

CENTURYTEL INC  
Form 424B5  
February 11, 2005

The information in this preliminary prospectus supplement is not complete and may be changed. Neither this preliminary prospectus supplement nor the accompanying prospectus is an offer to sell these securities and neither is soliciting any offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-84276

**SUBJECT TO COMPLETION  
PRELIMINARY PROSPECTUS SUPPLEMENT DATED FEBRUARY 9, 2005**

**Prospectus Supplement**

(to Prospectus dated April 29, 2002)

\$                   ,000,000

**% Senior Notes, Series M, due 2015**

The Notes we are offering hereunder will bear interest at the rate of           % per year from the date of issuance to February 15, 2015, when they will mature. We will pay interest on the Notes semi-annually in arrears on February 15 and August 15 of each year, beginning August 15, 2005.

We may redeem some or all of the Notes at any time and from time to time at the redemption price described under the caption Description of the Notes Optional Redemption in this prospectus supplement.

The Notes will be our senior unsecured obligations and will rank senior to any of our future subordinated debt and rank equally in right of payment with all of our existing and future unsecured and unsubordinated debt. The Notes will be issued in denominations of \$1,000 and integral multiples of \$1,000.

Under a separate pricing supplement, we are concurrently remarketing up to \$500 million aggregate principal amount of our outstanding senior notes due 2007. This offering is not conditioned upon the completion of our concurrent senior note remarketing.

**See Risk Factors beginning on page S-6 of this prospectus supplement to read about certain factors you should consider before making an investment in the Notes.**

**Neither the Securities Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.**

	Per Note	Total
Price to Public(1)	%	\$
Underwriting Discount	%	\$
Net Proceeds to CenturyTel	%	\$

(1) Plus accrued interest, if any, from February   , 2005, if settlement occurs after that date.

The underwriters expect to deliver the Notes in book-entry form only through the facilities of The Depository Trust Company on or about February   , 2005.

*Joint Book-Running Managers*

**Banc of America Securities  
LLC**

**JPMorgan**

**Lehman Brothers**

*Co-Managers*

**LAZARD**

**Legg Mason Wood Walker  
Incorporated**

**Morgan Keegan & Company, Inc.**

**Raymond James**

**SunTrust Robinson Humphrey**

**Wachovia Securities**

**The Williams Capital Group, L.P.**

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The date of this prospectus supplement is February , 2005.

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### ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, provides more general information, some of which may not apply to this offering. If the description of this offering or the Notes contained in this prospectus supplement differs from the description in the accompanying prospectus, you should rely on the information in this prospectus supplement.

**You should rely only on the information incorporated by reference or provided in this prospectus supplement and, except as stated above, in the accompanying prospectus. Neither we nor the underwriters have authorized anyone else to provide you with additional or different information. Neither we nor the underwriters are making an offer of the Notes in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus supplement or in the accompanying prospectus is accurate as of any date other than the date on the front of those documents or that the information incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. The information contained in our website, [www.centurytel.com](http://www.centurytel.com), is not a part of this prospectus supplement or the accompanying prospectus.**

References in this prospectus supplement and the accompanying prospectus to CenturyTel, we, us and our are to CenturyTel, Inc. and not any of its subsidiaries (unless the context requires otherwise and except under the headings Prospectus Supplement Summary CenturyTel and

Risk Factors Risk Factors Relating to Our Business in this prospectus supplement, where such terms refer to the consolidated operations of CenturyTel and its subsidiaries).

### FORWARD-LOOKING STATEMENTS

Certain statements contained or incorporated by reference in this prospectus supplement and the accompanying prospectus that are not historical facts are intended to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations only, and are subject to a number of risks, uncertainties and assumptions, many of which are beyond our control. Our actual results may differ materially from those anticipated, estimated or projected if one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect. In Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2003, we have set forth factors that could affect our actual results. You are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date of the document in which they appear. Except for our obligations to disclose material information under the federal securities laws, we undertake no obligation to update any of our forward-looking statements for any reason.

### WHERE YOU CAN FIND MORE INFORMATION

We file reports, proxy statements and other information with the Securities and Exchange Commission, which we refer to below as the SEC. You may read and copy this information at SEC's Public Reference Room located at 450 Fifth Street, N.W., Washington, D.C. 20549. You may also obtain copies of this information by mail from the public reference section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on its public reference facilities. The SEC also maintains a website that contains reports, proxy statements and other information about issuers, including CenturyTel, who file reports with the SEC electronically. The address of that site is <http://www.sec.gov>. You can also inspect reports, proxy statements and other information about CenturyTel at the offices of The New York Stock Exchange, Inc., located at 20 Broad Street, New York, New York.

**INCORPORATION BY REFERENCE**

We incorporate certain information by reference into this prospectus supplement, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus supplement, except for any information that is superseded by information that is included directly in this prospectus supplement. The incorporated documents are:

CenturyTel's Annual Report on Form 10-K for the year ended December 31, 2003, portions of which have been amended by our Current Report on Form 8-K filed January 26, 2005 (listed below);

CenturyTel's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004;

CenturyTel's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004;

CenturyTel's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004; and

CenturyTel's Current Reports on Form 8-K filed on January 29, 2004, February 4, 2004, April 29, 2004, July 29, 2004, August 27, 2004, September 21, 2004, October 28, 2004, January 26, 2005 and February 3, 2005 (excluding all portions of such reports that were furnished).

