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Arizona Corporation Commission

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AZ CORP COMMISSION  
DOCUMENT CONTROL

September 28, 2000

**DOCKETED**

OCT 02 2000

**VIA OVERNIGHT DELIVERY**

Docket Control Center  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, Arizona 85007

DOCKETED BY	
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Re: Application of CenturyTel Solutions, LLC for a Certificate of Convenience and Necessity to Provide Competitive Intrastate Telecommunications Services  
Docket No. T-03902A-00-0509

Dear Sir or Madam:

On behalf of CenturyTel Solutions, LLC ("CTS"), and pursuant to staff request for further information dated July 21, 2000, transmitted herewith are an original and 10 copies of the company's responses thereto. CTS's answers to staff requests for information are as follows:

- Q-1. Please elaborate on what services (facilities-based or resold and interexchange or local) you currently offer or have authority to offer in each state.**
- A-1. CTS is authorized to provide facilities-based and resold local exchange telecommunications services in the following states: Arkansas, Colorado, Louisiana, Michigan, Mississippi, Oregon, Washington, and Wisconsin.
- Q-2. If your Company intends to rely on the financial resources of its Parent Company, please provide your Parent Company's financial statements. Please also provide a written statement from your Parent Company attesting that it will provide complete financial backing if your Company experiences a net loss or a business failure and that it will guarantee repayment of customers' advances, prepayments or deposits held by your Company if, for some reason, your Company cannot provide service or repay the deposits.**
- A-2. Please find attached hereto as Exhibit A the most recent SEC Form 10-K of CenturyTel's parent company, CenturyTel, Inc. ("CTI"), as well as a guaranty from CTI attesting that it guarantees the financial obligations attendant to CTS's operation as a provider of competitive intrastate telecommunication service in the State Arizona.

**Q-3. Provide a customer service number.**

A-3. The toll-free telephone number for customer service for CTS is: 1-800-582-9717.

**Q-4. Is your company currently reselling telecommunications service in Arizona?**

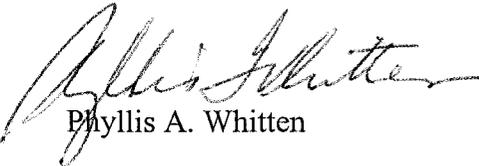
A-4. CTS is not currently reselling telecommunications service in Arizona.

**Q-5. List the number and types of interconnection agreements you have entered into, along with the companies with which you have agreements. Are decisions on these agreements pending or have they been approved?**

Presently, CTS has not entered into an interconnection agreement to provide telecommunications services in the State of Arizona. As indicated in its Application submitted to the Commission, CTS plans to opt into a previously approved US West interconnection agreement.

Please date stamp the extra copy of this filing, and return it in the enclosed stamped self-addressed envelope. If you have any questions, please contact me at (202) 424-7618.

Sincerely,



Phyllis A. Whitten

Counsel for CenturyTel Solutions, LLC

cc: Marta Kalleberg (ACC)  
Stacey Goff (CTI)  
Susan Smith (CTS)  
Vickie S. Byrd

**EXHIBIT A**

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

FORM 10-K

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

For the fiscal year ended December 31, 1999

or

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

Commission file number 1-7784

**CENTURYTEL, INC.**

(Exact name of Registrant as specified in its charter)

Louisiana  
(State or other jurisdiction of  
incorporation or organization)

72-0651161  
(IRS Employer  
Identification No.)

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

71203  
(Zip Code)

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

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$1.00	New York Stock Exchange Berlin Stock Exchange
Preference Share Purchase Rights	New York Stock Exchange Berlin Stock Exchange

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

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

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

As of February 29, 2000, the aggregate market value of voting stock held by non-affiliates (affiliates being for these purposes only directors, executive officers and holders of more than five percent of the Company's outstanding voting securities) was \$4.7 billion. As of February 29, 2000, there were 140,216,554 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's Proxy Statement prepared in connection with the 2000 annual meeting of shareholders are incorporated in Part III of this Report.

## PART I

### Item 1. Business

*General.* CenturyTel, Inc. ("CenturyTel") is a regional diversified communications company engaged primarily in providing local exchange telephone services and wireless telephone communications services. For the year ended December 31, 1999, local exchange telephone operations and wireless operations provided 68% and 25%, respectively, of the consolidated revenues of CenturyTel and its subsidiaries (the "Company"). Substantially all of the Company's telephone and wireless operations are conducted within the continental United States.

At December 31, 1999, the Company's local exchange telephone subsidiaries operated over 1.27 million telephone access lines, primarily in rural, suburban and small urban areas in 20 states, with the largest customer bases located in Wisconsin, Washington, Michigan, Louisiana, Colorado, Ohio, Oregon and Montana. According to published sources, the Company is the seventh largest local exchange telephone company in the United States based on the number of access lines served. For more information, see "Telephone Operations."

At December 31, 1999, the Company's majority-owned and operated cellular systems served approximately 707,000 customers in 19 Metropolitan Statistical Areas ("MSAs") in Michigan, Louisiana, Arkansas, Mississippi, Wisconsin and Texas, and 23 Rural Service Areas ("RSAs"), most of which are in Michigan, Louisiana, Arkansas, Mississippi and Wisconsin. The Company's ownership interest in these operated markets represented approximately 7.6 million pops (the estimated population of licensed cellular telephone markets multiplied by the Company's proportionate equity interest in the licensed operators thereof). At December 31, 1999, the Company also owned minority equity interests in 10 MSAs and 17 RSAs, representing approximately 1.9 million pops. Of the Company's 9.5 million aggregate pops, approximately 64% are attributable to the Company's MSA interests, with the balance attributable to its RSA interests. All of the cellular systems operated by the Company are operated under wireline licenses, except for three MSAs and five RSAs which are operated under non-wireline licenses. According to data derived from published sources, the Company is the ninth largest cellular telephone company in the United States based on the Company's 9.5 million pops. For more information, see "Wireless Operations."

The Company also provides long distance, security monitoring, cable television and interactive services in certain local and regional markets, as well as certain printing and related services. For more information, see "Other Operations."

*Recent acquisitions and dispositions.* In November 1999, the Company acquired the assets of DigiSys, Inc., an Internet service provider in Kalispell, Montana. DigiSys provides Internet services to more than 8,600 customers in Montana and operates MontanaWeb, one of the largest online business directories in the state.

In October 1999, the Company acquired the non-wireline cellular license to serve Mississippi RSA #5, which covers 160,000 pops. Mississippi RSA #5 encompasses the Vicksburg and Greenville markets as well as portions of Interstate Highway 20 between Jackson, Mississippi and Monroe, Louisiana.

On December 1, 1998, the Company acquired the assets of certain of Ameritech's telephone operations and related telephone directories in 19 telephone exchanges covering 21 communities in northern and central Wisconsin for approximately \$221 million cash. The operations acquired by the Company include the telephone property and equipment that serves nearly 69,000 customers, or approximately 86,000 access lines, as well as nine related telephone directories.

On December 1, 1997, the Company acquired Pacific Telecom, Inc. ("PTI") in exchange for \$1.503 billion cash. As a result of the PTI acquisition, the Company acquired (i) over 660,000 telephone access lines in four midwestern states, seven western states and Alaska, (ii) over 88,000 cellular customers in ten markets located in two midwestern states and Alaska and (iii) various wireless, cable television and other communications assets. In May 1998, the Company sold PTI's undersea cable operations for approximately \$61.8 million cash. In May 1999, the Company sold substantially all of its Alaska operations that it had acquired from PTI for approximately \$300 million after-tax. In February 2000, the Company sold its interest in Alaska RSA #1 which completed the Company's divestiture of its Alaska operations.

During late 1997 and early 1998, the Company acquired two security monitoring businesses that provide services to approximately 6,000 customers in north central Louisiana, southern Arkansas and northwestern Mississippi.

In December 1997 the Company acquired an additional 76% interest in Wisconsin RSA #8, which is adjacent to the Company's existing cellular operations in southwestern Wisconsin.

During 1997 the Company exchanged its 89% interest in its competitive access subsidiary for approximately 4.3 million shares of publicly traded common stock. Approximately 3.8 million shares of such stock were sold in November 1997 for \$203 million and the remaining shares were converted into approximately 1.0 million shares of MCIWorldCom, Inc. ("WorldCom") in early 1998. In the second quarter of 1998, the Company sold 750,000 shares of WorldCom common stock for \$35.6 million. In January 1999, the Company sold its remaining shares of WorldCom stock for \$20.1 million.

In January 1997 the Company acquired Pecoco, Inc., a provider of local exchange telephone service in four counties in Wisconsin. As a result of the acquisition, the Company acquired (i) more than 7,600 telephone access lines, (ii) a minority interest in two cellular partnerships serving Madison and Milwaukee, Wisconsin, representing approximately 35,000 pops and (iii) certain cable television assets.

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

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

*Pending acquisitions.* In June 1999, the Company signed a definitive asset purchase agreement to purchase from affiliates of GTE Corporation ("GTE") telephone access lines (which numbered approximately 225,000 at December 31, 1999) and related local exchange assets in Arkansas for approximately \$845.8 million in cash. In July 1999, the Company acquired a 61.5% (56.9% fully diluted) interest in a newly-organized joint venture company which has entered into a definitive asset purchase agreement with affiliates of GTE to purchase telephone access lines (which numbered approximately 121,000 at December 31, 1999) and related local exchange assets in Missouri for approximately \$290 million in cash. At closing, the Company has agreed to make approximately a \$55 million preferred equity investment in the new entity and it is anticipated that the Company will loan the new entity approximately \$220 million.

In August 1999, the Company acquired an 89% interest in a newly-organized joint venture company which has entered into a definitive asset purchase agreement to purchase telephone access lines (which numbered approximately 61,700 as of December 31, 1999) and related local exchange assets in Wisconsin from a GTE affiliate for approximately \$170 million cash. At closing the Company has agreed to make an equity investment in the newly organized company of approximately \$37.8 million and it is anticipated that the Company will loan the new entity approximately \$130 million. In October 1999, the Company also entered into a definitive asset purchase agreement to purchase additional telephone access lines (which numbered approximately 68,200 as of December 31, 1999) and related local exchange assets in Wisconsin from a GTE affiliate for approximately \$195 million cash.

*Other.* As of December 31, 1999, the Company had approximately 5,700 employees, approximately 760 of whom were members of seven different bargaining units represented by the International Brotherhood of Electrical Workers, Communications Workers of America, or the NTS Employee Committee. Relations with employees continue to be generally good.

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

### TELEPHONE OPERATIONS

According to published sources, the Company is the seventh largest local exchange telephone company in the United States, based on the more than 1.27 million access lines it served at December 31, 1999. All of the Company's access lines are digitally switched. Through its operating telephone subsidiaries, the Company provides services to predominately rural, suburban and small urban markets in 20 states. The table below sets forth certain information with respect to the Company's access lines as of December 31, 1999 and 1998.

State	December 31, 1999		December 31, 1998	
	Number of access lines	Percent of access lines	Number of access lines	Percent of access lines
Wisconsin	358,768	28%	340,895	25%
Washington	183,759	14	175,508	13
Alaska	-	-	131,858	10
Michigan	112,468	9	108,769	8
Louisiana	100,967	8	97,676	7
Colorado	91,446	7	86,249	7
Ohio	83,287	7	80,400	6
Oregon	78,210	6	75,392	6
Montana	63,867	5	60,657	5
Texas	48,144	4	44,822	3
Arkansas	45,675	4	43,778	3
Minnesota	30,583	2	29,708	2
Tennessee	26,917	2	25,609	2
Mississippi	21,844	2	19,648	2
Idaho	6,040	1	5,881	1
New Mexico	6,354	1	5,770	-
Indiana	5,266	0	5,136	-
Wyoming	4,841	0	4,663	-
Iowa	1,997	0	1,938	-
Arizona	1,936	0	1,780	-
Nevada	498	0	430	-
	<u>1,272,867</u>	<u>100%</u>	<u>1,346,567</u>	<u>100%</u>

As indicated in the following table, the Company has experienced growth in its telephone operations over the past several years, a substantial portion of which was attributable to the December 1997 acquisition of PTI and other telephone properties and to the expansion of services. A portion of the Company's access line growth was offset by the May 1999 sale of the Company's Alaska telephone operations.

	Year ended or as of December 31,				
	1999	1998	1997	1996	1995
	(Dollars in thousands)				
Access lines	1,272,867	1,346,567	1,203,650	503,562	480,757
% Residential	75%	74	74	77	78
% Business	25%	26	26	23	22
Operating revenues	\$ 1,142,593	1,091,610	530,597	451,538	419,242
Capital expenditures	\$ 233,512	233,190	115,854	110,147	136,006

Future growth in telephone operations is expected to be derived from (i) acquiring additional telephone properties from GTE and others, (ii) providing service to new customers, (iii) increasing network usage and (iv) providing additional services made possible by advances in technology and changes in regulation. For information on developing competitive trends, see "-Regulation and Competition."

#### Services

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

	1999	1998	1997
Local service	30.9%	30.4	27.8
Network access	57.2	57.7	60.2
Other	11.9	11.9	12.0
	100.0%	100.0	100.0

*Local service.* Local service revenues are derived from the provision of local exchange telephone services in the Company's service areas. Internal access line growth during 1999, 1998 and 1997 was 4.8%, 4.7% and 4.4%, respectively. The Company believes that access line growth in the future should benefit from population growth in its service areas, acquisitions and increases in the number of households maintaining more than one access line. The Company believes its Internet access services (discussed further below) have led to an increase in orders for additional lines.

The installation of digital switches and related software has been an important component of the Company's growth strategy because it allows the Company to offer enhanced services (such as call forwarding, conference calling, caller identification, selective call ringing and call waiting) and to thereby increase utilization of existing access lines. In 1999 the Company continued to expand its list of premium services (such as voice mail and Internet access) offered in certain service areas and aggressively marketed these services.

*Network access.* Network access revenues primarily relate to services provided by the Company to long distance carriers and other customers in connection with the use of the Company's facilities to

originate and terminate interstate and intrastate long distance telephone calls. Access charges to long distance carriers and other customers are based on tariffed access rates filed with the Federal Communications Commission ("FCC") for interstate services and with the respective state regulatory agency for intrastate services. Certain of the Company's interstate network access revenues are based on access charges prescribed by the FCC; the remainder of such revenues are derived under revenue sharing arrangements with other local exchange carriers ("LECs") administered by the National Exchange Carrier Association ("NECA").

Certain of the Company's intrastate network access revenues are derived through access charges billed by the Company to intrastate long distance carriers and other LEC customers. Such intrastate network access charges are based on access tariffs, which are subject to state regulatory commission approval. Additionally, certain of the Company's intrastate network access revenues, along with intrastate long distance revenues, are derived through revenue sharing arrangements with other LECs.

The Company is installing fiber optic cable in certain of its high traffic routes and provides alternative routing of telephone service over fiber optic cable networks in several strategic operating areas. At December 31, 1999, the Company's telephone subsidiaries had over 7,310 miles of fiber optic cable in use.

*Other.* Other revenues include revenues related to (i) leasing, selling, installing, maintaining and repairing customer premise telecommunications equipment and wiring, (ii) providing billing and collection services for long distance companies, (iii) participating in the publication of local directories and (iv) providing Internet access. The Company began offering traditional Internet access services to its telephone customers in 1995. During 1999, the Company began offering in select markets digital subscriber line Internet access services, a high-speed premium-priced data service. At December 31, 1999 the Company provided Internet access services to approximately 59,700 customers in 355 markets in 13 states. These 355 markets represent 70% of the access lines served by the Company's LECs.

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

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

#### Federal Financing Programs

Certain of the Company's telephone subsidiaries receive long-term financing from the Rural Utilities Service ("RUS") and the Rural Telephone Bank ("RTB"). The RUS has made long-term loans to telephone

companies since 1949 for the purpose of improving telephone service in rural areas. The RUS continues to make new loans at interest rates that range from 5% to 7% based on borrower qualifications and the cost of funds to the United States government. The RTB, established in 1971, makes long-term loans at interest rates based on its average cost of funds as determined by statutory formula (such rates ranged from 5.89% to 5.98% for the fiscal year ended September 30, 1999), and in some cases makes loans concurrently with RUS loans. Most of the Company's telephone plant is pledged or mortgaged to secure obligations of the Company's telephone subsidiaries to the RUS and RTB. The Company's telephone subsidiaries which have borrowed from government agencies generally may not loan or advance any funds to CenturyTel, but may pay dividends if certain financial covenants are met.

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

### Regulation and Competition

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

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

In recent years, state legislatures and regulatory commissions in most of the states in which the Company has substantial operations have either begun to reduce the regulation of LECs or have announced their intention to do so, and it is expected that this trend will continue. Wisconsin, Louisiana and several other of these states have passed legislation which permit LECs to opt out of rate of return regulation in exchange for agreeing to alternative forms of regulation which typically permit the LEC greater freedom to establish local service rates in exchange for agreeing not to charge rates in excess of specified caps. As discussed further below most of the Company's remaining Wisconsin telephone subsidiaries have agreed to

be governed by alternative regulation plans, and the Company continues to explore its options for similar treatment in other states. The Company believes that reduced regulatory oversight of certain of the Company's telephone operations may allow the Company to offer new and competitive services faster than under the traditional regulatory process. Coincident with these efforts, legislative, regulatory and technological changes have introduced competition into the local exchange industry. See "-Developments Affecting Competition."

Substantially all of the state regulatory commissions have statutory authority, the specific limits of which vary, to initiate and conduct earnings reviews of the LECs that they regulate under "rate of return" regulation. Notwithstanding the movement towards deregulation, most of the Company's LECs continue to be regulated under rate of return regulation, and remain subject to earnings reviews.

In 1997 the Louisiana Public Service Commission ("LPSC") adopted a Consumer Price Protection Plan (the "Louisiana Plan"), effective July 1997, which impacts all of the Company's LECs operating in Louisiana. The new form of regulation focuses on price and quality of service. Under the Louisiana Plan, the Company's Louisiana LECs' local rates were frozen for a period of three years and access rates were frozen for a period of two years. Although the Louisiana Plan has no specified term, the LPSC is required to review it by mid-2000. The Company's Louisiana LECs have the option to propose a new plan at any time if the LPSC determines that (i) effective competition exists or (ii) unforeseen events threaten the subsidiary's ability to provide adequate service or impair its financial health.

The Company's telephone operations in Wisconsin that were acquired in the December 1997 acquisition of PTI have been regulated under an alternative regulation plan (the "Wisconsin Plan") since June 1996. In late 1999 and early 2000, substantially all of the Company's remaining Wisconsin telephone subsidiaries agreed to be subject to alternative regulation plans. Each of these plans have a five-year term and permit the Company to freely adjust local rates within specified parameters if certain quality-of-service and infrastructure-development commitments are met. These plans also include initiatives designed to promote competition.

The Michigan Public Service Commission regulates the Company's Michigan telephone subsidiaries pursuant to the parameters established by the Michigan Telecommunications Act of 1995 ("MTA"). The MTA restructured regulation to focus on price and quality of service as opposed to traditional rate of return regulation. The MTA relies more on existing federal and state law regarding antitrust consumer protection and fair trade to provide safeguards for competition and consumers.

*FCC regulation.* The FCC regulates the interstate services provided by the Company's telephone subsidiaries primarily by regulating the interstate access charges that are billed to long distance companies and other LECs by the Company for use of its local network in connection with the origination and termination of interstate telephone calls. Additionally, the FCC has prescribed certain rules and regulations

## PART I

### Item 1. Business

*General.* CenturyTel, Inc. ("CenturyTel") is a regional diversified communications company engaged primarily in providing local exchange telephone services and wireless telephone communications services. For the year ended December 31, 1999, local exchange telephone operations and wireless operations provided 68% and 25%, respectively, of the consolidated revenues of CenturyTel and its subsidiaries (the "Company"). Substantially all of the Company's telephone and wireless operations are conducted within the continental United States.

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*Pending acquisitions.* In June 1999, the Company signed a definitive asset purchase agreement to purchase from affiliates of GTE Corporation ("GTE") telephone access lines (which numbered approximately 225,000 at December 31, 1999) and related local exchange assets in Arkansas for approximately \$845.8 million in cash. In July 1999, the Company acquired a 61.5% (56.9% fully diluted) interest in a newly-organized joint venture company which has entered into a definitive asset purchase agreement with affiliates of GTE to purchase telephone access lines (which numbered approximately 121,000 at December 31, 1999) and related local exchange assets in Missouri for approximately \$290 million in cash. At closing, the Company has agreed to make approximately a \$55 million preferred equity investment in the new entity and it is anticipated that the Company will loan the new entity approximately \$220 million.

In August 1999, the Company acquired an 89% interest in a newly-organized joint venture company which has entered into a definitive asset purchase agreement to purchase telephone access lines (which numbered approximately 61,700 as of December 31, 1999) and related local exchange assets in Wisconsin from a GTE affiliate for approximately \$170 million cash. At closing the Company has agreed to make an equity investment in the newly organized company of approximately \$37.8 million and it is anticipated that the Company will loan the new entity approximately \$130 million. In October 1999, the Company also entered into a definitive asset purchase agreement to purchase additional telephone access lines (which numbered approximately 68,200 as of December 31, 1999) and related local exchange assets in Wisconsin from a GTE affiliate for approximately \$195 million cash.

*Other.* As of December 31, 1999, the Company had approximately 5,700 employees, approximately 760 of whom were members of seven different bargaining units represented by the International Brotherhood of Electrical Workers, Communications Workers of America, or the NTS Employee Committee. Relations with employees continue to be generally good.

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

### TELEPHONE OPERATIONS

According to published sources, the Company is the seventh largest local exchange telephone company in the United States, based on the more than 1.27 million access lines it served at December 31, 1999. All of the Company's access lines are digitally switched. Through its operating telephone subsidiaries, the Company provides services to predominately rural, suburban and small urban markets in 20 states. The table below sets forth certain information with respect to the Company's access lines as of December 31, 1999 and 1998.

State	December 31, 1999		December 31, 1998	
	Number of access lines	Percent of access lines	Number of access lines	Percent of access lines
Wisconsin	358,768	28%	340,895	25%
Washington	183,759	14	175,508	13
Alaska	-	-	131,858	10
Michigan	112,468	9	108,769	8
Louisiana	100,967	8	97,676	7
Colorado	91,446	7	86,249	7
Ohio	83,287	7	80,400	6
Oregon	78,210	6	75,392	6
Montana	63,867	5	60,657	5
Texas	48,144	4	44,822	3
Arkansas	45,675	4	43,778	3
Minnesota	30,583	2	29,708	2
Tennessee	26,917	2	25,609	2
Mississippi	21,844	2	19,648	2
Idaho	6,040	1	5,881	1
New Mexico	6,354	1	5,770	-
Indiana	5,266	0	5,136	-
Wyoming	4,841	0	4,663	-
Iowa	1,997	0	1,938	-
Arizona	1,936	0	1,780	-
Nevada	498	0	430	-
	<u>1,272,867</u>	<u>100%</u>	<u>1,346,567</u>	<u>100%</u>

As indicated in the following table, the Company has experienced growth in its telephone operations over the past several years, a substantial portion of which was attributable to the December 1997 acquisition of PTI and other telephone properties and to the expansion of services. A portion of the Company's access line growth was offset by the May 1999 sale of the Company's Alaska telephone operations.

	Year ended or as of December 31.				
	1999	1998	1997	1996	1995
	(Dollars in thousands)				
Access lines	1,272,867	1,346,567	1,203,650	503,562	480,757
% Residential	75%	74	74	77	78
% Business	25%	26	26	23	22
Operating revenues	\$ 1,142,593	1,091,610	530,597	451,538	419,242
Capital expenditures	\$ 233,512	233,190	115,854	110,147	136,006

Future growth in telephone operations is expected to be derived from (i) acquiring additional telephone properties from GTE and others, (ii) providing service to new customers, (iii) increasing network usage and (iv) providing additional services made possible by advances in technology and changes in regulation. For information on developing competitive trends, see "-Regulation and Competition."

#### Services

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

	1999	1998	1997
Local service	30.9%	30.4	27.8
Network access	57.2	57.7	60.2
Other	11.9	11.9	12.0
	100.0%	100.0	100.0

*Local service.* Local service revenues are derived from the provision of local exchange telephone services in the Company's service areas. Internal access line growth during 1999, 1998 and 1997 was 4.8%, 4.7% and 4.4%, respectively. The Company believes that access line growth in the future should benefit from population growth in its service areas, acquisitions and increases in the number of households maintaining more than one access line. The Company believes its Internet access services (discussed further below) have led to an increase in orders for additional lines.

The installation of digital switches and related software has been an important component of the Company's growth strategy because it allows the Company to offer enhanced services (such as call forwarding, conference calling, caller identification, selective call ringing and call waiting) and to thereby increase utilization of existing access lines. In 1999 the Company continued to expand its list of premium services (such as voice mail and Internet access) offered in certain service areas and aggressively marketed these services.

*Network access.* Network access revenues primarily relate to services provided by the Company to long distance carriers and other customers in connection with the use of the Company's facilities to

originate and terminate interstate and intrastate long distance telephone calls. Access charges to long distance carriers and other customers are based on tariffed access rates filed with the Federal Communications Commission ("FCC") for interstate services and with the respective state regulatory agency for intrastate services. Certain of the Company's interstate network access revenues are based on access charges prescribed by the FCC; the remainder of such revenues are derived under revenue sharing arrangements with other local exchange carriers ("LECs") administered by the National Exchange Carrier Association ("NECA").

Certain of the Company's intrastate network access revenues are derived through access charges billed by the Company to intrastate long distance carriers and other LEC customers. Such intrastate network access charges are based on access tariffs, which are subject to state regulatory commission approval. Additionally, certain of the Company's intrastate network access revenues, along with intrastate long distance revenues, are derived through revenue sharing arrangements with other LECs.

The Company is installing fiber optic cable in certain of its high traffic routes and provides alternative routing of telephone service over fiber optic cable networks in several strategic operating areas. At December 31, 1999, the Company's telephone subsidiaries had over 7,310 miles of fiber optic cable in use.

