially due to \$7.5 million of nonrecurring interest expense in 2003 associated with various operating tax audits. The remainder of the decrease was primarily due to a decrease in average debt outstanding.

Interest expense increased \$4.9 million in 2003 primarily due to \$7.5 million of interest associated with various operating tax audits. Such increase was partially offset by reduced interest expense due to a decrease in average debt outstanding.

INCOME FROM UNCONSOLIDATED CELLULAR ENTITY

Income from unconsolidated cellular entity was \$7.1 million in 2004, \$6.2 million in 2003 and \$5.6 million in 2002. Such income represents the Company's share of income from its 49% interest in a cellular partnership.

NONRECURRING GAINS AND LOSSES, NET

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

OTHER INCOME (EXPENSE)

Other income (expense) was (\$2.6 million) in 2004, \$2.2 million in 2003 and (\$63.8 million) in 2002. Included in 2004 was a \$3.6 million prepayment expense paid in connection with the redemption of \$100 million aggregate principal amount of the Company's Series B senior notes in May 2004 and a \$2.5 million charge related to the impairment of a nonoperating investment, which amounts were partially offset by a \$2.3 million increase in interest income due to higher cash balances. Included in 2002 was 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.

INCOME TAX EXPENSE

The Company's effective income tax rate (from continuing operations) was 38.4%, 35.2% and 35.3% in 2004, 2003 and 2002, respectively. Income tax expense for 2003 was reduced by \$21.6 million primarily as a result of reducing the valuation allowance related to net state operating loss carryforwards as it was more likely than not that future taxable income will be sufficient to enable the Company to utilize this portion of the operating loss carryforwards. For additional information, see Note 12 to the Company's consolidated financial statements appearing elsewhere in this report.

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 following table summarizes certain information concerning the Company's wireless operations for the year ended December 31, 2002.

Year ended December 31,	2002
	(Dollars in thousands)
Operating revenues	\$ 246,705
Operating expenses, exclusive of corporate overhead costs of \$9.5 million	(175,447)
Income from unconsolidated cellular entities	25,768
Minority interest expense	(8,569)
Gain on sale of discontinued operations	803,905
Other income	188
Income tax expense	(284,459)
Income from discontinued operations, net of tax	\$ 608,091

Included above 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 new billing system discussed below under "Development of Billing System". 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 of the Company's wireless operations approximately \$20 million in 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.

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

ACCOUNTING PRONOUNCEMENTS

In the fourth quarter of 2004, the Company adopted Emerging Issues Task Force No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings Per Share" ("EITF 04-8"). EITF 04-8 requires securities issuable under contingently convertible instruments be included in the diluted earnings per share calculation. The Company's \$165 million Series K senior notes are convertible into common stock under various contingent circumstances, including the common stock attaining a specified trading price in excess of the notes' fixed conversion price. Beginning in the fourth quarter of 2004, the Company's diluted earnings per share and diluted shares outstanding reflect the application of EITF 04-8. Prior periods have been restated to reflect this change in accounting.

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 Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation". In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (Revised 2004), "Share-Based Payment" ("SFAS 123(R)"). SFAS 123(R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services, focusing primarily on accounting for

transactions in which an entity obtains employee services in exchange for the issuance of stock options. SFAS 123(R) requires the Company to measure the cost of the employee services received in exchange for an award of equity instruments based upon the fair value of the award on the grant date. Such cost will be recognized as an expense over the period during which the employee is required to provide service in exchange for the award. SFAS 123(R) is effective for all awards granted after its effective date of July 1, 2005. In accordance with SFAS 123(R), compensation cost is also recognized over the applicable remaining vesting period for any awards that are not fully vested as of the effective date. The Company expects the adoption of SFAS 123(R) to decrease diluted earnings per share by approximately \$.03 in 2005.

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

Although the Company generally has had no legal obligation to remove obsolete assets, depreciation rates of certain assets established by regulatory authorities for the Company's telephone operations subject to Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"), have historically included a component for removal costs in excess of the related estimated salvage value. Notwithstanding the adoption of SFAS 143, SFAS 71 requires the Company to continue to reflect this accumulated liability for removal costs in excess of salvage value even though there is no legal obligation to remove the assets. Therefore, the Company did not adopt the provisions of SFAS 143 for its telephone operations subject to SFAS 71. For the Company's telephone operations acquired from Verizon in 2002 (which are not subject to SFAS 71) and its other non-regulated operations, the Company has not accrued a liability for anticipated removal costs in the past. For these reasons, the adoption of SFAS 143 did not have a material effect on the Company's financial statements.

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150, "Accounting for Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"), which provides standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and for pre-existing instruments as of the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 did not have a material impact on the Company's financial condition or results of operations.

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) pension and postretirement benefits and (iv) long-lived assets. Actual results may differ from these estimates. The Company believes that certain critical accounting policies involve a higher degree of judgment or complexity, including those described below.

Revenue recognition. Certain of the Company's interstate network access and data revenues are based on tariffed access charges filed directly with the FCC; the remainder of such revenues is derived from revenue sharing arrangements with other LECs administered by the National Exchange Carrier Association. In the second quarter of 2004, the Company revised certain estimates for recognizing interstate revenues. Previously, the Company initially recognized interstate revenues at a rate of return lower than the authorized rate of return prescribed by the FCC to allow for potential decreases in demand or other factor changes which could decrease the achieved rate of return over the respective monitoring periods. As the monitoring periods progressed, the Company recorded additional revenues ratably up to the achieved rate of return. In the second quarter of 2004, the Company began generally recognizing such interstate network access revenues at the authorized rate of return, unless the actual achieved rate of return was lower than authorized.

The Telecommunications Act of 1996 allows local exchange carriers to file access tariffs on a streamlined basis and, if certain criteria are met, deems those tariffs lawful. Tariffs that have been "deemed lawful" in effect nullify an interexchange carrier's ability to seek refunds should the earnings from the tariffs ultimately result in earnings above the authorized rate of return prescribed by the FCC. Certain of the Company's telephone subsidiaries file interstate tariffs directly with the FCC using this streamlined filing approach. As of December 31, 2004, the amount of the Company's earnings in excess of the authorized rate of return reflected as a liability on the balance sheet for the combined 2001/2002 and 2003/2004 monitoring periods aggregated approximately \$63 million. The settlement period related to (i) the 2001/2002 monitoring period lapses on September 30, 2005 and (ii) the 2003/2004 monitoring period lapses on September 30, 2007. The Company will continue to monitor the legal status of any pending or future proceedings that could impact its entitlement to these funds, and may recognize as revenue some or all of the over-earnings at the end of the settlement period or as the legal status becomes more certain.

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 Company's accompanying consolidated balance sheet.

Pension and postretirement benefits. The amounts recognized in the Company's 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 2003, the Company lowered its expected long-term rate of return on plan assets to 8.25%, reflecting the expected moderation of long-term rates of return in the financial markets, and used the same rate in 2004.

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 5.75% at December 31, 2004 from 6.0% at December 31, 2003. Changes in the discount rate are not generally expected to have a material impact on the Company's results of operations.

Intangible and long-lived assets. The Company is subject to testing for impairment of long-lived assets under two accounting standards, Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), and Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144").

SFAS 142 requires goodwill recorded in business combinations to be reviewed for impairment at least annually and requires write-downs only in periods in which the recorded amount of goodwill exceeds the fair value. Under SFAS 142, impairment of goodwill is tested by comparing the fair value of the reporting unit to its carrying value (including goodwill). Estimates of the fair value of the reporting unit are based on valuation models using techniques such as multiples of earnings (before interest, taxes and depreciation and amortization). If the fair value of the reporting unit is less than the carrying value, a second calculation is required in which the implied fair value of goodwill is compared to its carrying value. If the implied fair value of goodwill is less than its carrying value, goodwill must be written down to its implied fair value. The Company completed the required annual test of goodwill impairment (as of September 30, 2004) under SFAS 142 and determined its goodwill is not impaired as of such date.

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

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 over time applicable to its regulated telephone operations through the rate-making process. However, LECs operating over 60% of the Company's total access lines are now governed by alternative regulation plans, some of which restrict or delay the Company's ability to recover increased costs. Additional future regulatory changes may further 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 of long-term debt obligations is determined based on a discounted cash flow analysis, using the rates and maturities of these obligations compared to terms and rates currently available in the long-term financing markets. The results of the sensitivity analysis used to estimate market risk are presented below, although the actual results may differ from these estimates.

At December 31, 2004, the fair value of the Company's long-term debt was estimated to be \$3.1 billion based on the overall weighted average rate of the Company's long-term debt of 6.5% and an overall weighted maturity of 10 years compared to terms and rates available on such date in long-term financing markets. Market risk is estimated as the potential decrease in fair value of the Company's long-term debt resulting from a hypothetical increase of 65 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 \$119.9 million decrease in the fair value of the Company's long-term debt. As of December 31, 2004, after giving effect to interest rate swaps currently in place, approximately 83% 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, 2004, the Company had outstanding four fair value interest rate hedges associated with the full \$500 million aggregate principal amount of its Series L senior notes, due 2012, that pay interest at a fixed rate of 7.875%. These hedges are "fixed to variable" interest rate swaps that effectively convert the Company's fixed rate interest payment obligations under these notes into obligations to pay variable rates that range from the six-month London InterBank Offered Rate ("LIBOR") plus 3.229% to the six-month LIBOR plus 3.67%, with settlement and rate reset dates occurring each six months through the expiration of the hedges in August 2012. At December 31, 2004, the Company realized a rate under these hedges of 6.4%. Interest expense was reduced by \$10.3 million during 2004 as a result of these hedges. The aggregate fair market value of these hedges was \$5.7 million at December 31, 2004 and is reflected both as a liability and as a decrease in the Company's underlying long-term debt on the December 31, 2004 balance sheet. With respect to these hedges, market risk is estimated as the potential change in the fair value of the hedge resulting from a hypothetical 10% increase in the forward rates used to determine the fair value. A hypothetical 10% increase in the forward rates would result in a \$15.5 million decrease in the fair value of these hedges.

As of December 31, 2004, the Company also had outstanding cash flow hedges that effectively locked in the interest rate on a majority of certain anticipated debt transactions that ultimately were completed in February 2005. The Company locked in the interest rate of (i) \$100 million of 2.25 year debt (remarketed in February 2005) at 3.9% and (ii) \$225 million of 10-year debt (issued in February 2005) at 5.5%. Such cash flow hedges had a fair value of \$571,000 as of December 31, 2004 and are reflected as a component of Accumulated Other Comprehensive Loss on the consolidated balance sheet. In January 2005, the Company also entered into a separate cash flow hedge which effectively locked in the interest rate for an additional \$75 million of 10-year debt (issued in February 2005) at 5.4%. In February 2005, upon settlement of such hedges, the Company (i) received \$366,000 related to the 2.25 year debt remarketing which will be amortized as a reduction of interest expense over the remaining term of the debt and (ii) paid \$7.7 million related to the 10-year debt issuance which will be amortized as an increase in interest expense over the 10-year term of the debt.

Effective May 8, 2003, the Company terminated a fair value interest rate hedge associated with \$500 million aggregate principal amount of its Series H senior notes and received \$22.3 million cash upon settlement, which represented the fair value of the hedge at the termination date. Such amount is being amortized as a reduction of interest expense through 2010, the maturity date of the Series H notes.

DEVELOPMENT OF BILLING SYSTEM

The Company recently implemented a new integrated billing and customer care system. The costs to develop such system have been accounted for in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". The capitalized costs of the system aggregated \$207 million (before accumulated amortization) at December 31, 2004 and are being amortized over a 20-year period. Virtually all of the Company's customers were converted to the new system in late 2004. In early 2005, the Company implemented software upgrades and other changes to enhance the productivity and efficiency of the system, the cost of which was not material. During the development phase of the new billing system, the Company capitalized payroll related costs of employees dedicated to the project. The Company began expensing these costs in late 2004, but does not expect the impact thereof to have a material adverse effect on its results of operations.

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 \$955.8 million, \$1.068 billion and \$793.4 million in 2004, 2003 and 2002, 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 \$413.3 million, \$464.6 million and \$2.623 billion in 2004, 2003 and 2002, respectively. Cash used for acquisitions was \$86.2 million in 2003 (primarily due to the acquisitions of fiber transport assets and the acquisition of an additional 24.3% interest in a telephone company in which the Company owns a majority interest) and \$2.245 billion in 2002 (substantially all of which relates to the 2002 Verizon acquisitions). Proceeds from the sales of assets were \$4.1 million in 2002 (excluding the Company's 2002 wireless divestiture). Capital expenditures from continuing operations during 2004, 2003 and 2002 were \$385.3 million, \$377.9 million and \$386.3 million, respectively. In the third quarter of 2004, the Company entered into a three-year agreement with EchoStar Communications Corporation ("EchoStar") to provide co-branded satellite television services to the Company's customers. As part of the transaction, the Company paid \$25.0 million to EchoStar (see Note 4 for additional information).

Financing activities. Net cash provided by (used in) financing activities from continuing operations was (\$578.5) million in 2004, (\$403.8) million in 2003 and \$506.3 million in 2002. Payments of debt were \$179.4 million in 2004 and \$432.3 million in 2003. Proceeds from the issuance of debt, net of debt payments, were \$531.4 million during 2002. The Company repurchased 13.4 million shares of common stock for \$401.0 million in 2004 to complete its stock repurchase program approved in February 2004.

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 consisted 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. As discussed below, the senior notes were remarketed in February 2005. 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 were initially set at an initial annual rate of 6.875%, consisting of interest (6.02%) and contract adjustment payments (0.855%).

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 under certain specified circumstances into shares of CenturyTel common stock at a conversion price of \$40.455 per share). Holders of the convertible senior debentures will have the right to require 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 the above-described 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.

Other. Budgeted capital expenditures for 2005 total \$400 million. 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.

On February 2, 2005, the Company signed a definitive purchase agreement to acquire metro fiber assets in 16 markets from KMC Telecom Holdings, Inc. ("KMC") for \$65 million cash, subject to purchase price adjustments.

The following table contains certain information concerning the Company's material contractual obligations as of December 31, 2004, except for the KMC purchase price obligation which is as of February 2, 2005.

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 (1)	\$ 3,011,636	249,617	806,511 (2)	306,557	1,648,951
Interest on long-term debt obligations	\$ 1,935,814	185,807	347,029	304,936	1,098,042
KMC purchase price obligation	\$ 65,000	65,000	-	-	-

(1) For additional information on the terms of the Company's outstanding debt instruments, see footnote 6 to the consolidated financial statements included in Item 8 of this annual report.

(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 and \$500 million aggregate principal amount of the Company's senior notes, Series J, due 2007. In February 2005, the Company purchased and retired approximately \$400 million aggregate principal amount of its Series J notes in connection with a remarketing of the Series J notes.

In February 2005, the Company remarketed approximately \$460 million aggregate principal amount of its \$500 million of outstanding Series J senior notes due 2007 at a rate of 4.628%. In connection with the remarketing, the Company purchased and retired approximately \$400 million aggregate principal amount of the notes, resulting in approximately \$100 million aggregate principal amount of such notes remaining outstanding. Proceeds to purchase such notes came from the February 2005 issuance of \$350 million 5% senior notes, Series M, due 2015 and cash on hand. The Company expects to incur a pre-tax charge of approximately \$6 million in the first quarter of 2005 related to purchasing and retiring approximately \$400 million of the Series J notes. For additional information, see Note 6 to the Company's consolidated financial statements appearing elsewhere in this report.

In early 2005, the Company filed preliminary consent solicitation materials with the Securities and Exchange Commission describing plans to

solicit consents to amend the purchase contracts forming a part of the Company's equity units to grant the Company the flexibility to settle such purchase contracts in cash rather than in common stock (as described above). The Company is obligated to pay a consent fee to each consenting holder, the amount of which (should all holders consent) would aggregate \$1.75 million. If under the consent solicitation the Company settled all of the purchase contracts in cash and the current stock price of the Company's common stock at the settlement date exceeds \$36, the Company would be obligated to pay to the holders of the purchase contracts \$13.9 million for every \$1 that the stock price is in excess of \$36. The Company cannot provide assurance that its consent solicitation will be initiated or be successful.

In early February 2005, the Company's board of directors approved a stock repurchase program that will allow the Company to repurchase up to an aggregate of \$200 million of either its common stock or convertible equity units prior to December 31, 2005. The Company commenced purchases under this plan in early March 2005.

The Company continually evaluates the possibility of acquiring additional communications 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 or dispositions until it has entered into a preliminary or definitive agreement. 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.

As of December 31, 2004, the Company had available \$533.0 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. The Company has a commercial paper program that authorizes the Company to have outstanding up to \$1.5 billion in commercial paper at any one time; however, borrowings are effectively limited to the amount available under its credit facility. As of December 31, 2004, 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. At December 31, 2004, the Company held over \$167 million of cash and cash equivalents.

In March 2005, the Company secured a new five-year, \$750 million revolving credit facility to replace its existing \$533 million credit facility which expires in July 2005. Up to \$150 million of the facility can be used for letters of credit, which reduces the amount available for other extensions of credit. The credit facility contains financial covenants that require the Company to meet a consolidated leverage ratio (as defined in the facility) not exceeding 4 to 1 and a minimum interest coverage ratio (as defined in the facility) of at least 1.5 to 1. The interest rate on revolving loans under the facility is based on the Company's choice of several prevailing commercial lending rates plus an additional margin that varies depending on the Company's credit ratings and aggregate borrowings under the facility. The Company must pay a quarterly commitment fee on the unutilized portion of the facility, the amount of which varies based on the Company's credit ratings.

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). Such ratings were affirmed in early 2005 in connection with the Series J remarketing and the Series M note issuance mentioned above. The Company's commercial paper program is rated P2 by Moody's and A2 by S&P. Any downgrade in the Company's credit ratings will increase its borrowing costs and commitment fees under its \$750 million revolving credit facility. Downgrades could also restrict the Company's access to the capital markets, accelerate the conversion rights of holders of the Company's outstanding convertible securities, increase the Company's borrowing costs under new or replacement debt financings, or otherwise adversely affect the terms of future borrowings by, among other things, increasing the amount of the Company's debt covenants and decreasing the Company's financial or operating flexibility.

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:

	2004	2003	2002
Debt to total capitalization	46.9%	47.8	54.2
Ratio of earnings from continuing operations to fixed charges and preferred stock dividends	3.57	3.33	2.33

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. 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.

During 2003, the FCC released new rules outlining the obligations of incumbent LECs to lease to competitors elements of their circuit-switched networks on an unbundled basis at prices that substantially limited the profitability of these arrangements to incumbent LECs. On March 2, 2004, a federal appellate court vacated significant portions of these rules, including the standards used to determine which unbundled network elements must be made available to competitors. In response to this court decision, on February 4, 2005, the FCC released rules (effective March 11, 2005) that require incumbent LECs to lease a network element only in those situations where competing carriers genuinely would be impaired without access to such network element, and where the unbundling would not interfere with the development of facilities-based competition. These rules are further designed to remove unbundling obligations over time as competing carriers deploy their own networks and local exchange competition increases.

Prior to and since the enactment of the 1996 Act, the FCC and a number of state legislative and regulatory bodies have also taken steps to foster local exchange competition. Coincident with this recent movement toward increased competition has been the reduction of regulatory oversight of LECs. These cumulative changes, coupled with various technological developments, have led to the continued growth of various companies providing services that compete with LECs' services. 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. Based on recent FCC filings, the Company anticipates its 2005 revenues from the USF High Cost Loop support program will be approximately \$10-15 million lower than 2004 levels due to increases in the nationwide average cost per loop factor used by the FCC to allocate funds among all recipients. Wireless and other competitive service providers continue to seek eligible telecommunications carrier ("ETC") status in order to be eligible to receive USF support, which, coupled with changes in usage of telecommunications services, have placed stresses on the USF's funding mechanism. These developments have placed additional financial pressure on the amount of money that is necessary and available to provide support to all eligible service providers, including support payments the Company receives from the High Cost Loop support program. As a result of the continued increases in the nationwide average cost per loop factor (caused by limited growth in the size of the High Cost Loop support program and changes in requests for support from the USF), the Company believes the aggregate level of payments it receives from the USF will continue to decline in the near term under the FCC's current rules.

On August 16, 2004, the Federal State Joint Board on Universal Service released a notice requesting comments on the FCC's current rules for the provision of high-cost support for rural companies, including comments on whether eligibility requirements should be amended in a manner that would adversely affect larger rural LECs such as the Company. The FCC has taken various other steps in anticipation of restructuring universal service support mechanisms, including opening a docket that will change the method of funding contributions. The FCC is expected to act before its current rules are scheduled to expire on June 30, 2006. Congress is also exploring various universal service issues ranging from targeted universal service legislation to re-writing the 1996 Act. The Company has been and will continue to be active in monitoring these developments.

Technological developments have led to the development of new services that compete with traditional LEC services. Technological improvements have enabled cable television companies to provide traditional circuit-switched telephone service over their cable networks, and several national cable companies have aggressively pursued this opportunity. Recent improvements in the quality of "Voice-over-Internet Protocol" ("VoIP") service have led several large cable television and telephone companies, as well as start-up companies, to substantially increase their offerings of VoIP service to business and residential customers. VoIP providers route calls over the Internet, without use of ILEC's circuit switches and, in certain cases, without use of ILEC's networks to carry their communications traffic. VoIP providers use existing broadband networks to deliver flat-rate, all distance calling plans that may be priced below those currently charged for traditional local and long distance telephone services for several reasons, including lower network cost structures and the current ability of VoIP providers to use ILECs' networks without paying access charges. However, the service must be purchased in addition to the cost of the broadband connection. In December 2003, the FCC initiated rulemaking that is expected to address the effect of VoIP on intercarrier compensation, universal service and emergency services. On March 10, 2004, the FCC released a notice of proposed rulemaking seeking comment on the appropriate regulatory treatment of VoIP service and related issues. Although the FCC's rulemaking regarding VoIP-enabled services remains pending, the FCC has adopted orders establishing broad guidelines for the regulation of such services, including an April 2004 order in which the FCC ruled that the IP-telephony service of AT&T, which converts voice calls to IP format for routing over the public switched telephone network, is a regulated telecommunications service subject to interstate access charges. In addition, in November 2004, the FCC ruled that Internet-based services provided by Vonage Holdings Corporation should be subject to federal rather than state jurisdiction. Several state commissions have filed appeals of this decision to various federal appellate courts. Also pending at the FCC is a petition filed by Level 3 Communications, Inc. asking the FCC to forbear from imposing interstate or intrastate access charges on Internet-based calls that originate or terminate on the public switched telephone network. There can be no assurance that future rulemaking will be on terms favorable to ILECs, or that VoIP providers will not successfully compete for the Company's customers.

In 2003, the FCC opened a broad intercarrier compensation proceeding with the ultimate goal of creating a uniform mechanism to be used by the entire telecommunications industry for payments between carriers originating, terminating, carrying or delivering telecommunications traffic. The FCC has received intercarrier compensation proposals from several industry groups, and on February 10, 2005 solicited comments on all proposals previously submitted to it. The Company is involved in this proceeding and will continue to monitor the implications of these plans to its operations.

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 and electronic mail services. In 2004 the Company incurred a reduction in its intrastate revenues of approximately \$25.9 million compared to 2003 primarily due to these factors. The corresponding decrease in 2003 compared to 2002 was \$6.8 million. The Company believes such trend of decreased intrastate minutes will continue in 2005, although the magnitude of such decrease cannot be precisely estimated.

In January 2003, the Louisiana Public Service Commission staff began reviewing the feasibility of converting the \$42 million Louisiana Local Optional Service Fund ("LOS Fund") into a state universal service fund. 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. Although the Commission staff has recommended to transfer the fund's \$42 million to a state universal service fund, there can be no assurance that the Commission will adopt this recommendation or that funding will remain at current levels.

Competition to provide traditional LEC 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. While the Company expects its operating revenues in 2005 to continue to experience downward pressure due to continued access line losses and reduced network access revenues, the Company expects its consolidated revenues to increase in 2005 primarily due to increased demand for its long distance, fiber transport, DSL and other nonregulated product offerings (including its new video and wireless initiatives).

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 recognition of an asset, reduce or eliminate the value of an asset and impose a liability on a regulated enterprise. Such regulatory assets and liabilities are required to be recorded and, accordingly, reflected in the balance sheet of an entity subject to SFAS 71. 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. 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. Notwithstanding the adoption of SFAS 143, SFAS 71 requires the Company to continue to reflect this accumulated liability for removal costs in excess of salvage value even though there is no legal obligation to remove the assets. Therefore, the Company did not adopt the provisions of SFAS 143 for its telephone operations subject to SFAS 71. SFAS 101 further provides that the carrying amounts of property, plant and equipment are to be adjusted only to the extent the assets are impaired and that impairment shall be judged in the same manner as for nonregulated enterprises.

The Company's consolidated balance sheet as of December 31, 2004 included regulatory assets of approximately \$3.0 million (primarily deferred costs related to financing costs and regulatory proceedings) and regulatory liabilities of approximately \$200.3 million related to estimated removal costs embedded in accumulated depreciation (as described above). Net deferred income tax assets related to the regulatory assets and liabilities quantified above were \$75.2 million.

When and if 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 will 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 2004 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

For information pertaining to the Company's market risk disclosure, see "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk".

Item 8. Financial Statements and Supplementary Data

Report of Management

The Shareholders
CenturyTel, Inc.:

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

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

Management is responsible for establishing and maintaining adequate internal controls over financial reporting, a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our evaluation under the framework of COSO, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2004. Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2004 has been audited by KPMG LLP, as stated in their report which is included herein.

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

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

/s/ R. Stewart Ewing, Jr.

R. Stewart Ewing, Jr.

*Executive Vice President and Chief Financial Officer
March 16, 2005*

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
CenturyTel, Inc.:

We have audited the consolidated financial statements of CenturyTel, Inc. and subsidiaries as listed in Item 15a(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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CenturyTel, Inc. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 14, 2005 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

/s/ KPMG LLP

*Shreveport, Louisiana
March 14, 2005*

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
CenturyTel, Inc.:

We have audited management's assessment, included in the accompanying Report of Management, that CenturyTel, Inc. maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, management's assessment that CenturyTel, Inc. maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, CenturyTel, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of CenturyTel, Inc. and subsidiaries and related financial statement schedule as listed in Items 15(a)(i) and 15(a)(ii), respectively, and our report dated March 14, 2005 expressed an unqualified opinion on those consolidated financial statements and related financial statement schedule. Such report refers to a change in the method of accounting for goodwill and other intangible assets in 2002.