All documents filed by us with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date hereof and on or prior to the termination of this offering will be deemed to be incorporated by reference into this prospectus supplement from the date of filing. Information appearing herein or in any particular document incorporated herein by reference is not necessarily complete and is qualified in its entirety by the information and financial statements appearing in all of the documents incorporated by reference herein and should be read together therewith. Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus supplement will be deemed to be modified or superseded to the extent that a statement contained in this prospectus supplement or in any subsequently filed document which also is or is deemed to be incorporated by reference in this prospectus supplement modifies or supersedes such statement.

We have also filed a registration statement with the SEC relating to the securities described in this prospectus supplement and the accompanying prospectus. You may obtain from the SEC a copy of the registration statement and exhibits that we filed with the SEC when we registered the Notes. The registration statement may contain additional information that may be important to you.

At your request, we will provide you with a free copy of any of these filings (except for exhibits, unless the exhibits are specifically incorporated by reference into the filing). You may request copies by writing to us at: CenturyTel, Inc., 100 CenturyTel Drive, Monroe, Louisiana 71203, Attention: Investor Relations, or by telephoning us at (318) 388-9000.

## PROSPECTUS SUPPLEMENT SUMMARY

*This summary highlights certain information contained elsewhere, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. As a result, it does not contain all of the information that you should consider before investing in our Notes. You should read the entire prospectus supplement, including the accompanying prospectus and the documents incorporated by reference, which are described under "Incorporation by Reference" in this prospectus supplement. This prospectus supplement and the accompanying prospectus contain or incorporate certain forward-looking statements. Forward-looking statements should be read together with the cautionary statements and factors referred to under "Forward-Looking Statements" in this prospectus supplement.*

### CenturyTel

We are an integrated communications company engaged primarily in providing local exchange, long distance, Internet access, and fiber transport services.

#### Business

At December 31, 2004, our local exchange telephone subsidiaries operated approximately 2.3 million telephone access lines, primarily in rural, suburban and small urban areas in 22 states, with over 70% of these lines located in Wisconsin, Missouri, Alabama, Arkansas and Washington. All of our access lines are served by digital switching equipment, which in conjunction with other technologies allows us to offer additional premium services to our customers, including call forwarding, conference calling, caller identification, selective call ringing and call waiting. Based on published sources, we believe we are currently the eighth largest local exchange telephone company in the United States, measured by the number of telephone access lines served.

We also provide long distance, Internet access, fiber transport, competitive local exchange, security monitoring and other communications and business information services. At December 31, 2004, we provided long distance telephone services to approximately 1.1 million lines and Internet access services to over 262,000 customers, approximately 128,500 of which received traditional dial-up services and approximately 133,500 of which received retail digital subscriber line (DSL) services. We have recently entered into agreements to provide co-branded satellite television services and to resell wireless services as part of our bundled product and service offerings, which we anticipate will dilute our earnings for 2005 by approximately \$.04 to \$.07 per share.

#### Recent Developments

On February 3, 2005, we announced our consolidated operating results for the fourth quarter of 2004. For the three months ended December 31, 2004, our revenues were \$606.2 million, our operating income was \$189.6 million, our fully-diluted earnings per share were \$.62 and our ratio of earnings to fixed charges was 3.55 to 1. For the year ended December 31, 2004, our revenues were \$2.4 billion, our operating income was \$754.0 million, our fully-diluted earnings per share were \$2.41, and our ratio of earnings to fixed charges was 3.57 to 1. For further recent financial information, see our Current Report on Form 8-K filed on February 3, 2005, portions of which are incorporated by reference herein.

On February 3, 2005, we also announced that (i) we have entered into an agreement to acquire from KMC Telecom Holdings, Inc. competitive local exchange assets in 16 markets in exchange for \$65 million cash, which is subject to certain adjustments that we do not expect to be material, and (ii) our board has authorized a \$200 million share repurchase plan. Consummation of our purchase of assets from KMC, which we expect to occur in the third quarter of 2005, remains subject to the receipt of various consents, regulatory approvals and various other closing conditions. For additional information, see our Current Report on Form 8-K filed on February 3, 2005, portions of which are incorporated by reference herein.

#### Proposed Financing and Related Transactions

Under a separate pricing supplement, we are contemporaneously remarketing up to \$500 million aggregate principal amount of our outstanding senior notes due 2007. We will not directly receive any of

the proceeds from the remarketing of our senior notes due 2007. We intend to purchase and retire up to \$400 million aggregate principal amount of the senior notes due 2007 in the remarketing. See Use of Proceeds.