*Other.* Other revenues include revenues related to (i) leasing, selling, installing, maintaining and repairing customer premise telecommunications equipment and wiring, (ii) providing billing and collection services for long distance companies, (iii) participating in the publication of local directories and (iv) providing Internet access. The Company began offering traditional Internet access services to its telephone customers in 1995. During 1999, the Company began offering in select markets digital subscriber line Internet access services, a high-speed premium-priced data service. At December 31, 1999 the Company provided Internet access services to approximately 59,700 customers in 355 markets in 13 states. These 355 markets represent 70% of the access lines served by the Company's LECs.

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

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

#### Federal Financing Programs

Certain of the Company's telephone subsidiaries receive long-term financing from the Rural Utilities Service ("RUS") and the Rural Telephone Bank ("RTB"). The RUS has made long-term loans to telephone

companies since 1949 for the purpose of improving telephone service in rural areas. The RUS continues to make new loans at interest rates that range from 5% to 7% based on borrower qualifications and the cost of funds to the United States government. The RTB, established in 1971, makes long-term loans at interest rates based on its average cost of funds as determined by statutory formula (such rates ranged from 5.89% to 5.98% for the fiscal year ended September 30, 1999), and in some cases makes loans concurrently with RUS loans. Most of the Company's telephone plant is pledged or mortgaged to secure obligations of the Company's telephone subsidiaries to the RUS and RTB. The Company's telephone subsidiaries which have borrowed from government agencies generally may not loan or advance any funds to CenturyTel, but may pay dividends if certain financial covenants are met.

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

### Regulation and Competition

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

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

In recent years, state legislatures and regulatory commissions in most of the states in which the Company has substantial operations have either begun to reduce the regulation of LECs or have announced their intention to do so, and it is expected that this trend will continue. Wisconsin, Louisiana and several other of these states have passed legislation which permit LECs to opt out of rate of return regulation in exchange for agreeing to alternative forms of regulation which typically permit the LEC greater freedom to establish local service rates in exchange for agreeing not to charge rates in excess of specified caps. As discussed further below most of the Company's remaining Wisconsin telephone subsidiaries have agreed to

be governed by alternative regulation plans, and the Company continues to explore its options for similar treatment in other states. The Company believes that reduced regulatory oversight of certain of the Company's telephone operations may allow the Company to offer new and competitive services faster than under the traditional regulatory process. Coincident with these efforts, legislative, regulatory and technological changes have introduced competition into the local exchange industry. See "Developments Affecting Competition."

Substantially all of the state regulatory commissions have statutory authority, the specific limits of which vary, to initiate and conduct earnings reviews of the LECs that they regulate under "rate of return" regulation. Notwithstanding the movement towards deregulation, most of the Company's LECs continue to be regulated under rate of return regulation, and remain subject to earnings reviews.

In 1997 the Louisiana Public Service Commission ("LPSC") adopted a Consumer Price Protection Plan (the "Louisiana Plan"), effective July 1997, which impacts all of the Company's LECs operating in Louisiana. The new form of regulation focuses on price and quality of service. Under the Louisiana Plan, the Company's Louisiana LECs' local rates were frozen for a period of three years and access rates were frozen for a period of two years. Although the Louisiana Plan has no specified term, the LPSC is required to review it by mid-2000. The Company's Louisiana LECs have the option to propose a new plan at any time if the LPSC determines that (i) effective competition exists or (ii) unforeseen events threaten the subsidiary's ability to provide adequate service or impair its financial health.

The Company's telephone operations in Wisconsin that were acquired in the December 1997 acquisition of PTI have been regulated under an alternative regulation plan (the "Wisconsin Plan") since June 1996. In late 1999 and early 2000, substantially all of the Company's remaining Wisconsin telephone subsidiaries agreed to be subject to alternative regulation plans. Each of these plans have a five-year term and permit the Company to freely adjust local rates within specified parameters if certain quality-of-service and infrastructure-development commitments are met. These plans also include initiatives designed to promote competition.

The Michigan Public Service Commission regulates the Company's Michigan telephone subsidiaries pursuant to the parameters established by the Michigan Telecommunications Act of 1995 ("MTA"). The MTA restructured regulation to focus on price and quality of service as opposed to traditional rate of return regulation. The MTA relies more on existing federal and state law regarding antitrust consumer protection and fair trade to provide safeguards for competition and consumers.

*FCC regulation.* The FCC regulates the interstate services provided by the Company's telephone subsidiaries primarily by regulating the interstate access charges that are billed to long distance companies and other LECs by the Company for use of its local network in connection with the origination and termination of interstate telephone calls. Additionally, the FCC has prescribed certain rules and regulations

for telephone companies, including regulations regarding the use of radio frequencies; a uniform system of accounts; and rules regarding the separation of costs between jurisdictions and, ultimately, between interstate services.

Effective January 1, 1991, the FCC adopted price-cap regulation relating to interstate access rates for the Regional Bell Operating Companies ("RBOCs") and GTE Corporation. All other LECs may elect to be subject to price-cap regulation. Under price-cap regulation, limits imposed on a company's interstate rates are adjusted periodically to reflect inflation, productivity improvement and changes in certain non-controllable costs. In May 1993 the FCC adopted an optional incentive regulatory plan for LECs not subject to price-cap regulation. A LEC electing the optional incentive regulatory plan would, among other things, file tariffs based primarily on historical costs and not be allowed to participate in the relevant NECA pooling arrangements. The Company has not elected price-cap regulation or the optional incentive regulatory plan, but will continue to evaluate its options on a periodic basis. Either election, if made by the Company, would have to be applicable to all of the Company's telephone subsidiaries. The authorized interstate access rate of return for the Company's telephone subsidiaries is currently 11.25%, which is the authorized rate established by the FCC for LECs not governed by price-cap regulation or the optional incentive regulatory plan.

In September 1998, the FCC initiated a proceeding to re prescribe the authorized rate of return for interstate access services provided by LECs. The FCC periodically re prescribes this rate of return to ensure that the service rates filed by incumbent LECs subject to rate of return regulation continue to be just and reasonable. It is uncertain whether or by how much the FCC may lower the authorized rate of return. For rate of return companies, the FCC is considering how other unresolved issues such as jurisdictional separations, access charge reform and universal service must be addressed before re prescribing rate of return.

In an access charge reform order adopted in May 1997, the FCC changed its system of interstate access charges to make them compatible with the deregulatory framework established by the 1996 Act. Such changes are primarily applicable to price-cap companies. The Company's telephone subsidiaries determine interstate revenues under rate of return regulation and are, therefore, only minimally impacted by the access charge reform order. In July 1998, the FCC issued a Notice of Proposed Rulemaking to amend the access charge rules for rate of return companies in a manner similar to that adopted for price cap companies, subject to reviewing whether differences exist between price cap companies and rate of return companies that would require different rules in order to achieve the goal of fostering an efficient, competitive marketplace. The FCC has not yet issued a final ruling on this matter.

In 1998 the FCC created a federal-state joint board to review jurisdictional separations procedures through which the costs of regulated telecommunications services are allocated to the interstate and intrastate jurisdictions. The board has not yet issued its findings.

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

The 1996 Act authorized the establishment of new federal and state universal service funds to provide continued support to eligible telecommunications carriers. In May 1997 the FCC adopted an order on universal service, as mandated by the 1996 Act. In the order, the FCC ruled that rural telephone companies which are designated eligible telecommunications carriers will continue to receive universal service funding. Each of the Company's LECs has been so designated by its respective state regulatory agency. As a result, the Company's LECs will continue to receive payments under the federal support mechanisms currently in effect until the FCC adopts funding support mechanisms based on forward-looking economic costs, which it is required to do, but no earlier than January 2001. Although the Company anticipates that it may experience a reduction in its federal support revenues at some point in the future, management believes it is premature to assess or estimate the ultimate impact thereof. There can be no assurance, however, that such impact will not be material. During 1999 and 1998 the Company's telephone subsidiaries received \$127.5 million (of which \$5.2 million related to the Company's Alaska operations) and \$127.6 million (of which \$13.4 million related to the Alaska based operations), respectively, from the federal Universal Service Fund, representing 7.6% and 8.1%, respectively, of the Company's consolidated revenues for 1999 and 1998. In addition, the Company's telephone subsidiaries received \$19.5 million and \$1.5 million in 1999 and 1998, respectively, from intrastate support funds. For additional information, see Item 7 of this report.

As part of its universal service order, the FCC also established new programs to provide discounted telecommunications services annually to schools, libraries and rural health care providers. All communications carriers providing interstate telecommunications services, including the Company's LECs and its cellular and long distance operations, are required to contribute to these programs. The Company's LECs recover their funding contributions in their rates for interstate services. The Company's contribution by its cellular and long distance operations, which is passed on to its customers, was approximately \$3.9 million in 1999 and \$3.1 million in 1998.

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

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

Certain long distance carriers continue to request that certain of the Company's LECs reduce intrastate access tariffed rates. There is no assurance that these requests will not result in decreased access revenues.

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

As indicated above, in February 1996 Congress enacted the 1996 Act, which obligates LECs to permit competitors to interconnect their facilities to the LEC's network and to take various other steps that are designed to promote competition. The 1996 Act imposes several duties on a LEC if it receives a specific request from another entity which seeks to connect with or provide services using the LEC's network. In addition, each incumbent LEC is obligated to (i) negotiate interconnection agreements in good faith, (ii) provide "unbundled" access to all aspects of the LEC's network, (iii) offer resale of its telecommunications services at wholesale rates and (iv) permit competitors to collocate its physical plant on the LEC's property, or provide virtual collocation if physical collocation is not practicable. Although the 1996 Act provides certain exemptions for rural LECs such as those operated by the Company, the FCC's August 1996 order implementing most of the 1996 Act's interconnection provisions placed the burden of proving the continuing availability of these exemptions on rural LECs. States are permitted to adopt laws or regulations that provide for greater competition than is mandated under the 1996 Act. Although substantial portions of the FCC's August 1996 interconnection order have survived judicial challenge, the FCC has neither completed its interconnection rulemaking nor issued rules on universal service or access reform. Management believes that competition in its telephone service areas has and will continue to increase as a result of the 1996 Act, although the form and degree of competition cannot be ascertained until such time as the FCC (and, in certain instances, state regulatory commissions) adopts final and nonappealable implementing regulations.

Substantially all of the 20 states in which the Company provides telephone services have taken legislative or regulatory steps to further introduce competition into the LEC business. Largely as a result of these steps and the 1996 Act, several competitive access providers originally organized to provide

redundancy or access services have begun, during the past several years, to provide competitive local exchange services, principally in high population areas. Moreover, several well-capitalized long distance, cable television, wireless and electric utility companies, along with several start-up companies, have also begun to provide competitive local exchange services or announced their intention to do so, and this trend is expected to continue. Currently the Company is subject to a limited number of agreements permitting competitors in Wisconsin to purchase from the Company unbundled network elements or wholesale services, and the Company is aware of only a few other companies that have requested authorization to provide local exchange service in the Company's service areas. Over time, however, the Company anticipates that several more companies will request authorization to provide competitive services, especially in its operating areas located near larger urban areas.

In addition to receiving services directly from companies competing with incumbent LECs, long distance companies and other users of toll service are expected to increasingly seek other means to bypass LECs' switching services and local distribution facilities. Certain interexchange carriers provide services which allow users to divert their traffic from LECs' usage-sensitive services to their flat-rate services. In addition, users or long distance companies may construct, modify or lease facilities to transmit traffic directly from a user to a long distance company. Cable television companies, in particular, may be able to modify their networks to partially or completely bypass the Company's local network. Moreover, users may choose to use wireless services to bypass LECs' switching services. Although certain of the Company's telephone subsidiaries have experienced a loss of traffic to such bypass, the impact has thus far not been significant.

Historically, cellular telephone services have complemented traditional LEC services. However, existing and emerging wireless technologies increasingly compete with LEC services in Europe and other parts of the world. The Company anticipates that similar competition may arise in the United States, particularly if wireless service rates continue to drop. Technological and regulatory developments in cellular telephone, personal communications services, digital microwave, coaxial cable, fiber optics, local multipoint distribution services and other wired and wireless technologies are expected to further permit the development of alternatives to traditional landline services. For further information on certain of these developments, see "Wireless Operations - Regulation and Competition."

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

The Company anticipates that the traditional operations of LECs will continue to be impacted by continued technological developments as well as legislative and regulatory initiatives affecting the ability

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

The Company anticipates that regulatory changes and competitive pressures may result in future revenue reductions in its telephone operations. However, the Company anticipates that such reductions may be minimized by increases in revenues attributable to the continued demand for enhanced services and new product offerings. While the Company expects its telephone revenues to continue to grow, its internal telephone revenue growth rate may slow during upcoming periods.

## WIRELESS OPERATIONS

At December 31, 1999, the Company's cellular holdings represented approximately 9.5 million pops, of which 64% were applicable to MSAs and 36% were RSA pops. According to data derived from published sources, the Company is the ninth largest cellular telephone company in the United States based on the Company's 9.5 million pops.

### Cellular Industry

The cellular telephone industry has been in existence for over 15 years in the United States. The industry has grown significantly during this period and cellular service is now available in substantially all areas of the United States. According to the Cellular Telecommunications Industry Association, at September 1999 there were estimated to be over 57.6 million cellular customers across the United States.

Until recently, substantially all radio transmissions of cellular systems were conducted on an analog basis. Technological developments involving the application of digital radio technology offer certain advantages over analog technologies, including expanding the capacity of mobile communications systems, improving voice clarity, permitting the introduction of new services, and making such systems more secure. Providers of certain services competitive with cellular have incorporated digital technology into their operations. In recent years most major cellular carriers have installed digital cellular voice transmission facilities in certain of their systems, principally in larger markets. Digital service is now available in 100% of the Company's MSA markets and approximately a third of its RSA markets. Approximately 5% of the Company's cellular customers currently subscribe to digital services. See "-Regulation and Competition-Developments Affecting Wireless Competition."

## Construction and Maintenance

The construction and maintenance of cellular systems is capital intensive. Although all of the Company's MSA and RSA systems have been operational for several years, the Company has continued to add cell sites to increase coverage, provide additional capacity, and improve the quality of these systems. In 1999 the Company completed construction of 109 cell sites in markets operated by the Company. At December 31, 1999, the Company operated 711 cell sites in its majority-owned markets.

Over the past several years the Company has upgraded certain portions of its wireless systems to be capable of providing digital service under the TDMA standard. The Company intends to continue installing digital voice transmission facilities in other markets in 2000. See "-Regulation and Competition- Developments Affecting Wireless Competition." Capital expenditures related to majority-owned and operated wireless systems totaled approximately \$58.8 million in 1999. Such capital expenditures for 2000 are anticipated to be approximately \$100 million.

## Strategy

The Company's business development strategy for its wireless operations is to secure operating control of service areas that are geographically clustered. Clustered systems aid the Company's marketing efforts and provide various operating and service advantages. Approximately 44% of the Company's customers are in a single, contiguous cluster of eight MSAs and nine RSAs in Michigan; another 25% are in a cluster of five MSAs and seven RSAs in northern and central Louisiana, southern Arkansas and eastern Texas. See "-The Company's Cellular Interests."

The Company has also traditionally targeted revenues from roaming service. Roaming service revenues are derived from calls made in one service area by subscribers from other service areas. In exchange for providing roaming service to customers of other cellular carriers, the Company has traditionally charged premium rates to most of these other carriers, who then frequently pass on some or all of these premium rates to their own customers. The Company's Michigan cellular properties include a significant portion of the interstate highway corridor between Chicago and Detroit. Its Louisiana properties include an east-west interstate highway and a north-south interstate highway which intersect in its Louisiana cellular service area. Its Mississippi properties include two east-west interstate highways and two north-south interstate highways. As indicated elsewhere in Items 1 and 7 of this Report, the Company has increasingly received pressure from other cellular operators to reduce its roaming rates. See "-Services, Customers and System Usage."

## Marketing

The Company markets its wireless services through several distribution channels, including its direct sales force, retail outlets owned by the Company and independent agents. All sales employees and certain independent agents solicit customers exclusively for the Company. Company sales employees are compensated by salary and commission and independent sales agents are paid commissions. The Company advertises its services through various means, including direct mail, billboard, magazine, radio, television and newspaper advertisements.

The sales and marketing costs of obtaining new subscribers include advertising and a direct expense applicable to most new subscribers, either in the form of a commission payment to an agent or an incentive payment to a direct sales employee. In addition, the Company discounts the cost of cellular telephone equipment, and periodically runs promotions which waive certain fees or provide some amount of free service to new subscribers. The average cost of acquiring each new customer (\$258 in 1999) remains one of the larger expenses in conducting the Company's wireless operations. In recent years, the Company has sought to lower this average cost by focusing more on its direct distribution channels. The Company opened its first retail outlet in 1994, and currently operates 128 such outlets. During 1999, approximately 72% of new cellular customers were added through direct distribution channels, up from 37% during 1996.

As indicated further below, most of the Company's cellular markets are located in rural, suburban or small urban areas, and most of its customers typically require only local or regional services. The Company lacks the facilities and national brand name necessary to compete effectively for business customers requiring nationwide services, and the Company does not actively target these customers in its marketing campaigns.

## Services, Customers and System Usage

There are a number of different types of cellular telephones, all of which are currently compatible with cellular systems nationwide. The Company sells a full range of vehicle-mounted, transportable, and hand-held portable cellular telephones.

The Company charges its subscribers for access to its systems, for minutes of use and for enhanced services, such as voice mail. A subscriber may purchase certain of these services separately or may purchase rate plans which bundle these services in different ways and are designed to fit different customer requirements. While the Company historically has typically charged its customers separately for custom-calling features, air time in excess of the packaged amount, and toll calls, it currently offers plans which include features such as unlimited toll calls and unlimited weekend calling in certain calling areas. Custom-calling features provided by the Company include call-forwarding, call-waiting, three-way calling and no-

answer transfer. The Company offers voice message service in many of its markets. In the Company's markets where digital service is operational, customers can subscribe to caller ID and other digital enhancements.

Cellular customers come from a wide range of occupations and typically include a large proportion of individuals who work outside of their office. In recent years, the individual consumer market has generated a majority of new customer additions. A majority of the Company's net unit additions for 1999 were prepaid customers, who typically use cellular service less than contract customers. The Company's average monthly cellular service revenue per customer declined to \$53 in 1999 from \$57 in 1998 and \$61 in 1997. Such average revenue per customer may further decline (i) as market penetration increases and additional lower usage customers are activated, (ii) as the Company continues to receive pressure from other cellular operators to reduce roaming rates and (iii) as competitive pressures from current and future wireless communications providers intensify. See "-Regulation and Competition."

The Company has entered into "roaming agreements" nationwide with operators of other cellular systems that permit each company's respective customers to place or receive calls outside of their home market area. The charge to a non-Company customer for this service has traditionally been at premium rates, and is billed by the Company to the customer's service provider, which then bills the customer. In most instances, based on competitive factors and financial considerations, the Company charges an amount to its customers that is equal to or lower than the amount actually charged by the cellular carrier providing the roaming service. In the past couple of years, several large nationwide cellular providers have introduced rate plans that offer roaming coverage (provided through other carriers) at the same rate as service within the customer's home market area. To defray the cost of these plans, these providers have exerted substantial pressure on other cellular providers, including the Company, to reduce their roaming fees. The Company anticipates that competitive factors and industry consolidation will continue to place further pressure on charging premium roaming rates. For additional information on roaming revenue, see "-Strategy."

Roamer fraud, a cellular industry problem, occurs when cellular telephone equipment is programmed to conceal the true identity and location of the user. The Company and the industry have implemented extensive fraud control processes in an attempt to minimize roamer fraud.

Churn rate (the average percentage of cellular customers that terminate service each month) is an industry-wide concern. A significant portion of the churn in the Company's markets is due to the Company disconnecting service to cellular customers for nonpayment of their bills. In addition, the Company faces substantial competition from the other wireless providers, including PCS providers. The Company's average monthly churn rate in its majority-owned and operated markets was 1.90% in 1999 and 2.23% in 1998. The Company is attempting to lower its churn rate by increasing its proactive customer service efforts, offering prepaid service and implementing additional customer retention programs.

During recent years, the Company's cellular subsidiaries experienced strong subscriber growth in the fourth quarter, primarily due to holiday season sales.

The following table summarizes, among other things, certain information about the Company's customers and market penetration:

	Year ended or at December 31.		
	1999	1998	1997
<b>Majority-owned and operated MSA and RSA systems (Note 1):</b>			
Cellular systems operated	42	44	44
Cell sites	711	644	558
Population of systems operated (Note 2)	8,267,140	9,026,150	9,008,219
<b>Customers (Note 3):</b>			
At beginning of period	624,290	569,983	368,233
Gross units added internally	240,084	214,767	193,623
Net effect of property acquisitions/dispositions	(10,563)	-	123,600
Disconnects	146,325	160,460	115,473
At end of period	707,486	624,290	569,983
Market penetration at end of period (Note 4)	8.6%	6.9	6.3
Churn rate (Note 5)	1.90%	2.23	2.31
Average monthly service revenue per customer	\$ 53	57	61
Construction expenditures (in thousands)	\$ 58,760	57,326	39,107
<b>All operated MSA and RSA systems (Note 6):</b>			
Cellular systems operated	47	51	50
Cell sites	819	758	656
Population of systems operated (Note 2)	9,300,157	10,312,145	10,124,759
Customers at end of period (Note 7)	774,708	689,352	632,446
Market penetration at end of period (Note 8)	8.3%	6.7	6.2
Churn rate (Note 5)	1.90%	2.34	2.33

For additional information, see " - the Company's Cellular Interest."

Notes:

1. Represents the number of systems in which the Company owned at least a 50% interest. The revenues and expenses of these markets, all of which are operated by the Company, are included in the Company's consolidated operating revenues and operating expenses.
2. Based on independent third-party population estimates for each respective year.
3. Represents the approximate number of revenue-generating cellular telephones served by the cellular systems referred to in note 1.
4. Computed by dividing the number of customers at the end of the period by the total population of systems referred to in note 1.
5. Represents the average percentage of customers that are disconnected on a monthly basis.
6. Represents the total number of systems that the Company operated, including systems in which it does not own a majority interest.
7. Represents the approximate number of revenue-generating cellular telephones served by the cellular systems referred to in note 6.
8. Computed by dividing the number of customers at the end of the period by the total population of systems referred to in note 6.

## The Company's Cellular Interests

The Company obtained the right to provide cellular service through (i) the FCC's licensing process described below, under which it received interests in wireline licenses, and (ii) its acquisition program, under which it has acquired interests in both wireline and non-wireline licenses. The table below sets forth certain information with respect to the interests in cellular systems that the Company owned as of December 31, 1999:

	1999 population (Note 1)	Ownership percentage	The Company's pops at 12/31/99	Other cellular operator (Note 2)
<b>Majority-owned and operated MSAs</b>				
Pine Bluff, AR	81,087	100.00%	81,087	SBC
Texarkana, AR/TX	136,607	89.00	121,580	AT&T
Alexandria, LA	146,132	100.00	146,132	Centennial
Monroe, LA	147,187	87.00	128,053	AT&T
Shreveport, LA	378,708	87.00	329,476	AT&T
Battle Creek, MI	196,172	97.00	190,287	Centennial
Benton Harbor, MI	159,862	97.00	155,066	Centennial
Grand Rapids, MI	775,514	97.00	752,249	AirTouch
Jackson, MI	156,597	97.00	151,899	Centennial
Kalamazoo, MI	305,639	97.00	296,470	Centennial
Lansing-E. Lansing, MI	511,601	97.00	496,253	AirTouch
Muskegon, MI	192,189	97.00	186,423	AirTouch
Saginaw-Bay City- Midland, MI	401,279	91.70	367,973	AirTouch
Biloxi-Gulfport, MS (Note 4)	233,535	96.45	225,247	Cellular South
Jackson, MS (Note 4)	432,626	90.22	390,307	MCTA
Pascagoula, MS (Note 4)	132,013	89.22	117,785	Cellular South
Appleton-Oshkosh- Neenah, WI	502,946	98.85	497,151	U.S. Cellular
Eau Claire, WI	144,180	55.50	80,020	American Cellular
LaCrosse, WI	102,756	95.00	97,618	U. S. Cellular
	<b>5,136,630</b>		<b>4,811,076</b>	

	1999 population (Note 1)	Ownership percentage	The Company's pops at 12/31/99	Other cellular operator (Note 2)
<b>Minority-owned MSAs (Note 3)</b>				
Little Rock, AR	560,035	36.00%	201,613	
Lafayette, LA	267,665	49.00	131,156	
Detroit, MI	4,793,037	3.20	153,281	
Flint, MI	508,681	3.20	16,268	
Rochester, MN	117,605	2.93	3,446	
Austin, TX	1,047,906	35.00	366,767	
Dallas-Ft. Worth, TX	4,791,968	0.50	23,960	
Sherman-Denison, TX	103,883	0.50	519	
Madison, WI	731,747	9.78	71,558	
Milwaukee, WI	1,982,586	17.96	356,132	
	14,905,113		1,324,700	
<b>Total MSAs</b>	<b>20,041,743</b>		<b>6,135,776</b>	

	1999 population (Note 1)	Ownership percentage	The Company's pops at 12/31/99	Other cellular operator (Note 2)
<b>Operated RSAs</b>				
Alaska 1 (Notes 4 and 5)	84,030	100.00%	84,030	Mactel
Arkansas 2	87,446	82.00	71,706	SBC
Arkansas 3	103,223	82.00	84,643	SBC
Arkansas 11	65,978	89.00	58,720	SBC
Arkansas 12	184,509	80.00	147,607	SBC
Louisiana 1	111,793	87.00	97,260	AT&T
Louisiana 2	115,094	87.00	100,132	AT&T
Louisiana 3 B2	95,481	87.00	83,068	Centennial
Louisiana 4	73,521	100.00	73,521	Centennial
Michigan 1	195,725	100.00	195,725	American Cellular
Michigan 2	113,600	100.00	113,600	RFB
Michigan 3	166,110	42.84	71,162	Unitel
Michigan 4	135,736	100.00	135,736	RFB
Michigan 5	161,964	42.84	69,386	Unitel
Michigan 6	142,327	98.00	139,480	Centennial
Michigan 7	246,257	56.07	138,078	Centennial
Michigan 8	102,585	97.00	99,507	Allegan Cellular
Michigan 9	300,375	43.38	130,303	Centennial
Mississippi 2 (Note 4)	251,413	100.00	251,413	Bell South Mobility
Mississippi 5 (Note 4)	159,581	100.00	159,581	Bell South Mobility
Mississippi 6 (Note 4)	183,267	100.00	183,267	Cellular South
Mississippi 7 (Note 4)	180,604	100.00	180,604	MCTA
Texas 7 B6	58,077	89.00	51,689	AT&T
Wisconsin 1	113,547	42.21	47,925	American Cellular
Wisconsin 2	85,261	99.00	84,408	American Cellular
Wisconsin 6	117,433	57.14	67,105	U.S. Cellular
Wisconsin 7	291,021	22.70	66,067	U.S. Cellular
Wisconsin 8	237,569	84.00	199,558	U.S. Cellular
	4,163,527		3,185,281	

Non-operated RSAs (Note 3)

Michigan 10	136,826	26.00	35,575
Minnesota 7	171,191	2.93	5,016
Minnesota 8	66,387	2.93	1,945
Minnesota 9	132,143	2.93	3,872
Minnesota 10	231,484	2.93	6,782
Minnesota 11	206,924	2.93	6,063
Texas 16	338,202	9.60	32,467
Washington 5	61,319	8.47	5,195
Washington 8	137,389	7.36	10,106
Wisconsin 3	141,986	42.86	60,851
Wisconsin 4	121,287	25.00	30,322
Wisconsin 10	129,462	22.50	29,129
	<u>1,874,600</u>		<u>227,323</u>
Total RSAs	<u>6,038,127</u>		<u>3,412,604</u>
	<u>26,079,870</u>		<u>9,548,380</u>

Notes:

1. Based on 1999 independent third-party population estimates.
2. Information provided to the best of the Company's knowledge. There is also at least one PCS competitor in each of the operated MSAs and certain of the operated RSAs.
3. Markets not operated by the Company.
4. Represents a non-wireline interest.
5. The Company sold its entire interest in this market in February 2000.

