

CENTURYTEL INC
Form DEF 14A
April 09, 2007

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**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
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))**
- 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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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**2007 Notice of Annual Meeting
and Proxy Statement
and
Annual Financial Report**

**Thursday, May 10, 2007
2:00 p.m. local time
100 CenturyTel Drive
Monroe, Louisiana**

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April 4, 2007

Dear Shareholder:

It is a pleasure to invite you to our 2007 Annual Meeting of Shareholders on Thursday, May 10, beginning at 2:00 p.m. local time, at our headquarters in Monroe, Louisiana. I hope you will be able to attend.

As in the past, this booklet includes our formal notice of the meeting, our proxy statement and our annual financial report.

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 CenturyTel or your broker or other nominee. Each CenturyTel share that you have beneficially owned continuously since May 30, 1987 generally entitles you to ten votes; each other share entitles you to one vote. Shares held through a broker or other nominee are presumed to have one vote per share. In lieu of receiving a proxy card, participants in our benefit plans have been furnished with voting instruction cards. The reverse side of this letter describes our 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 vote by telephone or the Internet, or by completing and returning your proxy or voting instruction card in the enclosed return envelope.

Thank you for your interest and continued support.

Sincerely,

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

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Record Shareholders. In general, shares registered in the name of any natural person or estate that are represented by certificates dated as of or prior to May 30, 1987 are presumed to have ten votes per share and all other shares are presumed to have one vote per share. However, 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. Marking the proxy card or contacting us in any other manner 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 Dollars & Sense Plan or Union 401(k) Plan have received voting instruction cards in lieu of a proxy card. Only the trustees of these plans, in their capacity as directed trustees, can vote the plan shares at the Annual Meeting. However, if you are a participating current or former CenturyTel employee, you are designated as a Named Fiduciary for voting purposes, which entitles you, on a confidential basis, to instruct the trustees how to cast the votes attributable to the shares allocated to your plan account, as well as a proportionate number of plan shares for which properly executed instructions are not timely received. By signing and returning your voting instruction card, you are accepting your designation under the plans as a Named Fiduciary, and you therefore are required to exercise your voting rights prudently and in the interest of all plan participants. If you elect not to vote the shares allocated to your accounts, your shares will be voted in accordance with voting instructions received by the trustees from those plan participants who do vote.

* * * *

Excerpts from 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.

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

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

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

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

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

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

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

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

* * * *

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

* * * *

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

Notice of Annual Meeting of Shareholders

TIME AND DATE	2:00 p.m. CST on Thursday, May 10, 2007
PLACE	Corporate Conference Room CenturyTel Headquarters 100 CenturyTel Drive Monroe, Louisiana
ITEMS OF BUSINESS	(1) To elect four Class I directors for three-year terms (2) To ratify the appointment of KPMG LLP as our independent auditor for 2007 (3) To act upon a shareholder proposal if properly presented at the annual meeting (4) To transact such other business as may properly come before the annual meeting and any adjournment.
RECORD DATE	You can vote if you are a shareholder of record on March 23, 2007.
ANNUAL REPORT	Our 2006 annual report is in two parts: (1) our 2006 Financial Report, which is contained in <i>Appendix A</i> to this proxy statement (2) our 2006 Summary Annual Report, which appears at the beginning of this booklet. Neither of these documents are a part of our proxy soliciting materials.
PROXY VOTING	Shareholders are invited to attend the annual meeting in person. Even if you expect to attend, it is important that you vote by telephone or the Internet, or by completing and returning your enclosed proxy card.

Stacey W. Goff
Secretary

April 4, 2007

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

PROXY STATEMENT

April 4, 2007

Our Board of Directors is soliciting proxies for use at the CenturyTel, Inc. Annual Meeting of Shareholders to be held at the time and place described in the accompanying notice, and at any adjournments thereof. Beginning on or about April 9, 2007, we are mailing this proxy statement to our shareholders of record as of March 23, 2007.

You can ensure that your shares are voted at the Annual Meeting by submitting your instructions by telephone or the Internet, or by completing, signing, dating and returning the enclosed proxy card in the envelope provided. Submitting your instructions or proxy by any of these methods will not affect your right to attend the meeting and vote.

If you are a participant in our Automatic Dividend Reinvestment and Stock Purchase Service or our Employee Stock Purchase Plans, our enclosed proxy card covers shares credited to your account under each plan, as well as any shares directly registered in your name. You should not, however, use the proxy card to vote any shares held for you in our Dollars & Sense Plan (which we refer to below as our qualified 401(k) plan) or Union 401(k) Plan. Instead, participants in these plans will receive from the plan trustees separate voting instruction cards covering these shares. Plan participants should complete and return these voting instruction cards in the manner provided by such cards and the instructions appearing on the reverse side of the chairman's letter above.

As of March 23, 2007, the record date for determining shareholders entitled to notice of and to vote at the Annual Meeting, we had outstanding 110,537,455 shares of common stock and 297,996 shares of Series L preferred stock that vote together with the common stock as a single class on all matters. In this proxy statement, we refer to these shares as our Common Shares and Preferred Shares, respectively, and as our Voting Shares, collectively. Our restated Articles of Incorporation 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 our Articles and the voting procedures that we have 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 furnishes us with proof to the contrary. Applying the presumptions described in Article III and information known to us, our records indicate that 161,932,111 votes are entitled to be cast at the Annual Meeting, of which 161,634,115 (99.8%) are attributable to the Common

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Shares. Unless otherwise indicated, we have calculated all percentages of voting power in this proxy statement based on this number of votes.

We will pay all expenses of soliciting proxies for the Annual Meeting. Proxies may be solicited personally, by mail, by telephone or by facsimile by our directors, officers and employees, who will not be additionally compensated therefor. We will 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, and we will reimburse them for their expenses incurred in connection therewith. We have retained Innisfree M&A Incorporated, New York, New York, to assist in the solicitation of proxies, for which we will pay Innisfree fees anticipated to be \$12,000 and will reimburse Innisfree for certain of its out-of-pocket expenses.