/s/ KPMG LLP

*Shreveport, Louisiana
March 14, 2005*

CENTURYTEL, INC.
Consolidated Statements of Income

	Year ended December 31,		
	2004	2003	2002
	(Dollars, except per share amounts, and shares in thousands)		
OPERATING REVENUES	\$ 2,407,372	2,367,610	1,971,996

OPERATING EXPENSES			
Cost of services and products (exclusive of depreciation and amortization)	755,413	739,210	635,164
Selling, general and administrative	397,102	374,352	301,681
Corporate overhead costs allocable to discontinued operations	-	-	9,548
Depreciation and amortization	500,904	503,652	450,197

Total operating expenses	1,653,419	1,617,214	1,396,590

OPERATING INCOME	753,953	750,396	575,406

OTHER INCOME (EXPENSE)			
Interest expense	(211,051)	(226,751)	(221,845)
Income from unconsolidated cellular entity	7,067	6,160	5,582
Nonrecurring gains and losses, net	-	-	3,709
Other income (expense)	(2,597)	2,154	(63,814)

Total other income (expense)	(206,581)	(218,437)	(276,368)

INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE	547,372	531,959	299,038
Income tax expense	210,128	187,252	105,505

INCOME FROM CONTINUING OPERATIONS	337,244	344,707	193,533

DISCONTINUED OPERATIONS			
Income from discontinued operations, net of \$284,459 tax	-	-	608,091

NET INCOME	\$ 337,244	344,707	801,624
=====			
Basic earnings per share			
From continuing operations	\$ 2.45	2.40	1.36
From discontinued operations	\$ -	-	4.29
Basic earnings per share	\$ 2.45	2.40	5.66

Diluted earnings per share			
From continuing operations	\$ 2.41	2.35	1.35
From discontinued operations	\$ -	-	4.21
Diluted earnings per share	\$ 2.41	2.35	5.56

DIVIDENDS PER COMMON SHARE	\$.23	.22	.21
=====			
AVERAGE BASIC SHARES OUTSTANDING	137,215	143,583	141,613
=====			
AVERAGE DILUTED SHARES OUTSTANDING	142,144	148,779	144,408
=====			

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.
Consolidated Statements of Comprehensive Income

	Year ended December 31,		
	2004	2003	2002
	(Dollars in thousands)		
NET INCOME	\$ 337,244	344,707	801,624
OTHER COMPREHENSIVE INCOME, NET OF TAXES			
Minimum pension liability adjustment:			
Minimum pension liability adjustment, net of (\$5,916) \$19,312 and (\$19,312) tax	(9,491)	35,864	(35,864)
Unrealized holding gains:			
Unrealized holding gains related to marketable securities arising during the period, net of \$940 tax	1,508	-	-
Derivative instruments:			
Net losses on derivatives hedging variability of cash flows, net of (\$219), (\$36) and (\$496) tax	(351)	(67)	(921)
Less: reclassification adjustment for losses included in net income, net of \$487 and \$44 tax	-	906	82
COMPREHENSIVE INCOME	\$ 328,910	381,410	764,921

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.
Consolidated Balance Sheets

	December 31,	
	2004	2003
	(Dollars in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 167,215	203,181
Accounts receivable		
Customers, less allowance of		
\$12,766 and \$13,862	161,827	163,526
Interexchange carriers and other, less		
allowance of \$8,421 and \$9,817	70,753	72,661
Materials and supplies, at average cost	5,361	9,229
Other	14,691	14,342
Total current assets	419,847	462,939
NET PROPERTY, PLANT AND EQUIPMENT		
	3,341,401	3,455,481
GOODWILL AND OTHER ASSETS		
Goodwill	3,433,864	3,425,001
Other	601,841	552,431
Total investments and other assets	4,035,705	3,977,432
TOTAL ASSETS	\$ 7,796,953	7,895,852
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 249,617	72,453
Accounts payable	141,618	124,320
Accrued expenses and other current liabilities		
Salaries and benefits	60,858	55,497
Income taxes	54,648	43,082
Other taxes	47,763	35,532
Interest	67,379	64,247
Other	18,875	31,640
Advance billings and customer deposits	50,860	44,612
Total current liabilities	691,618	471,383
LONG-TERM DEBT		
	2,762,019	3,109,302
DEFERRED CREDITS AND OTHER LIABILITIES		
	933,551	836,651
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized		
350,000,000 shares, issued and outstanding		
132,373,912 and 144,364,168 shares	132,374	144,364
Paid-in capital	222,205	576,515
Accumulated other comprehensive loss, net of tax	(8,334)	-
Retained earnings	3,055,545	2,750,162
Unearned ESOP shares	-	(500)
Preferred stock - non-redeemable	7,975	7,975
Total stockholders' equity	3,409,765	3,478,516
TOTAL LIABILITIES AND EQUITY	\$ 7,796,953	7,895,852

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.
Consolidated Statements of Cash Flows

	Year ended December 31,		
	2004	2003	2002
	(Dollars in thousands)		
OPERATING ACTIVITIES FROM CONTINUING OPERATIONS			
Net income	\$ 337,244	344,707	801,624
Adjustments to reconcile net income to net cash provided by operating activities from continuing operations			
Income from discontinued operations, net of tax	-	-	(608,091)
Depreciation and amortization	500,904	503,652	450,197
Deferred income taxes	74,374	128,706	71,112
Income from unconsolidated cellular entity	(7,067)	(6,160)	(5,582)
Nonrecurring gains and losses, net	-	-	(3,709)
Changes in current assets and current liabilities			
Accounts receivable	2,937	37,980	(13,481)
Accounts payable	15,514	47,972	3,769
Accrued taxes	27,040	57,709	43,046
Other current assets and other current liabilities, net	12,831	17,323	36,316
Retirement benefits	26,954	(14,739)	(9,416)
Increase in noncurrent assets	(31,714)	(23,528)	(30,543)
Increase (decrease) in other noncurrent liabilities	(6,220)	(6,151)	35,489
Other, net	3,034	(19,507)	22,703
Net cash provided by operating activities from continuing operations	955,831	1,067,964	793,434
INVESTING ACTIVITIES FROM CONTINUING OPERATIONS			
Acquisitions, net of cash acquired	(2,000)	(86,243)	(2,245,026)
Payments for property, plant and equipment	(385,316)	(377,939)	(386,267)
Investment in debt security	(25,000)	-	-
Proceeds from sale of assets	-	-	4,144
Distributions from unconsolidated cellular entity	8,219	1,104	5,438
Other, net	(9,214)	(1,560)	(1,378)
Net cash used in investing activities from continuing operations	(413,311)	(464,638)	(2,623,089)
FINANCING ACTIVITIES FROM CONTINUING OPERATIONS			
Proceeds from issuance of debt	-	-	2,123,618
Payments of debt	(179,393)	(432,258)	(1,592,246)
Repurchase of common stock	(401,013)	-	-
Proceeds from settlement of interest rate hedge contract	-	22,315	-
Proceeds from issuance of common stock	29,485	33,980	29,125
Payment of debt issuance costs	-	-	(12,999)
Payment of equity unit issuance costs	-	-	(15,867)
Cash dividends	(31,861)	(32,017)	(30,156)
Other, net	4,296	4,174	4,866
Net cash provided by (used in) financing activities from continuing operations	(578,486)	(403,806)	506,341
Net cash provided by discontinued operations	-	-	1,323,479
Net increase (decrease) in cash and cash equivalents	(35,966)	199,520	165
Cash and cash equivalents at beginning of year	203,181	3,661	3,496
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 167,215	203,181	3,661

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.

Consolidated Statements of Stockholders' Equity

	Year ended December 31,		
	2004	2003	2002
	(Dollars, except per share amounts, and shares in thousands)		
COMMON STOCK			
Balance at beginning of year	\$ 144,364	142,956	141,233
Repurchase of common stock	(13,396)	-	-
Issuance of common stock through dividend reinvestment, incentive and benefit plans	1,406	1,408	1,723
Balance at end of year	132,374	144,364	142,956
PAID-IN CAPITAL			
Balance at beginning of year	576,515	537,804	524,668
Repurchase of common stock	(387,617)	-	-
Issuance of common stock through dividend reinvestment, incentive and benefit plans	28,079	32,572	27,402
Equity unit issuance costs and initial contract adjustment liability	-	-	(24,377)
Amortization of unearned compensation and other	5,228	6,139	10,111
Balance at end of year	222,205	576,515	537,804
ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAX			
Balance at beginning of year	-	(36,703)	-
Change in other comprehensive income (loss) (net of reclassification adjustment), net of tax	(8,334)	36,703	(36,703)
Balance at end of year	(8,334)	-	(36,703)
RETAINED EARNINGS			
Balance at beginning of year	2,750,162	2,437,472	1,666,004
Net income	337,244	344,707	801,624
Cash dividends declared			
Common stock - \$.23, \$.22 and \$.21 per share	(31,462)	(31,618)	(29,757)
Preferred stock	(399)	(399)	(399)
Balance at end of year	3,055,545	2,750,162	2,437,472
UNEARNED ESOP SHARES			
Balance at beginning of year	(500)	(1,500)	(2,500)
Release of ESOP shares	500	1,000	1,000
Balance at end of year	-	(500)	(1,500)
PREFERRED STOCK - NON-REDEEMABLE			
Balance at beginning and end of year	7,975	7,975	7,975
TOTAL STOCKHOLDERS' EQUITY	\$ 3,409,765	3,478,516	3,088,004
COMMON SHARES OUTSTANDING			
Balance at beginning of year	144,364	142,956	141,233
Repurchase of common stock	(13,396)	-	-
Issuance of common stock through dividend reinvestment, incentive and benefit plans	1,406	1,408	1,723
Balance at end of year	132,374	144,364	142,956

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.

Notes to Consolidated Financial Statements

December 31, 2004

(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.

Regulatory accounting - 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 recognition of an asset, reduce or eliminate the value of an asset and impose a liability on a regulated enterprise. Such regulatory assets and liabilities are required to be recorded and, accordingly, reflected in the balance sheet of an entity subject to SFAS 71. 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. The Company's consolidated balance sheet as of December 31, 2004 included regulatory assets of approximately \$3.0 million (primarily deferred costs related to financing costs and regulatory proceedings) and regulatory liabilities of approximately \$200.3 million related to estimated removal costs embedded in accumulated depreciation (as required to be recorded by regulators). Net deferred income tax assets related to the regulatory assets and liabilities quantified above were \$75.2 million.

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

Revenue recognition - Revenues are generally recognized when services are provided or when products are delivered to customers. Revenue that is billed in advance includes monthly recurring network access services, special access services and monthly recurring local line charges. The unearned portion of this revenue is initially deferred as a component of advanced billings and customer deposits on 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 average rates range from 2.8% to 23%.

Non-telephone property is stated at cost and, when sold or retired, a gain or loss is recognized. Depreciation of such property is provided on the straight line method over estimated service lives ranging from two to 35 years.

Intangible assets - Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), requires goodwill recorded in a business combination to be reviewed for impairment and to be written down only in periods in which the recorded amount of goodwill exceeds its fair value. 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.

Long-lived assets - Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), addresses financial accounting and reporting for the impairment or disposal of long-lived assets (exclusive of goodwill) and also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. 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.

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 affiliates not subject to SFAS 71 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.

Derivative financial instruments - The Company accounts for derivative instruments and hedging activities in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), as amended. SFAS 133, as amended, requires that all derivative instruments, such as interest rate swaps, be recognized in the financial statements and measured at fair value regardless of the purpose or intent of holding them. On the date a derivative contract is entered into, the Company designates the derivative as either a fair value or cash flow hedge. A hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment is a fair value hedge. A hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability is a cash flow hedge. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. If the Company determines that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Company would discontinue hedge accounting prospectively. 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. In the fourth quarter of 2004, the Company adopted the requirements of Emerging Issues Task Force No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings Per Share," in calculating its diluted earnings per share. See Note 13 for additional information.

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

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

During 2003 the Company granted 1,720,317 options (the "2003 Options") at market price. The weighted average fair value of each of the 2003 Options was estimated as of the date of grant to be \$9.94 using an option-pricing model with the following assumptions: dividend yield - .7%; expected volatility - 30%; weighted average risk-free interest rate - 3.4%; and expected option life - seven years.

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%; weighted average risk-free interest rate - 3.4%; 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 2004, 2003 and 2002 would have been as follows:

Year ended December 31,	2004	2003	2002

	(Dollars in thousands, except per share amounts)		
Net income, as reported	\$ 337,244	344,707	801,624
Less: Total stock-based compensation expense determined under fair value based method, net of tax	\$ (9,767)	(13,183)	(15,001)
Pro forma net income	\$ 327,477	331,524	786,623
	=====		
Basic earnings per share			
As reported	\$ 2.45	2.40	5.66
Pro forma	\$ 2.38	2.31	5.55
Diluted earnings per share			
As reported	\$ 2.41	2.35	5.56
Pro forma	\$ 2.34	2.26	5.46

Beginning in the third quarter of 2005, the Company will adopt the provisions of Statement of Financial Accounting Standards No. 123 (Revised 2004), "Share-Based Payments" ("SFAS 123(R)"). SFAS 123(R) requires the Company to measure the cost of the employee services received in exchange for an award of equity instruments based upon the fair value of the award on the grant date. Such cost will be recognized as an expense over the period during which the employee is required to provide service in exchange for the award. In accordance with SFAS 123(R), compensation cost is also recognized over the applicable remaining vesting period for any awards that are not fully vested as of the effective date.

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 - On August 1, 2002, the Company sold substantially all of its wireless operations to an affiliate of ALLTEL Corporation ("Alltel") and certain other purchasers 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 2002. See Note 3 for additional information.

Reclassifications - Certain amounts previously reported for prior years have been reclassified to conform with the 2004 presentation, including the presentation of the Company's segment reporting. See Note 17 for additional information.

(2) ACQUISITIONS

On July 1, 2002, the Company purchased 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 purchased approximately 350,000 telephone access lines in the state of Missouri from Verizon for approximately \$1.179 billion cash. The assets purchased in these transactions included (i) franchises authorizing the provision of local telephone service, (ii) related property and equipment comprising Verizon's local exchange operations in predominantly rural markets throughout Alabama and Missouri and (iii) Verizon's assets used to provide digital subscriber line ("DSL") and other high speed data services within the purchased exchanges. For financing arrangements related to these acquisitions, see Note 6.

In June and December 2003, the Company acquired certain fiber transport assets for an aggregate of \$55.2 million cash (of which \$3.8 million was paid as a deposit in 2002). In the fourth quarter of 2003, the Company purchased an additional 24.3% interest in a telephone company in which it owned a majority interest for \$32.4 million cash.

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

	2002

	(Dollars in thousands, except per share amounts)
Operating revenues from continuing operations	\$ 2,285,866
Income from continuing operations	\$ 218,252
Basic earnings per share from continuing operations	\$ 1.54
Diluted earnings per share from continuing operations	\$ 1.52

The pro forma information is based on various assumptions and estimates. 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, 2002, nor is it necessarily indicative of future operating results. The pro forma information does not give effect to any actual or potential revenue enhancements or cost synergies or other operating efficiencies resulting from the acquisitions.

(3) 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. 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 year ended December 31, 2002.

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

(Dollars in thousands)	
Operating revenues	\$ 246,705

Operating income (1)	\$ 71,258
Income from unconsolidated cellular entities	25,768
Minority interest expense	(8,569)
Gain on sale of discontinued operations	803,905
Other income	188

Pre-tax income from discontinued operations	\$ 892,550
Income tax expense	(284,459)

Income from discontinued operations	\$ 608,091
=====	

(1) Excludes corporate overhead costs of \$9.5 million allocated to the wireless operations. Included as a reduction in operating income is a \$30.5 million charge associated with the write-off of all amounts expended to develop the wireless portion of the Company's new billing system.

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

(Dollars in thousands)	
Net cash used in operating activities	\$ (248,716) (1)
Net cash provided by investing activities	1,572,195 (2)
Net cash provided by financing activities	-

Net cash provided by discontinued operations	\$ 1,323,479
=====	

(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.

(4) GOODWILL AND OTHER ASSETS

Goodwill and other assets at December 31, 2004 and 2003 were composed of the following:

December 31,	2004	2003

(Dollars in thousands)		
Goodwill	\$ 3,433,864	3,425,001
Billing system development costs, less accumulated amortization of \$4,652 and \$508	202,349	162,980
Cash surrender value of life insurance contracts	93,792	93,960
Prepaid pension asset	46,800	59,055
Franchise costs	35,300	35,300
Marketable securities	30,092	27,653
Deferred interest rate hedge contracts	28,435	31,239
Investment in debt security	21,013	-
Customer base, less accumulated amortization of \$3,756 and \$2,242	18,944	20,458
Other	125,116	121,786

	\$ 4,035,705	3,977,432
=====		

As of September 30, 2004, the Company completed the required annual impairment test under SFAS 142 and determined its goodwill was not impaired.

The Company recently implemented a new integrated billing and customer care system. The costs to develop such system have been accounted for in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Aggregate capitalized costs (before accumulated amortization) totaled \$207.0 million and \$163.5 million at December 31, 2004 and 2003, respectively. Such system is being amortized over a twenty-year period.

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

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

The Company assigned \$22.7 million of the purchase price to a customer base intangible asset in connection with the acquisitions of Verizon properties in 2002. Such asset is being amortized over 15 years. In addition, as mentioned above, an intangible asset was established related to the contractual rights to provide video service. Total amortization expense for these identifiable intangible assets for 2004, 2003 and 2002 was \$2.0 million, \$1.5 million and \$729,000, respectively, and is expected to be \$2.9 million for each of the subsequent two years, \$2.4 million in 2007 and \$1.5 million annually thereafter through 2009.

(5) PROPERTY, PLANT AND EQUIPMENT

Net property, plant and equipment at December 31, 2004 and 2003 was composed of the following:

December 31,	2004	2003

(Dollars in thousands)		
Cable and wire	\$ 3,948,784	3,817,646
Central office	2,385,406	2,285,528
General support	785,025	811,301
Fiber transport and CLEC	150,098	127,080
Information origination/termination	56,428	49,643
Construction in progress	66,485	58,018
Other	38,791	34,939

Accumulated depreciation	7,431,017	7,184,155
	(4,089,616)	(3,728,674)

Net property, plant and equipment	\$ 3,341,401	3,455,481
=====		

Depreciation expense was \$498.9 million, \$502.1 million and \$449.5 million in 2004, 2003 and 2002, respectively. The year 2004 included a reduction in depreciation expense of \$13.2 million to adjust the balances of certain over-depreciated property, plant and equipment accounts.

(6) LONG-TERM DEBT

The Company's long-term debt as of December 31, 2004 and 2003 was as follows:

December 31,	2004	2003

(Dollars in thousands)		
CenturyTel		
Senior notes and debentures:		
7.75% Series A	\$ -	50,000
8.25% Series B	-	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
6.02% Series J, due 2007*	500,000	500,000
4.75% Series K, due 2032	165,000	165,000
7.875% Series L, due 2012	500,000	500,000
Employee Stock Ownership Plan commitment	-	500

Unamortized net discount	(3,919)	(4,501)
Net fair value of derivative instruments related to Series H and L senior notes	10,865	7,747
Other	79	114

Total CenturyTel	2,587,025	2,733,860

Subsidiaries		
First mortgage debt		
5.92%** notes, payable to agencies of the U. S. government and cooperative lending associations, due in installments through 2028	210,403	234,743
7.98% notes, due through 2016	4,964	5,211
Other debt		
6.98%** unsecured medium-term notes, due through 2008	197,999	199,613
8.76%** notes, due in installments through 2028	6,187	3,739
5.35%** capital lease obligations, due through 2008	5,058	4,589

Total subsidiaries	424,611	447,895

Total long-term debt	3,011,636	3,181,755
Less current maturities	249,617	72,453

Long-term debt, excluding current maturities	\$ 2,762,019	3,109,302
=====		

* In February 2005, the Company purchased and retired approximately \$400 million of the Series J notes; the interest rate on the remaining \$100 million was reset to 4.628%. ** Weighted average interest rate at December 31, 2004

The approximate annual debt maturities for the five years subsequent to December 31, 2004 are as follows (after giving consideration to the Company purchasing and retiring approximately \$400 million of its Series J notes in February 2005): 2005 - \$249.6 million; 2006 - \$281.3 million (including \$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); 2007 - \$125.2 million; 2008 - \$285.9 million; and 2009 - \$20.6 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, 2004, restricted net assets of subsidiaries were \$227.6 million and subsidiaries' retained earnings in excess of amounts restricted by debt covenants totaled \$1.4 billion. At December 31, 2004, all of the consolidated retained earnings reflected on the balance sheet was available under CenturyTel's loan agreements for the declaration of dividends.

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

Approximately 21% of the Company's property, plant and equipment is pledged to secure the long-term debt of subsidiaries.

In May 2004, the Company prepaid all \$100 million aggregate principal amount of its 8.25%, Series B notes, due 2024. The Company incurred a \$4.6 million pre-tax expense (a \$3.6 million prepayment premium and a \$1.0 million write-off of unamortized deferred debt costs) in the second quarter of 2004 associated with this prepayment.

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 consisted 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. As discussed below, the senior notes were remarketed in February 2005. 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 were initially pledged by the holders to secure their obligations under the purchase contracts. The total distributions on the equity units were initially set at an initial annual rate of 6.875%, consisting of interest (6.02%) and contract adjustment payments (0.855%), each payable quarterly.

The senior note portion of the equity units is reflected on the December 31, 2004 balance sheet as long-term debt in the amount of \$500 million. Interest expense on the senior notes has accrued at a rate of 6.02%, the initial interest rate through February 14, 2005. 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 is amortizing 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.

In mid-February 2005, substantially all of the senior notes were remarketed, at which time the interest rate on the senior notes was reset in order to generate sufficient proceeds to secure the holder's obligation under the related purchase contracts. In connection with the remarketing, the Company purchased and retired approximately \$400 million of the Series J notes. As of February 15, 2005, only approximately \$100 million aggregate principal amount of the Series J notes remained outstanding. The Company financed this purchase with the net proceeds from its offering of \$350 million of senior notes, Series M, due 2015, and cash on hand.

As of December 31, 2004, the Company had available a \$533 million three-year revolving credit facility, which was scheduled to expire in July 2005. The Company had no outstanding borrowings under its facility at December 31, 2004. In March 2005, the Company secured a five-year \$750 million revolving credit facility to replace the above-mentioned facility. At December 31, 2004, 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 the third quarter of 2002, the Company issued \$165 million of convertible senior debentures, Series K, due 2032 (which bear interest at 4.75% and which may be converted under certain specified circumstances into shares of CenturyTel common stock at a conversion price of \$40.455 per share). Holders of the convertible senior debentures will have the right to require 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 the year ended December 31, 2002.

(7) DERIVATIVE INSTRUMENTS

In May and July 2003, the Company entered into four separate fair value interest rate hedges associated with the full \$500 million principal amount of its Series L senior notes, due 2012, that pay interest at a fixed rate of 7.875%. These hedges are "fixed to variable" interest rate swaps that effectively convert the Company's fixed rate interest payment obligations under these notes into obligations to pay variable rates that range from the six-month London InterBank Offered Rate ("LIBOR") plus 3.229% to the six-month LIBOR plus 3.67%, with settlement and rate reset dates occurring each six months through the expiration of the hedges in August 2012. As of December 31, 2004, the Company realized a weighted average interest rate of 6.4% related to these hedges. Interest expense was reduced by \$10.3 million during 2004 as a result of these hedges. The aggregate fair value of such hedges at December 31, 2004 was \$5.7 million and is reflected on the accompanying balance sheet as both a liability (included in "Deferred credits and other liabilities") and as a decrease to the Company's underlying long-term debt.

As of December 31, 2004, the Company also had outstanding cash flow hedges that effectively locked in the interest rate on the majority of certain anticipated debt transactions that ultimately were completed in February 2005. The Company locked in the interest rate on (i) \$100 million of 2.25 year debt (remarketed in February 2005) at 3.9% and (ii) \$225 million of 10-year debt (issued in February 2005) at 5.5%. Such cash flow hedges had a fair value of \$571,000 as of December 31, 2004 and is reflected as a component of Accumulated Other Comprehensive Loss on the consolidated balance sheet. In January 2005, the Company also entered into a separate cash flow hedge which effectively locked in the interest rate for an additional \$75 million of 10-year debt (issued in February 2005) at 5.4%. In February 2005, upon settlement of such hedges, the Company (i) received \$366,000 related to the 2.25 year debt remarketing which will be amortized as a reduction of interest expense over the remaining term of the debt and (ii) paid \$7.7 million related to the 10-year debt issuance which will be amortized as an increase in interest expense over the 10-year term of the debt.

During 2002, the Company entered into (i) 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 which was settled in the third quarter of 2002 for a \$1.1 million payment by the Company (which is being amortized as additional interest expense over a ten-year period, which equates to the term of the debt issuance hedged) and (ii) 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. During the second quarter of 2003, the Company retired all outstanding indebtedness associated with its \$800 million credit facilities; therefore, such cash flow hedge was deemed ineffective in 2003 and resulted in a \$722,000 unfavorable pre-tax charge to the Company's income.

During 2002, the Company entered into a fair value hedge with respect to the Company's \$500 million aggregate principal amount of 8.375% Series H senior notes, due 2010. In May 2003, the Company terminated this hedge. In connection with such termination, the Company received approximately \$22.3 million in cash upon settlement, which represented the fair value of the hedge at the termination date. Such amount is

being amortized as a reduction of interest expense through 2010, the maturity date of the Series H notes.

