

CENTURYTEL INC  
Form S-4  
November 20, 2008

**Table of Contents**

**As filed with the Securities and Exchange Commission on November 20, 2008**  
**Registration No. 333-**

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

**Form S-4**  
**REGISTRATION STATEMENT**  
**UNDER**  
**THE SECURITIES ACT OF 1933**

**CENTURYTEL, INC.**

*(Exact name of registrant as specified in its charter)*

**Louisiana**

*(State or other jurisdiction of  
incorporation or organization)*

**4813**

*(Primary Standard Industrial  
Classification Code Number)*

**72-0651161**

*(I.R.S. Employer  
Identification No.)*

**100 CenturyTel Drive**  
**Monroe, LA 71203**  
**(318) 388-9000**

*(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)*

**Stacey W. Goff, Esq.**  
**CenturyTel, Inc.**  
**100 CenturyTel Drive**  
**Monroe, LA 71203**  
**(318) 388-9000**

*(Name, address, including zip code, and telephone number, including area code, of agent for service)*

***Copies to:***

**Claudia S. Toussaint, Esq.**  
**Embarq Corporation**  
**5454 West 110<sup>th</sup> Street**  
**Overland Park, KS 66211**  
**(913) 323-4637**

**Eric S. Robinson, Esq.**  
**David E. Shapiro, Esq.**  
**Wachtell, Lipton, Rosen & Katz**  
**51 West 52<sup>nd</sup> Street**  
**New York, NY 10019**  
**(212) 403-1000**

**Robert I. Townsend, III, Esq.**  
**George F. Schoen, Esq.**  
**Cravath, Swaine & Moore LLP**  
**825 Eighth Avenue**  
**New York, NY 10019**  
**(212) 474-1000**

**Approximate date of commencement of the proposed sale of the securities to the public:** As soon as practicable after this Registration Statement becomes effective and upon completion of the merger described in the enclosed document.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large accelerated filer  
 Accelerated filer  
 Non-accelerated filer (Do not check if a smaller reporting company)  
 Smaller reporting company

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(3)
Common Stock, par value \$1.00 per share	229,116,207	N/A	\$4,974,497,492.72(2)	\$195,497.75

(1) Represents the estimated maximum number of shares of the Registrant's common stock to be issued in connection with the merger described herein. The number of shares of common stock is based on the number of shares of Embarq Corporation common stock outstanding and reserved for issuance under various plans and in connection with various exchangeable and convertible securities as of November 10, 2008, and the exchange of each such share of Embarq Corporation common stock for shares of the Registrant's common stock pursuant to the formula set forth in the Agreement and Plan of Merger, dated as of October 26, 2008, by and among Embarq Corporation, Cajun Acquisition Company and the Registrant.

(2) Estimated solely for purposes of calculating the registration fee required by Section 6(b) of the Securities Act, and calculated pursuant to Rules 457(f)(1) and 457(c) under the Securities Act, the proposed maximum aggregate offering price of the Registrant's common stock was calculated based upon the market value of shares of Embarq Corporation common stock (the securities to be cancelled in the merger) in accordance with Rule 457(c) under the Securities Act as follows: the product of (A) \$29.745, the average of the high and low prices per share of Embarq Corporation common stock on November 19, 2008, as quoted on the New York Stock Exchange, multiplied by (B) 167,238,107, the estimated maximum number of shares of Embarq Corporation common stock outstanding and reserved for issuance under various plans and in connection with various exchangeable and convertible securities as of November 10, 2008.

(3) Determined in accordance with Section 6(b) of the Securities Act at a rate equal to \$39.30 per \$1,000,000 of the proposed maximum aggregate offering price.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such dates as the Commission, acting pursuant to said Section 8(a), may determine.**



**Table of Contents**

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This document shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**PRELIMINARY SUBJECT TO COMPLETION DATED NOVEMBER 20, 2008**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

The board of directors of CenturyTel, Inc. and the board of directors of Embarq Corporation have agreed to a strategic combination of the two companies under the terms of the Agreement and Plan of Merger, dated as of October 26, 2008, which is referred to as the merger agreement. Upon completion of the merger of a direct, wholly owned subsidiary of CenturyTel with and into Embarq, CenturyTel will acquire Embarq, and Embarq will become a direct, wholly owned subsidiary of CenturyTel.

If the merger is completed, Embarq stockholders will have the right to receive 1.37 shares of CenturyTel common stock for each share of Embarq common stock, with cash paid in lieu of fractional shares. This exchange ratio is fixed and will not be adjusted to reflect stock price changes prior to closing of the merger. Based on the closing price of CenturyTel common stock on the New York Stock Exchange, or the NYSE, on October 24, 2008, the last trading day before public announcement of the merger, the 1.37 exchange ratio represented approximately \$40.42 in value for each share of Embarq common stock. Based on such price on \_\_\_\_\_, the latest practicable date before the date of this document, the 1.37 exchange ratio represented approximately \$ \_\_\_\_\_ in value for each share of Embarq common stock. CenturyTel shareholders will continue to own their existing CenturyTel shares.

Based on the estimated number of Embarq common shares outstanding on the record date for the shareholder meetings, CenturyTel expects to issue approximately [195,000,000] CenturyTel common shares to Embarq stockholders in the merger. Upon completion of the merger, we estimate that current CenturyTel shareholders will own approximately 34% of the combined company and former Embarq stockholders will own approximately 66% of the combined company. CenturyTel common stock and Embarq common stock are both traded on the NYSE under the symbols CTL and EQ, respectively.

At the special meeting of CenturyTel shareholders, CenturyTel shareholders will be asked to vote on the issuance of CenturyTel common stock to Embarq stockholders, which is necessary to effect the merger, and two amendments to the Amended and Restated Articles of Incorporation of CenturyTel to eliminate certain special ten-vote voting rights of long-term CenturyTel shareholders and to increase the number of shares of authorized CenturyTel common stock, neither of which are conditions to completion of the merger. At the special meeting of Embarq stockholders, Embarq stockholders will be asked to vote on the approval and adoption of the merger agreement.

We cannot complete the merger unless the shareholders of both of our companies approve the respective proposals related to the merger. **Your vote is very important, regardless of the number of shares you own. Whether or not you expect to attend your shareholder meeting in person, please vote your shares as promptly as possible by (1) accessing the Internet website specified on your proxy card, (2) calling the toll-free number specified on your proxy card, or (3) signing and returning all proxy cards that you receive in the postage-paid envelope**

**provided, so that your shares may be represented and voted at the CenturyTel or Embarq special meeting, as applicable.** If you are an Embarq stockholder, please note that a failure to vote your shares is the equivalent of a vote against the merger. If you are a CenturyTel shareholder, please note that a failure to vote your shares may result in a failure to establish a quorum for the CenturyTel special meeting.

**The CenturyTel board of directors unanimously recommends that the CenturyTel shareholders vote FOR the proposal to issue shares of CenturyTel common stock in the merger, and FOR both proposals to amend the CenturyTel charter. The Embarq board of directors, by a unanimous vote of the directors present, recommends that the Embarq stockholders vote FOR the proposal to adopt the merger agreement.**

The obligations of CenturyTel and Embarq to complete the merger are subject to the satisfaction or waiver of several conditions set forth in the merger agreement. More information about CenturyTel, Embarq and the merger is contained in this joint proxy statement-prospectus. **CenturyTel and Embarq encourage you to read this entire joint proxy statement-prospectus carefully, including the section entitled Risk Factors beginning on page 14.**

We look forward to the successful combination of CenturyTel and Embarq.

Sincerely,

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

Sincerely,

Thomas A. Gerke  
President and Chief Executive Officer  
Embarq Corporation

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this joint proxy statement-prospectus or determined that this joint proxy statement-prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

**This joint proxy statement-prospectus is dated \_\_\_\_\_, \_\_\_\_\_ and is first being mailed to the shareholders of CenturyTel and stockholders of Embarq on or about \_\_\_\_\_, \_\_\_\_\_.**

---

**Table of Contents**

**CenturyTel, Inc.  
100 CenturyTel Drive  
Monroe, LA 71203  
(318) 388-9000**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS  
To Be Held On \_\_\_\_\_,**

Dear Shareholders of CenturyTel, Inc.:

We are pleased to invite you to attend the special meeting of shareholders of CenturyTel, Inc., a Louisiana corporation, which will be held at \_\_\_\_\_, on \_\_\_\_\_, at \_\_\_\_\_, local time, for the following purposes:

to vote on a proposal to approve the issuance of CenturyTel common stock, par value \$1.00 per share, in connection with the merger contemplated by the Agreement and Plan of Merger, dated as of October 26, 2008, by and among Embarq, CenturyTel, and Cajun Acquisition Company, a direct, wholly owned subsidiary of CenturyTel, a copy of which is attached as Annex A to the joint proxy statement-prospectus accompanying this notice;

to vote on a proposal to amend the Amended and Restated Articles of Incorporation of CenturyTel to eliminate the rights of persons who have continuously owned shares of CenturyTel common stock since May 30, 1987 to ten votes per share of such stock and to provide instead that all holders of common stock will be entitled to one vote per share;

to vote on a proposal to amend the Amended and Restated Articles of Incorporation of CenturyTel to increase the authorized number of shares of CenturyTel common stock from 350,000,000 to 800,000,000;

to vote upon an adjournment of the CenturyTel special meeting, if necessary, to solicit additional proxies if there are not sufficient votes for the proposal to issue CenturyTel common stock in connection with the merger; and

to transact any other business that may properly be brought before the CenturyTel special meeting or any adjournments or postponements thereof.

Please refer to the attached joint proxy statement-prospectus for further information with respect to the business to be transacted at the CenturyTel special meeting.

Holders of record of shares of CenturyTel common stock or voting preferred stock at the close of business on \_\_\_\_\_, are entitled to vote at the special meeting and any adjournment or postponement of the special meeting. A list of these shareholders will be available for inspection by any CenturyTel shareholder, for any purpose germane to the CenturyTel special meeting at such meeting.

The issuance of CenturyTel common stock to Embarq stockholders requires the affirmative vote of holders of a majority of the votes cast on the proposal by holders of CenturyTel common stock and voting preferred stock, voting as a single class. Approval of each charter amendment requires the affirmative vote of holders of two-thirds of the total voting power present or represented at the CenturyTel special meeting attributable to the outstanding CenturyTel common stock and voting preferred stock, voting together as a single class. In addition, the charter amendment proposal to eliminate special ten-vote voting rights of long-term shareholders requires the affirmative vote of holders

of two-thirds of the total voting power present or represented at the CenturyTel special meeting attributable to the outstanding CenturyTel common stock, voting as a separate class.

**Your vote is important. Whether or not you expect to attend in person, we urge you to vote your shares as promptly as possible by (1) accessing the Internet website specified on your proxy card; (2) calling the toll-free number specified on your proxy card; or (3) signing and returning the enclosed proxy card in the postage-paid envelope provided, so that your shares may be represented and voted at the CenturyTel special meeting.** If your shares are held in the name of a bank, broker or other fiduciary, please follow the instructions on the voting instruction card furnished by the record holder. In lieu of receiving a proxy card, participants in CenturyTel's benefit plans have been furnished with voting instruction cards. The reverse side of this notice describes CenturyTel's voting provisions in greater detail.

By Order of the Board of Directors,

Stacey W. Goff  
*Senior Vice President, General Counsel and Secretary*

Monroe, Louisiana

---



**Table of Contents**

**CenturyTel Shareholders**

*Record Shareholders.* In general, shares registered in the name of any natural person or estate that are represented by certificates dated as of or prior to May 30, 1987 are presumed to have ten votes per share and all other shares are presumed to have one vote per share. However, CenturyTel's charter (the relevant provisions of which are reproduced below) set forth a list of circumstances in which the foregoing presumptions may be refuted. If you believe that the voting information set forth on your CenturyTel proxy card is incorrect or a presumption made with respect to your shares should not apply, please send a letter to CenturyTel briefly describing the reasons for your belief. Marking the proxy card or contacting CenturyTel in any other manner will not be sufficient notification that you believe the voting information thereon is incorrect.

*Beneficial Shareholders.* All shares held through a broker, bank or other nominee are presumed to have one vote per share. CenturyTel's charter sets forth a list of circumstances in which this presumption may be refuted by the person who has held since May 30, 1987 all of the attributes of beneficial ownership referred to in Article III(C)(2) reproduced below. If you believe that some or all of your shares are entitled to ten votes, you may follow one of two procedures. First, you may write a letter to CenturyTel describing the reasons for your belief. The letter should contain your name (unless you prefer to remain anonymous), the name of the brokerage firm, bank or other nominee holding your shares, your account number with such nominee and the number of shares you have beneficially owned continuously since May 30, 1987. Alternatively, you may ask your broker, bank or other nominee to write a letter CenturyTel on your behalf stating your account number and indicating the number of shares that you have beneficially owned continuously since May 30, 1987. In either case, your letter should indicate how you wish to have your shares voted.

*Other.* CenturyTel will consider all letters received prior to the date of the CenturyTel special meeting and, when a return address is provided in the letter, will advise the party furnishing such letter of its decision, although in many cases CenturyTel will not have time to inform an owner or nominee of its decision prior to the time the shares are voted. In limited circumstances, CenturyTel may require additional information before making a determination. If you have any questions about CenturyTel's voting procedures, please call CenturyTel at (318) 388-9500.

**Participants in CenturyTel's Benefit Plans**

Participants in CenturyTel's Dollars & Sense Plan or Union 401(k) Plan have received voting instruction cards in lieu of a proxy card. Only the trustees of these plans, in their capacity as directed trustees, can vote the plan shares at the CenturyTel special meeting. However, if you are a participating current or former CenturyTel employee, you are designated as a Named Fiduciary for voting purposes, which entitles you, on a confidential basis, to instruct the trustees how to cast the votes attributable to the shares allocated to your plan account, as well as a proportionate number of plan shares for which properly executed instructions are not timely received. By signing and returning your voting instruction card, you are accepting your designation under the plans as a Named Fiduciary, and you therefore are required to exercise your voting rights prudently and in the interest of all plan participants. If you elect not to vote the shares allocated to your accounts, your shares will be voted in accordance with voting instructions received by the trustees from those plan participants who do vote.

\* \* \* \*

**Excerpts from CenturyTel's Charter**

Paragraph C of Article III of CenturyTel's charter provides as follows:

- (1) Each share of Common Stock ... which has been beneficially owned continuously by the same person since May 30, 1987 will entitle such person to ten votes with respect to such share on each matter properly submitted to the shareholders of the Corporation for their vote, consent, waiver, release or other action ...
- (2) (a) For purposes of this paragraph C, a change in beneficial ownership of a share of the Corporation's stock will be deemed to have occurred whenever a change occurs in any person or group of persons who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise has or shares (i) voting power, which includes the power to vote, or to direct the voting of such share; (ii) investment power, which includes the power to direct the sale or other disposition of such share; (iii) the right to receive or retain the proceeds of any sale or other disposition of such share; or (iv) the right to receive distributions, including cash dividends, in respect to such share.
- (b) In the absence of proof to the contrary provided in accordance with the procedures referred to in subparagraph (4) of this paragraph C, a change in beneficial ownership will be deemed to have occurred whenever a share of stock is transferred of record into the name of any other person.
- (c) In the case of a share of Common Stock ... held of record in the name of a corporation, general partnership, limited partnership, voting trustee, bank, trust company, broker, nominee or clearing agency, or in any other name except a natural person, if it has not been established pursuant to the procedures referred to in subparagraph (4) that such share was beneficially owned continuously since May 30, 1987 by the person who possesses all of the attributes of beneficial ownership referred to in clauses (i) through (iv) of subparagraph (2)(a) of this paragraph C with respect to such share of Common Stock ... then such share of Common Stock ... will carry with it only one vote regardless of when record ownership of such share was acquired.
- (d) In the case of a share of stock held of record in the name of any person as trustee, agent, guardian or custodian under the Uniform Gifts to Minors Act, the Uniform Transfers to Minors Act or any comparable statute as in effect in any state, a change in beneficial ownership will be deemed to have occurred whenever there is a change in the beneficiary of such trust, the principal of such agent, the ward of such guardian or the minor for whom such custodian is acting.
- (3) Notwithstanding anything in this paragraph C to the contrary, no change in beneficial ownership will be deemed to have occurred solely as a result of:
- (a) any event that occurred prior to May 30, 1987, including contracts providing for options, rights of first refusal and similar arrangements, in existence on such date to which any holder of shares of stock is a party;
- (b) any transfer of any interest in shares of stock pursuant to a bequest or inheritance, by operation of law upon the death of any individual, or by any other transfer without valuable consideration, including a gift that is made in good faith and not for the purpose of circumventing this paragraph C;
- (c) any change in the beneficiary of any trust, or any distribution of a share of stock from trust, by reason of the birth, death, marriage or divorce of any natural person, the adoption of any natural person prior to age 18 or the passage of a given period of time or the attainment by any natural person of a specified age, or the creation or termination of any guardianship or custodian arrangement; or
- (d) any appointment of a successor trustee, agent, guardian or custodian with respect to a share of stock.
- (4) For purposes of this paragraph C, all determinations concerning changes in beneficial ownership, or the absence of any such change, will be made by the Corporation. Written procedures designed to facilitate such determinations will be established by the Corporation and refined from time to time. Such procedures will provide, among other things, the manner of proof of facts that will be accepted and the frequency with which such proof may be required to be renewed. The Corporation and any transfer agent will be entitled to rely on all information concerning beneficial

ownership of a share of stock coming to their attention from any source and in any manner reasonably deemed by them to be reliable, but neither the Corporation nor any transfer agent will be charged with any other knowledge concerning the beneficial ownership of a share of stock.

\* \* \* \*

(8) Shares of Common Stock held by the Corporation's employee benefit plans will be deemed to be beneficially owned by such plans regardless of how such shares are allocated to or voted by participants, until the shares are actually distributed to participants.

\* \* \* \*

---

**Table of Contents**

**Embarq Corporation  
5454 West 110th Street  
Overland Park, KS 66211  
(913) 323-4637**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
To Be Held On \_\_\_\_\_ ,**

Dear Stockholders of Embarq Corporation:

A special meeting of stockholders of Embarq Corporation will be held at \_\_\_\_\_ , local time, on \_\_\_\_\_ , at \_\_\_\_\_ in order:

to adopt the Agreement and Plan of Merger, dated as of October 26, 2008, among CenturyTel, Inc., Cajun Acquisition Company, a wholly owned subsidiary of CenturyTel, and Embarq, pursuant to which Cajun Acquisition Company will be merged with and into Embarq and each outstanding share of common stock of Embarq will be converted into the right to receive 1.37 shares of common stock of CenturyTel, with cash paid in lieu of fractional shares; and

to transact any other business that may properly be brought before the Embarq special meeting or any adjournments or postponements thereof.

Only stockholders of record at the close of business on \_\_\_\_\_ are entitled to notice of, and may vote at, the special meeting and at any adjournment of the meeting. A complete list of stockholders of record of Embarq entitled to vote at the special meeting will be available for the 10 days before the special meeting at our executive offices and principal place of business at 5454 West 110th Street, Overland Park, Kansas for inspection by stockholders during ordinary business hours for any purpose germane to the special meeting. The list will also be available at the special meeting for examination by any stockholder of record present at the special meeting.

In connection with our solicitation of proxies for the special meeting, we are making available this joint proxy statement-prospectus and proxy card on or about \_\_\_\_\_. Please vote in one of the following ways: (1) Use the toll-free number shown on your proxy card; (2) Visit the Internet website specified on your proxy card and follow the instructions there to vote via the Internet; (3) Complete, sign, date and return your proxy card in the enclosed postage-paid envelope; or (4) Vote in person at the meeting.

Adoption of the merger agreement requires the affirmative vote of holders of a majority of the outstanding shares of common stock entitled to vote on the proposal.

**Your vote is very important. Please vote using one of the methods above to ensure that your vote will be counted. Your proxy may be revoked at any time before the vote at the special meeting by following the procedures outlined in the accompanying joint proxy statement-prospectus.**

By order of the Board of Directors,

Claudia S. Toussaint  
*General Counsel and Corporate Secretary*

Overland Park, Kansas



**Table of Contents**

**ADDITIONAL INFORMATION**

This document incorporates important business and financial information about CenturyTel and Embarq from other documents that are not included in or delivered with this document. This information is available to you without charge upon your request. You can obtain the documents incorporated by reference into this document by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

**CenturyTel, Inc.**  
100 CenturyTel Drive  
Monroe, Louisiana 71203  
(318) 388-9000  
Attn: Investor Relations  
or  
**Innisfree M&A Incorporated**  
501 Madison Avenue  
New York, New York 10022  
(888) 750-5835

**Embarq Corporation**  
5454 West 110th Street  
Overland Park, Kansas 66211  
(913) 323-4637  
Attn: Shareholder Relations  
or  
**D.F. King & Co., Inc.**  
48 Wall Street, 22<sup>nd</sup> Floor  
New York, New York 10005  
(800) 859-8508

Investors may also consult CenturyTel's or Embarq's website for more information concerning the merger described in this document. CenturyTel's website is [www.CenturyTel.com](http://www.CenturyTel.com). Embarq's website is [www.EMBARQ.com](http://www.EMBARQ.com). Information included on either website is not incorporated by reference into this document.

**If you would like to request any documents, please do so by \_\_\_\_\_ in order to receive them before the shareholder meetings.**

*For more information, see "Where You Can Find More Information" beginning on page 107.*

**ABOUT THIS DOCUMENT**

This document, which forms part of a registration statement on Form S-4 filed with the SEC by CenturyTel (File No. 333-\_\_\_\_\_), constitutes a prospectus of CenturyTel under Section 5 of the Securities Act of 1933, as amended, which we refer to as the Securities Act, with respect to the CenturyTel common shares to be issued to Embarq stockholders as required by the merger agreement. This document also constitutes a joint proxy statement under Section 14(a) of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. It also constitutes a notice of meeting with respect to the special meeting of CenturyTel shareholders, at which CenturyTel shareholders will be asked to vote upon a proposal to authorize the issuance of CenturyTel common shares required to be issued to Embarq stockholders pursuant to the merger agreement and two proposals to amend the CenturyTel charter to eliminate certain special ten-vote voting rights of long-term CenturyTel shareholders and to increase the number of shares of authorized CenturyTel common stock, and a notice of meeting with respect to the special meeting of Embarq stockholders, at which Embarq stockholders will be asked to vote upon a proposal to adopt the merger agreement.

You should rely only on the information contained or incorporated by reference into this document. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this document. This document is dated \_\_\_\_\_, 2008. You should not assume that the information contained in, or incorporated by reference into, this document is accurate as of any date other than that date. Neither our mailing of this document to CenturyTel shareholders or Embarq stockholders nor the issuance by CenturyTel of common stock in connection with the merger will create any implication to the contrary.