Operations

A substantial number of the cellular systems in MSAs operated by the Company are owned by limited partnerships in which the Company is a general partner ("MSA Partnerships"). Most of these partnerships are governed by partnership agreements with similar terms, including, among other things, customary provisions concerning capital contributions, sharing of profits and losses, and dissolution and termination of the partnership. Most of these partnership agreements vest complete operational control of the partnership with the general partner. The general partner typically has the power to manage, supervise and conduct the affairs of the partnership, make all decisions appropriate in connection with the business purposes of the partnership, and incur obligations and execute agreements on behalf of the partnership. The general partner also may make decisions regarding the time and amount of cash contributions and distributions, and the nature, timing and extent of construction, without the consent of the other partners. The Company owns more than 50% of all of the MSA Partnerships.

A substantial number of the cellular systems in RSAs operated by the Company are also owned by limited or general partnerships in which the Company is either the general or managing partner (the "RSA Partnerships"). These partnerships are governed by partnership agreements with varying terms and provisions. In many of these partnerships, the noncontrolling partners have the right to vote on major issues such as the annual budget and system design. In a few of these partnerships, the Company's management position is for a limited term (similar to a management contract) and the other partners in the partnership

have the right to change managers, with or without cause. The Company owns less than 50% of some of the RSA Partnerships.

The partnership agreements for both the MSA Partnerships and RSA Partnerships generally contain provisions granting all partners a right of first refusal in the event a partner desires to transfer a partnership interest. This restriction on transfer can under certain circumstances make these partnership interests more difficult to sell to a third party.

#### PCS Operations

The Company holds licenses to provide personal communication services ("PCS") in 54 Basic Trading Areas in 12 states. The Company's ownership interests in these trading areas represents approximately 9.9 million pops. In late 1998, the Company commenced marketing PCS services in a limited number of its Michigan markets as a fixed wireless alternative to wireline local telephone services. At December 31, 1999, the Company had approximately 670 PCS customers located principally in three of its larger PCS Michigan markets.

#### Revenue

The following table reflects the major revenue categories for the Company's wireless operations as a percentage of wireless operating revenues in 1999, 1998 and 1997. Virtually all of these revenues were derived from cellular operations.

	1999	1998	1997
Access fees and toll revenues	72.2%	74.2	78.2
Roaming	25.2	23.6	20.0
Equipment sales	2.6	2.2	1.8
	100.0%	100.0	100.0

For further information on these revenue categories, see "-Services, Customers and System Usage."

#### Regulation and Competition

As discussed below, the FCC and various state public utility commissions regulate, among other things, the licensing, construction, operation, interconnection arrangements, sale and acquisition of cellular telephone systems.

Competition between providers of wireless communications service in each market is conducted principally on the basis of price, services and enhancements offered, the technical quality and coverage of the system, and the quality and responsiveness of customer service. As discussed below, competition has intensified in recent years in a substantial number of the Company's markets. Under applicable law, the

Company is required to permit the reselling of its services. In certain larger markets and in certain market segments, competition from resellers may be significant. There is also substantial competition for sales agents. Certain of the Company's competitors have substantially greater assets and resources than the Company.

*Cellular licensing process.* The term "MSA" means a Metropolitan Statistical Area for which the FCC has granted a cellular operating license. The term "RSA" means a Rural Service Area for which the FCC has granted a cellular operating license. During the 1980's and early 1990's, the FCC awarded two 10-year licenses to provide cellular service in each MSA and RSA market. Initially, one license was reserved for companies offering local telephone service in the market (the wireline carrier) and one license was available for firms unaffiliated with the local telephone company (the non-wireline carrier). Since mid-1986, the FCC has permitted telephone companies or their affiliates to acquire control of non-wireline licenses in markets in which they do not hold interests in the wireline license. The FCC has issued a decision that grants a renewal expectancy during the license renewal period to incumbent licensees that substantially comply with the terms and conditions of their cellular authorizations and the FCC's regulations. The licenses for the MSA markets operated by the Company were initially granted between 1984 and 1987, and licenses for operated RSAs were initially granted between 1989 and 1991. Thus far, the Company has received 10-year extensions of all of its licenses that have become subject to renewal since their original grant dates.

The completion of an acquisition involving the transfer of control of a cellular system requires prior FCC approval and, in certain cases, receipt of other federal and state regulatory approvals. The acquisition of a minority interest generally does not require FCC approval. Whenever FCC approval is required, any interested party may file a petition to dismiss or deny the application for approval of the proposed transfer.

In addition to regulation by the FCC, cellular systems are subject to certain Federal Aviation Administration tower height regulations concerning the siting and construction of cellular transmitter towers and antennas.

Cellular operators are also subject to state and local regulation in some instances. Although the FCC has pre-empted the states from exercising jurisdiction in the areas of licensing, technical standards and market structure, certain states require cellular operators to be certified. In addition, some state authorities regulate certain aspects of a cellular operator's business, including certain aspects of pricing, the resale of long distance service to its customers, the technical arrangements and charges for interconnection with the landline network, and the transfer of interests in cellular systems. The siting and construction of the cellular facilities may also be subject to state or local zoning, land use and other local regulations.

*Developments affecting wireless competition.* Competition in the wireless communications industry has increased substantially in recent years due to continued and rapid technological advances in the communications field, coupled with legislative and regulatory changes.

Several FCC initiatives over the past decade have resulted in the allocation of additional radio spectrum or the issuance of licenses for emerging mobile communications technologies that are competitive with the Company's cellular and telephone operations, including PCS. Although there is no universally recognized definition of PCS, the term is generally used to refer to wireless services to be provided by licensees operating in the 1850 MHz to 1990 MHz radio frequency band using microcells and high-capacity digital technology. In 1996 and early 1997 the FCC auctioned up to six PCS licenses per market. Two 30MHz frequency blocks were awarded for each of the 51 Rand McNally Major Trading Areas ("MTAs"), while one 30MHz and three 10MHz frequency blocks were awarded for each of the 493 Rand McNally Basic Trading Areas ("BTAs").

PCS technology permits PCS operators to offer wireless voice, data, image and multimedia services. The largest PCS providers commenced initial operations in late 1996 and since then have aggressively expanded their operations. These providers have initially focused on larger markets, and have generally marketed PCS as being a competitive service to cellular. Many of these companies have aggressively competed for customers on the basis of price, which has placed downward pressure on cellular prices. There is at least one PCS competitor in each of the Company's operated MSAs and certain of its operated RSAs.

In addition to PCS, current and prospective users of cellular systems may find their communication needs satisfied by other current and developing technologies. Several years ago the FCC authorized the licensees of certain specialized mobile radio service ("SMR") systems (which historically have generally been used by taxicabs and tow truck operators) to configure their systems into digital networks that operate in a manner similar to cellular systems. Such systems are commonly referred to as enhanced specialized mobile radio service ("ESMR") systems. The Company believes that ESMR systems are operating in a few of its cellular markets. One well-established ESMR provider has constructed a nationwide digital mobile communications system to compete with cellular systems. Other similar communication services that have the technical capability to handle wireless telephone calls may provide competition in certain markets, although these services currently lack the subscriber capacity of cellular systems. Paging or beeper services that feature text message and data display as well as tones may be adequate for potential subscribers who do not need to converse directly with the caller. Mobile satellite systems, in which transmissions are between mobile units and satellites, may ultimately be successful in obtaining market share from cellular systems that communicate directly to land-based stations.

In recent years, several large cellular providers have merged with other companies or formed joint ventures. Several of these joint ventures pooled their resources to develop extensive PCS systems. Many

current or potential competitors of the Company have substantially greater financial and marketing resources than the Company.

Although it is uncertain how PCS, SMR, ESMR, mobile satellites and other emerging technologies will ultimately affect the Company, the Company anticipates that it will continue to face increased competition in its operating markets. However, management believes that providing digital services and applying new microcellular technologies will permit its cellular systems to provide services comparable with the emerging technologies described above, although no assurances can be given that this will happen or that future technological advances or legislative or regulatory changes will not create additional sources of competition.

### OTHER OPERATIONS

The Company provides long distance, security monitoring, competitive local exchange services, broadband, call center, cable television and interactive services in certain local and regional markets, as well as certain printing and related services. The results of these operations, which accounted for 6.7% and 4.3%, respectively, of the Company's consolidated revenues and operating income during 1999, are reflected for financial reporting purposes in the "Other operations" section in operating income.

*Long distance.* In 1996 the Company began marketing long distance service in all of its equal access telephone operating areas. At December 31, 1999, the Company provided long distance services to approximately 303,000 customers. Approximately 74% of the Company's long distance revenues are derived from service provided to residential customers. Although the Company owns and operates long distance switches in LaCrosse, Wisconsin and San Marcos, Texas, it anticipates that most of its future long distance service revenues will be provided by reselling service purchased from other facilities-based long distance providers. The Company intends to continue to expand its long distance business, principally through reselling arrangements.

*Security monitoring.* The Company offers 24-hour burglary and fire monitoring services to approximately 6,900 customers in select markets in Louisiana, Arkansas, Mississippi, Texas and Ohio.

*Competitive local exchange services.* During the second quarter of 2000, the Company plans to begin offering competitive local exchange telephone services, coupled with long distance, wireless, Internet access and other Company services, to small to medium-sized businesses in Shreveport, Louisiana. The Company currently plans to target a total of ten initial new markets by year end 2000, and has budgeted \$20 million of capital expenditures for 2000 to construct competitive local exchange networks. The Company expects to incur an operating loss in 2000 of approximately \$4.0-\$6.0 million in connection with providing these services.

*Broadband.* In connection with its long-range plans to sell capacity to other carriers in or near certain of its select markets, the Company expects to complete construction by mid-year 2000 of a 650- to 700-mile fiber optic ring connecting several communities in southern and central Michigan. The Company expects to begin providing initial network services by the third quarter 2000.

*Call center.* Over the past several years, the Company has provided certain operator services for retail and wholesale markets. In January 2000, the Company announced that it would close its call center operations by the second quarter of 2000.

*Other.* The Company also provides audiotext services; printing, database management and direct mail services; and cable television services. The Company is also in the process of developing deployment plans for 36 Local Multipoint Distribution System licenses acquired during the past two years, some of which may be used to assist the Company in providing competitive local exchange services, as discussed above. From time to time the Company also makes investments in other domestic or foreign communications companies, the most significant of which to date is a minority investment in a start-up Internet service provider in India.

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

#### **FORWARD-LOOKING STATEMENTS**

This report on Form 10-K and other documents filed by the Company under the federal securities laws include, and future oral or written statements or press releases of the Company and its management may include, certain forward-looking statements, including without limitation statements with respect to the Company's anticipated future operating and financial performance (including the impact of pending acquisitions), financial position and liquidity, growth opportunities and growth rates, business prospects, regulatory and competitive outlook, investment and expenditure plans, investment results, financing opportunities and sources (including the impact of financings on the Company's financial position, financial performance or credit ratings), pricing plans, strategic alternatives, business strategies, and other similar statements of expectations or objectives that are highlighted by words such as "expects," "anticipates," "intends," "plans," "believes," "projects," "seeks," "estimates," "should," and "may," and

variations thereof and similar expressions. Such forward-looking statements are inherently speculative and are based upon several assumptions concerning future events, many of which are outside of the Company's control. The Company's forward-looking statements, and the assumptions upon which such statements are based, are subject to uncertainties that could cause the Company's actual results to differ materially from such statements. These uncertainties include but are not limited to those set forth below:

- the effects of ongoing deregulation in the telecommunications industry as a result of the 1996 Act and other similar federal and state legislation and federal and state regulations enacted thereunder, including without limitation (i) greater than anticipated interconnection requests or competition in the Company's predominately rural local exchange telephone markets resulting therefrom, (ii) greater than anticipated reductions in revenues received from the Universal Service Fund or other current or future federal and state support funds designed to compensate LECs that provide services in high-cost markets, (iii) the final outcome of regulatory and judicial proceedings with respect to interconnection agreements and access charge reforms and (iv) future judicial or regulatory actions taken in response to the 1996 Act.
- the effects of greater than anticipated competition from PCS, SMR, ESMR, mobile satellites or other wireless companies, including without limitation competition requiring new pricing or marketing strategies or new product offerings, and the attendant risk that the Company will not be able to respond on a timely or profitable basis.
- possible changes in the demand for the Company's products and services, including without limitation (i) lower than anticipated demand for traditional or premium telephone services or for additional access lines per household, (ii) lower than anticipated demand for wireless telephone services, whether caused by changes in economic conditions, technology, competition, health concerns or otherwise, (iii) lower than anticipated demand for the Company's digital subscriber line Internet access services and (iv) reduced demand for the Company's access or billing and collection services.
- the Company's ability to successfully introduce new offerings on a timely and cost-effective basis, including without limitation the Company's ability to (i) expand successfully its long distance and Internet offerings to new markets (including those to be acquired in connection with future acquisitions), (ii) offer bundled service packages on terms attractive to its customers and (iii) successfully initiate competitive local exchange, PCS and data services in its targeted markets.
- the risks inherent in rapid technological change, including without limitation (i) the lack of assurance that the Company's ongoing wireless network improvements will be sufficient to meet or exceed the capabilities and quality of competing networks, (ii) technological developments that could make the Company's analog and digital wireless networks uncompetitive or obsolete, such as the risk that the Time Division Multiple Access digital technology used by the Company will be uncompetitive with existing or

future technologies, and (iii) the risk that technologies will not be developed by the Company on a timely or cost-effective basis or perform according to expectations.

- the Company's ability to timely consummate its pending acquisitions and effectively manage its growth, including without limitation the Company's ability to (i) integrate newly-acquired operations into the Company's operations, (ii) attract and retain technological and other key personnel to work at the Company's Monroe, Louisiana headquarters or regional offices, (iii) achieve projected economies of scale and cost savings, (iv) meet pro forma cash flow projections developed by management in valuing newly-acquired businesses, (v) upgrade its billing and other information systems and (vi) otherwise monitor its operations, costs, regulatory compliance, and service quality and maintain other necessary internal controls.

- regulatory limits on the Company's ability to change its prices for telephone services in response to competitive pressures.

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

- higher than anticipated wireless operating costs due to churn or to fraudulent uses of the Company's networks, or lower than anticipated wireless revenues due to reduced roaming fees.

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

- the future unavailability of SFAS 71 to the Company's telephone subsidiaries.

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

- . changes in general industry and market conditions and growth rates
- . changes in interest rates or other general national, regional or local economic conditions
- . changes in legislation, regulation or public policy, including changes in federal rural financing programs

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

- . the continued availability of financing in amounts, and on terms and conditions, necessary to support the Company's operations

- . changes in the Company's relationships with vendors

- . changes in the Company's senior debt ratings

- . unfavorable outcomes of regulatory or legal proceedings, including rate proceedings and environmental proceedings
- . losses or unfavorable returns on the Company's investments in other communications companies
- . delays in the construction of the Company's networks
- . changes in accounting policies or practices adopted voluntarily or as required by generally accepted accounting principles.

For additional information, see the description of the Company's business included above, as well as Item 7 of this report. Due to these uncertainties, you are cautioned not to place undue reliance upon the Company's forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to update or revise any of its forward-looking statements for any reason.

### OTHER MATTERS

The Company has certain obligations based on federal, state and local laws relating to the protection of the environment. Costs of compliance through 1999 have not been material and the Company currently has no reason to believe that such costs will become material.

For additional information concerning the business and properties of the Company, see notes 3, 5, 11, 14, 18 and 20 of Notes to Consolidated Financial Statements set forth in Item 8 elsewhere herein.

#### **Item 2. Properties.**

The Company's properties consist principally of (i) telephone lines, central office equipment, telephone instruments and related equipment, and land and buildings related to telephone operations, and (ii) switching and cell site equipment related to cellular telephone operations. As of December 31, 1999 and 1998, the Company's gross property, plant and equipment of approximately \$4.2 billion and \$4.3 billion, respectively, consisted of the following:

	December 31,	
	1999	1998
Telephone operations		
Cable and wire	45.4%	47.7
Central office equipment	27.4	27.9
General support	5.9	6.3
Information origination/termination equipment	1.4	1.7
Construction in progress	1.9	1.5
Other	.2	.2
	82.2	85.3
Wireless operations		
Cell sites	8.4	7.6
General support	2.3	1.9
Construction in progress	.4	.6
Other	.1	.1
	11.2	10.2
Other	6.6	4.5
	100.0%	100.0

"Cable and wire" facilities consist primarily of buried cable and aerial cable, poles, wire, conduit and drops. "Central office equipment" consists primarily of switching equipment, circuit equipment and related facilities. "General support" consists primarily of land, buildings, tools, furnishings, fixtures, motor vehicles and work equipment. "Information origination/termination equipment" consists primarily of premise equipment (private branch exchanges and telephones) for official company use. "Cell sites" consist primarily of radio frequency channel equipment, switching equipment and towers. "Construction in progress" includes property of the foregoing categories that has not been placed in service because it is still under construction.

Most of the properties of the Company's telephone subsidiaries are subject to mortgages securing the debt of such companies. The Company owns substantially all of the central office buildings, local administrative buildings, warehouses, and storage facilities used in its telephone operations. The Company leases most of the offices used in its wireless operations; certain of its transmitter sites are leased while others are owned by the Company. For further information on the location and type of the Company's properties, see the descriptions of the Company's telephone and wireless operations in Item 1.

### Item 3. Legal Proceedings.

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

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

Not applicable.

**Executive Officers of the Registrant**

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

**PART II**

**Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.**

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

	<u>Sale prices</u>		<u>Dividend per common share</u>
	<u>High</u>	<u>Low</u>	
1999:			
First quarter	\$ 49	40-1/16	.0450
Second quarter	\$ 47-5/8	35-1/8	.0450
Third quarter	\$ 43-7/8	38-1/4	.0450
Fourth quarter	\$ 48-3/4	37-9/16	.0450
1998:			
First quarter	\$ 27-3/8	21-9/16	.0433
Second quarter	\$ 33-5/16	27-1/16	.0433
Third quarter	\$ 35-1/8	29-15/16	.0433
Fourth quarter	\$ 45-3/16	30-1/16	.0433

Common stock dividends during 1999 and 1998 were paid each quarter. As of February 29, 2000, there were approximately 6,000 stockholders of record of CenturyTel's common stock.

**Item 6. Selected Financial Data.**

The following table presents certain selected consolidated financial data as of and for each of the years ended in the five-year period ended December 31, 1999:

**Selected Income Statement Data**

	Year ended December 31,				
	1999	1998	1997	1996	1995
	(Dollars, except per share amounts, and shares expressed in thousands)				
Operating revenues					
Telephone	\$ 1,142,593	1,091,610	530,597	451,538	419,242
Wireless	422,269	407,827	307,742	250,243	197,494
Other	111,807	77,648	63,182	47,896	28,104
Total operating revenues	<u>\$ 1,676,669</u>	<u>1,577,085</u>	<u>901,521</u>	<u>749,677</u>	<u>644,840</u>
Operating income					
Telephone	\$ 352,357	333,708	173,285	155,183	143,527
Wireless	133,930	129,124	87,772	67,899	56,998
Other	21,782	16,979	6,713	214	2,394
Total operating income	<u>\$ 508,069</u>	<u>479,811</u>	<u>267,770</u>	<u>223,296</u>	<u>202,919</u>
Gain on sale or exchange of assets, net (pre-tax)	<u>\$ 62,808</u>	<u>49,859</u>	<u>169,640</u>	<u>815</u>	<u>6,782</u>
Net income	<u>\$ 239,769</u>	<u>228,757</u>	<u>255,978</u>	<u>129,077</u>	<u>114,776</u>
Basic earnings per share	<u>\$ 1.72</u>	<u>1.67</u>	<u>1.89</u>	<u>.96</u>	<u>.89</u>
Diluted earnings per share	<u>\$ 1.70</u>	<u>1.64</u>	<u>1.87</u>	<u>.95</u>	<u>.87</u>
Dividends per common share	<u>\$ .18</u>	<u>.173</u>	<u>.164</u>	<u>.16</u>	<u>.147</u>
Average basic shares outstanding	<u>138,848</u>	<u>137,010</u>	<u>134,984</u>	<u>133,400</u>	<u>129,662</u>
Average diluted shares outstanding	<u>141,432</u>	<u>140,105</u>	<u>137,412</u>	<u>135,980</u>	<u>132,456</u>

**Selected Balance Sheet Data**

	December 31,				
	1999	1998	1997	1996	1995
	(Dollars in thousands)				
Net property, plant and equipment	\$ 2,256,458	2,351,453	2,258,563	1,149,012	1,047,808
Excess cost of net assets acquired, net	\$ 1,644,884	1,956,701	1,767,352	532,410	493,655
Total assets	\$ 4,705,407	4,935,455	4,709,401	2,028,505	1,862,421
Long-term debt	\$ 2,078,311	2,558,000	2,609,541	625,930	622,904
Stockholders' equity	<u>\$ 1,847,992</u>	<u>1,531,482</u>	<u>1,300,272</u>	<u>1,028,153</u>	<u>888,424</u>

The following table presents certain selected consolidated operating data as of the end of each of the years in the five-year period ended December 31, 1999:

	Year ended December 31,				
	1999	1998	1997	1996	1995
Telephone access lines	1,272,867	1,346,567	1,203,650	503,562	480,757
Wireless units in service in majority-owned markets	707,486	624,290	569,983	368,233	290,075
Long distance customers	303,722	226,730	171,962	110,560	46,608

See Items 1 and 2 in Part I and notes 1, 5 and 11 of Notes to Consolidated Financial Statements set forth in Item 8 elsewhere herein for additional information.

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

**RESULTS OF OPERATIONS**

**OVERVIEW**

CenturyTel, Inc. and its subsidiaries (the "Company") is a regional diversified communications company engaged primarily in providing local exchange telephone services and wireless communications services. At December 31, 1999, the Company's local exchange telephone subsidiaries operated over 1.27 million telephone access lines primarily in rural, suburban and small urban areas in 20 states, and the Company's majority-owned and operated wireless entities had more than 707,000 subscribers. On December 1, 1998, the Company acquired from affiliates of Ameritech Corporation ("Ameritech") telephone and directory operations serving approximately 86,000 access lines in northern and central Wisconsin for approximately \$221 million cash. On December 1, 1997, the Company significantly expanded its operations by acquiring Pacific Telecom, Inc. ("PTI") for \$1.503 billion cash and assumed PTI's debt of approximately \$725 million. As a result of this acquisition, the Company acquired (i) over 660,000 telephone access lines, (ii) over 88,000 cellular subscribers and (iii) various wireless, cable television and other communications assets. The operations of the Ameritech and PTI properties are included in the Company's results of operations beginning on the respective dates of acquisition. See Acquisitions and Note 11 of Notes to Consolidated Financial Statements for additional information. During the three years ended December 31, 1999, the Company has acquired various other telephone, wireless and other operations, the impact of which has not been material to the financial position or results of operations of the Company.

On May 14, 1999, the Company sold substantially all of its Alaska-based operations serving approximately 134,900 telephone access lines and 3,000 cellular subscribers. On June 1, 1999, the Company sold the assets of its Brownsville and McAllen, Texas cellular operations serving approximately 7,500 cellular subscribers. The operations of these disposed properties are included in the Company's results of operations up to the respective dates of disposition.

The net income of the Company for 1999 was \$239.8 million, compared to \$228.8 million during 1998 and \$256.0 million during 1997. Diluted earnings per share for 1999 were \$1.70 compared to \$1.64 in 1998 and \$1.87 in 1997. The Company's net income (and diluted earnings per share) from recurring operations for 1999, 1998 and 1997 was \$238.3 million (\$1.69), \$198.2 million (\$1.42), and \$149.6 million (\$1.09), respectively.

