

CENTURYTEL INC
Form DEF 14A
April 02, 2002

Table of Contents

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

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934**

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

- [] Preliminary Proxy Statement
- [] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- [X] Definitive Proxy Statement
- [] Definitive Additional Materials
- [] Soliciting Material Pursuant to §240.14a-12

CenturyTel, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required.
- [] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

Edgar Filing: CENTURYTEL INC - Form DEF 14A

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Table of Contents

**2002
Notice of
Annual Meeting
and
Proxy Statement**

**Annual
Financial Statements
and
Review of Operations**

Thursday, May 9, 2002
2:00 p.m. local time
100 CenturyTel Drive
Monroe, Louisiana

TABLE OF CONTENTS

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

VOTING PROVISIONS

PROPOSAL TO APPROVE THE CENTURYTEL, INC. 2002 MANAGEMENT INCENTIVE
COMPENSATION PLAN

VOTING SHARE OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

EXECUTIVE COMPENSATION AND RELATED INFORMATION

REPORT OF AUDIT COMMITTEE

OTHER MATTERS

CENTURYTEL, INC. 2002 DIRECTORS STOCK OPTION PLAN

CENTURYTEL, INC. 2002 MANAGEMENT INCENTIVE COMPENSATION PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS
OF OPERATIONS

Liquidity and Capital Resources

Regulation and Competition

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA Report of Management

Independent Auditors' Report

Consolidated Statements of Income

Consolidated Statements of Comprehensive Income

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

Table of Contents

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS OF CENTURYTEL, INC.:

The Annual Meeting of Shareholders of CenturyTel, Inc. will be held at 2:00 p.m., local time, on May 9, 2002 in the Corporate Conference Room of the Company's principal offices, 100 CenturyTel Drive, Monroe, Louisiana, for the following purposes:

1. to elect five Class II directors;
2. to consider and vote upon a proposal to approve the Company's 2002 Directors Stock Option Plan;
3. to consider and vote upon a proposal to approve the Company's 2002 Management Incentive Compensation Plan; and
4. to transact such other business as may properly come before the meeting and any adjournments thereof.

The Board of Directors has fixed the close of business on March 20, 2002 as the record date for the determination of shareholders entitled to notice of and to vote at the meeting and all adjournments thereof.

By Order of the Board of Directors

HARVEY P. PERRY, Secretary

Dated: March 27, 2002

SHAREHOLDERS ARE INVITED TO ATTEND THE ANNUAL MEETING IN PERSON. EVEN IF YOU EXPECT TO ATTEND, IT IS IMPORTANT THAT YOU PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD PROMPTLY. IF YOU PLAN TO ATTEND AND WISH TO VOTE YOUR SHARES PERSONALLY, YOU MAY DO SO AT ANY TIME BEFORE YOUR PROXY IS VOTED.

Table of Contents

March 27, 2002

Dear Shareholder:

It is a pleasure to invite you to the Company's 2002 Annual Meeting of Shareholders on Thursday, May 9, beginning at 2:00 p.m. local time, at the Company's headquarters in Monroe, Louisiana. I hope you will be able to attend the meeting.

As in the past, this booklet includes our formal notice of the meeting and our proxy statement. This year, for the first time, we have also included in this booklet our annual financial statements and review of operations. These materials are included as *Appendix C*.

Most of you have received with this booklet a proxy card that indicates the number of votes that you will be entitled to cast at the meeting according to the records of the Company or your broker, bank or other nominee. Each share of the Company that you have beneficially owned continuously since May 30, 1987 will generally entitle you to ten votes; each other share entitles you to one vote. Shares held through a broker, bank or other nominee are presumed to have one vote per share. In lieu of receiving a proxy card, participants in the Company's benefit plans have been furnished with voting instruction cards. The reverse side of this letter describes the Company's voting provisions in greater detail.

Regardless of how many shares you own or whether you plan to attend the meeting in person, it is important that your shares be voted at the meeting. At your earliest convenience, please complete the enclosed proxy card (or voting instruction cards) and return it or them promptly in the enclosed return envelope.

Thank you for your interest and continued support.

Sincerely,

Clarke M. Williams
Chairman of the Board

Table of Contents

VOTING PROVISIONS

Shareholders

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

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

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

Participants in Benefit Plans

Participants in the Company's Employee Stock Ownership Plan, Dollars & Sense Plan, Union Retirement Savings Plan, Union Group Incentive Plan, or Security Systems Inc. 401(k) Plan have received voting instruction cards in lieu of a proxy card. For additional information, please refer to the materials supplied by the trustee of the plans in which you participate.

* * * *

Excerpts from the Company's Articles of Incorporation

Paragraph C of Article III of the Company's articles of incorporation provides as follows:

(1) Each share of Common Stock . . . which has been beneficially owned continuously by the same person since May 30, 1987 will entitle such person to ten votes with respect to such share on each matter properly submitted to the shareholders of the Corporation for their vote, consent, waiver, release or other action . . .

(2) (a) For purposes of this paragraph C, a change in beneficial ownership of a share of the Corporation's stock will be deemed to have occurred whenever a change occurs in any person or group of persons who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise has or shares (i) voting power, which includes the power to vote, or to direct the voting of such share; (ii) investment power, which includes the power to direct the sale or other disposition of such share; (iii) the right to receive or retain the proceeds of any sale or other disposition of such share; or (iv) the right to receive distributions, including cash dividends, in respect to such share.

(b) In the absence of proof to the contrary provided in accordance with the procedures referred to in subparagraph (4) of this paragraph C, a change in beneficial ownership will be deemed to have occurred whenever a share of stock is transferred of record into the name of any other person.

Edgar Filing: CENTURYTEL INC - Form DEF 14A

(c) In the case of a share of Common Stock . . . held of record in the name of a corporation, general partnership, limited partnership, voting trustee, bank, trust company, broker, nominee or clearing agency, or in any other name except a natural person, if it has not been established pursuant to the procedures referred to in subparagraph (4) that such share was beneficially owned continuously since May 30, 1987 by the person who possesses all of the attributes of beneficial ownership referred to in clauses (i) through (iv) of subparagraph (2)(a) of this paragraph C with respect to such share of Common Stock . . . then such share of Common Stock . . . will carry with it only one vote regardless of when record ownership of such share was acquired.