**This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Information contained in this document regarding CenturyTel has been provided by CenturyTel and information contained in this document regarding Embarq has been provided by Embarq.**

---

**Table of Contents****TABLE OF CONTENTS**

	<b><u>Page</u></b>
<u>QUESTIONS AND ANSWERS</u>	iv
<u>SUMMARY</u>	1
<u>The Companies</u>	1
<u>The Merger and the Merger Agreement</u>	2
<u>The Special Meetings</u>	7
<u>Recent Developments</u>	8
<u>Selected Historical Financial Data of CenturyTel</u>	9
<u>Selected Historical Financial Data of Embarq</u>	10
<u>Summary Unaudited Pro Forma Combined Condensed Financial Information</u>	12
<u>Equivalent and Comparative Per Share Information</u>	13
<u>RISK FACTORS</u>	14
<u>Risk Factors Relating to the Merger</u>	14
<u>Risk Factors Relating to CenturyTel Following the Merger</u>	16
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	23
<u>THE COMPANIES</u>	24
<u>CenturyTel</u>	24
<u>Embarq</u>	24
<u>Cajun Acquisition Company</u>	24
<u>THE CENTURYTEL SPECIAL MEETING</u>	25
<u>Date, Time and Place</u>	25
<u>Purpose of the CenturyTel Special Meeting</u>	25
<u>Recommendation of the Board of Directors of CenturyTel</u>	25
<u>CenturyTel Record Date; Stock Entitled to Vote</u>	25
<u>Quorum</u>	26
<u>Required Vote</u>	26
<u>Abstentions and Broker Non-Votes</u>	26
<u>Voting of Proxies</u>	26
<u>Participants in Benefit Plans</u>	27
<u>Shares Held in Street Name</u>	27
<u>Revocability of Proxies</u>	27
<u>Solicitation of Proxies</u>	27
<u>THE EMBARQ SPECIAL MEETING</u>	28
<u>Date, Time and Place</u>	28
<u>Purpose of the Embarq Special Meeting</u>	28
<u>Recommendation of the Board of Directors of Embarq</u>	28
<u>Embarq Record Date; Stock Entitled to Vote</u>	28
<u>Quorum</u>	28
<u>Required Vote</u>	28
<u>Abstentions and Broker Non-Votes</u>	28
<u>Voting at the Special Meeting</u>	29
<u>Voting in Person</u>	29
<u>Voting by Proxy</u>	29





**Table of Contents**

	<b><u>Page</u></b>
<u>Revocation of Proxies</u>	29
<u>Solicitation of Proxies</u>	29
<u>CENTURYTEL PROPOSAL 1 AND EMBARQ PROPOSAL 1: THE ISSUANCE OF CENTURYTEL SHARES AND THE MERGER</u>	30
<u>Effects of the Merger</u>	30
<u>Background of the Merger</u>	30
<u>CenturyTel's Reasons for the Merger; Recommendation of the Stock Issuance by the CenturyTel Board of Directors</u>	38
<u>Embarq's Reasons for the Merger; Recommendation of the Merger by the Embarq Board of Directors</u>	40
<u>Opinions of CenturyTel's Financial Advisors</u>	41
<u>Opinion of J.P. Morgan as Embarq's Financial Advisor</u>	52
<u>Financial Interests of Embarq Directors and Officers in the Merger</u>	58
<u>Financial Interests of CenturyTel Directors and Officers in the Merger</u>	63
<u>Board of Directors and Management After the Merger</u>	67
<u>Material U.S. Federal Income Tax Consequences of the Merger</u>	67
<u>Accounting Treatment</u>	69
<u>Regulatory Approvals Required for the Merger</u>	69
<u>Exchange of Shares in the Merger</u>	70
<u>Treatment of Stock Options and Other Equity-Based Awards</u>	70
<u>Dividend Policy and Share Repurchases</u>	70
<u>Listing of CenturyTel Common Stock</u>	70
<u>De-Listing and Deregistration of Embarq Stock</u>	71
<u>No Appraisal Rights</u>	71
<u>Certain CenturyTel Forecasts</u>	71
<u>Certain Embarq Forecasts</u>	72
<u>The Merger Agreement</u>	73
<u>CENTURYTEL PROPOSAL 2: AMENDMENT OF THE CENTURYTEL CHARTER TO ELIMINATE SPECIAL TEN-VOTE VOTING RIGHTS OF LONG-TERM CENTURYTEL SHAREHOLDERS</u>	83
<u>Background</u>	83
<u>Current Voting Provisions</u>	83
<u>Description of the Proposed Amendment</u>	83
<u>Reasons for the Proposed Amendment</u>	84
<u>Effects of the Amendment</u>	85
<u>Required Vote for Approval</u>	86
<u>New York Stock Exchange Listing</u>	86
<u>U.S. Federal Income Tax Consequences</u>	86
<u>CENTURYTEL PROPOSAL 3: AMENDMENT OF THE CENTURYTEL CHARTER TO INCREASE AUTHORIZED SHARES</u>	87
<u>Reasons for the Proposed Amendment</u>	87
<u>Required Vote for Approval</u>	87
<u>UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION</u>	88
<u>COMPARATIVE STOCK PRICES AND DIVIDENDS</u>	95
<u>COMPARISON OF RIGHTS OF CENTURYTEL SHAREHOLDERS AND EMBARQ STOCKHOLDERS</u>	97
<u>Authorized Capital Stock</u>	97

	<b><u>Page</u></b>
<u>Dividends, Redemptions, Stock Repurchases and Reversions</u>	98
<u>Charter Amendments and Approval of Other Extraordinary Transactions</u>	99
<u>Shareholder Proposals and Nominations</u>	99
<u>Limitation of Personal Liability of Directors and Officers</u>	100
<u>Appraisal and Dissent Rights</u>	100
<u>Access to Corporate Records and Accounts</u>	101
<u>Laws and Organizational Document Provisions with Possible Antitakeover Effects</u>	101
<u>Amendment to the Bylaws</u>	104
<u>Filling Vacancies on the Board of Directors</u>	105
<u>NO APPRAISAL RIGHTS</u>	105
<u>LEGAL MATTERS</u>	105
<u>EXPERTS</u>	106
<u>CenturyTel</u>	106
<u>Embarq</u>	106
<u>SHAREHOLDER PROPOSALS</u>	106
<u>CenturyTel</u>	106
<u>Embarq</u>	106
<u>OTHER MATTERS</u>	107
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	107
<u>EX-5.1: OPINION OF JONES, WALKER, WAECHTER, POITEVENT, CARRERE &amp; DENEGRE LLP</u>	
<u>EX-8.1: OPINION OF WEIL, GOTSHAL &amp; MANGES LLP</u>	
<u>EX-8.2: OPINION OF CRAVATH, SWAINE &amp; MOORE LLP</u>	
<u>EX-23.4: CONSENT OF KPMG LLP</u>	
<u>EX-23.5: CONSENT OF KPMG LLP</u>	
<u>EX-24.1: POWERS OF ATTORNEY</u>	
<u>EX-99.1: CONSENT OF BARCLAYS CAPITAL INC.</u>	
<u>EX-99.3: CONSENT OF J.P. MORGAN SECURITIES INC.</u>	
<u>EX-99.4: FORM OF PROXY OF CENTURYTEL INC.</u>	
<u>EX-99.5: FORM OF PROXY OF EMBARO CORPORATION</u>	
Annex A Agreement and Plan of Merger	A-1
Annex B Opinion of Barclays Capital Inc.	B-1
Annex C Opinion of Morgan Stanley & Co. Incorporated.	C-1
Annex D Opinion of J.P. Morgan Securities Inc.	D-1
<u>Annex E</u> Amendments to CenturyTel Amended and Restated Articles of Incorporation	E-1

**Table of Contents**

**QUESTIONS AND ANSWERS**

*The following are some questions that you, as a shareholder of CenturyTel or stockholder of Embarq, may have regarding the merger and the other matters being considered at the shareholder meetings and the answers to those questions. CenturyTel and Embarq urge you to read carefully the remainder of this document because the information in this section does not provide all the information that might be important to you with respect to the merger and the other matters being considered at the shareholder meetings. Additional important information is also contained in the annexes to and the documents incorporated by reference into this document.*

**Q: Why am I receiving this document?**

A: CenturyTel and Embarq have agreed to the combination of Embarq and CenturyTel under the terms of a merger agreement that is described in this document. A copy of the merger agreement is attached to this document as Annex A.

In order to complete the merger, CenturyTel shareholders must vote to approve the issuance of shares of CenturyTel common stock in connection with the merger, and Embarq stockholders must vote to adopt the merger agreement.

In addition, CenturyTel shareholders are being asked to vote on two proposals to amend the CenturyTel Amended and Restated Articles of Incorporation, which we refer to as the CenturyTel charter. The first charter amendment proposal is to eliminate the rights of persons who have continuously owned shares of CenturyTel common stock since May 30, 1987 to ten votes per share of such stock and to provide instead that all holders of CenturyTel common stock will be entitled to one vote per share. The second charter amendment proposal is to increase the authorized number of shares of CenturyTel common stock from 350,000,000 to 800,000,000. Neither charter amendment is required to complete the merger.

CenturyTel and Embarq will hold separate shareholder meetings to obtain these approvals. This document contains important information about the merger and the meetings of the shareholders of CenturyTel and stockholders of Embarq, and you should read it carefully. The enclosed voting materials allow you to vote your shares without attending your respective shareholder meeting.

Your vote is important. We encourage you to vote as soon as possible.

**Q: When and where will the shareholder meetings be held?**

A: The CenturyTel special meeting will be held at \_\_\_\_\_ on \_\_\_\_\_, at \_\_\_\_\_, local time. The Embarq special meeting will be held at \_\_\_\_\_, on \_\_\_\_\_, at \_\_\_\_\_, local time.

**Q: How do I vote?**

A: If you are a shareholder of record of CenturyTel as of the record date for the CenturyTel special meeting or a stockholder of record of Embarq as of the record date for the Embarq special meeting, you may vote in person by attending your shareholder meeting or, to ensure your shares are represented at the meeting, you may vote by:

accessing the Internet website specified on your proxy card;

calling the toll-free number specified on your proxy card; or

signing and returning the enclosed proxy card in the postage-paid envelope provided.

If you hold CenturyTel shares or Embarq shares in the name of a bank or broker, please follow the voting instructions provided by your bank or broker to ensure that your shares are represented at your shareholder meeting.

**Q: What vote is required to approve each proposal?**

A: *CenturyTel*. The proposal at the CenturyTel special meeting to approve the issuance of shares of CenturyTel common stock in the merger requires the affirmative vote of holders of a majority of the votes

**Table of Contents**

cast on the proposal by holders of CenturyTel common stock and voting preferred stock, voting as a single class. Each CenturyTel charter amendment proposal requires the affirmative vote of holders of two-thirds of the total voting power present or represented at the CenturyTel special meeting attributable to the outstanding CenturyTel common stock and voting preferred stock, voting together as a single class. In addition, the CenturyTel charter amendment to eliminate special ten-vote voting rights of long-term shareholders requires the affirmative vote of holders of two-thirds of the total voting power present or represented at the CenturyTel special meeting attributable to the outstanding CenturyTel common stock, voting as a separate class.

*Embarq.* The proposal at the Embarq special meeting to adopt the merger agreement requires the affirmative vote of holders of a majority of the outstanding shares of Embarq common stock entitled to vote on the proposal.

**Q: How many votes do I have?**

A: *CenturyTel.* You are entitled to ten votes for each CenturyTel common share, if any, that you have held continuously since May 30, 1987 and owned as of the record date, and you are entitled to one vote for each other share of CenturyTel common stock and each share of CenturyTel voting preferred stock that you owned as of the record date.

As of the close of business on November 10, 2008, there were approximately 100,140,421 outstanding shares of CenturyTel common stock and approximately 9,434 outstanding shares of CenturyTel voting preferred stock. Applying the presumptions described in Article III of the CenturyTel charter and information known to CenturyTel, CenturyTel's records indicate that 140,539,155 votes are entitled to be cast at the CenturyTel special meeting, of which 140,529,721 are attributable to common stock. As of that date, approximately 1.24% of the outstanding CenturyTel common shares, none of the outstanding shares of CenturyTel voting preferred stock, and approximately 1.52% of the total CenturyTel voting power were beneficially owned by directors and executive officers of CenturyTel.

*Embarq.* You are entitled to one vote for each Embarq common share that you owned as of the record date.

As of the close of business on November 10, 2008, there were approximately 142,135,154 outstanding Embarq common shares. As of that date, approximately 0.74% of the outstanding Embarq common shares were beneficially owned by the directors and executive officers of Embarq.

**Q: What will happen if I fail to vote or I abstain from voting?**

A: *CenturyTel.* If you are a CenturyTel shareholder and fail to vote, fail to instruct your broker or nominee to vote, or vote to abstain, it will have no effect on the proposal to approve the issuance of shares of CenturyTel common stock in the merger or the charter amendment proposals, assuming a quorum is present.

*Embarq.* If you are an Embarq stockholder and fail to vote, fail to instruct your broker or nominee to vote, or vote to abstain, it will have the same effect as a vote against the proposal to adopt the merger agreement.

**Q: What constitutes a quorum?**

A: *CenturyTel.* Shareholders who hold at least two-thirds of the total voting power of outstanding CenturyTel common stock and voting preferred stock as of the close of business on the record date and who are entitled to vote must be present or represented by proxy in order to constitute a quorum to conduct the CenturyTel special meeting.

*Embarq.* Stockholders who hold at least a majority of the outstanding Embarq common stock as of the close of business on the record date and who are entitled to vote must be present or represented by proxy in order to constitute a quorum to conduct the Embarq special meeting.

**Table of Contents**

**Q: If my shares are held in street name by my broker, will my broker vote my shares for me?**

A: If you hold your shares in a stock brokerage account or if your shares are held by a bank or nominee (that is, in street name), you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by your bank or broker. Please note that you may not vote shares held in street name by returning a proxy card directly to CenturyTel or Embarq or by voting in person at your shareholder meeting unless you provide a legal proxy, which you must obtain from your bank or broker. Further, brokers who hold shares of CenturyTel common stock or voting preferred stock or Embarq common stock on behalf of their customers may not give a proxy to CenturyTel or Embarq to vote those shares without specific instructions from their customers.

If you are a CenturyTel shareholder and you do not instruct your broker on how to vote your shares, your broker may not vote your shares on the proposal to approve the issuance of shares of CenturyTel common stock in the merger or the CenturyTel charter amendment proposals, which will have no effect on the vote on these proposals, assuming a quorum is present.

If you are an Embarq stockholder and you do not instruct your broker on how to vote your shares, your broker may not vote your shares, which will have the same effect as a vote against the proposal to adopt the merger agreement.

**Q: What will happen if I return my proxy card without indicating how to vote?**

A: If you return your proxy card without indicating how to vote on any particular proposal, the CenturyTel common stock or voting preferred stock or Embarq common stock represented by your proxy will be voted in favor of that proposal.

**Q: Can I change my vote after I have returned a proxy or voting instruction card?**

A: Yes. You can change your vote at any time before your proxy is voted at your shareholder meeting. You can do this in one of three ways:

you can send a signed notice of revocation;

you can grant a new, valid proxy bearing a later date; or

if you are a holder of record, you can attend your shareholder meeting and vote in person, which will automatically cancel any proxy previously given, or you may revoke your proxy in person, but your attendance alone will not revoke any proxy that you have previously given.

If you choose either of the first two methods, you must submit your notice of revocation or your new proxy to the Secretary of CenturyTel or Corporate Secretary of Embarq, as appropriate, no later than the beginning of the applicable shareholder meeting. If your shares are held in street name by your bank or broker, you should contact your broker to change your vote.

**Q: What are the material United States federal income tax consequences of the merger to U.S. holders of Embarq common shares?**

A:



The merger is intended to be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to as the Code. Assuming the merger qualifies as such a reorganization, a U.S. holder of Embarq common shares generally will not recognize any gain or loss upon receipt of CenturyTel common shares solely in exchange for Embarq common shares in the merger, except with respect to cash received in lieu of a fractional CenturyTel common share. See *The Merger – Material U.S. Federal Income Tax Consequences of the Merger* beginning on page 67.

**Q: When do you expect the merger to be completed?**

A: CenturyTel and Embarq are working to complete the merger in the second quarter of 2009. However, the merger is subject to various federal and state regulatory approvals and other conditions, and it is possible that factors outside the control of both companies could result in the merger being completed at a later

**Table of Contents**

time, or not at all. There may be a substantial amount of time between the respective CenturyTel and Embarq special meetings and the completion of the merger. CenturyTel and Embarq hope to complete the merger as soon as reasonably practicable.

**Q: What do I need to do now?**

A: Carefully read and consider the information contained in and incorporated by reference into this document, including its annexes.

In order for your shares to be represented at your shareholder meeting:

you can attend your shareholder meeting in person;

you can vote through the Internet or by telephone by following the instructions included on your proxy card; or

you can indicate on the enclosed proxy card how you would like to vote and return the proxy card in the accompanying pre-addressed postage paid envelope.

**Q: Do I need to do anything with my shares of Embarq common stock now?**

A: No. After the merger is completed, your shares of Embarq common stock will be automatically converted into CenturyTel shares, and you do not need to take any action.

If you are a CenturyTel shareholder, you are not required to take any action with respect to your CenturyTel stock certificates.

**Q: Who can help answer my questions?**

A: CenturyTel shareholders or Embarq stockholders who have questions about the merger or the other matters to be voted on at the shareholder meetings or desire additional copies of this document or additional proxy cards should contact:

**if you are a CenturyTel shareholder:**

**Innisfree M&A Incorporated**  
501 Madison Avenue  
New York, New York 10022  
(888) 750-5835

**if you are an Embarq stockholder:**

**D.F. King & Co., Inc.**  
48 Wall Street, 22<sup>nd</sup> Floor  
New York, New York 10005  
(800) 848-3416

**Table of Contents**

**SUMMARY**

*This summary highlights information contained elsewhere in this document and may not contain all the information that is important to you. CenturyTel and Embarq urge you to read carefully the remainder of this document, including the attached annexes, and the other documents to which we have referred you because this section does not provide all the information that might be important to you with respect to the merger and the other matters being considered at the applicable shareholder meeting. See also the section entitled *Where You Can Find More Information* on page 107. We have included page references to direct you to a more complete description of the topics presented in this summary.*

**The Companies**

***CenturyTel (See page 24)***

CenturyTel, Inc.  
100 CenturyTel Drive  
Monroe, Louisiana 71203  
Telephone: (318) 388-9000

CenturyTel, a Louisiana corporation, is an integrated communications company primarily engaged in providing an array of communications services, including local and long distance voice, Internet access and broadband services in 25 states. CenturyTel also provides fiber transport, competitive local exchange carrier, security monitoring, and other communications and business information services in certain local and regional markets. CenturyTel's incumbent local exchange telephone subsidiaries operate approximately 2.0 million telephone access lines, primarily in rural areas and small to mid-size cities, with over 68% of these lines located in Missouri, Wisconsin, Alabama, Arkansas and Washington. According to published sources, CenturyTel is the seventh largest local exchange telephone company in the United States based on the number of access lines served.

Additional information about CenturyTel and its subsidiaries is included in documents incorporated by reference in this document. See *Where You Can Find More Information* on page 107.

***Embarq (See page 24)***

Embarq Corporation  
5454 West 110th Street  
Overland Park, Kansas 66211  
Telephone: (913) 323-4637

Embarq, a Delaware corporation, offers a complete suite of communications services. Embarq has operations in 18 states and is in the Fortune 500® list of America's largest corporations. For consumers, Embarq offers an innovative portfolio of services that includes reliable local and long distance home phone service, high-speed Internet, wireless and satellite video from DISH Network® all on one monthly bill. For businesses, Embarq has a comprehensive range of flexible and integrated services designed to help businesses of all sizes be more productive and communicate with their customers. This service portfolio includes local voice and data services, long distance, EMBARQ® Business-Class High Speed Internet, wireless, satellite TV from DIRECTV®, enhanced data network services, voice and data communication equipment and managed network services.

Additional information about Embarq and its subsidiaries is included in documents incorporated by reference in this document. See [Where You Can Find More Information](#) on page 107.

***Cajun Acquisition Company (See page 24)***

Cajun Acquisition Company, a wholly owned subsidiary of CenturyTel, is a Delaware corporation formed on October 24, 2008 for the purpose of effecting the merger. Upon completion of the merger, Cajun Acquisition Company will be merged with and into Embarq and the name of the resulting company will be Embarq Corporation.

## **Table of Contents**

Cajun Acquisition Company has not conducted any activities other than those incidental to its formation and the matters contemplated by the merger agreement, including the preparation of applicable regulatory filings in connection with the merger.

### **The Merger and the Merger Agreement**

A copy of the merger agreement is attached as Annex A to this document. CenturyTel and Embarq encourage you to read the entire merger agreement carefully because it is the principal document governing the merger.

#### ***Form of Merger (See page 73)***

Subject to the terms and conditions of the merger agreement, at the effective time of the merger, Cajun Acquisition Company, a direct, wholly owned subsidiary of CenturyTel formed for the purposes of the merger, will be merged with and into Embarq. Embarq will survive the merger as a direct, wholly owned subsidiary of CenturyTel.

#### ***Consideration to be Received in the Merger; Treatment of Stock Options and Other Equity-Based Awards (See pages 73 and 70)***

Embarq stockholders will receive 1.37 shares of CenturyTel common stock for each share of Embarq common stock they hold, with cash paid in lieu of fractional shares. The exchange ratio is fixed and will not be adjusted for changes in the market value of the common stock of Embarq or CenturyTel. Because of this, the implied value of the consideration to Embarq stockholders will fluctuate between now and the completion of the merger. Based on the closing price of CenturyTel common stock on the New York Stock Exchange, or NYSE, of \$29.50 on October 24, 2008, the last trading day before public announcement of the merger, the 1.37 exchange ratio represented approximately \$40.42 in value for each share of Embarq common stock. Based on the closing price of CenturyTel common stock on the NYSE on \_\_\_\_\_, the latest practicable date before the date of this document, the 1.37 exchange ratio represented approximately \$ \_\_\_\_\_ in value for each share of Embarq common stock.

Upon completion of the merger, outstanding stock options to purchase Embarq common stock granted pursuant to Embarq's equity plans will be rolled over into stock options to acquire shares of CenturyTel common stock so as to maintain the aggregate spread value of such stock options. Each award of restricted stock units granted pursuant to Embarq's equity plans will be converted into the right to receive a number of shares of CenturyTel common stock. The number of shares of CenturyTel common stock subject to such restricted stock unit will be based on (a) the actual achievement of performance goals applicable to such award during the applicable performance period commencing on the date of grant and ending on the closing of the merger and (b) the target-number of shares subject to such award for the period following the closing date that ends on the last day of the applicable performance period. Each outstanding purchase right under Embarq's Employee Stock Purchase Plan will be automatically suspended and any contributions made for the current offering period will be returned to the participants, and the plan will terminate, upon the completion of the merger.

#### ***Material U.S. Federal Income Tax Consequences of the Merger (See page 67)***

The merger is intended to be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. Assuming the merger qualifies as such a reorganization, a U.S. holder of Embarq common shares generally will not recognize any gain or loss upon receipt of CenturyTel common shares solely in exchange for Embarq common shares in the merger, except with respect to cash received in lieu of a fractional CenturyTel common share. It is a condition to the completion of the merger that CenturyTel and Embarq receive written opinions from their respective counsel to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code.

Tax matters are very complicated and the tax consequences of the merger to each Embarq stockholder will depend on such stockholder's particular facts and circumstances. Embarq stockholders are urged to consult their tax advisors to understand fully the tax consequences to them of the merger.

**Table of Contents**

***Recommendations of the CenturyTel Board of Directors (See pages 25 and 38)***

After careful consideration, the CenturyTel board of directors, on October 26, 2008, unanimously approved the merger agreement. For the factors considered by the CenturyTel board of directors in reaching its decision to approve the merger agreement, see the section entitled "The Issuance of CenturyTel Shares and the Merger – CenturyTel's Reasons for the Merger; Recommendation of the Stock Issuance by the CenturyTel Board of Directors" beginning on page 38. **The CenturyTel board of directors unanimously recommends that the CenturyTel shareholders vote FOR the proposal to issue shares of CenturyTel common stock in the merger, FOR the proposal to amend the CenturyTel charter to eliminate certain special ten-vote voting rights of long-term CenturyTel shareholders and FOR the proposal to amend the CenturyTel charter to increase the number of shares of authorized CenturyTel common stock.**

***Recommendation of the Embarq Board of Directors (See pages 28 and 40)***

After careful consideration, the Embarq board of directors, on October 26, 2008, approved and adopted the merger agreement by unanimous vote of the directors present at the meeting. For the factors considered by the Embarq board of directors in reaching its decision to adopt the merger agreement, see the section entitled "The Issuance of CenturyTel Shares and the Merger – Embarq's Reasons for the Merger; Recommendation of the Merger by the Embarq Board of Directors" beginning on page 40. **The Embarq board of directors, by a unanimous vote of the directors present, recommends that the Embarq stockholders vote FOR the proposal to adopt the merger agreement at the Embarq special meeting.**

***Opinions of CenturyTel's Financial Advisors (See page 41)***

*Barclays Capital Inc.* In connection with the merger, the CenturyTel board of directors received the written opinion, dated October 26, 2008, of CenturyTel's financial advisor, Barclays Capital Inc., referred to as Barclays Capital, as to the fairness, from a financial point of view and as of the date of such opinion, to CenturyTel of the 1.37 exchange ratio provided for in the merger. The full text of Barclays Capital's written opinion is attached as Annex B to this joint proxy statement-prospectus and is incorporated herein by reference. Barclays Capital's written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken by Barclays Capital in rendering its opinion. You are encouraged to read the opinion carefully in its entirety. Barclays Capital's opinion is addressed to the CenturyTel board of directors, relates only to the fairness, from a financial point of view, to CenturyTel of the exchange ratio provided for in the merger and does not constitute a recommendation to any shareholder as to how such shareholder should vote or act with respect to the proposed merger or any other matter.

*Morgan Stanley & Co. Incorporated.* In connection with the merger, the CenturyTel board of directors received a written opinion from CenturyTel's financial advisor, Morgan Stanley & Co. Incorporated, which we refer to as Morgan Stanley, as to the fairness, from a financial point of view, of the consideration to be paid by CenturyTel pursuant to the merger agreement. The full text of the written opinion of Morgan Stanley, dated October 26, 2008, is included as Annex C to this joint proxy statement-prospectus and is incorporated herein by reference. You should read the opinion carefully in its entirety for a description of the assumptions made, the matters considered and limitations on the review undertaken. Morgan Stanley addressed its opinion to the CenturyTel board of directors, and the opinion does not constitute a recommendation to any shareholder as to how to vote or as to any other action that a shareholder should take relating to the merger.