<u>Year ended December 31,</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
	(Dollars, except per share amounts, and shares in thousands)		
Operating income			
Telephone	\$ 352,357	333,708	173,285
Wireless	133,930	129,124	87,772
Other	21,782	16,979	6,713
	<u>508,069</u>	<u>479,811</u>	<u>267,770</u>
Gain on sale or exchange of assets, net	62,808	49,859	169,640
Interest expense	(150,557)	(167,552)	(56,474)
Income from unconsolidated cellular entities	27,675	32,869	27,794
Minority interest	(27,913)	(12,797)	(5,498)
Other income and expense	9,190	5,268	5,109
Income tax expense	(189,503)	(158,701)	(152,363)
<u>Net income</u>	<u>\$ 239,769</u>	<u>228,757</u>	<u>255,978</u>
<u>Basic earnings per share</u>	<u>\$ 1.72</u>	<u>1.67</u>	<u>1.89</u>
<u>Diluted earnings per share</u>	<u>\$ 1.70</u>	<u>1.64</u>	<u>1.87</u>
<u>Average basic shares outstanding</u>	<u>138,848</u>	<u>137,010</u>	<u>134,984</u>
<u>Average diluted shares outstanding</u>	<u>141,432</u>	<u>140,105</u>	<u>137,412</u>

Contributions to operating revenues and operating income by the Company's telephone, wireless and other operations for each of the years in the three-year period ended December 31, 1999 were as follows:

<u>Year ended December 31,</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Operating revenues			
Telephone operations	68.1%	69.2	58.9
Wireless operations	25.2%	25.9	34.1
Other operations	6.7%	4.9	7.0
Operating income			
Telephone operations	69.3%	69.6	64.7
Wireless operations	26.4%	26.9	32.9
Other operations	4.3%	3.5	2.4

As a result of the Company's December 1997 acquisition of PTI, the percentage of the Company's total operating revenues and operating income contributed by its telephone operations significantly increased during 1998.

*In addition to historical information, management's discussion and analysis includes certain forward-looking statements regarding events and financial trends that may affect the Company's future operating results and financial position. Such forward-looking statements are subject to uncertainties that could cause the Company's actual results to differ materially from such statements. Such uncertainties include but are not limited to: the effects of ongoing deregulation in the telecommunications industry; the effects of greater than anticipated competition in the Company's markets; possible changes in the demand*

for the Company's products and services; the Company's ability to successfully introduce new offerings on a timely and cost-effective basis; the risks inherent in rapid technological change; the Company's ability to timely consummate its pending acquisitions and effectively manage its growth, including integrating newly acquired properties into the Company's operations, hiring adequate numbers of qualified staff and successfully upgrading its billing and other information systems; and the effects of more general factors such as changes in general market or economic conditions or in legislation, regulation or public policy. These and other uncertainties related to the business are described in greater detail in Item 1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to update any of its forward-looking statements for any reason.

## TELEPHONE OPERATIONS

The Company conducts its telephone operations in rural, suburban and small urban communities in 20 states. As of December 31, 1999, approximately 84% of the Company's 1.27 million access lines were in Wisconsin, Washington, Michigan, Louisiana, Colorado, Ohio, Oregon and Montana. The operating revenues, expenses and income of the Company's telephone operations for 1999, 1998 and 1997 are summarized below.

Year ended December 31,	1999	1998	1997
	(Dollars in thousands)		
Operating revenues			
Local service	\$ 353,534	331,736	147,589
Network access	654,003	629,583	319,301
Other	135,056	130,291	63,707
	<u>1,142,593</u>	<u>1,091,610</u>	<u>530,597</u>
Operating expenses			
Plant operations	262,864	245,164	110,220
Customer operations	91,077	92,552	50,819
Corporate and other	160,819	157,293	80,551
Depreciation and amortization	275,476	262,893	115,722
	<u>790,236</u>	<u>757,902</u>	<u>357,312</u>
<u>Operating income</u>	<u>\$ 352,357</u>	<u>333,708</u>	<u>173,285</u>

### Local service revenues

Local service revenues are derived from the provision of local exchange telephone services in the Company's service areas. Of the \$21.8 million (6.6%) increase in local service revenues in 1999, \$21.1 million was due to the acquisition of the Ameritech properties which was more than offset by a \$22.8 million decrease attributable to the sale of the Company's Alaska based operations. The remaining \$23.5 million increase was due to a \$15.6 million increase due to an internal growth in the number of customer access lines and a \$4.1 million increase due to the increased provision of custom calling features. The \$184.1 million (124.8%) increase in such revenues in 1998 included \$171.0 million from acquired properties, of which \$169.2 million was from the PTI properties; \$10.7 million due to an internal growth in

the number of customer access lines and a \$3.0 million increase due to the increased provision of custom calling features. Internal access line growth during 1999, 1998 and 1997 was 4.8%, 4.7% and 4.4%, respectively.

#### Network access revenues

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

Network access revenues increased \$24.4 million (3.9%) in 1999 and \$310.3 million (97.2%) in 1998 due to the following factors:

	1999 increase (decrease)	1998 increase (decrease)
(Dollars in thousands)		
PTI acquisition	\$ -	278,471
Increased recovery from the federal Universal Service Fund ("USF")	8,193	8,329
Acquisitions, excluding PTI	17,645	1,013
Disposition of Alaska properties	(39,985)	-
Partial recovery of increased operating costs through revenue sharing arrangements with other telephone companies, increased minutes of use, increased recovery from state support funds and return on rate base	19,524	19,286
Revision of prior year revenue settlement agreements	15,944	618
Other, net	3,099	2,565
	<u>\$ 24,420</u>	<u>310,282</u>

#### Other revenues

Other revenues include revenues related to (i) leasing, selling, installing, maintaining and repairing customer premise telecommunications equipment and wiring ("CPE services"), (ii) providing billing and collection services for long distance carriers, (iii) participating in the publication of local directories and (iv) providing Internet access. Of the \$4.8 million increase in other revenues in 1999, \$5.0 million was attributable to the Ameritech properties. Such increase was more than offset by a \$12.0 million decrease due to the sale of the Alaska properties. The remaining increase of \$11.8 million was primarily due to a \$5.0 million and \$6.4 million increase from the provision of Internet access and CPE services, respectively. Other revenues increased \$66.6 million in 1998, which included \$60.7 million due to acquisitions. The

remainder of the increase in 1998 was due to a \$3.9 million increase from the provision of Internet access and a \$3.5 million increase from the provision of CPE services.

#### Operating expenses

Plant operations expenses during 1999 and 1998 increased \$17.7 million (7.2%) and \$134.9 million (122.4%), respectively. Of the \$17.7 million increase in 1999, \$13.2 million was attributable to the properties acquired from Ameritech, which was more than offset by a \$23.7 million decrease due to the sale of the Alaska properties. The remaining \$28.2 million increase was primarily due to a \$7.4 million increase in access expenses primarily due to changes in revenue settlement methods of certain telephone subsidiaries in a limited number of states; a \$5.6 million increase in repair and maintenance expenses; a \$5.6 million increase in engineering and network expenses and a \$2.0 million increase in expenses associated with providing Internet access. Expenses incurred by the PTI and Ameritech operations in 1998 accounted for \$120.4 million of the 1998 increase. The remainder of the increase in 1998 was primarily due to an increase in salaries and benefits.

Customer operations, corporate and other expenses increased \$2.1 million (.8%) in 1999 and \$118.5 million (90.2%) in 1998. The Ameritech properties contributed \$12.5 million of the 1999 increase. Such increase was more than offset by a \$19.8 million decrease due to the sale of the Alaska properties. The remaining \$9.4 million increase in 1999 was primarily due to a \$6.5 million increase in contract labor expenses attributable to readying the Company's systems to be Year 2000 compliant; a \$2.8 million increase in expenses associated with the provision of CPE services and a \$3.0 million increase in the provision for doubtful accounts. Such increases in 1999 were partially offset by a \$5.9 million decrease in salaries and benefits primarily due to a decrease in the number of non-operational personnel. Of the \$118.5 million increase in 1998, \$110.7 million was applicable to the PTI properties. Exclusive of acquisitions, the remainder of the 1998 increase was due to a \$4.3 million increase in salaries and benefits and a \$2.0 million increase in marketing expenses.

Depreciation and amortization increased \$12.6 million (4.8%) and \$147.2 million (127.2%) in 1999 and 1998, respectively. Of the 1999 increase, \$17.1 million was attributable to the properties acquired from Ameritech, which was more than offset by a \$17.8 million decrease due to the sale of the Alaska properties. Approximately \$136.6 million of the 1998 increase was applicable to acquiring and operating PTI (of which \$27.9 million represented amortization of goodwill) and \$1.3 million was applicable to the former Ameritech properties. Exclusive of acquisitions, depreciation expense included nonrecurring additional depreciation charges approved by regulators in certain jurisdictions which aggregated \$10.7 million in 1999 and \$6.2 million in 1998. In addition, the Company obtained increased depreciation rates in certain jurisdictions which increased depreciation expense by \$2.2 million in 1999 and \$1.1 million in

1998. The remainder of the increases in depreciation and amortization in 1999 and 1998 were due to higher levels of plant in service. The composite depreciation rate for the Company's regulated telephone properties, including the additional depreciation charges, was 7.0% for 1999, 6.9% for 1998 and 7.4% for 1997.

Other

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

#### WIRELESS OPERATIONS AND INCOME FROM UNCONSOLIDATED CELLULAR ENTITIES

<u>Year ended December 31,</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
	(Dollars in thousands)		
Operating income - wireless operations	\$ 133,930	129,124	88,048
Minority interest, exclusive of the effect of asset sales	(12,911)	(12,635)	(6,916)
<u>Income from unconsolidated cellular entities</u>	<u>27,675</u>	<u>32,869</u>	<u>27,794</u>
	<u>\$ 148,694</u>	<u>149,358</u>	<u>108,926</u>

The Company's wireless operations (discussed below) reflect 100% of the results of operations of the cellular entities in which the Company has a majority ownership interest. The minority interest owners' share of the income of such entities is reflected in the Company's Consolidated Statements of Income as an expense in "Minority interest." See Minority Interest for additional information. The Company's share of earnings from the cellular entities in which it has less than a majority interest is accounted for using the equity method and is reflected in the Company's Consolidated Statements of Income in "Income from unconsolidated cellular entities." See Income from Unconsolidated Cellular Entities for additional information.

#### WIRELESS OPERATIONS

Substantially all of the Company's wireless customers are located in Michigan, Louisiana, Wisconsin, Mississippi, Texas and Arkansas. The operating revenues, expenses and income of the Company's wireless operations for 1999, 1998 and 1997 are summarized below.

Year ended December 31,	1999	1998	1997
	(Dollars in thousands)		
Operating revenues			
Service revenues	\$ 411,492	398,739	302,156
Equipment sales	10,777	9,088	5,586
	<u>422,269</u>	<u>407,827</u>	<u>307,742</u>
Operating expenses			
Cost of equipment sold	21,408	16,992	14,588
System operations	56,866	60,049	47,572
General, administrative and customer service	79,569	81,350	62,536
Sales and marketing	61,903	57,967	54,128
Depreciation and amortization	68,593	62,345	41,146
	<u>288,339</u>	<u>278,703</u>	<u>219,970</u>
<b>Operating income</b>	<b>\$ 133,930</b>	<b>129,124</b>	<b>87,772</b>

#### Operating revenues

Service revenues include monthly service fees for providing access and airtime to customers, service fees for providing airtime to other carriers' customers roaming through the Company's service areas and toll revenue.

Of the \$12.8 million increase in service revenues in 1999, \$11.3 million was due to an increase in roaming usage primarily attributable to increased minutes of use which was partially offset by reduced rates. Local service revenues increased \$5.9 million due to a growth in the number of customers and increased minutes of use, both of which were partially offset by reduced rates. Such increases were partially offset by a \$6.3 million decrease due to the Company's sale of its Texas and Alaska cellular properties. Of the \$96.6 million increase in service revenues in 1998, \$76.1 million was attributable to acquisitions of properties. The remainder of the 1998 increase in service revenues was primarily due to a \$10.9 million increase in roaming revenues and a \$9.4 million increase in local service revenues.

The following table illustrates the growth in the Company's wireless customer base in its majority-owned markets:

Year ended December 31,	1999	1998	1997
Customers at beginning of period	624,290	569,983	368,233
Gross units added internally	240,084	214,767	193,623
Disconnects	146,325	160,460	115,473
Net units added internally	93,759	54,307	78,150
Net effect of property acquisitions and dispositions	(10,563)	-	123,600
<b>Customers at end of period</b>	<b>707,486</b>	<b>624,290</b>	<b>569,983</b>

The average monthly service revenue per customer declined to \$53 during 1999 from \$57 in 1998 and \$61 in 1997 due to price reductions and the continued trend that a higher percentage of new customers tend to be lower usage customers. A majority of the Company's net unit additions for 1999 were prepaid customers. The average monthly service revenue per prepaid customer has been and is expected to continue to be less than the average monthly service revenues per contract customer. The average monthly

service revenue per customer may further decline (i) as market penetration increases and additional lower usage customers are activated; (ii) as the Company continues to receive pressure from other cellular operators to reduce roaming rates and (iii) as competitive pressures from current and future wireless communications providers intensify. The Company is responding to such competitive pressures by, among other things, modifying certain of its price plans and implementing certain other plans and promotions, most all of which are likely to result in lower average revenue per customer. The Company will continue to focus on customer service and attempt to stimulate usage and customer growth by promoting the availability of certain enhanced services and by improving the quality of its service through the construction of additional cell sites and other enhancements to its system.

#### Operating expenses

Cost of equipment sold increased \$4.4 million (26.0%) in 1999 and \$2.4 million (16.5%) in 1998 primarily due to an increase in the number of phones sold.

System operations expenses decreased \$3.2 million (5.3%) in 1999 primarily due to a \$3.8 million decrease in the amounts paid to other carriers for service provided to the Company's customers who roam in the other carriers' service areas primarily due to a decrease in roaming rates; a \$1.7 million decrease in toll costs; and a \$1.9 million decrease in expenses attributable to operations sold during 1999. Such decreases were partially offset by a \$4.3 million increase in expenses associated with operating a greater number of cell sites. The \$12.5 million (26.2%) increase in system operations expenses in 1998 was primarily due to \$15.6 million of expenses attributable to acquisitions. Such increase was partially offset by a \$6.1 million decrease in the amounts paid to other carriers for service provided to the Company's customers who roam in the other carriers' service areas primarily due to a decrease in roaming rates.

The Company operated 711 cell sites at December 31, 1999 in entities in which it had a majority interest, compared to 644 at December 31, 1998 and 558 at December 31, 1997.

General, administrative and customer service expenses decreased \$1.8 million (2.2%), of which \$9.0 million was attributable to a decrease in the provision for doubtful accounts. Such decrease was substantially offset by a \$2.9 million increase in customer service expenses; a \$2.1 million increase in contract labor expenses associated with readying the Company's systems to be Year 2000 compliant; and a \$3.4 million increase in general office expenses. Of the \$18.8 million (30.1%) increase in 1998 expenses, \$13.4 million was attributable to expenses of entities acquired. The remainder of the 1998 increase was primarily due to a \$2.1 million increase in the provision for doubtful accounts and a \$1.8 million increase in customer service expenses.

Churn rate (the percentage of cellular customers that terminate service) is an industry-wide concern. The Company faces substantial competition from other wireless providers, including those offering

Personal Communications Services ("PCS"). A significant portion of the churn in the Company's cellular markets is due to the Company disconnecting service to customers for nonpayment. The Company's average monthly churn rate in its majority-owned and operated markets was 1.90% in 1999, 2.23% in 1998 and 2.31% in 1997.

Sales and marketing expenses increased \$3.9 million (6.8%) in 1999 primarily due to a \$4.0 million increase in costs incurred in selling products and services in retail locations and a \$2.0 million increase in advertising expenses. Such increases were partially offset by a \$2.1 million reduction in commissions paid to agents for selling services to new customers primarily as a result of fewer cellular units being added through this distribution channel during 1999 as compared to 1998 and a \$1.2 million decrease in expenses due to the Company's sale of its Texas and Alaska properties. Sales and marketing expenses increased \$3.8 million (7.1%) in 1998 primarily due to \$9.7 million of expenses of acquired entities; a \$2.9 million increase in costs incurred in selling products and services in retail locations and a \$2.4 million increase in advertising expenses. Such increases were partially offset by a \$10.6 million reduction in commissions paid to agents for selling services to new customers primarily as a result of fewer units being added through this distribution channel during 1998 as compared to 1997.

Depreciation and amortization increased \$6.2 million (10.0%) in 1999, of which \$4.0 million was due to an increase in amortization of intangibles and \$2.5 million was attributable to a higher level of plant in service. Of the \$21.2 million (51.5%) increase in 1998, \$14.5 million was attributable to acquisitions. The remainder of the 1998 increase was primarily due to higher levels of plant in service.

Other

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

## OTHER OPERATIONS

Other operations includes the results of operations of subsidiaries of the Company which are not included in the telephone or wireless segments including, but not limited to, the Company's non-regulated long distance operations, call center operations and security monitoring business. The operating revenues, expenses and income of the Company's other operations for 1999, 1998 and 1997 are summarized below.

Year ended December 31,	1999	1998	1997
	(Dollars in thousands)		
Operating revenues			
Long distance	\$ 83,087	53,027	36,550
Call center	11,749	9,701	14,285
Other	16,971	14,920	12,347
	<u>111,807</u>	<u>77,648</u>	<u>63,182</u>
Operating expenses			
Cost of sales and operating expenses	85,278	57,353	53,842
Depreciation and amortization	4,747	3,316	2,627
	<u>90,025</u>	<u>60,669</u>	<u>56,469</u>
<u>Operating income</u>	<u>\$ 21,782</u>	<u>16,979</u>	<u>6,713</u>

The 1999 and 1998 increases in long distance revenues of \$30.1 million and \$16.5 million, respectively, were primarily attributable to the growth in the number of customers. The number of long distance customers as of December 31, 1999, 1998, and 1997 was 303,700, 226,700, and 172,000, respectively. The \$4.6 million decrease in call center revenues in 1998 was primarily due to the loss of two major customers in the fourth quarter of 1997. The increases in other revenues in 1998 of \$2.6 million was primarily attributable to the acquisition of cable television properties in the PTI acquisition and the acquisition of two security monitoring businesses, partially offset by a loss of revenues applicable to entities sold during 1997.

Operating expenses in 1999 increased \$29.4 million (48.4%) primarily due to (i) an increase of \$17.8 million in expenses of the Company's long distance operations primarily due to the increased minutes of use due to an increase in the number of long distance customers, (ii) a \$6.7 million increase associated with the Company's call center operations and (iii) a \$3.8 million increase in expenses due to the expansion of the Company's security monitoring and fiber network businesses. In January 2000, the Company announced that it would close its third party call center operations by the end of the first quarter 2000. Included in total operating expenses for 1999 is a \$2.7 million charge to write down the assets of the call center to estimated net realizable value.

Operating expenses in 1998 increased due to (i) an increase of \$13.6 million in expenses of the Company's long distance operations due primarily to an increase in customers and (ii) \$6.6 million of operating expenses applicable to acquisitions. Such increases were substantially offset by decreases in operating expenses because (i) 1997 included \$9.2 million of costs applicable to entities sold during 1997 and (ii) the amount of intercompany profit with regulated affiliates (the recognition of which in accordance

with regulatory accounting principles acts to offset operating expenses) increased \$5.8 million as a result of the acquisition of PTI.

The Company anticipates that the growth of operating income for its other operations will slow in future periods as it incurs increasingly larger expenses in connection with expanding its security monitoring business and its emerging fiber network and competitive local exchange carrier businesses.

Certain of the Company's service subsidiaries provide managerial, operational, technical, accounting and administrative services, along with materials and supplies, to the Company's telephone subsidiaries. In accordance with regulatory accounting, intercompany profit on transactions with regulated affiliates has not been eliminated in connection with consolidating the results of operations of the Company. When the regulated operations of the Company no longer qualify for the application of Statement of Financial Accounting Standards No. 71 ("SFAS 71"), "Accounting for the Effects of Certain Types of Regulation," such intercompany profit will be eliminated in subsequent financial statements, the primary result of which will be a decrease in operating expenses applicable to the Company's telephone operations and an increase in operating expenses applicable to the Company's other operations. The amount of intercompany profit with regulated affiliates which was not eliminated was approximately \$14.0 million, \$14.4 million and \$8.9 million in 1999, 1998 and 1997, respectively. For additional information applicable to SFAS 71, see Regulation and Competition - Other Matters and Note 12 of Notes to Consolidated Financial Statements.

#### GAIN ON SALE OR EXCHANGE OF ASSETS, NET

In 1999, the Company recorded pre-tax gains aggregating \$62.8 million. Approximately \$10.4 million of the pre-tax gains (\$6.7 million after-tax; \$.04 per diluted share) was due to the sale of the Company's remaining common shares of MCIWorldCom, Inc. ("WorldCom"). Approximately \$39.6 million of the pre-tax gains (\$7.8 million after-tax loss; \$.05 per diluted share) was due to the sale of the Company's Brownsville and McAllen, Texas cellular properties. The remainder of the gains in 1999 was primarily due to an \$11.6 million pre-tax gain (\$7.6 million after-tax; \$.05 per diluted share) due to the sale of the Company's shares of common stock of Telephone and Data Systems, Inc. See Note 14 of Notes to Consolidated Financial Statements for additional information.

In 1998 the Company recorded net pre-tax gains aggregating \$49.9 million (\$30.5 million after-tax; \$.22 per diluted share) primarily due to the conversion of its investment in the common stock of Brooks Fiber Properties, Inc. ("Brooks") into common stock of WorldCom, the subsequent sale of 750,000 shares of WorldCom stock, and the sale of minority interests in two non-strategic cellular entities.

In the second quarter of 1997, the Company sold its competitive access subsidiary to Brooks in exchange for approximately 4.3 million shares of Brooks' common stock and recorded a pre-tax gain of approximately \$71 million (\$46 million after-tax; \$.34 per diluted share). In November 1997 the Company

sold approximately 3.8 million shares of Brooks' stock and recorded a pre-tax gain of approximately \$108 million (\$66 million after-tax; \$.48 per diluted share).

#### INTEREST EXPENSE

Interest expense decreased \$17.0 million in 1999 primarily due to a reduction in outstanding indebtedness. Interest expense increased \$111.1 million in 1998 primarily due to \$89.7 million of interest expense on the borrowings used to finance the PTI and Ameritech acquisitions and \$23.2 million of interest expense applicable to debt assumed from PTI.

#### INCOME FROM UNCONSOLIDATED CELLULAR ENTITIES

Earnings from unconsolidated cellular entities, net of the amortization of associated goodwill, decreased \$5.2 million (15.8%) primarily due to the Company's proportionate share (\$6.9 million) of a non-cash charge that was recorded by a cellular entity in which the Company owns a minority interest. The 1998 increase of \$5.1 million (18.3%) was primarily due to \$7.3 million of earnings of unconsolidated cellular entities acquired in the PTI acquisition. Such increase was partially offset by a \$2.5 million decrease due to the sale of the Company's minority interest in two non-strategic cellular entities during the second quarter of 1998.

#### MINORITY INTEREST

Minority interest is the expense recorded by the Company to reflect the minority interest owners' share of the earnings of the Company's majority-owned and operated cellular entities and majority-owned subsidiaries. Minority interest increased \$15.1 million during 1999, substantially all of which relates to the minority partners' share of the gain on sale of assets of the Brownsville and McAllen, Texas cellular properties. Of the \$7.3 million increase in minority interest in 1998, \$2.0 million was associated with entities acquired in the PTI acquisition. The remainder of the increase was primarily due to the increased profitability of the Company's majority-owned and operated cellular entities.

#### OTHER INCOME AND EXPENSE

Other income and expense increased \$3.9 million in 1999, substantially all of which relates to favorable non-recurring items recorded in 1999.

#### INCOME TAX EXPENSE

The Company's effective income tax rate was 44.1%, 41.0% and 37.3% in 1999, 1998 and 1997, respectively. Exclusive of the effect of income tax expense on asset sales, the effective income tax rate was

39.0%, 41.3% and 37.3% in 1999, 1998 and 1997, respectively. Such decrease in the effective rate for 1999 was primarily due to two factors. First, the Company's 1999 sale of its Texas and Alaska operations resulted in a decrease in the amount of amortization of excess cost of net assets acquired (goodwill) that is non-deductible for tax purposes. Second, the Company recorded a \$5.3 million state tax benefit relating to a loss carryback that will be utilized to recoup taxes paid in a previous year. The increase in the effective rate in 1998 was primarily due to the increase in non-deductible amortization of excess cost of net assets acquired attributable to the PTI acquisition.

## ACQUISITIONS

On December 1, 1998, the Company acquired the assets of certain of Ameritech's telephone and directory operations in 19 telephone exchanges covering 21 communities in northern and central Wisconsin for approximately \$221 million cash. The operations acquired by the Company include the telephone property and equipment serving approximately 86,000 access lines, as well as the related nine telephone directories.

On December 1, 1997, the Company acquired PTI in exchange for \$1.503 billion cash and assumed PTI's debt of approximately \$725 million. To finance the acquisition, the Company borrowed \$1.288 billion under its committed credit facility and paid the remainder of the purchase price with available cash, most of which consisted of the proceeds of the sale of Brooks' common stock in November 1997. See Liquidity and Capital Resources - Financing Activities for additional information. As a result of the acquisition, the Company acquired (i) over 660,000 telephone access lines located in four midwestern states, seven western states and Alaska, (ii) over 88,000 cellular subscribers in two midwestern states and Alaska and (iii) various wireless, cable television and other communications assets. For additional information, see Note 11 of Notes to Consolidated Financial Statements.