(8) DEFERRED CREDITS AND OTHER LIABILITIES

Deferred credits and other liabilities at December 31, 2004 and 2003 were composed of the following:

December 31,	2004	2003

	(Dollars in thousands)	
Deferred federal and state income taxes	\$ 601,757	528,551
Accrued postretirement benefit costs	232,546	222,613
Additional minimum pension liability	18,450	-
Minority interest	7,508	7,218
Fair value of interest rate swap	6,283	11,693
Other	67,007	66,576

	\$ 933,551	836,651
=====		

(9) STOCKHOLDERS' EQUITY

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

December 31,	2004

	(In thousands)
Incentive compensation programs	9,717
Acquisitions	4,064
Employee stock purchase plan	4,721
Dividend reinvestment plan	422
Conversion of convertible preferred stock	435
Other employee benefit plans	3,393

	22,752
=====	

During 2004, the Company repurchased approximately 13.4 million shares of common stock to complete its \$400 million stock repurchase program approved by the Company's board of directors in early 2004. In February 2005, the Company's board of directors approved a stock repurchase program that will allow the Company to repurchase up to an aggregate of \$200 million of either its common stock or convertible equity units prior to December 31, 2005.

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, 2004, the holders of 8.1 million shares of common stock were entitled to ten votes per share.

Preferred stock - As of December 31, 2004, CenturyTel had 2.0 million shares of authorized convertible preferred stock, \$25 par value per share. At December 31, 2004 and 2003, 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 (which use a December 31 measurement date) that provide postretirement benefits to all qualified retired employees.

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

In 2003, the Company announced changes, effective January 1, 2004, that would decrease its subsidization of benefits provided under its postretirement benefit plan.

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

December 31,	2004	2003	2002

(Dollars in thousands)			
Change in benefit obligation			
Benefit obligation at beginning of year	\$ 311,421	253,762	215,872
Service cost	6,404	6,176	6,669
Interest cost	17,585	18,216	15,962
Participant contributions	1,362	1,199	617
Acquisitions	-	-	56,539
Plan amendments	2,529	(34,597)	-
Actuarial (gain) loss	(18,185)	79,163	(29,534)
Benefits paid	(15,396)	(12,498)	(12,363)

Benefit obligation at end of year	\$ 305,720	311,421	253,762
=====			
Change in plan assets			
Fair value of plan assets at beginning of year	\$ 29,877	28,697	36,555
Return on assets	2,377	4,479	(2,896)
Employer contributions	11,350	8,000	6,784
Participant contributions	1,362	1,199	617
Benefits paid	(15,396)	(12,498)	(12,363)

Fair value of plan assets at end of year	\$ 29,570	29,877	28,697
=====			

Net periodic postretirement benefit cost for 2004, 2003 and 2002 included the following components:

Year ended December 31,	2004	2003	2002

(Dollars in thousands)			
Service cost	\$ 6,404	6,176	6,669
Interest cost	17,585	18,216	15,962
Expected return on plan assets	(2,465)	(2,367)	(3,656)
Amortization of unrecognized actuarial loss	3,611	1,731	1,470
Amortization of unrecognized prior service cost	(3,648)	(2,447)	(129)

Net periodic postretirement benefit cost	\$ 21,487	21,309	20,316
=====			

The following table sets forth the amounts recognized as liabilities for postretirement benefits at December 31, 2004, 2003 and 2002.

December 31,	2004	2003	2002

(Dollars in thousands)			
Benefit obligation	\$ (305,720)	(311,421)	(253,762)
Fair value of plan assets	29,570	29,877	28,697
Unamortized prior service cost	(26,891)	(33,068)	(918)
Unrecognized net actuarial loss	68,185	89,893	14,573

Accrued benefit cost	\$ (234,856)	(224,719)	(211,410)
=====			

Assumptions used in accounting for postretirement benefits as of December 31, 2004 and 2003 were:

	2004	2003

Determination of benefit obligation		
Discount rate	5.75%	6.0
Healthcare cost increase trend rates		
(Medical/Prescription Drug)		
Following year	10.0%/15.0%	11.0%/16.0
Rate to which the cost trend rate is assumed to decline (the ultimate cost trend rate)	5.0%/5.0%	5.0/5.0
Year that the rate reaches the ultimate cost trend rate	2010/2015	2010/2015
Determination of benefit cost		
Discount rate	6.0%	6.75

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

The Company's postretirement benefit plan weighted-average asset allocations at December 31, 2004 and 2003 by asset category are as follows:

	2004	2003
Equity securities	63.0%	80.5
Debt securities	34.1	16.4
Other	2.9	3.1
Total	100.0%	100.0

In determining the expected return on plan assets, historical markets are studied and long-term relationships between equities and fixed income are preserved consistent with the widely-accepted capital market principle that assets with higher volatility and risk generate a greater return over the long term. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. Peer data and historical returns are also reviewed to check for reasonableness.

Assumed health care cost trends have a significant effect on the amounts reported for postretirement benefit plans. A one-percentage-point change in assumed health care cost rates would have the following effects:

	1-Percentage Point Increase	1-Percentage Point Decrease
(Dollars in thousands)		
Effect on total of service and interest cost components	\$ 1,562	(1,489)
Effect on postretirement benefit obligation	\$ 20,004	(18,775)

The Company expects to contribute approximately \$15 million to its postretirement benefit plan in 2005.

The Company's estimated future projected benefit payments under its postretirement benefit plan are as follows:

Year	Before Medicare Subsidy	Medicare Subsidy	Net of Medicare Subsidy
(Dollars in thousands)			
2005	\$ 15,200	-	15,200
2006	\$ 16,900	(800)	16,100
2007	\$ 17,900	(800)	17,100
2008	\$ 18,700	(900)	17,800
2009	\$ 19,600	(1,000)	18,600
2010-2014	\$ 99,400	(5,500)	93,900

(11) RETIREMENT AND SAVINGS PLANS

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 Company uses a December 31 measurement date for its plans.

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,	2004	2003	2002
(Dollars in thousands)			
Change in benefit obligation			
Benefit obligation at beginning of year	\$ 390,833	346,256	271,490
Service cost	14,175	12,840	10,353

Interest cost		23,156	23,617	20,053
Plan amendments		428	-	-
Acquisitions		-	-	51,428
Settlements		-	(9,962)	-
Actuarial loss		16,304	46,221	9,231
Benefits paid		(26,266)	(28,139)	(16,299)

Benefit obligation at end of year	\$	418,630	390,833	346,256
=====				
Change in plan assets				
Fair value of plan assets at beginning of year	\$	348,308	266,420	270,902
Return on plan assets		35,892	52,783	(42,998)
Employer contributions		6,047	50,437	3,387
Acquisitions		-	6,807	51,428
Benefits paid		(26,266)	(28,139)	(16,299)

Fair value of plan assets at end of year	\$	363,981	348,308	266,420
=====				

At December 31, 2004 and 2003, the Company's underfunded pension plans (meaning those with benefit obligations in excess of plan assets) had aggregate benefit obligations of \$172.0 million and \$138.4 million, respectively, and aggregate plan assets of \$109.0 million and \$84.4 million, respectively.

Net periodic pension expense for 2004, 2003 and 2002 included the following components:

Year ended December 31,	2004	2003	2002

(Dollars in thousands)			
Service cost	\$ 14,175	12,840	10,353
Interest cost	23,156	23,617	20,053
Expected return on plan assets	(28,195)	(22,065)	(28,575)
Settlements	1,093	2,233	-
Recognized net losses	5,525	7,214	1,248
Net amortization and deferral	279	397	395

Net periodic pension expense	\$ 16,033	24,236	3,474
=====			

The following table sets forth the combined plans' funded status and amounts recognized in the Company's consolidated balance sheet at December 31, 2004, 2003 and 2002.

December 31,	2004	2003	2002

(Dollars in thousands)			
Benefit obligation	\$ (418,630)	(390,833)	(346,256)
Fair value of plan assets	363,981	348,308	266,420
Unrecognized transition asset	(648)	(900)	(1,152)
Unamortized prior service cost	3,618	3,721	4,370
Unrecognized net actuarial loss	98,479	98,759	102,664

Prepaid pension cost	\$ 46,800	59,055	26,046
=====			

The Company's accumulated benefit obligation as of December 31, 2004 and 2003 was \$353.1 million and \$329.0 million, respectively.

Amounts recognized on the balance sheet consist of:

December 31,	2004	2003	2002

(Dollars in thousands)			
Prepaid pension cost (reflected in Other Assets)	\$ 46,800	59,055	26,046
Additional minimum pension liability (reflected in Deferred Credits and Other Liabilities)	(18,450)	-	(56,388)
Intangible asset (reflected in Other Assets)	3,043	-	1,212
Accumulated Other Comprehensive Loss	15,407	-	55,176

	\$ 46,800	59,055	26,046
=====			

Assumptions used in accounting for the pension plans as of December 2004 and 2003 were:

2004 2003

Determination of benefit obligation		
Discount rate	5.75%	6.0
Weighted average rate of compensation increase	4.0%	4.0

Determination of benefit cost		
Discount rate	6.0%	6.75
Weighted average rate of compensation increase	4.0%	4.50
Expected long-term rate of return on assets	8.25%	8.25

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

The Company's pension plans weighted-average asset allocations at December 31, 2004 and 2003 by asset category are as follows:

	2004	2003

Equity securities	71.7%	54.0
Debt securities	25.5	11.0
Cash and cash equivalents	-	32.3
Other	2.8	2.7

Total	100.0%	100.0
=====		

In determining the expected return on plan assets, historical markets are studied and long-term relationships between equities and fixed income are preserved consistent with the widely-accepted capital market principle that assets with higher volatility and risk generate a greater return over the long term. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. Peer data and historical returns are also reviewed to check for reasonableness.

The amount of the 2005 contribution will be determined based on a number of factors, including the results of the 2005 actuarial valuation report. At this time, the amount of the 2005 contribution is not known.

The Company's estimated future projected benefit payments under its defined benefit pension plans are as follows: 2005 - \$20.7 million; 2006 - \$22.1 million; 2007 - \$23.4 million; 2008 - \$26.2 million; 2009 - \$28.4 million; and 2010-2014 - \$176.8 million.

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 2004, 2003 and 2002 was \$8.1 million, \$8.9 million, and \$9.3 million, respectively. At December 31, 2004, the ESOP owned an aggregate of 6.8 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 \$9.1 million in 2004, \$8.2 million in 2003 and \$6.7 million in 2002.

(12) INCOME TAXES

Income tax expense from continuing operations included in the Consolidated Statements of Income for the years ended December 31, 2004, 2003 and 2002 was as follows:

Year ended December 31,	2004	2003	2002

(Dollars in thousands)			
Federal			
Current	\$ 121,374	58,659	22,987
Deferred	59,973	118,600	80,056
State			
Current	14,380	(113)	11,406
Deferred	14,401	10,106	(8,944)

	\$ 210,128	187,252	105,505
=====			

Income tax expense for 2003 was reduced by \$21.6 million primarily as a result of reducing the valuation allowance related to net state operating loss carryforwards as it was more likely than not that future taxable income will be sufficient to enable the Company to utilize this

portion of the operating loss carryforwards.

Income tax expense from continuing operations was allocated as follows:

Year ended December 31,	2004	2003	2002
	(Dollars in thousands)		
Income tax expense in the consolidated statements of income	\$ 210,128	187,252	105,505
Stockholders' equity:			
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(3,244)	(4,385)	(7,471)
Tax effect of the change in accumulated other comprehensive income (loss)	(5,195)	19,763	(19,763)

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,	2004	2003	2002
	(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	3.4	1.2	.5
Amortization of investment tax credits	-	-	(.1)
Amortization of regulatory liability	-	(.1)	(.3)
Other, net	-	(.9)	.2
Effective income tax rate	38.4%	35.2	35.3

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2004 and 2003 were as follows:

December 31,	2004	2003
	(Dollars in thousands)	
Deferred tax assets		
Postretirement benefit costs	\$ 72,353	59,215
Regulatory support	12,509	12,464
Net state operating loss carryforwards	48,735	41,358
Other employee benefits	19,096	10,160
Other	31,593	24,819
Gross deferred tax assets	184,286	148,016
Less valuation allowance	(27,112)	(19,735)
Net deferred tax assets	157,174	128,281
Deferred tax liabilities		
Property, plant and equipment, primarily due to depreciation differences	(340,175)	(291,482)
Goodwill	(394,832)	(350,812)
Deferred debt costs	(2,275)	(2,470)
Intercompany profits	(3,301)	(3,485)
Other	(18,348)	(8,583)
Gross deferred tax liabilities	(758,931)	(656,832)
Net deferred tax liability	\$ (601,757)	(528,551)

The Company establishes valuation allowances when necessary to reduce the deferred tax assets to amounts expected to be realized. As of December 31, 2004, the Company had available tax benefits associated with net state operating loss carryforwards, which expire through 2024, of \$48.7 million. The ultimate realization of the benefits of the carryforwards is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers its scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. As a result of such assessment, \$27.1 million was reserved through the valuation allowance as of December 31, 2004 as it is likely that this amount of net operating loss carryforwards will not be utilized prior to expiration.

(13) EARNINGS PER SHARE

In the fourth quarter of 2004, the Company adopted Emerging Issues Task Force No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings Per Share" ("EITF 04-8"). EITF 04-8 requires contingently convertible instruments be included in the diluted earnings per share calculation. The Company's \$165 million Series K senior notes (issued in the third quarter of 2002) are convertible into common stock under various contingent circumstances, including the common stock attaining a specified trading price in excess of the notes' fixed conversion price. Beginning in the fourth quarter of 2004, the Company's diluted earnings per share and diluted shares outstanding reflect the application of EITF 04-8. Prior periods have been restated to reflect this change in accounting.

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

Year ended December 31,	2004	2003	2002
	(Dollars, except per share amounts, and shares in thousands)		
Income (Numerator):			
Income from continuing operations	\$ 337,244	344,707	193,533
Discontinued operations, net of tax	-	-	608,091
Net income	337,244	344,707	801,624
Dividends applicable to preferred stock	(399)	(399)	(399)
Net income applicable to common stock for computing basic earnings per share	336,845	344,308	801,225
Interest on convertible debentures, net of tax	4,829	5,079	1,845
Dividends applicable to preferred stock	399	399	399
Net income as adjusted for purposes of computing diluted earnings per share	\$ 342,073	349,786	803,469
Shares (Denominator):			
Weighted average number of shares outstanding during period	137,225	143,673	141,796
Employee Stock Ownership Plan shares not committed to be released	(10)	(90)	(183)
Weighted average number of shares outstanding during period for computing basic earnings per share	137,215	143,583	141,613
Incremental common shares attributable to dilutive securities:			
Shares issuable under convertible securities	4,514	4,514	1,964
Shares issuable under outstanding stock options	415	682	831
Number of shares as adjusted for purposes of computing diluted earnings per share	142,144	148,779	144,408
Basic earnings per share			
From continuing operations	\$ 2.45	2.40	1.36
From discontinued operations	\$ -	-	4.29
Basic earnings per share	\$ 2.45	2.40	5.66
Diluted earnings per share			
From continuing operations	\$ 2.41	2.35	1.35
From discontinued operations	\$ -	-	4.21
Diluted earnings per share	\$ 2.41	2.35	5.56

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 2.4 million for 2004, 2.6 million for 2003 and 3.3 million for 2002.

(14) STOCK OPTION PROGRAMS

CenturyTel currently 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, 2004, CenturyTel had reserved 9.7 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 and directors 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 2004, 2003 and 2002 were as follows:

Number	Average
--------	---------

	of options	price
-----	-----	-----
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
Exercised	(1,059,414)	22.30
Granted	1,720,317	27.36
Forfeited	(822,133)	33.34
-----	-----	-----
Outstanding December 31, 2003	6,734,572	28.14
Exercised	(827,486)	22.96
Granted	952,975	28.22
Forfeited	(146,503)	27.90
-----	-----	-----
Outstanding December 31, 2004	6,713,558	28.79
=====	=====	=====
Exercisable December 31, 2004	4,686,177	28.71
=====	=====	=====
Exercisable December 31, 2003	3,807,355	27.21
=====	=====	=====

The following tables summarize certain information about CenturyTel's stock options at December 31, 2004.

Options outstanding			
Range of exercise prices	Number of options	Weighted average remaining contractual life outstanding	Weighted average exercise price
-----	-----	-----	-----
\$ 13.33-17.64	605,300	1.7	\$ 14.51
24.36-29.88	3,563,019	7.3	27.68
30.00-39.00	2,523,274	6.1	33.64
45.54-46.19	21,965	4.2	45.62
-----	-----	-----	-----
13.33-46.19	6,713,558	6.3	28.79
=====	=====	=====	=====

Options exercisable			
Range of exercise prices	Number of options exercisable		Weighted average exercise price
-----	-----	-----	-----
\$ 13.33-17.64	605,300		\$ 14.51
24.36-29.88	2,055,911		27.75
30.00-39.00	2,003,001		33.80
45.54-46.19	21,965		45.62
-----	-----	-----	-----
13.33-46.19	4,686,177		28.71
=====	=====	=====	=====

(15) SUPPLEMENTAL CASH FLOW DISCLOSURES

The amount of interest actually paid by the Company, net of amounts capitalized of \$762,000, \$488,000 and \$1.2 million during 2004, 2003 and 2002, respectively, was \$207.2 million, \$221.1 million and \$210.9 million during 2004, 2003 and 2002, respectively. Income taxes paid were \$129.9 million in 2004, \$91.6 million in 2003 and \$325.5 million in 2002. Income tax refunds totaled \$8.9 million in 2004, \$85.7 million in 2003 and \$2.7 million in 2002.

The Company has consummated the acquisitions of various operations, along with certain other assets, during the three years ended December 31, 2004. In connection with these acquisitions, the following assets were acquired and liabilities assumed:

Year ended December 31,	2004	2003	2002
-----	-----	-----	-----
	(Dollars in thousands)		
Property, plant and equipment, net	\$ -	46,390	866,575
Goodwill	5,274	21,743	1,335,157
Deferred credits and other liabilities	(3,381)	21,754	(56,897)
Other assets and liabilities, excluding cash and cash equivalents	107	(3,644)	100,191
-----	-----	-----	-----

Decrease in cash due to acquisitions	\$	2,000	86,243	2,245,026
--------------------------------------	----	-------	--------	-----------

The Company has disposed of various operations reflected within continuing operations, along with certain other assets, during the three years ended December 31, 2004. In connection with these dispositions, the following assets were sold, liabilities eliminated, assets received and gain recognized:

Year ended December 31,	2004	2003	2002
	(Dollars in thousands)		
Other assets and liabilities, excluding cash and cash equivalents	\$ -	-	(435)
Gain on sale of assets	-	-	(3,709)
Increase in cash due to dispositions	\$ -	-	(4,144)

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

(16) 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, 2004 and 2003.

	Carrying Amount	Fair value	
	(Dollars in thousands)		
December 31, 2004			
Financial assets			
Other	\$ 96,808	96,808	(2)
Financial liabilities			
Long-term debt (including current maturities)	\$ 3,011,636	3,132,041	(1)
Interest rate swaps	\$ 6,283	6,283	(2)
Other	\$ 50,860	50,860	(2)
December 31, 2003			
Financial assets			
Other	\$ 82,258	82,258	(2)
Financial liabilities			
Long-term debt (including current maturities)	\$ 3,181,755	3,440,279	(1)
Interest rate swaps	\$ 11,693	11,693	(2)
Other	\$ 44,612	44,612	(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.

(17) BUSINESS SEGMENTS

The Company is an integrated communications company engaged primarily in providing an array of communications services to its customers, including local exchange, long distance, Internet access and broadband services. The Company strives to maintain its customer relationships by, among other things, bundling its service offerings to provide its customers with a complete offering of integrated communications services. Effective in the first quarter of 2004, as a result of the Company's increased focus on integrated bundle offerings and the varied discount structures associated with such offerings, the Company determined that its results of operations would be more appropriately reported as a single reportable segment under the provisions of Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information." Therefore, the results of operations for 2004 reflect the presentation of a single reportable segment. Results of operations for 2003 and 2002 have been conformed to the Company's 2004 presentation of a single reportable segment.

The Company's operating revenues for its products and services include the following components:

Year ended December 31,	2004	2003	2002
	(Dollars in thousands)		
Local service	\$ 716,028	712,565	570,871
Network access	966,011	1,001,462	884,982
Long distance	186,997	173,884	146,536
Data	275,777	244,998	179,695
Fiber transport and CLEC	74,409	43,041	21,666
Other	188,150	191,660	168,246
Total operating revenues	\$ 2,407,372	2,367,610	1,971,996

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

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

(18) COMMITMENTS AND CONTINGENCIES

Construction expenditures and investments in vehicles, buildings and equipment during 2005 are estimated to be \$400 million.

In *Barbrasue Beattie and James Sovis, on behalf of themselves and all others similarly situated, v. CenturyTel, Inc.*, filed on October 29, 2002 in the United States District Court for the Eastern District of Michigan (Case No. 02-10277), the plaintiffs allege that the Company unjustly and unreasonably billed customers for inside wire maintenance services, and seek unspecified money damages and injunctive relief under various legal theories on behalf of a purported class of over two million customers in the Company's telephone markets. The Court has not yet ruled on the plaintiffs' certification motion, and has not yet set a date to resolve this issue. Given the current status of this case, the Company cannot estimate the potential impact, if any, that this case will have on its results of operations.

The Telecommunications Act of 1996 allows local exchange carriers to file access tariffs on a streamlined basis and, if certain criteria are met, deems those tariffs lawful. Tariffs that have been "deemed lawful" in effect nullify an interexchange carrier's ability to seek refunds should the earnings from the tariffs ultimately result in earnings above the authorized rate of return prescribed by the FCC. Certain of the Company's telephone subsidiaries file interstate tariffs directly with the FCC using this streamlined filing approach. As of December 31, 2004, the amount of the Company's earnings in excess of the authorized rate of return reflected as a liability on the balance sheet for the combined 2001/2002 and 2003/2004 monitoring periods aggregated approximately \$63 million. The settlement period related to (i) the 2001/2002 monitoring period lapses on September 30, 2005 and (ii) the 2003/2004 monitoring period lapses on September 30, 2007. The Company will continue to monitor the legal status of any pending or future proceedings that could impact its entitlement to these funds, and may recognize as revenue some or all of the over-earnings at the end of the settlement period or as the legal status becomes more certain.

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

* * * * *

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

	First quarter	Second quarter	Third quarter	Fourth quarter
(Dollars in thousands, except per share amounts) (unaudited)				
2004				
Operating revenues	\$ 593,704	603,555	603,879	606,234
Operating income	\$ 183,557	189,911	190,869	189,616
Net income	\$ 83,279	83,284	86,192	84,489
Basic earnings per share	\$.58	.60	.64	.63
Diluted earnings per share	\$.57	.59	.63	.62
2003				
Operating revenues	\$ 578,014	586,729	600,264	602,603
Operating income	\$ 184,773	188,381	190,781	186,461
Net income	\$ 83,919	87,367	90,979	82,442
Basic earnings per share	\$.59	.61	.63	.57
Diluted earnings per share	\$.58	.60	.62	.56
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	\$ 43,117	41,482	64,589	44,345
Net income	\$ 70,767	78,763	607,749	44,345
Basic earnings per share from continuing operations	\$.30	.29	.46	.31
Basic earnings per share	\$.50	.56	4.29	.31
Diluted earnings per share from continuing operations	\$.30	.29	.45	.31
Diluted earnings per share	\$.50	.55	4.20	.31

Diluted earnings per share for all periods has been restated to reflect the application of EITF 04-8. See Note 13 for additional information.

Diluted earnings per share for the fourth quarter of 2003 included a \$.06 per share charge related to operating taxes, net of related revenue effect, and interest associated with various operating tax audits.

Diluted earnings per share for the third quarter of 2002 included \$3.67 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 \$.26 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.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. The Company maintains disclosure controls and procedures designed to provide reasonable assurances that information required to be disclosed by the Company in the reports it files under the Securities Exchange Act of 1934 is timely recorded, processed, summarized and reported as required. 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 as of December 31, 2004. Based on the evaluation, Messrs. Post and Ewing concluded that the Company's disclosure controls and procedures have been effective in providing reasonable assurance that they have been timely alerted of material information required to be filed in this annual report. Since the date of Messrs. Post's and Ewing's most recent evaluation, there have been no significant changes in 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. Because of the inherent limitations in any control system, you should be aware that misstatements due to error or fraud could occur and not be detected.

Reports on Internal Controls Over Financial Reporting. Incorporated by reference from the reports appearing at the forefront of Item 8

"Financial Statements and Supplementary Data".

Item 9B. Other Information

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	52	Chairman of the Board of Directors and Chief Executive Officer
Karen A. Puckett	44	President and Chief Operating Officer
R. Stewart Ewing, Jr.	53	Executive Vice President and Chief Financial Officer
David D. Cole	47	Senior Vice President - Operations Support
Stacey W. Goff	39	Senior Vice President, General Counsel and Secretary
Michael Maslowski	57	Senior Vice President and Chief Information Officer

Each of the Registrant's executive officers, except for Ms. Puckett and Mr. Goff, 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.

Ms. Puckett has served as President and Chief Operating Officer of the Company since August 2002, as Executive Vice President and Chief Operating Officer of the Company from July 2000 through August 2002 and as Sales and Marketing Senior Officer of BroadStream Communications from July 1999 through July 2000. 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 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 August 2003, Mr. Goff was promoted to Senior Vice President, General Counsel and Secretary. He previously served as Vice President and Assistant General Counsel from 2000 to July 2003 and as Director-Corporate Legal from 1998 to 2000.

The balance of the information required by Item 10 is incorporated by reference to the Registrant's definitive proxy statement relating to its 2005 annual meeting of stockholders (the "Proxy Statement"), which Proxy Statement will be filed pursuant to Regulation 14A within the first 120 days of 2005.