***Opinion of Embarq's Financial Advisor (See page 52)***

J.P. Morgan Securities Inc., which is referred to as J.P. Morgan, delivered its opinion to the Embarq board of directors that, as of the date of the fairness opinion and based upon and subject to the various factors, assumptions and limitations set forth therein, the exchange ratio in the proposed merger was fair, from a financial point of view, to the holders of Embarq common stock.

The full text of the written opinion of J.P. Morgan, dated October 26, 2008, which sets forth, among other things, assumptions made, procedures followed, matters considered and limitations on the review undertaken in rendering its opinion, is attached as Annex D to this joint proxy statement-prospectus and is incorporated herein by reference. J.P. Morgan provided its opinion for the information and assistance of the Embarq board



**Table of Contents**

of directors in connection with its consideration of the merger. The J.P. Morgan opinion is addressed to the Embarq board of directors and does not constitute a recommendation as to how any stockholder of Embarq should vote with respect to the proposed merger.

***CenturyTel's Officers and Directors Have Financial Interests in the Merger That Differ from Your Interests (Page 63)***

CenturyTel's executive officers and directors have financial interests in the merger that are different from, or in addition to, their interests as CenturyTel shareholders. The CenturyTel board of directors was aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, in approving the merger agreement, and in recommending to the shareholders that the issuance of common stock in connection with the merger be approved.

Each of CenturyTel's executive officers, including each of its named executive officers, is party to an agreement with CenturyTel that provides severance and other benefits in the case of qualifying terminations of employment following a change of control, including completion of the merger. In addition, stock-based awards held by CenturyTel's executive officers will vest upon certain terminations of employment following completion of the merger. Stock-based awards held by CenturyTel directors who do not continue to serve on the board will vest upon completion of the merger, and awards held by CenturyTel directors who continue to serve will vest upon the termination of their service upon or following completion of the merger. Pursuant to the terms of CenturyTel's nonqualified deferred compensation arrangements, certain benefits payable to executive officers thereunder will vest, and become immediately payable in cash, upon a qualifying termination of employment within two years following the date of completion of the merger, and certain executive officers will accrue additional benefits under such arrangements upon a qualifying termination of employment within three years following the date of completion of the merger.

Please see *Financial Interests of CenturyTel Directors and Officers in the Merger* beginning on page 63 for additional information about these financial interests.

***Embarq's Officers and Directors Have Financial Interests in the Merger That Differ from Your Interests (Page 58)***

Embarq's directors and executive officers have financial interests in the merger that are different from, or in addition to, their interests as Embarq stockholders. The Embarq board of directors was aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending to Embarq stockholders that the merger agreement be approved and adopted.

Each of Embarq's executive officers, including its named executive officers, is either a party to an agreement with Embarq or a participant in the Embarq Executive Severance Plan. Each agreement, and the Executive Severance Plan, provides severance and other benefits in the case of qualifying terminations of employment following a change in control, including completion of the merger. In addition, stock-based awards held by Embarq's executive officers will vest following certain terminations of employment following the completion of the merger. Stock-based awards held by Embarq non-employee directors will vest in full upon completion of the merger.

Please see *Financial Interests of Embarq Directors and Officers in the Merger* beginning on page 58 for additional information about these financial interests.

***Directors and Management Following the Merger (See page 67)***

Following the merger, the board of directors of the combined company will consist of fifteen directors. As of the effective time of the merger, the board will be comprised of eight directors chosen by CenturyTel and seven directors chosen by Embarq. As of the effective time of the merger, CenturyTel-designated directors will constitute a majority of the members of each of the committees of the board of directors, with Embarq-designated directors constituting one less than the number of CenturyTel-designated directors on each board committee. Embarq may designate the initial chairperson of either the audit committee or the compensation committee, and CenturyTel will designate the initial chairpersons of the remaining committees, including the nominating and corporate governance committee.

**Table of Contents**

Following the merger, Glen F. Post, III, currently Chairman of the Board and Chief Executive Officer of CenturyTel, will continue to serve as Chief Executive Officer. Admiral William A. Owens, currently the non-executive Chairman of the board of Embarq, will serve as non-executive Chairman of the board of the combined company. Thomas A. Gerke, currently the President and Chief Executive Officer of Embarq, will serve as executive Vice Chairman of the board of directors. Harvey P. Perry, non-executive Vice Chairman of the board of CenturyTel, will continue to serve as non-executive Vice Chairman of the board of directors. R. Stewart Ewing, Jr., Executive Vice President and Chief Financial Officer of CenturyTel, and Karen A. Puckett, President and Chief Operating Officer of CenturyTel, will continue to serve in those positions following the merger.

***Regulatory Approvals Required for the Merger (See page 69)***

*HSR Act and Antitrust.* The merger is subject to the requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which is referred to in this document as the HSR Act, which prevents CenturyTel and Embarq from completing the merger until required information and materials are furnished to the Antitrust Division of the Department of Justice, which is referred to in this document as the DOJ, and the Federal Trade Commission, which is referred to in this document as the FTC, and the applicable waiting period under the HSR Act is terminated or expires. On November 12, 2008, CenturyTel and Embarq filed the requisite notification and report forms under the HSR Act with the DOJ and the FTC. The waiting period initiated by these filings expires on December 12, 2008 unless terminated prior to that date or unless extended by the DOJ or the FTC by the issuance of a second request for additional information. If a second request is made, the waiting period will expire on the thirtieth day after CenturyTel and Embarq have substantially complied with this request. The DOJ, the FTC and others may challenge the merger on antitrust grounds either before or after expiration or termination of the waiting period. Accordingly, at any time before or after the completion of the merger, any of the DOJ, the FTC or others could take action under the antitrust laws as it deems necessary or desirable in the public interest, including without limitation seeking to enjoin the completion of the merger or permitting completion subject to regulatory concessions or conditions. We cannot assure you that a challenge to the merger will not be made or that, if a challenge is made, it will not succeed.

*FCC Approval.* The Federal Communications Act of 1934, as amended, requires the approval of the Federal Communications Commission, which we refer to as the FCC, prior to any transfer of control of certain types of licenses and other authorizations issued by the FCC. CenturyTel and Embarq expect to file applications for FCC consent to the transfer to CenturyTel of control of Embarq and the Embarq subsidiaries that hold such licenses and authorizations in November or December 2008. Applications for FCC approvals are subject to public comment and possible oppositions of third parties. We cannot assure you that the requisite FCC approval will be obtained on a timely basis or at all. In addition, we cannot assure you that such approval will not include conditions that could result in the abandonment of the merger.

*State Regulatory Approvals.* Embarq and various of its subsidiaries hold certificates, licenses and service authorizations issued by state public utility or public service commissions. Certain of the state commissions require formal applications for the transfer of control of these certificates, licenses and authorizations to CenturyTel. Applications for state approvals are subject to public comment and possible oppositions of third parties. In addition to these applications, CenturyTel and Embarq will file notifications of the merger in the states where formal applications are not required. In some of these states, the state commissions could initiate proceedings in response to such notifications. CenturyTel and Embarq expect to file these state transfer applications and notifications with state commissions with the relevant state commissions in November and December 2008. CenturyTel and Embarq believe that the merger complies with applicable state standards for approval, but there can be no assurance that the state commissions will grant the transfer applications on a timely basis or at all. In addition, we cannot assure you that such approval will not include conditions that could result in the abandonment of the merger.

***Expected Timing of the Merger (See page 74)***

We currently expect to complete the merger in the second quarter of 2009, subject to receipt of required shareholder and regulatory approvals and the satisfaction or waiver of the other closing conditions.

**Table of Contents**

***Conditions to Completion of the Merger (See page 74)***

As more fully described in this document and in the merger agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permissible, waived. These conditions include, among others, receipt of the requisite approvals of CenturyTel shareholders and Embarq stockholders, the expiration or early termination of the waiting period under the HSR Act, the receipt of all required regulatory approvals by the FCC and state regulators and, subject to certain materiality standards, all other regulators, the correctness of all representations and warranties made by the parties in the merger agreement and performance by the parties of their obligations under the merger agreement (subject in each case to certain materiality standards) and the receipt of legal opinions by each company regarding the qualification of the merger as a reorganization for U.S. federal income tax purposes.

We cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

***Termination of the Merger Agreement (See page 76)***

CenturyTel and Embarq may mutually agree to terminate the merger agreement before completing the merger, even after shareholder approval.

In addition, either CenturyTel or Embarq may decide to terminate the merger agreement, even after shareholder approval, if:

the merger is not consummated by July 26, 2009, subject to a three-month extension under certain circumstances;

a court or other governmental entity issues a final and nonappealable order prohibiting the merger;

CenturyTel shareholders fail to approve the issuance of CenturyTel common stock in connection with the merger;

Embarq stockholders fail to adopt the merger agreement; or

the other party breaches the merger agreement in a way that would entitle the party seeking to terminate the agreement not to consummate the merger, subject to the right of the breaching party to cure the breach.

Either party may also terminate the merger agreement prior to the shareholder approval of the other party being obtained, if the board of directors of the other party withdraws, modifies or proposes publicly to withdraw or modify its approval or recommendation with respect to the merger agreement or approves, recommends or proposes to approve or recommend any alternative takeover proposal with a third party.

***Expenses and Termination Fees (See page 77)***

Generally, all fees and expenses incurred in connection with the merger and the transactions contemplated by the merger agreement will be paid by the party incurring those expenses. The merger agreement further provides that, upon termination of the merger agreement under certain circumstances, CenturyTel may be obligated to pay Embarq a termination fee of \$140 million and Embarq may be obligated to pay CenturyTel a termination fee of \$200 million. See the section entitled *The Issuance of CenturyTel Shares and the Merger Expenses and Termination Fees* beginning on page 77 for a complete discussion of the circumstances under which termination fees will be required to be paid.

*Accounting Treatment (See page 69)*

CenturyTel prepares its financial statements in accordance with accounting principles generally accepted in the United States, which is referred to as GAAP. The merger will be accounted for as discussed under "Accounting Treatment" on page 69. Based upon the terms of the merger (including the premium) and other factors, such as the composition of the combined company's board and senior management, CenturyTel is considered to be the accounting acquirer of Embarq. This means that CenturyTel will allocate the purchase price in the merger to the fair value of Embarq's assets and liabilities at the acquisition date, with the excess purchase price being recorded as goodwill, which is not amortized but is tested for impairment at least annually.

**Table of Contents**

***No Appraisal Rights (See page 105)***

Under Delaware law, the holders of Embarq common stock are not entitled to appraisal rights in connection with the merger.

Under Louisiana law, the holders of CenturyTel common stock and preferred stock are not entitled to appraisal rights in connection with the share issuance proposal or the charter amendment proposals.

**The Special Meetings**

***The CenturyTel Special Meeting (See page 25)***

The CenturyTel special meeting will be held at \_\_\_\_\_, at \_\_\_\_\_, local time, on \_\_\_\_\_, \_\_\_\_\_. At the CenturyTel special meeting, CenturyTel shareholders will be asked:

to vote on a proposal to approve the issuance of CenturyTel common stock in connection with the merger;

to vote on a proposal to amend the CenturyTel charter to eliminate the rights of persons who have continuously owned shares of CenturyTel common stock since May 30, 1987 to ten votes per share of such stock and to provide instead that all holders of common stock will be entitled to one vote per share;

to vote on a proposal to amend the CenturyTel charter to increase the authorized number of shares of CenturyTel common stock from 350,000,000 to 800,000,000;

to vote upon an adjournment of the CenturyTel special meeting, if necessary, to solicit additional proxies if there are not sufficient votes for the proposal to issue CenturyTel common stock in connection with the merger; and

to transact any other business that may properly be brought before the CenturyTel special meeting or any adjournments or postponements thereof.

You may vote at the CenturyTel special meeting if you owned shares of CenturyTel common stock or voting preferred stock at the close of business on \_\_\_\_\_, \_\_\_\_\_.

The CenturyTel charter generally provides that you can cast ten votes for each CenturyTel common share, if any, that you have held continuously since May 30, 1987 and owned as of the record date and one vote for each other CenturyTel voting share that you owned as of the record date. Applying the presumptions described in Article III of the CenturyTel charter and information known to CenturyTel, CenturyTel's records indicate that \_\_\_\_\_ votes are entitled to be cast at the CenturyTel special meeting, of which \_\_\_\_\_ are attributable to common stock. The following votes are required to approve each of the above-listed proposals:

The issuance of CenturyTel common stock to Embarq stockholders requires approval by the affirmative vote of holders of a majority of the votes cast on the proposal by holders of CenturyTel common stock and voting preferred stock, voting as a single class.

Each of the two CenturyTel charter amendment proposals requires approval by the affirmative vote of holders of two-thirds of the total voting power present or represented at the CenturyTel special meeting attributable to the outstanding CenturyTel common stock and voting preferred stock, voting together as a single class, and, with respect to the proposal to eliminate the special ten-vote voting rights of CenturyTel's long-term

shareholders by the affirmative vote of holders of two-thirds of the total voting power present or represented at the CenturyTel special meeting attributable to the outstanding CenturyTel common stock, voting as a separate class.

Approval of any proposal to adjourn the CenturyTel special meeting, if necessary, for the purpose of soliciting additional proxies requires that the affirmative vote of holders of a majority of the total voting power present or represented at the CenturyTel special meeting.

On the record date, approximately % of the outstanding CenturyTel common shares, none of the outstanding shares of CenturyTel voting preferred stock, and, based on the presumptions set forth in Article III of the CenturyTel charter and information known to CenturyTel, approximately % of the total voting power of CenturyTel voting shares were held by CenturyTel directors and executive officers and their affiliates.



**Table of Contents**

We currently expect that CenturyTel's directors and executive officers will vote their shares in favor of the above-listed proposals, although none of them has entered into any agreements obligating him or her to do so.

***The Embarq Special Meeting (See page 28)***

The special meeting of Embarq stockholders will take place on \_\_\_\_\_, \_\_\_\_\_ a.m. (local time), at \_\_\_\_\_. At the special meeting, stockholders of Embarq will be asked:

to adopt the Agreement and Plan of Merger, dated as of October 26, 2008, among CenturyTel, Cajun Acquisition Company, a wholly owned subsidiary of CenturyTel, and Embarq pursuant to which Cajun Acquisition Company will be merged with and into Embarq and each outstanding share of common stock of Embarq will be converted into the right to receive 1.37 shares of common stock of CenturyTel, with cash paid in lieu of fractional shares; and

to transact any other business that may properly be brought before the Embarq special meeting or any adjournments or postponements thereof.

You may vote at the Embarq special meeting if you owned common stock of Embarq at the close of business on the record date, \_\_\_\_\_. On that date there were \_\_\_\_\_ shares of common stock of Embarq outstanding and entitled to vote. You may cast one vote for each share of common stock of Embarq that you owned on the record date.

As of the record date, less than \_\_\_\_\_% of the outstanding common stock of Embarq was held by its directors and executive officers and their affiliates. We currently expect that Embarq's directors and executive officers will vote their shares in favor of the merger, although none of them has entered into any agreements obligating them to do so.

The affirmative vote of the holders of at least a majority of the shares of outstanding common stock of Embarq on the record date is required to adopt the merger agreement.

**Recent Developments**

On November 3, 2008, the chairman of the FCC withdrew his proposal to reform the FCC's inter-carrier compensation and universal service rules, in part due to concerns of the other commissioners that the draft proposal had not been made available for prior public comments. On November 5, 2008 the FCC issued a document that, among other things, (i) requested public comment on the chairman's draft proposal, an alternative proposal and certain universal service reforms and (ii) included an order that declined to implement the universal service reform proposal issued in November 2007 by a federal-state joint board established by Congress. Comments on the proposals are due November 26, 2008, with reply comments due December 3, 2008, in anticipation of an FCC vote on the draft proposals on December 18, 2008. It is currently unclear what action the FCC may take with respect to the draft proposals. As previously disclosed by CenturyTel and Embarq, adoption of the chairman's original proposal, which is published in the November 5, 2008 document, could result in a material adverse impact on the results of operations of both companies.

**Table of Contents****Selected Historical Financial Data of CenturyTel**

The following table sets forth selected consolidated financial information for CenturyTel. The selected statement of operations data for the nine months ended September 30, 2008 and 2007 and the selected balance sheet data as of September 30, 2008 and 2007 have been derived from CenturyTel's unaudited consolidated financial statements. In the opinion of CenturyTel's management, all adjustments considered necessary for a fair presentation of the interim September 30 financial information have been included. The selected statement of operations data for each of the five years ended December 31, 2007 and the selected balance sheet data as of December 31 for each of the years in the five year period ended December 31, 2007 have been derived from CenturyTel's consolidated financial statements that were audited by KPMG LLP. The following information should be read together with CenturyTel's consolidated financial statements and the notes related to those financial statements incorporated herein by reference. See "Where You Can Find More Information" beginning on page 107. The operating results for the nine months ended September 30, 2008 are not necessarily indicative of the results to be expected for any future periods.

**Nine Months Ended**  
**September 30,**  
**2008      2007      2007      Year Ended December 31,**  
**2006      2005      2004      2003**  
**(Unaudited)**

(In millions, except per share amounts)

**Selected Statement of Operations Data**

Operating revenues	\$ 1,957	\$ 2,000	\$ 2,656	\$ 2,448	\$ 2,479	\$ 2,407	\$ 2,368
Operating income	\$ 545	\$ 624	\$ 793	\$ 666	\$ 736	\$ 754	\$ 750
Net income	\$ 266	\$ 303	\$ 418	\$ 370	\$ 334	\$ 337	\$ 345
Earnings per common share							
Basic	\$ 2.57	\$ 2.77	\$ 3.82	\$ 3.17	\$ 2.55	\$ 2.45	\$ 2.40
Diluted	\$ 2.55	\$ 2.68	\$ 3.72	\$ 3.07	\$ 2.49	\$ 2.41	\$ 2.35
Dividends per common share	\$ 1.4675	\$ 0.195	\$ 0.26	\$ 0.25	\$ 0.24	\$ 0.23	\$ 0.22
Average basic shares outstanding	103.4	109.5	109.4	116.7	130.8	137.2	143.6
Average diluted shares outstanding	104.1	114.1	113.1	122.2	136.1	142.1	148.8

**September 30,**  
**2008      2007      2007      2006      December 31,**  
**2005      2004      2003**  
**(Unaudited)**

(Dollars in millions)

**Selected Balance Sheet Data**

Net property, plant and equipment	\$ 2,915	\$ 3,145	\$ 3,108	\$ 3,109	\$ 3,304	\$ 3,341	\$ 3,455
Goodwill	\$ 4,010	\$ 3,997	\$ 4,011	\$ 3,431	\$ 3,433	\$ 3,434	\$ 3,425
Total assets	\$ 8,273	\$ 8,233	\$ 8,185	\$ 7,441	\$ 7,763	\$ 7,797	\$ 7,896
Long-term debt	\$ 3,299	\$ 2,748	\$ 2,734	\$ 2,413	\$ 2,376	\$ 2,762	\$ 3,109

Edgar Filing: CENTURYTEL INC - Form S-4

Shareholders equity	\$ 3,196	\$ 3,364	\$ 3,409	\$ 3,191	\$ 3,617	\$ 3,410	\$ 3,479
<b>Selected Operating Data (unaudited):</b>							
Telephone access lines	2,040,000	2,170,000	2,140,000	2,090,000	2,210,000	2,310,000	2,380,000
High-speed Internet customers	630,000	530,000	560,000	370,000	250,000	140,000	80,000

**Table of Contents****Selected Historical Financial Data of Embarq**

The following table sets forth selected consolidated financial information for Embarq. The selected statement of operations data for the nine months ended September 30, 2008 and 2007 and the selected balance sheet data as of September 30, 2008 and 2007 have been derived from Embarq's consolidated financial statements (unaudited). The selected statement of operations data for each of the five years ended December 31, 2007 and the selected balance sheet data as of December 31, 2007, 2006, 2005 and 2004 have been derived from Embarq's consolidated financial statements that were audited by KPMG LLP. The selected balance sheet data as of December 31, 2003 have been derived from Embarq's unaudited consolidated financial statements. In the opinion of Embarq's management, all adjustments considered necessary for a fair presentation of the unaudited financial information have been included. The following information should be read together with Embarq's consolidated financial statements and the notes related to those financial statements incorporated herein by reference. See "Where You Can Find More Information" beginning on page 107.

Embarq's consolidated financial information may not be indicative of future performance and does not necessarily reflect what its financial position and results of operations would have been had it operated as a separate, stand-alone entity during all periods presented, particularly since many changes occurred in its operations and capitalization as a result of its spin-off from Sprint Nextel Corporation in May 2006.

	<b>Nine Months Ended</b>		<b>Year Ended December 31,</b>					
	<b>September 30, 2008</b>	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2005(2)</b>	<b>2004</b>	<b>2003(2)</b>	
	<b>(Unaudited)</b>							
	<b>(In millions, except per share amounts)</b>							
<b>Selected Statement of Operations Data</b>								
Net operating revenues	\$ 4,645	\$ 4,788	\$ 6,365	\$ 6,363	\$ 6,254	\$ 6,139	\$ 6,159	
Operating income	\$ 1,215	\$ 1,134	\$ 1,504	\$ 1,544	\$ 1,552	\$ 1,590	\$ 1,616	
Net income	\$ 578	\$ 493	\$ 683	\$ 784	\$ 878	\$ 917	\$ 1,554	
Earnings per common share(1)								
Basic	\$ 3.92	\$ 3.25	\$ 4.50	\$ 5.26				
Diluted	\$ 3.88	\$ 3.21	\$ 4.44	\$ 5.21				
Dividends per common share(1)	\$ 2.06	\$ 1.75	\$ 2.38	\$ 1.00				
Average basic shares outstanding(1)	147.4	151.6	151.9	149.2				
Average diluted shares outstanding(1)	149.0	153.5	153.9	150.4				
	<b>September 30, 2008</b>		<b>2007</b>	<b>2006</b>	<b>December 31, 2005</b>		<b>2004</b>	<b>2003</b>
	<b>(Unaudited)</b>							<b>(Unaudited)</b>
	<b>(Dollars in millions)</b>							

**Selected Balance Sheet Data**

Net property, plant and equipment	\$	7,508	\$	7,761	\$	7,748	\$	7,988	\$	7,804	\$	7,977	\$	7,979
Goodwill	\$	27	\$	27	\$	27	\$	27	\$	27	\$	27	\$	27
Total assets	\$	8,694	\$	8,871	\$	8,901	\$	9,119	\$	9,221	\$	9,329	\$	9,268
Long-term debt	\$	5,838	\$	5,774	\$	5,779	\$	6,421	\$	1,123	\$	1,125	\$	1,239
Stockholders equity	\$	68	\$	122	\$	264	\$	(468)	\$	4,852	\$	4,960	\$	4,889

**Selected Operating Data (unaudited):**

Telephone access lines(3)	5,850,000	6,400,000	6,310,000	6,750,000	7,210,000	7,530,000	7,760,000
High-speed Internet customers	1,390,000	1,220,000	1,280,000	1,020,000	690,000	490,000	300,000

**Table of Contents**

- (1) Before the spin-off on May 17, 2006, Embarq was a wholly owned subsidiary of Sprint Nextel. As such, Embarq did not have any common shares publicly outstanding prior to that date. Average basic and diluted shares outstanding for the year ended December 31, 2006 reflect the shares issued at spin-off and the potentially dilutive shares at spin-off as if they were outstanding and dilutive from January 1, 2006 through May 17, 2006.
- (2) In 2005, Embarq adopted FASB Interpretation No. 47, an interpretation of Statement of Financial Accounting Standard No. 143, Accounting for Asset Retirement Obligations, which required the recognition of a liability for legal obligations to perform an asset retirement activity that are conditioned on a future event. Upon adoption, Embarq recognized a cumulative effect of change in accounting principle, which increased net income by \$16 million. In 2003, Embarq adopted Statement of Financial Accounting Standard No. 143, Accounting for Asset Retirement Obligations. In connection with this adoption, Embarq recognized a cumulative effect of change in accounting principle, which increased net income by \$258 million. Additionally, in 2003, Embarq recognized an after tax gain of \$375 million related to the sale of the directory publishing business.
- (3) Beginning in 2008, Embarq no longer includes in its access line counts those lines that support internal administrative and operational activities. Accordingly, the access line counts for periods prior to 2008 were adjusted to reflect this change.