ELECTION OF DIRECTORS

(Item 1 on Proxy or Voting Instruction Card)

The Board of Directors has fixed the number of directors at 12 members, which are divided under our Articles of Incorporation 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. The shareholders will elect four Class I directors at the Annual Meeting. Acting upon the recommendation of its Nominating and Corporate Governance Committee, the Board of Directors has nominated the four individuals listed below to serve as Class I directors. 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 these below-named nominees. Under our bylaw nominating procedures, these nominees are the only individuals who may be elected at the Annual Meeting. For additional information on our nomination process, see Corporate Governance - Director Nomination Process. If for any reason any such nominee should decline or become unable to stand for election as a director, which we do not anticipate, votes will be cast instead for another candidate designated by the Board, without resoliciting proxies.

The following provides certain information with respect to each nominee, each other director whose term will continue after the Annual Meeting, and each of our executive officers named in the compensation tables appearing elsewhere herein. Unless otherwise indicated, each person has been engaged in the principal occupation shown for more than the past five years.

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Class I Directors (for terms expiring in 2010):

(PHOTO OF WILLIAM R.
BOLES, Jr.)

William R. Boles, Jr., age 50; a director since 1992; an attorney with The Boles Law Firm, as to which Mr. Boles is an executive officer, director and co-owner.

Committee Memberships: Risk Evaluation

(PHOTO OF W. BRUCE
HANKS)

W. Bruce Hanks, age 52; a director since 1992; a consultant with Graham, Bordelon and Co., Inc., an investment management and financial planning company, since December 1, 2005; Athletic Director of the University of Louisiana at Monroe from March 2001 to June 2004; a senior or executive officer of CenturyTel with operational or strategic development responsibilities for several years prior to such time; an advisory director of IberiaBank Corporation.

Committee Membership: Risk Evaluation (Chairman); Audit

(PHOTO OF C. G. MELVILLE,
Jr.)

C. G. Melville, Jr., age 66; a director since 1968; private investor since 1992; retired executive officer of an equipment distributor.

Committee Memberships: Compensation (Chairman); Nominating and Corporate Governance

(PHOTO OF GLEN F. POST, III)

Glen F. Post, III, age 54; a director since 1985; Chairman of the Board of CenturyTel since June 2002 and Chief Executive Officer of CenturyTel since 1993. Mr. Post also served as Vice Chairman of the Board from 1993 to 2002 and President from 1990 to 2002.

Committee Membership: Executive (Chairman)

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

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Class II Directors (term expires in 2008):

(PHOTO OF VIRGINIA
BOULET)

Virginia Boulet, age 53; a director since 1995; Special Counsel at Adams and Reese LLP, a law firm; President and Chief Operating Officer of IMDiversity, Inc., an on-line recruiting company, from March 2002 to February 2004; a director of W&T Offshore, Inc.

Committee Memberships: Nominating and Corporate Governance (Chairperson); Audit

(PHOTO OF CALVIN
CZESCHIN)

Calvin Czeschin, age 71; a director since 1975; President and Chief Executive Officer of Yelcot Telephone Company and Ultimate Auto Group.

Committee Memberships: Executive; Risk Evaluation

(PHOTO OF JAMES B.
GARDNER)

James B. Gardner, age 72; a director since 1981; Senior Managing Director of Samco Capital Markets, Inc., a financial services firm, since May 17, 2006; Managing Director or Senior Managing Director of the capital markets division of such company for 12 years prior to such date; a director of Ennis, Inc.

Committee Memberships: Audit (Chairman); Executive; Compensation

(PHOTO OF GREGORY J.
MCCRAY)

Gregory J. McCray, age 44; a director since May 2005; Chief Executive Officer of Antenova Limited, a British company which develops and markets wireless components, since January 2003; President of McCray Consulting, a technology consulting company, from March 2002 to December 2002.

Committee Memberships: Risk Evaluation

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Class III Directors (term expires in 2009):

(PHOTO OF FRED R. NICHOLS)

Fred R. Nichols, age 60; a director since May 2003; retired in 2000 after serving as an executive officer of Cox Communications, Inc. or TCA Cable TV, Inc. for several years prior to his retirement.

Committee Membership: Audit; Compensation

(PHOTO OF HARVEY P. PERRY)

Harvey P. Perry, age 62; a director since 1990; non-executive Vice Chairman of the Board of Directors of CenturyTel since January 1, 2004; retired from CenturyTel on December 31, 2003 after serving as Executive Vice President and Chief Administrative Officer for almost five years, as Secretary for 18 years and as General Counsel for 20 years.

Committee Membership: Executive

(PHOTO OF JIM D. REPPOND)

Jim D. Reppond, age 65; a director since 1986; retired from CenturyTel in 1996 after serving as President-Telephone Group (or a comparable predecessor position) for several years.

Committee Memberships: Executive; Nominating and Corporate Governance

(PHOTO OF JOSEPH R. ZIMMEL)

Joseph R. Zimmel, age 53; a director since January 2003; retired in 2002 after serving as a managing director of the investment banking division of The Goldman Sachs Group, Inc. from 1996 to 2001; a director of FactSet Research Systems Inc.

Committee Membership: Audit

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Executive Officers Who Are Not Directors:

(PHOTO OF KAREN A. PUCKETT)	<i>Karen A. Puckett</i> , age 46; President and Chief Operating Officer since August 2002; Executive Vice President and Chief Operating Officer from July 2000 to August 2002.
(PHOTO OF R. STEWART EWING, Jr.)	<i>R. Stewart Ewing, Jr.</i> , age 55; Executive Vice President and Chief Financial Officer.
(PHOTO OF MICHAEL E. MASLOWSKI)	<i>Michael E. Maslowski</i> , age 59; Senior Vice President and Chief Information Officer.
(PHOTO OF DAVID D. COLE)	<i>David D. Cole</i> , age 49; Senior Vice President Operations.
(PHOTO OF STACEY W. GOFF)	<i>Stacey W. Goff</i> , age 41; Senior Vice President, General Counsel and Secretary since August 2003; Vice President and Assistant General Counsel from 2000 to July 2003.

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CORPORATE GOVERNANCE

Governance Guidelines

Listed below are excerpts from our corporate governance guidelines, which the Board reviews at least annually. For information on how you can obtain a complete copy of these guidelines, see - Access to Information below.