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 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. Principal Accountant Fees and Services

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

PART IV

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

a. Documents filed as a part of this report

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

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

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

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

Consolidated Statements of Income for the years ended December 31, 2004, 2003 and 2002

Consolidated Statements of Comprehensive Income for the years ended December 31, 2004, 2003 and 2002

Consolidated Balance Sheets - December 31, 2004 and 2003

Consolidated Statements of Cash Flows for the years
ended December 31, 2004, 2003 and 2002

Consolidated Statements of Stockholders' Equity for the
years ended December 31, 2004, 2003 and 2002

Notes to Consolidated Financial Statements

Consolidated Quarterly Income Statement Information (unaudited)

(2) Schedule:*

II Valuation and Qualifying Accounts

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

(3) 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 August 26, 2003 (incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K dated August 26, 2003 and filed on December 2, 2003).

3.3 Corporate Governance Guidelines, as amended through February 22, 2005, included elsewhere herein.

3.4 Charters of Committees of Board of Directors

(a) Charter of the Audit Committee of the Board of Directors, as amended through November 18, 2004, included elsewhere herein.

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

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

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

4.1 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).

4.2 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).

4.3 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 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).

(c) 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).

(d) 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).

(e) For information on Registrant's Series J notes and related First Supplemental Indenture, see Item 4.6 below.

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

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

(h) Board resolutions designating the terms and conditions of CenturyTel's 7.875% Senior Notes, Series L, due 2012 (incorporated by reference to exhibit 4.2 of 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 4.3(h)).

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

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

4.4 \$750 Million Five-Year Revolving Credit Facility, dated March 7, 2005, between CenturyTel, Inc. and the lenders named therein, included elsewhere herein.

4.5 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).

4.6 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 (incorporated by reference to Exhibit 10.1(a) of Registrant's Annual Report on Form 10-K for the year ended December 31, 2002).

(b) Registrant's Dollars & Sense Plan and Trust, as amended and restated, effective September 1, 2000 and amendment thereto dated December 31, 2002 (incorporated by reference to Exhibit 10.1(b) of Registrant's Annual Report on Form 10-K for the year ended December 31, 2002).

(c) Registrant's Amended and Restated Retirement Plan, effective as of February 28, 2002, and amendment thereto dated December 31, 2002 (incorporated by reference to Exhibit 10.1(c) of Registrant's Annual Report on Form 10-K for the year ended December 31, 2002).

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 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) and amendment thereto dated May 29, 2003 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003).

(i) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of 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 February 22, 1999, relating to equity incentive awards granted in 1999 pursuant to the Registrant's 1995 Incentive Compensation Plan that were vested or earned wholly or in part in early 2004 (incorporated by reference to Exhibit 10.1(x) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1999).

(c) 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) and amendment thereto dated May 29, 2003 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003).

(i) Form of Stock Option Agreement, pursuant to the 2000 Incentive Compensation Plan and dated as of May 21, 2001, entered into by 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 (incorporated by reference to Exhibit 10.2(d)(ii) of Registrant's Annual Report on Form 10-K for the year ended December 31, 2002).

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

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

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

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

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

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

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

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

(v) Form of Stock Option Agreement, pursuant to the foregoing plan and dated as of February 17, 2005, entered into by Registrant and its officers, included elsewhere herein.

(vi) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 17, 2005, entered into by Registrant and its executive 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 (incorporated by reference to Exhibit 10.3(g) of Registrant's Annual Report on Form 10-K for the year ended December 31, 2002).

(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 Executive Officer Short-Term Incentive Program (incorporated by reference to 2001 Proxy Statement).

(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) 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).

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

(c) Form of Change of Control Agreement dated July 24, 2000, by and between 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).

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

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

21 Subsidiaries of the Registrant, included elsewhere herein.

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

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

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

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

Reports on Form 8-K.

The following items were reported in a Form 8-K filed October 28, 2004:

Items 2.02 and 9.01. Results of Operations and Financial Condition - News release announcing third quarter 2004 operating results.

/s/ C. G. Melville, Jr. Director

C. G. Melville, Jr. March 16, 2005

/s/ Fred Nichols Director

Fred Nichols March 16, 2005

/s/ Harvey P. Perry Director

Harvey P. Perry March 16, 2005

/s/ Jim D. Reppond Director

Jim D. Reppond March 16, 2005

/s/ Joseph R. Zimmer Director

Joseph R. Zimmer March 16, 2005

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

For the years ended December 31, 2004, 2003 and 2002

Description	Balance at beginning of period	Additions charged to costs and expenses	Deductions from allowance	Other changes	Balance at end of period

(Dollars in thousands)					
Year ended December 31, 2004					
Allowance for doubtful accounts	\$ 23,679	27,872	(30,364) (1)	-	21,187
Valuation allowance for deferred tax assets	\$ 19,735	7,377	-	-	27,112
Year ended December 31, 2003					
Allowance for doubtful accounts	\$ 33,962	31,910	(42,193) (1)	-	23,679
Valuation allowance for deferred tax assets	\$ 28,380	12,978	(21,623) (2)	-	19,735
Year ended December 31, 2002					
Allowance for doubtful accounts	\$ 13,908	34,045	(17,134) (1)	3,143 (3)	33,962
Valuation allowance for deferred tax assets	\$ 19,691	8,689	-	-	28,380

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

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

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

CENTURYTEL, INC.

CORPORATE GOVERNANCE GUIDELINES

(as amended through February 22, 2005)

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, character, 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. It is the general sense of the Board that no more than two management directors should serve on the Board.

Nominees for directorship will be selected 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 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, following a review by the Nominating and Corporate Governance Committee, to determine 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.

Directors will be deemed to be "independent" if (i) the Board affirmatively confirms that neither the director nor any organization with which the director is affiliated receives any payments from the Company other than Permissible Directors Compensation (as defined below) and (ii) none of the disqualifying events or conditions specified in Rule 303A(2)(b) of the NYSE Listed Company Manual apply to the director. For purposes hereof, "Permissible Directors Compensation" means (i) director and committee fees, (ii) reimbursement for an annual physical, continuing education, travel and other out-of-pocket expenses in accordance with the Company's applicable policies and (iii) a pension or other form of deferred compensation for prior service, provided such compensation is not contingent in any way on continued service. The Board may make determinations or interpretations under this paragraph, provided that they are 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 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, as defined in Section 1 above.

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. Any appointments or removals of committee members will be made by the Board in accordance with the Company's bylaws.

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 Chair 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 Chair 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, and shall have the power to obtain and review any information that the committee deems necessary to perform the functions described in its charter.

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 maintain an Orientation Program for new directors. 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 may 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 include 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 maintain a Continuing Education Program for directors, pursuant to which it will 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 Nominating and Corporate Governance Committee will provide a report of its findings to the Board of Directors (with appropriate recusals of the CEO and other management directors, as necessary) to enable the Board 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. Standards of Business Conduct and Ethics

All of the Company's directors, officers and employees are required to abide by the Company's long-standing Corporate Compliance Program, which includes standards of business conduct and ethics. The Company's program and related procedures cover all areas of professional conduct, including employment policy, conflicts of interests, protection of confidential information, as well as strict adherence to all laws and regulations applicable to the conduct of the Company's business.

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.

o Sections 1, 3, 6 and 7 amended by the Nominating and Corporate Governance Committee and the Board of Directors on November 18, 2003 and November 20, 2003, respectively.

o Sections 1, 3 and 9 amended by the Nominating and Corporate Governance Committee and the Board of Directors on February 19, 2004 and February 25, 2004, respectively.

o Section 1 amended by the Nominating and Corporate Governance Committee and the Board of Directors on February 18, 2005 and February 22, 2005, respectively.

Exhibit 3.4(a)

CENTURYTEL, INC.

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

(as amended through November 18, 2004)

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

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

II. COMPOSITION

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

IV. POWERS

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

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

The Audit Committee shall have the power to (a) obtain and review any information that the Audit Committee deems necessary to perform its oversight functions and (b) conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities.

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

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

V. PERIODIC OVERSIGHT TASKS

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

VI. LIMITATIONS

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

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

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

* * * * *

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, February 25, 2003, February 25, 2004 and November 18, 2004, 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 under ISB Standard No. 1 and employment relationships proscribed under Rule 2-01(c)(2) of Regulation S-X*	X				X
4. discuss the scope and comprehensiveness of the audit plan, including changes from prior years and the coordination of the efforts of the outside and internal auditors		X			X
Review of Financial Information -----					
5. meet to review and discuss with management and the outside auditors the Company's quarterly financial statements and MD&A disclosures prior to their public release	X	X	X	X	
6. discuss with management the Company's financial information and earnings guidance provided to analysts and rating agencies	X	X	X	X	
7. review with management and the outside auditors the Company's financial information, including (a) any report, opinion or review rendered on the financial statements by management or the outside auditors (including under SAS No. 61 or 71), (b) any analysis prepared by management or the outside auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements and (c) the effect of regulatory and accounting initiatives	X	X	X	X	
8. review and discuss reports from the outside auditors on:	X				X
(a) the Company's critical accounting policies					
(b) all alternative treatments of financial information within GAAP that have been discussed with 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. review with management and the outside auditors major issues regarding accounting principles and financial statement presentations, if any, including (a) significant changes in the Company's selection or application of accounting principles, (b) major issues as to the adequacy of the Company's internal controls, its disclosure controls and procedures, or its financial reporting processes, and (c) special audit steps adopted in light of material control deficiencies	X	X	X	X	
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
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 over financial reporting 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 (a) non-audit services that the Chairman (or any subcommittee) pre-cleared the outside auditor to perform since the last meeting, (b) letters received by the Chairman under the Company's accounting complaint procedures and (c) any other "whistle blower" reports alleging material violations within the purview of the Audit Committee's functions

X X X X X

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

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, and (d) assurances that the outside auditing firm is registered in good standing with the Public Company Accounting Oversight Board						X
24. review and evaluate the lead audit partner and ensure his rotation as required by law					X	
25. monitor the effectiveness of the Company's hiring policies for employees or former employees of the outside auditors (maintained under Section 10A(1) of the Exchange Act and NYSE Rule 303A(7))						X
Oversight of the Company's Internal Auditors -----						
26. review the performance of the head of the internal audit department, and replace if necessary						X
27. meet, if possible, with the entire internal auditing staff					X	
28. review significant reports to management prepared by the internal auditing department and management's responses		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 for the upcoming year (including the use of third party firms) and any recommended changes thereto						X
Compliance Oversight Responsibilities -----						
30. monitor the effectiveness of the Company's procedures for receiving, retaining, and handling confidential, anonymous complaints regarding accounting, controls or auditing matters (maintained under SEC Rule 10A-3)						X
31. discuss any correspondence with regulators 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 self-review criteria						X
38. conduct self-review; 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: November 18, 2004.

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

EXECUTION COPY

\$750,000,000

FIVE-YEAR REVOLVING CREDIT AGREEMENT

Dated as of

March 7, 2005

among

CENTURYTEL, INC.,

THE LENDERS NAMED HEREIN,

JPMORGAN CHASE BANK, N.A.

as Administrative Agent,

WACHOVIA BANK, N.A.,

as Syndication Agent,

BANK OF AMERICA, N.A.,

THE BANK OF TOKYO-MITSUBISHI, LTD.,

COBANK, ACB

and

SUNTRUST BANK,

as Co-Documentation Agents

J.P. MORGAN SECURITIES INC. WACHOVIA SECURITIES, INC.

As Joint Bookrunners and Co-Lead Arrangers

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Financial Report Certificate
Assignment and Assumption
Increased Facility Activation Notice
New Lender Supplement

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Exhibit B
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CREDIT AGREEMENT (this "Agreement"), dated as of March 7, 2005, among CENTURYTEL, INC., a Louisiana corporation (the "Borrower"), the several banks and other financial institutions or entities from time to time parties to this Agreement (the "Lenders"), WACHOVIA BANK, N.A., as syndication agent (in such capacity, the "Syndication Agent"), BANK OF AMERICA, N.A., THE BANK OF TOKYO-MITSUBISHI, LTD., COBANK, ACB and SUNTRUST BANK, as co-documentation agents (in such capacity, the "Co-Documentation Agents"), and JPMORGAN CHASE BANK, N.A., as administrative agent (in such capacity, the "Administrative Agent").

The parties hereto hereby agree as follows:

SECTION 1

DEFINITIONS.

1.1. Certain Defined Terms.

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"ABR" means, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. For purposes hereof: "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank as its prime rate in effect at its principal office in New York City (the Prime Rate not being intended to be the lowest rate of interest charged by JPMorgan Chase Bank in connection with extensions of credit to debtors). Any change in the ABR due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

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

"Acquisitions" means the acquisition by the Borrower or its Subsidiaries of at least a majority of the capital stock or all or substantially all of the Property of another Person, division of another Person or other business unit of another Person, whether or not involving a merger or consolidation of such Person, provided that such Person or Property is used or useful in the same or a similar line of business as set forth on Schedule 4.17 hereto (or any reasonable extensions or expansions thereof).

"Adjusted Consolidated Net Worth" means, as of the date of determination, Consolidated Net Worth minus (i) deferred assets other than prepaid insurance, prepaid taxes, prepaid interest, extraordinary retirements, and deferred charges where such deferred charges are considered by Tribunals when setting rates, (ii) patents, copyrights, trademarks, trade names, franchises, experimental expense, goodwill (other than goodwill arising from the purchase of capital stock or assets of a Person engaged in the business described on Schedule 4.17) and similar intangible or intellectual property, and (iii) unamortized debt discount and expense (other than debt discount and expense of the Companies located in jurisdictions where such items are considered by Tribunals when setting rates).

"Administrative Agent" is defined in the introduction to this Agreement.

"Affiliate" of any Person means any other individual or entity that directly or indirectly controls, or is controlled by, or is under common control with, such Person, and, for purposes of this definition only, "control," "controlled by," and "under common control with" mean possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person (whether through ownership of Voting Stock, by contract, or otherwise).

"Agents" means the Administrative Agent, the Syndication Agent and the Co-Documentation Agents.

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

"Applicable Margin" means, at the time of any determination thereof, for purposes of all Loans, the margin of interest over the ABR or the Eurodollar Rate, as the case may be, which is applicable at the time of any determination of interest rates under this Agreement, which Applicable Margin shall be adjusted based on the Senior Unsecured Long-Term Debt Rating, as determined as of the last day of the immediately preceding fiscal quarter of the Borrower, as follows:

Senior Unsecured Long-Term Debt Rating	Eurodollar Loan Margin	ABR Loan Margin
A- or A3 or better	37.5 basis points	0 basis points
BBB+ or Baal	50.0 basis points	0 basis points

BBB or Baa2	62.5 basis points	0 basis points
BBB- or Baa3	87.5 basis points	0 basis points
Below BBB- or Baa3	100.0 basis points	0 basis points

Until the delivery to the Lenders of the Borrower's audited financial statements for the 2004 fiscal year, the Senior Unsecured Long-Term Debt Rating shall be deemed to be no higher than BBB+ and Baa1.

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

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

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

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

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

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

"Board" means the Board of Governors of the Federal Reserve System of the United States.

"Borrower" is defined in the introduction to this Agreement.

"Borrowing" means a borrowing consisting of simultaneous Loans from each of the Lenders distributed ratably among the Lenders in accordance with their respective Commitments.

"Borrowing Date" means the Business Day upon which the proceeds of any Borrowing are to be made available to the Borrower.

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

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

"Cash Equivalents" means, as at any date, (a) securities issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof) having maturities of not more than twelve months from the date of acquisition, (b) dollar denominated time deposits and certificates of deposit of (i) any Lender, (ii) any domestic commercial bank of recognized standing having capital and surplus in excess of \$500,000,000 or (iii) any bank whose short-term commercial paper rating from S&P is at least A-1 or the equivalent thereof or from Moody's is at least P-1 or the equivalent thereof (any such bank being an "Approved Bank"), in each case with maturities of not more than 270 days from the date of acquisition, (c) commercial paper and variable or fixed rate notes issued by any Approved Bank (or by the parent company thereof) or any variable rate notes issued by, or guaranteed by, any domestic corporation rated A-1 (or the equivalent thereof) or better by S&P or P-1 (or the equivalent thereof) or better by Moody's and maturing within six months of the date of acquisition, (d) repurchase agreements entered into by any Person with a bank or trust company (including any of the Lenders) or recognized securities dealer having capital and surplus in excess of \$500,000,000 for direct obligations issued by or fully guaranteed by the United States in which such Person shall have a perfected first priority security interest (subject to no other Liens) and having, on the date of purchase thereof, a fair market value of at least 100% of the amount of the repurchase obligations and (e) investments, classified in accordance with GAAP as current assets, in money market investment programs registered under the Investment Company Act of 1940, as amended, which are administered by reputable financial institutions having capital of at least \$500,000,000 and the portfolios of which are limited to investments of the character described in the foregoing subdivisions (a) through (d).

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

"Closing Date" means March 7, 2005.

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

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

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

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

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

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

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

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

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

"Confidential Information Memorandum" means the Confidential Information Memorandum dated February 23, 2005 and furnished to certain Lenders.

"Consolidated Net Worth" means, as of the date of determination, the amount of stated capital plus (or minus, in the case of a deficit) the capital surplus and earned surplus of the Companies, as calculated in accordance with GAAP (but treating Minority Interests in Subsidiaries as liabilities and excluding the contra-equity account resulting from the Borrower's obligations under its employee stock ownership plan commitments). For purposes of this Agreement, Consolidated Net Worth shall exclude the effect of FASB Statements No. 101 ("Regulated Enterprises-Accounting for the Discontinuation of Application of FASB Statement No. 71"), 106 ("Employers' Accounting for Postretirement Benefits Other than Pensions"), 142 ("Goodwill and Other Intangible Assets") and 144 ("Accounting for the Impairment or Disposal of Long-Lived Assets") of the Financial Accounting Standards Board.

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

"Current Date" means any date after February 1, 2005.

"Current Financials" means the consolidated Financial Statements of the Companies for the fiscal year ended December 31, 2003, and the nine months ended September 30, 2004.

"Debt" means (without duplication), for any Person, all obligations, contingent or otherwise (including, without limitation, contingent obligations in connection with letters of credit), which in accordance with GAAP should be classified upon such Person's balance sheet as liabilities, but in any event including, without limitation, whether or not such obligations in accordance with GAAP should be classified as liabilities, (a) liabilities secured (or for which the holder of such Debt has an existing Right, contingent or otherwise, to be so secured) by any Lien existing on property owned or acquired by such Person or a Subsidiary thereof (whether or not the liability secured thereby shall have been assumed), (b) obligations which have been or under GAAP should be capitalized for financial reporting purposes, (c) all guaranties, endorsements, and other contingent obligations with respect to Debt of others, including, but not limited to, any obligations to purchase, sell, or furnish property or services intended by a Company primarily for the purpose of enabling such other Person to make payment of any of such Person's Debt, or to otherwise assure the holder of any of such Debt against loss with respect thereto, and (d) liabilities under any Swap Agreement.

"Debt Rating" means the public debt rating by S&P and Moody's for that class of non-credit enhanced, senior unsecured debt with an original term of longer than one year issued by the Borrower which has the lowest rating of all classes of non-credit enhanced, senior unsecured debt with an original term of longer than one year issued by the Borrower.

"Debtor Relief Laws" means the Bankruptcy Code of the United States of America and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, fraudulent transfer or conveyance, suspension of payments, or similar Laws from time to time in effect affecting the Rights of creditors generally.

"Default" means the occurrence of any event which with the giving of notice or the passage of time or both would become an Event of Default.

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

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

"Eligible Reinvestment" means (i) any acquisition (whether or not constituting a capital expenditure, but not constituting an Acquisition) of assets or any business (or any substantial part thereof) used or useful in the same or a similar line of business as set forth on Schedule 4.17 hereto (or any reasonable extensions or expansions thereof) and (ii) any Acquisition.

"Environmental Law" means any Law that relates to the environment or handling or control of Hazardous Substances.

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

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated thereunder.

"ERISA Affiliate" means any company or trade or business (whether or not incorporated) which, for purposes of Title IV of ERISA, is a member of a group of which Borrower is a member and which is under common control with Borrower within the meaning of section 414 of the Code.

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

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

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

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

Eurodollar Base Rate

1.00 - Eurocurrency Reserve Requirements

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

"Event of Default" means any of the events described in Section 8, provided there has been satisfied any requirement in connection therewith for the giving of notice, lapse of time, or happening of any further condition, event, or act.

"Excess Utilization Day" means each day on which the Commitment Utilization Percentage equals or exceeds 50%.

"Existing Credit Agreement" means that certain \$533,333,333 Three-Year Revolving Credit Agreement dated as of July 22, 2002, among the Borrower, the lenders party thereto, JPMorgan Chase Bank, as administrative agent, Wachovia Bank, N.A., as syndication agent and Bank of America, N.A., Bank One, NA and SunTrust Bank, as co-documentation agents, as amended, restated, supplemented or modified from time to time.

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

"Financial Officer" means the chief financial officer, treasurer or controller of the Borrower.

"Financial Report Certificate" means a certificate substantially in the form of Exhibit C.

"Financial Statements" means balance sheets, income statements, statements of stockholders' equity, and statements of cash flow prepared in comparative form to the corresponding period of the preceding fiscal year.

"Funded Debt" with respect to any Person, shall mean and include, as of any date as of which the amount thereof is to be determined, (a) indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than current trade payables incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) liabilities secured (or for which the holder thereof has an existing Right, contingent or otherwise, to be so secured) by any Lien existing on property owned or acquired by such Person or a Subsidiary thereof (whether or not the liability secured thereby shall have been assumed), (f) obligations of such Person which have been or under GAAP should be capitalized for financial reporting purposes, and (g) Attributable Debt of such Person, but excluding (i) indebtedness secured by or borrowed against the cash surrender value of life insurance policies up to the amount of such cash surrender value and (ii) an amount equal to 80% of the outstanding principal amount of indebtedness under the Equity Units.

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

"GAAP" means generally accepted accounting principles of the Accounting Principles Board of the American Institute of Certified Public Accountants and the Financial Accounting Standards Board which are applicable as of the date of the Financial Statements in question.

"Guaranty" means by any particular Person, all obligations of such Person guaranteeing or in effect guaranteeing any Debt, dividend or other obligation of any other Person (the "primary obligor") in any manner whether directly or indirectly, including, without limitation of the generality of the foregoing, obligations incurred through an agreement, contingent or otherwise, by such particular Person (i) to purchase such Debt or obligation or any property or assets constituting security therefor, (ii) to advance or supply funds (x) for the purchase or payment of such Debt or obligation or (y) to maintain working capital or equity capital or otherwise to advance or make available funds for the purchase or payment of such Debt or obligation, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of such Debt or obligation of the ability of the primary obligor to make payment of the Debt or obligation or (iv) otherwise to assure the owner of the Debt or obligation of the primary obligor against loss in respect thereof.

"Hazardous Substance" means any hazardous or toxic waste, pollutant, contaminant, or substance.

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

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

"Indemnified Parties" is defined in Section 11.21.

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

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

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

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

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

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

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

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

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

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

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

"Lenders" means those lenders signatory hereto and other financial institutions which from time to time become party hereto pursuant to the provisions of this Agreement.

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

"Lien" means any lien, mortgage, security interest, pledge, assignment, charge, title retention agreement, or encumbrance of any kind, and any other Right of or arrangement with any creditor to have his claim satisfied out of any property or assets, or the proceeds therefrom, prior to the general creditors of the owner thereof.

"Litigation" means any action conducted, pending, or threatened by or before any Tribunal.

"Loan Papers" means (i) this Agreement, certificates delivered pursuant to this Agreement, and exhibits and schedules hereto, (ii) any notes, security documents, guaranties, and other agreements in favor of the Agents and the Lenders, or any or some of them, ever delivered in connection with this Agreement, and (iii) all renewals, extensions, or restatements of, or amendments or supplements to, any of the foregoing.

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

"Majority Lenders" means at any time the Lenders holding at least 51% of the then aggregate Revolving Extensions of Credit or, if no Revolving Extensions of Credit are outstanding, the Lenders having at least 51% of the Available Commitments.

"Margin Stock" means "margin stock" within the meaning of Regulations T, U, or X of the Board.

"Material Adverse Effect" means any set of one or more circumstances or events which, individually or collectively, will result in any of the following:

(a) a material and adverse effect upon the validity or enforceability of any Loan Paper, (b) a material and adverse effect on the consolidated financial condition of the Companies represented in the later of the Current Financials or the most recent audited consolidated Financial Statements, (c) a Default or (d) the issuance of an accountant's report on the Companies' consolidated Financial Statements containing an explanatory paragraph about the entity's ability to continue as a going concern (as defined in accordance with Generally Accepted Auditing Standards).

"Material Agreement" of any Person means any material written or oral agreement, contract, commitment, or understanding to which such Person is a party, by which such Person is directly or indirectly bound, or to which any assets of such Person may be subject, and which is not cancelable by such Person upon 30 days or less notice without liability for further payment other than nominal penalty, and which requires such Person to pay more than 1 percent of Consolidated Net Worth during any 12-month period.

"Minority Interest" means, with respect to any Subsidiary, an amount determined by valuing preferred stock held by Persons other than the Borrower and its wholly-owned Subsidiaries at the voluntary or involuntary liquidating value of such preferred stock, whichever is greater, and by valuing common stock or partnership interests held by Persons other than the Borrower and its wholly-owned Subsidiaries at the book value of capital and surplus applicable thereto on the books of such Subsidiary adjusted, if necessary, to reflect any changes from the book value of common stock required by the foregoing method of valuing Minority Interest attributable to preferred stock.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan as defined in sections 3(37) or 4001(a)(3) of ERISA or section 414 of the Code to which any Company or any ERISA Affiliate is making, or has made, or is accruing, or has accrued, an obligation to make contributions.

"Net Cash Proceeds" means the aggregate cash or Cash Equivalents proceeds received by the Company in respect of any disposition of assets as contemplated by Section 7.7(g), net of (a) direct costs (including, without limitation, legal, accounting and investment banking fees, and sales commissions), (b) taxes paid or payable as a result thereof and (c) the amount necessary to retire any Debt secured by a Permitted Lien on the related Property (unless the purchaser of the assets has assumed the obligations to repay such Debt); it being understood that "Net Cash Proceeds" shall include, without limitation, any cash or Cash Equivalents received upon the sale or other disposition of any non-cash consideration received by any such Company in any disposition of assets.