**Table of Contents****Summary Unaudited Pro Forma Combined Condensed Financial Information**

The following table shows summary unaudited pro forma combined condensed financial information about the financial condition and results of operations after giving effect to the merger. The unaudited pro forma financial information assumes that the merger is accounted for by applying the acquisition method with CenturyTel treated as the accounting acquirer. Under the acquisition method, the assets and liabilities of Embarq will be recorded by CenturyTel at their respective fair values as of the date the merger is completed. The unaudited pro forma condensed combined balance sheet data gives effect to the merger as if it had occurred on September 30, 2008. The unaudited pro forma condensed combined income statement data for the nine months ended September 30, 2008 and the year ended December 31, 2007, give effect to the merger as if the merger had become effective at January 1, 2007. The unaudited selected pro forma combined condensed financial information has been derived from and should be read in conjunction with the consolidated financial statements and the related notes of both CenturyTel and Embarq, incorporated herein by reference and the more detailed unaudited pro forma combined condensed financial information, including the notes thereto, appearing elsewhere in this document. See **Where You Can Find More Information** on page 107 and **Unaudited Pro Forma Combined Condensed Financial Information** on page 88.

The unaudited pro forma combined condensed financial information is presented for illustrative purposes only and does not indicate the combined financial results of the companies had the companies actually been combined at the beginning of each period presented. In addition, as explained in more detail in the accompanying notes to the unaudited pro forma condensed combined financial information, the preliminary allocation of the pro forma purchase price reflected in the unaudited pro forma combined condensed financial information is subject to adjustment and may vary significantly from the actual purchase price allocation that will be recorded as of completion of the merger. Furthermore, the determination of the final purchase price will be based on the number of Embarq common shares outstanding and CenturyTel's stock price at closing.

	<b>Year Ended December 31, 2007</b>	<b>Nine Months Ended September 30, 2008</b>
	<b>(Unaudited)</b>	
	<b>(In millions, except per share amounts)</b>	
<b><u>Statement of Operations Data</u></b>		
Net Operating revenues	\$ 9,021	\$ 6,602
Operating income	2,134	1,638
Net income	953	733
Basic earnings per common share	3.00	2.40
Diluted earnings per common share	2.95	2.38
		<b>September 30, 2008</b>
<b><u>Summary Balance Sheet</u></b>		
Net property, plant and equipment		\$ 10,423
Goodwill		7,874

Total assets	22,018
Long-term debt	8,225
Shareholders' equity	8,184



**Table of Contents****Equivalent and Comparative Per Share Information**

The following table sets forth, for the nine months ended September 30, 2008 and the year ended December 31, 2007, selected per share information for CenturyTel common stock on a historical and pro forma combined basis and for Embarq common stock on a historical and pro forma equivalent basis. Except for the historical information as of and for the year ended December 31, 2007, the information in the table is unaudited. You should read the data with the historical consolidated financial statements and related notes of CenturyTel and Embarq contained in their respective Annual Reports on Form 10-K for the year ended December 31, 2007 and Quarterly Reports on Form 10-Q for the quarter ended September 30, 2008, all of which are incorporated by reference into this document. See [Where You Can Find More Information](#) on page 107.

The CenturyTel pro forma combined earnings per share were calculated using the methodology as described below under the heading [Unaudited Pro Forma Combined Condensed Financial Information](#). The CenturyTel pro forma combined cash dividends per common share represent CenturyTel's historical cash dividends per common share. The CenturyTel pro forma combined book value per share was calculated by dividing total combined CenturyTel and Embarq common shareholders' equity by pro forma equivalent common shares. The Embarq pro forma equivalent per common share amounts were calculated by multiplying the CenturyTel pro forma combined per share amounts by the exchange ratio of 1.37.

	<b>CenturyTel</b>		<b>Embarq</b>	
	<b>Historical</b>	<b>Pro Forma Combined</b>	<b>Historical</b>	<b>Pro Forma Equivalent</b>
<b>Basic earnings per common share</b>				
Nine months ended September 30, 2008	\$ 2.57	\$ 2.40	\$ 3.92	\$ 3.29
Year ended December 31, 2007	3.82	3.00	4.50	4.11
<b>Diluted earnings per common share</b>				
Nine months ended September 30, 2008	2.55	2.38	3.88	3.26
Year ended December 31, 2007	3.72	2.95	4.44	4.04
<b>Cash dividends declared per common share</b>				
Nine months ended September 30, 2008	1.47	1.47	2.06	2.01
Year ended December 31, 2007	0.26	0.26	2.38	0.36
<b>Book value per common share</b>				
As of September 30, 2008	31.96	27.74	0.48	38.00

**Table of Contents**

**RISK FACTORS**

*In addition to the other information included and incorporated by reference into this document, including the matters addressed in the section entitled **Cautionary Statement Regarding Forward-Looking Statements**, you should carefully consider the following risks before deciding whether to vote for adoption and approval of the merger agreement, in the case of Embarq stockholders, or for the issuance of shares of CenturyTel common stock in the merger and the CenturyTel charter amendments, in the case of CenturyTel shareholders. In addition, you should read and consider the risks associated with each of the businesses of CenturyTel and Embarq because these risks will also affect the combined company. These risks can be found in CenturyTel's and Embarq's respective Annual Reports on Form 10-K for fiscal year 2007, as updated by subsequent Quarterly Reports on Form 10-Q, all of which are filed with the SEC and incorporated by reference into this document. You should also read and consider the other information in this document and the other documents incorporated by reference into this document. See the section entitled **Where You Can Find More Information** beginning on page 107.*

**Risk Factors Relating to the Merger**

***The exchange ratio is fixed and will not be adjusted in the event of any change in either CenturyTel's or Embarq's stock price.***

Upon closing of the merger, each share of Embarq common stock will be converted into the right to receive 1.37 shares of CenturyTel common stock with cash paid in lieu of fractional shares. This exchange ratio was fixed in the merger agreement and will not be adjusted for changes in the market price of either CenturyTel common stock or Embarq common stock. Changes in the price of CenturyTel common stock prior to the merger will affect the market value that Embarq stockholders will receive on the date of the merger. Stock price changes may result from a variety of factors (many of which are beyond our control), including the following factors:

changes in our respective businesses, operations and prospects;

changes in market assessments of the business, operations and prospects of either company;

market assessments of the likelihood that the merger will be completed, including related considerations regarding regulatory approvals of the merger;

interest rates, general market and economic conditions and other factors generally affecting the price of CenturyTel's and Embarq's common stock; and

federal, state and local legislation, governmental regulation and legal developments in the businesses in which Embarq and CenturyTel operate.

The price of CenturyTel common stock at the closing of the merger may vary from its price on the date the merger agreement was executed, on the date of this document and on the date of the shareholder meetings of CenturyTel and Embarq. As a result, the market value represented by the exchange ratio will also vary. For example, based on the range of closing prices of CenturyTel common stock during the period from October 24, 2008, the last trading day before public announcement of the merger, through \_\_\_\_\_, the latest practicable date before the date of this document, the exchange ratio represented a market value ranging from a low of \$ \_\_\_\_\_ to a high of \$ \_\_\_\_\_ for each share of Embarq common stock.

**Because the date that the merger is completed will be later than the date of the shareholder meetings, at the time of your shareholder meeting, you will not know the exact market value of the CenturyTel common stock that Embarq stockholders will receive upon completion of the merger.** You should consider the following two risks:

If the price of CenturyTel common stock increases between the date the merger agreement was signed or the date of the CenturyTel special meeting and the effective time of the merger, Embarq stockholders will receive shares of CenturyTel common stock that have a market value that is greater than the market value of such shares when the merger agreement was signed or the date of the CenturyTel special meeting, respectively, and CenturyTel will pay more for shares of Embarq common stock than the market value calculated pursuant to the exchange ratio on those earlier dates. Therefore, while the

**Table of Contents**

exchange ratio is fixed, CenturyTel shareholders cannot be sure of the market value of the consideration that will be paid to Embarq stockholders upon completion of the merger.

If the price of CenturyTel common stock declines between the date the merger agreement was signed or the date of the Embarq special meeting and the effective time of the merger, including for any of the reasons described above, Embarq stockholders will receive shares of CenturyTel common stock that have a market value upon completion of the merger that is less than the market value calculated pursuant to the exchange ratio on the date the merger agreement was signed or on the date of the Embarq special meeting, respectively. Therefore, while the number of CenturyTel shares to be issued in the merger is fixed, Embarq stockholders cannot be sure of the market value of the CenturyTel common stock they will receive upon completion of the merger or the market value of CenturyTel common stock at any time after the completion of the merger.

***Our ability to complete the merger is subject to the receipt of consents and approvals from government entities, which may impose conditions that could have an adverse effect on CenturyTel or Embarq or could cause us to abandon the merger.***

We are unable to complete the merger until after the applicable waiting period under the HSR Act expires or terminates and we receive approvals from the FCC and various state governmental entities. In deciding whether to grant some of these approvals, the relevant governmental entity will make a determination of whether, among other things, the merger is in the public interest. Regulatory entities may impose certain requirements or obligations as conditions for their approval.

The merger agreement may require us to accept conditions from these regulators that could adversely impact the combined company without either of us having the right to refuse to close the merger on the basis of those regulatory conditions. We can provide no assurance that we will obtain the necessary approvals or that any required conditions will not have a material adverse effect on CenturyTel following the merger. In addition, we can provide no assurance that these conditions will not result in the abandonment of the merger. See *The Issuance of CenturyTel Shares and the Merger* Regulatory Approvals Required for the Merger beginning on page 69 and *The Issuance of CenturyTel Shares and the Merger* Conditions to Completion of the Merger beginning on page 74.

***Failure to complete the merger could negatively impact the stock prices and the future business and financial results of Embarq and CenturyTel.***

If the merger is not completed, the ongoing businesses of Embarq or CenturyTel may be adversely affected and Embarq and CenturyTel will be subject to several risks, including the following:

being required, under certain circumstances, to pay a termination fee of \$200 million, in the case of a payment by Embarq to CenturyTel, or \$140 million, in the case of a payment by CenturyTel to Embarq;

having to pay certain costs relating to the proposed merger, such as legal, accounting, financial advisor, filing, printing and mailing fees; and

the focus of management of each of the companies on the merger instead of on pursuing other opportunities that could be beneficial to the companies,

in each case, without realizing any of the benefits of having the merger completed. If the merger is not completed, Embarq and CenturyTel cannot assure their shareholders that these risks will not materialize and will not materially affect the business, financial results and stock prices of Embarq or CenturyTel.

***The merger agreement contains provisions that could discourage a potential competing acquiror of either Embarq or CenturyTel or could result in any competing proposal being at a lower price than it might otherwise be.***

The merger agreement contains no shop provisions that, subject to limited exceptions, restrict Embarq's and CenturyTel's ability to solicit, encourage, facilitate or discuss competing third-party proposals to acquire all or a significant part of Embarq or CenturyTel. Further, even if the Embarq board of directors or CenturyTel board of directors withdraws or qualifies its recommendation of the merger or the issuance of CenturyTel stock in the merger, respectively, they will still be required to submit the matter to a vote of their respective

## **Table of Contents**

shareholders at the special meetings. In addition, the other party generally has an opportunity to offer to modify the terms of our proposed merger in response to any competing acquisition proposals that may be made before such board of directors may withdraw or qualify its recommendation. In some circumstances on termination of the merger agreement, one of the parties may be required to pay a termination fee to the other party. See *The Issuance of CenturyTel Shares and the Merger* No Solicitation of Alternative Proposals beginning on page 75, *Termination of the Merger Agreement* beginning on page 76 and *Expenses and Termination Fees* beginning on page 77.

These provisions could discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of Embarq or CenturyTel from considering or proposing that acquisition, even if it were prepared to pay consideration with a higher per share cash or market value than that market value proposed to be received or realized in the merger, or might result in a potential competing acquiror proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable in certain circumstances.

If the merger is terminated and either Embarq or CenturyTel determines to seek another business combination, it may not be able to negotiate a transaction with another company on terms comparable to, or better than, the terms of the merger.

### ***The pendency of the merger could adversely affect the business and operations of CenturyTel and Embarq.***

In connection with the pending merger, some customers of each of CenturyTel and Embarq may delay or defer decisions, which could negatively impact revenues, earnings and cash flows of CenturyTel and Embarq, regardless of whether the merger is completed. Similarly, current and prospective employees of CenturyTel and Embarq may experience uncertainty about their future roles with CenturyTel following the merger, which may materially adversely affect the ability of each of CenturyTel and Embarq to attract and retain key personnel during the pendency of the merger.

## **Risk Factors Relating to CenturyTel Following the Merger**

### **Operational Risks**

#### ***CenturyTel is expected to incur substantial expenses related to the integration of Embarq.***

CenturyTel is expected to incur substantial expenses in connection with the integration of the business, policies, procedures, operations, technologies and systems of Embarq with those of CenturyTel. There are a large number of systems that must be integrated, including management information, purchasing, accounting and finance, sales, billing, payroll and benefits, fixed asset and lease administration systems and regulatory compliance. While CenturyTel has assumed that a certain level of expenses would be incurred, there are a number of factors beyond its control that could affect the total amount or the timing of all of the expected integration expenses. Moreover, many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. These expenses could, particularly in the near term, exceed the savings that CenturyTel expects to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings and revenue synergies related to the integration of the businesses following the completion of the merger. These integration expenses likely will result in CenturyTel taking significant charges against earnings following the completion of the merger, but the amount and timing of such charges are uncertain at present.

***Following the merger, the combined company may be unable to integrate successfully the businesses of CenturyTel and Embarq and realize the anticipated benefits of the merger.***

The merger involves the combination of two companies which currently operate as independent public companies. The combined company will be required to devote significant management attention and resources to integrating its business practices and operations. Potential difficulties the combined company may encounter in the integration process include the following:

the inability to successfully combine the businesses of CenturyTel and Embarq in a manner that permits the combined company to achieve the cost savings and revenue synergies anticipated to result from the

**Table of Contents**

merger, which would result in the anticipated benefits of the merger not being realized partly or wholly in the time frame currently anticipated or at all;

lost sales and customers as a result of certain customers of either of the two companies deciding not to do business with the combined company;

complexities associated with managing the combined businesses;

integrating personnel from the two companies while maintaining focus on providing consistent, high quality products and customer service;

potential unknown liabilities and unforeseen increased expenses, delays or regulatory conditions associated with the merger; and

performance shortfalls at one or both of the two companies as a result of the diversion of management's attention caused by completing the merger and integrating the companies' operations.

In addition, CenturyTel and Embarq have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the diversion of each company's management's attention, the disruption or interruption of, or the loss of momentum in, each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers and employees or our ability to achieve the anticipated benefits of the merger, or could reduce the earnings or otherwise adversely affect the business and financial results of the combined company.

***CenturyTel and Embarq may be unable to retain key employees.***

The success of CenturyTel after the merger will depend in part upon the ability of CenturyTel to retain key Embarq and CenturyTel employees. Key employees may depart either before or after the merger because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with CenturyTel following the merger. Accordingly, no assurance can be given that CenturyTel will be able to retain key employees to the same extent that it or Embarq has been able to do so in the past.

***If CenturyTel continues to experience access line losses similar to the past several years, CenturyTel's revenues, earnings and cash flows may be adversely impacted.***

CenturyTel's and Embarq's businesses generate a substantial portion of their revenues by delivering voice and data services over access lines. CenturyTel and Embarq have experienced access line losses over the past several years, due to a number of factors, including increased competition and wireless and broadband substitution. CenturyTel expects to continue to experience access line losses following the merger. CenturyTel's inability to retain access lines could adversely impact its revenues, earnings and cash flow from operations.

***CenturyTel faces competition, which CenturyTel expects to intensify and which may reduce market share and lower profits.***

As a result of various technological, regulatory and other changes, the telecommunications industry has become increasingly competitive. CenturyTel faces competition from (i) wireless telephone services, which CenturyTel expects to increase if wireless providers continue to expand and improve their network coverage, offer fixed-rate calling plans, lower their prices and offer enhanced services and (ii) cable television operators, competitive local exchange carriers and voice-over-Internet protocol, or VoIP, providers. Over time, CenturyTel expects to face



additional local exchange competition from electric utility and satellite communications providers and alternative networks or non-carrier systems designed to reduce demand for CenturyTel's switching or access services. The recent proliferation of companies offering integrated service offerings has intensified competition in Internet, long distance and data services markets, and CenturyTel expects that competition will further intensify in these markets.

While CenturyTel expects to achieve benefits from the merger, CenturyTel's competitive position could be weakened in the future by strategic alliances or consolidation within the communications industry or the development of new technologies. CenturyTel's ability to compete successfully will depend on how well CenturyTel markets its products and services and on CenturyTel's ability to anticipate and respond to various

**Table of Contents**

competitive and technological factors affecting the industry, including changes in regulation (which may affect CenturyTel differently from its competitors), changes in consumer preferences or demographics, and changes in the product offerings or pricing strategies of CenturyTel's competitors.

Many of CenturyTel's current and potential competitors (i) have market presence, engineering, technical and marketing capabilities and financial, personnel and other resources substantially greater than CenturyTel, (ii) own larger and more diverse networks, (iii) conduct operations or raise capital at a lower cost than CenturyTel, (iv) are subject to less regulation, (v) offer greater online content services or (vi) have substantially stronger brand names. Consequently, these competitors may be better equipped to charge lower prices for their products and services, to provide more attractive offerings, 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.

Competition could adversely impact CenturyTel in several ways, including (i) the loss of customers and market share, (ii) the possibility of customers reducing their usage of CenturyTel's services or shifting to less profitable services, (iii) reduced traffic on CenturyTel's networks, (iv) CenturyTel's need to expend substantial time or money on new capital improvement projects, (v) CenturyTel's need to lower prices or increase marketing expenses to remain competitive and (vi) CenturyTel's inability to diversify by successfully offering new products or services.

***CenturyTel 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. Several large electric utilities have announced plans to offer communications services that will compete with local exchange carriers such as CenturyTel and Embarq. Some of CenturyTel's 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 additional products or services that compete with or displace those offered by traditional local exchange carriers or that enable current customers to reduce or bypass use of CenturyTel's networks. CenturyTel cannot predict with certainty which technological changes will provide the greatest threat to CenturyTel's competitive position. CenturyTel may not be able to obtain timely access to new technology on satisfactory terms or incorporate new technology into CenturyTel's systems in a cost effective manner, or at all. If CenturyTel cannot develop new products to keep pace with technological advances, or if such products are not widely embraced by CenturyTel's customers, CenturyTel could be adversely impacted.

***CenturyTel cannot assure you that its diversification efforts will be successful.***

The telephone industry has recently experienced a decline in access lines and minutes of use, which, coupled with the other changes resulting from competitive, technological and regulatory developments, could materially adversely affect CenturyTel's core business (including the business of the combined company following the merger) and future prospects. CenturyTel believes that its minutes of use will continue to decline, although the magnitude of such decrease is uncertain.

CenturyTel has traditionally sought growth largely through acquisitions of properties similar to those currently operated by it. However, following the merger CenturyTel cannot assure you that properties will be available for purchase on terms attractive to it, particularly if they are burdened by regulations, pricing plans or competitive pressures that are new or different from those historically applicable to the incumbent properties of CenturyTel and Embarq. Moreover, CenturyTel cannot assure you that it will be able to arrange additional financing on terms acceptable to it or to obtain timely federal and state governmental approvals on terms acceptable to it, or at all.

CenturyTel continues to broaden its services and products by offering satellite television services and reselling wireless services as part of CenturyTel's bundled product and service offerings. CenturyTel's reliance on other companies and their networks to provide these services could constrain its flexibility and limit the profitability of these new offerings. CenturyTel provides facilities-based digital video services to select markets and may initiate other new service or product offerings in the future. CenturyTel anticipates that these new

**Table of Contents**

offerings will generate lower profit margins than many of its traditional services. CenturyTel cannot assure you that its recent or future diversification efforts will be successful.

Future deterioration in CenturyTel's financial performance could adversely impact CenturyTel's credit ratings, CenturyTel's cost of capital and CenturyTel's access to the capital markets.

***CenturyTel's future results will suffer if CenturyTel does not effectively adjust to changes in CenturyTel's industry.***

The above-described changes in CenturyTel's industry have placed a higher premium on marketing, technological, engineering and provisioning skills. CenturyTel's future success depends, in part, on CenturyTel's ability to retrain its staff to acquire or strengthen these skills, and, where necessary, to attract and retain new personnel who possess these skills.

***CenturyTel's future results will suffer if CenturyTel does not effectively manage its expanded operations following the merger.***

Following the merger, CenturyTel may continue to expand its operations through additional acquisitions, other strategic transactions, and new product and service offerings, some of which involve complex technical, engineering, and operational challenges. CenturyTel's future success depends, in part, upon CenturyTel's ability to manage its expansion opportunities, which pose substantial challenges for CenturyTel to integrate new operations into its existing business in an efficient and timely manner, to successfully monitor CenturyTel's operations, costs, regulatory compliance and service quality, and to maintain other necessary internal controls. CenturyTel cannot assure you that its expansion or acquisition opportunities will be successful, or that CenturyTel will realize its expected operating efficiencies, cost savings, revenue enhancements, synergies or other benefits.

***Following the merger, CenturyTel may need to launch branding or rebranding initiatives that are likely to involve substantial costs and may not be favorably received by customers.***

CenturyTel plans to consult with Embarq about whether to change its name and primary brand in connection with the merger. Prior to the merger, CenturyTel and Embarq will each continue to market their respective products and services using the CenturyTel and Embarq brand names and logos. Following the merger, CenturyTel plans to market its products and services under CenturyTel, Embarq or some other name. As a result, CenturyTel will discontinue use of either or both of the CenturyTel or Embarq brand names and logos in some or all of the markets of the combined company. If CenturyTel retains either its name or Embarq's, it will nonetheless incur substantial capital and other costs in rebranding its products and services in those markets that previously used a different name. If CenturyTel chooses an entirely new brand, these costs will be even greater, and CenturyTel may not be able to achieve or maintain name recognition or status under its new brand that is comparable to the recognition and status previously enjoyed. The failure of any of these initiatives could adversely affect CenturyTel's ability to attract and retain customers after the merger, resulting in reduced revenues.

***CenturyTel's relationships with other communications companies are material to its operations and their financial difficulties may adversely affect CenturyTel.***

CenturyTel originates and terminates calls for long distance carriers and other interexchange carriers over CenturyTel's network in exchange for access charges that represent a significant portion of CenturyTel's revenues. Should these carriers go bankrupt or experience substantial financial difficulties, CenturyTel's inability to timely collect access charges from them could have a negative effect on CenturyTel's business and results of operations.

In addition, certain of CenturyTel's operations carry a significant amount of voice and data traffic for larger communications companies. As these larger communications companies consolidate or expand their networks, it is possible that they could transfer a significant portion of this traffic from CenturyTel's fiber network to their networks, which could have a negative effect on CenturyTel's business and results of operations.

## **Table of Contents**

### **Regulatory Risks**

*CenturyTel's revenues could be materially reduced or its expenses materially increased by changes in regulations, including those recently proposed by the chairman of the FCC.*

The majority of CenturyTel's revenues are substantially dependent upon laws and regulations which, if changed, could result in material revenue reductions. Laws and regulations applicable to CenturyTel and its competitors have been and are likely to continue to be challenged in the courts, which could also affect CenturyTel's revenues.

*Risk of loss or reduction of network access charge revenues or support fund payments.* CenturyTel is subject to substantial regulation by the FCC. FCC rules and regulations are subject to change in response to industry developments, changes in law, technological changes and political considerations. The FCC regulates tariffs for interstate access and subscriber line charges, both of which are components of CenturyTel's revenues. The FCC has been considering comprehensive reform of its inter-carrier compensation rules for several years.

CenturyTel receives a substantial portion of its revenues from the federal Universal Service Fund, which is referred to as the USF, and, to a lesser extent, intrastate support funds. These governmental programs are reviewed and amended from time to time, and CenturyTel cannot assure you that they will not be changed or impacted in a manner adverse to CenturyTel. For several years, the FCC and a federal-state joint board established by Congress have considered comprehensive reforms of the federal USF contribution and distribution rules. During this period, various parties have objected to the size of the USF or questioned the continued need to maintain the program in its current form. Pending judicial appeals and congressional proposals create additional uncertainty regarding our future receipt of support payments. In addition, the number of eligible telecommunications carriers receiving support payments from this program has increased substantially in recent years, which, coupled with other factors, has placed additional financial pressure on the amount of money that is available to provide support payments to all eligible recipients, including CenturyTel.

On November 5, 2008, the FCC issued a document that, among other things, requested public comment on a draft proposal of the FCC chairman designed to comprehensively redefine and reform the FCC's intercarrier compensation rules and the USF rules. The draft proposes to reduce intrastate and interstate access rates and local reciprocal compensation rates to levels substantially below those currently charged by CenturyTel and Embarq. The draft also proposes changes to USF rules that would mandate broadband deployment, freeze the level of certain USF support payments, and expand various USF programs, the combined effect of which would adversely impact local exchange carriers by limiting the amount of USF revenues available to them and increasing their operating costs. Comments on the draft proposals are due November 26, 2008, with reply comments due December 3, 2008, in anticipation of an FCC vote on December 18, 2008. It is currently unclear what action the FCC may take with respect to the draft proposals. As previously disclosed by CenturyTel and Embarq, adoption of the chairman's original proposal, which is published in the November 5, 2008 document, could result in a material adverse impact on the results of operations of both companies.