## ACCOUNTING PRONOUNCEMENTS

In June 1998 the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 established accounting and reporting standards for derivative instruments and for hedging activities by requiring that entities recognize all derivatives as either assets or liabilities at fair value on the balance sheet. Based on the Company's current use of derivatives, SFAS 133 is not expected to materially impact the Company's financial position or results of operations. In June 1999, the FASB deferred the effective date of SFAS 133 to fiscal years beginning after June 15, 2000.

In June 1999, the FASB issued Interpretation No. 43, "Real Estate Sales, an Interpretation of FASB Statement No. 66." The interpretation is effective for sales of real estate with property improvements or integral equipment entered into after June 30, 1999. Under this interpretation, fiber optic cable is

considered integral equipment and, accordingly, title must transfer to a lessee in order for an Indefeasible Right to Use transaction to be accounted for as a sales-type lease. The application of the provisions of FASB Interpretation No. 43 does not have an impact on the Company's financial position or results of operations.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 summarizes certain of the staff's views in applying generally accepted accounting principles to revenue recognition and deferred costs in the financial statements. Based on the Company's current revenue recognition policies, SAB 101 is not expected to materially impact the Company's financial position or results of operations.

#### INFLATION

The effects of increased costs historically have been mitigated by the ability to recover certain costs applicable to the Company's regulated telephone operations through the rate-making process. As operating expenses in the Company's non-regulated lines of business increase as a result of inflation, the Company, to the extent permitted by competition, recovers the costs by increasing prices for its services and equipment. While the rate-making process does not permit the Company to immediately recover the costs of replacing its physical plant, the Company has historically been able to recapture these costs over time. Possible future regulatory changes may alter the Company's ability to recover increased costs in its regulated operations. For additional information regarding the current regulatory environment, see Regulation and Competition.

#### MARKET RISK

The Company is not exposed to material future earnings or cash flow exposures from changes in interest rates on long-term debt obligations since the majority of the Company's long-term debt obligations are fixed rate. At December 31, 1999, the fair value of the Company's long-term debt was estimated to be \$2.0 billion based on the overall weighted average rate of the Company's long-term debt of 7.0% and an overall weighted maturity of 12 years compared to terms and rates currently available in long-term financing markets. Market risk is estimated as the potential decrease in fair value of the Company's long-term debt resulting from a hypothetical increase of 70 basis points in interest rates (ten percent of the Company's overall weighted average borrowing rate). Such an increase in interest rates would result in approximately a \$89.0 million decrease in fair value of the Company's long-term debt.

In early 1998 the Company utilized interest rate hedge contracts to manage its interest rate risk related to the issuance of \$765.0 million of senior notes and debentures. In February 2000, the Company entered into an interest rate hedge contract designed to reduce its interest rate risk with respect to \$100 million of the long-term public debt that it expects to incur in connection with financing its pending acquisitions of

local exchange assets in Arkansas, Missouri and Wisconsin. It is possible that the Company will enter into additional interest rate hedges for the same purpose over the next several months. See Liquidity and Capital Resources for additional information.

#### YEAR 2000 DISCLOSURE

The Year 2000 issue concerned the inability of computer systems and certain other equipment to properly recognize and process data that uses two digits rather than four to designate particular years. The Company implemented a Year 2000 Project Plan ("the Plan") to assess whether its systems that process date sensitive information would perform satisfactorily leading up to and beyond January 1, 2000. Subsequent to December 31, 1999, the Company has experienced no Year 2000-related problems with its critical systems nor did it experience any problems with the delivery of critical services it receives from third parties.

In connection with implementing the Plan, the Company incurred costs of \$35.1 million during 1999 (\$24.1 million of which was related to hardware costs and other capital items) and \$4.2 million during 1998 (none of which was related to hardware costs or other capital items). All costs were expensed as incurred, except for hardware and other items that were capitalized in accordance with generally accepted accounting principles.

#### LIQUIDITY AND CAPITAL RESOURCES

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

##### Operating activities

Net cash provided by operating activities was \$408.7 million, \$467.8 million and \$297.3 million in 1999, 1998 and 1997, respectively. The Company's accompanying consolidated statements of cash flows identify major differences between net income and net cash provided by operating activities for each of those years. For additional information relating to the telephone operations, wireless operations and other operations of the Company, see Results of Operations.

##### Investing activities

Net cash provided by (used in) investing activities was \$69.8 million, (\$375.6) million and (\$1.503) billion in 1999, 1998 and 1997, respectively. Proceeds from the sales of assets were \$484.5 million in 1999

compared to \$132.3 million in 1998 and \$202.7 million in 1997. Cash used for acquisitions was \$21.0 million, \$225.6 million and \$1.544 billion in 1999, 1998 and 1997, respectively. Capital expenditures for 1999 were \$233.5 million for telephone operations, \$58.8 million for wireless operations and \$97.7 for other operations. Capital expenditures during 1998 and 1997 were \$310.9 million and \$181.2 million, respectively.

#### Financing activities

Net cash used in financing activities was \$427.6 million in 1999 and \$112.4 million in 1998. Net cash provided by financing activities was \$1.223 billion during 1997, of which \$1.288 billion was related to the acquisition of PTI. Net payments of long-term debt were \$365.5 million more during 1999 compared to 1998 primarily due to the utilization of proceeds from the sales of assets. In December 1997 the Company filed a shelf registration statement with the United States Securities and Exchange Commission registering an aggregate of \$1.6 billion of senior unsecured debt securities, preferred stock, common stock and warrants. In January 1998 the Company issued an aggregate of \$765 million of senior notes and debentures. The net proceeds of approximately \$758 million were used to reduce the bank indebtedness incurred in connection with the acquisition of PTI. In addition, the Company paid approximately \$40 million in 1998 to settle numerous interest rate hedge contracts that had been entered into in anticipation of these debt issuances.

#### Other

Budgeted capital expenditures for 2000 total \$250 million for telephone operations, \$100 million for wireless operations and \$65 million for other operations. The Company anticipates that capital expenditures in its telephone operations will continue to include the installation of fiber optic cable and the upgrading of its plant and equipment, including its digital switches, to provide enhanced services. Capital expenditures in the wireless operations are expected to continue to focus on constructing additional cell sites (which will provide additional capacity and expanded areas where cellular phones may be used) and providing digital service. Budgeted capital expenditures for other operations include \$15 million for construction of the Company's fiber network and \$20 million for construction of competitive local exchange networks.

In June 1999, the Company signed a definitive asset purchase agreement to purchase from affiliates of GTE Corporation ("GTE") telephone access lines (which numbered approximately 225,000 at December 31, 1999) and related local exchange assets in Arkansas for approximately \$845.8 million in cash. In July 1999, the Company acquired a 61.5% (56.9% fully diluted) interest in a newly-organized joint venture company which has entered into a definitive asset purchase agreement with affiliates of GTE to purchase telephone access lines (which numbered approximately 121,000 at December 31, 1999) and related local exchange assets in Missouri for approximately \$290 million in cash. At closing, the Company has agreed

to make approximately a \$55 million preferred equity investment in the new entity and it is anticipated that the Company will loan the new entity approximately \$220 million.

In August 1999, the Company acquired an 89% interest in a newly-organized joint venture company which has entered into a definitive asset purchase agreement to purchase telephone access lines (which numbered approximately 61,700 as of December 31, 1999) and related local exchange assets in Wisconsin from a GTE affiliate for approximately \$170 million cash. At closing the Company has agreed to make an equity investment in the newly organized company of approximately \$37.8 million and it is anticipated that the Company will loan the new entity approximately \$130 million. In October 1999, the Company also entered into a definitive asset purchase agreement to purchase additional telephone access lines (which numbered approximately 68,200 as of December 31, 1999) and related local exchange assets in Wisconsin from a GTE affiliate for approximately \$195 million cash.

The purchase price under each of these GTE agreements is subject to adjustments which are not expected to be material in the aggregate. These transactions are anticipated to close by mid-year 2000, subject to regulatory approvals and certain other closing conditions. Although financing plans are not yet complete and will be dependent upon the Company's review of its alternatives and market conditions, the Company currently anticipates selling a mix of securities that will include debt securities and may include equity or equity-linked securities. Currently, the Company's senior unsecured debt is rated Baa1 by Moody's and BBB+ by Standard & Poor's. However, as a result of the Company's announcement of its GTE acquisitions, Moody's placed its ratings under review for possible downgrade and Standard & Poor's placed its ratings on CreditWatch with negative implications.

The Company continually evaluates the possibility of acquiring additional telecommunications operations and expects to continue its long-term strategy of pursuing the acquisition of attractive communications properties in exchange for cash, securities or both. The Company generally does not announce its acquisitions until it has entered into a preliminary or definitive agreement. Over the past few years, the amount of communications properties available to be purchased by the Company has increased substantially. The Company may require additional financing in connection with any such acquisitions, the consummation of which could have a material impact on the Company's financial condition or operations. Approximately 4.6 million shares of CenturyTel common stock and 200,000 shares of CenturyTel preferred stock remain available for future issuance in connection with acquisitions under an acquisition shelf registration statement.

As of December 31, 1999, the Company's telephone subsidiaries had available for use \$131.5 million of commitments for long-term financing from the Rural Utilities Service and the Company had \$219.1 million of undrawn committed bank lines of credit. The Company also has access to debt and equity capital markets, including its shelf registration statement.

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

	1999	1998	1997
Debt to total capitalization percentage	53.7%	63.0	67.2
Ratio of earnings to fixed charges	2.79	2.25	7.80
Ratio of earnings to fixed charges excluding gain on sale or exchange of assets	2.47	1.96	4.87

## REGULATION AND COMPETITION

The communications industry continues to undergo various fundamental regulatory, legislative, competitive and technological changes that make it difficult to determine the form or degree of future regulation and competition affecting the Company's telephone and wireless operations. These changes may have a significant impact on the future financial performance of all communications companies.

### Events affecting the communications industry

In 1996 the United States Congress enacted the Telecommunications Act of 1996 (the "1996 Act"), which obligates LECs to permit competitors to interconnect their facilities to the LEC's network and to take various other steps that are designed to promote competition. The 1996 Act provides certain exemptions for rural LECs such as those operated by the Company. Under the FCC's August 1996 order implementing most of the 1996 Act's interconnection provisions, rural LECs have the burden of proving the availability of these exemptions.

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

The 1996 Act authorized the establishment of new federal and state universal service funds to provide support to eligible telecommunications carriers. These new funds are intended to replace existing federal support mechanisms that currently provide approximately 7.6% of the Company's consolidated revenues. In October 1999 the FCC adopted an order implementing a new universal service support mechanism for non-rural carriers for high cost and rural markets. This order will shift non-rural telephone companies to a forward-looking cost model in determining their future universal service support. Because all of the Company's LEC's have been designated as rural telephone companies, this order will not directly impact the Company. However, this order may establish the benchmark for the treatment of universal service

support funding for rural carriers. The Company's LECs will continue to receive payments under the existing federal support mechanisms for rural carriers until the FCC adopts funding support mechanisms based on forward-looking economic costs, which it is required to do, but no earlier than January 2001.

In September 1998 the FCC initiated a proceeding to represcribe the authorized rate of return for interstate access services provided by LECs. The FCC periodically represcribes this rate of return to ensure that the service rates filed by incumbent LECs subject to rate of return regulation continue to be just and reasonable. It is uncertain whether or by how much the FCC may lower the authorized rate of return. For rate of return companies, the FCC is considering how other unresolved issues such as jurisdictional separations, access charge reform and universal service must be addressed before represcribing rate of return.

Competition to provide traditional telephone or wireless services has thus far affected large urban areas to a greater extent than rural, suburban and small urban areas such as those in which the Company's operations are located. The Company does not believe such competition is likely to materially affect it in the near term. The Company further believes that it may benefit from having the opportunity to observe the effects of these developments in large urban markets. The Company will continue to monitor ongoing changes in regulation, competition and technology and consider which developments provide the most favorable opportunities for the Company to pursue.

#### Recent events affecting the Company

During 1999 the Company's revenues from the USF totaled approximately \$127.5 million (of which \$5.2 million related to the Company's Alaska based operations). During 1998, such revenues totaled \$127.6 million (of which \$13.4 million related to the Alaska based operations.) Although the Company may experience a reduction in its federal support revenues at some point in the future, management believes it is premature to assess or estimate the ultimate impact thereof. There can be no assurance, however, that such impact will not be material.

During the last few years, several states in which the Company has substantial operations took legislative or regulatory steps to further introduce competition into the LEC business. While the Company is aware of only a few companies which have requested authorization to provide local exchange service in the Company's service areas, it is anticipated that similar action may be taken by others in the future.

In mid-1997 the Louisiana Public Service Commission adopted a Consumer Price Protection Plan which froze the local rates and access rates that can be charged by the Company's LECs operating in Louisiana. Certain other states have implemented various forms of alternative regulation plans, the impact of which has not been material either individually or in the aggregate to the results of operations of the Company.

Certain long distance carriers continue to request that the Company reduce intrastate access tariffed rates for certain of its LECs. In addition, the Company continues to receive pressure from other cellular operators to reduce roaming rates in the Company's cellular markets. There is no assurance that these requests will not result in reduced intrastate access revenues and/or roaming revenues in the future.

The Company anticipates that regulatory changes and competitive pressures may result in future revenue reductions in its telephone operations. However, the Company anticipates that such reductions may be minimized by increases in revenues attributable to the continued demand for enhanced services and new product offerings. While the Company expects its telephone revenues to continue to grow, its internal telephone revenue growth rate may slow during upcoming periods.

#### Other matters

The Company's regulated telephone operations are subject to the provisions of SFAS 71, under which the Company is required to account for the economic effects of the rate-making process, including the recognition of depreciation of plant and equipment over lives approved by regulators. The ongoing applicability of SFAS 71 to the Company's regulated telephone operations is being monitored due to the changing regulatory, competitive and legislative environments. When the regulated operations of the Company no longer qualify for the application of SFAS 71, the net adjustments required will result in a material, extraordinary, noncash charge against earnings. While the amount of such charge cannot be precisely estimated at this time, management believes that the noncash, after-tax, extraordinary charge would be between \$300 million and \$350 million. See Note 12 of Notes to Consolidated Financial Statements for additional information.

The Company has certain obligations based on federal, state and local laws relating to the protection of the environment. Costs of compliance through 1999 have not been material, and the Company currently has no reason to believe that such costs will become material.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

The Company is not exposed to *material future earnings* or cash flow exposures from changes in interest rates on long-term obligations since the majority of the Company's long-term obligations are fixed rate. At December 31, 1999, the Company estimates that the fair value of the Company's long-term debt was \$2.0 billion which was determined by comparing the overall weighted average rate of the Company's long-term debt of 7.0% and an overall weighted maturity of 12 years to terms and rates currently available in long-term financing markets. Market risk is estimated as the potential decrease in fair value of the Company's long-term debt resulting from a hypothetical increase of 70 basis points in interest rates (ten percent of the Company's overall weighted average borrowing rate). Such an increase in interest rates would result in approximately a \$89.0 million decrease in fair value of the Company's long-term debt. In late 1997 and early 1998 the Company utilized interest rate hedge contracts to manage its interest rate risk related to its January 1998 issuance of \$765.0 million of senior notes and debentures. In February 2000, the Company entered into an interest rate hedge contract designed to reduce its interest rate risk with respect to \$100 million of long-term public debt that it expects to incur in connection with financing its pending acquisitions of local exchange assets in Arkansas, Missouri and Wisconsin. It is possible that the Company will enter into additional interest rate hedges for the same purpose over the next several months.

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

Report of Management

The Shareholders

CenturyTel, Inc.:

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

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

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

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

/s/ R. Stewart Ewing, Jr.

R. Stewart Ewing, Jr.

Executive Vice President and Chief Financial Officer

Independent Auditors' Report

The Board of Directors  
CenturyTel, Inc.:

We have audited the consolidated financial statements of CenturyTel, Inc. and subsidiaries as listed in Item 14a(i). In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedules as listed in Item 14a(ii). These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CenturyTel, Inc. and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP  
KPMG LLP

Shreveport, Louisiana  
January 26, 2000

**CENTURYTEL, INC.**  
Consolidated Statements of Income

	Year ended December 31,		
	1999	1998	1997
	(Dollars, except per share amounts, and shares in thousands)		
<b>OPERATING REVENUES</b>			
Telephone	\$ 1,142,593	1,091,610	530,597
Wireless	422,269	407,827	307,742
Other	111,807	77,648	63,182
<b>Total operating revenues</b>	<b>1,676,669</b>	<b>1,577,085</b>	<b>901,521</b>
<b>OPERATING EXPENSES</b>			
Cost of sales and operating expenses	819,784	768,720	474,256
Depreciation and amortization	348,816	328,554	159,495
<b>Total operating expenses</b>	<b>1,168,600</b>	<b>1,097,274</b>	<b>633,751</b>
<b>OPERATING INCOME</b>	<b>508,069</b>	<b>479,811</b>	<b>267,770</b>
<b>OTHER INCOME (EXPENSE)</b>			
Gain on sale or exchange of assets, net	62,808	49,859	169,640
Interest expense	(150,557)	(167,552)	(56,474)
Income from unconsolidated cellular entities	27,675	32,869	27,794
Minority interest	(27,913)	(12,797)	(5,498)
Other income and expense	9,190	5,268	5,109
<b>Total other income (expense)</b>	<b>(78,797)</b>	<b>(92,353)</b>	<b>140,571</b>
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	<b>429,272</b>	<b>387,458</b>	<b>408,341</b>
Income tax expense	189,503	158,701	152,363
<b>NET INCOME</b>	<b>\$ 239,769</b>	<b>228,757</b>	<b>255,978</b>
<b>BASIC EARNINGS PER SHARE</b>	<b>\$ 1.72</b>	<b>1.67</b>	<b>1.89</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>\$ 1.70</b>	<b>1.64</b>	<b>1.87</b>
<b>DIVIDENDS PER COMMON SHARE</b>	<b>\$ .180</b>	<b>.173</b>	<b>.164</b>
<b>AVERAGE BASIC SHARES OUTSTANDING</b>	<b>138,848</b>	<b>137,010</b>	<b>134,984</b>
<b>AVERAGE DILUTED SHARES OUTSTANDING</b>	<b>141,432</b>	<b>140,105</b>	<b>137,412</b>

See accompanying notes to consolidated financial statements.

**CENTURYTEL, INC.**  
**Consolidated Statements of Comprehensive Income**

	Year ended December 31,		
	1999	1998	1997
	(Dollars in thousands)		
<b>NET INCOME</b>	<b>\$ 239,769</b>	<b>228,757</b>	<b>255,978</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>			
Unrealized holding gains arising during period, net of \$38,473, \$8,509 and \$6,404 tax	71,449	15,802	11,893
Reclassification adjustment for gains included in net income, net of \$7,702 and \$11,027 tax	(14,304)	(20,478)	-
Other comprehensive income, net of \$30,771, (\$2,518) and \$6,404 tax	57,145	(4,676)	11,893
<b>COMPREHENSIVE INCOME</b>	<b>\$ 296,914</b>	<b>224,081</b>	<b>267,871</b>

See accompanying notes to consolidated financial statements.

**CENTURYTEL, INC.**  
Consolidated Balance Sheets

	December 31,	
	1999	1998
	(Dollars in thousands)	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 56,640	5,742
Accounts receivable		
Customers, less allowance of \$4,150 and \$4,155	128,338	130,289
Other	64,719	55,109
Materials and supplies, at average cost	28,769	23,709
Other	7,607	11,389
<b>Total current assets</b>	<b>286,073</b>	<b>226,238</b>
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>	<b>2,256,458</b>	<b>2,351,453</b>
<b>INVESTMENTS AND OTHER ASSETS</b>		
Excess cost of net assets acquired, less accumulated amortization of \$165,327 and \$133,135	1,644,884	1,956,701
Other	517,992	401,063
<b>Total investments and other assets</b>	<b>2,162,876</b>	<b>2,357,764</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,705,407</b>	<b>4,935,455</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 62,098	53,010
Accounts payable	78,450	87,627
Accrued expenses and other current liabilities		
Salaries and benefits	34,570	36,900
Taxes	40,999	33,411
Interest	37,232	36,926
Other	22,172	24,249
Advance billings and customer deposits	33,656	32,721
<b>Total current liabilities</b>	<b>309,177</b>	<b>304,844</b>
<b>LONG-TERM DEBT</b>	<b>2,078,311</b>	<b>2,558,000</b>
<b>DEFERRED CREDITS AND OTHER LIABILITIES</b>	<b>469,927</b>	<b>541,129</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$1.00 par value, authorized 350,000,000 shares, issued and outstanding 139,945,920 and 138,082,926 shares	139,946	138,083
Paid-in capital	493,432	451,535
Unrealized holding gain on investments, net of taxes	64,362	7,217
Retained earnings	1,146,967	932,611
Unearned ESOP shares	(4,690)	(6,070)
Preferred stock - non-redeemable	7,975	8,106
<b>Total stockholders' equity</b>	<b>1,847,992</b>	<b>1,531,482</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 4,705,407</b>	<b>4,935,455</b>

See accompanying notes to consolidated financial statements.

**CENTURYTEL, INC.**  
Consolidated Statements of Cash Flows

	Year ended December 31		
	1999	1998	1997
	(Dollars in thousands)		
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 239,769	228,757	255,978
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	348,816	328,554	159,495
Income from unconsolidated cellular entities	(27,675)	(32,869)	(27,794)
Minority interest	27,913	12,797	5,498
Deferred income taxes	(17,139)	16,196	16,230
Gain on sale of assets, net	(62,808)	(49,859)	(169,640)
Changes in current assets and current liabilities			
Accounts receivable	(15,181)	(15,227)	7,649
Accounts payable	(11,469)	4,249	(25,440)
Other accrued taxes	(59,571)	(34,908)	58,205
Other current assets and other current liabilities, net	(1,354)	15,033	7,263
Increase (decrease) in other noncurrent liabilities	(5,311)	(1,706)	2,173
Other, net	(7,288)	(3,243)	7,702
Net cash provided by operating activities	<u>408,702</u>	<u>467,774</u>	<u>297,319</u>
<b>INVESTING ACTIVITIES</b>			
Acquisitions, net of cash acquired	(20,972)	(225,569)	(1,543,814)
Payments for property, plant and equipment	(389,980)	(310,919)	(181,225)
Proceeds from sale of assets	484,467	132,307	202,705
Distributions from unconsolidated cellular entities	22,219	26,515	16,825
Purchase of life insurance investment, net	(2,545)	(2,786)	(12,962)
Proceeds from note receivable	-	-	22,500
Other, net	(23,416)	4,807	(7,156)
Net cash provided by (used in) investing activities	<u>69,773</u>	<u>(375,645)</u>	<u>(1,503,127)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of long-term debt	15,533	957,668	1,312,546
Payments of long-term debt	(438,399)	(1,015,015)	(79,203)
Payment of hedge contracts	-	(40,237)	-
Proceeds from issuance of common stock	19,182	15,033	14,156
Payment of debt issuance costs	-	(6,625)	-
Cash dividends	(25,413)	(24,179)	(22,671)
Other, net	1,520	951	(1,405)
Net cash provided by (used in) financing activities	<u>(427,577)</u>	<u>(112,404)</u>	<u>1,223,423</u>
Net increase (decrease) in cash and cash equivalents	50,898	(20,275)	17,615
Cash and cash equivalents at beginning of year	5,742	26,017	8,402
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 56,640</u>	<u>5,742</u>	<u>26,017</u>

See accompanying notes to consolidated financial statements.

**CENTURYTEL, INC.**  
Consolidated Statements of Stockholders' Equity

	Year ended December 31,		
	1999	1998	1997
	(Dollars and shares in thousands)		
<b>COMMON STOCK</b>			
Balance at beginning of year	\$ 138,083	91,104	59,859
Issuance of common stock for acquisitions	-	28	75
Conversion of convertible securities into common stock	330	169	237
Issuance of common stock through dividend reinvestment, incentive and benefit plans	1,533	754	565
Three-for-two stock split	-	46,028	30,368
<b>Balance at end of year</b>	<b>139,946</b>	<b>138,083</b>	<b>91,104</b>
<b>PAID-IN CAPITAL</b>			
Balance at beginning of year	451,535	469,586	474,607
Issuance of common stock for acquisitions	-	1,059	3,241
Conversion of convertible securities into common stock	3,101	3,131	4,998
Issuance of common stock through dividend reinvestment, incentive and benefit plans	17,649	14,279	13,591
Amortization of unearned compensation and other	21,147	9,508	3,517
Three-for-two stock split	-	(46,028)	(30,368)
<b>Balance at end of year</b>	<b>493,432</b>	<b>451,535</b>	<b>469,586</b>
<b>UNREALIZED HOLDING GAIN ON INVESTMENTS, NET OF TAXES</b>			
Balance at beginning of year	7,217	11,893	-
Change in unrealized holding gain on investments, net of taxes	57,145	(4,676)	11,893
<b>Balance at end of year</b>	<b>64,362</b>	<b>7,217</b>	<b>11,893</b>
<b>RETAINED EARNINGS</b>			
Balance at beginning of year	932,611	728,033	494,726
Net income	239,769	228,757	255,978
Cash dividends declared			
Common stock - \$.18, \$.173 and \$.164 per share	(25,010)	(23,771)	(22,211)
Preferred stock	(403)	(408)	(460)
<b>Balance at end of year</b>	<b>1,146,967</b>	<b>932,611</b>	<b>728,033</b>
<b>UNEARNED ESOP SHARES</b>			
Balance at beginning of year	(6,070)	(8,450)	(11,080)
Release of ESOP shares	1,380	2,380	2,630
<b>Balance at end of year</b>	<b>(4,690)</b>	<b>(6,070)</b>	<b>(8,450)</b>
<b>PREFERRED STOCK - NON-REDEEMABLE</b>			
Balance at beginning of year	8,106	8,106	10,041
Conversion of preferred stock into common stock	(131)	-	(1,935)
<b>Balance at end of year</b>	<b>7,975</b>	<b>8,106</b>	<b>8,106</b>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>\$ 1,847,992</b>	<b>1,531,482</b>	<b>1,300,272</b>
<b>COMMON SHARES OUTSTANDING</b>			
Balance at beginning of year	138,083	91,104	59,859
Issuance of common stock for acquisitions	-	28	75
Conversion of convertible securities into common stock	330	169	237
Issuance of common stock through dividend reinvestment, incentive and benefit plans	1,533	754	565
Three-for-two stock split	-	46,028	30,368
<b>Balance at end of year</b>	<b>139,946</b>	<b>138,083</b>	<b>91,104</b>

See accompanying notes to consolidated financial statements.