In late January 2005, we filed preliminary consent solicitation materials with the SEC describing our plans to solicit consents to amend the purchase contracts that constitute a part of our outstanding corporate units. Currently, subject to certain exceptions, we are obligated to settle these outstanding purchase contracts by selling shares of our common stock on May 16, 2005 pursuant to a pricing formula set forth in the purchase contracts. Under our proposed consent solicitation, we (i) will ask for the flexibility to settle in cash, in whole or in part, purchase contracts held by holders who consent to the amended settlement terms and their transferees and (ii) will propose to pay a consent fee to each consenting holder. Our proposed consent solicitation cannot be initiated until we receive approval from the SEC to mail definitive consent solicitation materials to holders of our equity units, and we expect our consent solicitation to be subject to a number of conditions. Therefore, we cannot assure you that our proposed consent solicitation will be initiated in a timely manner, or at all, or, if initiated, that it will be successful. If our proposed consent solicitation is successful, we currently intend to settle in cash all of the purchase contracts held by consenting holders and their transferees. Under certain circumstances, our election to settle purchase contracts in cash could result in us paying cash in excess of the amount of the proceeds available upon maturity of the pledged treasury securities to be purchased with proceeds from the remarketing. Our proposed consent solicitation will only be made, if at all, pursuant to definitive consent solicitation materials.

We are also in the process of replacing our existing \$533 million credit facility (which is scheduled to expire in July 2005) with a five-year \$750 million revolving credit facility.

Neither this offering nor any of the other transactions discussed above are conditioned on the completion of any such other transactions. We cannot assure you that any of these above-discussed transactions will be consummated in a timely manner on the terms summarized above, or at all.

### The Offering

<b>Issuer</b>	CenturyTel, Inc., a Louisiana corporation.
<b>Securities</b>	\$ ,000,000 aggregate principal amount of Senior Notes, Series M, due 2015.
<b>Maturity</b>	February 15, 2015.
<b>Interest Rate</b>	The interest rate on the Notes will be % per year.
<b>Interest Payment Dates</b>	February 15 and August 15 of each year. The first interest payment on the Notes will be August 15, 2005.
<b>Optional Redemption</b>	We may redeem some or all of the Notes at any time and from time to time at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes being redeemed, discounted to the redemption date at the then current Treasury Rate plus basis points, together with, in either case, any accrued and unpaid interest to the date of redemption, as described further below under the heading Description of the Notes Optional Redemption.
<b>Certain Covenants</b>	The indenture governing the Notes contains covenants that, among other things, will limit our ability to: <ul style="list-style-type: none"> <li>incur, issue or create liens upon our property; and</li> <li>consolidate with or merge into, or transfer or lease all or substantially all of our assets to, any other party.</li> </ul>



These covenants are subject to important exceptions and qualifications that are described under the heading **Description of Debt Securities**, **Merger and Consolidation** and **Limitations on Liens** in the accompanying prospectus.

**Ranking**

The Notes will rank senior to any of our future subordinated debt and rank equally in right of payment with all of our existing and future unsecured and unsubordinated debt, including the senior notes due 2007 that we are remarketing concurrently under a separate pricing supplement. As of September 30, 2004, we had approximately \$2.6 billion of unsecured and unsubordinated debt that would have ranked equally with the Notes. We are a holding company and, therefore, the Notes will be effectively subordinated to all existing and future obligations of our subsidiaries. As of September 30, 2004, the long-term debt of our subsidiaries was \$435 million.

**Form and Denomination**

The Notes will be issued in denominations of \$1,000 and any integral multiple of \$1,000. The Notes will be represented by a single, permanent global Note in fully registered form without interest coupons. The global Note will be deposited with the trustee as custodian for The Depository Trust Company, which we refer to below as DTC, and registered in the name of a nominee of DTC in New York, New York for the accounts of participants in DTC. Beneficial interests in any of the Notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities except in limited circumstances described in this prospectus supplement.

**Use of Proceeds**

Our net proceeds from the sale of the Notes in this offering are estimated to be approximately \$ million, after deducting underwriting discounts. We currently anticipate using these net proceeds and cash on hand (together, if necessary, with short-term borrowings under our existing credit facility) to purchase on February 15, 2005 up to \$400 million aggregate principal amount of our outstanding senior notes due 2007, which we are contemporaneously remarketing under a separate pricing supplement. For additional information, see **Use of Proceeds** below.

**Listing**

The Notes will not be listed on any national securities exchange.

**Trustee, Registrar and Paying Agent** Regions Bank.

**Risk Factors**

Your investment in the Notes will involve risks. You should carefully consider all of the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus as well as the specific factors under the heading **Risk Factors** beginning on the next page.

## RISK FACTORS

*Before purchasing the Notes, you should carefully consider the following risk factors as well as the other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus in order to evaluate an investment in the Notes.*

### **Risk Factors Relating to Our Business**

#### ***We face competition, which could adversely affect us.***

As a result of various technological, regulatory and other changes, the telecommunications industry has become increasingly competitive, and we expect these trends to continue. The number of companies that have requested authorization to provide traditional local exchange service in our markets has increased in recent years, and we anticipate that others will take similar action in the future. Recent technological developments have led several competitors to substantially increase their service offerings, often at prices substantially below those charged for traditional phone services. Wireless telephone and electronic communications services increasingly constitute a significant source of competition with local exchange telephone services.