*Risks posed by state regulations.* CenturyTel is also subject to the authority of state regulatory commissions which have the power to regulate intrastate rates and services, including local, in-state long-distance and network access services. CenturyTel's business could be materially adversely affected by the adoption of new laws, policies and regulations or changes to existing state regulations. In particular, CenturyTel cannot assure you that it will succeed in obtaining or maintaining all requisite state regulatory approvals for its operations without the imposition of restrictions on its business, which could have the effect of imposing material additional costs on CenturyTel or limiting its revenues.

*Risks posed by costs of regulatory compliance.* Regulations continue to create significant compliance costs for CenturyTel. Challenges to CenturyTel's tariffs by regulators or third parties or delays in obtaining certifications and regulatory approvals could cause CenturyTel to incur substantial legal and administrative expenses, and, if successful, such challenges could adversely affect the rates, terms and conditions of CenturyTel's service offerings. CenturyTel's business also may be impacted by legislation and regulation imposing new or greater obligations related to assisting law enforcement, bolstering homeland security, minimizing environmental impacts, or addressing other issues that impact CenturyTel's business (including

## **Table of Contents**

local number portability and customer proprietary network information requirements). For example, existing provisions of the Communications Assistance for Law Enforcement Act require communications carriers to ensure that their equipment, facilities, and services are able to facilitate authorized electronic surveillance. CenturyTel expects its compliance costs to increase if future laws or regulations continue to increase its obligations to assist other governmental agencies.

## **Other Risks**

***Following the merger, CenturyTel will continue to have a substantial amount of indebtedness and may need to incur more in the future.***

Although CenturyTel's indebtedness relative to its size is expected to decrease following the merger, the dollar amount of such indebtedness will increase and remain substantial, which could have material adverse consequences for CenturyTel, including (i) hindering CenturyTel's ability to adjust to changing market, industry or economic conditions, (ii) limiting CenturyTel's ability to access the capital markets to refinance maturing debt or to fund acquisitions or emerging businesses, (iii) limiting the amount of free cash flow available for future operations, acquisitions, dividends, stock repurchases or other uses, (iv) making CenturyTel more vulnerable to economic or industry downturns, including interest rate increases and (v) placing CenturyTel at a competitive disadvantage to those of CenturyTel's competitors that have less indebtedness.

In connection with executing CenturyTel's business strategies following the merger, CenturyTel expects to continue to evaluate the possibility of acquiring additional communications assets, and CenturyTel may elect to finance future acquisitions by incurring additional indebtedness. Moreover, to respond to competitive challenges, CenturyTel may be required to raise substantial additional capital to finance new product or service offerings. CenturyTel's ability to arrange additional financing will depend on, among other factors, CenturyTel's financial position and performance, as well as prevailing market conditions and other factors beyond CenturyTel's control. CenturyTel cannot assure you that it will be able to obtain additional financing on terms acceptable to CenturyTel or at all. If CenturyTel is able to obtain additional financing, CenturyTel's credit ratings could be adversely affected. As a result, CenturyTel's borrowing costs would likely increase, CenturyTel's access to capital may be adversely affected and CenturyTel's ability to satisfy its obligations under its indebtedness could be adversely affected.

***In connection with the merger, we are planning to refinance a significant amount of indebtedness, and we cannot guarantee that we will be able to obtain the necessary funds on favorable terms or at all.***

In connection with the merger, CenturyTel plans to refinance a portion of Embarq's and/or CenturyTel's indebtedness. While CenturyTel expects that the proceeds of the debt financing committed to by certain banks as described below under "The Merger Agreement - Financing" on page 80, combined with available cash, to be adequate to refinance such indebtedness, the financing commitment is subject to certain conditions and CenturyTel cannot guarantee that such proceeds will be available. If such proceeds are unavailable, the combined company could incur additional debt or issue securities (or a combination of such sources) which, due to prevailing conditions in the credit markets and capital markets, may not be available on favorable terms to the combined company or at all. Alternatively, or in combination with such financing, the combined company could seek waivers or amendments of the terms of the indebtedness to be refinanced to allow such indebtedness to remain outstanding following the merger, but there can be no assurance that creditors would agree to such waivers or amendments without the combined company incurring a substantial expense or at all. Completion of the merger is not conditional on refinancing the indebtedness.

***CenturyTel cannot assure you that it will be able to continue paying dividends at the current rate.***



As noted elsewhere in this document, CenturyTel plans to continue its current dividend practices following the merger. However, you should be aware that CenturyTel shareholders may not receive the same dividends following the merger for reasons that may include any of the following factors:

CenturyTel may not have enough cash to pay such dividends due to changes in CenturyTel's cash requirements, capital spending plans, cash flow or financial position;

**Table of Contents**

while the dividend practices of CenturyTel involve the distribution of a substantial portion of CenturyTel's cash available to pay dividends, the CenturyTel board of directors could change its practices at any time;

the actual amount of dividends distributed and the decision to make any distribution will remain at all times entirely at the discretion of the CenturyTel board of directors;

the effects of regulatory reform, including any changes to inter-carrier compensation and the Universal Service Fund rules;

CenturyTel's ability to maintain investment grade credit ratings on its senior debt;

the amount of dividends that CenturyTel may distribute is limited by restricted payment and leverage covenants in CenturyTel's credit facilities and, potentially, the terms of any future indebtedness that CenturyTel may incur; and

the amount of dividends that CenturyTel may distribute is subject to restrictions under Louisiana law.

CenturyTel's common shareholders should be aware that they have no contractual or other legal right to dividends.

**Table of Contents**

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This document and the documents incorporated by reference into this document contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations, business strategies, operating efficiencies or synergies, revenue enhancements, competitive positions, growth opportunities, plans and objectives of the management of each of CenturyTel, Embarq and the combined company, the merger and the markets for CenturyTel and Embarq common stock and other matters. Statements in this document and the documents incorporated by reference herein that are not historical facts are hereby identified as forward-looking statements for the purpose of the safe harbor provided by Section 21E of the Exchange Act, and Section 27A of the Securities Act. These forward-looking statements, including, without limitation, those relating to the future business prospects, revenues and income of CenturyTel and Embarq, wherever they occur in this document or the documents incorporated by reference herein, are necessarily estimates reflecting the best judgment of the respective managements of CenturyTel and Embarq and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These forward-looking statements should, therefore, be considered in light of various important factors, including those set forth in and incorporated by reference into this document.

Words such as estimate, project, plan, intend, expect, anticipate, believe, would, should, could and are intended to identify forward-looking statements. These forward-looking statements are found at various places throughout this document, including in the section entitled Risk Factors beginning on page 14. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include those set forth in CenturyTel's and Embarq's filings with the SEC, including their respective Annual Reports on Form 10-K for 2007. These important factors also include those set forth under Risk Factors, beginning on page 14, as well as, among others, risks and uncertainties relating to:

the ability to obtain regulatory approvals for the merger in a timely manner and subject to conditions not materially adverse to CenturyTel or Embarq;

the failure of Embarq stockholders to adopt the merger agreement;

the failure of CenturyTel shareholders to approve the issuance of shares in connection with the merger;

the risk that the businesses will not be integrated successfully;

the risk that the cost savings and any other synergies from the merger may not be fully realized or may take longer to realize than expected;

disruption from the merger making it more difficult to maintain relationships with customers, employees or suppliers;

the extent and intensity of competition and resulting pressure on access line totals and operating margins, as well as the impact on pricing strategies, new product offerings, spending, third-party relationships and revenues;

the need to develop new products in a timely and cost-effective manner, and adapt to significant technological change;

the effects of ongoing changes in the regulation of the communications industry, including changes recently proposed by the chairman of the FCC;

implementation of strategies for improving internal growth;

continued access to credit markets on favorable terms;

the ability to negotiate collective bargaining agreements on reasonable terms without work stoppages;

general worldwide economic conditions and related uncertainties; and

the outcome of pending litigation in which CenturyTel or Embarq is involved.

The parties undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

**Table of Contents**

**THE COMPANIES**

**CenturyTel**

CenturyTel, Inc.  
100 CenturyTel Drive  
Monroe, Louisiana 71203  
Telephone: (318) 388-9000

CenturyTel, a Louisiana corporation, is an integrated communications company primarily engaged in providing an array of communications services, including local and long distance voice, Internet access and broadband services in 25 states. CenturyTel also provides fiber transport, competitive local exchange carrier, security monitoring, and other communications and business information services in certain local and regional markets. CenturyTel's incumbent local exchange telephone subsidiaries operate approximately 2.0 million telephone access lines, primarily in rural areas and small to mid-size cities, with over 68% of these lines located in Missouri, Wisconsin, Alabama, Arkansas and Washington. According to published sources, CenturyTel is the seventh largest local exchange telephone company in the United States based on the number of access lines served.

Additional information about CenturyTel and its subsidiaries is included in documents incorporated by reference in this document. See [Where You Can Find More Information](#) on page 107.

**Embarq**

Embarq Corporation  
5454 West 110th Street  
Overland Park, Kansas 66211  
Telephone: (913) 323-4637

Embarq, a Delaware corporation, was formerly a wholly owned subsidiary of Sprint Nextel. On May 17, 2006, Sprint Nextel spun-off its local communications business and product distribution operations, thereby establishing Embarq as a separate stand-alone company.

Embarq provides, both directly and through wholesale and sales agency relationships, a suite of integrated communications services, consisting of local and long distance voice, data, high-speed Internet, satellite video, professional services and communications equipment to consumers and business customers primarily in local service territories in 18 states. Embarq also provides access to its local network and other wholesale communications services primarily to other carriers, wireless providers and correctional institutions. Through its Logistics segment, Embarq engages in wholesale product distribution, logistics and configuration services.

Additional information about Embarq and its subsidiaries is included in documents incorporated by reference in this document. See [Where You Can Find More Information](#) on page 107.

**Cajun Acquisition Company**

Cajun Acquisition Company, a wholly owned subsidiary of CenturyTel, is a Delaware corporation formed on October 24, 2008 for the purpose of effecting the merger. Upon completion of the merger, Cajun Acquisition Company will be merged with and into Embarq and the name of the resulting company will be Embarq Corporation.



**Table of Contents**

**THE CENTURYTEL SPECIAL MEETING**

**Date, Time and Place**

The special meeting of CenturyTel shareholders will be held at \_\_\_\_\_, on \_\_\_\_\_, at \_\_\_\_\_, local time.

**Purpose of the CenturyTel Special Meeting**

At the CenturyTel special meeting, CenturyTel shareholders will be asked:

to vote on a proposal to approve the issuance of CenturyTel common stock in connection with the merger;

to vote on a proposal to amend the CenturyTel charter to eliminate the rights of persons who have continuously owned shares of CenturyTel common stock since May 30, 1987 to ten votes per share of such stock and to provide instead that all holders of common stock will be entitled to one vote per share;

to vote on a proposal to amend the CenturyTel charter to increase the authorized number of shares of CenturyTel common stock from 350,000,000 to 800,000,000;

to vote upon an adjournment of the CenturyTel special meeting, if necessary, to solicit additional proxies if there are not sufficient votes for the proposal to issue CenturyTel common stock in connection with the merger; and

to transact any other business that may properly be brought before the CenturyTel special meeting or any adjournments or postponements thereof.

**Recommendation of the Board of Directors of CenturyTel**

The CenturyTel board of directors unanimously has determined that the merger, the merger agreement and the transactions contemplated by the merger agreement, including the stock issuance, and the CenturyTel charter amendments, are advisable and in the best interests of CenturyTel and its shareholders and has unanimously approved the merger agreement.

***The CenturyTel board of directors unanimously recommends that the CenturyTel shareholders vote FOR the proposal to issue shares of CenturyTel common stock in the merger and the charter amendment proposals.***

**CenturyTel Record Date; Stock Entitled to Vote**

Only holders of record of shares of CenturyTel common stock or voting preferred stock at the close of business on \_\_\_\_\_, the record date for the CenturyTel special meeting, will be entitled to notice of, and to vote at, the CenturyTel special meeting or any adjournments or postponements thereof.

On the record date, there were outstanding a total of \_\_\_\_\_ shares of CenturyTel common stock entitled to vote at the CenturyTel special meeting and \_\_\_\_\_ shares of CenturyTel voting preferred stock entitled to vote at the CenturyTel special meeting. The CenturyTel charter generally provides that holders of CenturyTel common stock that have been beneficially owned continuously since May 30, 1987 are entitled to cast ten votes per share, subject to compliance with certain procedures. Article III of the CenturyTel charter and the voting procedures that CenturyTel has adopted

thereunder contain several provisions governing the voting power of the CenturyTel common stock, including a presumption that each share of common stock held by nominees or by any holder other than a natural person or estate entitles such holder to one vote, unless the holder furnishes CenturyTel with proof to the contrary. Applying the presumptions described in Article III and information known to CenturyTel, CenturyTel's records indicate that \_\_\_\_\_ votes are entitled to be cast at the CenturyTel special meeting, of which are attributable to the common stock. Unless otherwise indicated, CenturyTel has calculated all percentages of voting power in this joint proxy statement-prospectus based on this number of votes. CenturyTel shareholders may exercise their votes by voting in person or through the Internet or by telephone or by a properly executed and delivered proxy with respect to the CenturyTel special meeting.

On the record date, approximately \_\_\_\_\_ % of the outstanding CenturyTel common shares, none of the outstanding shares of CenturyTel voting preferred stock, and approximately \_\_\_\_\_ % of the total voting power



## **Table of Contents**

of CenturyTel voting shares were held by CenturyTel directors and executive officers and their affiliates. We currently expect that CenturyTel's directors and executive officers will vote their shares in favor of the issuance of CenturyTel common stock in connection with the merger and in favor of the CenturyTel charter amendment proposals, although none of them has entered into any agreements obligating them to do so.

## **Quorum**

The holders of shares having at least two-thirds of the total voting power of the CenturyTel common stock and voting preferred stock issued and outstanding and entitled to vote at the CenturyTel special meeting must be present or represented by proxy to constitute a quorum for the transaction of business at the special meeting. All shares of CenturyTel common stock or voting preferred stock represented at the CenturyTel special meeting, including abstentions and broker non-votes (shares held by a broker or nominee that are represented at the shareholder meetings, but with respect to which the broker or nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal), will be treated as present for purposes of determining the presence or absence of a quorum for all matters to be considered at the CenturyTel special meeting.

## **Required Vote**

The proposals require different percentages of votes in order to approve them:

The issuance of CenturyTel common stock to Embarq stockholders requires approval by the affirmative vote of holders of a majority of the votes cast on the proposal by holders of CenturyTel common stock and voting preferred stock, voting as a single class.

Each of the two CenturyTel charter amendment proposals requires approval by the affirmative vote of holders of two-thirds of the total voting power present or represented at the CenturyTel special meeting attributable to the outstanding CenturyTel common stock and voting preferred stock, voting together as a single class, and, with respect to the proposal to eliminate the special ten-vote voting rights of CenturyTel's long-term shareholders, by an affirmative vote of holders of two-thirds of the total voting power present or represented at the CenturyTel special meeting attributable to the outstanding CenturyTel common stock, voting as a separate class.

Approval of any proposal to adjourn the CenturyTel special meeting, if necessary, for the purpose of soliciting additional proxies requires that the affirmative vote of holders of a majority of the total voting power present or represented at the CenturyTel special meeting.

## **Abstentions and Broker Non-Votes**

If you are a CenturyTel shareholder and fail to vote, fail to instruct your broker or nominee to vote, or vote to abstain, it will have no effect on the proposal to approve the issuance of shares of CenturyTel common stock in the merger, the charter amendment proposals, or any adjournment proposals, assuming a quorum is present. Although abstentions and broker non-votes will be counted as present for purposes of determining whether a quorum is present, they will not be counted as present, represented by proxy, or cast for purposes of determining whether the requisite vote to approve a proposal has been obtained.

## **Voting of Proxies**

A proxy card is enclosed for your use. CenturyTel requests that you sign the accompanying proxy and return it promptly in the enclosed postage-paid envelope. When the accompanying proxy is returned properly executed, the

shares of CenturyTel common stock or voting preferred stock represented by it will be voted at the CenturyTel special meeting or any adjournment thereof in accordance with the instructions contained in the proxy.

If a proxy is returned without an indication as to how the shares of CenturyTel common stock or voting preferred stock represented are to be voted with regard to a particular proposal, the CenturyTel common stock or voting preferred stock represented by the proxy will be voted in favor of each such proposal. At the date hereof, management has no knowledge of any business that will be presented for consideration at the special meeting and which would be required to be set forth in this joint proxy statement-prospectus or the related CenturyTel proxy card other than the matters set forth in CenturyTel's Notice of Special Meeting of Shareholders. If any other matter is properly presented at the CenturyTel special meeting for consideration, it

## **Table of Contents**

is intended that the persons named in the enclosed form of proxy and acting thereunder will vote in accordance with their best judgment on such matter.

**Your vote is important. Accordingly, please sign and return the enclosed proxy card whether or not you plan to attend the CenturyTel special meeting in person.**

## **Participants in Benefit Plans**

Participants in the CenturyTel's Dollars & Sense Plan or Union 401(k) Plan have received voting instruction cards in lieu of a proxy card. Only the trustees of these plans, in their capacity as directed trustees, can vote the plan shares at the CenturyTel special meeting. However, if you are a participating current or former CenturyTel employee, you are designated as a Named Fiduciary for voting purposes, which entitles you, on a confidential basis, to instruct the trustees how to cast the votes attributable to the shares allocated to your plan account, as well as a proportionate number of plan shares for which properly executed instructions are not timely received. By signing and returning your voting instruction card, you are accepting your designation under the plans as a Named Fiduciary, and you therefore are required to exercise your voting rights prudently and in the interest of all plan participants. If you elect not to vote the shares allocated to your accounts, your shares will be voted in accordance with voting instructions received by the trustees from those plan participants who do vote.

## **Shares Held in Street Name**

If you hold your shares in a stock brokerage account or if your shares are held by a bank or nominee (that is, in street name), you must provide the record holder of your shares with instructions on how to vote your shares if you wish them to be counted. Please follow the voting instructions provided by your bank or broker. Please note that you may not vote shares held in street name by returning a proxy card directly to CenturyTel or by voting in person at your shareholder meeting unless you provide a legal proxy, which you must obtain from your bank or broker. Further, brokers who hold shares of CenturyTel common stock or voting preferred stock on behalf of their customers may not give a proxy to CenturyTel to vote those shares without specific instructions from their customers.

If you are a CenturyTel shareholder and you do not instruct your broker on how to vote your shares, your broker may not vote your shares, which will have no effect on any of the proposals to be considered at the CenturyTel special meeting, assuming a quorum is present.

## **Revocability of Proxies**

You have the power to revoke your proxy at any time before your proxy is voted at the CenturyTel special meeting. You can revoke your proxy in one of three ways:

you can send a signed notice of revocation;

you can grant a new, valid proxy bearing a later date; or

if you are a holder of record, you can attend the CenturyTel special meeting and vote in person, which will automatically cancel any proxy previously given, or you can revoke your proxy in person, but your attendance alone will not revoke any proxy that you have previously given.

If you choose either of the first two methods, your notice of revocation or your new proxy must be received by CenturyTel's Secretary at 100 CenturyTel Drive, Monroe, Louisiana 71203, no later than the beginning of the CenturyTel special meeting.

### **Solicitation of Proxies**

In accordance with the merger agreement, the cost of proxy solicitation for the CenturyTel special meeting will be borne by CenturyTel. In addition to the use of the mail, proxies may be solicited by officers and directors and regular employees of CenturyTel, without additional remuneration, by personal interview, telephone, facsimile or otherwise. CenturyTel will also request brokerage firms, nominees, custodians and fiduciaries to forward proxy materials to the beneficial owners of shares held of record on the record date and will provide customary reimbursement to such firms for the cost of forwarding these materials. CenturyTel has retained Innisfree M&A Incorporated to assist in its solicitation of proxies and has agreed to pay them a fee of approximately \$ , plus reasonable expenses, for these services.

**Table of Contents**

**THE EMBARQ SPECIAL MEETING**

**Date, Time and Place**

The special meeting is scheduled to be held at \_\_\_\_\_, on \_\_\_\_\_ at \_\_\_\_\_, local time.

**Purpose of the Embarq Special Meeting**

The special meeting of Embarq stockholders is being held:

to adopt the Agreement and Plan of Merger, dated as of October 26, 2008, among CenturyTel, Cajun Acquisition Company, a wholly owned subsidiary of CenturyTel, and Embarq, pursuant to which Cajun Acquisition Company will be merged with and into Embarq and each outstanding share of common stock of Embarq will be converted into the right to receive 1.37 shares of common stock of CenturyTel, with cash paid in lieu of fractional shares; and

to transact any other business that may properly be brought before the Embarq special meeting or any adjournments or postponements thereof.

**Recommendation of the Board of Directors of Embarq**

The board of directors of Embarq has determined that the merger agreement is advisable and in the best interests of Embarq and its stockholders, and has approved the merger agreement and the merger.

*The Embarq board of directors, by a unanimous vote of the directors present, recommends that you vote **FOR** the adoption of the merger agreement.*

**Embarq Record Date; Stock Entitled to Vote**

Only stockholders of record at the close of business on \_\_\_\_\_ are entitled to notice of, and to vote at, the Embarq special meeting and at any adjournment of the meeting. A complete list of stockholders of record of Embarq entitled to vote at the special meeting will be available for the 10 days before the special meeting at our executive offices and principal place of business at 5454 West 110th Street, Overland Park, Kansas for inspection by stockholders during ordinary business hours for any purpose germane to the special meeting. The list will also be available at the special meeting for examination by any stockholder of record present at the special meeting.

As of the record date for Embarq's special meeting, the directors and officers of Embarq as a group owned and were entitled to vote \_\_\_\_\_ shares of the common stock of Embarq, or less than \_\_\_\_\_ % of the outstanding shares of the common stock of Embarq on that date. We currently expect that Embarq's directors and executive officers will vote their shares in favor of the merger, although none of them has entered into any agreements obligating them to do so.

**Quorum**

A quorum is necessary to hold a valid special meeting. A quorum will be present at the Embarq special meeting if the holders of a majority of the outstanding shares of the common stock of Embarq entitled to vote on the record date are present, in person or by proxy. If a quorum is not present at the special meeting, we expect the presiding officer to adjourn the special meeting in order to solicit additional proxies. Abstentions and broker non-votes will be counted as

present for purposes of determining whether a quorum is present.

**Required Vote**

The adoption of the merger agreement requires the affirmative vote of the holders of at least a majority of the shares of outstanding common stock of Embarq entitled to vote at the special meeting, either in person or by proxy.

**Abstentions and Broker Non-Votes**

If you are an Embarq stockholder and fail to vote, fail to instruct your broker or nominee to vote, or vote to abstain, it will have the same effect as a vote against the proposal to adopt the merger agreement.

## **Table of Contents**

### **Voting at the Special Meeting**

Whether or not you plan to attend the Embarq special meeting, please vote your shares. If your shares are held in your name, you may vote in person at the special meeting or by proxy.

### **Voting in Person**

If you plan to attend the Embarq special meeting and wish to vote in person, you will be given a ballot at the special meeting. Please note, however, that if your shares are held in street name, which means your shares are held of record by a broker, bank or other nominee, and you wish to vote at the special meeting, you must bring to the special meeting a proxy from the record holder (your broker, bank or nominee) of the shares authorizing you to vote at the special meeting.

### **Voting by Proxy**

You should vote your proxy even if you plan to attend the Embarq special meeting. You can always change your vote at the special meeting.

Your enclosed proxy card includes specific instructions for voting your shares. Embarq's electronic voting procedures are designed to authenticate your identity and to ensure that your votes are accurately recorded. When the accompanying proxy is returned properly executed, the shares of Embarq common stock represented by it will be voted at the Embarq special meeting or any adjournment thereof in accordance with the instructions contained in the proxy.

If you return your signed proxy card without indicating how you want your shares to be voted, your shares will be voted for the proposal. Proxy cards that are returned without a signature will not be counted as present at the Embarq special meeting and cannot be voted.

If your shares are held in an account with a broker, bank or other nominee, you must follow the instructions from your broker, bank or nominee in order to vote. If you are an Embarq stockholder and you do not instruct your broker on how to vote your shares, your broker may not vote your shares, which will have the same effect as a vote against the proposal to approve and adopt the merger agreement.

### **Revocation of Proxies**

You have the power to revoke your proxy at any time before your proxy is voted at the Embarq special meeting. You can revoke your proxy in one of three ways:

you can send a signed notice of revocation;

you can grant a new, valid proxy bearing a later date; or

if you are a holder of record, you can attend the Embarq special meeting and vote in person, which will automatically cancel any proxy previously given, or you can revoke your proxy in person, but your attendance alone will not revoke any proxy that you have previously given.