(d) In the case of a share of stock held of record in the name of any person as trustee, agent, guardian or custodian under the Uniform Gifts to Minors Act, the Uniform Transfers to Minors Act or any comparable statute as in effect in any state, a change in beneficial ownership will be deemed to have occurred whenever there is a change in the beneficiary of such trust, the principal of such agent, the ward of such guardian or the minor for whom such custodian is acting.

(3) Notwithstanding anything in this paragraph C to the contrary, no change in beneficial ownership will be deemed to have occurred solely as a result of:

(a) any event that occurred prior to May 30, 1987, including contracts providing for options, rights of first refusal and similar arrangements, in existence on such date to which any holder of shares of stock is a party;

(b) any transfer of any interest in shares of stock pursuant to a bequest or inheritance, by operation of law upon the death of any individual, or by any other transfer without valuable consideration, including a gift that is made in good faith and not for the purpose of circumventing this paragraph C;

(c) any change in the beneficiary of any trust, or any distribution of a share of stock from trust, by reason of the birth, death, marriage or divorce of any natural person, the adoption of any natural person prior to age 18 or the passage of a given period of time or the attainment by any natural person of a specified age, or the creation or termination of any guardianship or custodian arrangement; or

(d) any appointment of a successor trustee, agent, guardian or custodian with respect to a share of stock.

(4) For purposes of this paragraph C, all determinations concerning changes in beneficial ownership, or the absence of any such change, will be made by the Corporation. Written procedures designed to facilitate such determinations will be established by the Corporation and refined from time to time. Such procedures will provide, among other things, the manner of proof of facts that will be accepted and the frequency with which such proof may be required to be renewed. The Corporation and any transfer agent will be entitled to rely on all information concerning beneficial ownership of a share of stock coming to their attention from any source and in any manner reasonably deemed by them to be reliable, but neither the Corporation nor any transfer agent will be charged with any other knowledge concerning the beneficial ownership of a share of stock.

(5) Each share of Common Stock acquired by reason of any stock split or dividend will be deemed to have been beneficially owned by the same person continuously from the same date as that on which beneficial ownership of the share of Common Stock, with respect to which such share of Common Stock was distributed, was acquired.

* * * *

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

* * * *

Table of Contents

CenturyTel, Inc.

***100 CenturyTel Drive
Monroe, Louisiana 71203
(318) 388-9500***

Proxy Statement

March 27, 2002

This proxy statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors (the Board) of CenturyTel, Inc. (the Company) for use at its annual meeting of shareholders to be held at the time and place set forth in the accompanying notice, and at any adjournments thereof (the Meeting). This proxy statement is first being mailed to shareholders of the Company on or about April 2, 2002.

As of March 20, 2002, the record date for determining shareholders entitled to notice of and to vote at the Meeting (the Record Date), the Company had outstanding 141,314,785 shares of common stock (the Common Shares) and 319,000 shares of Series L preferred stock that vote together with the Common Shares as a single class on all matters (Preferred Shares and, collectively with the Common Shares, Voting Shares). The Company's Restated Articles of Incorporation (the Articles) generally provide that holders of Common Shares that have been beneficially owned continuously since May 30, 1987 are entitled to cast ten votes per share, subject to compliance with certain procedures. Article III of the Articles and the voting procedures adopted thereunder contain several provisions governing the voting power of Common Shares, including a presumption that each Common Share held by nominees or by any holder other than a natural person or estate entitles such holder to one vote, unless the holder thereof furnishes the Company with proof to the contrary. Applying the presumptions described in Article III, the Company's records indicate that 232,699,092 votes are entitled to be cast at the Meeting, of which 232,380,092 (99.9%) are attributable to the Common Shares. All percentages of voting power set forth in this proxy statement have been calculated based on such number of votes.

If you are a participant in the Company's Automatic Dividend Reinvestment and Stock Purchase Service or the Company's Employee Stock Purchase Plans, the Company's proxy card covers shares credited to your account under each plan, as well as shares registered in your name. You should not, however, use the proxy card to vote any shares held for you in the Company's Employee Stock Ownership Plan, Dollars & Sense Plan, Union Retirement Savings Plan, Union Group Incentive Plan, or Security Systems Inc. 401(k) Plan. Instead, participants in these plans will receive from the plan trustees separate voting instruction cards covering these shares. These voting instruction cards should be completed and returned in the manner provided in the instructions that accompany such cards.

The Company will pay all expenses of soliciting proxies for the Meeting. Proxies may be solicited personally, by mail, by telephone or by facsimile by the Company's directors, officers and employees, who will not be additionally compensated therefor. The Company will

Table of Contents

also request persons holding Voting Shares in their names for others, such as brokers, banks and other nominees, to forward proxy materials to their principals and request authority for the execution of proxies, for which the Company will reimburse them for expenses incurred in connection therewith. The Company has retained Innisfree M&A Incorporated, New York, New York, to assist in the solicitation of proxies, for which it will be paid a fee of \$5,000 and will be reimbursed for certain out-of-pocket expenses.

ELECTION OF DIRECTORS

(Item 1 on Proxy or Voting Instruction Card)

The Articles authorize a board of directors of 14 members divided into three classes. Members of the respective classes hold office for staggered terms of three years, with one class elected at each annual shareholders' meeting. Five Class II directors will be elected at the Meeting. Unless authority is withheld, all votes attributable to the shares represented by each duly executed and delivered proxy will be cast for the election of each of the five below-named nominees, each of whom has been recommended for election by the Board's Nominating Committee. Because no shareholder has timely nominated any individuals to stand for election at the Meeting in accordance with the Company's advance notification bylaw (which is described generally below under the heading "Other Matters Shareholder Nominations and Proposals"), the five below-named nominees will be the only individuals that may be elected at the Meeting. If for any reason any such nominee should decline or become unable to stand for election as a director, which is not anticipated, votes will be cast instead for another candidate designated by the Board, without resoliciting proxies.