We expect competition to intensify as a result of new competitors and the development of new technologies, products and services. We cannot predict which future technologies, products or services will be important to maintain our competitive position or what funding will be required to develop and provide these technologies, products or services. Our ability to compete successfully will depend on how well we market our products and services, and on our ability to anticipate and respond to various competitive and technological factors affecting the industry, including changes in regulations (which may affect us differently from our competitors), changes in consumer preferences or demographics, and changes in the product offerings or pricing strategies of our competitors.

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

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

#### ***We could be harmed by rapid changes in technology.***

The communications industry is experiencing significant technological changes, particularly in the areas of voice over internet protocol (VoIP) services, data transmission and wireless communications. Some of our competitors may enjoy network advantages that will enable them to provide services more efficiently or at lower cost. Rapid changes in technology could result in the development of products or services that compete with or displace those offered by traditional local exchange carriers, or LECs. If we cannot develop new products to keep pace with technological advances, or if such products are not widely embraced by our customers, we could be adversely impacted.

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

As a diversified full service incumbent local exchange carrier, or ILEC, we have traditionally been subject to significant regulation from federal, state and local authorities. This regulation imposes substantial compliance costs on us and restricts our ability to raise rates, to compete and to respond rapidly to changing industry conditions. In recent years, the communications industry has undergone various fundamental regulatory changes that have generally permitted competition in each segment of the

telephone industry and reduced the regulation of telephone companies, in particular by requiring or permitting LECs to opt out of traditional rate of return regulation in exchange for agreeing to alternative forms of regulation. These alternative forms of regulation, which currently apply to over half of our access lines, typically permit the LEC greater freedom to establish local service rates in exchange for agreeing not to charge rates in excess of specified caps. These and subsequent regulatory changes could adversely affect us by reducing the fees that we are permitted to charge, altering our tariff structures, or otherwise changing the nature of our operations and competition in our industry. Recent rule changes that permit customers to retain their wireline or wireless number when switching to another service provider could increase the number of our customers who choose to disconnect their wireline service from us. Other pending rulemakings could have a substantial impact on our operations, including in particular rulemakings on intercarrier compensation, universal service, and VoIP regulations. Litigation and different objectives among federal and state regulators could create uncertainty and delay our ability to respond to new regulations. Moreover, changes in tax laws, regulations or policies could increase our tax rate, particularly if state regulators continue to search for additional revenue sources to address budget shortfalls. We are unable to predict the future actions of the various regulatory bodies that govern us, but such actions could materially affect our business.

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

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

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

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

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

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

upgrade our billing and other information systems,

retain and attract technological, managerial and other key personnel,

effectively manage our day to day operations while attempting to execute our business strategy of expanding our wireline operations and our emerging businesses,

realize the projected growth and revenue targets developed by management for our newly acquired and emerging businesses, and

continue to identify new acquisition or growth opportunities that we can finance, consummate and operate on attractive terms.

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

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

We receive a substantial portion of our revenues from the federal Universal Service Fund and, to a lesser extent, intrastate support funds. These governmental programs are reviewed and amended from time to time, and we cannot assure you that they will not be changed or impacted in a manner adverse to us. In August 2004, the FCC requested comments on its current rules for high-cost support payments to rural telephone companies. The FCC is expected to act upon its request for comments before its current rules are scheduled to expire on June 30, 2006.

Recent changes in the nationwide average cost per loop factors used by the FCC to allocate support funds have reduced our receipts from the main support program administered by the federal Universal Service Fund. These changes reduced our receipts from such program by \$11.3 million in 2004 compared to 2003, and we expect these changes will further reduce our receipts from such program by approximately \$10 million to \$15 million in 2005 compared to 2004. In addition, the number of eligible telecommunications carriers receiving support payments from this program continues to increase, which is placing additional financial pressure on the amount of money needed to provide support payments to all eligible recipients, including us. Unless the FCC can obtain additional funding sources for the Universal Service Fund, we cannot assure you that we will continue to receive payments from the Fund commensurate with those received in the past.

***We have a substantial amount of indebtedness.***

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

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

We have recently implemented a new integrated billing and customer care system. The new system has required substantially more time and money to develop than originally anticipated. As of December 31, 2004, our aggregate capitalized costs associated with the billing system totaled approximately \$207 million (exclusive of previously-disclosed write-offs and accumulated amortization). Although we converted our customers to the new system by late 2004, we plan to implement future software upgrades and other changes to enhance the productivity and efficiency of this system. In connection with these efforts, we expect to incur an additional \$5 million to \$10 million of costs in 2005. While we are encouraged by the performance of the new system to date, we cannot assure you that the system will continue to function as

anticipated. If the system does not function as anticipated, we may have to write off part or all of our development costs.