## CENTURYTEL, INC.

### Notes to Consolidated Financial Statements

December 31, 1999

(1) Summary of Significant Accounting Policies

*Principles of consolidation* - The consolidated financial statements of CenturyTel, Inc. and its subsidiaries (the "Company") include the accounts of CenturyTel, Inc. ("CenturyTel") and its majority-owned subsidiaries and partnerships. The Company's regulated telephone operations are subject to the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation." Investments in cellular entities where the Company does not own a majority interest are accounted for using the equity method of accounting.

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

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

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

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

*Long-lived assets and excess cost of net assets acquired (goodwill)* - The carrying value of long-lived assets, including allocated goodwill, is reviewed for impairment at least annually, or whenever events or

changes in circumstances indicate that such carrying value may not be recoverable, by assessing the recoverability of such carrying value through estimated undiscounted future net cash flows expected to be generated by the assets or the acquired business. The excess cost of net assets acquired of substantially all of the Company's acquisitions accounted for as purchases is being amortized over 40 years.

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

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

*Derivative financial instruments* - The Company has entered into interest rate hedge contracts in anticipation of certain debt issuances to manage interest rate exposure. Interest rate contracts generally involve the exchange of fixed and floating rate interest payments without the exchange of the underlying principal. Net amounts paid or received are reflected as adjustments to interest expense. The Company had no outstanding interest rate hedge contracts as of December 31, 1999. The Company does not utilize derivative financial instruments for trading or other speculative purposes.

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

*Stock compensation* - The Company accounts for employee stock compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," as allowed by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation."

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

*Reclassifications* - Certain amounts previously reported for prior years have been reclassified to conform with the 1999 presentation, including the reclassification of the Company's personal communication services operations from other operations to the wireless segment.

(2) Investments in Unconsolidated Cellular Entities

The Company's share of earnings from cellular entities in which it does not own a majority interest was \$28.8 million, \$34.1 million and \$29.4 million in 1999, 1998 and 1997, respectively, and is included, net of \$1.1 million, \$1.2 million and \$1.6 million of amortization of goodwill attributable to such investments, in "Income from unconsolidated cellular entities" in the Company's Consolidated Statements of Income. Over 86% of the 1999 income from unconsolidated cellular entities was attributable to the following investments.

	Ownership interest
GTE Mobilnet of Austin Limited Partnership	35%
Milwaukee SMSA Limited Partnership	18%
Alltel Cellular Associates of Arkansas Limited Partnership	36%
Detroit SMSA Limited Partnership	3%
Michigan RSA #9 Limited Partnership	43%
Cellular North Michigan Network General Partnership	43%

The following summarizes the unaudited combined assets, liabilities and equity, and the unaudited combined results of operations, of the cellular entities in which the Company's investments (as of December 31, 1999 and 1998) were accounted for by the equity method.

Year ended December 31,	1999	1998
	(Dollars in thousands)	
	(unaudited)	
Assets		
Current assets	\$ 289,355	293,339
Property and other noncurrent assets	822,771	759,665
	<u>\$ 1,112,126</u>	<u>1,053,004</u>

Liabilities and equity		
Current liabilities	\$ 130,161	109,787
Noncurrent liabilities	43,423	25,099
Equity	938,542	918,118
	<u>\$ 1,112,126</u>	<u>1,053,004</u>

Year ended December 31,	1999	1998	1997
	(Dollars in thousands)		
	(unaudited)		
Results of operations			
Revenues	\$ 1,398,314	1,281,803	1,277,524
Operating income	\$ 427,274	430,859	419,246
Net income	<u>\$ 416,740</u>	<u>435,744</u>	<u>395,990</u>

At December 31, 1999, \$65.5 million of the Company's consolidated retained earnings represented undistributed earnings of unconsolidated cellular entities.

(3) PROPERTY, PLANT AND EQUIPMENT

Net property, plant and equipment at December 31, 1999 and 1998 was composed of the following:

December 31,	1999	1998
	(Dollars in thousands)	
Telephone, at original cost		
Cable and wire	\$ 1,904,957	2,046,638
Central office	1,149,095	1,197,438
General support	247,605	269,431
Information origination/termination	58,380	73,984
Construction in progress	80,682	66,241
Other	5,213	6,520
	3,445,932	3,660,252
Accumulated depreciation	(1,609,626)	(1,661,315)
	1,836,306	1,998,937
Wireless, at cost		
Cell site	353,705	324,292
General support	96,774	82,945
Construction in progress	17,303	23,733
Other	4,943	5,927
	472,725	436,897
Accumulated depreciation	(217,056)	(178,970)
	255,669	257,927
Other, at cost		
General support	242,780	172,446
Other	32,470	20,063
	275,250	192,509
Accumulated depreciation	(110,767)	(97,920)
	164,483	94,589
<b>Net property, plant and equipment</b>	<b>\$ 2,256,458</b>	<b>2,351,453</b>

Depreciation expense was \$296.8 million, \$280.5 million and \$142.6 million in 1999, 1998 and 1997, respectively. The composite depreciation rate for telephone properties was 7.0% for 1999, 6.9% for 1998 and 7.4% for 1997.

(4) INVESTMENTS AND OTHER ASSETS

Investments and other assets at December 31, 1999 and 1998 were composed of the following:

December 31,	1999	1998
	(Dollars in thousands)	
Excess cost of net assets acquired, less accumulated amortization	\$ 1,644,884	1,956,701
Investments in unconsolidated cellular entities	125,901	118,016
Cash surrender value of life insurance contracts	90,313	84,976
Marketable equity securities	102,633	29,496
Other	199,145	168,575
	\$ 2,162,876	2,357,764

Goodwill amortization of \$52.0 million, \$47.8 million and \$16.6 million for 1999, 1998 and 1997, respectively, is included in "Depreciation and amortization" in the Company's Consolidated Statements of Income.

The Company's investments in marketable equity securities are classified as available for sale and are reported at fair value with unrealized holding gains and losses reported, net of taxes, as a separate component of stockholders' equity. As of December 31, 1999, gross unrealized holding gains of the Company's marketable equity securities were \$99.0 million.

(5) LONG-TERM DEBT

December 31,	1999	1998
	(Dollars in thousands)	
<b>CenturyTel</b>		
6.79%* Senior Credit Facility, due through 2002	\$ 339,813	752,063
6.875% senior debentures, due 2028	425,000	425,000
6.30% senior notes, due 2008	240,000	240,000
6.15% senior notes, due 2005	100,000	100,000
8.25% senior notes, due 2024	100,000	100,000
7.20% senior notes, due 2025	100,000	100,000
6.10%* notes to banks, due 2002	40,000	40,000
7.75% senior notes, due 2004	50,000	50,000
6.55% senior notes, due 2005	50,000	50,000
9.38% senior notes, due through 2003	16,025	18,900
7.00%* Employee Stock Ownership Plan commitment, due in installments through 2004	4,690	6,070
Other	225	266
<b>Total CenturyTel</b>	<b>1,465,753</b>	<b>1,882,299</b>
<b>Subsidiaries</b>		
First mortgage debt		
5.88%* notes, payable to agencies of the U. S. government and cooperative lending associations, due in installments through 2025	290,715	341,817
7.98% notes, due through 2002	5,732	5,871
Other debt		
7.48%* unsecured medium-term notes, due through 2008	333,657	335,667
8.07%* notes, due in installments through 2020	25,520	29,301
6.50% note, due in installments through 2001	6,399	9,308
5.61%* capital lease obligations, due through 2003	12,633	6,747
<b>Total subsidiaries</b>	<b>674,656</b>	<b>728,711</b>
<b>Total long-term debt</b>	<b>2,140,409</b>	<b>2,611,010</b>
<b>Less current maturities</b>	<b>62,098</b>	<b>53,010</b>
<b>Long-term debt, excluding current maturities</b>	<b>\$ 2,078,311</b>	<b>2,558,000</b>

\* weighted average interest rate at December 31, 1999

The approximate annual debt maturities for the five years subsequent to December 31, 1999 are as follows: 2000 - \$62.1 million; 2001 - \$146.4 million; 2002 - \$353.9 million; 2003 - \$66.4 million; and 2004 - \$70.5 million.

Short-term borrowings of \$40.0 million at December 31, 1999 and 1998 were classified as long-term debt on the accompanying balance sheets because the Company had adequate committed borrowing capacity available under long-term revolving facilities.

Certain of the Company's loan agreements contain various restrictions, among which are limitations regarding issuance of additional debt, payment of cash dividends, reacquisition of the Company's capital stock and other matters. At December 31, 1999, all of the consolidated retained earnings reflected on the balance sheet was available for the declaration of dividends.

The transfer of funds from certain consolidated subsidiaries to CenturyTel is restricted by various loan agreements. Subsidiaries which have loans from government agencies and cooperative lending associations, or have issued first mortgage bonds, generally may not loan or advance any funds to CenturyTel, but may pay dividends if certain financial ratios are met. At December 31, 1999, restricted net assets of subsidiaries were \$608.0 million. Subsidiaries' retained earnings in excess of amounts restricted by debt covenants totaled \$745.8 million.

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

On January 15, 1998, CenturyTel issued \$100 million of 7-year, 6.15% senior notes (Series E); \$240 million of 10-year, 6.3% senior notes (Series F); and \$425 million of 30-year, 6.875% debentures (Series G) under its shelf registration statements. The net proceeds of approximately \$758 million (excluding payment obligations of approximately \$40 million related to interest rate hedging effected in connection with the offering) were used to reduce the bank indebtedness incurred under the Senior Credit Facility. This facility carries floating rate interest based upon London InterBank Offered Rates for short-term periods.

In mid-January 1998, the Company settled numerous interest rate hedge contracts that had been entered into in anticipation of the above-mentioned debt issuances. The amounts paid by the Company upon settlement of the hedge contracts aggregated approximately \$40 million, which is being amortized as interest expense over the lives of the underlying debt instruments. The effective weighted average interest rate of the debt incurred in January 1998 (after giving consideration to these payment obligations) is 7.15%.

CenturyTel's telephone subsidiaries had approximately \$131.5 million in commitments for long-term financing from the Rural Utilities Service available at December 31, 1999. Approximately \$219.1 million of additional borrowings were available to the Company through committed lines of credit with various banks.

#### (6) POSTRETIREMENT BENEFITS

The Company sponsors defined benefit health care plans that provide postretirement benefits to substantially all retired full-time employees.

The following is a reconciliation for the benefit obligation and the plan assets.

December 31,	1999	1998	1997
	(Dollars in thousands)		
<b>Change in benefit obligation</b>			
Benefit obligation at beginning of year	\$ 172,323	152,632	59,157
Service cost	4,850	5,519	2,578
Interest cost	10,089	10,744	5,047
Plan amendments	(2,492)	-	-
Participant contributions	419	298	119
Acquisition	-	-	80,166
Actuarial (gain) loss	(23,855)	9,720	7,789
Benefits paid	(4,610)	(6,590)	(2,224)
<b>Benefit obligation at end of year</b>	<b>\$ 156,724</b>	<b>172,323</b>	<b>152,632</b>
<b>Change in plan assets (primarily listed stocks and bonds)</b>			
Fair value of plan assets at beginning of year	\$ 35,799	34,618	-
Return on assets	2,961	4,080	-
Employer contributions	7,212	3,393	-
Participant contributions	419	298	-
Acquisition	-	-	34,618
Benefits paid	(4,610)	(6,590)	-
<b>Fair value of plan assets at end of year</b>	<b>\$ 41,781</b>	<b>35,799</b>	<b>34,618</b>

Net periodic postretirement benefit cost for 1999, 1998 and 1997 included the following components:

Year ended December 31,	1999	1998	1997
	(Dollars in thousands)		
Service cost	\$ 4,850	5,519	2,578
Interest cost	10,089	10,744	5,047
Expected return on plan assets	(2,961)	(3,250)	(458)
Amortization of unrecognized actuarial (gains) losses	(565)	430	292
Amortization of unrecognized prior service cost	(129)	121	121
<b>Net periodic postretirement benefit cost</b>	<b>\$ 11,284</b>	<b>13,564</b>	<b>7,580</b>

The following table sets forth the amounts recognized as liabilities for postretirement benefits at December 31, 1999, 1998 and 1997.

Year ended December 31,	1999	1998	1997
	(Dollars in thousands)		
Benefit obligation	\$ (156,724)	(172,323)	(152,632)
Fair value of plan assets	41,781	35,799	34,618
Unamortized prior service cost	(1,303)	1,060	1,182
Unrecognized net actuarial loss	707	23,972	14,622
<b>Accrued benefit cost</b>	<b>\$ (115,539)</b>	<b>(111,492)</b>	<b>(102,210)</b>

Assumptions used in accounting for postretirement benefits as of December 31, 1999 and 1998 were:

	1999	1998
<b>Weighted average assumptions</b>		
Discount rate	7.25%	6.5-6.75
Expected return on plan assets	10.0%	10.0

For measurement purposes, a 7.4% annual rate in the per capita cost of covered health care benefits was assumed for 2000 and beyond. A one-percentage-point change in assumed health care cost rates would have the following effects:

	1-Percentage Point Increase	1-Percentag Point Decrease
	(Dollars in thousands)	
Effect on total of service and interest cost components	\$ 975	(951)
Effect on postretirement benefit obligation	\$ 8,517	(7,871)

(7) DEFERRED CREDITS AND OTHER LIABILITIES

Deferred credits and other liabilities at December 31, 1999 and 1998 were composed of the following:

December 31,	1999	1998
	(Dollars in thousands)	
Deferred federal and state income taxes	\$ 269,988	332,151
Accrued postretirement benefit costs	112,876	109,000
Minority interest	43,204	44,970
Regulatory liability - income taxes	12,469	17,380
Deferred investment tax credits	1,724	3,939
Other	29,666	33,689
	<u>\$ 469,927</u>	<u>541,129</u>

(8) STOCKHOLDER'S EQUITY

Common stock - At December 31, 1999, unissued shares of CenturyTel common stock were reserved as follows:

December 31,	1999
	(In thousands)
Incentive compensation program	6,492
Acquisitions	4,572
Employee stock purchase plan	999
Dividend reinvestment plan	739
Conversion of convertible preferred stock	435
Other employee benefit plans	2,563
	<u>15,800</u>

Under CenturyTel's Articles of Incorporation each share of common stock beneficially owned continuously by the same person since May 30, 1987 generally entitles the holder thereof to ten votes per share. All other shares entitle the holder to one vote per share. At December 31, 1999, the holders of 11.4 million shares of common stock were entitled to ten votes per share.

Preferred stock - As of December 31, 1999, CenturyTel had 2.0 million shares of preferred stock, \$25 par value per share, authorized. At December 31, 1999 and 1998, there were 319,000 and 324,238 shares, respectively, of outstanding preferred stock. Holders of outstanding CenturyTel preferred stock are entitled

to receive cumulative dividends, receive preferential distributions equal to \$25 per share plus unpaid dividends upon CenturyTel's liquidation and vote as a single class with the holders of common stock.

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

Stock split - On February 23, 1999, CenturyTel's Board of Directors declared a three-for-two common stock split effected as a 50% stock dividend in March 1999. All per share data included in this report for periods prior to March 1999 have been restated to reflect this stock split. An amount equal to the par value of the additional common shares issued pursuant to the stock split was reflected as a transfer from paid-in-capital to common stock on the consolidated financial statements for 1998.

#### (9) STOCK OPTION PROGRAM

CenturyTel has an incentive compensation program which allows the Board of Directors, through a subcommittee to the Compensation Committee, to grant incentives to employees in any one or a combination of the following forms: incentive and non-qualified stock options; stock appreciation rights; restricted stock; and performance shares. As of December 31, 1999, CenturyTel had reserved 6.5 million shares of common stock which may be issued under the incentive compensation program.

Under the program, options have been granted to employees at a price either equal to or exceeding the then-current market price. All of the options expire ten years after the date of grant and the vesting period ranges from immediate to three years.

During 1999 the Company granted 83,743 options (the "1999 Options") at market price. The weighted average fair value of each of the 1999 Options was estimated as of the date of grant to be \$15.90 using an option-pricing model with the following assumptions: dividend yield - .4%; expected volatility - 20%; risk-free interest rate - 6.6%; and expected option life - seven years.

During 1998 the Company granted 121,667 options (the "1998 Options") at market price. The weighted average fair value of each of the 1998 Options was estimated as of the date of grant to be \$8.88 using an option-pricing model with the following assumptions: dividend yield - .5%; expected volatility - 20%; risk-free interest rate - 4.8%; and expected option life - seven years.

During 1997 the Company granted 1,293,909 options (the "1997 Options") at market price. The weighted average fair value of each of the 1997 Options was estimated as of the date of grant to be \$5.68

using an option-pricing model with the following assumptions: dividend yield - .8%; expected volatility - 25%; risk-free interest rate - 6.5%; and expected option life - eight years.

Stock option transactions during 1999, 1998 and 1997 were as follows:

	Number of options	Average price
Outstanding December 31, 1996	5,243,051	\$ 12.11
Exercised	(889,173)	10.18
Granted	1,293,909	13.51
Forfeited	(38,856)	13.39
Outstanding December 31, 1997	5,608,931	12.73
Exercised	(937,985)	11.41
Granted	121,667	26.25
Forfeited	(12,000)	13.33
Outstanding December 31, 1998	4,780,613	13.35
Exercised	(1,369,459)	10.90
Granted	83,743	40.88
Forfeited	(9,055)	37.07
<u>Outstanding December 31, 1999</u>	<u>3,485,842</u>	<u>14.92</u>
<u>Exercisable December 31, 1998</u>	<u>4,188,660</u>	<u>13.13</u>
<u>Exercisable December 31, 1999</u>	<u>3,317,004</u>	<u>14.32</u>

The following tables summarize certain information about CenturyTel's stock options at December 31, 1999.

Options outstanding			
Range of exercise prices	Number of options	Weighted average remaining contractual life outstanding	Weighted average exercise price
\$ 9.63-12.30	1,060,111	2.6	\$ 11.88
13.33-17.64	2,248,491	6.2	14.91
23.03-26.05	55,163	8.1	25.85
26.98-31.54	46,264	8.1	29.08
39.00-46.19	75,813	9.4	40.88
9.63-46.19	<u>3,485,842</u>	7.0	14.92

Options exercisable		
Range of exercise prices	Number of options exercisable	Weighted average exercise price
\$ 9.63-12.30	1,060,111	\$ 11.88
13.33-17.64	2,166,292	14.97
23.03-26.05	51,337	26.06
26.98-31.54	39,264	28.82
9.63-31.54	<u>3,317,004</u>	14.32

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for its program. Accordingly, no compensation cost has been recognized for

the program. If compensation cost for CenturyTel's program had been determined consistent with SFAS 123, the Company's net income and earnings per share on a pro forma basis for 1999, 1998 and 1997 would have been as follows:

Year ended December 31,	1999	1998	1997
	(Dollars in thousands, except per share amounts)		
Net income			
As reported	\$ 239,769	228,757	255,978
Pro forma	\$ 239,033	227,113	252,773
Basic earnings per share			
As reported	\$ 1.72	1.67	1.89
Pro forma	\$ 1.72	1.66	1.87
Diluted earnings per share			
As reported	\$ 1.70	1.64	1.87
Pro forma	\$ 1.69	1.62	1.84

(10) EARNINGS PER SHARE

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

Year ended December 31,	1999	1998	1997
	(Dollars, except per share amounts, and shares in thousands)		
Income (Numerator):			
Net income	\$ 239,769	228,757	255,978
Dividends applicable to preferred stock	(403)	(408)	(460)
Net income applicable to common stock for computing basic earnings per share	239,366	228,349	255,518
Dividends applicable to preferred stock	403	408	460
Interest on convertible securities, net of taxes	252	372	480
Net income as adjusted for purposes of computing diluted earnings per share	\$ 240,021	229,129	256,458
Shares (Denominator):			
Weighted average number of shares outstanding during period	139,313	137,568	135,637
Employee Stock Ownership Plan shares not committed to be released	(465)	(558)	(653)
Weighted average number of shares outstanding during period for computing basic earnings per share	138,848	137,010	134,984
Incremental common shares attributable to dilutive securities:			
Conversion of convertible securities	981	1,274	1,676
Shares issuable under outstanding stock options	1,603	1,821	752
Number of shares as adjusted for purposes of computing diluted earnings per share	141,432	140,105	137,412
Basic earnings per share	\$ 1.72	1.67	1.89
Diluted earnings per share	\$ 1.70	1.64	1.87

The weighted average number of options to purchase shares of common stock that were excluded from the computation of diluted earnings per share because the exercise price of the option was greater than

the average market price of the common stock was 20,000, 3,000 and 1,099,000 for 1999, 1998 and 1997, respectively.

#### (11) ACQUISITIONS

On December 1, 1997, CenturyTel acquired Pacific Telecom, Inc. ("PTI") in exchange for \$1.503 billion cash and assumed PTI's debt of approximately \$725 million. To finance the acquisition, which was accounted for as a purchase, CenturyTel borrowed \$1.288 billion under its \$1.6 billion senior unsecured credit facility (the "Senior Credit Facility") dated August 28, 1997. CenturyTel paid the remainder of the PTI acquisition price with available cash.

As a result of the acquisition, the Company acquired (i) telephone access lines located in four midwestern states, seven western states and Alaska, (ii) cellular subscribers in two midwestern states and Alaska and (iii) various wireless, cable television and other communications assets.

The following pro forma information represents the consolidated results of operations of the Company as if the PTI acquisition had been consummated as of January 1, 1997.

<u>Year ended December 31,</u>	<u>1997</u>
	(Dollars in thousands, except per share amounts) (unaudited)
Operating revenues	\$ 1,392,268
Net income	256,992
Diluted earnings per share	1.87

The pro forma information is not necessarily indicative of the operating results that would have occurred if the PTI acquisition had been consummated as of January 1, 1997, nor is it necessarily indicative of future operating results. The actual results of operations of PTI have been included in the Company's consolidated financial statements only from the date of acquisition.

On December 1, 1998, the Company acquired the assets of certain local telephone and directory operations in parts of northern and central Wisconsin from affiliates of Ameritech Corporation ("Ameritech"), in exchange for approximately \$221 million cash. The assets included (i) access lines and related property and equipment in 21 predominantly rural communities in Wisconsin and (ii) Ameritech's directory publishing operations that relate to nine telephone directories.

#### (12) ACCOUNTING FOR THE EFFECTS OF REGULATION

The Company's regulated telephone operations are subject to the provisions of Statement of Financial Accounting Standards No. 71 ("SFAS 71"), "Accounting for the Effects of Certain Types of Regulation." Actions of a regulator can provide reasonable assurance of the existence of an asset, reduce or eliminate the

value of an asset and impose a liability on a regulated enterprise. Such regulatory assets and liabilities are required to be recorded and, accordingly, reflected in the balance sheet of an entity subject to SFAS 71.

The Company's consolidated balance sheet as of December 31, 1999 included regulatory assets of approximately \$570.9 million and regulatory liabilities of approximately \$7.8 million. The \$570.9 million of regulatory assets included amounts related to accumulated depreciation (\$565.9 million), assets established in connection with postretirement benefits (\$690,000), income taxes (\$1.5 million) and deferred financing costs (\$2.8 million). The \$7.8 million of regulatory liabilities was established in connection with the adoption of Statement of Financial Accounting Standards No. 109, "Accounting For Income Taxes." Net deferred income tax liabilities related to the regulatory assets and liabilities quantified above were \$229.4 million.

Property, plant and equipment of the Company's regulated telephone operations has been depreciated using generally the straight line method over lives approved by regulators. Such depreciable lives have generally exceeded the depreciable lives used by nonregulated entities. In addition, in accordance with regulatory accounting, retirements of regulated telephone property have been charged to accumulated depreciation, along with the costs of removal, less salvage, with no gain or loss recognized. These accounting policies have resulted in accumulated depreciation being significantly less than if the Company's telephone operations had not been regulated.

Statement of Financial Accounting Standards No. 101 ("SFAS 101"), "Regulated Enterprises - Accounting for the Discontinuance of Application of FASB Statement No. 71," specifies the accounting required when an enterprise ceases to meet the criteria for application of SFAS 71. SFAS 101 requires the elimination of the effects of any actions of regulators that have been recognized as assets and liabilities in accordance with SFAS 71 but would not have been recognized as assets and liabilities by enterprises in general, along with an adjustment of certain accumulated depreciation accounts to reflect the difference between recorded depreciation and the amount of depreciation that would have been recorded had the Company's telephone operations not been subject to rate regulation. SFAS 101 further provides that the carrying amounts of property, plant and equipment are to be adjusted only to the extent the assets are impaired and that impairment shall be judged in the same manner as for enterprises in general. Deferred tax liabilities and deferred investment tax credits will be impacted based on the change in the temporary differences for property, plant and equipment and accumulated depreciation.

The ongoing applicability of SFAS 71 to the Company's regulated telephone operations is being monitored due to the changing regulatory, competitive and legislative environments, and it is possible that changes in regulation, legislation or competition or in the demand for regulated services or products could result in the Company's telephone operations no longer being subject to SFAS 71 in the near future. When the regulated operations of the Company no longer qualify for the application of SFAS 71, the net adjustments required will result in a material, noncash charge against earnings which will be reported as an extraordinary item. While the effect of implementing SFAS 101 cannot be precisely estimated at this time, management believes that the noncash, after-tax, extraordinary charge would be between \$300 million and

\$350 million. For regulatory purposes, the accounting and reporting of the Company's telephone subsidiaries will not be affected by the discontinued application of SFAS 71.