The following provides certain information with respect to each proposed nominee and each other director whose term will continue after the Meeting, including his or her beneficial ownership of Common Shares determined in accordance with Rule 13d-3 of the Securities and Exchange Commission (SEC). Unless otherwise indicated, (i) all information is as of the Record Date, (ii) each person has been engaged in the principal occupation shown for more than the past five years and (iii) shares beneficially owned are held with sole voting and investment power. Unless otherwise indicated, none of the persons named below beneficially owns more than 1% of the outstanding Common Shares or is entitled to cast more than 1% of the total voting power.

Table of Contents

Class II Directors (for term expiring in 2005):

Virginia Boulet, age 48; a director since January 1995; President and Chief Operating Officer of iMinorities.com, Inc., an on-line recruiting company, and Special Counsel at Adams and Reese LLP, a law firm, since March 15, 2002; Partner, Phelps Dunbar, L.L.P., a law firm, for over 10 years prior to such date.

Committee Memberships: Audit; Shareholder Relations; Nominating (Chairman)

Shares Beneficially Owned: 5,328⁽¹⁾

Ernest Butler, Jr., age 73; a director since 1971; Chairman, President and a director of I. E. Butler Securities, Inc., an investment banking firm, since February 1998; for over 30 years prior to such time, Mr. Butler served as an executive officer of Stephens Inc., an investment banking firm.

Committee Memberships: Audit; Compensation (Chairman); Shareholder Relations

Shares Beneficially Owned: 100

James B. Gardner, age 67; a director since 1981; Senior Managing Director of the capital markets division of Service Asset Management Company, a financial services firm, since November 2001; Managing Director of such division for over seven years prior to such date; a director of Ennis Business Forms, Inc.

Committee Memberships: Executive; Audit; Compensation

Shares Beneficially Owned: 3,500

Table of Contents

R. L. Hargrove, Jr., age 70; a director since 1985; retired as an executive officer of the Company in 1987 after 12 years of service as an officer.

Committee Memberships: Executive; Audit; Shareholder Relations (Chairman)

Shares Beneficially Owned: 66,009

Johnny Hebert, age 73; a director since 1968; President of family-owned electrical contracting businesses.

Committee Memberships: Insurance Evaluation; Shareholder Relations

Shares Beneficially Owned: 12,396⁽²⁾

The Board unanimously recommends a vote FOR each of these proposed nominees.

Class III Directors (term expires in 2003):

Calvin Czeschin, age 66; a director since 1975; President and Chief Executive Officer of Yelcot Telephone Company and Ultimate Auto Group.

Committee Memberships: Executive; Audit (Chairman); Shareholder Relations

Shares Beneficially Owned: 350,869⁽³⁾

F. Earl Hogan, age 80; a director since 1968; retired as managing partner of EDJ Farms Partnership, a farming enterprise, in December 1997.

Committee Memberships: Executive; Audit; Compensation

Shares Beneficially Owned: 36,826

Table of Contents

Harvey P. Perry, age 57; a director since 1990; Executive Vice President and Chief Administrative Officer of the Company since May 1999; Senior Vice President of the Company from 1985 to May 1999; General Counsel and Secretary of the Company since 1984 and 1986, respectively. Mr. Perry is the son-in-law of Clarke M. Williams.

Committee Membership: Executive

Shares Beneficially Owned: 321,058^{(4),(5)}

Jim D. Reppond, age 60; a director since 1986; retired from the Company in 1996 after serving as President Telephone Group of the Company (or a comparable predecessor position) for several years.

Committee Memberships: Executive; Insurance Evaluation

Shares Beneficially Owned: 63,920

Class I Directors (term expires in 2004):

William R. Boles, Jr., age 45; a director since 1992; an executive officer, director and practicing attorney with The Boles Law Firm.

Committee Memberships: Insurance Evaluation (Chairman)

Shares Beneficially Owned: 4,892

W. Bruce Hanks, age 47; a director since 1992; Athletic Director of the University of Louisiana at Monroe since March 2001; Vice President Strategic Issues of the Company from May 1999 to March 2001; Executive Vice President Chief Operating Officer of the Company from October 1998 to May 1999; Senior Vice President Corporate Development and Strategy of the Company from October 1996 to October 1998.

Committee Membership: Insurance Evaluation

Shares Beneficially Owned: 311,708⁽⁵⁾

Table of Contents

C. G. Melville, Jr., age 61; a director since 1968; private investor since 1992; retired executive officer of an equipment distributor.

Committee Memberships: Audit; Insurance Evaluation; Nominating

Shares Beneficially Owned: 16,531

Glen F. Post, III, age 49; a director since 1985; Vice Chairman of the Board, President and Chief Executive Officer of the Company.

Committee Membership: Executive

Shares Beneficially Owned: 1,200,752⁽⁵⁾

Clarke M. Williams, age 80; a director since 1968; Chairman of the Board of the Company.

Mr. Williams, who is the father-in-law of Harvey P. Perry, founded the Company's telephone business in 1946.

Committee Membership: Executive (Chairman)

Shares Beneficially Owned: 1,136,434⁽⁵⁾

- (1) Includes 1,272 shares held by Ms. Boulet as custodian for the benefit of her children and 450 shares owned by Ms. Boulet's spouse, as to which she disclaims beneficial ownership.
- (2) Includes 1,742 shares owned by Mr. Hebert's wife, as to which he disclaims beneficial ownership.
- (3) Constitutes 0.2% of the outstanding Common Shares and entitles Mr. Czeschin to cast 1.5% of the total voting power; includes 11,997 shares owned by Mr. Czeschin's wife, as to which he disclaims beneficial ownership.
- (4) Includes 2,797 shares held as custodian for the benefit of Mr. Perry's children.
- (5) Includes (i) shares of time-vested and performance-based restricted stock issued to the below-named directors under the Company's incentive compensation plans (Restricted Stock), with respect to which such individuals have sole voting power but no investment power; (ii) shares (Option Shares) that such individuals have the right to acquire prior to May 31, 2002 pursuant to options granted under the Company's incentive compensation plans; and (iii) shares (collectively, Plan Shares) allocated to such individuals' accounts under the Company's Employee Stock Ownership Plan (ESOP) and Dollars & Sense Plan (401(k) Plan), as follows:

Name	Restricted Stock	Option Shares	Plan Shares
Harvey P. Perry	5,356	235,525	39,471
W. Bruce Hanks		249,983	
Glen F. Post, III	17,929	970,989	77,543
Clarke M. Williams	18,105	1,021,614	17,277

Participants in the 401(k) Plan who have attained 45 years of age have investment power with respect to all shares held in their 401(k) Plan account, and participants in the ESOP who have attained 55 years of age and 10 years of participation in the plan have investment power with respect to a portion of the shares held in their ESOP accounts.