If you choose either of the first two methods, your notice of revocation or your new proxy must be received by Embarq's Corporate Secretary at 5454 West 110th Street, Overland Park, Kansas no later than the beginning of the Embarq special meeting.

**Solicitation of Proxies**

In accordance with the merger agreement, the cost of proxy solicitation for the Embarq special meeting will be borne by Embarq. In addition to the use of the mail, proxies may be solicited by officers and directors and regular employees of Embarq, without additional remuneration, by personal interview, telephone, facsimile or otherwise. Embarq will also request brokerage firms, nominees, custodians and fiduciaries to forward proxy materials to the beneficial owners of shares held of record on the record date and will provide customary reimbursement to such firms for the cost of forwarding these materials. Embarq has retained D.F. King & Co. to assist in its solicitation of proxies and has agreed to pay them a fee of approximately \$20,000, plus reasonable expenses, for these services.



**Table of Contents**

**CENTURYTEL PROPOSAL 1 AND EMBARQ PROPOSAL 1: THE ISSUANCE OF CENTURYTEL SHARES AND THE MERGER**

**Effects of the Merger**

Upon completion of the merger, Cajun Acquisition Company, a wholly owned subsidiary of CenturyTel newly organized to effect the merger, will merge with and into Embarq. Embarq will be the surviving corporation in the merger and will thereby become a wholly owned subsidiary of CenturyTel.

In the merger, each outstanding share of Embarq common stock (other than shares owned by Embarq, CenturyTel, or Cajun Acquisition Company, which will be cancelled) will be converted into the right to receive 1.37 shares of CenturyTel common stock for each share of Embarq common stock, with cash paid in lieu of fractional shares. This exchange ratio is fixed and will not be adjusted to reflect stock price changes prior to closing of the merger. CenturyTel shareholders will continue to hold their existing CenturyTel shares.

**Background of the Merger**

With both companies being leading communications companies in their respective markets, the managements of CenturyTel and Embarq are generally familiar with each other's business. In addition, both companies periodically review and assess the industry and strategic alternatives available to enhance shareholder value.

On December 27, 2007, Mr. Glen F. Post, III, chairman and chief executive officer of CenturyTel, contacted Mr. Thomas A. Gerke, president and chief executive officer of Embarq, to discuss consolidation in the industry and explained that CenturyTel was reviewing various acquisition opportunities.

On February 28, 2008, Embarq received an unsolicited preliminary business combination proposal from a potential strategic partner, which we refer to as Company A. On March 2, 2008, the Embarq board met to consider the unsolicited proposal and advice from Embarq's financial and legal advisors and determined not to pursue the proposal at that time. The Embarq board determined that it wanted to consider Embarq's strategic plan and various strategic alternatives at its next regularly scheduled meeting on May 1, 2008 and asked Mr. Gerke to prepare appropriate materials.

At the May 1, 2008 meeting, the Embarq board received reports on Embarq's financial position and operational strategy and considered, among other matters, Embarq's strategic plan and potential alternatives to maximize stockholder value, including continuing to operate as a stand-alone company, making changes to Embarq's dividend policy and capital structure and pursuing a potential strategic transaction. At the meeting, Embarq's financial advisors also presented financial analyses of these alternatives and discussed the possibility of industry consolidation. The board discussed the value and advantages of general discussions with the chief executive officers of peer companies, particularly the companies identified in the strategic discussions.

On May 23, 2008, Mr. Gerke and his counterpart at a potential strategic partner, which we refer to as Company B, discussed the industry and the regulatory landscape, and in the course of that conversation discussed the potential for consolidation within the industry, including the strategic advantages of a possible combination of Embarq and Company B.

During the first half of 2008, CenturyTel periodically reviewed its available alternatives to improve its strategic position within the industry and to enhance shareholder value, including potential business combinations with Embarq

and other industry participants. In connection with certain of these reviews, CenturyTel consulted several financial advisors, including Lehman Brothers, certain assets of which, including its North American investment banking franchise, were subsequently acquired by Barclays Capital and which we refer to as Barclays Capital, and Morgan Stanley. CenturyTel engaged Wachtell, Lipton, Rosen & Katz, which we refer to as Wachtell, Lipton, and Jones, Walker, Waechter, Poitevent, Carrère & Denègre, LLP, which we refer to as Jones Walker, as legal counsel.

During this time, CenturyTel had preliminary discussions with Company A as to a possible acquisition of Company A. CenturyTel entered into a mutual confidentiality agreement with Company A under which the parties exchanged limited non-public information. CenturyTel's board met several times during this period, including a three-day strategic planning session in early June 2008 at which CenturyTel's operational and strategic goals and alternatives were reviewed and discussed. Following these discussions, the board concluded at the end of this planning session that it was in the best interests of CenturyTel and its shareholders to

**Table of Contents**

achieve its long-term growth through implementing its long-term strategic plans, including pursuing its 700 MHz spectrum, video, broadband, data hosting, and acquisition opportunities.

In late June 2008, CenturyTel declared a special dividend and raised its annual dividend rate from \$0.27 to \$2.80 while continuing to consider other strategic opportunities. Thereafter, the chief executive officer of a potential strategic partner, which we refer to as Company C, contacted Mr. Post to request a meeting to discuss a possible business combination transaction. Mr. Post agreed to a meeting on August 4, 2008 following CenturyTel's announcement of its second quarter earnings release.

At a meeting on July 10, 2008, the CenturyTel board discussed several potential transactions, including a possible acquisition of Company A, a possible business combination with Company C and a possible business combination with Embarq with or without the participation of another potential strategic partner, which we refer to as Company D. The CenturyTel board concluded that CenturyTel should continue to evaluate all of these potential transactions. Company A subsequently advised CenturyTel that it was not prepared to proceed with a transaction with CenturyTel at that time.

On July 17, 2008, Mr. Post contacted Mr. Gerke to express CenturyTel's interest in discussing potential transactions at an appropriate time. In addition, CenturyTel had discussions with Company D regarding the possibility that Company D would participate in an Embarq acquisition directly or through a related transaction.

On July 24, 2008, Mr. Gerke met with the chief executive officer of Company C at Company C's request to discuss a potential business combination transaction. On July 30, 2008, Embarq received a preliminary business combination proposal from Company C for a cash and stock transaction.

On July 30 and 31, 2008, the Embarq board met at a regularly scheduled board meeting to consider, among other matters, Embarq's enterprise risk management program, financial position, declaration of its quarterly dividend, election of corporate officers, strategic plan and potential alternatives to maximize stockholder value. The Embarq board also discussed the proposal received from Company C. Representatives of J.P. Morgan, Embarq's financial advisor, provided an overview of the industry landscape and a review of strategic opportunities, including the proposal received from Company C. Representatives of Cravath, Swaine & Moore LLP, referred to as Cravath, provided an overview of applicable legal standards in the context of considering a business combination transaction and, in conjunction with a representative of Morris, Nichols, Arshat & Tunnell LLP, referred to as Morris Nichols, participated in a discussion with the board of directors on these matters. Following deliberations and a discussion of J.P. Morgan's overview, the Embarq board asked Mr. Gerke, working with J.P. Morgan and Embarq's legal advisors as appropriate, to communicate to Company C the board's preliminary assessment that Company C's proposal fell short of the board's expectations regarding value and transaction certainty. Mr. Gerke communicated this to the chief executive officer of Company C in discussions on August 4 and 5, 2008.

On August 4, 2008, the chief executive officer of Company C also met with Mr. Post to discuss the potential acquisition of CenturyTel by Company C and delivered a presentation outlining possible terms of such acquisition. Later that day, the CenturyTel board met to discuss the Company C proposal and concluded that while there were advantages to CenturyTel remaining an independent entity to pursue its long-term strategic plans, CenturyTel management should conduct a further review with CenturyTel's legal and financial advisors prior to its next scheduled board meeting on August 25, 2008, at which time the board would further consider Company C's proposal. Following the August 4, 2008 board meeting, CenturyTel retained Barclays Capital and Morgan Stanley to act as CenturyTel's financial advisors in connection with a proposed transaction. On August 8, 2008, Mr. Post informed Company C of this intention.

On August 6, 2008, the Embarq board met again to receive an update on the status of discussions with Company C and to consider further the company's strategic alternatives, including, among other things, the proposal received from Company C and Embarq continuing as a stand-alone company. Embarq's financial and legal advisors were present at this meeting and representatives of Cravath and Morris Nichols further reviewed with the board its fiduciary duties in the context of considering a business combination. Following deliberations, the Embarq board determined not to make any decision on Company C's business combination proposal prior to the receipt of further information regarding financial and governance aspects of the proposal and requested that Mr. Gerke communicate this to Company C.

**Table of Contents**

On August 7, 2008, Mr. Gerke contacted his counterpart at Company C to reiterate the expectations of the Embarq board. Representatives of management and the financial advisors of Embarq and Company C also discussed certain aspects of a potential business combination. On August 8, 2008, Embarq received a revised business combination proposal for a cash and stock transaction from Company C and executed a mutual confidentiality agreement with Company C.

During the period from August 8 to August 10, 2008, Mr. Post and Mr. Gerke discussed a possible business combination involving CenturyTel and Embarq, including financial and governance terms. Following this discussion, CenturyTel management contacted management of Company D regarding the possibility that Company D would participate in a transaction with Embarq.

On August 11, 2008, management representatives and financial advisors of Embarq and Company C had discussions regarding due diligence and the terms of a potential business combination.

Also on August 11, the CenturyTel board met to discuss submitting a proposal to acquire Embarq, the financial and governance terms of such a proposal, and the benefits and drawbacks of including Company D in the transaction. The CenturyTel board concluded that CenturyTel management should continue discussions with Embarq management and Company D and submit a term sheet proposal to Embarq.

On August 12, 2008, following a call between CenturyTel's and Embarq's chief financial officers, CenturyTel and Embarq executed a mutual confidentiality agreement. Mr. Post called Mr. Gerke to discuss the terms of a business combination proposal for a cash and stock transaction. Following the call, CenturyTel submitted to Embarq a draft term sheet outlining the terms of its proposal.

On August 13, 2008, representatives of management and the financial advisors of Embarq and CenturyTel met to discuss a potential business combination transaction.

On August 15, 2008, the Embarq board met to consider Embarq's strategic alternatives, including, among other things, the business combination proposals received from CenturyTel and Company C and a process for exploring these and other potential strategic transactions, including business combinations, with industry participants. Representatives of J.P. Morgan were present at this meeting and presented analyses regarding potential strategic alternatives, including the likely low level of interest of financial acquirors given current financial conditions, and in particular the current condition of credit markets. Representatives of Cravath and Morris Nichols reviewed with the board the fiduciary duties of directors in the context of considering Embarq's strategic alternatives. Following deliberations, the Embarq board directed management and Embarq's advisors to initiate a process to explore business combination discussions with CenturyTel, Company C and the other industry participants discussed at the meeting.

On August 18, 2008, Mr. Gerke separately contacted each of Mr. Post and the chief executive officer of Company C to discuss a potential stock and cash business combination transaction and the process by which Embarq would evaluate any such transaction.

Mr. Gerke also contacted the chief executive officer of Company D to discuss a transaction involving certain wireline assets of Embarq. Company D indicated its willingness to pursue such discussions and executed a mutual confidentiality agreement with Embarq on August 20, 2008.

On August 19, 2008, Mr. Gerke contacted Company A to inquire as to its current interest in a potential business combination with Embarq. Company A indicated it was interested in exploring a business combination and executed a mutual confidentiality agreement with Embarq on August 20, 2008.

On August 20 and August 22, 2008, Mr. Gerke contacted Company B and another potential strategic partner to inquire as to their interest in exploring a potential business combination or other strategic transaction with Embarq. Neither party expressed interest at that time.

On August 25, 2008, CenturyTel's board held a regularly scheduled board meeting with CenturyTel's management and legal and financial advisors. Among other things, the board discussed the potential Embarq and Company C transactions. CenturyTel management reviewed the discussions to date with Embarq and with Company C, including the financial terms of Company C's proposal, and the proposed financial terms of the Embarq proposal that management had submitted to Embarq. The CenturyTel board was advised that Embarq was engaging in a process that appeared to include several industry participants, likely including Company A

**Table of Contents**

and Company C. Accordingly, there was no assurance that, even if CenturyTel were interested in pursuing a potential transaction with Company C, Company C would prefer a transaction with CenturyTel over a transaction with Embarq. Representatives of Wachtell, Lipton reviewed with the CenturyTel board the fiduciary duties of directors in the context of considering CenturyTel's strategic alternatives, including the proposed transactions, and referred to discussions at prior board meetings. Barclays Capital and Morgan Stanley provided the CenturyTel board with a preliminary financial overview of CenturyTel as a stand-alone entity, CenturyTel after potential further restructuring steps, a combination of CenturyTel and Embarq (both with and without Company D's participation), and the proposed Company C transaction. CenturyTel management expressed the view, following these discussions, that the Company C proposal significantly undervalued CenturyTel, that differences in management approach could hinder integration, that a combination with Company C carried significant financing risk and would create a highly leveraged company, that the high trading multiple of Company C's stock price led to significant downside risk and that it would be in CenturyTel's best interest to pursue its long-term strategic plans independently from an acquisition by Company C. CenturyTel management also expressed its view that the Embarq transaction could deliver significant value to CenturyTel's shareholders, with significant opportunities for synergies, and improve CenturyTel's strategic position, either with or without the participation of Company D. The CenturyTel board also discussed Embarq's requests regarding governance of the combined company and transaction certainty. Following discussion of these and other factors, the CenturyTel board concluded that CenturyTel should cease pursuing the Company C proposal and should continue to pursue the Embarq opportunity, which CenturyTel management subsequently communicated to Company C.

From the date of execution of the relevant confidentiality agreements with Embarq through mid-September 2008, representatives of Embarq's and each of CenturyTel's, Company A's and Company C's management teams and advisors exchanged documents, engaged in telephone conferences and met on various occasions to conduct management presentations and perform an accounting, financial and legal due diligence review of the companies, including operational matters and potential synergies from a business combination. J.P. Morgan communicated to each of CenturyTel, Company A and Company C that definitive business combination proposals should be submitted by September 18, 2008.

In early September 2008, Embarq and Cravath provided CenturyTel, Company A and Company C with an initial draft of a merger agreement for their review. Cravath had initial high level discussions with each of CenturyTel's, Company A's and Company C's legal advisors regarding the merger agreement and proposed transaction structure.

On September 4, 2008, the Embarq board met to receive an update as to the progress of discussions with potential strategic partners, the status of due diligence and an analysis of regulatory requirements, and to discuss the process being undertaken. The Embarq board also reviewed the stand-alone strategic alternatives available to Embarq, including increasing dividends and undertaking further stock repurchases. Representatives of J.P. Morgan presented a summary financial analysis of the potential transactions. Following these presentations, the Embarq board discussed the treatment of equity compensation plans and governance matters in the context of potential combinations with CenturyTel, Company A and Company C. The Embarq board did not reach any final conclusions at this meeting.

On September 5, 2008, CenturyTel's management, Embarq's management and Company D's management met to discuss the potential participation by Company D in the business combination of Embarq and CenturyTel. Thereafter, CenturyTel's management, Embarq's management, and Company D's management concluded that the proposed Company D transaction was unlikely to be finalized within the time frame required by Embarq and explored alternative forms of participation in the Embarq transaction, including a possible investment in CenturyTel. Ultimately, CenturyTel decided to pursue a business combination transaction with Embarq without the involvement of Company D. Subsequently, management of Embarq, in consultation with Admiral William A. Owens, non-executive Chairman of the board of Embarq, and Embarq's advisors, also determined that consideration of any transaction including Company D should be deferred until after Embarq had considered its other strategic alternatives.

On September 12, 2008, CenturyTel's board held a meeting with CenturyTel's management and legal advisors to receive an update on the status of discussions with Embarq. The board reviewed the proposed



**Table of Contents**

timetable for the transaction, the progress of due diligence efforts over the preceding several weeks, and the status of obtaining financing for the transaction in a difficult market. The CenturyTel board further discussed Embarq's latest requests regarding the composition of the CenturyTel board following the proposed transaction. The board concluded that it would consider the proposal to be made to Embarq, including financial, legal and governance terms, at its next scheduled board meeting on September 16, 2008.

At that meeting, CenturyTel's board met with CenturyTel's management and legal and financial advisors to discuss the terms of the proposal to be submitted to Embarq on September 18. The board reviewed difficulties in the financing markets, management's beliefs regarding the participation of other potential parties in the Embarq process, updated information regarding potential synergies and CenturyTel's due diligence review. The board then discussed the financial, legal and governance terms of the proposal to be submitted to Embarq. The CenturyTel board agreed to meet on September 18 to determine the final terms of CenturyTel's proposal after final financing commitment terms had been determined.

On September 17, 2008, due to dramatic fluctuations and disruptions in the credit and securities markets, advice from Company C that it would not be in a position to submit a business combination transaction proposal, and uncertainty that CenturyTel would be able to secure financing commitments from its potential lenders due to such disruptions, and following a discussion between Admiral Owens and Mr. Gerke and after discussion with J.P. Morgan, Embarq decided to suspend its consideration of a potential business combination transaction prior to receiving formal proposals and communicated this to each of CenturyTel, Company A and Company C. The CenturyTel board accordingly canceled its scheduled September 18 meeting.

Notwithstanding the suspension of the Embarq process, CenturyTel continued to explore alternative transaction structures with CenturyTel's management and advisors that would involve a reduced level of debt financing while remaining accretive to CenturyTel shareholders. On September 18, Mr. Post contacted Mr. Gerke to inquire as to whether Embarq would have interest in a possible all-stock, or a substantially all-stock, business combination proposal in order to determine whether CenturyTel should consider developing such a proposal. Mr. Gerke indicated that Embarq planned to continue monitoring volatile market conditions before proceeding with its process.

On September 23, 2008, the chief executive officer of Company A contacted Mr. Gerke to indicate Company A's continuing interest in pursuing a business combination transaction with Embarq. Following this discussion, Admiral Owens had an introductory meeting with the chief executive officer of Company A on September 24, 2008 to generally discuss a potential business combination transaction between Embarq and Company A, including governance matters. However, no specific proposal was made by Company A at this meeting.

On September 29, 2008, the CenturyTel board met with CenturyTel's management and legal and financial advisors to review alternative financial terms and structures for a possible business combination with Embarq, including an all-stock or a largely stock transaction. The CenturyTel board discussed the difficulties in financing these transactions in light of continued market instability. The CenturyTel board concluded that CenturyTel management should continue to monitor market conditions and review potential transaction structures.

On September 30, 2008, and following an inquiry from Company B to J.P. Morgan regarding the status of the process, Embarq received, via J.P. Morgan, a verbal outline of an all-stock potential business combination proposal from Company B. Mr. Gerke discussed this outline with Admiral Owens and Embarq's advisors on October 1, 2008. Admiral Owens and Mr. Gerke directed J.P. Morgan to convey to Company B that the financial terms of the proposal as outlined were unacceptable to Embarq. No further business combination discussions were held with Company B.

On October 7, 2008, the CenturyTel board met with CenturyTel's management and legal and financial advisors to consider making an all-stock or a largely stock business combination proposal for Embarq. CenturyTel's management

discussed the potential impact of these structures on the transaction value to CenturyTel shareholders and noted that it had obtained preliminary oral financing commitments sufficient to proceed on this basis that would expire on October 10, 2008.

**Table of Contents**

Following indications from Company A and CenturyTel on October 6 and 7, 2008 of their readiness to submit revised proposals, Mr. Gerke indicated that Embarq would not be in a position to consider resuming the exploration of a potential business combination transaction prior to the next regularly scheduled meeting of its board of directors.

On October 13 and 14, 2008, the Embarq board met at a regularly scheduled board meeting to review, among other things, Embarq's three-year strategic and operating plan, including industry regulatory developments and current economic conditions. At that meeting, the Embarq board also received an update as to the progress of discussions with potential strategic partners and due diligence, as well as an assessment of the estimated synergies and regulatory approval process, including industry regulatory developments, with respect to potential business combinations with each of CenturyTel and Company A. The Embarq board then discussed the process by which any proposals would be considered. Representatives of J.P. Morgan presented an updated summary financial analysis of the potential stand-alone options available to Embarq and the potential business combination transactions. Mr. Gerke provided the Embarq board with a summary of his discussions with Admiral Owens and J.P. Morgan pertaining to the outline received from Company B. The Embarq board concurred with Admiral Owens and Mr. Gerke's decision that the proposal as outlined was not acceptable. The Embarq board also concluded, after discussions with management and Embarq's advisors and deliberations, that Embarq should focus on all-stock business combination proposals due to the market decline in the value of the Embarq common stock and the potential upside in stock consideration given the decline in the value of the common stock of possible business combination partners and to minimize financing risk in any proposed transaction. The Embarq board then directed management to work with Embarq's advisors to contact each of CenturyTel and Company A, the two potential strategic partners that were considered to be in a position to submit acceptable all-stock proposals and request that they submit business combination proposals.

Following the October 14, 2008, board meeting, CenturyTel and Company A were each invited to submit all-stock business combination proposals.

On October 15, 2008, the CenturyTel board met with CenturyTel's management and legal and financial advisors to discuss an all-stock proposal. The CenturyTel board discussed recent developments in Embarq's and CenturyTel's businesses and the continued strategic advantages of a combination of Embarq and CenturyTel, as well as the potential impact of the all-stock structure to the value to be received by Embarq stockholders and the value to be realized by CenturyTel shareholders. The CenturyTel board also discussed the availability of obtaining debt financing sufficient to refinance certain indebtedness of Embarq that would be required to be repaid in connection with the merger. Following discussion, the CenturyTel board authorized an all-stock proposal to Embarq under which Embarq stockholders would receive 1.3 CenturyTel shares for each Embarq share they owned.

On October 16, 2008, CenturyTel delivered its proposal to Embarq. Based on the closing prices per share for CenturyTel and Embarq stock on October 15, 2008 of \$32.26 and \$33.74, respectively, this exchange ratio implied a price of \$41.94 for each outstanding share of Embarq common stock and a premium of approximately 24% over Embarq's nominal market value.

On October 17, 2008, Mr. Gerke and Mr. Post organized a meeting at which Admiral Owens was introduced to Mr. Post and CenturyTel's lead independent director, Mr. Fred R. Nichols, and CenturyTel's proposal was discussed, including proposed governance matters, management approach and strategy.

On October 21, 2008, Embarq received a revised proposal from Company A outlining two alternative proposals. Under the first alternative, Embarq stockholders would receive \$11.50 in cash and a fixed number of shares of the combined company with an implied value of \$34.50 for each outstanding share of Embarq common stock they owned for an aggregate implied value of \$46.00, which constituted a premium of approximately 32% over Embarq's nominal market value. Under the second, all-stock alternative, Embarq stockholders would receive a fixed number of shares of combined company common stock for each outstanding share of Embarq common stock with an implied value of

\$44.00, representing a premium of approximately 26%. For both proposals, the implied value represented by shares of combined company stock was based on the closing price of Company A's common stock on October 20, 2008, and the premium was based on the closing price of Embarq's common stock of \$34.90 on the same date.

**Table of Contents**

From the dates of receipt of the revised proposals to October 25, 2008, the management teams and advisors of Embarq and CenturyTel, and Embarq and Company A, had frequent negotiations regarding the terms of the merger agreement and related documents and discussions regarding due diligence matters. During that period, Embarq negotiated several issues in the draft merger agreement and related documentation with CenturyTel and Company A, including governance matters relating to the board and committee composition of the combined company, transaction certainty, the extent of required regulatory efforts, the treatment of equity awards, and restrictions on the parties' respective businesses between signing and closing. During this period, various financial, operational and legal due diligence items were exchanged between the parties, including assumptions underlying their respective financial analyses and information regarding their respective recent financial performance and future prospects. J.P. Morgan, at the direction of Admiral Owens and Mr. Gerke, communicated to Company A that Embarq was focused on receiving all-stock proposals given the current credit and securities market conditions. J.P. Morgan communicated to each of the potential strategic partners that best and final proposals should be submitted on October 25, 2008.

On October 24, 2008, the CenturyTel board met to discuss the final proposal to be submitted to Embarq. The CenturyTel board reviewed results of due diligence, the significant strategic advantages of a combination with Embarq, the likelihood of Embarq pursuing an alternative transaction and updated financial information regarding the potential impact of a range of exchange ratios on both CenturyTel shareholders and Embarq stockholders. The CenturyTel board also reviewed the proposed merger agreement and draft debt financing commitments sufficient to replace indebtedness to be repaid in connection with the merger. Following discussion, the CenturyTel board authorized an all-stock offer to Embarq at an exchange ratio of 1.37 CenturyTel shares for each outstanding share of Embarq common stock.