***We could be affected by certain changes in labor matters.***

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

**Risk Factors Relating to Our Notes**

***We could enter into various transactions that could increase the amount of our outstanding debt, or adversely affect our capital structure or credit rating, or otherwise adversely affect holders of the Notes.***

The terms of the Notes do not prevent us from entering into a variety of acquisitions, change of control, refinancing, recapitalization or other highly leveraged transactions. As a result, we could enter into any such transaction even though the transaction could increase the total amount of our outstanding indebtedness, adversely affect our capital structure or credit rating or otherwise adversely affect the holders of the Notes.

***The Notes will be effectively subordinated to the debt of our subsidiaries.***

As a holding company, substantially all of our income and operating cash flow is dependent upon the earnings of our subsidiaries and the distribution of those earnings to, or upon loans or other payments of funds by those subsidiaries to, us. As a result, we rely upon our subsidiaries to generate the funds necessary to meet our obligations, including the payment of amounts owed under the Notes. Our subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts due pursuant to the Notes or, subject to limited exceptions for tax-sharing purposes, to make any funds available to us to repay our obligations, whether by dividends, loans or other payments. Certain of our subsidiaries loan agreements contain various restrictions on the transfer of funds to us, including certain provisions that restrict the amount of dividends that may be paid to us. As of December 31, 2003, the amount of retained earnings of our subsidiaries not subject to dividend restrictions was approximately \$1.476 billion. Moreover, our rights to receive assets of any subsidiary upon its liquidation or reorganization (and the ability of holders of Notes to benefit indirectly therefrom) will be effectively subordinated to the claims of creditors of that subsidiary, including trade creditors. As of September 30, 2004, the long-term debt of our subsidiaries was \$435 million.

***An active trading market for the Notes may not develop.***

We cannot assure you that an active trading market for the Notes will develop or as to the liquidity or sustainability of any such market, the ability of the holders to sell their Notes or the price at which holders of the Notes will be able to sell their Notes. Future trading prices of the Notes will also depend on many other factors, including, among other things, prevailing interest rates, the market for similar securities, our performance and other factors. We do not intend to apply for listing of the Notes on any securities exchange or any automated quotation system.

***Changes in our credit rating or changes in the credit markets could adversely affect the market price of the Notes.***

Following this offering, the market price for the Notes will be based on a number of factors, including:

our ratings with major credit rating agencies;

the prevailing interest rates being paid by other companies similar to us; and

the overall condition of the financial markets.

The condition of the credit markets and prevailing interest rates have fluctuated in the past and will fluctuate in the future. Fluctuations in these factors could have an adverse effect on the price and liquidity of the Notes.

In addition, credit rating agencies continually revise their ratings for the companies that they follow, including us. We cannot be sure that credit rating agencies will maintain their current ratings on the Notes. A negative change in our ratings could have an adverse effect on the market price of the Notes. See Risk Factors Relating to Our Business We have a substantial amount of indebtedness.

#### USE OF PROCEEDS

Our net proceeds from the sale of the Notes in this offering are estimated to be approximately \$ million, after deducting underwriting discounts and our net expenses in connection with this offering, as described further under Underwriting in this prospectus supplement. We currently anticipate using these net proceeds and cash on hand (together, if necessary, with short-term borrowings under our current credit facility) to purchase on February 15, 2005 up to \$400 million aggregate principal amount of our outstanding senior notes due 2007, which we are contemporaneously remarketing under a separate pricing supplement. In connection with such purchase, we expect to incur a pre-tax non-recurring charge estimated to be \$5.9 million, based on several assumptions. See Prospectus Supplement Summary CenturyTel Proposed Financing and Related Transactions. Our senior notes due 2007 currently pay interest at the rate of 6.02% per year, with such rate to be reset in connection with the remarketing of such senior notes, effective February 15, 2005.

In the unanticipated event that we purchase our senior notes due 2007 before we receive the net proceeds of this offering, we will finance the full amount of such purchase with short-term borrowings under our current credit facility, all or substantially all of which we would expect to repay with the net proceeds of this offering. If the remarketing of our senior notes due 2007 is delayed, we will invest the net proceeds of this offering in short-term investments until we apply them to purchase such notes in the manner described above.

In the unanticipated event that the aggregate principal amount of senior notes due 2007 purchased by us in the remarketing, if any, is less than the net proceeds of this offering (either because the remarketing cannot be completed or otherwise), we will use the excess net proceeds for general corporate purposes, including capital expenditures and the possible purchase of our common stock under our recently announced share repurchase plan. See Prospectus Supplement Summary CenturyTel Proposed Financing and Related Transactions.

Short-term debt, if any, that is repaid with the net proceeds this offering would bear interest based upon elections made by us under our existing credit facility at the time of borrowing and would mature upon the lapse of such facility in July 2005. See Prospectus Supplement Summary CenturyTel Proposed Financing and Related Transactions.

## CAPITALIZATION

(Unaudited; Dollars in Thousands)

The following table sets forth our cash and cash equivalents and actual capitalization as of September 30, 2004. You should read the following table in conjunction with our consolidated financial statements, and the notes thereto, incorporated by reference into this prospectus supplement and the accompanying prospectus.