(13) INCOME TAXES

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1999 and 1998 were as follows:

December 31,	1999	1998
	(Dollars in thousands)	
<b>Deferred tax assets</b>		
Postretirement benefit costs	\$ 36,851	38,023
Regulatory support	13,504	15,509
Net operating loss carry forwards of an acquired subsidiary	1,689	6,716
Regulatory liability	4,907	6,230
Long-term debt	2,805	3,382
Other employee benefits	8,367	8,812
Other	10,466	9,609
<b>Gross deferred tax assets</b>	<b>78,589</b>	<b>88,281</b>
Less valuation allowance	(1,689)	(6,716)
<b>Net deferred tax assets</b>	<b>76,900</b>	<b>81,565</b>
<b>Deferred tax liabilities</b>		
Property, plant and equipment, primarily due to depreciation differences	(247,571)	(280,859)
Excess cost of net assets acquired	(39,070)	(16,006)
Basis difference in assets to be sold	-	(66,998)
Deferred debt costs	(3,128)	(13,309)
Customer base	(9,993)	(11,381)
Marketable equity securities	(34,656)	(8,928)
Intercompany profits	(3,259)	(3,128)
Other	(9,211)	(13,107)
<b>Gross deferred tax liabilities</b>	<b>(346,888)</b>	<b>(413,716)</b>
<b>Net deferred tax liability</b>	<b>\$ (269,988)</b>	<b>(332,151)</b>

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

Year ended December 31,	1999	1998	1997
	(Percentage of pre-tax income)		
Statutory federal income tax rate	35.0%	35.0	35.0
State income taxes, net of federal income tax benefit	2.5	3.9	2.3
Basis difference of assets sold	3.9	.2	-
Amortization of nondeductible excess cost of net assets acquired	2.7	3.3	1.1
Amortization of investment tax credits	(.4)	(.6)	(.4)
Amortization of regulatory liability	(.4)	(.6)	(.5)
Other, net	.8	(.2)	(.2)
<b>Effective income tax rate</b>	<b>44.1%</b>	<b>41.0</b>	<b>37.3</b>

Income tax expense included in the Consolidated Statements of Income for the years ended December 31, 1999, 1998 and 1997 was as follows:

<u>Year ended December 31,</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
	(Dollars in thousands)		
Federal			
Current	\$ 184,872	117,490	122,861
Deferred	(11,600)	18,048	14,768
State			
Current	21,770	25,015	13,272
Deferred	(5,539)	(1,852)	1,462
	<u>\$ 189,503</u>	<u>158,701</u>	<u>152,363</u>

Income tax expense was allocated as follows:

<u>Year ended December 31,</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
	(Dollars in thousands)		
Net tax expense in the consolidated statements of income	\$ 189,503	158,701	152,363
Stockholders' equity, primarily for compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes and the tax effect of unrealized holding gain on investments	13,935	(9,097)	3,850
	<u>\$ 203,438</u>	<u>149,604</u>	<u>156,213</u>

(14) SALE OR EXCHANGE OF ASSETS

In the first quarter of 1999 the Company recorded a pre-tax gain aggregating \$10.4 million (\$6.7 million after-tax; \$.04 per diluted share) due to the sale of its remaining common shares of MCIWorldCom, Inc. ("WorldCom").

In May 1999, the Company sold substantially all of its Alaska-based operations that were acquired in the PTI acquisition. The Company received approximately \$300 million in after-tax cash as a result of the transaction. In accordance with purchase accounting, no gain or loss was recorded upon the disposition of these properties.

In June 1999, the Company sold the assets of its cellular operations in Brownsville and McAllen, Texas for approximately \$96 million cash. In connection therewith, the Company recorded a pre-tax gain of approximately \$39.6 million, and an after-tax loss of approximately \$7.8 million (\$.05 per diluted share.)

In the fourth quarter of 1999 the Company recorded a pre-tax gain aggregating \$11.6 million (\$7.6 million after-tax; \$.05 per diluted share) due to the sale of its Telephone and Data Systems, Inc. common stock.

In connection with the first quarter 1998 acquisition of Brooks Fiber Properties, Inc. ("Brooks") by WorldCom, the Company's 551,000 shares of Brooks' common stock were converted into approximately 1.0 million shares of WorldCom common stock. The Company recorded such conversion at fair value which resulted in a pre-tax gain of approximately \$22.8 million (\$14.8 million after-tax; \$.11 per diluted share). In the second quarter of 1998, the Company sold 750,000 shares of WorldCom common stock for

\$35.6 million cash and recorded a pre-tax gain of \$8.7 million (\$5.7 million after tax; \$.04 per diluted share).

In the second quarter of 1998, the Company sold its minority interests in two non-strategic cellular entities for approximately \$31.0 million cash which resulted in a pre-tax gain of \$21.8 million (\$12.3 million after-tax; \$.09 per diluted share). Additionally, in the second quarter the Company wrote off its minority investment in a start-up company.

During the second quarter of 1998, the Company also sold various other properties that were acquired in the PTI acquisition, including, but not limited to, the Company's submarine cable operations. The Company utilized the proceeds from these transactions to reduce its debt associated with the acquisition of PTI. In accordance with purchase accounting, no gain or loss was recorded upon the disposition of these assets.

In May 1997 the Company sold its majority-owned competitive access subsidiary to Brooks in exchange for approximately 4.3 million shares of Brooks' common stock. The Company recorded a pre-tax gain of approximately \$71 million (\$46 million after-tax; \$.34 per diluted share). In November 1997 the Company sold approximately 3.8 million shares of Brooks' common stock for \$202.7 million cash and recorded a pre-tax gain of approximately \$108 million (\$66 million after-tax; \$.48 per diluted share).

(15) RETIREMENT AND SAVINGS PLANS

CenturyTel sponsors a defined benefit pension plan for substantially all employees. In addition, the bargaining unit employees of a subsidiary are provided benefits under a separate defined benefit pension plan. CenturyTel also sponsors an Outside Directors' Retirement Plan and a Supplemental Executive Retirement Plan to provide directors and officers, respectively, with supplemental retirement, death and disability benefits.

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

December 31,	1999	1998	1997
	(Dollars in thousands)		
<b>Change in benefit obligation</b>			
Benefit obligation at beginning of year	\$ 217,747	200,554	20,473
Service cost	5,226	5,361	793
Interest cost	13,817	13,225	2,508
Plan amendments	-	227	-
Acquisition	-	-	175,165
Actuarial (gain) loss	(19,844)	8,683	2,548
Benefits paid	(11,491)	(10,303)	(933)
<b>Benefit obligation at end of year</b>	<b>\$ 205,455</b>	<b>217,747</b>	<b>200,554</b>
<b>Change in plan assets (primarily listed stocks and bonds)</b>			
Fair value of plan assets at beginning of year	\$ 278,678	237,618	22,158
Return on plan assets	52,183	50,720	4,237
Employer contributions	531	643	807
Acquisition	-	-	211,349
Benefits paid	(11,491)	(10,303)	(933)
<b>Fair value of plan assets at end of year</b>	<b>\$ 319,901</b>	<b>278,678</b>	<b>237,618</b>

Net periodic pension cost for 1999, 1998 and 1997 included the following components:

December 31,	1999	1998	1997
	(Dollars in thousands)		
Service cost	\$ 5,226	5,361	793
Interest cost	13,817	13,225	2,508
Expected return on plan assets	(26,824)	(22,925)	(5,715)
Recognized net gains	(3,176)	(2,688)	-
Net amortization and deferral	(235)	(300)	2,459
<b>Net periodic pension (benefit) cost</b>	<b>\$ (11,192)</b>	<b>(7,327)</b>	<b>45</b>

The following table sets forth the combined plans' funded status and amounts recognized in the Company's consolidated balance sheet at December 31, 1999, 1998 and 1997.

December 31,	1999	1998	1997
	(Dollars in thousands)		
Benefit obligation	\$ (205,455)	(217,747)	(200,554)
Fair value of plan assets	319,901	278,678	237,618
Unrecognized transition asset	(1,892)	(2,136)	(1,550)
Unamortized prior service cost	1,031	1,053	-
Unrecognized net actuarial gain	(100,052)	(57,981)	(37,731)
<b>Prepaid (accrued) benefit cost</b>	<b>\$ 13,533</b>	<b>1,867</b>	<b>(2,217)</b>

Assumptions used in accounting for the pension plans as of December 1999 and 1998 were:

	1999	1998
Discount rates	7.25%	6.5-6.75
Expected long-term rate of return on assets	8.0-10.0%	8.0-10.0

CenturyTel sponsors an Employee Stock Bonus Plan ("ESBP") and an Employee Stock Ownership Plan ("ESOP"). These plans cover most employees with one year of service with the Company and are funded by Company contributions determined annually by the Board of Directors.

The Company contributed \$5.2 million, \$3.7 million and \$2.8 million to the ESBP during 1999, 1998 and 1997, respectively. At December 31, 1999, the ESBP owned 5.2 million shares of CenturyTel common stock.

The Company's contributions to the ESOP approximate the ESOP's debt service less dividends received by the ESOP applicable to unallocated shares. The ESOP shares initially were pledged as collateral for its debt. As the debt is repaid, shares are released from collateral based on the percentage of principal payment to outstanding debt before applying the principal payment. As of each year end, such released shares are allocated to active employees.

The ESOP had outstanding debt of \$190,000 at December 31, 1999 which was applicable to shares purchased prior to 1993. Interest incurred by the ESOP on such debt was \$49,000, \$148,000 and \$274,000 in 1999, 1998, and 1997, respectively. The Company contributed and expensed \$405,000, \$1.5 million and \$1.8 million during 1999, 1998 and 1997, respectively, with respect to such shares. Dividends on unallocated ESOP shares used for debt service by the ESOP were \$24,000 in 1999, \$69,000 in 1998 and \$126,000 in 1997. The number of ESOP shares as of December 31, 1999 and 1998 which were purchased prior to 1993 were as follows:

December 31,	1999	1998
	(In thousands)	
Allocated shares	2,921	3,153
Unreleased shares	26	77
	<u>2,947</u>	<u>3,230</u>

The Company accounts for shares purchased subsequent to December 31, 1992 in accordance with Statement of Position 93-6 ("SOP 93-6"). Accordingly, as shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares and the shares become outstanding for earnings per share computations. Dividends on allocated ESOP shares are recorded as a reduction of retained earnings; dividends on unallocated ESOP shares are recorded as a reduction of debt. ESOP compensation expense applicable to shares purchased subsequent to 1992 was \$4.0 million for 1999, \$2.9 million for 1998 and \$1.5 million for 1997. The fair value of unreleased ESOP shares accounted for under SOP 93-6 was \$20.0 million, \$23.2 million and \$13.5 million at December 31, 1999, 1998 and 1997, respectively. ESOP shares purchased subsequent to 1992 totaled 937,913, of which 515,851 were allocated and 422,062 were unreleased as of December 31, 1999.

CenturyTel also sponsors a qualified profit sharing plan pursuant to Section 401(k) of the Internal Revenue Code (the "401(k) Plan") which is available to substantially all employees of the Company. The

Company's matching contributions to the 401(k) Plan were \$6.1 million in 1999, \$8.5 million in 1998 and \$2.8 million in 1997.

(16) SUPPLEMENTAL CASH FLOW DISCLOSURES

The Company paid interest of \$150.3 million, \$151.4 million and \$48.8 million during 1999, 1998 and 1997, respectively. Income taxes paid were \$270.9 million in 1999, \$185.9 million in 1998 and \$79.3 million in 1997.

CenturyTel has consummated the acquisitions of various telephone and cellular operations, along with certain other assets, during the three years ended December 31, 1999. In connection with these acquisitions, the following assets were acquired, liabilities assumed, and common and preferred stock issued:

Year ended December 31,	1999	1998	1997
	(Dollars in thousands)		
Property, plant and equipment	\$ 830	75,043	1,106,558
Excess cost of net assets acquired	20,194	145,880	1,204,284
Other investments	-	5,028	119,356
Notes payable	-	-	(199,824)
Long-term debt	-	-	(527,937)
Deferred credits and other liabilities	-	-	(246,196)
Other assets and liabilities, excluding cash and cash equivalents	(52)	(382)	90,889
Common stock issued	-	-	(3,316)
<u>Decrease in cash due to acquisitions</u>	<u>\$ 20,972</u>	<u>225,569</u>	<u>1,543,814</u>

During 1999 the Company sold substantially all of its Alaska-based operations; the remaining shares of its WorldCom stock; the assets of its cellular operations in Brownsville and McAllen, Texas; and its Telephone and Data Systems, Inc. stock. See Note 14 for additional information.

During 1998 the Company sold various properties acquired in the PTI acquisition; a portion of its WorldCom stock; and certain cellular operations. See Note 14 for additional information.

In May 1997 the Company sold its majority-owned competitive access subsidiary in exchange for approximately 4.3 million shares of publicly-traded common stock. In November 1997 approximately 85% of such stock was sold. In addition, the Company has consummated the disposition of various cellular operations, along with certain other assets, during the three years ended December 31, 1999.

In connection with these dispositions, the following assets were sold, liabilities eliminated, assets received and gain recognized:

<u>Year ended December 31,</u>	1999	1998	1997
	(Dollars in thousands)		
Property, plant and equipment	\$ (165,286)	-	(38,481)
Excess cost of net assets acquired	(296,605)	-	(597)
Marketable equity securities	(18,363)	(21,923)	13,795
Other assets and liabilities, excluding cash and cash equivalents	58,595	(60,525)	(7,782)
<u>Gain on sale of assets</u>	<u>(62,808)</u>	<u>(49,859)</u>	<u>(169,640)</u>
<u>Increase in cash due to dispositions</u>	<u>\$ (484,467)</u>	<u>(132,307)</u>	<u>(202,705)</u>

(17) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and estimated fair values of certain of the Company's financial instruments at December 31, 1999 and 1998.

	Carrying amount	Fair value
	(Dollars in thousands)	
<u>December 31, 1999</u>		
Financial assets		
Investments		
Marketable equity securities	\$ 102,633	102,633 (1)
Other	\$ 23,773	23,773 (3)
Financial liabilities		
Long-term debt (including current maturities)	\$ 2,140,409	2,092,744 (2)
Other	\$ 33,656	33,656 (3)
<u>December 31, 1998</u>		
Financial assets		
Investments		
Marketable equity securities	\$ 29,496	29,496 (1)
Other	\$ 29,813	29,813 (3)
Financial liabilities		
Long-term debt (including current maturities)	\$ 2,611,010	2,708,680 (2)
Other	\$ 32,721	32,721 (3)

- (1) Fair value was based on quoted market prices.
- (2) Fair value was estimated by discounting the scheduled payment streams to present value based upon rates currently offered to the Company for similar debt.
- (3) Fair value was estimated by the Company to approximate carrying value.

Cash and cash equivalents, accounts receivable, notes payable, accounts payable and accrued expenses -

The carrying amount approximates the fair value due to the short maturity of these instruments.

(18) BUSINESS SEGMENTS

The Company has two reportable segments: telephone and wireless. The Company's reportable segments are strategic business units that offer different products and services. The operating income of these segments is reviewed by the chief operating decision maker to assess performance and make business decisions.

The Company's telephone operations are conducted in rural, suburban and small urban communities in 20 states. Approximately 84% of the Company's telephone access lines are in Wisconsin, Washington, Michigan, Louisiana, Colorado, Ohio, Oregon and Montana. The Company's wireless customers are located in Michigan, Louisiana, Wisconsin, Mississippi, Texas, Arkansas and Alaska.

	Operating revenues	Depreciation amortization	Operating income
(Dollars in thousands)			
<u>Year ended December 31, 1999</u>			
Telephone	\$ 1,142,593	275,476	352,357
Wireless	422,269	68,593	133,930
Other operations	111,807	4,747	21,782
<u>Total</u>	<u>\$ 1,676,669</u>	<u>348,816</u>	<u>508,069</u>

Year ended December 31, 1998

Telephone	\$ 1,091,610	262,893	333,708
Wireless	407,827	62,345	129,124
Other operations	77,648	3,316	16,979
<u>Total</u>	<u>\$ 1,577,085</u>	<u>328,554</u>	<u>479,811</u>

Year ended December 31, 1997

Telephone	\$ 530,597	115,722	173,285
Wireless	307,742	41,146	87,772
Other operations	63,182	2,627	6,713
<u>Total</u>	<u>\$ 901,521</u>	<u>159,495</u>	<u>267,770</u>

Year ended December 31,

	1999	1998	1997
(Dollars in thousands)			
Operating income	\$ 508,069	479,811	267,770
Gain on sale or exchange of assets, net	62,808	49,859	169,640
Interest expense	(150,557)	(167,552)	(56,474)
Income from unconsolidated cellular entities	27,675	32,869	27,794
Minority interest	(27,913)	(12,797)	(5,498)
Other income and expense	9,190	5,268	5,109
<u>Income before income tax expense</u>	<u>\$ 429,272</u>	<u>387,458</u>	<u>408,341</u>

Year ended December 31,	1999	1998	1997
	(Dollars in thousands)		
Capital expenditures			
Telephone	\$ 233,512	233,190	115,854
Wireless	58,760	57,326	39,107
Other operations	97,708	20,403	26,264
<b>Total</b>	<b>\$ 389,980</b>	<b>310,919</b>	<b>181,225</b>
Identifiable assets			
Telephone	\$ 3,248,680	3,674,148	3,379,376
Wireless	1,184,129	1,114,955	996,089
Other operations	272,598	146,352	333,936
<b>Total assets</b>	<b>\$ 4,705,407</b>	<b>4,935,455</b>	<b>4,709,401</b>

Other accounts receivable are primarily amounts due from various long distance carriers, principally AT&T, and several large local exchange operating companies.

#### (19) COMMITMENTS AND CONTINGENCIES

Construction expenditures and investments in vehicles, buildings and other work equipment during 2000 are estimated to be \$250 million for telephone operations, \$100 million for wireless operations and \$65 million for other operations.

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position or results of operations.

#### (20) PENDING ACQUISITIONS

In June 1999, the Company signed a definitive asset purchase agreement with affiliates of GTE Corporation ("GTE") to purchase GTE's telephone access lines (which numbered approximately 225,000 at December 31, 1999) and related local exchange assets in Arkansas for approximately \$845.8 million, subject to certain adjustments.

In July 1999, the Company acquired a 61.5% (56.9% fully-diluted) interest in a newly-organized joint venture company which has entered into a definitive asset purchase agreement with affiliates of GTE to purchase telephone access lines (which numbered approximately 121,000 at December 31, 1999) and related local exchange assets in Missouri for approximately \$290 million, subject to certain adjustments. The Company has agreed to make a preferred equity investment in the newly organized company of approximately \$55 million and to finance substantially all of the remainder of the purchase price.

In August 1999, the Company acquired an 89% interest in a newly-organized joint venture company which has entered into a definitive asset purchase agreement with a GTE affiliate to purchase telephone access lines (which numbered approximately 61,700 as of December 31, 1999) and related local exchange

assets in Wisconsin for approximately \$170 million cash, subject to certain adjustments. The Company has agreed to make an equity investment in the newly organized company of approximately \$37.8 million and currently expects to finance substantially all of the remainder of the purchase price. In October 1999, the Company also entered into a definitive asset purchase agreement to purchase additional telephone access lines (which numbered approximately 68,200 as of December 31, 1999) and related local exchange assets in Wisconsin from a GTE affiliate for approximately \$195 million cash, subject to certain adjustments.

All of these transactions are expected to close mid-year 2000, pending regulatory approvals and certain other closing conditions.

(21) SUBSEQUENT EVENT

In February 2000, the Company entered into an interest rate hedge contract designed to reduce its interest rate risk with respect to \$100 million of the long-term debt that it expects to incur in connection with financing its pending GTE acquisitions.

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

	First quarter	Second quarter	Third quarter	Fourth quarter
(Dollars in thousands, except per share amounts)				
1999 (unaudited)				
Operating revenues	\$ 414,256	416,750	419,205	426,458
Operating income	\$ 130,623	130,625	130,059	116,762
Net income	\$ 61,105	53,462	64,529	60,673
Basic earnings per share	\$ .44	.38	.46	.43
Diluted earnings per share	\$ .43	.38	.46	.43
1998				
Operating revenues	\$ 371,720	388,378	401,949	415,038
Operating income	\$ 110,132	121,488	128,184	120,007
Net income	\$ 57,694	64,191	54,678	52,194
Basic earnings per share	\$ .42	.47	.40	.38
Diluted earnings per share	\$ .41	.46	.39	.37

Diluted earnings per share for the first, second, third and fourth quarter of 1999 included \$.04, (\$.05), \$.01 and \$.05 per share, respectively, of net gain (loss) on sale or exchange of assets. See Note 14 for additional information.

Diluted earnings per share for both the first quarter and second quarter of 1998 included \$.11 of net gain on sale or exchange of assets.

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

None.

**PART III**

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

The name, age and office(s) held by each of the Registrant's executive officers are shown below. Each of the executive officers listed below serves at the pleasure of the Board of Directors, except Mr. Williams who has entered into an employment agreement with the Registrant. The agreement's initial term has lapsed, but the agreement remains in effect from year to year, subject to the right of Mr. Williams or the Company to terminate such agreement.

<u>Name</u>	<u>Age</u>	<u>Office(s) held with CenturyTel</u>
Clarke M. Williams	78	Chairman of the Board of Directors
Glen F. Post, III	47	Vice Chairman of the Board of Directors, President and Chief Executive Officer
R. Stewart Ewing, Jr.	48	Executive Vice President and Chief Financial Officer
Harvey P. Perry	55	Executive Vice President and Chief Administrative Officer
David D. Cole	42	Senior Vice President – Operational Support
Michael Maslowski	52	Senior Vice President and Chief Information Officer

Each of the Registrant's executive officers, except for Mr. Maslowski, has served as an officer of the Registrant and one or more of its subsidiaries in varying capacities for more than the past five years. Mr. Cole has served as Senior Vice President – Operational Support since November 1998, as President - Wireless Group from October 1996 to October 1998 and as Vice President from 1990 to 1996. Mr. Maslowski has served as Senior Vice President and Chief Information Officer since March 1999.

The balance of the information required by Item 10 is incorporated by reference to the Registrant's definitive proxy statement relating to its 2000 annual meeting of stockholders (the "Proxy Statement"), which Proxy Statement will be filed pursuant to Regulation 14A within 120 days after the end of the last fiscal year.

**Item 11. Executive Compensation.**

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

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

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

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

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

**PART IV**

**Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.**

a. Financial Statements

(i) Consolidated Financial Statements:

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

Consolidated Statements of Income for the years ended  
December 31, 1999, 1998 and 1997

Consolidated Statements of Comprehensive Income for the years ended  
December 31, 1999, 1998 and 1997

Consolidated Balance Sheets - December 31, 1999 and 1998

Consolidated Statements of Cash Flows for the years  
ended December 31, 1999, 1998 and 1997

Consolidated Statements of Stockholders' Equity for the  
years ended December 31, 1999, 1998 and 1997

Notes to Consolidated Financial Statements

Consolidated Quarterly Income Information (unaudited)

(ii) Schedules:\*

I Condensed Financial Information of Registrant

II Valuation and Qualifying Accounts

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

b. Reports on Form 8-K.

(i) The following items were reported in a Form 8-K filed November 2, 1999.

Item 5. News release announcing third quarter result of operations.

c. Exhibits:

- 3(i) Amended and Restated Articles of Incorporation of Registrant, dated as of May 6, 1999, (incorporated by reference to Exhibit 3(i) to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999).
- 3(ii) Registrant's Bylaws, as amended through November 18, 1999, included elsewhere herein.
- 4.1 Note Purchase Agreement, dated September 1, 1989, between Registrant, Teachers Insurance and Annuity Association of America and the Lincoln National Life Insurance Company (incorporated by reference to Exhibit 4.23 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1989).
- 4.2 Rights Agreement, dated as of August 27, 1996, between Registrant and Society National Bank, as Rights Agent, including the form of Rights Certificate (incorporated by reference to Exhibit 1 of Registrant's Current Report on Form 8-K filed August 30, 1996) and amendment No.1 thereto, dated May 25, 1999 (incorporated by reference to Exhibit 4.2(ii) to Registrant's Report on Form 8-K dated May 25, 1999).

- 4.3 Form of common stock certificate of the Registrant (incorporated by reference to Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993).
- 4.4 Indenture dated as of March 31, 1994 between the Company and Regions Bank (formerly First American Bank & Trust of Louisiana), as Trustee (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-3, Registration No. 33-52915).
- 4.5 Resolutions designating the terms and conditions of the Company's 7-3/4% Senior Notes, Series A, due 2004 and 8-1/4% Senior Notes, Series B, due 2024 (incorporated by reference to Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994).
- 4.6 Resolutions designating the terms and conditions of the Company's 6.55% Senior Notes, Series C, due 2005 and 7.2% Senior Notes, Series D, due 2025 (incorporated by reference to Exhibit 4.27 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).
- 4.7 Form of Senior Notes described in 4.5 and 4.6 above (incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-3, Registration No. 33-52915).
- 4.8 Competitive Advance and Revolving Credit Facility Agreement, dated as of August 28, 1997, among Registrant, the lenders named therein, and NationsBank of Texas, N.A. (incorporated by reference to Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).
- 4.9 Resolutions designating the terms and conditions of the Company's 6.15% Senior Notes, Series E, due 2005; 6.30% Senior Notes, Series F, due 2008; and 6.875% Debentures, Series G, due 2028, (incorporated by reference to Exhibit 4.9 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1997).
- 4.10 Form of Board Resolution to be used in designating and authorizing the terms and conditions of any series of Senior Debt Securities issuable under

the Company's shelf registration statement (incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-3, Registration No. 333-42013).