On October 25, 2008, Embarq received revised proposals from CenturyTel and Company A, in each case including a merger agreement in the form that the potential partner was prepared to execute. Under CenturyTel's proposal, Embarq stockholders would receive 1.37 CenturyTel shares for each outstanding share of Embarq common stock they owned. Based on the closing stock prices for CenturyTel and Embarq on October 24, 2008 of \$29.50 and \$29.74, respectively, this exchange ratio implied a price of \$40.42 for each outstanding share of Embarq common stock, representing a premium of approximately 36%. Under Company A's proposal, Embarq stockholders would receive shares of common stock in the combined company equivalent to \$40.86 for each outstanding share of Embarq common stock they owned, representing a premium of approximately 37%. This implied price was based on the closing stock price for Company A on October 24, 2008, and the implied premium was based on the closing stock price for Embarq on the same date. While both CenturyTel's and Company A's revised proposals implied a comparatively lower nominal market value for each outstanding share of Embarq common stock than the proposals received on October 16, 2008 and October 21, 2008, respectively, this was due to the market decline in the values of each of CenturyTel's and Company A's common stock prices, and in fact the proposed exchange ratios submitted on October 25, 2008 as part of the revised proposals and the premiums implied by the proposals had increased.

On October 26, 2008, the Embarq board held a meeting at which the company's senior management and outside legal and financial advisors were present. Prior to the meeting, the Embarq board was provided with a summary of the proposed merger agreements and copies of the most recent drafts of the merger agreement from CenturyTel and Company A. Also prior to the meeting, the Embarq board of directors was provided with a summary of J.P. Morgan's financial analyses of the potential transactions and the potential stand-alone options available to Embarq and due diligence materials, including synergy estimates, with respect to CenturyTel and Company A. At the meeting, members of Embarq's senior management updated the board on the conclusion of discussions with CenturyTel and Company A and reviewed with the board the strategic rationale and potential risks and benefits of the proposed transactions. The Embarq board also received separate presentations via telephone from Mr. Post and the chief executive officer of Company A. Representatives of Cravath and Morris Nichols reviewed with the board the fiduciary duties of directors in the context of considering Embarq's strategic alternatives, including the proposed transactions, and referred to discussions at prior board meetings. Representatives of Cravath also reviewed with the

board the proposed terms of the merger agreements and related matters. The Embarq board also received an overview of the regulatory approval process for the proposed transactions and was also updated on certain regulatory developments and proceedings in the industry. Representatives of J.P. Morgan reviewed J.P. Morgan's financial analyses of the

**Table of Contents**

proposed transactions and indicated they were prepared to deliver J.P. Morgan's opinion to the Embarq board of directors (which was subsequently confirmed in writing) to the effect that, as of October 26, 2008, and on the basis of and subject to the various factors, assumptions and limitations set forth in such written opinion, the exchange ratio in the CenturyTel merger was fair, from a financial point of view, to the holders of Embarq common stock. Following these presentations, the Embarq board considered the revised proposals and the relative strategic benefits of each proposed transaction in a consolidating industry including, with respect to CenturyTel, the likelihood that expected synergies would be realized; the strength of the combined company's balance sheet, including the fact that both Embarq and CenturyTel were investment grade companies; the impact, including with respect to timing, on the regulatory approval process of such ratings; and the anticipated market value and trading multiples of the combined company's common stock. After a lengthy discussion, all members of management, including Mr. Gerke, left the meeting and further discussions were conducted among the non-executive directors and representatives of Cravath and Morris Nichols. Following the additional discussions and deliberation, Mr. Gerke and Ms. Claudia S. Toussaint, general counsel and corporate secretary, rejoined the meeting and the Embarq directors present unanimously declared that the merger agreement and merger with CenturyTel were advisable and in the best interests of Embarq's stockholders, approved the merger agreement and the merger with CenturyTel in accordance with Delaware law and recommended that Embarq's stockholders adopt the merger agreement. The Embarq board authorized the appropriate officers of Embarq to finalize, execute and deliver the merger agreement and related documentation.

Following the Embarq board meeting, CenturyTel management, Embarq management, Wachtell, Lipton, Jones Walker and Cravath worked to finalize the merger agreement.

That evening, the CenturyTel board met with CenturyTel's management and legal and financial advisors. Barclays Capital and Morgan Stanley reviewed with the CenturyTel board their joint financial analysis of the consideration provided for in the proposed merger. Wachtell, Lipton reviewed the legal terms of the proposed merger agreement, including the proposed governance of the combined company, and management reviewed the proposed terms of debt financing commitments. Barclays Capital delivered to the CenturyTel board of directors an oral opinion, which was confirmed by delivery of a written opinion dated October 26, 2008, to the effect that, as of that date and based upon the factors and subject to the assumptions set forth in such opinion, the 1.37 exchange ratio provided for in the proposed merger was fair, from a financial point of view, to CenturyTel, as more fully described below under the caption "Opinions of CenturyTel's Financial Advisors - Barclays Capital Inc." Morgan Stanley delivered its written opinion, attached hereto as Annex C, to the CenturyTel board of directors to the effect that, as of October 26, 2008, and based upon the factors and subject to the assumptions set forth in the written opinion, the consideration to be paid by CenturyTel pursuant to the merger agreement was fair from a financial point of view to CenturyTel, as more fully described below under the caption "Opinions of CenturyTel's Financial Advisors - Morgan Stanley." Following discussion, the board unanimously (a) determined that the proposed merger agreement and the transactions contemplated thereby, including the merger, the issuance of CenturyTel shares in connection with the merger and the CenturyTel charter amendment to eliminate special ten-vote voting rights of long-term CenturyTel shareholders, was advisable to and in the best interests of CenturyTel and its shareholders, (b) adopted resolutions approving the proposed merger agreement and the transactions contemplated thereby and (c) recommended, subject to the terms and conditions in the proposed merger agreement, that CenturyTel's shareholders approve the issuance of shares in connection with the merger and the CenturyTel charter amendment to eliminate special ten-vote voting rights.

Following the board meetings, Embarq and CenturyTel and their respective legal advisors finalized the merger agreement, the terms of which are more fully described below under the caption "The Merger Agreement." The merger agreement was then executed by Embarq, CenturyTel and Cajun Acquisition Company. On October 27, 2008, before the opening of trading on the NYSE, Embarq and CenturyTel issued a joint press release announcing the merger.

**Table of Contents**

**CenturyTel's Reasons for the Merger; Recommendation of the Stock Issuance by the CenturyTel Board of Directors**

In evaluating the merger agreement and the stock issuance proposal, the CenturyTel board of directors consulted with CenturyTel's management and legal and financial advisors. In reaching its decision, the CenturyTel board of directors considered a number of factors, including the following factors which the CenturyTel board viewed as generally supporting its decision to approve and enter into the merger and the merger agreement and recommend that CenturyTel shareholders vote FOR approval of the issuance of CenturyTel common stock in connection with the merger.

*Strategic Considerations.* The CenturyTel board believes the merger will provide a number of significant strategic opportunities, including the following:

The CenturyTel board believes that the combined company's broader footprint and network capacity, with combined operations in 33 states with approximately eight million access lines, will give it more diversity of markets and revenues and position it to better service customers by creating enhanced marketing opportunities and achieving significant network and operational synergies;

the significantly greater scale and scope of the combined company's operations will better enable it to take advantage of growth opportunities, including in the areas of use of 700 MHz spectrum, broadband services, and other advanced products and services;

the complementary nature of the respective customer bases, services and skills of CenturyTel and Embarq is expected to result in substantial opportunities to enhance the capabilities of both companies;

the expectation that the merger will create a strong financial profile, with the combined company expected to have a sound capital structure with reduced leverage relative to earnings, return significant dividends to shareholders, and realize a positive impact on CenturyTel's free cash flow per share beginning in the first full year following the merger; and

the expectation that the combined company will achieve approximately \$400 million in annual cost savings and revenue opportunities within three years, coming from, among other things, network and operational efficiencies, leveraging combined purchasing power, consolidating administrative activities, sharing support infrastructure and best practices, and improved broadband penetration.

*Other Factors Considered by the CenturyTel Board.* In addition to considering the strategic factors described above, the CenturyTel board considered the following additional factors, all of which it viewed as supporting its decision to approve the merger:

its knowledge of CenturyTel's business, operations, financial condition, earnings and prospects and of Embarq's business, operations, financial condition, earnings and prospects, taking into account the results of CenturyTel's due diligence review of Embarq;

the current and prospective competitive climate in the industry in which CenturyTel and Embarq operate, including the potential for further consolidation, and the alternatives reasonably available to CenturyTel if it did not pursue the merger;



the opinion of Barclays Capital, dated October 26, 2008, to the CenturyTel board of directors to the effect that, as of that date, and based upon the factors and subject to the assumptions set forth in such opinion, the 1.37 exchange ratio was fair, from a financial point of view, to CenturyTel, as more fully described below under the caption "Opinions of CenturyTel's Financial Advisors - Barclays Capital Inc. ;

the opinion of Morgan Stanley delivered to the CenturyTel board of directors to the effect that, as of October 26, 2008, and based upon the factors and subject to the assumptions set forth in the written opinion, the consideration to be paid by CenturyTel pursuant to the merger agreement was fair from a financial point of view to CenturyTel, as more fully described below under the caption "Opinions of CenturyTel's Financial Advisors - Morgan Stanley ;

the terms and conditions of the merger agreement, including the strong commitments by both CenturyTel and Embarq to complete the merger, and the likelihood of completing the merger on the anticipated schedule;

**Table of Contents**

the premium to Embarq stockholders implied by the exchange ratio and the fact that the exchange ratio is fixed and will not fluctuate based upon changes in the market price of CenturyTel stock between the date of the merger agreement and the date of the consummation of the merger;

the anticipated market capitalization, revenues, free cash flow, and capital structure of the combined company;

the expectation that the merger will reduce CenturyTel's reliance on revenues subject to reduction by regulatory initiatives currently under consideration;

the similarity of the corporate cultures of CenturyTel and Embarq; and

the opportunity to combine two strong senior management teams, as described under [Board of Directors and Management Following the Merger](#), with the result that Mr. Post will continue as Chief Executive Officer of the combined company, Admiral Owens will serve as non-executive Chairman of the Board, Mr. Gerke will serve as an executive Vice Chairman, Mr. Perry will continue as a non-executive Vice Chairman, Mr. Ewing will continue to serve as Executive Vice President and Chief Financial Officer, Ms. Puckett will continue to serve as President and Chief Operating Officer, and the board of directors of the combined company will consist of eight CenturyTel-selected directors and seven Embarq-selected directors.

The CenturyTel board of directors weighed these advantages and opportunities against a number of other factors identified in its deliberations weighing negatively against the merger, including:

the challenges inherent in the combination of two businesses of the size and scope of CenturyTel and Embarq and the size of the companies relative to each other, including the risk that integration costs may be greater than anticipated and the possible diversion of management attention for an extended period of time;

the risk of not capturing all the anticipated cost savings and operational synergies between CenturyTel and Embarq and the risk that other anticipated benefits might not be realized;

the risk that regulatory agencies may not approve the merger or may impose terms and conditions on their approvals that adversely affect the financial results of the combined company; see the section entitled [Regulatory Approvals Required for the Merger](#) beginning on page 69.

the risk that changes in the regulatory landscape or new technological developments may adversely affect the business benefits anticipated to result from the merger; and

the risks of the type and nature described under [Risk Factors](#), and the matters described under [Cautionary Statement Regarding Forward-Looking Statements](#).

In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the CenturyTel board of directors did not find it useful and did not attempt to quantify or assign any relative or specific weights to the various factors that it considered in reaching its determination to approve the merger and the merger agreement and to make its recommendations to CenturyTel shareholders. In addition, individual members of the CenturyTel board of directors may have given differing weights to different factors. The CenturyTel board of directors conducted an overall review of the factors described above, including thorough discussions with CenturyTel's management and outside legal and financial advisors.

*The CenturyTel board of directors unanimously determined that the merger, the merger agreement and the transactions contemplated by the merger agreement, including the stock issuance and the CenturyTel charter amendment to eliminate special ten-vote voting rights of CenturyTel shareholders, are advisable and in the best interests of CenturyTel and its shareholders and unanimously approved the merger agreement and the transactions contemplated by the merger agreement. The CenturyTel board of directors unanimously recommends that the CenturyTel shareholders vote **FOR** the proposal to issue shares of CenturyTel common stock in the merger.*

**Table of Contents**

**Embarq's Reasons for the Merger; Recommendation of the Merger by the Embarq Board of Directors**

In reaching its conclusion, the board of directors of Embarq consulted with its management and legal, financial and other advisors, and considered a variety of factors weighing in favor of or relevant to the merger, including the factors listed below.

*Expected Strategic Benefits of the Merger.* The combination of CenturyTel and Embarq is expected to result in several significant strategic benefits to the combined company and Embarq stockholders, including the following:

Creation of a combined company with greater scale of markets and revenues, and increased ability to implement strategic plans;

The expected synergy benefits, comprising approximately \$400 million in annual cost savings and enhanced revenue opportunities within three years of operations;

The investments in certain information technology and network enhancements, including the 700 MHz spectrum, by CenturyTel and the expected improvement in operational efficiency and capability associated with such investments when combined with Embarq's assets; and

The expected capital structure, market capitalization and strengthened balance sheet of the combined company after the merger, including the potential for the combined company to participate in further industry consolidation and other strategic opportunities.

*Other Factors Considered.* During the course of its deliberations relating to the merger agreement and the merger, the board of directors of Embarq considered the following factors in addition to the benefits described above:

Based on the closing prices of the common stock of Embarq and CenturyTel as of October 24, 2008, the trading day immediately prior to the date of the merger agreement, the merger consideration represented at that time a premium of approximately 36% to Embarq stockholders over the Embarq nominal market value;

Embarq stockholders will receive the merger consideration (excluding any cash received in lieu of fractional shares) in the form of shares of CenturyTel common stock, which will allow Embarq stockholders to share in growth and other opportunities of the combined company, including the expected realization of synergies, after the merger;

The business operations and prospects of each of Embarq, CenturyTel and the combined company, and the then-current financial market conditions and historical market prices, volatility and trading information with respect to shares of common stock of Embarq and CenturyTel;

The strategic alternatives available to Embarq, including the alternatives available to Embarq if it proceeded on a stand-alone basis or engaged in an alternative business combination, and the potential for further consolidation in the industry or for other strategic transactions;

Management's view of the expected realization of synergies following the combination of Embarq and CenturyTel, the strength of the combined company's balance sheet, including the fact that both Embarq and CenturyTel were investment grade companies and the impact, including with respect to timing, on the regulatory approval process of such ratings, and the anticipated market value and trading multiples of the

combined company's common stock, which compared favorably to the assessment of the proposal received from Company A;

In comparison to the proposal received from CenturyTel, the higher nominal market value of the Company A proposal based on the closing prices of each of CenturyTel's and Company A's stock on October 24, 2008, the last trading day prior to submission of the proposals;

The achievability of the forecasts relating to Embarq's stand-alone business, as well as the combined businesses of Embarq and CenturyTel on a pro forma basis, which were prepared by management and shared with the Embarq board of directors and Embarq's financial advisors;

The current and prospective regulatory landscape under which Embarq and CenturyTel operate;

**Table of Contents**

The financial analyses reviewed and discussed with the Embarq board of directors by representatives of J.P. Morgan, as well as the oral opinion of J.P. Morgan to the Embarq board of directors on October 26, 2008 (which was subsequently confirmed in writing by delivery of J.P. Morgan's written opinion dated the same date) with respect to the fairness, from a financial point of view, of the exchange ratio to holders of shares of common stock of Embarq;

The structure of the merger and terms and conditions of the merger agreement, including the strength of commitments by both Embarq and CenturyTel to complete the merger and the governance arrangements. See the section entitled "The Merger Agreement" beginning on page 73;

Embarq's knowledge of CenturyTel's management, business, operations, financial condition and prospects supplemented by the results of the due diligence investigations of CenturyTel by Embarq's management and financial and other advisors; and

The similarity of the corporate cultures of Embarq and CenturyTel.

The board of directors of Embarq weighed these factors against a number of other factors identified in its deliberations weighing negatively against the merger, including:

The risk of not capturing all of the anticipated synergies between Embarq and CenturyTel and the risk that other anticipated benefits might not be fully realized;

The risk that integration of the two businesses may be more costly, and may divert management attention for a greater period of time, than anticipated;

The risk that changes in the regulatory landscape may adversely affect the benefits anticipated to result from the merger, including the possibility that such changes could disproportionately impact CenturyTel in an adverse manner;

The conditions to the merger agreement requiring receipt of certain regulatory approvals and clearances;

The risk that the merger may not be consummated despite the parties' efforts or that consummation may be unduly delayed, even if the requisite approval is obtained from Embarq stockholders; and

The other risks described in the section entitled "Risk Factors" beginning on page 14 and "Cautionary Statement Regarding Forward-Looking Statements" beginning on page 23.

This discussion of the information and factors considered by the board of directors of Embarq includes the principal positive and negative factors considered by the board of directors, but is not intended to be exhaustive and may not include all of the factors considered by the board of directors of Embarq. The board of directors of Embarq did not quantify or assign any relative or specific weights to the various factors that it considered in reaching its determination that the merger agreement and the merger are advisable and in the best interests of Embarq stockholders. Rather, the board of directors of Embarq viewed its position and recommendation as being based on the totality of the information presented to it and the factors it considered. In addition, individual members of the board of directors of Embarq may have given differing weights to different factors. It should be noted that this explanation of the reasoning of the board of directors of Embarq and certain information presented in this section is forward-looking in nature and, therefore, that information should be read in light of the factors discussed in the section entitled "Cautionary Statement Regarding Forward-Looking Statements" in this proxy statement-prospectus, beginning on page 23.

*The board of directors of Embarq, by the unanimous vote of the directors present, believes that the terms of the merger are advisable and in the best interests of Embarq and its stockholders and has approved the terms of the merger agreement and the merger and recommends that the stockholders of Embarq vote FOR the proposal to adopt the merger agreement.*

**Opinions of CenturyTel's Financial Advisors**

*Barclays Capital Inc.*

CenturyTel engaged Barclays Capital to act as a financial advisor to CenturyTel in connection with the proposed merger. On October 26, 2008, at a meeting of the CenturyTel board of directors held to evaluate the merger, Barclays Capital rendered to the CenturyTel board of directors an oral opinion, which was confirmed

**Table of Contents**

by delivery of a written opinion dated that date, to the effect that, as of that date and based on and subject to the qualifications, limitations and assumptions stated in its opinion, the 1.37 exchange ratio provided for in the merger was fair, from a financial point of view, to CenturyTel.

The full text of Barclays Capital's written opinion, dated October 26, 2008, is attached as Annex B to this joint proxy statement-prospectus. Barclays Capital's written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken by Barclays Capital in rendering its opinion. You are encouraged to read the opinion carefully in its entirety. The following summary of Barclays Capital's opinion is qualified in its entirety by reference to the full text of the opinion. **Barclays Capital's opinion is addressed to the CenturyTel board of directors, relates only to the fairness, from a financial point of view, to CenturyTel of the exchange ratio provided for in the merger and does not constitute a recommendation to any shareholder as to how such shareholder should vote or act with respect to the proposed merger or any other matter.**

The terms of the proposed merger were determined through negotiations between CenturyTel and Embarq, and the decision to enter into the merger agreement was solely that of the CenturyTel board of directors and was approved by the CenturyTel board of directors. Barclays Capital did not recommend any specific form of consideration to CenturyTel or that any specific form of consideration constituted the only appropriate consideration for the proposed merger. Barclays Capital's opinion was only one of many factors considered by the CenturyTel board of directors in its evaluation of the merger and should not be viewed as determinative of the views of the CenturyTel board of directors or management with respect to the merger or the consideration payable in the merger.

In arriving at its opinion, Barclays Capital, among other things:

reviewed the merger agreement and the financial terms of the proposed merger;

reviewed and analyzed publicly available information concerning Embarq and CenturyTel that Barclays Capital believed to be relevant to its analysis, including Embarq's and CenturyTel's Annual Reports on Form 10-K for the fiscal year ended December 31, 2007, Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2008 and June 30, 2008, respectively, and other relevant filings with the SEC;

reviewed and analyzed drafts of Embarq's and CenturyTel's Quarterly Reports on Form 10-Q for the fiscal quarter ended September 30, 2008;

reviewed and analyzed financial and operating information with respect to Embarq's business, operations and prospects furnished to Barclays Capital by Embarq, including certain financial forecasts of Embarq prepared by Embarq's management;

reviewed and analyzed financial and operating information with respect to Embarq's and CenturyTel's businesses, operations and prospects furnished to Barclays Capital by CenturyTel, including financial forecasts of Embarq and CenturyTel prepared by CenturyTel's management;

reviewed and analyzed certain cost savings, operating and revenue synergies and other strategic benefits expected by CenturyTel's management to result from the proposed merger;

reviewed and analyzed a trading history of Embarq's common stock and CenturyTel's common stock and a comparison of that trading history with those of other companies that Barclays Capital deemed relevant;

reviewed and analyzed a comparison of Embarq's and CenturyTel's historical financial results and present financial condition with each other and with those of other companies that Barclays Capital deemed relevant;



reviewed and analyzed a comparison of the financial terms of the proposed merger with the financial terms of certain other recent transactions that Barclays Capital deemed relevant;

reviewed and analyzed the relative contributions of Embarq and CenturyTel to the combined company on a pro forma basis;

**Table of Contents**

reviewed and analyzed the potential pro forma financial impact of the proposed merger on the combined company after taking into account estimated synergies expected to be realized from the merger, which estimated merger synergies were prepared by CenturyTel's management;

had discussions with CenturyTel's and Embarq's managements concerning CenturyTel's and Embarq's businesses, operations, assets, liabilities, financial condition and prospects; and

undertook such other studies, analyses and investigations as Barclays Capital deemed appropriate.

In arriving at its opinion, Barclays Capital assumed and relied upon the accuracy and completeness of the financial and other information that was publicly available or provided or otherwise made available to, or discussed with, Barclays Capital by CenturyTel or Embarq without any independent verification of such information and Barclays Capital further relied upon the assurances of CenturyTel's and Embarq's managements that they were not aware of any facts or circumstances that would make any information that such company provided or otherwise made available to, or discussed with, Barclays Capital inaccurate or misleading. With respect to the financial forecasts for Embarq, Barclays Capital discussed with CenturyTel's management the financial forecasts prepared by Embarq and the financial forecasts prepared by CenturyTel's management and, at CenturyTel's direction, Barclays Capital relied upon the financial forecasts prepared by CenturyTel's management for purposes of its opinion. With respect to the financial forecasts for Embarq and CenturyTel and estimated synergies expected to be realized from the merger prepared by CenturyTel's management, Barclays Capital assumed, with CenturyTel's consent, that such forecasts and estimates were reasonably prepared on a basis reflecting the best currently available estimates and judgments of CenturyTel's management as to the future financial performance of Embarq and CenturyTel and that the amount and timing of such estimated synergies were reasonable and would be realized substantially in accordance with such estimates. Barclays Capital assumed no responsibility for and expressed no view as to any such forecasts or estimates or the assumptions on which they were based.

In arriving at its opinion, Barclays Capital did not conduct a physical inspection of the properties and facilities of Embarq or CenturyTel and did not make or obtain any evaluations or appraisals of the assets or liabilities, contingent or otherwise, of Embarq or CenturyTel. Barclays Capital assumed, with CenturyTel's consent, that there had been no material change in Embarq's or CenturyTel's assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements made available to Barclays Capital and that there were no material undisclosed liabilities of Embarq or CenturyTel for which appropriate reserves or other provisions had not been made. Barclays Capital relied, without independent verification and with CenturyTel's consent, upon the assessments of CenturyTel's management as to (i) the ability of CenturyTel to integrate CenturyTel's and Embarq's businesses and operations and (ii) Embarq's and CenturyTel's existing and future relationships, agreements and arrangements with, and CenturyTel's ability to retain, key employees. Barclays Capital also assumed, with CenturyTel's consent, that all material governmental, regulatory or other consents or approvals necessary for the consummation of the proposed merger would be obtained without adverse affect on Embarq, CenturyTel or the proposed merger in any respect material to Barclays Capital's opinion and that the proposed merger would qualify for U.S. federal income tax purposes as a tax-free reorganization under Section 368(a) of the Code. Barclays Capital was not requested to, and its opinion does not in any manner, address CenturyTel's underlying business decision to proceed with or effect the proposed merger. Barclays Capital expressed no opinion on, and its opinion did not in any manner address, the fairness of the amount or the nature of any compensation to any officers, directors or employees of any parties to the proposed merger, or any class of such persons, relative to the consideration paid in the proposed merger or otherwise. Barclays Capital's opinion was necessarily based upon market, economic and other conditions as they existed on, and could be evaluated as of, the date of its letter. Barclays Capital did not assume any responsibility for updating or revising its opinion based on events or circumstances that may occur after the date of its letter, including, without limitation, changes in the credit, financial and stock markets, which have been experiencing unusual volatility

and Barclays Capital expressed no opinion or view as to the potential effects, if any, of such volatility on Embarq, CenturyTel or the proposed merger. In addition, Barclays Capital expressed no opinion as to the prices at which shares of (i) CenturyTel's common stock or Embarq's common stock would trade at any time following the announcement of the proposed merger or (ii) CenturyTel's common stock would trade at any time following the consummation of the proposed merger. The issuance of Barclays Capital's opinion was approved by Barclays Capital's fairness opinion committee. Except as

**Table of Contents**

described above, CenturyTel imposed no other instructions or limitations on Barclays Capital with respect to the investigations made or the procedures followed by it in rendering its opinion.