1. Director Qualifications

The Board of Directors will have a majority of independent directors. The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of new Board members as well as the composition of the Board as a whole. This assessment will include members' independence qualifications, as well as consideration of diversity, age, character, judgment, skills and experience in the context of the needs of the Board. It is the general sense of the Board that no more than two management directors should serve on the Board.

The Board expects directors who change the job or responsibility they held when they were elected to the Board to volunteer to resign from the Board. It is not the sense of the Board that in every such instance the director should necessarily leave the Board. There should, however, be an opportunity for the Board, through the Nominating and Corporate Governance Committee, to review the continued appropriateness of Board membership under the circumstances.

No director may serve on more than two other unaffiliated public company boards, unless this prohibition is waived by the Board. No director may be appointed or nominated to a new term if he or she would be age 72 or older at the time of the election or appointment.

The Nominating and Corporate Governance Committee will review each director's continuation on the Board at least once every three years.

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

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determinations or interpretations under this paragraph, provided that they are consistent with the foregoing standards.

Once the Board has determined that a director is independent, the director may not engage in any transaction with the Company, either directly or indirectly through an immediate family member or related entity, without such transaction being approved by the Board.

2. Director Responsibilities

The Chairman will establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review the Company's long-term strategic plans and the principal issues that the Company will face in the future during at least one Board meeting each year.

The non-management directors will meet in executive session at least quarterly. The director who presides at these meetings will be an independent director chosen annually by the non-management directors, and his or her name will be disclosed in the annual proxy statement.

3. Board Committees

The Board will have at all times an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. All of the members of these committees will be independent directors, as defined in Section 1 above.

The Chair of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chair of each committee, in consultation with members of the committee and others specified in the committee's charter, will develop the committee's agenda.

The Board and each committee have the power to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.

Each committee may meet in executive session as often as it deems appropriate.

4. Director Access to Officers and Employees

Directors have full and free access to officers and employees of the Company.

The Board welcomes regular attendance at each Board meeting of senior officers of the Company.

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5. Director Compensation

The form and amount of director compensation will be determined by the Nominating and Corporate Governance Committee on the terms and conditions (and subject to the exceptions) set forth in its charter, and such Committee will review director compensation annually.

6. Director Orientation and Continuing Education

The Nominating and Corporate Governance Committee shall maintain an Orientation Program for new directors. All new directors must participate in the Company's Orientation Program, which should be conducted as soon as practicable after new directors are elected or appointed.

The Company will also maintain a Continuing Education Program for directors, pursuant to which it will endeavor to periodically update directors on industry, technological and regulatory developments, and to provide adequate resources to support directors in understanding the Company's business and matters to be acted upon at board and committee meetings.

7. CEO Evaluation and Management Succession

The Nominating and Corporate Governance Committee will conduct an annual review of the CEO's performance. The Nominating and Corporate Governance Committee will provide a report of its findings to the Board of Directors (with appropriate recusals of the CEO and other management directors, as necessary) to enable the Board to ensure that the CEO is providing the best leadership for the Company in the long- and short-term.

The Nominating and Corporate Governance Committee should report periodically to the Board on succession planning. The entire Board will consult periodically with the Nominating and Corporate Governance Committee regarding potential successors to the CEO. The CEO should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

8. Annual Evaluation

The Board of Directors will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee will receive comments from all directors and report annually to the Board with an assessment of the Board's performance, which will be discussed with the full Board. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve.

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9. Standards of Business Conduct and Ethics

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

Any waiver of the Company's policies, principles or guidelines relating to business conduct or ethics for executive officers or directors may be made only by the Audit Committee and will be promptly disclosed as required by applicable law or stock exchange regulations.

Independence

Based on the information made available to it, the Board of Directors has affirmatively determined that Virginia Boulet, James B. Gardner, W. Bruce Hanks, C. G. Melville, Jr., Gregory J. McCray, Fred R. Nichols, Jim D. Reppond and Joseph R. Zimmel qualify as independent directors under the standards referred to above under Governance Guidelines. In making these determinations, the Board, with assistance from counsel, evaluated responses to a questionnaire completed by each director regarding relationships and possible conflicts of interest. In its review of director independence, the Board considered all commercial, consulting, legal, accounting, charitable, and familial relationships any director may have with CenturyTel or its management.

Committees of the Board

During 2006, the Board of Directors held four regular meetings, six special meetings, and a three-day strategic planning session.

During 2006, the Board's Audit Committee held nine meetings. The Audit Committee is currently composed of five independent directors, four of whom (James B. Gardner, W. Bruce Hanks, Fred R. Nichols and Joseph R. Zimmel) the Board has determined to be audit committee financial experts, as defined under the federal securities laws. The Audit Committee's functions are described further below under Audit Committee Report.

The Board's Compensation Committee held two meetings during 2006. The Compensation Committee is composed of three directors, all of whom qualify as independent directors under our corporate governance guidelines, as non-employee directors under Rule 16b-3 promulgated under the Securities Exchange Act of 1934, and as outside directors under Section 162(m) of the Internal Revenue Code. The Compensation Committee is described further below under Compensation Discussion and Analysis.

The Board's Nominating and Corporate Governance Committee (which we refer to below as the Nominating Committee) met four times during 2006. The Nominating

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Committee is responsible for, among other things, (i) recommending to the Board nominees to serve as directors and officers, (ii) monitoring the composition and size of the Board and its committees, (iii) periodically reassessing our corporate governance guidelines described above, (iv) leading the Board in its annual review of the Board's performance and (v) reviewing annually the Chief Executive Officer's performance and reporting to the Board on succession planning for senior executive officers. For information on the director nomination process, see - Director Nomination Process below.

Each of the committees listed above is composed solely of independent directors under the standards referred to above under - Governance Guidelines.

If you would like additional information on the responsibilities of the committees listed above, please refer to the committees' respective charters, which can be obtained in the manner described below under - Access to Information.

We expect all of our directors to attend our annual shareholders meetings. Each director attended the 2006 annual shareholders meeting, except for one director who was unable to attend due to poor health.