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

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

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

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

"Note" means a promissory note of the Borrower, in substantially the form of Exhibit A hereto, with the blanks appropriately completed, evidencing the aggregate indebtedness of the Borrower to such Lender resulting from the Loans made by such Lender to the Borrower, together with all modifications, extensions, renewals, and rearrangements thereof.

"Obligation" means all present and future indebtedness, obligations, and liabilities, and all renewals, extensions, and modifications thereof, owed to the Agents and the Lenders, or any or some of them, by the Borrower, arising pursuant to any Loan Paper, together with all interest thereon and costs, expenses, and attorneys' fees incurred in the enforcement or collection thereof.

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

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

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

"Permitted Liens" means (a) any Lien securing Debt incurred for the purchase or capital lease of one or more assets, if such Lien encumbers only the assets so purchased or leased; (b) pledges or deposits made to secure payment of workers' compensation, or to participate in any fund in connection with workers' compensation, unemployment insurance, pensions, or other social security programs; (c) good-faith pledges or deposits made to secure performance of bids, tenders, contracts (other than for the repayment of borrowed money), or leases, or to secure statutory obligations, surety or appeal bonds, or indemnity, performance, or other similar bonds in the ordinary course of business; (d) encumbrances and restrictions on the use of real property which do not materially impair such property; (e) (i) Liens for Taxes, (ii) Liens upon,

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

"Person" means and includes an individual, partnership, joint venture, corporation, trust, limited liability company, limited liability partnership, or other entity, Tribunal, unincorporated organization, or government, or any department, agency, or political subdivision thereof.

"Plan" means any plan defined in Section 4021(a) of ERISA in respect of which the Borrower is an "employer" or a "substantial employer" as such terms are defined in ERISA.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

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

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

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

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

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

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

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

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

(b) with which neither the Borrower nor any Subsidiary has any material contract, agreement, arrangement or understanding

(except in connection with a Qualified Receivables Transaction) other than on terms no less favorable to the Borrower or such Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Borrower, other than fees payable in the ordinary course of business in connection with servicing accounts receivable; and

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

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

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

"Regulation D" means Regulation D of the Board, as the same is from time to time in effect, and all official rulings and interpretations thereunder or thereof.

"Regulatory Change" means, with respect to any Lender, (a) any adoption or change after the date hereof of or in United States federal, state or foreign Laws (including Regulation D) or guidelines applying to a class of banks including such Lender, (b) the adoption or making after the date hereof of any interpretations, directives or requests applying to a class of banks including such Lender of or under any United States federal, state or foreign Laws or guidelines (whether or not having the force of law) by any Tribunal, monetary authority, central bank, or comparable agency charged with the interpretation or administration thereof, or (c) any change in the interpretation or administration of any United States federal, state or foreign Laws or guidelines applying to a class of banks including such Lender by any Tribunal, monetary authority, central bank, or comparable agency charged with the interpretation or administration thereof.

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

"Restricted Payment" means

(a) the declaration or payment of dividends by the Borrower, or distribution (in cash, property, obligations or other securities or any combination thereof) on account of any shares of any class of capital stock of the Borrower, or

(b) other payments or distributions by the Borrower whether by reduction of capital or otherwise on account of any shares of any class of capital stock of the Borrower, or

(c) the setting apart of money for a sinking or other analogous fund by the Borrower for the purchase, redemption, retirement or other acquisition of any shares of any class of capital stock of the Borrower, or any warrant, option or other right to acquire any capital stock of the Borrower;

but in each case in (a), (b) and (c) above, excluding dividends or other distributions payable solely in common stock of the Borrower.

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

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

"Rights" means rights, remedies, powers, and privileges.

"S&P" means Standard and Poor's Ratings Services, Inc., a division of The McGraw Hill Companies, Inc.

"Senior Unsecured Long-Term Debt Rating" means, as of any date, the Debt Rating that has been most recently announced by S&P and Moody's. In connection with any determination of the Senior Unsecured Long-Term Debt Rating pursuant to the immediately preceding sentence:

(i) for purposes of determining the Applicable Margin or the Commitment Fee Percentage, (a) if only one of S&P and Moody's shall have in effect a public debt rating, the Applicable Margin and the Commitment Fee Percentage (as set forth in Section 2.4(a)) shall be determined by reference to the available rating; (b) if the ratings established by S&P and Moody's shall fall within different levels, the Applicable Margin and the Commitment Fee Percentage shall be based upon the higher rating, except that if the difference is two or more levels, the Applicable

Margin and the Commitment Fee Percentage shall be based on the rating that is one level below the higher rating; (c) if any rating established by S&P or Moody's shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change; (d) if S&P or Moody's shall change the basis on which ratings are established, each reference to the public debt rating announced by S&P or Moody's, as the case may be, shall refer to the then equivalent rating by S&P or Moody's, as the case may be; (e) if neither S&P nor Moody's shall have in effect a public debt rating but at least one of S&P and Moody's has in effect a rating for any class of senior secured debt with an original term of longer than one year issued by the Borrower, the Applicable Margin and Commitment Fee Percentage shall be determined by reference to a rating that is one level lower than the rating that has been most recently announced by S&P and Moody's for such class of debt; and (f) if neither S&P nor Moody's shall have in effect either a public debt rating or a rating for any class of senior secured debt with an original term of longer than one year issued by the Borrower, the Applicable Margin and Commitment Fee Percentage shall be set in accordance with the lowest level rating and highest percentage rate set forth in the respective tables relating to "Applicable Margin" and "Commitment Fee Percentage", as the case may be; and

(ii) for purposes of Section 7.7(f), (a) if only one of S&P and Moody's shall have in effect a public debt rating, the Senior Unsecured Long-Term Debt Rating shall be determined by reference to the available rating; (b) if the ratings established by S&P and Moody's shall fall within different levels, the Senior Unsecured Long-Term Debt Rating shall be based upon the lower rating; (c) if any rating established by S&P or Moody's shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change; (d) if S&P or Moody's shall change the basis on which ratings are established, each reference to the public debt rating announced by S&P or Moody's, as the case may be, shall refer to the then equivalent rating by S&P or Moody's, as the case may be; (e) if neither S&P nor Moody's shall have in effect a public debt rating but at least one of S&P and Moody's has in effect a rating for any class of senior secured debt with an original term of longer than one year issued by the Borrower, the Senior Unsecured Long-Term Debt Rating shall be deemed to be the rating that is one level lower than the rating that has been most recently announced by S&P and Moody's for such class of debt; and (f) if neither S&P nor Moody's shall have in effect either a public debt rating or a rating for any class of senior secured debt with an original term of longer than one year issued by the Borrower, the Debt Rating by S&P shall be deemed to be less than BBB+ and the Debt Rating by Moody's shall be deemed to be less than Baa2.

"Significant Subsidiary" means a Subsidiary of the Borrower (i) the assets of which equal or exceed 5% of all assets of the Borrower and its Subsidiaries as shown on a consolidated balance sheet of the Borrower and its Subsidiaries, (ii) the operating revenue of which, for the most recently ended period of twelve consecutive months, equals or exceeds 5% of the operating revenues of the Borrower and its Subsidiaries for such period, or (iii) the net income of which, for the most recently ended period of twelve consecutive months, equals or exceeds 5% of the net income of the Borrower and its Subsidiaries for such period.

"Solvent" means, as to any Person at the time of determination, that

(a) the aggregate fair value of such Person's assets exceeds the present value of its liabilities (whether contingent, subordinated, unmatured, unliquidated, or otherwise), and (b) such Person has sufficient cash flow to enable it to pay its Debts as they mature.

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

"Subsidiary" means any Person with respect to which Borrower or any one or more Subsidiaries owns directly or indirectly 50% or more of the issued and outstanding voting stock (or equivalent interests).

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

"Syndication Agent" is defined in the introduction to this Agreement.

"Taxes" means all taxes, assessments, fees, or other charges at any time imposed by any Laws or Tribunal.

"Termination Date" means March 7, 2010, subject, however, to termination in whole of the Total Commitments pursuant to Section 2.5.

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

"Tribunal" means any municipal, state, commonwealth, federal, foreign, territorial, or other court, governmental body, subdivision, agency, department, commission, board, bureau, or instrumentality.

"Type" shall mean any type of Loan (i.e., an ABR Loan or Eurodollar Loan).

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

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

"Utilization Fee" is defined in Section 2.4(b).

"Voting Stock" shall mean securities (as such term is defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions).

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

1.2. Accounting Principles.

All accounting and financial terms used in the Loan Papers and the compliance with each financial covenant therein shall be determined in accordance with GAAP as in effect on the date of this Agreement, and all accounting principles shall be applied on a consistent basis so that the accounting principles in a current period are comparable in all material respects to those applied in the consolidated Financial Statements for the Companies for the twelve months ended December 31, 2003.

1.3. Other Definitional Provisions.

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

SECTION 2

FACILITIES.

2.1. Commitments.

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

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

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

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

2.2. Procedure for Loan Borrowing.

The Borrower may borrow under the Commitments during the Commitment Period on any Business Day, provided that the Borrower shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent prior to 11:00 A.M., New York City time, (a) three Business Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, or (b) on the requested Borrowing Date, in the case of ABR Loans), specifying (i) the amount and Type of Loans to be borrowed, (ii) the

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

2.3. Conversion and Continuation Options.

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

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

2.4. Fees.

(a) Commitment Fees. The Borrower agrees to pay to each Lender, through the Administrative Agent, on each Quarterly Payment Date and on the Termination Date, in immediately available funds, a commitment fee (a "Commitment Fee") calculated on the unused Commitment by multiplying the applicable percentage (the "Commitment Fee Percentage") set forth below by the average daily Available Commitment of such Lender during the preceding quarter (or shorter period commencing with the date hereof and/or ending with the Termination Date):

Senior Unsecured Long-Term Debt Rating	Commitment Fee Percentage
A- or A3 or better	.10 percent per annum
BBB+ or Baal	.125 percent per annum
BBB or Baa2	.150 percent per annum
BBB- or Baa3	.175 percent per annum
Below BBB- or Baa3	.200 percent per annum

Until the delivery to the Lenders of the Borrower's audited financial statements for the 2004 fiscal year, the Senior Unsecured Long-Term Debt Rating shall be deemed to be no higher than BBB+ and Baa1.

(b) Utilization Fees. The Borrower agrees to pay to each Lender, through the Administrative Agent, on each Quarterly Payment Date and on the Termination Date, in immediately available funds, a utilization fee (a "Utilization Fee") equal to 12.5 basis points (.125%) per annum for each day on which the Commitment Utilization Percentage equals or exceeds 50%, which fee shall accrue on the daily amount of the Used Commitment of such Lender for each Excess Utilization Day during the period from and including the Closing Date to but excluding the date on which such Lender's Commitment terminates; provided that, if such Lender continues to have any outstanding Loans after its Commitment terminates, then such utilization fee shall continue to accrue on the daily aggregate principal amount of such Lender's Loans for each Excess Utilization Day from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any outstanding Loans.

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

2.5. Optional Termination and Reduction of Commitments.

(a) Subject to Section 2.9(b), the Borrower may permanently terminate, or from time to time in part permanently reduce, the Total Commitments upon at least three Business Days prior written notice to the Administrative Agent (who shall promptly forward a copy thereof to each Lender and which notice may be revocable; provided, that (i) such notice is only revocable during the three Business Day period beginning on the date that such notice is given to the Administrative Agent and ending on the stated date of such Commitment reduction and (ii) the Borrower shall indemnify the Lenders pursuant to Section 2.12 as a result of the Borrower's revocation of such notice). Such notice shall specify the date and the amount of the termination or reduction of the Total Commitments. Each such partial reduction of the Total Commitments shall be in a minimum aggregate principal amount of \$5,000,000 and in an integral multiple of \$1,000,000.

(b) On the Termination Date, the Total Commitments shall be zero.

(c) Each reduction in the Total Commitments pursuant to this paragraph shall be made ratably among the Lenders in accordance with their respective Commitments.

(d) Simultaneously with any termination or reduction of the Commitments pursuant to this paragraph, the Borrower shall pay to the Administrative Agent for the accounts of the Lenders the Commitment Fees on the amount of the Total Commitments, so terminated or reduced, accrued through the date of such termination or reduction.

2.6. Limitations on Eurodollar Tranches.

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

2.7. Interest Rates and Payment Dates.

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

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

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

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

2.8. Alternate Rate of Interest for Eurodollar Loans.

In the event, and on each occasion, that on the day two Business Days prior to the commencement of any Interest Period for a Eurodollar Loan, the Administrative Agent shall have determined that dollar deposits in the amount of the requested principal amount of such Eurodollar Loan are not generally available in the London interbank market, or that dollar deposits are not generally available in the London interbank market for the requested Interest Period, or that the rate at which such dollar deposits are being offered will not adequately and fairly reflect the cost to any Lender of making or maintaining such Eurodollar Loan during such Interest Period, or that reasonable means do not exist for ascertaining the Eurodollar Rate, the Administrative Agent shall, as soon as practicable thereafter, give telecopy notice of such determination, stating the specific reasons therefor, to the Borrower and the Lenders. In the event of any such determination, any request by the Borrower for a Eurodollar Loan shall, until the circumstances giving rise to such notice no longer exist, be deemed to be a request for an ABR Loan. Each determination by the Administrative Agent hereunder shall be conclusive absent manifest error.

2.9. Mandatory and Optional Prepayment of Loans.

(a) Prior to the Termination Date, the Borrower shall have the right at any time to prepay any Borrowing, in whole or in part, subject to the requirements of Section 2.12 and Section 2.13 but otherwise without premium or penalty, but prepayment of Eurodollar Loans shall require at

least three Business Days prior written notice to the Administrative Agent; provided, however, that each such partial prepayment shall be in an integral multiple of \$1,000,000 and in a minimum aggregate principal amount of \$2,000,000. Each notice of prepayment shall specify the prepayment date and the aggregate principal amount of each Borrowing to be prepaid and may be revocable; provided, that (i) such notice is only revocable during the three Business Day period beginning on the date that such notice is given to the Administrative Agent and ending on the stated date of such prepayment and (ii) the Borrower shall indemnify the Lenders pursuant to Section 2.12 as a result of the Borrower's revocation of such notice.

(b) On the date of any termination or reduction of the Total Commitments pursuant to Section 2.5(a), the Borrower shall pay or prepay the Loans or cash collateralize the Letters of Credit in a manner satisfactory to the Administrative Agent to the extent necessary in order that the aggregate Revolving Extensions of Credit outstanding will not exceed the Total Commitments following such termination or reduction. Subject to the foregoing and the requirements of Section 2.5, any such payment or prepayment shall be applied to such Borrowing or Borrowings as the Borrower shall select. All prepayments under this paragraph shall be subject to Section 2.12 and Section 2.13.

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

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

2.10. Reserve Requirements; Change in Circumstances.

(a) Notwithstanding any other provision herein, if after the date of this Agreement any Regulatory Change (i) shall change the basis of taxation of payments to any Lender of the principal of or interest on any Eurodollar Loan made by such Lender or any other fees or amounts payable hereunder (other than (x) Taxes imposed on or measured by the capital, receipts or franchises of such Lender or the overall gross or net income of such Lender by the jurisdiction in which such Lender has its principal office or by any political subdivision or taxing authority therein (or any Tax which is enacted or adopted by such jurisdiction, political subdivision, or taxing authority as a direct substitute for any such Taxes) or (y) any Tax, assessment, or other governmental charge that would not have been imposed but for the failure of any Lender to comply with any certification, information, documentation, or other reporting requirement), (ii) shall impose, modify, or deem applicable any reserve, special deposit, or similar requirement with respect to any Eurodollar Loan or any Letter of Credit (or participating interest therein), against assets of, deposits with or for the account of, or credit extended by, such Lender under this Agreement, or (iii) with respect to any Eurodollar Loan, shall impose on such Lender or the London interbank market any other condition affecting this Agreement or any Eurodollar Loan made by such Lender, and the result of any of the foregoing shall be to increase the cost to such Lender of maintaining its Commitment or of making or maintaining any Eurodollar Loan or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest, or otherwise) in respect thereof by an amount deemed in good faith by such Lender to be material, then the Borrower shall pay to the Administrative Agent for the account of such Lender such additional amount or amounts as will compensate such Lender for such increase or reduction to such Lender, to the extent such amounts have not been included in the calculation of the Eurodollar Rate, upon demand by such Lender (through the Administrative Agent).

(b) If any Lender shall have determined in good faith that any Regulatory Change regarding capital adequacy or compliance by any Lender (or its parent or any lending office of such Lender) with any request or directive regarding capital adequacy (whether or not having the force of Law) of any Tribunal, monetary authority, central bank, or comparable agency, has or would have the effect of reducing the rate of return on such Lender's (or its parent's) capital as a consequence of its obligations hereunder to a level below that which such Lender (or its parent) could have achieved but for such Regulatory Change, or compliance (taking into consideration such Lender's policies with respect to capital adequacy) by an amount deemed in good faith by such Lender to be material, then from time to time, the Borrower shall pay to the Administrative Agent for the account of such Lender such additional amount or amounts as will compensate such Lender for such reduction upon demand by such Lender (through the Administrative Agent).

(c) A certificate of a Lender setting forth in reasonable detail (i) the Regulatory Change or other event giving rise to such costs, (ii) such amount or amounts as shall be necessary to compensate such Lender as specified in paragraph (a) or (b) above, as the case may be, and (iii) the calculation of such amount or amounts under clause (a)(i), shall be delivered to the Borrower (with a copy to the Administrative Agent) promptly after such Lender determines it is entitled to compensation under this Section 2.10, and shall be conclusive and binding absent manifest error. The Borrower shall pay to the Administrative Agent for the account of such Lender the amount shown as due on any such certificate within 15 days after its receipt of the same. In preparing such certificate, such Lender may employ such assumptions and allocations of costs and expenses as it shall in good faith deem reasonable and may use any reasonable averaging and attribution method.

(d) Failure on the part of any Lender to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital with respect to any Interest Period shall not constitute a waiver of such Lender's rights to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital with respect to such Interest Period or any other Interest Period. The protection of this Section 2.10 shall be available to each Lender regardless of any possible contention of invalidity or inapplicability of the law, regulation, or condition which shall have been imposed.

(e) In the event any Lender shall seek compensation pursuant to this Section 2.10, the Borrower may, provided no Event of Default has occurred and is continuing, give notice to such Lender (with copies to the Agents) that it wishes to seek one or more Persons (other than the Borrower or an Affiliate of the Borrower) to assume the Commitment of such Lender and to purchase its outstanding Loans and Notes (if any). Each Lender requesting compensation pursuant to this Section 2.10 agrees to sell its Commitment, Loans, Notes, and interest in this Agreement

and the other Loan Papers to any such Person for an amount equal to the sum of the outstanding unpaid principal of and accrued interest on such Loans and Notes plus all other fees and amounts (including, without limitation, any compensation claimed by such Lender under this Section 2.10 and as to which such Lender has delivered the certificate required by Section 2.10(c) on or before the date such Commitment, Loans, and Notes are purchased) due such Lender hereunder calculated, in each case, to the date such Commitment, Loans, Notes (if any), and interest are purchased, whereupon such Lender shall have no further Commitment or other obligation to the Borrower hereunder or under any other Loan Paper.

(f) If the Borrower is required to pay additional amounts to or for the account of any Lender pursuant to this Section 2.10, then such Lender will agree to use reasonable efforts to change the jurisdiction of its lending office so as to eliminate or reduce any such additional payment which may thereafter accrue if such change, in the judgment of such Lender, is not otherwise disadvantageous to such Lender.

(g) Without prejudice to the survival of any other obligations of the Borrower hereunder, the obligations of the Borrower under this Section 2.10 shall survive for one year after the termination of this Agreement and/or the payment or assignment of any of the Loans or Notes.

2.11. Change in Legality.

(a) Notwithstanding anything to the contrary herein contained, if any Regulatory Change shall make it unlawful for any Lender to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby, then, by written notice to the Borrower and to the Administrative Agent, such Lender may:

(i) declare that Eurodollar Loans will not thereafter be made by such Lender hereunder, whereupon the Borrower shall be prohibited from requesting Eurodollar Loans from such Lender hereunder unless such declaration is subsequently withdrawn; and

(ii) if such unlawfulness shall be effective prior to the end of any Interest Period of an outstanding Eurodollar Loan, require that all outstanding Eurodollar Loans with such Interest Periods made by it be converted to ABR Loans, in which event (A) all such Eurodollar Loans shall be automatically converted to ABR Loans as of the effective date of such notice as provided in paragraph (b) below and (B) all payments and prepayments of principal which would otherwise have been applied to repay the converted Eurodollar Loans shall instead be applied to repay the ABR Loans resulting from the conversion of such Eurodollar Loans.

(b) For purposes of this Section 2.11, a notice to the Borrower (with a copy to the Administrative Agent) by any Lender pursuant to paragraph (a) above shall be effective on the date of receipt thereof by the Borrower.

2.12. Indemnity.

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

2.13. Pro Rata Treatment.

Unless otherwise specifically provided herein, each payment or prepayment of principal and each payment of interest with respect to a Borrowing shall be made pro rata among the Lenders in accordance with the respective principal amounts of the Loans extended by each Lender, if any, with respect to such Borrowing, and conversions of Loans to Loans of another Type and continuations of Loans that are Eurodollar Loans from one Interest Period, shall be made pro rata among the Lenders in accordance with their respective Commitments.

2.14. Sharing of Setoffs.

Each Lender agrees that if it shall, through the exercise of a right of banker's lien, setoff, or counterclaim against the Borrower, including, but not limited to, a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable Debtor Relief Law or otherwise, obtain payment (voluntary or involuntary) in respect of the Note held by it (other than pursuant to Section 2.10 or Section 2.12) as a result of which the unpaid principal portion of the Note held by it shall be proportionately less than the unpaid principal portion of the Note held by any other Lender, it shall be deemed to have simultaneously purchased from such other Lender a participation in the Note held by such other Lender, so that the aggregate unpaid principal

amount of the Note and participations in Notes held by each Lender shall be in the same proportion to the aggregate unpaid principal amount of all Notes then outstanding as the principal amount of the Note held by it prior to such exercise of banker's lien, setoff, or counterclaim was to the principal amount of all Notes outstanding prior to such exercise of banker's lien, setoff, or counterclaim; provided, however, that if any such purchase or purchases or adjustments shall be made pursuant to this Section 2.14 and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustment restored without interest. The Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in a Note deemed to have been so purchased may, upon the existence of an Event of Default, exercise any and all rights of banker's lien, setoff, or counterclaim with respect to any and all moneys owing by the Borrower to such Lender as fully as if such Lender had made a Loan directly to the Borrower in the amount of such participation.

2.15. Payments.

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

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

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

2.16. Calculation of Eurodollar Rate.

The provisions of this Agreement relating to calculation of the Eurodollar Rate are included only for the purpose of determining the rate of interest or other amounts to be paid hereunder that are based upon such rate, it being understood that each Lender shall be entitled to fund and maintain its funding of all or any part of a Eurodollar Loan as it sees fit. All such determinations hereunder, however, shall be made as if each Lender had actually funded and maintained funding of each Eurodollar Loan through the purchase in the London interbank market of one or more eurodollar deposits, in an amount equal to the principal amount of such Loan and having a maturity corresponding to the Interest Period for such Loan.

2.17. Computation of Interest and Fees.

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

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

deliver to the Borrower a statement showing the quotations used by the Administrative Agent in determining any interest rate pursuant to Section 2.7(a).

2.18. Booking Loans.

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

2.19. Quotation of Rates.

It is hereby acknowledged that the Borrower may call the Administrative Agent on or before the date on which notice of a Borrowing is to be delivered by the Borrower in order to receive an indication of the rate or rates then in effect, but that such projection shall not be binding upon the Administrative Agent or any Lender nor affect the rate of interest which thereafter is actually in effect when the election is made.

2.20. Taxes

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

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

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

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

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

(f) If the Administrative Agent or any Lender determines, in its sole discretion, that it has received a refund of any Non-Excluded Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.20, it shall pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts

paid, by the Borrower under this Section 2.20 with respect to the Non-Excluded Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Tribunal with respect to such refund); provided, that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Tribunal) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Tribunal. This paragraph shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person.

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

SECTION 3

LETTERS OF CREDIT

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

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

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

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

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

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

(b) If any amount required to be paid by any L/C Participant to the Issuing Lender pursuant to Section 3.4(a) in respect of any unreimbursed portion of any payment made by the Issuing Lender under any Letter of Credit is paid to the Issuing Lender within three Business Days after the date such payment is due, such L/C Participant shall pay to the Issuing Lender on demand an amount equal to the product of (i) such amount, times (ii) the daily average Federal Funds Effective Rate during the period from and including the date such payment is required to the date on which such payment is immediately available to the Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is

360. If any such amount required to be paid by any L/C Participant pursuant to Section 3.4(a) is not made available to the Issuing Lender by such L/C Participant within three Business Days after the date such payment is due, the Issuing Lender shall be entitled to recover from such L/C Participant, on demand, such amount with interest thereon calculated from such due date at the rate per annum applicable to ABR Loans. A certificate of the Issuing Lender submitted to any L/C Participant with respect to any amounts owing under this Section shall be conclusive in the absence of manifest error.

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

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

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

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

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

SECTION 4

REPRESENTATIONS AND WARRANTIES.

The Borrower represents and warrants to the Agents and the Lenders as follows:

4.1. Purpose of Credit Facility.

The Borrower will use Loan proceeds only to refinance the Existing Credit Agreement and for the working capital needs and general corporate purposes (including Acquisitions and capital expenditures) of the Companies. The proceeds loaned hereunder will not be used directly or indirectly for the purpose of purchasing or carrying, or for the purpose of extending credit to others for the purpose of purchasing or carrying, any Margin Stock, or to repay any Debt which was created for such purposes.