Barclays Capital is an internationally recognized investment banking firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. The CenturyTel board of directors selected Lehman Brothers (certain assets of which, including its North American investment banking franchise, were acquired by Barclays Capital) because of its qualifications, reputation and experience in the valuation of businesses and securities in connection with mergers and acquisitions generally, as well as substantial experience in transactions comparable to the proposed merger.

As compensation for its services, CenturyTel has agreed to pay Barclays Capital a fee of \$16,000,000 in the aggregate, a portion of which was payable upon rendering of its opinion and approximately \$14,500,000 of which is contingent upon the consummation of the merger. In addition, CenturyTel has agreed to reimburse Barclays Capital for expenses incurred in connection with the proposed merger and to indemnify Barclays Capital and related parties for certain liabilities that may arise out of Barclays Capital's engagement by CenturyTel and the rendering of Barclays Capital's opinion. Barclays Capital and its affiliates have performed various investment banking and financial services for CenturyTel in the past and have received customary fees for such services. Specifically, in the past two years, Barclays Capital and its affiliates have acted as (i) lender under certain revolving credit facilities of CenturyTel from 2006 to 2008, certain of which facilities may be renegotiated in connection with the merger and (ii) co-manager in connection with certain note offerings of CenturyTel in 2007. Barclays Capital may continue to provide investment banking and financial services for CenturyTel in the future and expects to receive customary fees for any such services provided, including acting as a lender to CenturyTel in connection with a bridge facility that may be used by CenturyTel in connection with the merger. In the ordinary course of business, Barclays Capital actively trades in the debt and equity securities of CenturyTel and Embarq for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

In connection with rendering its opinion, Barclays Capital performed certain financial, comparative and other analyses as summarized below under Summary of Joint Financial Analyses. This summary is not a complete description of Barclays Capital's opinion or the financial analyses performed and factors considered by it in connection with its opinion. In arriving at its opinion, Barclays Capital did not ascribe a specific range of values to shares of Embarq's common stock or CenturyTel's common stock but rather made its determination as to the fairness, from a financial point of view, to CenturyTel of the exchange ratio provided for in the merger on the basis of various financial and comparative analyses taken as a whole. The preparation of a fairness opinion is a complex process and involves various determinations as to the most appropriate and relevant methods of financial and comparative analyses and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to summary description.

In arriving at its opinion, Barclays Capital did not attribute any particular weight to any single analysis or factor considered by it but rather made qualitative judgments as to the significance and relevance of each analysis and factor relative to all other analyses and factors performed and considered by it and in the context of the circumstances of the particular transaction. Accordingly, Barclays Capital believes that the analyses must be considered as a whole, as considering any portion of such analyses and factors, without considering all analyses and factors as a whole, could create a misleading or incomplete view of the process underlying its opinion. In performing these analyses, Barclays Capital considered industry performance, general business and economic conditions and other matters existing as of the date of the opinion, many of which are beyond the control of CenturyTel, Embarq or any other parties to the proposed merger. Any estimates contained in these analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be

significantly more or less favorable than as set forth below. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or necessarily reflect the prices at which businesses or securities may actually be sold or acquired. Accordingly, the assumptions and estimates used in, and the results derived from, Barclays Capital's analyses are inherently subject to substantial uncertainty.

**Table of Contents**

***Morgan Stanley & Co. Incorporated***

CenturyTel retained Morgan Stanley to provide it with financial advisory services and a financial opinion in connection with a possible acquisition of Embarq. CenturyTel selected Morgan Stanley to act as its financial advisor based on Morgan Stanley's qualifications, expertise and reputation. At the meeting of the CenturyTel board of directors on October 26, 2008, Morgan Stanley rendered its oral opinion, subsequently confirmed in writing, that, as of October 26, 2008, based upon and subject to the various considerations set forth in the opinion, the consideration to be paid by CenturyTel pursuant to the merger agreement was fair from a financial point of view to CenturyTel.

**The full text of the written opinion of Morgan Stanley, dated as of October 26, 2008, is attached to this joint proxy statement-prospectus as Annex C. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion. We encourage you to read the entire opinion carefully. Morgan Stanley's opinion is directed to the CenturyTel board of directors and addresses only the fairness from a financial point of view as of the date of the opinion of the consideration to be paid by CenturyTel pursuant to the merger agreement. It does not address any other aspects of the merger and does not constitute a recommendation to any holder of CenturyTel or Embarq common shares as to how to vote at CenturyTel's or Embarq's special meeting, respectively. The summary of the opinion of Morgan Stanley set forth in this proxy statement is qualified in its entirety by reference to the full text of the opinion.**

In connection with rendering its opinion, Morgan Stanley, among other things:

reviewed certain publicly available financial statements and other business and financial information of Embarq and CenturyTel;

reviewed certain internal financial statements and other financial and operating data concerning Embarq and CenturyTel;

reviewed certain financial forecasts prepared by the managements of Embarq and CenturyTel;

reviewed information relating to certain strategic, financial and operational benefits anticipated from the merger, prepared by the managements of Embarq and CenturyTel;

discussed the past and current operations and financial condition and the prospects of Embarq, including information relating to certain strategic, financial and operational benefits anticipated from the merger, with senior executives of Embarq;

discussed the past and current operations and financial condition and the prospects of CenturyTel, including information relating to certain strategic, financial and operational benefits anticipated from the merger, with senior executives of CenturyTel;

reviewed the pro forma impact of the merger on CenturyTel's earnings per share, cash flow, consolidated capitalization and financial ratios;

reviewed the reported prices and trading activity for Embarq common stock and CenturyTel common stock;

compared the financial performance of Embarq and CenturyTel and the prices and trading activity of Embarq common stock and CenturyTel common stock with that of certain other publicly traded companies comparable to Embarq and CenturyTel, respectively, and their securities;

reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;

participated in certain discussions and negotiations among representatives of Embarq and CenturyTel and their financial and legal advisors;

reviewed the merger agreement, the commitment letter from certain lenders dated October 26, 2008, referred to as the commitment letter, and certain related documents; and

performed such other analyses and considered such other factors as Morgan Stanley has deemed appropriate.

**Table of Contents**

In arriving at its opinion, Morgan Stanley assumed and relied upon, without independent verification, the accuracy and completeness of the information that was publicly available or supplied or otherwise made available to it by Embarq and CenturyTel, and that formed a substantial basis for its opinion. With respect to the financial forecasts, including information relating to certain strategic, financial and operational benefits anticipated from the merger, Morgan Stanley assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the respective managements of Embarq and CenturyTel of the future financial performance of Embarq and CenturyTel. Morgan Stanley relied upon, without independent verification, the assessment by the management of CenturyTel of: (i) the strategic, financial and other benefits expected to result from the merger; (ii) the timing and risks associated with the integration of CenturyTel and Embarq; (iii) the ability to retain key employees of CenturyTel and Embarq, respectively; and (iv) the validity of, and risks associated with, CenturyTel and Embarq's existing and future technologies, intellectual property, products, services and business models. In addition, Morgan Stanley assumed that the merger will be consummated in accordance with the terms set forth in the merger agreement without any material waiver, amendment or delay of any terms or conditions, including, among other things, that the merger will be treated as a tax-free reorganization and/or exchange, each pursuant to the Code, and that CenturyTel will obtain financing in accordance with the terms set forth in the commitment letter. Morgan Stanley assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the proposed merger, no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the proposed merger. Morgan Stanley is not a legal, tax, or regulatory advisor. Morgan Stanley is a financial advisor only and relied upon, without independent verification, the assessment of CenturyTel and its legal, tax, or regulatory advisors with respect to legal, tax or regulatory matters. Morgan Stanley expressed no opinion with respect to the fairness of the amount or nature of the compensation to any of Embarq's officers, directors or employees, or any class of such persons, relative to the consideration to be paid to the holders of shares of Embarq common stock in the merger. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of Embarq, nor was it furnished with any such appraisals. Morgan Stanley's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of, the date of the opinion. Events occurring after the date of Morgan Stanley's opinion may affect the opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm its opinion.

In connection with the review of the merger by the CenturyTel board of directors, Morgan Stanley performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a financial opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor it considered. Morgan Stanley believes that selecting any portion of its analyses, without considering all analyses as a whole, would create an incomplete view of the process underlying its analyses and opinion. In addition, Morgan Stanley may have given various analyses and factors more or less weight than other analyses and factors, and may have deemed various assumptions more or less probable than other assumptions. As a result, the ranges of valuations resulting from any particular analysis described below should not be taken to be Morgan Stanley's view of the actual value of CenturyTel. In performing its analyses, Morgan Stanley made assumptions with respect to industry performance, general business and economic conditions and other matters. Many of these assumptions relate to factors that are beyond the control of CenturyTel. Any estimates contained in Morgan Stanley's analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates.

Morgan Stanley conducted the analyses described below under "Summary of Joint Financial Analyses" solely as part of its analysis of the fairness of the merger consideration pursuant to the merger agreement from a financial point of view to CenturyTel and in connection with the delivery of its opinion to the CenturyTel board of directors. These analyses do not purport to be appraisals or to reflect the prices at which common shares of CenturyTel might actually trade.



The merger consideration was determined through arm's-length negotiations between CenturyTel and Embarq and was approved by the CenturyTel board of directors. Morgan Stanley provided advice to

## Table of Contents

CenturyTel during these negotiations. Morgan Stanley did not, however, recommend any specific merger consideration to CenturyTel or that any specific merger consideration constituted the only appropriate merger consideration for the merger.

Morgan Stanley's opinion and its presentation to the CenturyTel board of directors was one of many factors taken into consideration by the CenturyTel board of directors in deciding to approve, adopt and authorize the merger agreement. Consequently, the analyses as described below should not be viewed as determinative of the view of the CenturyTel board of directors with respect to the merger consideration or of whether the CenturyTel board of directors would have been willing to agree to a different merger consideration. Morgan Stanley's opinion was approved by a committee of Morgan Stanley investment banking and other professionals in accordance with its customary practice.

Morgan Stanley is an internationally recognized investment banking and advisory firm. Morgan Stanley, as part of its investment banking and financial advisory business, is continuously engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate, estate and other purposes. In the ordinary course of its trading, brokerage, investment management and financing activities, Morgan Stanley or its affiliates may actively trade the equity securities of Embarq or CenturyTel for its own accounts or for the accounts of its customers and, accordingly, may at any time hold long or short positions in such securities.

As compensation for its services, CenturyTel has agreed to pay Morgan Stanley a fee of \$14,000,000 in the aggregate, a portion of which was payable upon rendering of its opinion and approximately \$12,500,000 of which is contingent upon the consummation of the merger. CenturyTel has also agreed to reimburse Morgan Stanley for its expenses incurred in performing its services. In addition, one or more of Morgan Stanley's affiliates are providing financing services related to the merger to CenturyTel and will receive compensation related to those services. In the two years prior to the date hereof, Morgan Stanley has provided financing services for Embarq and for CenturyTel, for which it has received fees. Morgan Stanley may also seek to provide such services to CenturyTel in the future and expects to receive fees for the rendering of these services. In addition, CenturyTel has agreed to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under the federal securities laws, related to or arising out of Morgan Stanley's engagement.

### *Summary of Joint Financial Analyses*

The following is a summary of the material financial analyses reviewed with the CenturyTel board of directors in connection with Barclays Capital's and Morgan Stanley's respective opinions, each dated October 26, 2008. **Certain financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses, the tables must be read together with the text of each summary, as the tables alone do not constitute a complete description of the financial analyses. Considering the data in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of such financial analyses. None of CenturyTel, Embarq, Barclays Capital, Morgan Stanley or any other person assumes responsibility if future results are different from those discussed, whether or not any such difference is material.**

### *Historical Trading Prices and Equity Research Analysts' Stock Price Targets*

Barclays Capital and Morgan Stanley reviewed, for informational purposes, the range of closing prices of shares of CenturyTel's common stock and Embarq's common stock for the last 12 months ended on October 24, 2008. Based on such historical share price range, Barclays Capital and Morgan Stanley calculated the following implied exchange

ratio reference range by dividing the low and high trading prices of Embarq common stock by the low and high trading prices of CenturyTel common stock during such period, as compared to the exchange ratio provided for in the merger:

<b>Implied Exchange Ratio Reference Range</b>	<b>Exchange Ratio</b>
1.00x 1.22x	1.37x

**Table of Contents**

Barclays Capital and Morgan Stanley also reviewed, for informational purposes, future public market trading price targets for shares of Embarq's common stock and CenturyTel's common stock prepared and published by equity research analysts. Based on such share price targets, Barclays Capital and Morgan Stanley calculated the following implied exchange ratio reference range, as compared to the exchange ratio provided for in the merger:

<b>Implied Exchange Ratio Reference Range</b>	<b>Exchange Ratio</b>
1.09x - 1.34x	1.37x

The public market trading price targets published by equity research analysts do not necessarily reflect current market trading prices for shares of Embarq's common stock or CenturyTel's common stock and these estimates are subject to uncertainties, including the future financial performance of Embarq and CenturyTel, as well as future financial market conditions.

**Selected Company Trading Analysis**

In order to assess how the public market values shares of publicly traded independent local exchange carriers, Barclays Capital and Morgan Stanley performed separate selected company trading analyses of Embarq and CenturyTel. Barclays Capital and Morgan Stanley reviewed and compared specific financial, operating and stock market data relating to Embarq and CenturyTel with each other and with the following two selected publicly held independent local exchange carriers:

Windstream Corporation; and

Frontier Communications Corporation.

Barclays Capital and Morgan Stanley calculated and compared various financial multiples and ratios of the selected companies, Embarq and CenturyTel, including, among other things, the ratio of each company's enterprise value, calculated as the market capitalization of each company (based on each company's fully diluted shares and closing stock price as of October 24, 2008, the last trading day prior to delivery of Barclays Capital's and Morgan Stanley's respective opinions), plus debt, less cash, cash equivalents and other adjustments, to its calendar year 2009 estimated earnings before interest, taxes, depreciation and amortization, commonly referred to as EBITDA. Barclays Capital and Morgan Stanley also calculated the ratio of each company's market capitalization to its calendar year 2009 estimated levered free cash flows, commonly referred to as LFCF. Estimated financial data of the selected companies, Embarq and CenturyTel utilized in the calculation of the selected multiples were based on publicly available financial data. Barclays Capital and Morgan Stanley then calculated an implied per share equity reference range for Embarq by applying a range of selected multiples of calendar year 2009 estimated EBITDA and LFCF derived from CenturyTel and the selected companies of 4.0x to 5.0x and 4.5x to 6.5x, respectively, to corresponding data of Embarq. Barclays Capital and Morgan Stanley also calculated an implied per share equity reference range for CenturyTel by applying a range of selected multiples of calendar year 2009 estimated EBITDA and LFCF derived from Embarq and the selected companies of 5.0x to 6.0x and 5.5x to 7.0x, respectively, to corresponding data of CenturyTel. Estimated financial data of Embarq and CenturyTel were based on internal estimates of CenturyTel's management. Based on these implied per share equity reference ranges, this analysis indicated the following implied exchange ratio reference ranges, as compared to the exchange ratio provided for in the merger:

<b>Implied Exchange Ratio Reference Ranges Based on:</b>		
<b>2009E EBITDA</b>	<b>2009E LFCF</b>	<b>Exchange Ratio</b>

0.98x 1.13x

1.10x 1.24x

1.37x

Barclays Capital and Morgan Stanley selected the companies reviewed in this analysis because, among other things, such companies operate as independent local exchange carriers and, as a result, their businesses and operating profiles are generally similar to that of Embarq and CenturyTel. However, no selected company is identical to Embarq or CenturyTel. Accordingly, Barclays Capital and Morgan Stanley believe that purely quantitative analyses are not, in isolation, determinative in the context of the merger and that qualitative judgments concerning differences between the business, financial and operating characteristics and prospects of Embarq, CenturyTel and the selected companies that could affect the public trading values of each also are relevant.

**Table of Contents****Selected Precedent Transactions Analysis**

In order to assess how independent local exchange carriers have been valued in merger and acquisition transactions, Barclays Capital and Morgan Stanley reviewed and compared the purchase prices and financial multiples paid in the following six selected precedent transactions announced from December 2005 to July 2007 involving independent local exchange carriers or related assets:

<b>Announcement Date</b>	<b>Acquiror</b>	<b>Target</b>
7/2/2007	Consolidated Communications Holdings, Inc.	North Pittsburgh Systems, Inc.
5/29/2007	Windstream Corporation	CT Communications, Inc.
1/14/2007	FairPoint Communications, Inc.	New England assets of Verizon Communications Inc.
12/18/2006	CenturyTel	Madison River Communications Corp.
9/18/2006	Citizens Communications Company	Commonwealth Telephone Enterprises Inc.
12/9/2005	Windstream Corporation	Valor Communications Group Inc.

Barclays Capital and Morgan Stanley calculated transaction values in the selected precedent transactions as the ratio of the target company's enterprise value, based on the consideration payable in the selected precedent transaction, to its latest 12 months EBITDA both before and after taking into account estimated synergies anticipated to be realized from the selected precedent transaction. Financial data (including estimated synergies) of the selected precedent transactions were based on publicly available information at the time of announcement of the relevant transaction. Estimated financial data of Embarq and estimated synergies expected to be realized from the merger were based on internal estimates of CenturyTel's management. Based on implied per share equity reference ranges for Embarq, calculated by applying ranges of selected multiples derived from the selected precedent transactions of latest 12 months EBITDA (both before and after taking into account estimated synergies from the selected precedent transactions) of 6.5x to 7.5x and 5.5x to 6.5x, respectively, to Embarq's calendar year 2008 estimated EBITDA (both before and after taking into account estimated merger synergies, assuming Embarq would receive 100% credit for such synergies) and on CenturyTel's closing stock price as of October 24, 2008, this analysis indicated the following implied exchange ratio reference ranges, as compared to the exchange ratio provided for in the merger:

<b>Implied Exchange Ratio Reference Ranges:</b>		
<b>Excluding Synergies</b>	<b>Including Synergies</b>	<b>Exchange Ratio</b>
2.61x 3.22x	2.49x 3.20x	1.37x

Barclays Capital and Morgan Stanley also reviewed the premiums paid in selected all-stock transactions with transaction values of between \$3 billion and \$8 billion in equity value paid announced from January 1, 2001 to October 15, 2008. For each transaction, Barclays Capital and Morgan Stanley calculated the premium paid by the acquiror by comparing, among other things, the announced transaction value per share to the target company's share price one-trading day prior to announcement and the target company's share price 30 days prior to announcement. Barclays Capital and Morgan Stanley calculated implied exchange ratios based on Embarq's and CenturyTel's closing stock prices as of October 24, 2008 and based on Embarq's 30-day average closing stock price and CenturyTel's 30-day average closing stock price ending October 24, 2008. Barclays Capital and Morgan Stanley then applied to such implied exchange ratios a range of selected premiums of 15% to 40% derived from the selected transactions. This analysis indicated the following implied exchange ratio reference ranges, as compared to the exchange ratio provided

for in the merger:

**Implied Exchange Ratio Reference Ranges:**

<b>Based on Closing Stock Prices as of October 24, 2008</b>	<b>Based on 30-Day Average Closing Stock Price</b>	<b>Exchange Ratio</b>
1.16x 1.41x	1.23x 1.50x	1.37x

The reasons for and the circumstances surrounding each of the transactions considered were diverse and there are inherent differences in the business, operations, financial conditions and prospects of Embarq and the companies included in the above analyses. Accordingly, Barclays Capital and Morgan Stanley believe that purely quantitative analyses are not, in isolation, determinative in the context of the merger and that qualitative

**Table of Contents**

judgments concerning differences between the characteristics of the selected transactions and the proposed merger that could affect the acquisition values of the selected target companies and Embarq also are relevant.

**Discounted Cash Flow Analysis**

Barclays Capital and Morgan Stanley performed a discounted cash flow analysis of Embarq, which is a valuation methodology used to derive a valuation of an asset by calculating the present value of estimated future cash flows of the asset. Present value refers to the current value of future cash flows or amounts and is obtained by discounting those future cash flows or amounts by a discount rate that takes into account macroeconomic assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors. Estimated financial data of Embarq and estimated synergies expected to be realized from the merger utilized in such analysis were based on internal estimates of CenturyTel's management.

In calculating the estimated enterprise value of Embarq using the discounted cash flow methodology, Barclays Capital and Morgan Stanley added (i) the present value of Embarq's projected after-tax unlevered free cash flows for fiscal years 2009 through 2012 to (ii) the present value of Embarq's residual after-tax unlevered free cash flows for the fiscal years after 2012 estimated based on the projected after-tax unlevered free cash flows for fiscal year 2013, also referred to as the terminal value. The after-tax unlevered free cash flows were calculated by subtracting taxes and capital expenditures from EBITDA and adjusting for changes in working capital and other income and expenses. The terminal value was estimated by applying selected ranges of perpetual growth rates of -2.0% to 0.0% and -2.0% to 1.0% and discount rates of 7.0% to 8.0% to Embarq's fiscal year 2013 projected unlevered free cash flows. The cash flows and terminal values were then discounted to present value using the same discount rates referenced above. Implied per share equity reference ranges for Embarq, both before and after taking into account estimated merger synergies (assuming Embarq would receive 100% credit for such synergies), were then calculated by subtracting debt and adding cash and cash equivalents from Embarq's estimated enterprise value and dividing such amount by the fully diluted shares of Embarq's common stock. Based on implied per share equity reference ranges for Embarq, both before and after taking into account estimated merger synergies, and on CenturyTel's closing stock price as of October 24, 2008, this analysis indicated the following implied exchange ratio reference ranges, as compared to the exchange ratio provided for in the merger:

**Implied Exchange Ratio Reference Ranges****Based on Perpetual Growth Rates of (2.0)% to 0.0%:**

<b>Excluding Synergies</b>	<b>Including Synergies</b>	<b>Exchange Ratio</b>
1.22x 2.07x	1.90x 2.86x	1.37x

**Implied Exchange Ratio Reference Ranges****Based on Perpetual Growth Rates of (2.0)% to 1.0%:**

<b>Excluding Synergies</b>	<b>Including Synergies</b>	<b>Exchange Ratio</b>
1.22x 2.50x	1.90x 3.28x	1.37x

**Contribution Analysis**

Barclays Capital and Morgan Stanley reviewed the relative contributions of CenturyTel and Embarq to the following estimated financial and operating metrics of the combined company for calendar year 2009, based on internal estimates of CenturyTel's management:



average access telephone lines;  
average total connections, including average total access lines plus DSL subscribers;  
revenue;  
EBITDA;  
EBITDA less capital expenditures; and  
LFCF.

Barclays Capital and Morgan Stanley calculated the following overall aggregate equity ownership percentages, adjusted for outstanding indebtedness, less cash and cash equivalents of each company, of CenturyTel and Embarq shareholders in the combined company based on these relative contributions and then compared such percentages to the aggregate pro forma equity ownership percentages of CenturyTel

**Table of Contents**

shareholders and Embarq stockholders, respectively, in the combined company upon consummation of the merger based on the exchange ratio provided for in the merger:

<b>Equity Contribution Percentage</b>		<b>Reference Ranges</b>		<b>Aggregate Pro Forma Equity Ownership Percentages Based on Exchange Ratio</b>	
<b>CenturyTel</b>		<b>Embarq</b>		<b>CenturyTel</b>	<b>Embarq</b>
18%	35%	65%	82%	34%	66%

**Pro Forma Financial Analyses**

*Accretion/Dilution Analysis.* Barclays Capital and Morgan Stanley reviewed the potential pro forma financial effects of the merger on the combined company's calendar years 2009 and 2010 estimated LFCF per share and earnings per share, commonly referred to as EPS, based on internal estimates of CenturyTel's management and consensus estimates of publicly available equity research analysts, after taking into account certain estimated share repurchases by CenturyTel (using an estimated 20% of annual combined company LFCF) and estimated synergies expected by CenturyTel's management to be realized from the merger, both assumi