Director Nomination Process

Nominations for the election of directors at our annual shareholder meetings may be made by the Board (upon the receipt of recommendations of the Nominating Committee) or by any shareholder of record who complies with our bylaws. Under our bylaws, any shareholder of record interested in making a nomination generally must deliver written notice to CenturyTel's secretary not more than 180 days and not less than 90 days in advance of the first anniversary of the preceding year's annual shareholder's meeting. For the Annual Meeting this year, the Board has nominated the four nominees listed above under Election of Directors to stand for election as Class I directors, and no shareholders submitted any nominations. For further information on deadlines for submitting nominations for our 2008 annual shareholders meeting, see Other Matters Shareholder Nominations and Proposals.

The written notice required to be sent by any nominating shareholder must include (i) the name, age, business address and residential address of the nominating shareholder and any other person acting in concert with such shareholder, (ii) a representation that the nominating shareholder is a record holder of Voting Shares, and intends to make his nomination in person, (iii) a description of all agreements among the nominating shareholder, any person acting in concert with him, each proposed nominee and any other person pursuant to which the nomination or nominations are to be made and (iv) various biographical information about each proposed nominee, including principal occupation, holdings of Voting Shares and other information required to be disclosed in our proxy statement. The notice must also be accompanied by the written consent of each proposed nominee to serve as a director if elected, and an affidavit certifying that the proposed nominee meets the qualifications for service specified in the bylaws and summarized below. We may require a proposed nominee to furnish other reasonable information or certifications. Shareholders interested in bringing before a shareholders meeting any matter other than a director nomination should consult our bylaws for

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additional procedures governing such requests. We may disregard any nomination or submission of any other matter that fails to comply with these bylaw procedures.

The Nominating Committee will consider candidates nominated by shareholders in accordance with our bylaws. Upon receipt of any such nominations, the Committee will review the submission for compliance with our bylaws, including determining if the proposed nominee meets the bylaw qualifications for service as a director. These provisions disqualify any person who fails to respond satisfactorily to any inquiry for information to enable us to make certifications required by the Federal Communications Commission under the Anti-Drug Abuse Act of 1988, or who has been arrested or convicted of certain specified drug offenses or engaged in actions that could lead to such an arrest or conviction.

In the past, the Nominating Committee has considered director candidates suggested by Committee members, other directors, senior management and shareholders. In the recent past, the Nominating Committee has retained, on an as-needed basis and at our expense, national search firms to help identify potential director candidates. Each of our three newest directors were initially identified or screened by national search firms retained by the Nominating Committee. With respect to this year's annual meeting, all of the nominees are incumbent directors with at least 15 years of prior service. Although the Nominating Committee did not retain a search firm in connection with this year's meeting, it expects to do so to assist in identifying future directors.

Under our corporate governance guidelines, the Nominating Committee assesses director candidates based on their independence, diversity, age, character, skills and experience in the context of the needs of the Board. Although the guidelines permit the Nominating Committee to adopt additional selection guidelines or criteria, it has chosen not to do so. Instead, the Nominating Committee periodically assesses skills and characteristics then required by the Board based on its membership and needs at the time of the assessment. In evaluating the needs of the Board, the Nominating Committee considers the qualification of incumbent directors and consults with other members of the Board and senior management. The Nominating Committee believes this flexible approach enables it to respond to changes caused by director retirements and industry developments.

Although we do not have a history of receiving director nominations from shareholders, the Nominating Committee envisions that it would evaluate any such candidate on the same terms as other proposed nominees, but would place a substantial premium on retaining incumbent directors who are familiar with our management, operations, business, industry, strategies and competitive position, and who have previously demonstrated a proven ability to provide valuable contributions to the Board and CenturyTel.

Presiding Director

As indicated above, the non-management directors meet in executive session at least quarterly. The non-management directors have selected Fred R. Nichols to preside over such meetings during 2007. As explained further on our website, you may contact Mr. Nichols by writing a letter to the Presiding Director, c/o Post Office Box 5061, Monroe, Louisiana 71211.

Table of Contents**Access to Information**

The following documents are filed as exhibits to our Annual Report on Form 10-K for the year ended December 31, 2006, and are posted on our website at www.centurytel.com:

Corporate governance guidelines

Charters of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee

Corporate compliance program (which includes our code of ethics)

We will furnish printed copies of these materials upon the request of any shareholder.

RATIFICATION OF THE SELECTION OF THE INDEPENDENT AUDITOR***(Item 2 on Proxy or Voting Instruction Card)***

The Audit Committee of the Board has appointed KPMG LLP as our independent auditor for the fiscal year ending December 31, 2007, and we are submitting that appointment to our shareholders for ratification at the Annual Meeting. Although shareholder ratification of KPMG's appointment is not legally required, we are submitting this matter to the shareholders, as in the past, as a matter of good corporate practice.

If the shareholders fail to vote on an advisory basis in favor of the appointment, the Audit Committee will reconsider whether to retain KPMG LLP, and may appoint that firm or another without re-submitting the matter to the shareholders. Even if the shareholders ratify the appointment, the Audit Committee may, in its discretion, select a different independent auditor at any time during the year if it determines that such a change would be in the best interests of the Company and its shareholders. In connection with selecting the independent auditor, the Audit Committee reviews the auditor's qualifications, control procedures, cost, proposed staffing, prior performance and other relevant factors.

In connection with the audit of the 2007 financial statements, we entered into an engagement letter with KPMG LLP which sets forth the terms by which KPMG will provide audit services to us. That agreement is subject to alternative dispute resolution procedures and excludes punitive damage claims.

The following table lists the aggregate fees and costs billed to us by KPMG and its affiliates for the 2005 and 2006 services identified below:

	Amount Billed	
	2005	2006
Audit Fees ⁽¹⁾	\$ 3,044,000	\$ 2,745,000
Audit-Related Fees ⁽²⁾	83,000	107,000
Tax Fees ⁽³⁾	528,000	509,000
Total Fees	\$ 3,655,000	\$ 3,361,000

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- (1) Includes the cost of (i) services rendered in connection with auditing our annual consolidated financial statements, (ii) auditing our internal control over financial reporting and management's assessment of its review of internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, (iii) reviewing our quarterly financial statements, (iv) auditing the financial statements of several of our telephone subsidiaries, and (v) services rendered in connection with reviewing our registration statements and issuing related comfort letters.