Table of Contents

Meetings and Certain Committees of the Board

During 2001 the Board held four regular meetings and eight special meetings. Each of the directors attended at least 75% of the Board meetings held during 2001, except Clarke M. Williams, who attended 67% of the Board meetings.

The Board's Executive Committee, which met once during 2001, is authorized to exercise all the powers of the Board to the extent permitted by law.

The Board's Audit Committee held four meetings during 2001. The Audit Committee's functions are described further below. The Audit Committee's review subcommittee, which is authorized to review the Company's quarterly earnings prior to their public release, met four times during 2001.

The Board's Nominating Committee, which met twice during 2001, is responsible for recommending to the Board both a proposed slate of nominees for election as directors and the individuals proposed for appointment as officers. Any shareholder who wishes to make a nomination for the election of directors in 2003 must do so in compliance with the procedures set forth in the Company's advance notification bylaw, which is discussed below under the heading "Other Matters - Shareholder Nominations and Proposals."

The Board's Compensation Committee held four meetings during 2001. The Compensation Committee's functions are described further below.

Director Compensation

Each director who is not an employee of the Company (an "outside director") is paid an annual fee of \$28,000 plus \$1,500 for attending each regular Board meeting, \$2,000 for attending each special Board meeting and \$1,000 for attending each meeting of a Board committee. Each outside director who chairs a Board committee or subcommittee is paid an additional \$4,000 per year. The Company permits each outside director to defer receipt of all or a portion of his or her fees. Amounts so deferred earn interest equal to the six-month Treasury bill rate. Each director is also reimbursed for expenses incurred in attending meetings.

Under the Company's Outside Directors' Retirement Plan, outside directors who have completed five years of Board service are entitled to receive, upon normal retirement at age 70, monthly payments that on a per annum basis (i) equal the director's annual rate of compensation for Board service at retirement plus the fee payable for attending one special Board meeting and (ii) have accrued based on years of service as an outside director. Outside directors who have completed ten years of service can also receive these payments upon early retirement at age 65, subject to certain benefit reductions. In addition, this plan provides certain disability and preretirement death benefits. The Company has established a trust to fund its obligations under this plan, but participants' rights to these trust assets are no greater than the rights of unsecured creditors. Outside directors whose service is terminated in connection with a change in control of the Company are entitled to receive a cash payment equal to the present value of their vested plan benefits, determined in accordance with actuarial assumptions specified in the plan.

Table of Contents

If the shareholders adopt the Company's 2002 Directors Stock Option Plan at the Meeting, (i) the Outside Directors' Retirement Plan will be frozen to limit participation in the plan solely to Ms. Boulet and Messrs. Butler, Gardner, Hargrove, Hebert, Czeschin, Hogan, Reppond, Boles, Hanks and Melville and to limit future benefit payments to those accrued through May 9, 2002 and (ii) all outside directors will begin receiving annual stock option grants.

During 2001, Jim D. Reppond received consulting fees of \$26,727 under a ten-year agreement that the Company entered into with him in connection with his retirement in 1996.

Corporate Governance Standards

During 2001, the Company conducted a comprehensive review of its Board policies and governance standards. As a result of this review, the Board has modified and supplemented its policies and standards, primarily to ensure that a majority of the Company's directors are independent. The Board's corporate governance standards are:

1. The Board believes that a majority of its directors should be independent, as measured against an objective standard of independence.
2. For determining independence, the Board applies the standards of independence recommended by the California Public Employees' Retirement System as of October 31, 2001.
3. The Board has adopted a policy that prohibits, subject to limited exceptions, a director from standing for election after the age of 72.
4. Excepting Clarke M. Williams, the Company's founder and Chairman, the Company generally believes that no more than two management directors should serve on the Board.
5. A director is expected to tender his or her resignation upon any significant change in job status or responsibilities. In its discretion, the Board will determine whether to accept the resignation.
6. As a general rule, the Company should not engage in significant financial transactions with any director.
7. The Audit, Nominating, Compensation and Shareholder Relations Committees will be appointed by the Board and comprised entirely of independent directors. The Audit Committee will periodically meet privately with the Company's internal auditors and independent auditors.
8. As a general rule, each director should hold no more than two other directorships of unaffiliated publicly held corporations.
9. The Company will endeavor to periodically update directors on industry, technological and regulatory developments, and to provide adequate information and training to support directors in understanding the Company's business and matters to be acted upon at board and committee meetings. Any director may request that an item be included on agendas for meetings. The Board also periodically reviews long-range strategic issues.

Table of Contents

The Company believes that it has already made measurable progress toward implementation of these standards, which the Board plans to review annually. Due to the extensive nature of the Company's undertaking, however, the Company expects that full implementation will be required to be phased in over time.

PROPOSAL TO APPROVE THE CENTURYTEL, INC.

2002 DIRECTORS STOCK OPTION PLAN
(Item 2 on Proxy or Voting Instruction Card)

General

The CenturyTel, Inc. 2002 Directors Stock Option Plan (the Director Plan) has been approved by the Board, subject to the approval by the shareholders at the Meeting. The Board believes that the Director Plan promotes the interests of the Company and its shareholders by strengthening its ability to attract, motivate and retain directors of experience and ability, and by encouraging the highest level of performance by providing directors with a proprietary interest in the financial success and growth of the Company. If the Director Plan is adopted, benefits under the Company's Outside Directors Retirement Plan will be frozen in the manner discussed above under Election of Directors Director Compensation. If the Director Plan is not approved by the shareholders at the Meeting, the options proposed to be granted under the Director Plan will not be granted and the Outside Directors Retirement Plan will remain in effect. The primary features of the Director Plan are summarized below. This summary is qualified in its entirety, however, by reference to the Director Plan, which is attached to this Proxy Statement as *Appendix A*.