4.2. Corporate Existence, Good Standing, and Authority.

Each Company is, to the best of the Borrower's knowledge, duly organized, validly existing, and in good standing under the Laws of its state of incorporation (such jurisdictions being identified on Exhibit 21 of Borrower's most recent annual report filed with the Securities and Exchange Commission on Form 10-K). Except where failure would not reasonably be expected to have a Material Adverse Effect, each Company (a) is duly qualified to transact business and is in good standing as a foreign corporation in each jurisdiction where the nature and extent of its business and properties require the same, and (b) possesses all requisite authority, power, licenses, permits, and franchises to conduct its business as is now being, or is contemplated herein to be, conducted. The Borrower possesses all requisite authority, power, licenses, permits, and franchises to execute, deliver, and comply with the terms of the Loan Papers, all which have been duly authorized and approved by all necessary corporate action and, except where failure would not reasonably be expected to have a Material Adverse Effect, for which no approval or consent of any Person or Tribunal is required which has not been obtained and no filing or other notification to any Person or Tribunal is required which has not been properly completed.

4.3. Significant Subsidiaries.

Exhibit 21 of the Borrower's most recent annual report filed with the Securities and Exchange Commission on Form 10-K sets forth, in all material respects, all existing Significant Subsidiaries of the Borrower and correctly lists, as to each Significant Subsidiary, (a) its name and (b) its jurisdiction of incorporation. The shares of capital stock of each Significant Subsidiary owned by the Borrower (either directly or indirectly through another Subsidiary) as set forth on Exhibit 21 of Borrower's most recent annual report filed with the Securities and Exchange Commission on Form 10-K are the duly authorized, validly issued, fully paid, and nonassessable shares of such Significant Subsidiary and are owned by the Borrower free and clear of all Liens except Permitted Liens.

4.4. Financial Statements.

(a) The Current Financials were prepared in accordance with GAAP and present fairly the consolidated financial condition and the results of operations of the Companies as of, and for the periods ended, the dates thereof. There were no material (to the Companies taken as a whole) liabilities, direct or indirect, fixed or contingent, of any Company as of the date of the Current Financials which are not reflected therein. No Company has incurred any material (to the Companies taken as a whole) liability, direct or indirect, fixed or contingent, between the dates of the Current Financials and the date hereof, except in the ordinary course of business, such as in connection with acquisitions and financing activities.

(b) Since December 31, 2003, there has been no development or event that has had or could reasonably be expected to have a Material Adverse Effect.

4.5. Compliance with Laws, Charter, and Agreements.

No Company is, nor will the execution, delivery, performance, or observance of the Loan Papers cause any Company to be, in violation of any Laws or any Material Agreements to which it is a party, other than such violations which would not reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any Subsidiary is, nor will the execution, delivery, performance, or observance of the Loan Papers cause the Borrower or any Subsidiary to be, in violation of its bylaws or charter.

4.6. Litigation.

Except as described in the Form 10-Q filed by the Borrower for the quarterly period ended September 30, 2004 and the Form 8-K filed by the Borrower on January 26, 2005 with the Securities and Exchange Commission and to the knowledge of the Borrower, no Company is aware of any "Material" Litigation, and there are no Material outstanding or unpaid judgments against any Company. Material for purpose of this Section 4.6 in relation to Litigation would include any actions or proceedings pending or threatened against any Company before any court or Tribunal as to which there is a reasonable possibility of an adverse determination seeking damages, net of insurance proceeds to the Company, in excess of \$10,000,000 in any case or 1% of Consolidated Net Worth in the aggregate, or which might result in any Material Adverse Effect.

4.7. Taxes.

All Tax returns of each Company required to be filed have been filed (or extensions have been granted) except where the failure to do so could not reasonably be expected to have a Material Adverse Effect, and all Taxes imposed upon each Company which are shown to be due and payable thereon have been paid other than Taxes for which the criteria for Permitted Liens have been satisfied and Taxes being contested in good faith by proper proceedings and with respect to which such Company shall have, to the extent required by GAAP, set aside on its books adequate reserves.

4.8. Environmental Matters.

No Company's ownership of its assets violates any applicable Environmental Law, other than such violations which would not reasonably be expected to have a Material Adverse Effect. To the Borrower's knowledge, no investigation or review is pending or threatened by any Tribunal with respect to any alleged violation of any Environmental Law in connection with any Company's assets which could result in a Material Adverse Effect. None of any Company's assets have been used by such Company or, to the Borrower's knowledge, any other Person as a dump

site for any Hazardous Substance except where such use would not reasonably be expected to have a Material Adverse Effect.

4.9. Employee Benefit Plans.

(a) No employee benefit plan as defined in the Code and Title IV of ERISA of any Company has incurred an accumulated funding deficiency in an amount sufficient to have a Material Adverse Effect, (b) no Company has incurred liability to the PBGC in connection with any such plan where such liability could reasonably be expected to have a Material Adverse Effect, (c) no Company has withdrawn in whole or in part from participation in a Multiemployer Plan where the withdrawal could reasonably be expected to have a Material Adverse Effect, and (d) to the best of the Borrower's knowledge, no "prohibited transaction" (as defined in section 406 of ERISA or section 4975 of the Code) or "reportable event" (as defined in section 4043 of ERISA) has occurred which could reasonably be expected to have a Material Adverse Effect.

4.10. Properties; Liens.

Each Company has good and marketable (except for Permitted Liens) title to all its property reflected on the Current Financials as being owned (except for dispositions of property in the ordinary course of business between the date or dates thereof and the date hereof). Except for Permitted Liens, there is no Lien on any property of any Company, and the execution, delivery, performance, or observance of the Loan Papers will not require or result in the creation of any Lien other than Permitted Liens.

4.11. Holding Company and Investment Company Status.

The Borrower is not (a) a "holding company," a "subsidiary company" of a "holding company," an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," or a "public utility" within the meaning of the Public Utility Holding Company Act of 1935, as amended, (b) a "public utility" within the meaning of the Federal Power Act, as amended, (c) an "investment company" within the meaning of the Investment Company Act of 1940, as amended, (d) an "investment adviser" within the meaning of the Investment Advisers Act of 1940, as amended, or (e) directly subject to the jurisdiction of the Federal Communications Commission or any public service commission.

4.12. Transactions with Affiliates.

Except as disclosed on Schedule 4.12, no Company is a party to a material transaction with any of its Affiliates other than transactions in the ordinary course of business and upon fair and reasonable terms not materially less favorable than such Company could obtain or could become entitled to in an arm's-length transaction with a Person that was not its Affiliate and other than transactions between or among entities each of which is either the Borrower or a Wholly Owned Subsidiary. For purposes of this Section 4.12, such transactions are "material" if they, individually or in the aggregate, require any Company to pay more than 1 percent of Consolidated Net Worth over the course of such transactions.

4.13. Leases.

All material leases under which any Company is lessee or tenant are in full force and effect, and no default or potential default exists thereunder which could result in a Material Adverse Effect.

4.14. Labor Matters.

There are no actual or, to the Borrower's knowledge, threatened strikes, labor disputes, slow downs, walkouts, or other concerted interruptions of operations by any Company's employees, the effect of which would have a Material Adverse Effect.

4.15. Insurance.

Each Company maintains with financially sound insurance companies or associations (or, as to workers' compensation or similar insurance, with an insurance fund or by self-insurance authorized by the jurisdictions in which it operates) insurance concerning its properties and businesses against such casualties and contingencies and of such types and in such amounts (and with co-insurance and deductibles) as is customary in the case of same or similar businesses; provided, however, a program of self-insurance in such amounts and against such risks as are prudent and which is consistent with accepted business practice shall constitute compliance with this Section 4.15.

4.16. Solvency.

The Companies are, and after giving effect to the transactions contemplated under the Loan Papers will be, Solvent.

4.17. Business.

The business of the Borrower, as presently conducted and as proposed to be conducted, is set forth on Schedule 4.17.

4.18. General.

All writings exhibited or delivered to the Agents by or on behalf of any Company are and will be genuine and in all material respects what they purport and appear to be.

SECTION 5

CONDITIONS PRECEDENT.

5.1. Initial Loan.

No Lender will be obligated to fund the initial Loan unless the Administrative Agent has received all of the following in form and substance satisfactory to the Administrative Agent and its special counsel:

(a) Loan Papers. This Agreement and the Current Financials.

(b) Secretary's Certificates. A certificate dated as of the date hereof, executed and delivered by the Borrower, certifying that (i) attached is a true, correct, and complete copy of (A) the Borrower's charter, certified by the appropriate state official and dated a Current Date, (B) the Borrower's bylaws, and (C) resolutions of the Borrower's board of directors authorizing the execution and delivery of each Loan Paper to which the Borrower is a party and (ii) the officers whose specimen signatures appear on such certificate hold the corporate office indicated and are authorized to sign agreements, documents, and instruments on behalf of the Borrower.

(c) Good Standing, Existence, and Authority. Certificates (dated a Current Date) relating to the Borrower's existence, good standing, and authority to transact business issued by appropriate state officials.

(d) Opinions of Borrower's Counsel. The favorable opinions, dated the Closing Date and substantially in the form of Exhibit B of:

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

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

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

(f) Fees and Expenses. Payment from the Borrower of all fees then due the Agents or the Lenders pursuant to this Agreement or any other agreement.

(g) Existing Credit Agreement. The commitments under the Existing Credit Agreement shall have been terminated (and the parties hereto hereby waive compliance with any provision of the Existing Credit Agreement requiring advance notice of such termination) and all amounts owing thereunder shall have been paid.

(h) Financial Statements. The Lenders shall have received

(i) audited consolidated financial statements of the Borrower for the 2001, 2002 and 2003 fiscal years and (ii) unaudited interim consolidated financial statements of the Borrower for each fiscal quarter ended after the date of the latest applicable financial statements delivered pursuant to clause (i) of this paragraph as to which such financial statements are available, and such financial statements shall not, in the reasonable judgment of the Lenders, reflect any material adverse change in the consolidated financial condition of the Borrower, as reflected in the financial statements or projections contained in the Confidential Information Memorandum.

(i) Projections. The Lenders shall have received from the Borrower financial projections for the fiscal years 2005 through 2007 in form and substance reasonably satisfactory to the Lenders.

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

5.2. Each Revolving Extension of Credit.

In addition, the Lenders will not be obligated to fund any Loan and the Issuing Lender shall not be obligated to issue any Letter of Credit unless at the time of such funding or issuance (a) the representations and warranties made in the Loan Papers (other than pursuant to Section 4.4(b), which representation shall only be made as of the date of the initial extension of credit) are true and correct in all material respects (except to the extent that the representations and warranties speak to a specific date), (b) no Default or Event of Default shall have occurred and shall be continuing, (c) the funding or issuance of such Loan or Letter of Credit is permitted by Law, and (d) if requested by the Administrative Agent or the Majority Lenders, the Borrower shall have delivered to the Administrative Agent evidence substantiating any of the matters contained in this Agreement which are necessary to enable the Borrower to qualify for such Loan or Letter of Credit.

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

5.3. Materiality of Conditions.

Each condition precedent herein is material to the transactions contemplated herein, and time is of the essence in respect of each thereof.

5.4. Waiver of Conditions.

Subject to the provisions of Section 11.14, the Majority Lenders may elect to fund any Loan without all conditions being satisfied, but this shall not be deemed to be a waiver of the requirement that each such condition precedent be satisfied as a prerequisite for any subsequent Loan, unless the Majority Lenders (or, if required by Section 11.14, all Lenders) specifically waive each such item in writing.

SECTION

AFFIRMATIVE COVENANTS.

So long as the Lenders are committed to make Loans under this Agreement and thereafter until the Obligation is paid and performed in full, the Borrower covenants and agrees with the Agents and the Lenders as follows:

6.1. Use of Proceeds.

Proceeds of Loans advanced hereunder shall be used only as represented herein.

6.2. Books and Records.

Each Company shall maintain, in accordance with GAAP, proper and complete books, records, and accounts which are necessary to prepare the financial statements required to be delivered hereunder.

6.3. Items to be Furnished.

The Borrower shall cause the following to be furnished to the Administrative Agent and each Lender (through the Administrative Agent):

(a) Promptly after preparation, and no later than 120 days after the last day of each fiscal year of the Borrower, Financial Statements showing the consolidated financial condition and results of operations of the Companies as of, and for the year ended on, such last day, accompanied by (i) the opinion of KPMG LLP (or another firm of nationally-recognized independent certified public accountants reasonably acceptable to Majority Lenders), based on an audit using generally accepted auditing standards, that such Financial Statements were prepared in accordance with GAAP and present fairly the consolidated financial condition and results of operations of the Companies (and such accountants shall indicate in a letter to the Administrative Agent, that during their audit no Default or Event of Default not already reported was discovered or, if such Default or Event of Default was discovered, the nature and period of existence thereof) and (ii) a Financial Report Certificate with respect to such Financial Statements.

(b) Promptly after preparation, and no later than 60 days after the last day of each of the first three quarters of each fiscal year of the Borrower, (i) Financial Statements showing the consolidated financial condition and results of operations of the Companies as of, and for the period from the beginning of the current fiscal year to, such last day, and (ii) a Financial Report Certificate with respect to such Financial Statements.

(c) Promptly after preparation (and no later than the later of 15 days (a) after such filing is due or (b) after timely filing, if filed with the Securities and Exchange Commission), true copies of all regular and periodic reports, proxy statements and filings on Form 8-K furnished by or on behalf of any Company to stockholders generally or filed with the Securities and Exchange Commission. However, only registration statements covering more than 2 percent of the Borrower's outstanding shares of common stock shall be required to be furnished unless specifically requested by the Administrative Agent.

(d) Promptly upon receipt thereof, copies of any notices received from any Tribunal (including, without limitation, state regulatory agencies) relating to the possible violation or violation of any Law which might have a Material Adverse Effect.

(e) Notice, promptly after the Borrower knows or has reason to know of, (i) the existence of any material Litigation as defined in Section 4.6, (ii) any material change in any material fact or circumstance represented or warranted in any Loan Paper, or (iii) a Default or Event of Default, specifying the nature thereof and what action the Borrower or any other Company has taken, is taking, or proposes to take with respect thereto.

(f) Notice, promptly after the Borrower knows or has reason to know of, a Subsidiary Encumbrance, as defined in Section 7.14(b).

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

(h) Promptly upon the Administrative Agent's or any Lender's reasonable request, such information (not otherwise required to be furnished under the Loan Papers) respecting the business affairs, assets, and liabilities of any Company, and any opinions, certifications, and documents, in addition to those mentioned herein.

6.4. Inspection.

The Borrower shall allow the Administrative Agent and each Lender, when the Administrative Agent or such Lender reasonably deems necessary, at such Lender's own expense if no Default then exists, to inspect any of its properties, to review reports, files, and other records and to make and take away copies thereof, to conduct tests or investigations, and to discuss any of its affairs, conditions, and finances with any director, officer, or employee of such Company from time to time, upon reasonable notice during reasonable business hours, or otherwise when reasonably considered necessary.

6.5. Taxes.

Each Company shall promptly pay when due any Taxes, except those which if unpaid would not cause a Material Adverse Effect, Taxes for which the criteria for Permitted Liens have been satisfied and Taxes being contested in good faith by proper proceedings and with respect to which such Company shall have, to the extent required by GAAP, set aside on its books adequate reserves. No Company shall use any proceeds of Loans to pay the wages of employees unless a timely payment to or deposit with the United States of America of all amounts of Tax required to be deducted and withheld with respect to such wages is also made.

6.6. Payment of Obligations.

Each Company shall promptly pay (or renew and extend) all of its material obligations as the same become due except those being contested in good faith by proper proceedings and with respect to which such Company shall have, to the extent required by GAAP, set aside on its books adequate reserves, but no Company will make any voluntary prepayment of the principal of any Debt other than the Obligation, whether subordinate to the Obligation or not, if a Default or Event of Default exists under any Loan Paper.

6.7. Expenses.

The Borrower shall promptly pay (a) all reasonable and necessary out-of-pocket costs, fees, and expenses paid or incurred by the Administrative Agent incident to any Loan Paper (including, but not limited to, the reasonable fees and expenses of counsel to the Administrative Agent in connection with the negotiation, preparation, delivery, and execution of the Loan Papers and any related amendment, waiver, or consent); and (b) all reasonable and customary out-of-pocket costs, fees and expenses paid or incurred by the Administrative Agent and any of the Lenders in connection with the enforcement of the obligations of any Company or the exercise of any Rights (including, but not limited to, reasonable attorneys' fees and court costs), all of which shall be a part of the Obligation. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

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

Except as permitted by Section 7.4, each Company shall at all times (a) maintain its corporate existence and authority to transact business and good standing in its jurisdiction of incorporation or organization and all other jurisdictions where the failure to so maintain could reasonably be expected to have a Material Adverse Effect, (b) maintain all licenses, permits, and franchises necessary for its business, where the failure to so maintain could reasonably be expected to have a Material Adverse Effect, (c) keep all of its assets which are necessary to its business in good working order and condition (ordinary wear and tear excepted), and make all necessary repairs and replacements thereto, and (d) maintain either (i) insurance with such insurers, in such amounts, and covering such risks, as shall be ordinary and customary in the industry or (ii) a comparable self-insurance program.

6.9. Preservation and Protection of Rights.

Each Company shall perform such acts and duly authorize, execute, acknowledge, deliver, file, and record any additional agreements, documents, instruments, and certificates as the Administrative Agent may reasonably deem necessary or appropriate in order to preserve and protect the Rights of the Agents or the Lenders under any Loan Paper.

6.10. Environmental Laws.

Each Company shall conduct its business so as to comply with all applicable Environmental Laws and shall promptly take corrective action to remedy any non-compliance with any Environmental Law, except where failure to so comply or take such action would not reasonably be expected to have a Material Adverse Effect. Each Company shall maintain a system which, in its reasonable business judgment, will assure its continued compliance with Environmental Laws in all material respects.

6.11. Environmental Indemnification.

The Borrower shall indemnify, protect, and hold each Indemnified Party harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, proceedings, costs, expenses (including, without limitation, all reasonable attorneys' fees and legal expenses whether or not suit is brought), and disbursements of any kind or nature whatsoever which may at any time be imposed on, incurred by, or asserted against such Indemnified Parties, with respect to or as a direct or indirect result of the violation by any Company of any Environmental Law; or with respect to or as a direct or indirect result of any Company's generation, manufacture, production, storage, release, threatened release, discharge, disposal or presence in connection with its properties of a Hazardous Substance including, without limitation, (a) all damages of any such use, generation, manufacture, production, storage, release, threatened release, discharge, disposal, or presence, or (b) the costs of any required or necessary environmental investigation, monitoring, repair, cleanup, or detoxification and the preparation and implementation of any closure, remedial, or other plans. The provisions of and undertakings and indemnification set forth in this paragraph shall survive the satisfaction and payment of the Obligation and termination of this Agreement for a period of time set forth in the statute of limitations in any applicable Environmental Law.

SECTION 7

NEGATIVE COVENANTS.

So long as the Lenders are committed to make Loans under this Agreement and thereafter until the Obligation is paid and performed in full, the Borrower covenants and agrees with the Agents and the Lenders as follows:

7.1. Employee Benefit Plans.

No Company will, directly or indirectly, if it would have a Material Adverse Effect, (a) engage in any "prohibited transaction" (as defined in section 406 of ERISA or section 4975 of the Code), (b) permit the funding requirements under ERISA with respect to any employee benefit plan established or maintained by any Company to ever be less than the minimum required by ERISA, (c) permit any employee benefit plan established or maintained by any Company to ever be subject to involuntary termination proceedings, or (d) fully or partially withdraw from any Multiemployer Plan.

7.2. Liens.

No Company will create, incur, or suffer or permit to be created or incurred or to exist any Lien (other than Permitted Liens) upon any of its assets unless the Obligations then outstanding shall be secured by such Lien equally and ratably with any and all obligations and indebtedness secured by such Lien.

7.3. Restricted Payments.

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

7.4. Mergers and Consolidations.

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

7.5. Loans, Advances, and Investments.

Except as permitted by Section 7.4(b), no Company will make any loan, advance, extension of credit, or capital contribution to, make any investment in, or purchase or commit to purchase any stock or other securities or evidences of Debt of, or interests in, any other Person, other than (a) Acquisitions, (b) expense accounts for and other loans and advances to directors, officers, and employees of such Company in the ordinary course of business not to exceed \$1,000,000 in the aggregate outstanding at any time; (c) investments in (or secured by) obligations of the United States of America and agencies thereof and obligations guaranteed by the United States of America maturing within one year from the date of acquisition; (d) time deposits, banker's acceptances or certificates of deposit issued by any of the Lenders; (e) certificates of deposit, time deposits and banker's acceptances which are fully insured by the Federal Deposit Insurance Corporation or are issued by commercial banks organized under the Laws of the United States of America or any state thereof and having combined capital, surplus, and undivided profits of not less than \$100,000,000 (as shown on such Person's most recently published statement of condition), and which certificates of deposit have one of the two highest ratings from Moody's or S&P, unless Borrower has a written commitment to borrow funds from such commercial bank; (f) commercial paper rated A-2 or better by Moody's or P-2 or better by S&P ; (g) investments having one of the two highest ratings from Moody's or S&P ; (h) extensions of credit in connection with trade receivables and overpayments of trade payables, in each case resulting from transactions in the ordinary course of business; (i) loans from any Company to any other Company, investments by any Company in any other Company, capital contributions by any Company to any other Company, and Guaranties by any Company of the Debt of

any other Company; (j) investments in the cash surrender value of life insurance policies issued by Persons with a financial rating from A.M. Best Company (as reported in Best's Insurance Reports) of at least "A+"; provided, however, that if such Person's financial rating is downgraded to less than "A+", then within 90 days following such downgrading, either (i) such cash value life insurance policies will be transferred to another insurance company with a financial rating of at least "A+", (ii) such cash value insurance policies will be collapsed and the cash value thereof will be collected by the investing Company, or (iii) such investment will become an investment subject to the limitations of subparagraph (n) of this Section 7.5; (k) the purchase of equity or debt securities of any Company, including the Borrower (but, in the case of equity securities of the Borrower, only to the extent permitted by Section 7.3), (l) investments in the capital stock or securities of or loans to or Guaranties of the Debt of any Person engaged in the same or a similar line of business as set forth on Schedule 4.17 hereto (or any reasonable extensions or expansions thereof) (i) in which a Company possesses (or will possess, after such investment) an equity ownership interest in such Person or (ii) secured by the borrower's interest in such business; (m) in the ordinary course of business, investments in the capital stock of the Rural Telephone Bank, National Bank for Cooperatives, or the National Rural Utilities Cooperative Finance Corporation, or any other lender from whom the investing Company is intending to borrow money which requires such Company to make an equity investment in such lender in order to so borrow; (n) Guaranties of the Debt of the Borrower's Employee Stock Ownership Plan; (o) investments in readily marketable money market funds registered under the Investment Company Act of 1940 with an investment policy to hold at least 90% of its assets in cash and securities of a type described in subsections (c), (d), (e), (f), (g) and (r) of this Section 7.5; (p) investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with, customers and suppliers, in each case in the ordinary course of business; (q) investments consisting of non-cash consideration with respect to sale of assets permitted by Section 7.7; (r) overnight repurchase agreements relating to securities described in clauses (c), (d), (e), (f) or (g) of this Section 7.5; (s) any acquisition of stock or assets to the extent that the consideration is paid in capital stock of the Borrower; and (t) other loans, advances, Guaranties, and investments which never exceed in the aggregate at any time 25% of Adjusted Consolidated Net Worth (valued on the basis of original cost, plus subsequent cash and stock additions, less any write-down in value); provided that this Section 7.5 shall not restrict the investment by any Company of assets held or managed under any Plan.

7.6. Transactions with Affiliates.

No Company will enter into any material transaction with any of its Affiliates, other than (a) transactions between or among entities each of which is either the Borrower or a Wholly Owned Subsidiary, (b) in the case of a transaction between the Borrower and a Subsidiary that is owned by the Borrower or between Subsidiaries one or both of which is not directly or indirectly wholly-owned by the Borrower, if the Borrower has determined that such transaction is in the best interests of the Borrower, and (c) in the case of any other transaction between a Company and a Person that is not a Company, transactions in the ordinary course of business and upon fair and reasonable terms not materially less favorable than such Company could obtain or could become entitled to in an arm's-length transaction with a Person that was not its Affiliate. For purposes of this Section 7.6, such transactions are "material" if they, individually or in the aggregate, require any Company to pay more than 1 percent of Consolidated Net Worth over the course of such transactions.

7.7. Sale of Assets.

No Company will sell, lease, or otherwise dispose of all or any substantial part of its assets (including a sale by merger of a Subsidiary with or into another Person) other than (a) sales of inventory or investments permitted under Section 7.5(c), (d), (e), (f), (g), (o) and (r) in the ordinary course of business; (b) sales of equipment for a fair and adequate consideration or disposal of obsolete or worn out equipment, provided that if any such equipment is sold or otherwise disposed of, and a replacement is necessary for the proper operation of the business of such Company, such Company will replace such equipment with adequate equipment; (c) the exchange of assets (other than equipment) for similar assets of equal or greater value; (d) the sale, discount, or transfer of delinquent notes or accounts receivable in the ordinary course of business for purposes of collection; (e) sales of accounts receivable and related assets or an interest therein of the type specified in the definition of "Qualified Receivables Transaction" made in connection with a Qualified Receivables Transaction (provided, that if at any time the aggregate principal amount of all Qualified Receivables Transactions exceeds \$150,000,000, the Borrower shall permanently reduce the Total Commitments by the amount of such excess); (f) sales of assets from one Company to another Company; (g) dispositions of assets pursuant to sale and leaseback transactions so long as, after giving effect thereto and the use of proceeds thereof, the aggregate outstanding amount of Attributable Debt of the Companies shall not exceed \$75,000,000; (h) other dispositions of assets (other than (i) accounts receivable and related assets or (ii) in connection with sale and leaseback transactions), provided that (i) the Companies shall, within the period of 270 days following the consummation of each such transaction, apply (or cause to be applied) an amount equal to the Net Cash Proceeds of such disposition of assets to either (x) make Eligible Reinvestments or (y) permanently reduce the Total Commitments and (ii) notwithstanding the foregoing provisions of this clause

(h), at any time that the Senior Unsecured Long-Term Debt Rating shall be lower than the Senior Unsecured Long-Term Debt Rating in effect as of the Closing Date (it being understood that the Debt Rating by S&P as of the Closing Date is BBB+ and the Debt Rating by Moody's as of the Closing Date is Baa2), the net book value of all assets disposed of pursuant to this clause (h) (net of acquisitions of similar assets) in all such transactions during any period of 12 consecutive months (commencing with the first date as of which such lower Senior Unsecured Long-Term Debt Rating shall have become effective) shall not exceed an amount equal to 10% of Consolidated Net Worth as set forth in the most recent Financial Statements delivered pursuant to Section 6.3 of this Agreement; and (i) to the extent not already permitted by another subsection of this Section 7.7, sales, transfers and other dispositions of assets (other than (i) accounts receivable and related assets or (ii) in connection with sale and leaseback transactions) that are not permitted by clauses (a) through (h) above; provided that the cumulative consideration for all assets sold, transferred or otherwise disposed of in reliance upon this clause (i) shall not exceed \$200,000,000 or 2-1/2% of the consolidated total assets of the Companies (measured as of the last day of the most recent fiscal quarter for which the relevant financial information is available), whichever is greater, in the aggregate, net of Eligible Reinvestments.