- (2) Includes the cost of auditing our benefit plans and general accounting

consulting services.

- (3) Includes costs associated with
- (i) assistance in preparing income tax returns (which were approximately \$209,000 in 2005 and \$239,000 in 2006);
 - (ii) assistance with various tax audits (which were approximately \$237,000 in 2005 and \$194,000 in 2006); and
 - (iii) general income tax planning, consultation and compliance (which were approximately \$82,000 in 2005 and \$76,000 in 2006).

The Audit Committee maintains written procedures that require it to annually review and pre-approve the scope of all services to be performed by our independent auditor. This review includes an evaluation of whether the provision of non-audit services by our independent auditor is compatible with maintaining the auditor's independence in providing audit and audit-related services. The Committee's procedures prohibit the independent auditor from providing any non-audit services unless the service is permitted under applicable law and is pre-approved by the Audit Committee or its Chairman. The Chairman is authorized to pre-approve projects expected to cost no more than \$75,000, provided the total cost of all projects pre-approved by the Chairman during any fiscal quarter does not exceed \$125,000. The Audit Committee has pre-approved the Company's independent auditor to provide up to \$40,000 per quarter of miscellaneous tax services that do not constitute discrete and separate projects. The Chief Financial Officer is required periodically to advise the full Committee of the scope and cost of services not pre-approved by the full Committee. Although applicable regulations waive these pre-approval requirements in certain limited circumstances, the Audit Committee did not use these waiver provisions in either 2005 or 2006.

KPMG has advised us that one or more of its partners will be present at the Annual Meeting. We understand that these representatives will be available to respond to appropriate questions and will have an opportunity to make a statement if they desire to do so.

Ratification of KPMG's appointment as our independent auditor for 2007 will require the affirmative vote of at least a majority of the voting power present or represented at the Annual Meeting.

The Board unanimously recommends a vote FOR this proposal.

AUDIT COMMITTEE REPORT

Management is responsible for our internal controls and the financial reporting process. Our independent auditor is responsible for performing an independent audit of our consolidated financial statements and the effectiveness of our internal control over financial reporting, and to issue reports thereon. The Committee's responsibility is to monitor and oversee these processes, and, subject to shareholder ratification, to appoint the independent auditor.

In this context, the Committee has met and held discussions with management and our internal auditors and independent auditor for 2006, KPMG LLP. Management represented to the Committee that our consolidated financial statements were prepared in accordance with

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generally accepted U.S. accounting principles. The Committee has reviewed and discussed with management and KPMG the consolidated financial statements, and management's report and KPMG's report and attestation on internal control over financing reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. The Committee also discussed with KPMG matters required to be discussed by Statements on Auditing Standards No. 61 and 90 (Communication with Audit Committees).

KPMG also provided to the Committee the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). The Committee discussed with KPMG that firm's independence, and considered the effects that the provision of non-audit services may have on KPMG's independence.

Based on and in reliance upon the reviews and discussions referred to above, and subject to the limitations on the role and responsibilities of the Committee referred to in its charter, the Committee recommended that the Board of Directors include the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2006.

If you would like additional information on the responsibilities of the Audit Committee, please refer to its charter, which you can obtain in the manner described above under Corporate Governance Access to Information.
Submitted by the Audit Committee of the Board of Directors.

James B. Gardner (Chairman)
Virginia Boulet
*W. Bruce Hanks**

Fred R. Nichols
Joseph R. Zimmel

* Committee
Member since
November 15,
2006.

**SHAREHOLDER PROPOSAL REGARDING EXECUTIVE COMPENSATION
(Item 3 on Proxy or Voting Instruction Card)**

Background

We periodically receive suggestions from our shareholders, some as formal shareholder proposals. We give careful consideration to all suggestions, and assess whether they promote the best interests of CenturyTel and its shareholders.

The Communications Workers of America Members' General Fund, located at 501 Third Street, N.W., Washington, D.C. 20001, has informed us that it owns 65 Common Shares and that it intends to present for consideration at the Annual Meeting the following proposal (and has furnished the following statement in support of the proposal).

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Shareholder Proposal

RESOLVED, that shareholders of CenturyTel, Inc. request that the Board of Directors (Board) adopt a policy of submitting the following question to a shareholders vote at each annual meeting in the future: Is the compensation of CenturyTel s named executive officers as set forth in the proxy statement s Summary Compensation Table: (a) excessive; (b) appropriate; or (c) too low?

Supporting Statement

We believe the compensation of CenturyTel s senior executives is excessive.

According to proxy statements from 2002 through 2006, the executives named in the Summary Compensation Table (five individuals for most years, six for 2002) received Total Annual Compensation of \$23.0 million from 2001 through 2005. The Total Annual Compensation of Glen F. Post, III, Chairman and CEO of CenturyTel, accounted for more than \$8.4 million of that sum.

The named officers also received \$8.8 million in long-term compensation in the form of restricted stock and long-term incentive plan payouts. These officers then exercised stock options to realize a gain of another \$29.3 million.

The named officers received an additional \$2.3 million over the same period in All Other Compensation (401(k) and ESOP contributions; use of airplane; tax reimbursements; cash stipends to cover perquisites).

These named officers received a total of over \$63.4 million for the period from 2001 through 2005. Mr. Post alone received over \$22.4 million for those five years.

Finally, the 2006 proxy statement reports that the named officers held \$10.6 million in unexercised in-the-money options.

In our view, this amount is excessive for a company this size.

The major stock exchanges have adopted rules requiring public companies to submit equity-based compensation plans for shareholder approval. According to a recent academic analysis, however, these rules have failed to provide shareholders with substantial influence because the plans tend to be broadly worded (Lucian Bebchuk and Jesse Fried, Pay Without Performance, 2004, p. 196). Shareholders can withhold votes for members of the Compensation Committee who stand for reelection, but we view that option as a blunt and insufficient instrument for registering dissatisfaction with senior executive compensation.