	As of September 30, 2004(1)
Cash and cash equivalents	\$ 168,975
Short-term debt	
Long-term debt:	
CenturyTel, Inc.:	
Senior notes and debentures	\$ 2,580,000(2)(3)
Net fair value of derivative instruments related to Series H and L senior notes	11,083
Unamortized net discount	(4,064)
Other	88
Total CenturyTel, Inc.	2,587,107
Subsidiaries	435,013
Total long-term debt	3,022,120
Less: Current maturities	121,156
Total long-term debt excluding current maturities	2,900,964
Stockholders' Equity:	
Common stock, \$1.00 par value, 350,000,000 shares authorized, 134,447,421 issued and outstanding	134,447
Paid-in capital	287,802
Accumulated other comprehensive loss, net of tax	(1,237)
Retained earnings	2,978,758
Preferred stock, non-redeemable	7,975
Total stockholders' equity	3,407,745(4)
Total capitalization	\$ 6,429,865

- (1) This table does not reflect transactions that have occurred, or that are expected to occur, after September 30, 2004.
- (2) This amount represents the aggregate principal amount of our outstanding Series C, D, E, F, G, H, J, K and L senior debt. For additional information, please refer to the documents incorporated by reference described under the caption "Incorporation By Reference" in this prospectus supplement.
- (3) We intend to use the net proceeds from this offering and cash on hand (together, if necessary, with short-term borrowings under our existing credit facility) to purchase and retire up to \$400 million aggregate principal amount of our senior notes due 2007 that we are contemporaneously remarketing pursuant to a separate pricing supplement. We do not expect the net effect of these proposed transactions

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to increase our long-term debt. Our total indebtedness will be reduced to the extent we use cash on hand to finance any portion of the purchase of senior notes due 2007. See Prospectus Supplement Summary CenturyTel Proposed Financing and Related Transactions in this prospectus supplement.

- (4) Currently, subject to certain exceptions, we are obligated to settle purchase contracts that are components of our corporate units by selling shares of our common stock on May 16, 2005 pursuant

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to a pricing formula set forth in the purchase contracts. We do not currently anticipate that the issuance of such shares will materially affect our capitalization for several reasons, including (i) our plans, based upon current conditions, to settle most of the purchase contracts in cash (assuming our proposed consent solicitation is successful) and (ii) our plans to mitigate the dilutive effect of any share issuances pursuant to all other purchase contracts through other potential transactions, including share repurchases on the open market or under accelerated share repurchase programs. These plans are subject to the results of our proposed consent solicitation, future market conditions and the potential availability of other investment opportunities in the future. Accordingly, we cannot assure you that any of these transactions will be consummated on the terms summarized above, or at all. For more information, see Prospectus Supplement Summary CenturyTel Proposed Financing and Related Transactions in this prospectus supplement.

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## DESCRIPTION OF THE NOTES

*The following description of the Notes is only a summary and is not intended to be comprehensive. The description should be read together with the description set forth in the accompanying prospectus under the heading "Description of Debt Securities." In the event that information in this prospectus supplement is inconsistent with information in the accompanying prospectus, you should rely on this prospectus supplement.*

### General

The Notes will be issued as a separate series of senior debt securities under an indenture, dated as of March 31, 1994, between us and Regions Bank (successor-in-interest to First American Bank and Trust of Louisiana and Regions Bank of Louisiana), as trustee, which we refer to below as the indenture. We have filed the indenture as an exhibit to the registration statement, and you may obtain a copy of it by following the directions described under the caption "Where You Can Find More Information." Our description of the Notes below is qualified by reference to the indenture, which we urge you to read.

The Notes will be limited initially to \$ million aggregate principal amount, but we may reopen the series of Notes at any time without the consent of the Noteholders and issue additional debt securities with the same terms (except the issue price and issue date) that will constitute a single series with the Notes. The Notes will be issued only in fully registered form without coupons in denominations of \$1,000 and any integral multiples of \$1,000.

The Notes will mature on February 15, 2015, unless redeemed prior to that date, as described under "Optional Redemption." Interest on the Notes will accrue from the date of original issuance at the rate of % per year. Interest on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months. We will pay interest on the Notes semi-annually in arrears on February 15 and August 15 of each year, beginning on August 15, 2005, to the registered holders of the Notes at the close of business on the preceding February 1 and August 1, respectively.

If any interest payment date, maturity date or redemption date falls on a day that is not a business day, the required payment of principal, premium, if any, and interest will be made on the next succeeding business day as if made on the date that the payment was due, and no interest will accrue on the amount so payable for the period from and after the interest payment date, maturity date or redemption date, as the case may be, to the date of that payment on the next succeeding business day.

We do not intend to apply for the listing or quotation of the Notes on any securities exchange or market.