Terms of the Director Plan

Administration. The Compensation Committee of the Board (the Committee) administers the Director Plan and has authority to interpret the Director Plan, to prescribe, amend and rescind rules relating to the Director Plan and to make any other determinations necessary for the administration of the Director Plan.

Eligibility and Grants. Only non-employee directors of the Company are eligible to participate in the Director Plan. Currently, 11 non-employee directors will be eligible to participate. If the Director Plan is approved by the shareholders, each participant will receive an automatic grant of a non-qualified option (an Option) to purchase up to 6,000 Common Shares on the day following each annual meeting of the shareholders, beginning May 10, 2002. If a non-employee director is added to the Board other than by election at an annual meeting, the director will receive an Option to purchase a *pro rata* number of Common Shares based upon the number of full calendar months between the date of grant and the next annual meeting. Subject to certain adjustment provisions described below, the aggregate number of Common Shares that may be issued upon the exercise of Options under the Director Plan is 400,000. Any Common Shares subject to an Option that are not issued because the Option is forfeited or cancelled will again be available for grant under the Director Plan. Also, if Common Shares are delivered in payment of the exercise price of an Option, only the number of Common Shares issued net of the number of Common Shares delivered will be counted against the maximum number of shares issuable through the Plan.

Table of Contents

Vesting and Exercise Periods. The Options granted pursuant to the Director Plan will become exercisable beginning one year after the date of grant, unless exercisability is accelerated in the Committee's discretion. If a non-employee director ceases to serve on the Board as a result of the Company's retirement policy for directors, exercisable Options held by that director will continue to be exercisable for the remaining term of the Options. If a non-employee director ceases to serve on the Board for any other reason, exercisable Options must be exercised within two years from the date of termination of Board service. Options that have not become exercisable at the time of termination of Board service are forfeited. The Options expire ten years after the date of grant.

Change of Control. In the event of a change of control of the Company, as defined in the Director Plan, all Options will become fully vested and exercisable, and the Committee will have the authority to take a variety of actions regarding outstanding Options. Within certain time periods, the Committee may (i) require that all outstanding Options remain exercisable only for a limited time, after which time all such Options will terminate, (ii) require the surrender to the Company of some or all outstanding Options in exchange for a stock or cash payment for each Option equal in value to the change of control value of a Share, calculated as described in the Director Plan, over the exercise price, (iii) make any equitable adjustments to outstanding Options as the Committee deems necessary to reflect the change of control or (iv) provide that an Option will become an option to purchase the number and class of securities or other property to which the participant would have been entitled in connection with the change of control if the participant had been a shareholder.

Exercise Price. The exercise price will be the closing sale price of a Common Share on the date of grant. Except for adjustments permitted in the Director Plan to protect against dilution, unless approved by the shareholders the exercise price of an outstanding Option may not be decreased after grant, nor may an Option that has an exercise price that is less than the then current fair market value of a Common Share be surrendered to the Company as consideration for the grant of a new Option with a lower exercise price or a payment of cash or Common Shares.

The exercise price may be paid:

in cash

by check

by delivery of Common Shares, subject to certain limitations

through a cashless exercise arrangement with a broker approved by the Company, or

in any other manner as may be authorized from time to time by the Committee.

On March 25, 2002, the closing sale price of a Common Share, as reported on the New York Stock Exchange, was \$33.55.

Table of Contents

Transferability of Options. Under the Director Plan, directors may not transfer, pledge, assign or otherwise encumber their options except:

by will

by the laws of descent and distribution, or

if permitted by the Committee and so provided in the director's stock option agreement, pursuant to a domestic relations order or to immediate family members or to a partnership, limited liability company or trust for which the sole owners, members or beneficiaries are the director or immediate family members.

Adjustment. In the event of any recapitalization, reclassification, stock dividend, stock split, combination of shares or other change in the Common Shares, all limitations on numbers of Common Shares provided in the Director Plan and the number of Common Shares subject to Options will be adjusted in proportion to the change in outstanding Common Shares. The Committee will make any other adjustments that it determines to be equitable, including adjustments to the exercise price so that participants will have the same relative rights before and after these adjustments.

Amendments to the Director Plan. The Board may amend or discontinue the Director Plan at any time. However, the shareholders must approve any amendment that would:

materially increase the benefits accruing to participants under the Director Plan

increase the number of Common Shares that may be issued under the Director Plan

materially expand the classes of persons eligible to participate in the Director Plan, or

authorize the Company to reprice outstanding Options.

No amendment or discontinuance of the Director Plan may materially impair any previously granted Option without the consent of the recipient.

Federal Tax Consequences. Under existing federal income tax provisions, a non-employee director who receives Options under the Director Plan will not recognize any income, nor will the Company be entitled to any tax deduction, in the year the Option is granted. When an Option is exercised, (i) the non-employee director will realize ordinary income in an amount equal to the excess of the aggregate fair market value of the Common Shares acquired on the exercise date over the aggregate purchase price paid for such Common Shares and (ii) the Company will be entitled to a tax deduction in an amount equal to the income realized by the non-employee director.

If the exercise price of a non-qualified option is paid by the surrender of previously owned Common Shares, the basis and the holding period of the previously-owned Common Shares will carry over to the Common Shares received in exchange for the previously-owned Common Shares. The compensation income recognized on exercise of these Options will be added to the basis of the Common Shares received.

Table of Contents**Awards to be Granted**

If the shareholders approve the Director Plan at the Meeting, non-qualified stock options will be granted under the Director Plan on May 10, 2002, to the persons named and in the amounts set forth below.