In contrast, public companies in the United Kingdom allow shareholders to cast an advisory vote on the directors remuneration report, which discloses executive

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compensation. Such a vote isn't binding, but gives shareholders a clear voice that could help shape senior executive compensation.

We are proposing that the shareholders be permitted to give the Compensation Committee a report card. Through voting on the question that is set forth in the Proposal, shareholders could express their views, in an advisory referendum, on the question of whether the Company's senior executives are being compensated at levels that are appropriate in amount. This approach would provide the opportunity to express dissatisfaction with the amount of compensation that has been awarded to senior executives, and of focusing media attention on the issue in a manner that could assist in bringing about change, while preserving the discretion of the Board to make such changes as may be appropriate.

Board Statement in Opposition

The Board of Directors Recommends that You Vote AGAINST this Proposal for the Reasons Set Forth Below:

We believe ensuring that executive compensation is appropriate is an important issue for all shareholders, and we share that goal. Nonetheless, we believe this proposal is unnecessary, unworkable and potentially harmful.

The proposal is unnecessary. The proposal is unnecessary because we already employ a thorough process designed to pay appropriate levels of executive compensation to attract and retain the managerial talent necessary to maintain our competitiveness. As explained in greater detail under the heading "Compensation Discussion and Analysis," the Board has delegated its powers to set executive compensation to its Compensation Committee, which is composed solely of independent directors who have a fiduciary duty to establish programs that are in the best interests of the shareholders. Each year the Committee works with its independent consultant to establish compensation programs designed to match those of comparable companies and to create incentives to maintain and increase shareholder value. In connection with performing its duties, the Committee spends a substantial amount of time reviewing a wide range of information impacting executive compensation, including trends in executive compensation and detailed benchmarking data on prevailing compensation levels at comparable companies. In accordance with the federal proxy rules, we explain in detail the Committee's processes and conclusions in our annual proxy statements. In short, we believe our current structure is appropriately designed and balanced to achieve and communicate our executive compensation goals.

The proposal is unworkable. We believe that complying with the proposal as submitted could force us to violate the federal proxy rules. The federal proxy rules permit us to distribute proxies soliciting shareholders to vote for or against a proposal (or to abstain from voting), but preclude us from distributing proxies soliciting multiple choice opinions such as those requested under the proposal. In addition, we believe it is unrealistic to expect this proposal would enable shareholders to provide meaningful input on decisions that entail a thorough understanding of a wide variety of factors, including prevailing compensation philosophies and practices nationwide and in our industry. Establishing appropriate executive compensation arrangements is a complex

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process involving balancing numerous business considerations against competitive pressures. We believe this balancing should continue to be the responsibility of disinterested independent fiduciaries who have the time, experience, expertise and resources to design and administer effective programs. We believe the proposal is a blunt instrument that would not provide us with meaningful insight into specific shareholder concerns regarding our programs, and could lead to confusion about what prompted the shareholders' vote. For instance, if the shareholders express the view that compensation is too high or too low, we would be unable to determine the magnitude of the shareholders' concerns or the compensation components that give rise to the concerns, and, as such, we would be unable to react in a meaningful fashion. We believe it would be far more helpful if shareholder concerns are specifically addressed, and we already have processes in place to facilitate effective shareholder communications. See Corporate Governance Presiding Director.

The proposal is potentially harmful. Finally, the proposal is potentially harmful in several respects, including the following:

by requiring a practice not followed by most other U.S. companies, the proposal could harm our ability to retain or attract talented managers to the extent that they perceive this new practice as a threat to our long-standing commitment to pay competitive compensation

by creating the risk that the good faith judgments of our disinterested independent directors could be second-guessed, the proposal could negatively impact the willingness of members of our Compensation Committee to continue to serve

by requiring us to provide new disclosures, implement new processes, and incur new legal risks, the proposal would require us to incur unnecessary legal and proxy solicitation expenses and could increase our expenditures on directors' fees and insurance

by creating a blunt instrument of shareholder input, the proposal could result in unclear directives that create confusion over corporate goals, distract management, and interfere with more effective means of facilitating useful shareholder communications.

In summary, we do not believe the proposal will enhance our governance practices or improve our shareholder communications, nor is it in the best interests of shareholders. **The Board therefore unanimously recommends that you vote AGAINST this proposal.**

Adoption of this proposal requires the affirmative vote of at least a majority of the voting power present or represented at the Annual Meeting.

Table of Contents**OWNERSHIP OF OUR SECURITIES****Principal Shareholders**

The following table sets forth information regarding ownership of our Common Shares by each person known to us to have beneficially owned more than 5% of the outstanding Common Shares or to have controlled more than 5% of the total voting power on December 31, 2006.

Name and Address	Amount and Nature of Beneficial Ownership of Common Shares⁽¹⁾	Percent of Outstanding Common Shares⁽¹⁾	Percent of Voting Power⁽²⁾
Goldman Sachs Asset Management, L.P. 32 Old Slip New York, New York 10005	9,663,891 ⁽³⁾	8.5%	6.1%
JPMorgan Chase & Co. 270 Park Avenue New York, New York 10017	7,693,777 ⁽⁴⁾	6.8%	4.9%
State Street Bank and Trust Company 225 Franklin Street Boston, Massachusetts 02110	7,569,591 ⁽⁵⁾	6.7%	4.8%
LSV Asset Management 1 N. Wacker Street, Suite 4000 Chicago, Illinois 60606	6,064,150 ⁽⁶⁾	5.4%	3.8%
Trustees of CenturyTel benefit plans c/o T. Rowe Price Retirement Plan Services T. Rowe Price Investment Services, Inc. 4515 Painters Mill Road Owings Mills, Maryland 21117-4903	5,051,679 ⁽⁷⁾	4.5%	23.3%

(1) Determined in accordance with Rule 13d-3 of the Securities and Exchange Commission based upon information furnished by the persons listed. In addition to Common Shares, we have outstanding Preferred Shares

that vote together with the Common Shares as a single class on all matters. One or more persons beneficially own more than 5% of the Preferred Shares; however, the percentage of total voting power held by such persons is immaterial. For additional information regarding the Preferred Shares, see page 1 of this proxy statement.