7.8. Compliance with Laws and Documents.

No Company will violate the provisions of any Laws or any Material Agreement if such violation alone, or when aggregated with all other such violations, could reasonably be expected to have a Material Adverse Effect. No Company will violate the provisions of its charter or bylaws or modify, repeal, replace, or amend any provision of its charter or bylaws if such action could reasonably be expected to have a Material Adverse Effect. The Borrower will provide to the Administrative Agent a copy of each document that materially modifies, repeals, replaces, or amends the charter or bylaws of the Borrower.

7.9. New Businesses.

No Company will engage in any material business other than the businesses in which it is presently engaged or businesses related thereto, as described on Schedule 4.17.

7.10. Assignment.

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

7.11. Fiscal Year.

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

7.12. Holding Company and Investment Company Status.

The Borrower will not conduct its business in such a way that it will become (a) a "holding company," a "subsidiary company" of a "holding company," an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," or a "public utility" within the meaning of the Public Utility Holding Company Act of 1935, as amended, (b) a "public utility" within the meaning of the Federal Power Act, as amended, (c) an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or (d) an "investment adviser" within the meaning of the Investment Advisers Act of 1940, as amended.

7.13. Amendments to Equity Units Documentation.

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

7.14. Financial Covenants.

(a) As calculated at the end of each fiscal quarter of the Borrower (but computed with respect to EBITDA for the four fiscal quarters ending on the last day of such fiscal quarter), the Borrower shall not permit the ratio of Consolidated Total Funded Debt to EBITDA of the Companies to exceed 4.00 to 1.0.

(b) As calculated at the end of each fiscal quarter of the Borrower (but computed for the four fiscal quarters ending on the last day of such fiscal quarter), the Borrower shall not permit the ratio of EBITDA of the Companies to the sum of (i) consolidated interest expense of the Companies (less any non-cash amounts attributable to amortization of financing costs paid in a previous period) and (ii) dividends declared or paid by any Company (other than to another Company) on its preferred capital stock (but if such dividends are declared and paid during such four-quarter period, the amount shall not be counted twice) to be less than 1.50 to 1.0.

For purposes of this Section 7.14(b), EBITDA and interest expense of any Subsidiary which is subject to any Subsidiary Encumbrance, shall be reduced to the extent such Subsidiary is restricted by the Subsidiary Encumbrance. As used in this Section 7.14(b), "Subsidiary Encumbrance" shall mean, so long as a default has occurred and is continuing under the agreement creating such encumbrance or restriction, any encumbrance or restriction on the ability of any Subsidiary to (i) pay dividends or make any other distributions on its capital stock or any other interest or participation in its profits owned by the Borrower or any Subsidiary of the Borrower, or pay any Debt owed to the Borrower or a Subsidiary of the Borrower, (ii) make loans or advances to, or grant liens in favor of, the Borrower or any of the Borrower's Subsidiaries or (iii) transfer any of its properties or assets to the Borrower, except for such encumbrances or restrictions (A) existing on the date of this Agreement, (B) arising in connection with loans made to any Company by the Rural Electrification Administration, the Rural Utilities Service, the Rural Telephone Bank, or similar lenders such as the Rural Telephone Finance Cooperative, or (C) now existing or hereafter arising under or by reason of either (x) applicable Law or (y) this Agreement and the other Loan Papers.

(c) If at any time after the date of this Agreement the Borrower enters into any financing arrangement with a third party which requires the Borrower or the Companies as a whole to maintain a specified minimum net worth, then such minimum net worth requirement or covenant shall be incorporated herein by reference and made a part of this Agreement for all purposes as of the date such financing arrangement is entered into by the Borrower.

Further, for purposes of this Section 7.14 Consolidated Total Funded Debt shall include any Company's Guaranty of Funded Debt of any Person other than another Company or the Borrower's Employee Stock Ownership Plan. For the first four quarters following any Acquisition, calculations under this Section 7.14 shall be made on a pro forma basis as if the properties acquired in connection with such Acquisition were properties of the Companies during the period of calculation.

SECTION 8

DEFAULT

The term "Event of Default" means the occurrence and continuance of any one or more of the following events (including the passage of time, if any, specified therefor) (provided that, if any such event occurs and the Lenders or Majority Lenders, as required by the provisions of Section 11.14, subsequently agree in writing that they will not exercise any remedies hereunder as a result thereof, the occurrence and continuance of such event shall no longer be deemed an Event of Default hereunder insofar as the state of facts giving rise to such event is concerned):

8.1. Payment of Obligation.

The failure or refusal of the Borrower to pay any portion of the Obligation, as the same become due in accordance with the terms of the Loan Papers and, in the case of an interest payment, such failure or refusal continues for a period of 5 Business Days (no grace period being given for failure or refusal to make a principal payment). Notwithstanding the foregoing, the Borrower's failure to pay, if caused solely by a wire transfer malfunction or similar problem outside the Borrower's control, shall not be deemed an Event of Default so long as such failure to pay is promptly corrected.

8.2. Covenants.

(a) The failure or refusal of the Borrower (and, if applicable, any other Company) to punctually and properly perform, observe, and comply with any covenant, agreement, or condition contained in Section 6.3(e)(iii) or Section 7.

(b) The failure or refusal of the Borrower (and, if applicable, any other Company) to punctually and properly perform, observe, and comply with any covenant, agreement, or condition contained in any of the Loan Papers to which such Company is a party, other than covenants to pay the Obligation and the covenants listed in clause (a) preceding, and such failure or refusal continues for 10 days after notice from the Administrative Agent to the Borrower.

8.3. Debtor Relief.

The Companies shall not be Solvent, or any Company (a) fails to pay its Debts generally as they become due, (b) voluntarily seeks, consents to, or acquiesces in the benefit of any Debtor Relief Law, or (c) becomes a party to or is made the subject of any proceeding provided for by any Debtor Relief Law, other than as a creditor or claimant, that could suspend or otherwise adversely affect the Rights of the Agents or the Lenders granted in the Loan Papers (unless, in the event such proceeding is involuntary, the petition instituting same is dismissed within 60 days after its filing).

8.4. Attachment.

The failure of any Company to have discharged within 60 days after commencement any attachment, sequestration, or similar proceeding which, individually or together with all such other proceedings then pending, affects assets of such Company having a value (individually or collectively) of 1 percent of Consolidated Net Worth or more.

8.5. Payment of Judgments.

Any Company fails to pay any judgments or orders for the payment of money in excess of 1 percent of Consolidated Net Worth (individually or collectively) rendered against it or any of its assets and either (a) any enforcement proceedings shall have been commenced by any creditor upon any such judgment or order or (b) a stay of enforcement of any such judgment or order, by reason of pending appeal or otherwise, shall not be in effect prior to the time its assets may be lawfully sold to satisfy such judgment.

8.6. Default Under Other Agreements.

A default exists under any Material Agreement to which any Company is a party, the effect of which is to cause, or which permits the holder thereof (or a trustee or representative of such holder) to cause, unpaid consideration of at least 2% of Consolidated Net Worth (individually or in the aggregate) to become due prior to the stated maturity or prior to the regularly scheduled dates of payment.

8.7. Misrepresentation.

The Administrative Agent or any Lender discovers that any statement, representation, or warranty in the Loan Papers, any Financial Statement of the Borrower, or any writing ever delivered to the Administrative Agent or any Lender pursuant to the Loan Papers is false, misleading, or

erroneous when made, deemed made or delivered in any material respect.

8.8. Change in Control.

A Change of Control shall occur. For the purpose of this Section, a "Change of Control" shall be deemed to have occurred if:

(a) a third person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), but excluding any employee benefit plan or plans of the Borrower and its Subsidiaries and Affiliates, becomes the beneficial owner, directly or indirectly, of thirty percent (30%) or more of the combined voting power of the Borrower's outstanding voting securities ordinarily having the right to vote for the election of directors of the Borrower; or

(b) the individuals who, as of September 30, 2004 constituted the Board of Directors of the Borrower (the "Board" generally and as of September 30, 2004 the "Incumbent Board") cease for any reason to constitute at least two-thirds (2/3) of the Board, or in the case of a merger or consolidation of the Borrower, do not constitute or cease to constitute at least two-thirds (2/3) of the board of directors of the surviving company (or in a case where the surviving corporation is controlled, directly or indirectly, by another corporation or entity do not constitute or cease to constitute at least two-thirds (2/3) of the board of such controlling corporation or do not have or cease to have at least two-thirds (2/3) voting seats on any body comparable to a board of directors of such controlling entity or, if there is no body comparable to a board of directors, at least two-thirds (2/3) voting control of such controlling entity), provided that any person becoming a director (or, in the case of a -----controlling non-corporate entity, obtaining a position comparable to a director or obtaining a voting interest in such entity) subsequent to September 30, 2004, whose election, or nomination for election, was approved by a vote of the persons comprising at least two-thirds (2/3) of the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board.

8.9. ERISA.

Any one of the following shall have occurred: (a) any "Reportable Event" as such term is defined in ERISA under any Plan, (b) the appointment by an appropriate Tribunal of a trustee to administer any Plan, (c) the termination of any Plan within the meaning of Title IV of ERISA, or (d) any material accumulated funding deficiency within the meaning of ERISA exists under any Plan, and any of (a), (b), (c) or (d) results in a Material Adverse Effect.

8.10. Validity and Enforceability of Loan Papers.

Any Loan Paper shall, at any time after its execution and delivery and for any reason, cease to be in full force and effect in any material respect or be declared to be null and void or the validity or enforceability thereof be contested by any Company party thereto or any Company shall deny that it has any liability or obligations under any Loan Paper to which it is a party.

SECTION 9

RIGHTS AND REMEDIES

9.1. Remedies Upon Event of Default.

(a) Should an Event of Default occur and be continuing under Section 8.3, the commitment of the Lenders to make Loans shall automatically terminate and the entire unpaid balance of the Obligation shall automatically become due and payable without any action of any kind whatsoever.

(b) Should any other Event of Default occur and be continuing, subject to any agreement among the Lenders, the Administrative Agent may (and shall upon the request of the Majority Lenders), at its (or the Majority Lenders') election, do any one or more of the following: (i) If the maturity of the Obligation has not already been accelerated under Section 9.1(a), declare the entire unpaid balance of the Obligation (including all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder), or any part thereof, immediately due and payable, whereupon it shall be due and payable (and notice of such declaration shall promptly be given thereafter by the Administrative Agent to the Borrower); (ii) terminate commitments to make Loans hereunder; (iii) reduce any claim to judgment; (iv) exercise (or request each Lender to exercise) the Rights of offset or banker's Lien against the interest of the Borrower in and to every account and other property of the Borrower which are in the possession of any Lender to the extent of the full amount of the Obligation; and (v) exercise any and all other legal or equitable Rights afforded by the Loan Papers, the Laws of the State of New York or any other jurisdiction as the Administrative Agent shall deem appropriate, including, but not limited to, the Right to bring suit or other proceedings before any Tribunal either for specific performance of any covenant or condition contained in any of the Loan Papers or in aid of the exercise of any Right granted to the Lenders in any of the Loan Papers. With respect to all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to this paragraph, the Borrower shall at such time deposit in a cash collateral account opened by the Administrative Agent an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Borrower hereunder. After all such Letters of Credit shall have expired or been fully drawn

upon, all Reimbursement Obligations shall have been satisfied and all other obligations of the Borrower hereunder shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrower (or such other Person as may be lawfully entitled thereto).

9.2. Waivers.

The Borrower hereby waives presentment and demand for payment, protest, notice of intention to accelerate, notice of acceleration, and notice of protest and nonpayment, and agrees that its liability with respect to the Obligation, or any part thereof, shall not be affected by any renewal or extension in the time of payment of the Obligation, by any indulgence, or by any release or change in any security for the payment of the Obligation.

9.3. Performance by Administrative Agent.

If any covenant, duty, or agreement of any Company is not performed in accordance with the terms of the Loan Papers, the Administrative Agent may, at its option (but subject to the approval of the Majority Lenders), perform or attempt to perform such covenant, duty, or agreement on behalf of such Company. In such event, any amount expended by the Administrative Agent in such performance or attempted performance shall be reasonable, payable by the Borrower to the Administrative Agent on demand, shall become part of the Obligation, and shall bear interest at the Default Rate from the date of such expenditure by the Administrative Agent until paid. Notwithstanding the foregoing, it is expressly understood that the Administrative Agent does not assume and shall never have, except by its express written consent, any liability or responsibility for the performance of any covenant, duty, or agreement of any Company.

9.4. Delegation of Duties and Rights.

The Administrative Agent and the Lenders may perform any of their duties or exercise any of their Rights under the Loan Papers by or through the Administrative Agent and their and the Administrative Agent's officers, directors, employees, attorneys, agents, or other representatives.

9.5. Lenders Not in Control.

None of the covenants or other provisions contained in this Agreement or in any other Loan Paper shall, or shall be deemed to, give the Agents or the Lenders the Right to exercise control over the assets (including, without limitation, real property), affairs, or management of any Company, the power of the Agents and the Lenders being limited to the Right to exercise the remedies provided in this Section 9.

9.6. Waivers by Lenders.

The acceptance by the Agents or the Lenders at any time and from time to time of partial payment on the Obligation shall not be deemed to be a waiver of any Event of Default then existing. No waiver by the Agents, the Majority Lenders, or all of the Lenders of any Event of Default shall be deemed to be a waiver of any other then-existing or subsequent Event of Default. No delay or omission by the Agents, the Majority Lenders, or all of the Lenders in exercising any Right under the Loan Papers shall impair such Right or be construed as a waiver thereof or any acquiescence therein, nor shall any single or partial exercise of any such Right preclude other or further exercise thereof, or the exercise of any other Right under the Loan Papers or otherwise.

9.7. Cumulative Rights.

All Rights available to the Agents and the Lenders under the Loan Papers are cumulative of and in addition to all other Rights granted to the Agents and the Lenders at law or in equity, whether or not the Obligation is due and payable and whether or not the Agents or the Lenders have instituted any suit for collection, foreclosure, or other action in connection with the Loan Papers.

9.8. Application of Proceeds.

Any and all proceeds ever received by the Agents or the Lenders from the exercise of any Rights pertaining to the Obligation shall be applied to the Obligations in the order and manner set forth in Section 2.15.

9.9. Certain Proceedings.

The Borrower will promptly execute and deliver or cause the execution and delivery of, all applications, certificates, instruments, registration statements, and all other documents and papers the Agents or the Lenders may reasonably request in connection with the obtaining of any consent, approval, registration, qualification, permit, license, or authorization of any other Tribunal or other Person necessary or appropriate for the effective exercise of any Rights under the Loan Papers. Because the Borrower agrees that the Agents' and the Lenders' remedies at Law for failure of the Borrower to comply with the provisions of this paragraph would be inadequate and that such failure would not be adequately compensable in damages, the Borrower agrees that the covenants of this paragraph may be specifically enforced.

9.10. Setoff.

If an Event of Default shall have occurred and is continuing, each Lender is hereby authorized at any time and from time to time, without prior

notice to the Borrower (any such notice being hereby expressly waived by the Borrower), to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and any other indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower against any portion of the Obligation owing to such Lender, irrespective of whether or not all of the Obligation, or any part thereof, shall be then due. Each Lender agrees promptly to notify the Borrower (with a copy to the Administrative Agent) after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application. The rights and remedies of each Lender hereunder are in addition to other rights and remedies (including, without limitation, other rights of setoff) which such Lender may have.

SECTION 10

THE AGENTS.

10.1. Appointment.

Each Lender hereby irrevocably designates and appoints the Administrative Agent as the agent of such Lender under this Agreement and the other Loan Papers, and each such Lender irrevocably authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Papers and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Papers, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Paper or otherwise exist against the Administrative Agent.

10.2. Delegation of Duties.

The Administrative Agent may execute any of its duties under this Agreement and the other Loan Papers by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys in-fact selected by it with reasonable care.

10.3. Exculpatory Provisions.

Neither any Agent nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Paper (except to the extent that any of the foregoing are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Company or any officer thereof contained in this Agreement or any other Loan Paper or in any certificate, report, statement or other document referred to or provided for in, or received by the Agents under or in connection with, this Agreement or any other Loan Paper or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Paper or for any failure of any Company a party thereto to perform its obligations hereunder or thereunder. The Agents shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Paper, or to inspect the properties, books or records of any Company.

10.4. Reliance of Administrative Agent.

The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any instrument, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Paper unless it shall first receive such advice or concurrence of the Majority Lenders (or, if so specified by this Agreement, all Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Papers in accordance with a request of the Majority Lenders (or, if so specified by this Agreement, all Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

10.5. Notice of Default.

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall promptly give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Majority Lenders (or, if so specified by this Agreement, all Lenders); provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be

obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

10.6. Non-Reliance on Agents and Other Lenders.

Each Lender expressly acknowledges that neither the Agents nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by any Agent hereafter taken, including any review of the affairs of a Company or any affiliate of a Company, shall be deemed to constitute any representation or warranty by any Agent to any Lender. Each Lender represents to the Agents that it has, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Companies and their affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Papers, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Companies and their affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of any Company or any affiliate of a Company that may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

10.7. Indemnification.

The Lenders agree to indemnify each Agent in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective Revolving Percentages in effect on the date on which indemnification is sought under this

Section (or, if indemnification is sought after the date upon which the Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with such Revolving Percentages immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (whether before or after the payment of the Loans) be imposed on, incurred by or asserted against such Agent in any way relating to or arising out of, the Commitments, this Agreement, any of the other Loan Papers or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by such Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from such Agent's fraud, gross negligence or willful misconduct. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder.

10.8. Agent in its Individual Capacity.

Each Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with any Company as though such Agent were not an Agent. With respect to its Loans made or renewed by it, each Agent shall have the same rights and powers under this Agreement and the other Loan Papers as any Lender and may exercise the same as though it were not an Agent, and the terms "Lender" and "Lenders" shall include each Agent in its individual capacity.

10.9. Successor Administrative Agent.

The Administrative Agent may resign as Administrative Agent upon 10 days' notice to the Lenders and the Borrower. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Loan Papers, then the Majority Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall (unless an Event of Default under Section 8.1 or Section 8.3 with respect to the Borrower shall have occurred and be continuing) be subject to approval by the Borrower (which approval shall not be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. If no successor agent has accepted appointment as Administrative Agent by the date that is 10 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective, and the Lenders shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Majority Lenders appoint a successor agent as provided for above. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 10 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Loan Papers.

10.10. Co-Documentation Agents and Syndication Agent.

Neither the Co-Documentation Agents nor the Syndication Agent shall have any duties or responsibilities hereunder in its capacity as such.

SECTION 11

MISCELLANEOUS.

11.1. Changes in GAAP.

All accounting and financial terms used in any of the Loan Papers and the compliance with each covenant contained in the Loan Papers which relates to financial matters shall be determined in accordance with GAAP, except to the extent that a deviation therefrom is expressly stated in such Loan Papers. Should a change in GAAP require a change in any method of accounting or should any voluntary change in the accounting methods be permitted pursuant to Section 7.11, then such change shall not result in an Event of Default if, at the time of such change, such Event of Default had not occurred and was not then continuing, based upon the former methods of accounting used by or on behalf of the Borrower; provided that, after any such change in accounting methods, the Financial Statements required to be delivered shall either be (a) supplemented with financial information prepared in comparative form, in compliance with the former methods of accounting used prior to such change, as well as with the new method or methods of accounting and, for the purpose of determining whether an Event of Default has occurred, Lenders shall look solely to that portion of such supplemental information that complies with the former methods of accounting, or (b) supplemented with financial information prepared in compliance with such new method or methods of accounting but accompanied by such information, in form and detail satisfactory to Lenders, that will allow Lenders to readily determine the effect of such changes in accounting methods on such Financial Statements, and, for the purpose of determining whether an Event of Default has occurred, Lenders shall look solely to such supplemental information as adjusted to reflect compliance with such former method or methods of accounting.

11.2. Money and Interest.

Unless stipulated otherwise (a) all references in any of the Loan Papers to "dollars," "money," "payments," or other similar financial or monetary terms are references to currency of the United States of America and (b) all references to interest are to simple and not compound interest.

11.3. Number and Gender of Words.

Whenever in any Loan Paper the singular number is used, the same shall include the plural where appropriate, and vice versa; and words of any gender in any Loan Paper shall include each other gender where appropriate. The words "herein," "hereof," and "hereunder," and other words of similar import refer to the relevant Loan Paper as a whole and not to any particular part or subdivision thereof.

11.4. Headings.

The headings, captions, and arrangements used in any of the Loan Papers are, unless specified otherwise, for convenience only and shall not be deemed to limit, amplify, or modify the terms of the Loan Papers, nor affect the meaning thereof.

11.5. Exhibits.

If any Exhibit, which is to be executed and delivered, contains blanks, the same shall be completed correctly and in accordance with the terms and provisions contained and as contemplated herein prior to, at the time of, or after the execution and delivery thereof.

11.6. Notices.

All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or three Business Days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed as follows in the case of the Borrower and the Administrative Agent, and as set forth in an administrative questionnaire delivered to the Administrative Agent in the case of the Lenders, or to such other address as may be hereafter notified by the respective parties hereto:

Borrower: CenturyTel, Inc.
100 CenturyTel Drive
Monroe, LA 71203
Attention: R. Stewart Ewing, Jr.
Telecopy: 318-362-1728
Telephone: 318-388-9512

CenturyTel, Inc.
100 CenturyTel Drive
Monroe, LA 71203
Attention: G. Clay Bailey and D. Greg Jones
Telecopy: 318-388-9093
Telephone: 318-388-9069

with a copy to: CenturyTel, Inc.
100 CenturyTel Drive
Monroe, LA 71203

Attention: Stacey W. Goff
Telecopy: 318-388-9488
Telephone: 318-388-9539

Administrative Agent: JPMorgan Chase Bank, N.A.
270 Park Avenue
New York, NY 10017
Attention: David Mallett
Telecopy: 212-270-5127
Telephone: 212-270-0335

provided that any notice, request or demand to or upon the Administrative Agent or the Lenders shall not be effective until received.

Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Section 2 unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

11.7. Exceptions to Covenants.

The Borrower shall not take any action or fail to take any action which is permitted as an exception to any of the covenants contained in any of the Loan Papers if such action or omission would result in the breach of any other covenant contained in any of the Loan Papers.

11.8. Survival.

All covenants, agreements, undertakings, representations, and warranties made in any of the Loan Papers (a) shall survive all closings under the Loan Papers, (b) except as otherwise indicated, shall not be affected by any investigation made by any party, and (c) unless otherwise provided herein shall terminate upon the later of the termination of this Agreement and the payment in full of the Obligation.

11.9. Governing Law.

THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

11.10. Submission to Jurisdiction; Waivers.

The Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Papers to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Borrower, as the case may be at its address set forth in Section 11.6 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

11.11. WAIVERS OF JURY TRIAL.

THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN PAPER AND FOR ANY COUNTERCLAIM THEREIN.

11.12. Severability.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

11.13. Integration.

This Agreement and the other Loan Papers represent the entire agreement of the Borrower, the Administrative Agent and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the other Loan Papers.

11.14. Amendments, Etc.

Neither this Agreement, any other Loan Paper, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section 11.14. The Majority Lenders and the Borrower may, or, with the written consent of the Majority Lenders, the Administrative Agent and the Borrower may, from time to time, (a) enter into written amendments, supplements or modifications hereto and to the other Loan Papers for the purpose of adding any provisions to this Agreement or the other Loan Papers or changing in any manner the rights of the Lenders or of the Borrower hereunder or thereunder or (b) waive, on such terms and conditions as the Majority Lenders or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Loan Papers or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (i) forgive or reduce the principal amount or extend the final scheduled date of maturity of any Loan, reduce the stated rate of any interest, margin or fee payable hereunder (except (x) in connection with the waiver of applicability of any post-default increase in interest rates (which waiver shall be effective with the consent of the Majority Lenders) and (y) that any amendment or modification of defined terms used in the financial covenants in this Agreement shall not constitute a reduction in the rate of interest or fees for purposes of this clause (i)) or extend the scheduled date of any payment thereof, or increase the amount or extend the expiration date of any Lender's Commitment, in each case without the written consent of each Lender directly affected thereby; (ii) eliminate or reduce the voting rights of any Lender under this Section 11.14 without the written consent of such Lender; (iii) reduce any percentage specified in the definition of Majority Lenders or consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Papers, in each case without the written consent of all Lenders; or (iv) amend, modify or waive any provision of Section 3 or 10 without the written consent of the Issuing Lender or the Administrative Agent, respectively. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Borrower, the Lenders, the Administrative Agent and all future holders of the Loans. In the case of any waiver, the Companies, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the other Loan Papers, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

Notwithstanding the foregoing, this Agreement may be amended (or amended and restated) with the written consent of the Majority Lenders, the Administrative Agent and the Borrower (a) to add one or more additional credit facilities to this Agreement and to permit the extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof to share ratably in the benefits of this Agreement and the other Loan Papers with the aggregate principal amount of the Loans then outstanding and the accrued interest and fees in respect thereof and (b) to include appropriately the Lenders holding such credit facilities in any determination of the Majority Lenders.