Name	Number of Options
William R. Boles, Jr.	4,000
Virginia Boulet ⁽¹⁾	4,000
Ernest Butler, Jr. ⁽¹⁾	4,000
Calvin Czeschin	4,000
James B. Gardner ⁽¹⁾	4,000
W. Bruce Hanks	4,000
R.L. Hargrove, Jr. ⁽¹⁾	4,000
Johnny Hebert ⁽¹⁾	4,000
F. Earl Hogan	4,000
C.G. Melville, Jr.	4,000
Jim D. Reppond	4,000
All non-employee directors as a group	44,000

(1) The referenced grant of Options is contingent upon the director's re-election at the Meeting.

In addition, while the Director Plan is in effect and to the extent that Common Shares remain available for issuance thereunder, non-employee directors will continue to receive Options to purchase up to 6,000 Common Shares under the Director Plan (with the actual number to be determined by the Committee) following each annual meeting of shareholders and upon joining the Board if other than by election at an annual meeting of shareholders.

Equity Compensation Plan Information

The following table provides information about Common Shares that may be issued upon the exercise of options, warrants and rights under all of the Company's existing equity compensation plans as of February 25, 2002.

Plan Category	a. Number of Securities to be Issued upon Exercise of Outstanding Options	b. Weighted-Average Exercise Price of Outstanding Options	c. Number of Securities Remaining Available for Future Issuance Under Plan (Excluding Securities Reflected in Column (a))
Incentive compensation plans approved by shareholders	7,740,790	\$23.69	555,050 ⁽¹⁾
Employee Stock Purchase Plan approved by shareholders	(2)	(2)	4,956,100
Incentive compensation plans not approved by shareholders	0	0	0
TOTAL			5,511,150

(1) If the CenturyTel, Inc. 2002 Management Incentive Compensation Plan discussed below is approved at the Meeting, shares will no longer be available for future issuance under these plans.

(2) Not readily determinable.

Table of Contents

Vote Required

Approval of the Director Plan requires the affirmative vote of the holders of at least a majority of the voting power present or represented by proxy at the Meeting.

The Board unanimously recommends that the shareholders vote FOR the proposal to approve the Director Plan.

PROPOSAL TO APPROVE THE CENTURYTEL, INC.

2002 MANAGEMENT INCENTIVE COMPENSATION PLAN
(Item 3 on Proxy or Voting Instruction Card)

General

The Board believes that the growth of the Company depends upon the efforts of its officers and key employees and that the CenturyTel, Inc. 2002 Management Incentive Compensation Plan (the Management Plan) will provide an effective means of attracting and retaining qualified key personnel while enhancing their long-term focus on maximizing shareholder value. The Management Plan has been adopted by the Board of Directors, subject to approval by the shareholders at the Meeting. The primary features of the Management Plan are summarized below. This summary is qualified in its entirety, however, by reference to the Management Plan, which is attached to this Proxy Statement as *Appendix B*.

Purpose of the Proposal

The Board of Directors believes that providing members of management and key personnel with a proprietary interest in the growth and performance of the Company is crucial to stimulating individual performance while at the same time enhancing shareholder value. As a result of stock option grants to officers and key employees in early 2002, less than 555,050 Common Shares remain available for grants under the Company's 2000 Incentive Compensation Plan. The Board believes that adoption of the new Management Plan is necessary to provide the Company with the continued ability to attract, retain and motivate key personnel in a manner that is tied to the interests of shareholders.

Terms of the Management Plan

Administration of the Management Plan. The Committee administers the Management Plan and has authority to make awards under the plan, to set the terms of the awards, to interpret the plan, to establish any rules or regulations relating to the plan that it determines to be appropriate and to make any other determination that it believes necessary or advisable for the proper administration of the plan. Subject to the limitations specified in the Management Plan, the Committee may delegate its authority to appropriate personnel of the Company.

Eligibility. Officers and key employees of the Company (including officers who are also directors of the Company) will be eligible to receive awards (Incentives) under the Management Plan when designated as plan participants. The Company currently has approximately 55 officers and 425 key employees eligible to receive Incentives under the Management Plan. Over the past couple of years the Company has granted awards to all of its officers and its key employees under its predecessor incentive compensation plans. The Management Plan

Table of Contents

also permits consultants and advisers to receive Incentives, although neither the Company nor the Committee has any current intention of awarding Incentives to consultants or advisers. Incentives under the Management Plan may be granted in any one or a combination of the following forms:

incentive stock options under Section 422 of the Internal Revenue Code (the Code)

non-qualified stock options

restricted stock, and

other stock-based awards.

Shares Issuable through the Management Plan. Subject to certain adjustment provisions described below, a total of 4.5 million Common Shares are authorized to be issued under the Management Plan, representing approximately 3.2% of the outstanding Common Shares. There are currently options to acquire approximately 7.7 million Common Shares outstanding under the Company's predecessor incentive compensation plans. See Proposal to Approve the CenturyTel, Inc. 2002 Directors Stock Option Plan Equity Compensation Plan Information. If the Management Plan is approved by the shareholders at the Meeting, no additional Incentives will be granted under the Company's predecessor incentive compensation plans. On March 25, 2002, the closing sale price of a Common Share, as reported on the New York Stock Exchange, was \$33.55.

Limitations and Adjustments to Shares Issuable through the Management Plan. Incentives relating to no more than 600,000 Common Shares may be granted to a single participant in one calendar year. No more than 500,000 Common Shares may be issued as restricted stock or other stock-based awards.

For purposes of determining the maximum number of Common Shares available for delivery under the Management Plan, Common Shares that are not delivered because the Incentive is forfeited, canceled or settled in cash and shares that are withheld to satisfy participants' applicable tax withholding obligations will not be deemed to have been delivered under the Management Plan. Also, if the exercise price of any stock option granted under the Management Plan is satisfied by tendering Common Shares, only the number of shares issued net of the shares tendered will be deemed delivered for purposes of determining the maximum number of Common Shares available for delivery under the Management Plan. No more than 4.5 million shares, however, may be delivered upon exercise of stock options intended to qualify as incentive stock options under Section 422 of the Code. Shares withheld to cover taxes or shares delivered in payment of the exercise price will not be credited against the 4.5 million share limit applicable to incentive stock options. In addition, if the delivery of any shares earned under an Incentive is deferred for any reason, any additional shares attributable to dividends during the deferral period will be disregarded for purposes of counting the maximum number of Common Shares that may be issued.