- (2) Based on our records and, with respect to all shares held of record by our benefit plan trustees, based on information the trustees periodically provide to us to establish that certain of these shares entitle the trustees to cast ten votes per share.
- (3) Based on information contained in a Schedule 13G/A Report dated as of February 7, 2007 that this investor filed with the Securities and

Exchange Commission. In this report, the investor indicated that, as of December 31, 2006, it held sole voting power with respect to 6,908,031 of these shares.

- (4) Based on information contained in a Schedule 13G/A Report dated as of February 2, 2007 that this investor filed with the Securities and Exchange Commission. In this report, the investor indicated that, as of December 29, 2006, it and its affiliates collectively held sole voting power with respect to 6,286,854 of these shares, shared voting power with respect to 1,130,167 of these shares, sole dispositive power with respect to 6,511,090 of these shares, and shared dispositive power with respect to 1,162,199 of

these shares.

(5) Based on information contained in a Schedule 13G Report dated as of February 12, 2007 that this investor filed with the Securities and Exchange Commission. In this report, the investor indicated that, as of December 31, 2006, it held shared dispositive power with respect to all of these shares.

(6) Based on information contained in a Schedule 13G Report dated as of February 12, 2007 that this investor filed with the Securities and Exchange Commission.

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- (7) Consists of shares held by the trustees of our qualified 401(k) plan and union 401(k) plan. All of the voting power attributable to these shares is directed by the plan participants, each of whom is deemed to tender such instructions as a named fiduciary for all shares under each such plan, which requires the participants to direct their votes in a manner that they believe to be prudent and in the best interests of the plan participants.

Executive Officers and Directors

The following table sets forth information, as of the Record Date, regarding the beneficial ownership of Common Shares by our executive officers and directors. Except as otherwise noted, (i) 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 and (ii) all beneficially owned shares are held with sole voting and investment power and are not pledged to third parties.

Name	Components of Total Shares Owned			Total Shares Beneficially Owned
	Shares Beneficially Owned ⁽¹⁾	Unvested Restricted Stock ⁽²⁾	Options Exercisable Within 60 Days ⁽³⁾	
Executive Officers:				
Glen F. Post, III	198,586	187,200	1,066,668	1,452,454 ⁽⁴⁾
Karen A. Puckett	17,849 ⁽⁵⁾	74,800	203,900	296,549
R. Stewart Ewing, Jr.	29,298	62,220	84,334	175,852

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Michael E. Maslowski	6,124	40,800	32,642	79,566
David D. Cole	43,592 ⁽⁶⁾	40,800	247,001	331,393
Stacey W. Goff	5,838	40,800	63,500	110,138
Outside Directors:				
William R. Boles, Jr.	7,195	4,834	16,000	28,029
Virginia Boulet	5,646 ⁽⁷⁾	4,834	6,000	16,480
Calvin Czeschin	57,994 ⁽⁸⁾	4,834		62,828
James B. Gardner	4,585	4,834	16,000	25,419
W. Bruce Hanks	1,770	4,834	46,000	52,604
Gregory J. McCray	1,085	4,834		5,919
C.G. Melville, Jr.	8,707	4,834		13,541
Fred R. Nichols	3,085	4,834	12,000	19,919
Harvey P. Perry	35,318	4,834		40,152
Jim D. Reppond	46,085	4,834	16,000	66,919
Joseph R. Zimmel	6,085	4,834	13,667	24,586
All directors and executive officers as a group (17 persons)	478,842 ⁽⁹⁾	499,794	1,823,712	2,802,348

(1) This column includes the following number of shares allocated to the person's account under our qualified 401(k) plan: 84,107 Mr. Post; 2,127 Ms. Puckett; 19,711 Mr. Ewing; 370 Mr. Maslowski; 29,155 Mr. Cole; and 3,018 Mr. Goff. Participants in this plan are entitled to direct the voting of their plan shares, as described in greater detail elsewhere herein.

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- (2) Constitutes unvested shares of Restricted Stock over which the person holds sole voting power but no investment power.
- (3) Constitutes shares that the person has the right to acquire within 60 days of the Record Date pursuant to options granted under our incentive compensation plans.
- (4) Constitutes 1.3% of the outstanding Common Shares and entitles Mr. Post to cast .6% of the total voting power.
- (5) Includes 200 shares held by Ms. Puckett as custodian for the benefit of her children.
- (6) Includes 4,957 plan shares beneficially held by Mr. Cole's wife as one of our former employees in her accounts under the

qualified 401(k) plan, as to which Mr. Cole disclaims beneficial ownership.

- (7) Includes 955 shares held by Ms. Boulet as custodian for the benefit of her children.
- (8) Includes 11,997 shares owned by Mr. Czeschin's wife, as to which he disclaims beneficial ownership.
- (9) Includes
 - (i) 16,954 shares held of record or beneficially by the spouses of certain of these individuals, as to which beneficial ownership is disclaimed, and
 - (ii) 1,155 shares held as custodian for the benefit of children of such individuals.

COMPENSATION DISCUSSION AND ANALYSIS

General Compensation Philosophy

We compensate our senior management through a mix of salary, annual bonuses, long-term equity compensation and employee benefits designed to be competitive with the compensation of comparable officers and to reward annual and long-term performance that correlates with maintaining and increasing shareholder value. With respect to each component of compensation, we generally seek to match the compensation of comparable employees at other companies, although we typically provide our executive officers with above-average salaries if justified by corporate and individual performance. We generally seek to base our executives' annual cash incentive compensation principally upon our company-wide performance and secondarily upon the executives' individual performance. Officers and managers with lower levels of responsibility typically receive incentive compensation that places a greater emphasis

on individual, departmental or divisional goals. We seek to align the interests of our executives with the long-term interests of shareholders through award opportunities that can result in ownership of our Common Shares, with top executives receiving a greater proportion of their total compensation in the form of equity grants compared to more junior officers. We have a long-standing practice of not providing employment agreements to our officers, but do provide customary change of control, pension and welfare benefits to our key personnel.