11.15. Waivers.

No course of dealing nor any failure or delay by the Administrative Agent, any Lender, or any of their respective officers, directors, employees, agents, representatives, or attorneys with respect to exercising any Right of the Lenders hereunder shall operate as a waiver thereof. A waiver must be in writing and signed by the Lenders (or the Majority Lenders to the extent permitted hereunder) to be effective, and such waiver will be effective only in the specific instance and for the specific purpose for which it is given.

11.16. Governmental Regulation.

Anything contained in this Agreement to the contrary notwithstanding, the Lenders shall not be obligated to extend credit to the Borrower in violation of any Law.

11.17. Multiple Counterparts.

This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

11.18. Successors and Assigns; Participations; Assignments.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without

the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section.

(b) (i) Subject to the conditions set forth in paragraph (b)

(ii) below, any Lender may assign to one or more assignees (each, an "Assignee") all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Borrower, provided that no consent of the Borrower shall be required for an assignment to a Lender, an affiliate of a Lender, an Approved Fund (as defined below) or, if an Event of Default has occurred and is continuing, any other Person;

(B) the Administrative Agent; and

(C) the Issuing Lender.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender, an affiliate of a Lender or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Commitments, the amount of the Commitments of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, provided that

(1) no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing and

(2) such amounts shall be aggregated in respect of each Lender and its affiliates or Approved Funds, if any;

(B) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500;

(C) the Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an administrative questionnaire;

(D) unless otherwise agreed by the Borrower, the Assignee shall either (1) be a "U.S. Person" as defined in Section 7701(a)(30) of the Code or (2) have delivered the documents described in Section 2.20(d) claiming complete exemption from U.S. federal withholding tax on all payments by the Borrower under this Agreement and the other Loan Papers; and

(E) in the case of an assignment to a CLO (as defined below), unless such assignment (or an assignment to a CLO managed by the same manager or an Affiliate of such manager) shall have been approved by the Borrower (the Borrower agreeing that such approval, if requested, will not be unreasonably withheld or delayed) the assigning Lender shall retain the sole right to approve any amendment, modification or waiver of any provision of this Agreement and the other Loan Papers, provided that the Assignment and Assumption between such Lender and such CLO may provide that such Lender will not, without the consent of such CLO, agree to any amendment, modification or waiver that (1) requires the consent of each Lender directly affected thereby pursuant to the proviso to the second sentence of Section 11.14 and (2) directly affects such CLO.

For the purposes of this Section 11.18, the terms "Approved Fund" and "CLO" have the following meanings:

"Approved Fund" means (a) a CLO and (b) with respect to any Lender that is a fund which invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an affiliate of such investment advisor.

"CLO" means any entity (whether a corporation, partnership, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Lender or an affiliate of such Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) below, from and after the effective date specified in each Assignment and Assumption the Assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.10, 2.12, 2.20 and 11.21). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 11.18 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the

Register ----- shall be conclusive, and the Borrower, the Administrative Agent, the Issuing Lender and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an Assignee, the Assignee's completed administrative questionnaire (unless the Assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c) (i) Any Lender may, without the consent of the Borrower or the Administrative Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver that (1) requires the consent of each Lender directly affected thereby pursuant to the proviso to the second sentence of Section 11.14 and (2) directly affects such Participant. Subject to paragraph (c)(ii) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.10, 2.12 and 2.20 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.10 as though it were a Lender, provided such Participant shall be subject to Section 2.14 as though it were a Lender.

(ii) A Participant shall not be entitled to receive any greater payment under Section 2.10 or 2.20 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or Assignee for such Lender as a party hereto.

(e) The Borrower, upon receipt of written notice from the relevant Lender, agrees to issue Notes to any Lender requiring Notes to facilitate transactions of the type described in paragraph (d) above.

(f) Notwithstanding the foregoing, any Conduit Lender may assign any or all of the Loans it may have funded hereunder to its designating Lender without the consent of the Borrower or the Administrative Agent and without regard to the limitations set forth in Section 11.18(b). Each of the Borrower, each Lender and the Administrative Agent hereby confirms that it will not institute against a Conduit Lender or join any other Person in instituting against a Conduit Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding under any state bankruptcy or similar law, for one year and one day after the payment in full of the latest maturing commercial paper note issued by such Conduit Lender; provided, however, that each ----- Lender designating any Conduit Lender hereby agrees to indemnify, save and hold harmless each other party hereto for any loss, cost, damage or expense arising out of its inability to institute such a proceeding against such Conduit Lender during such period of forbearance.

11.19. Confidentiality.

(a) No Lender will use confidential information obtained from the Borrower by virtue of the transactions contemplated hereby or its other relationships with the Borrower in connection with the performance by such Lender of services for other companies that are not affiliates of such Lender, and no Lender will furnish any such information to such other companies. The Borrower acknowledges that no Lender has any obligation to use in connection with the transactions contemplated hereby, or to furnish to the Borrower, confidential information obtained from other companies.

(b) Each Lender agrees to keep confidential, and not to publish, disclose or otherwise divulge to anyone (and to cause their respective officers, directors, employees, agents and representatives to keep confidential, and not to publish, disclose or otherwise divulge to anyone) all information with respect to the Companies, including all financial information and projections or all other information (the "Confidential Information") except that the Lenders shall be permitted to disclose Confidential Information: (i) to the Administrative Agent, any other Lender or any affiliate thereof; (ii) to their respective officers, directors, employees, agents, advisors, attorneys, accountants and representatives on a "need-to-know" basis in connection with the respective roles of the Lenders described herein, provided that the Lenders implement reasonable precautions to prevent disclosure by any such personnel, (iii) to the extent required by applicable laws and regulations or requested or required in connection with any litigation or other legal process, provided that the Lenders will use reasonable efforts to provide the Borrower with a reasonable opportunity to challenge the disclosure and request confidentiality protection for any Confidential Information that is required to be disclosed, (iv) subject to an agreement to comply with the provisions of this Section, to (A) actual or prospective transferees or (B) any direct or indirect counterparty to any Swap Agreement (or any professional advisor to such counterparty), (v) to the extent requested by any

regulatory authority with jurisdiction over any Lender, (vi) to the extent such Confidential Information (A) becomes publicly available other than as a result of a breach of this agreement known to the disclosing Lender, (B) becomes available to such Lender on a non-confidential basis from a source other than the Borrower or (C) was available to such Lender on a non-confidential basis prior to its disclosure by the Borrower, (vii) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender, or (viii) to the extent the Borrower shall have consented to such disclosure. Notwithstanding anything to the contrary contained above, the Lenders shall be entitled to use the Confidential Information in exercising remedies under this Agreement or any other Loan Paper.

11.20. Conflicts and Ambiguities.

Any conflict or ambiguity between the terms and provisions herein and terms and provisions in any other Loan Paper shall be controlled by the terms and provisions herein.

11.21. GENERAL INDEMNIFICATION.

THE BORROWER SHALL INDEMNIFY, PROTECT, AND HOLD THE AGENTS AND THE LENDERS AND THEIR RESPECTIVE PARENTS, SUBSIDIARIES, AFFILIATES, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, AGENTS, SUCCESSORS, ASSIGNS, AND ATTORNEYS (COLLECTIVELY, THE "INDEMNIFIED PARTIES") HARMLESS FROM AND AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, CLAIMS, COSTS, EXPENSES (INCLUDING, WITHOUT LIMITATION, ATTORNEYS' FEES AND LEGAL EXPENSES WHETHER OR NOT SUIT IS BROUGHT AND SETTLEMENT COSTS), AND DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER WHICH MAY BE IMPOSED ON, INCURRED BY, OR ASSERTED AGAINST THE INDEMNIFIED PARTIES, IN ANY WAY RELATING TO OR ARISING OUT OF THE LOAN PAPERS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN (COLLECTIVELY, THE "INDEMNIFIED LIABILITIES"), TO THE EXTENT THAT ANY OF THE INDEMNIFIED LIABILITIES RESULTS, DIRECTLY OR INDIRECTLY, FROM ANY CLAIM MADE OR ACTION, SUIT, OR PROCEEDING COMMENCED BY OR ON BEHALF OF ANY PERSON OTHER THAN THE INDEMNIFIED PARTIES; PROVIDED, HOWEVER, THAT ALTHOUGH EACH INDEMNIFIED PARTY SHALL HAVE THE RIGHT TO BE INDEMNIFIED FROM ITS OWN ORDINARY NEGLIGENCE, NO INDEMNIFIED PARTY SHALL HAVE THE RIGHT TO BE INDEMNIFIED HEREUNDER FOR ITS OWN FRAUD, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT. THE PROVISIONS OF AND UNDERTAKINGS AND INDEMNIFICATION SET FORTH IN THIS PARAGRAPH SHALL SURVIVE THE SATISFACTION AND PAYMENT OF THE OBLIGATION AND TERMINATION OF THIS AGREEMENT FOR THE PERIOD OF TIME SET FORTH IN ANY APPLICABLE STATUTE OF LIMITATIONS.

[Remainder of page left intentionally blank. Signature pages follow.]

EXECUTED as of the day and year first mentioned.

CENTURYTEL, INC.

By: /s/ R. Stewart Ewing, Jr.

Name: R. Stewart Ewing, Jr.

Title: EVP & CFO

**JPMORGAN CHASE BANK, N.A.
as the Administrative Agent and a Lender**

By: /s/ David M. Mallett

Name: David M. Mallett

Title: Vice President

**WACHOVIA BANK, N.A.,
as Syndication Agent and a Lender**

By: /s/ Scott Suddreth

Name: Scott Suddreth

Title: Vice President

**BANK OF AMERICA, N.A.,
as Co-Documentation Agent and as a Lender**

By: /s/ David A. Banmiller

Name: David A. Banmiller

Title: Vice President

**THE BANK OF TOKYO-MITSUBISHI, LTD.,
as Co-Documentation Agent and as a Lender**

By: /s/ Cynthia Rietscha

Name: Cynthia Rietscha

Title: Vice President

**SUNTRUST BANK,
as Co-Documentation Agent and as a Lender**

By: /s/ Kip Hurd

Name: Kip Hurd

Title: Director

**COBANK, ACB,
as Co-Documentation Agent and as a Lender**

By: /s/ Thomas Meyer

Name: Thomas Meyer

Title: *Vice President*

LEHMAN BROTHERS BANK

By: */s/ Janine M. Shugan*

Name: *Janine M. Shugan*

Title: *Authorized Signatory*

REGIONS BANK

By: */s/ C. Ted Gibson*

Name: *C. Ted Gibson*

Title: *Senior Relationship Manager*

BARCLAYS BANK PLC

By: */s/ Nicholas A. Bell*

Name: *Nicholas A. Bell*

Title: *Director*

BAYERISCHE HYPO- UND VEREINSBANK, AG

By: */s/ Yoram Dankner*

Name: *Yoram Danker*

Title: *Managing Director*

By: */s/ Luc Perrot*

Name: *Luc Perrot*

Title: *Associate Director*

MIZUHO CORPORATE BANK, LTD.

By: */s/ Mark Gronich*

Name: *Mark Gronich*

Title: *SVP*

UNION BANK OF CALIFORNIA

By: */s/ Richard Vian*

Name: *Richard Vian*

Title: *Assistant Vice President*

US BANK, NATIONAL ASSOCIATION

By: */s/ Mark Weitekamp*

Name: *Mark Weitekamp*

Title: *Vice President*

FIFTH THIRD BANK

By: */s/ Christopher Morey*

Name: *Christopher Morey*

Title: *Vice President*

UFJ BANK LIMITED

By: */s/ John T. Feeney*

Name: *John T. Feeney*

Title: *Vice President*

BANK HAPOALIM B.M.

By: */s/ James P. Surlless*

Name: *James P. Surlless*

Title: *Vice President*

By: */s/ Lenroy Hackett*

Name: *Lenroy Hackett*

Title: *First Vice President*

HIBERNIA NATIONAL BANK

By: */s/ Roger E. Johnston*

Name: *Roger E. Johnston*

Title: *Vice President*

KBC BANK N.V.

By: */s/ Eric Baskin*

Name: *Eric Baskin*

Title: *Vice President*

By: */s/ Robert Shauffer*

Name: *Robert Shauffer*

Title: *First Vice President*

PROGRESSIVE BANK

By: */s/ David M. Knight*

Name: *David M. Knight*

Title: *Sr. Vice President*

**FORM OF NON-QUALIFIED STOCK OPTION AGREEMENT
UNDER THE AMENDED AND RESTATED CENTURYTEL, INC.**

2002 MANAGEMENT INCENTIVE COMPENSATION PLAN

(February 17, 2005 Grants)

THIS AGREEMENT is entered into as of February 17, 2005 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. 2002 Management Incentive Compensation Plan (the "Plan"), which was approved by the Board of Directors of CenturyTel on February 26, 2002, approved by the shareholders at CenturyTel's 2002 Annual Meeting of Shareholders on May 9, 2002 and most recently amended and restated by the Board of Directors of CenturyTel on February 25, 2004;

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 17, 2005 (the "Date of Grant"), the right, privilege and option to purchase _____ shares of Common Stock (the "Option" at an exercise price of \$33.40 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 on the Date of Grant
With respect to 2/3 of the shares covered by the Option, less any shares previously issued.....	beginning February 17, 2006
With respect to all of the shares covered by the Option, less any shares previously issued.....	beginning February 17, 2007.

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 rights to purchase Common Stock under this Option may be exercised later than ten years after the Date of Grant.

4.

Forfeiture of Option and Option Gain

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

4.02 If Optionee owes any amount to the Company under

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

4.03 Optionee may be released from Optionee's obligations under Sections 4.01 and 4.02 above only if the 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 use commercially reasonable efforts to issue all shares of Common Stock issuable hereunder on the terms provided herein.

7.

Attorneys' Fees and Expenses

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

8.

No Contract of Employment Intended

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

9.

Taxes

The Company may make such provisions as it may deem appropriate for the withholding of any federal, state and local taxes that it determines are required to be withheld on any exercise of the Option. In accordance with the terms of the Plan, Optionee may satisfy the tax withholding obligation by delivering currently owned shares of Common Stock or electing to have CenturyTel withhold from the shares Optionee otherwise would receive hereunder shares of Common Stock having a value equal to the minimum amount required to be withheld (as determined under the Plan).

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 term "Optionee" is used in any provision of this Agreement under circumstances where the provision appropriately applies to the heirs, executors, administrators or legal representatives to whom this Option may be transferred by will or by the laws of descent and distribution, the term "Optionee" shall be deemed to include such person or persons.

11.

Inconsistent Provisions

Optionee agrees that the Option granted hereby is subject to the terms, conditions, restrictions and other provisions of the Plan as fully as if all such provisions were set forth in their entirety in this Agreement. If any provision of this Agreement conflicts with a provision of the Plan, the Plan provision shall control. Optionee acknowledges that a copy of the Plan 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, administrators, legal representatives and successors.

12.

Adjustments to Options

The parties acknowledge that (i) appropriate adjustments shall be made to the number and class of shares of Common Stock subject to the Option and to the exercise price in certain situations described in Section 4.5 of the Plan and (ii) adjustments to the rights of the Optionee might be made in the event of a Change of Control, as defined in Section 9.13 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 with respect to the subject matter contained herein made prior to the execution of the Agreement shall be void and ineffective for all purposes.

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

CENTURYTEL, INC.

By:

Name:

Title:

**FORM OF RESTRICTED STOCK AGREEMENT
UNDER THE**

2002 MANAGEMENT INCENTIVE COMPENSATION PLAN

(February 17, 2005 Grants to Section 16 Officers)

This RESTRICTED STOCK AGREEMENT (this "Agreement") is made as of February 17, 2005, by and between CenturyTel, Inc. ("CenturyTel") and _____ ("Award Recipient").

WHEREAS, CenturyTel maintains the Amended and Restated 2002 Management Incentive Compensation Plan (the "Plan"), under which the Compensation Committee of the Board of Directors of CenturyTel, acting directly or indirectly through its Incentive Awards Subcommittee (collectively, the "Committee"), may, among other things, grant restricted shares of CenturyTel's common stock, \$1.00 par value per share (the "Common Stock"), to key employees of CenturyTel or its subsidiaries (collectively, the "Company") as the Committee may determine, subject to terms, conditions, or restrictions as it may deem appropriate; and

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

NOW, THEREFORE, the parties agree as follows:

1.

AWARD OF SHARES

Upon the terms and conditions of the Plan and this Agreement, the Committee as of the date of this Agreement hereby awards to the Award Recipient _____ restricted shares of Common Stock, together with associated preference share purchase rights under CenturyTel's rights agreement dated as of August 27, 1996, as amended (collectively, the "Restricted Stock"), that vest, subject to Sections 2, 3 and 4 hereof, in installments as follows:

Scheduled Vesting Date -----	Number of Shares of Restricted Stock -----
March 15, 2006	
March 15, 2007	
March 15, 2008	
March 15, 2009	
March 15, 2010	

2.

**AWARD RESTRICTIONS ON
RESTRICTED STOCK**

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

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

(a) the date on which the employment of the Award Recipient terminates as a result of (i) death or disability, as further defined in Section 3 below, or (ii) if permitted by the Committee in accordance with Section 3 below, retirement or termination by the Company; or

(b) the occurrence of a Change of Control of CenturyTel, as described in Section 9.13 of the Plan.

3.

TERMINATION OF EMPLOYMENT

If the Award Recipient's employment terminates as the result of death or disability within the meaning of Section 22(e)(3) of the Internal Revenue Code, all unvested shares of Restricted Stock granted hereunder shall immediately vest. Unless the Committee determines otherwise in the case of retirement of the Award Recipient or termination by the Company of the Award Recipient's employment, termination of employment for any other reason, except termination upon a Change of Control (as provided in Section 9.13 of the Plan), shall automatically result in the termination and forfeiture of all unvested Restricted Stock.

4.

FORFEITURE OF AWARD

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

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

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

5.

STOCK CERTIFICATES

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

5.2 Upon the lapse of restrictions on shares of Restricted Stock, CenturyTel shall cause a stock certificate without a restrictive legend to be issued with respect to the vested Restricted Stock in the name of the Award Recipient or his or her nominee within 30 days. Upon receipt of such stock certificate, the Award Recipient is free to hold or dispose of the shares represented by such certificate, subject to applicable securities laws.

6.

DIVIDENDS

Any dividends paid on shares of Restricted Stock shall be paid to the Award Recipient currently.

7.

WITHHOLDING TAXES

At the time that all or any portion of the Restricted Stock vests, the Award Recipient must deliver to CenturyTel the amount of income tax withholding required by law. In accordance with the terms of the Plan, the Award Recipient may satisfy the tax withholding obligation by delivering currently owned shares of Common Stock or by electing to have CenturyTel withhold from the shares the Award Recipient otherwise would receive hereunder shares of Common Stock having a value equal to the minimum amount required to be withheld (as determined under the Plan).

8.

ADDITIONAL CONDITIONS

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

9.

NO CONTRACT OF EMPLOYMENT INTENDED

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

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 term "Award Recipient" is used in any provision of this Agreement under circumstances where the provision appropriately applies to the heirs, executors, administrators or legal representatives to whom this award may be transferred by will or by the laws of descent and distribution, the term "Award Recipient" shall be deemed to include such person or persons.

11.

INCONSISTENT PROVISIONS

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

12.

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).

13.

GOVERNING LAW

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

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

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 with respect to the subject matter contained herein made prior to the execution of the Agreement shall be void and ineffective for all purposes.

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

CENTURYTEL, INC.

By:

Name:

Title:

CENTURYTEL, INC.
SUBSIDIARIES OF THE REGISTRANT
AS OF DECEMBER 31, 2004

Subsidiary	State of incorporation
Actel, LLC	Delaware
Century Business Communications, LLC	Louisiana
CenturyTel Arkansas Holdings, Inc.	Arkansas
CenturyTel Fiber Company II, LLC	Louisiana
CenturyTel Holdings, Inc.	Louisiana
CenturyTel Holdings Missouri, Inc.	Missouri
CenturyTel Internet Services, LLC	Louisiana
CenturyTel Investments, LLC	Louisiana
CenturyTel Investments of Texas, Inc.	Delaware
CenturyTel Long Distance, Inc.	Louisiana
CenturyTel Midwest - Michigan, Inc.	Michigan
CenturyTel of Adamsville, Inc.	Tennessee
CenturyTel of Alabama, LLC	Louisiana
CenturyTel of Arkansas, Inc.	Arkansas
CenturyTel of Central Arkansas, LLC	Arkansas
CenturyTel of Central Indiana, Inc.	Indiana
CenturyTel of Central Louisiana, LLC	Louisiana
CenturyTel of Central Wisconsin, LLC	Delaware
CenturyTel of Chatham, LLC	Louisiana
CenturyTel of Chester, Inc.	Iowa
CenturyTel of Claiborne, Inc.	Tennessee
CenturyTel of Colorado, Inc.	Colorado
CenturyTel of Cowiche, Inc.	Washington
CenturyTel of Eagle, Inc.	Colorado
CenturyTel of East Louisiana, LLC	Louisiana
CenturyTel of Eastern Oregon, Inc.	Oregon
CenturyTel of Evangeline, LLC	Louisiana
CenturyTel of Fairwater-Brandon-Alto, LLC	Delaware
CenturyTel of Forestville, LLC	Delaware
CenturyTel of Idaho, Inc.	Delaware
CenturyTel of Inter Island, Inc.	Washington
CenturyTel of Lake Dallas, Inc.	Texas
CenturyTel of Larsen-Readfield, LLC	Delaware
CenturyTel of Michigan, Inc.	Michigan
CenturyTel of Minnesota, Inc.	Minnesota
CenturyTel of Missouri, LLC	Louisiana
CenturyTel of Monroe County, LLC	Wisconsin
CenturyTel of Montana, Inc.	Oregon
CenturyTel of Mountain Home, Inc.	Arkansas
CenturyTel of North Louisiana, LLC	Louisiana
CenturyTel of North Mississippi, Inc.	Mississippi
CenturyTel of Northern Michigan, Inc.	Michigan
CenturyTel of Northern Wisconsin, LLC	Delaware
CenturyTel of Northwest Arkansas, LLC	Delaware
CenturyTel of Northwest Louisiana, Inc.	Louisiana
CenturyTel of Northwest Wisconsin, LLC	Delaware
CenturyTel of Odon, Inc.	Indiana
CenturyTel of Ohio, Inc.	Ohio
CenturyTel of Ooltewah-Collegedale, Inc.	Tennessee
CenturyTel of Oregon, Inc.	Oregon
CenturyTel of Port Aransas, Inc.	Texas
CenturyTel of Postville, Inc.	Iowa
CenturyTel of Redfield, Inc.	Arkansas
CenturyTel of Ringgold, LLC	Louisiana
CenturyTel of San Marcos, Inc.	Texas
CenturyTel of South Arkansas, Inc.	Arkansas
CenturyTel of Southeast Louisiana, LLC	Louisiana
CenturyTel of Southern Wisconsin, LLC	Louisiana
CenturyTel of Southwest Louisiana, LLC	Louisiana
CenturyTel of the Gem State, Inc.	Idaho
CenturyTel of the Midwest-Kendall, LLC	Delaware
CenturyTel of the Midwest-Wisconsin, LLC	Delaware
CenturyTel of the Northwest, Inc.	Washington
CenturyTel of the Southwest, Inc.	New Mexico
CenturyTel of Upper Michigan, Inc.	Michigan
CenturyTel of Washington, Inc.	Washington
CenturyTel of Wisconsin, LLC	Louisiana
CenturyTel of Wyoming, Inc.	Wyoming
CenturyTel Security Systems Holding Company, LLC	Louisiana
CenturyTel Service Group, LLC	Louisiana

CenturyTel Solutions, LLC	Louisiana
CenturyTel Supply Group, Inc.	Louisiana
CenturyTel Web Solutions, LLC	Louisiana
CenturyTel/Tele-Max, Inc.	Texas
CenturyTel TeleVideo, Inc.	Louisiana
CenturyTel/Televue of Wisconsin, Inc.	Wisconsin
Spectra Communications Group, LLC	Delaware
Telephone USA of Wisconsin, LLC	Delaware

Certain of the Company's smaller subsidiaries have been intentionally omitted from this exhibit pursuant to rules and regulations of the Securities and Exchange Commission.

Consent of Independent Registered Public Accounting Firm

The Board of Directors
CenturyTel, Inc.:

We consent to incorporation by reference in the Registration Statements (No. 333-91361 and No. 333-84276) on Form S-3, the Registration Statements (No. 33-46562, No. 33-60061, No. 333-37148, No. 333-60806, No. 333-64992, No. 333-65004, No. 333-89060, No. 333-105090, and No. 333-109181) on Form S-8, and the Registration Statements (No. 33-48956 and No. 333-17015) on Form S-4 of CenturyTel, Inc. of our reports dated March 14, 2005, with respect to the consolidated balance sheets of CenturyTel, Inc. and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity for each of the years in the three-year period ended December 31, 2004, and related financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2004 and the effectiveness of internal control over financial reporting as of December 31, 2004 which reports appear in the December 31, 2004 annual report on Form 10-K of CenturyTel, Inc. Our report on the consolidated financial statements refers to a change in method of accounting for goodwill and other intangible assets in 2002.

/s/ KPMG LLP

March 14, 2005

CERTIFICATIONS

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

1. I have reviewed this annual report on Form 10-K of CenturyTel, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter of 2004) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2005

/s/ Glen F. Post, III

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

CERTIFICATIONS

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

1. I have reviewed this annual report on Form 10-K of CenturyTel, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter of 2004) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2005

/s/ R. Stewart Ewing, Jr.

R. Stewart Ewing, Jr.
Executive Vice President and

Chief Financial Officer

CenturyTel, Inc.

March 16, 2005

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, 2004 pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Ladies and Gentlemen:

The undersigned, acting in their capacities as the Chief Executive Officer and the Chief Financial Officer of CenturyTel, Inc. (the "Company"), certify that the Form 10-K for the year ended December 31, 2004 of the Company fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods covered by such report.

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

Very truly yours,

/s/ Glen F. Post, III

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

/s/ R. Stewart Ewing, Jr.

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