### Ranking

The Notes will be our senior unsecured obligations. The Notes will rank senior to any of our future subordinated debt and rank equally in right of payment with all of our existing and future unsecured and unsubordinated debt. The indenture does not limit the aggregate principal amount of senior debt securities that we may issue thereunder. As of September 30, 2004, we had approximately \$2.6 billion of unsecured and unsubordinated debt that would have ranked equally with the Notes, most of which was issued under the indenture.

As a holding company, substantially all of our income and operating cash flow is dependent upon the earnings of our subsidiaries and the distribution of those earnings to, or upon loans or other payments of funds by those subsidiaries to, us. As a result, we rely upon our subsidiaries to generate the funds necessary to meet our obligations, including the payment of amounts owed under the Notes. Our subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts due pursuant to the Notes or, subject to limited exceptions for tax sharing purposes, to make any funds available to us to repay our obligations, whether by dividends, loans or other payments. Certain of our subsidiaries loan agreements contain various restrictions on the transfer of funds to us, including certain provisions that restrict the amount of dividends that may be paid to us. At December 31, 2003, the amount of retained earnings of our subsidiaries not subject to dividend restrictions was approximately \$1.476 billion. Moreover, our rights to receive assets of any subsidiary upon its liquidation or reorganization (and the ability of

holders of Notes to benefit indirectly therefrom) will be effectively subordinated to the claims of creditors of that subsidiary, including trade creditors. As of September 30, 2004, the long-term debt of our subsidiaries was \$435 million.

### Optional Redemption

The Notes are redeemable in whole or in part at any time and from time to time, at our option, at a redemption price equal to the greater of:

100% of the principal amount of the Notes to be redeemed; and

the sum of the present values of the remaining scheduled payments of principal and interest on the Notes to be redeemed (exclusive of interest accrued to the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the then current Treasury Rate plus basis points.

In each case we will pay any accrued and unpaid interest on the principal amount being redeemed to the date of redemption.

**Comparable Treasury Issue** means the U.S. Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term (the Remaining Life) of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes.

**Comparable Treasury Price** means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

**Independent Investment Banker** means one of the Reference Treasury Dealers that we appoint to act as the Independent Investment Banker from time to time.

**Reference Treasury Dealer** means each of Banc of America Securities LLC, J.P. Morgan Securities Inc. and Lehman Brothers Inc. and their respective successors, and one other firm that is a primary U.S. Government securities dealer (each, a Primary Treasury Dealer) which we specify from time to time; provided, however, that if any of them ceases to be a Primary Treasury Dealer, we will substitute another Primary Treasury Dealer.

**Reference Treasury Dealer Quotations** means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

**Treasury Rate** means, with respect to any redemption date, the rate per year equal to: (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue; provided that, if no maturity is within three months before or after the Remaining Life of the Notes to be redeemed, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue will be determined and the Treasury Rate will be interpolated or extrapolated from those yields on a straight line basis, rounding to the nearest month; or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The Treasury Rate will be calculated on the third business day preceding the redemption date.

Notice of redemption will be mailed at least 30 but not more than 60 days before the redemption date to each holder of record of the Notes to be redeemed at its registered address. The notice of redemption for the Notes will state, among other things, the amount of Notes to be redeemed, the redemption date, the redemption price and the place or places that payment will be made upon presentation and surrender of Notes to be redeemed. Unless we default in the payment of the redemption price, interest will cease to accrue on any Notes that have been called for redemption at the redemption date.

If we choose to redeem less than all of the Notes, we will notify the trustee at least 45 days before giving notice of redemption, or such shorter period as is satisfactory to the trustee, of the aggregate principal amount of Notes to be redeemed and the redemption date. The trustee will select by lot, or in such other manner it deems fair and appropriate, the Notes to be redeemed in part.

If we have given notice as provided in the indenture and funds for the redemption of any Notes (or any portion thereof) called for redemption will have been made available on the redemption date referred to in such notice, those Notes (or any portion thereof) will cease to bear interest on that redemption date and the only right of the holders of those Notes will be to receive payment of the redemption price.

The Notes are not be subject to, and do not have the benefit of, a sinking fund.

### **Global Notes and Book Entry System**

The Notes will be in book-entry form, will be represented by a single, permanent global certificate in fully registered form without interest coupons and will be deposited with the trustee as custodian for DTC and registered in the name of Cede & Co. or another nominee designated by DTC.

We will issue the Notes in certificated form, referred to below as the certificated Notes, to DTC for owners of beneficial interests in a global Note if:

DTC notifies us that it is unwilling or unable to continue as depository and we are unable to locate a qualified successor within 90 days or if at any time DTC, or any successor depository, ceases to be a clearing agency under the Exchange Act;

an Event of Default relating to the Notes occurs; or

we decide in our sole discretion to terminate the use of the book-entry system for the Notes through DTC.

DTC has advised us as follows: DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of The New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants ( Direct Participants ) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by The New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others like securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ( Indirect Participants ). The rules applicable to DTC and its Direct and Indirect Participants are on file with the SEC.

Purchases of global Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the global Notes on DTC's records. The beneficial interest of each actual purchaser of each global Note (a Beneficial Owner ) is in turn to be recorded on the records of the respective Direct Participant and Indirect Participant. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the global Notes are to be effected by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in global Notes, except in the event that use of the book-entry system for the global Notes is discontinued.