Proportionate adjustments will be made to all of the share limitations provided in the Management Plan, including shares subject to outstanding Incentives, in the event of any recapitalization, reclassification, stock dividend, stock split, combination of shares or other change in the Common Shares, and the terms of any Incentive will be adjusted to the extent

Table of Contents

appropriate to provide participants with the same relative rights before and after the occurrence of any such event.

Amendments to the Management Plan. The Board may amend or discontinue the Management Plan at any time. However, the shareholders must approve any amendment that would:

materially increase the benefits accruing to participants under the Management Plan

increase the number of Common Shares that may be issued under the Management Plan

materially expand the classes of persons eligible to participate in the Management Plan, or

authorize the Company to reprice outstanding options.

No amendment or discontinuance of the Management Plan may materially impair any previously granted Incentive without the consent of the recipient.

Types of Incentives. The types of Incentives that may be granted under the Management Plan are described below:

Stock Options. The Committee may grant non-qualified stock options or incentive stock options to purchase Common Shares. The Committee will determine the number and exercise price of the options, and the time or times that the options become exercisable, provided that the option exercise price may not be less than the fair market value of the Common Shares on the date of grant. The term of an option will also be determined by the Committee, provided that the term may not exceed 10 years. The Committee may accelerate the exercisability of any stock option at any time. The Committee may also approve the purchase by the Company of an unexercised stock option from the optionee by mutual agreement for the difference between the exercise price and the fair market value of the shares covered by the option. Except for adjustments permitted in the Management Plan to protect against dilution, unless approved by the shareholders the exercise price of an outstanding option may not be decreased after grant, nor may an option that has an exercise price that is less than the then current fair market value of a Common Share be surrendered to the Company as consideration for the payment of cash or Common Shares or the grant of a new option with a lower exercise price or any other substitute award.

The option exercise price may be paid:

in cash

by check

by delivery of Common Shares, subject to certain limitations

through a cashless exercise arrangement with a broker approved by the Company, or

in any other manner authorized by the Committee.

Incentive stock options will be subject to certain additional requirements necessary in order to qualify as incentive stock options under Section 422 of the Code.

Table of Contents

Restricted Stock. Common Shares may be granted by the Committee to an eligible employee and made subject to restrictions on sale, pledge or other transfer by the employee for a certain period (the Restricted Period). Except for shares of restricted stock that vest based on the attainment of performance goals, the Restricted Period must be a minimum of three years with incremental vesting of portions of the award over the three-year period permitted. If vesting of the shares is subject to the attainment of specified performance goals, a minimum Restricted Period of one year with incremental vesting is allowed. All shares of restricted stock will be subject to such restrictions as the Committee may provide in an agreement with the participant, including provisions obligating the participant to forfeit or resell the shares to the Company in the event of termination of employment or if specified performance goals or targets are not met. Subject to the restrictions provided in the agreement and the Management Plan, a participant receiving restricted stock will have all of the rights of a shareholder as to such shares.

Other Stock-Based Awards. The Management Plan also authorizes the Committee to grant participants awards of Common Shares and other awards that are denominated in, payable in, valued in whole or in part by reference to, or are otherwise based on the value of, or the appreciation in value of, Common Shares (other stock-based awards). The Committee has discretion to determine the participants to whom other stock-based awards are to be made, the times at which such awards are to be made, the size of such awards, the form of payment, and all other conditions of such awards, including any restrictions, deferral periods or performance requirements. Other stock-based awards are subject to the same minimum vesting requirements described above for restricted stock, except that the Committee may make special grants of other stock-based awards with respect to an aggregate of up to 225,000 Common Shares (subject to adjustment as permitted in the Management Plan) that do not meet the minimum vesting requirements.

Performance-Based Compensation under Section 162(m). Stock options granted in accordance with the terms of the Management Plan will qualify as performance-based compensation under Section 162(m) (as described and defined below under Executive Compensation and Related Information Report of Compensation Committee Regarding Executive Compensation). Grants of any restricted stock or other stock-based awards that the Company intends to qualify as performance-based compensation under Section 162(m) must be made subject to the achievement of pre-established performance goals. The pre-established performance goals will be based upon any or a combination of the following business criteria: earnings per share, return on assets, an economic value added measure, shareholder return, earnings, return on equity, return on investment, cash provided by operating activities, or increase in revenues, operating revenues, cash flow or customers of the Company, or one or more operating divisions or subsidiaries. For any performance period, the performance goals may be measured on an absolute basis or relative to a group of peer companies selected by the Committee, relative to internal goals, or relative to levels attained in prior years.

The Committee has authority to use different targets from time to time under the performance goals provided in the Management Plan. As a result, the regulations under Section 162(m) require that the material terms of the performance goals be reapproved by the shareholders every five years. To qualify as performance-based compensation, grants of

Table of Contents

restricted stock and other stock-based awards will be required to satisfy the other applicable requirements of Section 162(m).

Termination of Employment. If an employee participant ceases to be an employee of the Company for any reason, including death, his outstanding Incentives may be exercised or will expire at such time or times as may be determined by the Committee and described in the incentive agreement.

Change of Control. In the event of a change of control of the Company, as defined in the Management Plan, all Incentives will become fully vested and exercisable, all restrictions or limitations on any Incentives will generally lapse and, unless otherwise provided in the incentive agreement, all performance criteria and other conditions relating to the payment of Incentives will generally be deemed to be achieved or waived. In addition to the foregoing, upon a change of control the Committee will have the authority to take a variety of actions regarding outstanding Incentives. Within certain time periods, the Committee may (i) require that all outstanding Incentives remain exercisable only for a limited time, after which time all such Incentives will terminate, (ii) require the surrender to the Company of some or all outstanding Incentives in exchange for a stock or cash payment for each Incentive equal in value to the change of control value of a Share, calculated as described in the Management Plan, over the exercise price, (iii) make any equitable adjustments to outstanding Incentives as the Committee deems necessary to reflect the corporate change or (iv) provide that an Incentive will become an option to purchase the number and class of securities or other property to which the participant would have been entitled in connection with the change of control if the participant had been a shareholder.