- 4.11 Form of Senior Debt Securities described in 4.9 above (incorporated by reference to Exhibit 4.4 of the Company's Registration Statement on Form S-3, Registration No. 333-42013).
- 4.12 First Supplemental Indenture, dated as of November 2, 1998, to Indenture between CenturyTel of the Northwest, Inc. and The First National Bank of Chicago (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).
- 10.1 Employee Benefit Plans
- (a) Registrant's Employee Stock Ownership Plan and Trust, as amended and restated December 30, 1994 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995), amendment thereto dated January 26, 1996 (incorporated by reference to Exhibit 10.1(a) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated July 15, 1996 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996), and amendment thereto dated December 31, 1996 (incorporated by reference to Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997), and amendment thereto dated March 18, 1997 (incorporated by reference to Exhibit 10.6 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997), and amendments thereto dated January 1, 1997 (incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997), and amendment thereto dated December 29, 1998 (incorporated by reference to Exhibit 10.1 (a) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1998).
- (b) Registrant's Stock Bonus Plan, PAYSOP and Trust, as amended and restated December 30, 1994 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended

March 31, 1995), amendment thereto dated July 11, 1995 (incorporated by reference to Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995), amendment thereto dated January 26, 1996 (incorporated by reference to Exhibit 10.1(b) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated July 15, 1996 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996), and amendment thereto dated December 31, 1996 (incorporated by reference to Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997), and amendments thereto dated January 1, 1997 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997), and amendment thereto dated December 29, 1998 (incorporated by reference to Exhibit 10.1 (b) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1998).

- (c) Registrant's Dollars & Sense Plan and Trust, as amended and restated, effective January 1, 1998 and amendment thereto dated December 29, 1998 (incorporated by reference to Exhibit 10.1 (c) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1998).
- (d) Registrant's Restated Supplemental Executive Retirement Plan, generally effective as of November 16, 1995 (incorporated by reference to Exhibit 10.1(d) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1(d) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996).
- (e) Registrant's 1983 Restricted Stock Plan, dated February 21, 1984, as amended and restated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(e) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated November 21, 1996, (incorporated by reference to Exhibit 10.1(e) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996), and amendment thereto dated February 25, 1997

(incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997).

- (f) Registrant's Key Employee Incentive Compensation Plan, dated January 1, 1984, as amended and restated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(f) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1 (f) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996), and amendment thereto dated February 25, 1997 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997).
- (g) Registrant's 1988 Incentive Compensation Program as amended and restated August 22, 1989 (incorporated by reference to Exhibit 19.8 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1989) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1(g) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996).
- (h) Form of Stock Option Agreement entered into in 1988 by the Registrant, pursuant to 1988 Incentive Compensation Program, with certain of its officers (incorporated by reference to Exhibit 10.10 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1988) and amendment thereto (incorporated by reference to Exhibit 4.6 to Registrant's Registration No. 33-31314).
- (i) Registrant's 1990 Incentive Compensation Program, dated March 15, 1990 (incorporated by reference to Exhibit 19.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1990) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1(i) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996).
- (j) Form of Stock Option Agreement entered into in 1990 by the Registrant, pursuant to 1990 Incentive Compensation Program, with certain of its officers (incorporated by reference to Exhibit 19.3 to

Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1990) and amendment thereto dated as of May 22, 1995 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995).

- (k) Form of Stock Option Agreement entered into in 1992 by the Registrant, pursuant to 1990 Incentive Compensation Program, with certain of its officers and employees (incorporated by reference to Exhibit 10.17 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992) and amendment thereto dated as of May 22, 1995 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995).
- (l) Registrant's 1995 Incentive Compensation Plan approved by Registrant's shareholders on May 11, 1995 (incorporated by reference to Exhibit 4.4 to Registration No. 33-60061) and amendment thereto dated November 21, 1996 (incorporated by Reference to Exhibit 10.1 (l) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996), and amendment thereto dated February 25, 1997 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997).
- (m) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of May 22, 1995, entered into by Registrant and its officers (incorporated by reference to Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995).
- (n) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of June 23, 1995, entered into by Registrant and certain key employees (incorporated by reference to Exhibit 10.6 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995).
- (o) Registrant's Restated Supplemental Defined Contribution Plan, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(q) to Registrant's Annual Report on Form 10-K for the year ended

December 31, 1995), amendment thereto dated July 15, 1996 (incorporated by reference to Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1 (p) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996).

- (p) Registrant's Amended and Restated Supplemental Dollars & Sense Plan, effective as of January 1, 1999 (incorporated by reference to Exhibit 10.1 (q) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1998).
- (q) Registrant's Amended and Restated Salary Continuation (Disability) Plan for Officers, dated November 26, 1991 (incorporated by reference to Exhibit 10.16 of Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).
- (r) Registrant's Restated Outside Directors' Retirement Plan, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(t) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).
- (s) Registrant's Restated Deferred Compensation Plan for Outside Directors, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(u) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).
- (t) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of February 21, 2000, entered into by Registrant and its officers, included elsewhere herein.
- (u) Registrant's Chairman/Chief Executive Officer Short-Term Incentive Program (incorporated by reference to Exhibit 10.6 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).
- (v) Form of Amended and Restated Restricted Stock and Performance Share Agreement dated as of March 16, 1998, relating to equity incentive awards granted in 1997 pursuant to Registrant's 1995

Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).

- (w) Form of Restricted Stock and Performance Share Agreement, dated as of March 16, 1998, relating to equity incentive awards granted in 1998 pursuant to Registrant's 1995 Incentive Compensation Plan (incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).
- (x) Form of Restricted Stock and Performance Share Agreement, dated as of February 22, 1999, relating to equity incentive awards granted in 1999 pursuant to the Registrant's 1995 Incentive Compensation Plan, included elsewhere herein.
- (y) Registrant's Supplemental Defined Benefit Plan, effective as of January 1, 1999 (incorporated by reference to Exhibit 10.1 (y) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1998).
- (z) Registrant's Amended and Restated Retirement Plan, effective as of January 1, 1999 (incorporated by reference to Exhibit 10.1 (z) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1998).

10.2 Employment, Severance and Related Agreements

- (a) Employment Agreement, dated May 24, 1993, by and between Clarke M. Williams and Registrant (incorporated by reference to Exhibit 19.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993) and amendment thereto dated as of February 27, 1996 (incorporated by reference to Exhibit 10.2(a) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).
- (b) Form of Amended and Restated Severance Agreement, by and between Registrant and each of its executive officers other than Clarke M. Williams, dated as of November 16, 1995 (incorporated by reference to

Exhibit 10.2(b) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).

- (c) Form of Amended and Restated Severance Agreement, by and between Registrant and three of its officers who are not executive officers, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.2(c) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).
- (d) Agreement, dated December 31, 1994, by and between Jim D. Reppond and Registrant (incorporated by reference to Exhibit 10.24 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1994).
- (e) Consulting Agreement, dated as of July 2, 1996, by and between Registrant and Jim D. Reppond (incorporated by reference to Exhibit 10 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996).

10.3 Other Agreements

- (a) Asset Purchase Agreement between Registrant and affiliates of GTE, dated June 29, 1999 (incorporated by reference to Exhibit 99 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999).

21 Subsidiaries of the Registrant, included elsewhere herein.

23 Independent Auditors' Consent, included elsewhere herein.

27 Financial Data Schedule, included elsewhere herein.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CenturyTel, Inc.,

Date: March 15, 2000

By: /s/ Clarke M. Williams  
Clarke M. Williams  
Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

<u>/s/ Clarke M. Williams</u> Clarke M. Williams	Chairman of the Board of Directors	March 15, 2000
<u>/s/ Glen F. Post, III</u> Glen F. Post, III	Vice Chairman of the Board of Directors, President, and Chief Executive Officer	March 15, 2000
<u>/s/ R. Stewart Ewing, Jr.</u> R. Stewart Ewing, Jr	Executive Vice President and Chief Financial Officer (Principal Accounting Officer)	March 15, 2000
<u>/s/ Harvey P. Perry</u> Harvey P. Perry	Executive Vice President, Chief Administrative Officer and Director	March 15, 2000
<u>/s/ W. Bruce Hanks</u> W. Bruce Hanks	Vice President Strategic Issues and Director	March 15, 2000
<u>/s/ William R. Boles, Jr.</u> William R. Boles, Jr.	Director	March 15, 2000
<u>/s/ Virginia Boulet</u> Virginia Boulet	Director	March 15, 2000

<u>Ernest Butler, Jr.</u>	Director	March 15, 2000
<u>/s/ Calvin Czeschin</u> Calvin Czeschin	Director	March 15, 2000
<u>/s/ James B. Gardner</u> James B. Gardner	Director	March 15, 2000
<u>/s/ R. L. Hargrove, Jr.</u> R. L. Hargrove, Jr.	Director	March 15, 2000
<u>/s/ Johnny Hebert</u> Johnny Hebert	Director	March 15, 2000
<u>/s/ F. Earl Hogan</u> F. Earl Hogan	Director	March 15, 2000
<u>/s/ C. G. Melville, Jr.</u> C. G. Melville, Jr.	Director	March 15, 2000
<u>/s/ Jim D. Reppond</u> Jim D. Reppond	Director	March 15, 2000

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT  
CENTURYTEL, INC.  
(Parent Company)  
STATEMENTS OF INCOME

	Year ended December 31.		
	1999	1998	1997
(Dollars in thousands)			
<b>REVENUES</b>	\$ 15,542	16,055	9,666
<b>EXPENSES</b>			
Operating expenses	12,754	15,788	9,088
Depreciation and amortization	7,153	31,842	9,401
Total expenses	19,907	47,630	18,489
<b>OPERATING LOSS</b>	(4,365)	(31,575)	(8,823)
<b>OTHER INCOME (EXPENSE)</b>			
Gain on sales of assets	1,931	28,085	172,537
Interest expense	(117,760)	(131,309)	(49,738)
Interest income	48,078	40,005	28,697
Total other income (expense)	(67,751)	(63,219)	151,496
<b>INCOME (LOSS) BEFORE INCOME TAXES AND EQUITY IN SUBSIDIARIES' EARNINGS</b>	(72,116)	(94,794)	142,673
Income tax benefit (expense)	33,179	21,857	(55,591)
<b>INCOME (LOSS) BEFORE EQUITY IN SUBSIDIARIES' EARNINGS</b>	(38,937)	(72,937)	87,082
Equity in subsidiaries' earnings	278,706	301,694	168,896
<b>NET INCOME</b>	\$ 239,769	228,757	255,978

See accompanying notes to condensed financial information of registrant.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT  
(continued)  
CENTURYTEL, INC.  
(Parent Company)  
BALANCE SHEETS

	December 31,	
	1999	1998
	(Dollars in thousands)	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 12,400	6,540
Receivables from subsidiaries	337,600	142,912
Other receivables	513	23,906
Prepayments and other	225	259
<b>Total current assets</b>	<b>350,738</b>	<b>173,617</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Property and equipment	1,004	1,162
Accumulated depreciation	(683)	(676)
<b>Net property, plant and equipment</b>	<b>321</b>	<b>486</b>
<b>INVESTMENTS AND OTHER ASSETS</b>		
Investments in subsidiaries (at equity)	3,422,022	3,170,861
Receivables from subsidiaries	343,169	514,366
Other investments	43,028	42,418
Deferred charges	54,776	58,073
<b>Total investments and other assets</b>	<b>3,862,995</b>	<b>3,785,718</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,214,054</b>	<b>3,959,821</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 37,427	30,046
Payables to subsidiaries	837,645	365,517
Accrued interest	26,956	27,711
Other accrued liabilities	10,035	23,475
<b>Total current liabilities</b>	<b>912,063</b>	<b>446,749</b>
<b>LONG-TERM DEBT</b>	<b>1,428,326</b>	<b>1,852,253</b>
<b>PAYABLES TO SUBSIDIARIES</b>	<b>4,348</b>	<b>32,406</b>
<b>DEFERRED CREDITS AND OTHER LIABILITIES</b>	<b>21,325</b>	<b>96,931</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$1.00 par value, authorized 350,000,000 shares, issued and outstanding 139,945,920 and 138,082,926 shares	139,946	138,083
Paid-in capital	493,432	451,535
Unrealized holding gain on investments, net of taxes	64,362	7,217
Retained earnings	1,146,967	932,611
Unearned ESOP shares	(4,690)	(6,070)
Preferred stock - non-redeemable	7,975	8,106
<b>Total stockholders' equity</b>	<b>1,847,992</b>	<b>1,531,482</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 4,214,054</b>	<b>3,959,821</b>

See accompanying notes to condensed financial information of registrant.

**SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT**

(Continued)

**CENTURYTEL, INC.**

(Parent Company)

**STATEMENTS OF CASH FLOWS**

	Year ended December 31,		
	1999	1998	1997
	(Dollars in thousands)		
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 239,769	228,757	255,978
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	7,153	31,842	9,401
Deferred income taxes	(10,357)	12,902	8,068
Earnings of subsidiaries	(278,706)	(301,694)	(168,896)
Gain on sale of assets	(1,931)	(28,085)	(172,537)
Changes in current assets and current liabilities:			
Other receivables	23,393	(23,114)	11,615
Other accrued liabilities	(83,749)	(40,535)	35,754
Other current assets and liabilities, net	(435)	37,754	8,412
Other, net	6,060	9,724	958
<b>Net cash used in operating activities</b>	<b>(98,803)</b>	<b>(72,449)</b>	<b>(11,247)</b>
<b>INVESTING ACTIVITIES</b>			
Acquisitions	-	(225,569)	(1,283,291)
Capital contributions to subsidiaries	-	-	(16,634)
Dividends received from subsidiaries	162,149	116,906	117,499
Receivables from subsidiaries	(22,607)	303,221	(235,772)
Payables to subsidiaries	380,505	(90,319)	9,738
Proceeds from sales of assets	3,444	40,778	202,705
Note receivable	-	-	22,500
Other, net	2,569	(28,046)	(14,959)
<b>Net cash provided by (used in) investing activities</b>	<b>526,060</b>	<b>116,971</b>	<b>(1,198,214)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of long-term debt	-	950,000	1,297,435
Payments of long-term debt	(415,166)	(960,274)	(52,214)
Payment of hedge contracts	-	(40,237)	-
Proceeds from issuance of common stock	19,182	15,033	14,156
Payment of debt issuance costs	-	(6,625)	-
Cash dividends paid	(25,413)	(24,179)	(22,671)
<b>Net cash provided by (used in) financing activities</b>	<b>(421,397)</b>	<b>(66,282)</b>	<b>1,236,706</b>
Net increase (decrease) in cash and cash equivalents	5,860	(21,760)	27,245
Cash and cash equivalents at beginning of year	6,540	28,300	1,055
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 12,400</b>	<b>6,540</b>	<b>28,300</b>

See accompanying notes to condensed financial information of registrant.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT  
(continued)  
CENTURYTEL, INC.  
(Parent Company)  
NOTES TO CONDENSED FINANCIAL INFORMATION OF REGISTRANT

(A) LONG-TERM DEBT

The approximate annual debt maturities for the five years subsequent to December 31, 1999 are as follows:

2000	-	\$	37.4 million
2001	-	\$	56.6 million
2002	-	\$	302.3 million
2003	-	\$	3.8 million
2004	-	\$	50.5 million

(B) GUARANTEES

As of December 31, 1999, CenturyTel has guaranteed debt of subsidiaries totaling \$325.8 million.

(C) DIVIDENDS FROM SUBSIDIARIES

Dividends paid to CenturyTel by consolidated subsidiaries were \$162.1 million, \$116.9 million and \$117.5 million during 1999, 1998 and 1997, respectively.

(D) INCOME TAXES AND INTEREST PAID

Income taxes paid by CenturyTel (including amounts reimbursed from subsidiaries) were \$217.0 million, \$162.0 million and \$71.8 million during 1999, 1998, and 1997 respectively.

Interest paid by CenturyTel was \$118.5 million, \$114.7 million and \$42.4 million during 1999, 1998 and 1997, respectively.

(E) AFFILIATED TRANSACTIONS

CenturyTel provides and bills management services to subsidiaries and in certain instances makes interest bearing advances to finance construction of plant and purchases of equipment. CenturyTel recorded intercompany interest income of \$47.8 million, \$39.7 million and \$26.6 million in 1999, 1998 and 1997, respectively.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS  
CENTURYTEL, INC.

For the years ended December 31, 1999, 1998 and 1997

Description	Balance at beginning of period	Additions charged to costs and expenses	Deductions from allowance (1)	Other changes (2)	Balance at end of period
	(Dollars in thousands)				
Year ended December 31, 1999					
Allowance for doubtful accounts	\$ 4,155	7,680	(7,494)	(191)	4,150
Year ended December 31, 1998					
Allowance for doubtful accounts	\$ 5,954	13,951	(15,775)	25	4,155
Year ended December 31, 1997					
Allowance for doubtful accounts	\$ 3,327	11,838	(9,975)	764	5,954

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

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

CENTURYTEL, INC.  
SUBSIDIARIES OF THE REGISTRANT  
AS OF DECEMBER 31, 1999

<u>Subsidiary</u>	<u>State of incorporation</u>
Actel Corporation	Louisiana
Celutel of Biloxi, Inc.	Delaware
Celutel, Inc.	Delaware
Century Business Communications, LLC	Louisiana
Century Cellunet of Alexandria, Inc.	Louisiana
Century Cellunet of Michigan RSA #4, Inc.	Louisiana
Century Cellunet of Michigan RSAs, Inc.	Louisiana
Century Cellunet of Mississippi RSA #2, Inc.	Mississippi
Century Cellunet of Mississippi RSA #5, Inc.	Mississippi
Century Cellunet of Mississippi RSA #6, Inc.	Mississippi
Century Cellunet of Mississippi RSA #7, Inc.	Mississippi
Century Cellunet of North Arkansas, Inc.	Louisiana
Century Cellunet of Pine Bluff, LLC	Arkansas
Century Cellunet of Saginaw, Inc.	Louisiana
Century Cellunet of South Arkansas, Inc.	Louisiana
Century Cellunet of Southern Michigan, Inc.	Delaware
Century Cellunet of Texarkana, Inc.	Louisiana
Century Color Graphics, LLC	Louisiana
Century Interactive Communications, Inc.	Louisiana
Century Interactive Fax, Inc.	Louisiana
CenturyTel Holdings, Inc.	Louisiana
CenturyTel Investments, LLC	Louisiana
CenturyTel Long Distance, Inc.	Louisiana
CenturyTel Michigan Network, LLC	Louisiana
CenturyTel Midwest - Michigan, Inc.	Michigan
CenturyTel of Adamsville, Inc.	Tennessee
CenturyTel of Arkansas, Inc.	Arkansas
CenturyTel of Central Indiana, Inc.	Indiana
CenturyTel of Central Louisiana, LLC	Louisiana
CenturyTel of Chatham, LLC	Louisiana
CenturyTel of Chester, Inc.	Iowa
CenturyTel of Claiborne, Inc.	Tennessee
CenturyTel of Colorado, Inc.	Colorado
CenturyTel of Cowiche, Inc.	Washington
CenturyTel of Eagle, Inc.	Colorado
CenturyTel of East Louisiana, LLC	Louisiana
CenturyTel of Eastern Oregon, Inc.	Oregon
CenturyTel of Evangeline, LLC	Louisiana
CenturyTel of Fairwater-Brandon-Alto, Inc.	Wisconsin
CenturyTel of Forestville, Inc.	Wisconsin
CenturyTel of Greater Wisconsin, Inc.	Wisconsin
CenturyTel of Idaho, Inc.	Delaware
CenturyTel of Inter Island, Inc.	Washington
CenturyTel Internet Services, LLC	Louisiana
CenturyTel of Lake Dallas, Inc.	Texas
CenturyTel of Larsen-Readfield, Inc.	Wisconsin
CenturyTel of Michigan, Inc.	Michigan
CenturyTel of Minnesota, Inc.	Minnesota
CenturyTel of Monroe County, Inc.	Wisconsin
CenturyTel of Montana, Inc.	Oregon
CenturyTel of Mountain Home, Inc.	Arkansas
CenturyTel of North Louisiana, LLC	Louisiana
CenturyTel of North Mississippi, Inc.	Mississippi

CenturyTel of Northern Michigan, Inc.	Michigan
CenturyTel of Northern Wisconsin, Inc.	Wisconsin
CenturyTel of Northwest Louisiana, Inc.	Louisiana
CenturyTel of Northwest Wisconsin, Inc.	Wisconsin
CenturyTel of Odon, Inc.	Indiana
CenturyTel of Ohio, Inc.	Ohio
CenturyTel of Ooltewah-Collegedale, Inc.	Tennessee
CenturyTel of Oregon, Inc.	Oregon
CenturyTel of Port Aransas, Inc.	Texas
CenturyTel of Postville, Inc.	Iowa
CenturyTel of Redfield, Inc.	Arkansas
CenturyTel of Ringgold, LLC	Louisiana
CenturyTel of San Marcos, Inc.	Texas
CenturyTel of South Arkansas, Inc.	Arkansas
CenturyTel of Southeast Louisiana, LLC	Louisiana
CenturyTel of Southern Wisconsin, Inc.	Wisconsin
CenturyTel of Southwest Louisiana, LLC	Louisiana
CenturyTel of the Gem State, Inc.	Idaho
CenturyTel of the Midwest-Kendall, Inc.	Wisconsin
CenturyTel of the Midwest-Wisconsin, Inc.	Wisconsin
CenturyTel of the Northwest, Inc.	Washington
CenturyTel of the Southwest, Inc.	New Mexico
CenturyTel of Upper Michigan, Inc.	Michigan
CenturyTel of Washington, Inc.	Washington
CenturyTel of Wisconsin, Inc.	Wisconsin
CenturyTel of Wyoming, Inc.	Wyoming
CenturyTel Paging, Inc.	Louisiana
CenturyTel Personal Access Network, Inc.	Louisiana
CenturyTel Security Systems, Inc.	Louisiana
CenturyTel Service Group, LLC	Louisiana
CenturyTel Solutions, LLC	Louisiana
CenturyTel Supply Group, Inc.	Louisiana
CenturyTel Telecommunications, Inc.	Texas
CenturyTel Telelink, Inc.	Louisiana
CenturyTel Wireless Louisiana, Inc.	Louisiana
CenturyTel Wireless of Appleton-Oshkosh-Neenah MSA, LLC	Delaware
CenturyTel Wireless of La Crosse, LLC	Delaware
CenturyTel Wireless of North Louisiana, LLC	Louisiana
CenturyTel Wireless of Shreveport, LLC	Louisiana
CenturyTel Wireless of Wisconsin RSA #1, LLC	Delaware
CenturyTel Wireless of Wisconsin RSA #10, LLC	Delaware
CenturyTel Wireless of Wisconsin RSA #2, LLC	Delaware
CenturyTel Wireless of Wisconsin RSA #3, LLC	Delaware
CenturyTel Wireless of Wisconsin RSA #6, LLC	Delaware
CenturyTel Wireless of Wisconsin RSA #8, LLC	Delaware
CenturyTel Wireless, Inc.	Louisiana
CenturyTel/Area Long Lines, Inc.	Wisconsin
CenturyTel/Remote Access, Inc.	Louisiana
CenturyTel/Tele-Max, Inc.	Texas
CenturyTel/Televue of Wisconsin, Inc.	Wisconsin
CenturyTel/WORLDVOX, Inc.	Oregon
Eau Claire Cellular, Inc.	Colorado
Jackson Cellular Telephone Co., Inc.	Delaware
MVI Corp.	Oregon
North-West Cellular of Eau Claire, Inc.	Wisconsin
Pacific Telecom Cellular of Alaska RSA #1, Inc. (Note 1)	Alaska
Pacific Telecom Cellular of Michigan RSA #1, Inc.	Michigan
Pacific Telecom Cellular of Michigan RSA #2, Inc.	Michigan
Pacific Telecom Cellular of Michigan, Inc.	Michigan
Pacific Telecom Cellular of Oregon, Inc.	Oregon

Pacific Telecom Cellular of Washington, Inc.  
Pacific Telecom Cellular, Inc.  
Pascagoula Cellular Services, Inc.

Washington  
Wisconsin  
Mississippi

Certain of the Company's smaller subsidiaries have been intentionally omitted from this exhibit pursuant to rules and regulations of the Securities and Exchange Commission.

Note 1. Sold in February 2000

Independent Auditors' Consent

The Board of Directors  
CenturyTel, Inc.:

We consent to incorporation by reference in the Registration Statements (No. 333-42013 and No. 333-91361) on Form S-3, the Registration Statements (No. 33-17113, No. 33-46562, No. 33-60061, No. 333-67815 and No. 333-91351) on Form S-8, the Registration Statements (No. 33-31314 and No. 33-46473) on combined Form S-8 and Form S-3, and the Registration Statements (No. 33-48956 and No. 333-17015) on Form S-4 of CenturyTel, Inc. of our report dated January 26, 2000, relating to the consolidated balance sheets of CenturyTel, Inc. and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows and related financial statement schedules for each of the years in the three-year period ended December 31, 1999, which report appears in the December 31, 1999 annual report on Form 10-K of CenturyTel, Inc.

/s/ KPMG LLP

KPMG LLP

Shreveport, Louisiana  
March 14, 2000

**GUARANTY**

CenturyTel, Inc. ("CTI") hereby guarantees the financial obligations of CenturyTel Solutions, LLC. ("CTS"), attendant to CTS's operation operations as a telecommunications carrier in the State of Arizona. CTI is the ultimate corporate parent of CTS and issues this Guaranty in support of CTS's application to the Arizona Corporation Commission for a certificate of convenience and necessity to provide resold and facilities-based local exchange and exchange access telecommunications services throughout the State of Arizona.

**CenturyTel, Inc.**

By:   
Stacey W. Goff  
Assistant Secretary

State of Louisiana                    )  
  )  
County of Ouachita                )        ss.

The above-named, Stacey W. Goff, appeared before me today and swore that he/she is the Assistant Secretary of CenturyTel, Inc. and is duly authorized by it to execute the foregoing Guaranty on its behalf.

Subscribed and Sworn to me this 27 day of September 2000.

  
Notary Public

My Commission expires 12/31/01