To facilitate subsequent transfers, all global Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or any other name as may be requested by an authorized representative of DTC. The deposit of global Notes with DTC and their registration in the name of Cede & Co. or any other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the global Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts those global Notes are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Payments of the principal of, premium, if any, and interest on the Notes represented by the global Notes registered in the name of and held by DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owners and holder of the global Notes.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (or any other nominee of DTC) will consent or vote with respect to the global Notes. Under its usual procedures, DTC mails an Omnibus Proxy to us as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the global Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy). Principal, premium, if any, and interest payments in respect of the global Notes will be made to Cede & Co. or any other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from us or the trustee on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of each such Direct or Indirect Participant and not that of DTC, the trustee or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium, if any, and interest payments in respect of the global Notes to Cede & Co. (or other nominee requested by an authorized representative of DTC) is our responsibility, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

The laws of some states require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in a global Note to those persons may be limited. In addition, because DTC can act only on behalf of Direct Participants, which, in turn, act on behalf of Indirect Participants and certain banks, the ability of a person having a beneficial interest in a global Note to pledge that interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of that interest, may be affected by the lack of a physical certificate evidencing that interest.

#### **Supplemental Information Regarding the Trustee**

Regions Bank is trustee under the indenture relating to our outstanding Series C, D, E, F, G, H, J, K and L senior debt securities. Regions Bank also provides revolving credit and other traditional banking services to CenturyTel. Morgan Keegan & Company Inc., an affiliate of Regions Bank, is one of the co-managers for this offering. See "Underwriting" in this prospectus supplement. For additional information on the trustee, see "Description of Debt Securities Concerning the Trustee" in the accompanying prospectus.

## MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following summary describes the material United States federal income tax consequences of the purchase, ownership and disposition of the Notes. Unless otherwise stated, this summary deals only with Notes held as capital assets (generally, assets held for investment) by holders (other than us) that purchase Notes in this offering at the offering price. The tax treatment of a holder may vary depending on that holder's particular situation. This summary does not address all of the tax consequences that may be relevant to holders that may be subject to special tax treatment such as, for example, insurance companies, broker-dealers, tax-exempt organizations, regulated investment companies, persons holding Notes as part of a straddle, hedge, conversion transaction or other integrated investment, persons holding Notes through a partnership or other pass-through entity, U.S. holders whose functional currency is not the U.S. dollar, investors in pass-through entities or arrangements and persons subject to the alternative minimum tax. In addition, this summary does not address any aspects of state, local, or foreign tax laws. This summary is based on the United States federal income tax laws, regulations, rulings and decisions in effect as of the date of this prospectus supplement, which are subject to change or differing interpretations, possibly on a retroactive basis. You should consult your own tax advisor as to the particular tax consequences to you of purchasing, owning and disposing of the Notes, including the application and effect of United States federal, state and local tax laws and foreign tax laws.

### U.S. Holders

For purposes of this summary, the term "U.S. holder" means a beneficial owner of Notes that is, for United States federal income tax purposes, one of the following:

an individual citizen or resident of the United States;

a legal entity (1) created or organized in or under the laws of the United States, any state in the United States or the District of Columbia and (2) treated as a corporation for United States federal income tax purposes;

an estate the income of which is subject to United States federal income taxation regardless of its source; or

a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or (2) the trust has in effect a valid election to be treated as a domestic trust for United States federal income tax purposes.

### *Taxation of Stated Interest on the Notes*

Generally, payments of stated interest on a Note will be includible in a holder's gross income and taxable as ordinary income for U.S. federal income tax purposes at the time such interest is paid or accrued in accordance with the holder's regular method of tax accounting.

### *Sale, Exchange or Retirement of a Note*

Each holder generally will recognize capital gain or loss upon a sale, exchange or retirement of a Note measured by the difference, if any, between (i) the amount of cash and the fair market value of any property received (except to the extent that the cash or other property received in respect of a Note is attributable to the payment of accrued interest on the Note, which amount will be treated as a payment of interest) and (ii) the holder's adjusted tax basis in the Note. The gain or loss will be long-term capital gain or loss if the Note has been held for more than one year at the time of the sale, exchange or retirement. Long-term capital gains of individuals are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. A holder's initial basis in a Note generally will be the amount paid for the Note.

### *Information Reporting and Backup Withholding*

A holder of a Note may be subject, under certain circumstances, to information reporting and backup withholding at the current rate of 28% with respect to certain reportable payments, including

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interest on or principal (and premium, if any) of a Note and the gross proceeds from a disposition of a Note. The backup withholding rules apply if the holder, among other things, (i) fails to furnish a social security number or other taxpayer identification number ( TIN ) certified under penalties of perjury within a reasonable time after the request therefor, (ii) furnishes an incorrect TIN, (iii) fails to properly report the receipt of interest or dividends or (iv) under certain circumstances, fails to provide a certified statement, signed under penalties of perjury, that the TIN furnishe