Loans to Participants. In order to assist a participant in acquiring Common Shares, the Committee may authorize the Company to loan cash to the participant to cover the associated exercise price or the participant's tax liability. The terms of the loan will be determined by the Committee. The participant may not borrow an amount greater than the aggregate purchase price of the Common Shares to be acquired pursuant to the Incentive plus the maximum tax liability that may be incurred in connection therewith.

Transferability of Incentives. Under the Management Plan, participants may not transfer, pledge, assign or otherwise encumber their Incentives except:

by will

by the laws of descent and distribution

pursuant to a domestic relations order, or

in the case of stock options only, to immediate family members or to a partnership, limited liability company or trust for which the sole owners, members or beneficiaries are the participant or immediate family members, if permitted by the Committee and if so provided in the participant's stock option agreement.

Payment of Withholding Taxes. The Company may withhold from any payments or stock issuances under the Management Plan, or collect as a condition of payment, any taxes required by law to be withheld. Any participant may, but is not required to, satisfy his or her withholding tax obligation by electing to deliver currently owned Common Shares or have the Company withhold, from the shares the participant would otherwise receive, Common Shares

Table of Contents

having a value equal to the minimum amount required to be withheld. This election must be made prior to the date on which the amount of tax to be withheld is determined and is subject to the Committee's right of disapproval.

Federal Income Tax Consequences of Stock Options

Under existing federal income tax provisions, a participant who is granted a stock option normally will not realize any income, nor will the Company normally receive any deduction for federal income tax purposes, in the year the option is granted.

When a non-qualified stock option granted pursuant to the Management Plan is exercised, the participant will realize ordinary income measured by the difference between the aggregate purchase price of the Common Shares acquired and the aggregate fair market value of the Common Shares acquired on the exercise date and, subject to the limitations of Section 162(m) of the Code, the Company will be entitled to a deduction in the year the option is exercised equal to the income realized by the participant.

An employee generally will not recognize any income upon the exercise of any incentive stock option, but the excess of the fair market value of the shares at the time of exercise over the option price will be an item of tax preference, which may, depending on particular factors relating to the employee, subject the employee to the alternative minimum tax imposed by Section 55 of the Code. The alternative minimum tax is imposed in addition to the federal individual income tax, and it is intended to ensure that individual taxpayers do not completely avoid federal income tax by using preference items. An employee will recognize capital gain or loss in the amount of the difference between the exercise price and the sale price on the sale or exchange of stock acquired pursuant to the exercise of an incentive stock option, provided the employee does not dispose of such stock within two years from the date of grant and one year from the date of exercise of the incentive stock option (the Holding Periods). An employee disposing of such shares before the expiration of the Holding Periods will recognize ordinary income generally equal to the difference between the option price and the fair market value of the stock on the date of exercise. The remaining gain, if any, will be capital gain. The Company will not be entitled to a federal income tax deduction in connection with the exercise of an incentive stock option, except where the employee disposes of the Common Shares received upon exercise before the expiration of the Holding Periods.

If the exercise price of a non-qualified option is paid by the surrender of previously owned shares, the basis and the Holding Period of the previously owned shares carries over to the same number of shares received in exchange for the previously owned shares. The compensation income recognized on exercise of these options is added to the basis of the shares received. If the exercised option is an incentive stock option and the shares surrendered were acquired through the exercise of an incentive stock option and have not been held for the applicable Holding Period, the optionee will recognize income on such exchange, and the basis of the shares received will be equal to the fair market value of the shares surrendered. If the applicable Holding Period has been met on the date of exercise, there will be no income recognition and the basis and the Holding Period of the previously owned shares will carry over to the same number of shares received in exchange, and the remaining shares will begin a new Holding Period and have a zero basis.

Table of Contents

If, upon a change in control of the Company, the exercisability or vesting of an Incentive is accelerated, any excess on the date of the change in control of the fair market value of the shares or cash issued under accelerated Incentives over the purchase price of such shares, if any, may be characterized as parachute payments (within the meaning of Section 280G of the Code) if the sum of such amounts and any other such contingent payments received by the employee exceeds an amount equal to three times the base amount for such employee. The base amount generally is the average of the annual compensation of such employee for the five years preceding such change in ownership or control. An excess parachute payment, with respect to any employee, is the excess of the parachute payments to such person, in the aggregate, over and above such person's base amount. If the amounts received by an employee upon a change in control are characterized as parachute payments, such employee will be subject to a 20% excise tax on the excess parachute payment and the Company will be denied any deduction with respect to such excess parachute payment.

Equity Compensation Plan Information

Information about Common Shares that may be issued upon the exercise of options, warrants and rights under all of the Company's existing equity compensation plans is provided under Proposal to Approve the CenturyTel, Inc. 2002 Directors Stock Option Plan Equity Compensation Plan Information.

Vote Required

Approval of the Management Plan requires the affirmative vote of the holders of at least a majority of the shares of voting power present or represented by proxy at the Meeting.

The Board unanimously recommends that the shareholders vote FOR the proposal to approve the Management Plan.

VOTING SHARE OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth information regarding ownership of the Company's Common Shares by (i) each person known to the Company to be the beneficial owner of more than 5% of the outstanding Common Shares and (ii) all of the Company's directors and executive officers as a group. The table also sets forth similar information for two of the executive officers listed in the Summary Compensation Table set forth elsewhere herein; similar information for each other executive officer listed in such table is included under the heading Election of Directors. Unless otherwise indicated, all information is presented as of

Table of Contents

the Record Date and all shares indicated as beneficially owned are held with sole voting and investment power.

Beneficial Owner	Amount and Nature of Beneficial Ownership of Common Shares ⁽¹⁾	Percent of Outstanding Common Shares ⁽¹⁾	Percent of Voting Power ⁽²⁾
<i>Principal Shareholders:</i>			
Regions Morgan Keegan Trust, as Trustee (the Trustee) of the ESOP 1807 Tower Drive Monroe, Louisiana 71201	8,078,467(3)	5.7%	28.1%
Capital Research and Management Company 333 South Hope Street	8,076,250(4)	5.7%	3.5%