Allocation of Compensation

We do not use fixed ratios to allocate total compensation between cash and non-cash compensation or among the various compensation components. Instead, we seek to pay our executives the target levels of salary and bonus discussed further below, all of which are set in relation to compensation levels paid to comparable executives at other companies. We believe

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this allows us to maintain competitive compensation packages, and adjust quickly to changes in prevailing compensation practices.

We seek to design our incentive compensation programs to reward annual and long-term performance that correlates as highly as possible to maintaining and increasing shareholder value, while at the same time providing incentives that are equitable, realistic and reasonably within the control of the award recipient. We believe that our top executives have the greatest opportunity to directly impact our performance, and therefore believe it is appropriate to provide a greater portion of their total compensation in the form of long-term incentives that focus solely on company-wide performance. On the other hand, because our less senior officers have less control over our company-wide performance, we award them a relatively higher percentage of their total compensation in the form of salary and annual bonuses that frequently focus on individual, departmental or divisional goals within their control.

Although we favor the use of incentive compensation, we believe it is necessary and prudent to pay a portion of total compensation in the form of a competitive fixed salary. We believe the payment of a fixed salary to our officers helps maintain productivity by alleviating concerns that an economic or industry downturn could undercut their personal and family planning. Equally importantly, our failure to pay a competitive salary could harm our ability to recruit and retain management.

Implementation of our compensation practices has generally resulted in our CEO receiving a higher percentage of his total compensation in the form of long-term equity incentives, and a smaller percentage in salary and cash bonuses. On the other hand, less senior officers have typically received a relatively smaller percentage of their total compensation in the form of long-term equity incentives, and a higher percentage in salary and cash bonuses. This allocation is illustrated in the table below, which shows the percentage of 2006 compensation attributable to our three main components of compensation:

	Cash Compensation		Equity Compensation
	% from Salary	% from Annual Bonus	% from Long-Term Bonus
CEO	22.7%	16.0%	61.3%
President and Executive VP	30.0	16.3	53.7
Senior Vice Presidents	37.3	18.0	44.7

We expect that these allocations will change from year to year, as we adjust to changes in prevailing compensation practices.

Salary

We generally seek to compensate our long-standing executives with cash salaries equivalent to the 75th percentile of salaries paid to similarly-situated executives at comparable companies, if justified by corporate and individual performance. We believe this gives us the flexibility to pay above-market salaries to talented executives who could be viewed as attractive targets by other companies, many of whom are larger than us with far greater resources. The

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Compensation Committee of our Board uses these percentile targets as starting points in its analysis, which we describe below under the heading - Our Compensation Decision-Making Process. After applying the other factors described under that heading, and considering the recommendations of the CEO, the Committee sets each executive's annual cash salary, typically prospectively in February of each year following the completion of our performance review process. We also periodically adjust salaries at other times of the year if necessary to reflect promotions or other changes in job responsibilities.

Annual Incentive Bonuses

Our practice is to award annual cash bonuses to key employees based on performance objectives that, if attained, can reasonably be expected to maintain or increase our value. We strive to award bonus opportunities that can reasonably be expected to result in our total cash compensation (consisting of salary and cash bonuses) to equal or exceed the 50% percentile of total cash compensation paid to similarly-situated executives at comparable companies. We currently offer annual incentive bonuses to approximately 685 of our employees.

To administer our annual bonus program, we maintain (i) a shareholder-approved short-term incentive plan for certain of the executive officers and (ii) an annual incentive bonus plan for other officers and managers. In connection with both of these bonus plans, in February of each year our Compensation Committee

establishes performance objectives, and for each determines a target level of performance, as well as minimum and maximum levels of performance

determines the relative weight each performance objective should receive in connection with calculating aggregate bonus payments

establishes the amount of bonus payable if the target level of performance is attained, which is typically defined in terms of a percentage of each officer's salary.

Upon completion of the fiscal year, the CFO adjusts our actual operating results in accordance with the Committee's long-standing written procedures designed to eliminate the effects of extraordinary or non-recurring transactions that were not known or anticipated on the date the performance goals were established. The CFO then compares our adjusted operating results to the pre-determined minimum, target and maximum levels for each performance objective, and calculates a blended rate of our attainment of the performance objectives. These determinations and calculations are provided in writing to the Committee for its review and approval.

For 2006, the Committee elected to base 60% of the executives' potential bonuses upon CenturyTel attaining targeted levels of operating cash flow and the remaining 40% upon attaining targeted levels of end-user revenue. For 2006, the executive officers were granted an opportunity to earn a specified percentage (ranging between 40% to 65%) of their respective salaries if target performance levels were met, with up to triple these amounts if the maximum levels of performance were met and no bonuses if the minimum performance

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levels were not attained. For both of the 2006 performance measures, the executives were entitled to receive

no payment	if we failed to achieve the minimum performance level
a prorated payment of at least 50% but less than 100% of the target award	if we attained or exceeded the minimum performance level but not the target performance level
a prorated payment of at least 100% but less than 300% of the target award	if we attained or exceeded the target performance level but not the maximum performance level
a payment of 300% of the target award	if we attained or exceeded the maximum performance target.

The bonus payable to the CEO in accordance with these procedures is subject to the negative discretion of the Committee to reduce the calculated bonus payment. The bonuses payable to each other executive officer in accordance with these procedures is subject to the negative discretion of the CEO to reduce the calculated bonus payment based on his assessment of the officer's performance during the prior year, including an assessment of the degree to which such officer attained his or her individual performance goals for such year. Neither the CEO nor the Committee exercised his or its negative discretion to reduce awards based upon 2006 performance. Finally-determined awards made to our executives on February 26, 2007 for 2006 performance are reflected in the Summary Compensation Table appearing below under the column Non-Equity Incentive Plan Compensation. For additional information, see Executive Compensation Incentive Compensation 2006 Awards.

Compared to our executive officers, the remainder of our senior officers have more diverse performance goals. When an officer or manager has responsibility for a particular business unit, division or region, the performance goals are typically heavily weighted toward the operational performance of those units or areas. Other individuals may receive individual performance goals. Depending on the level of seniority, these individuals may also receive a portion of their bonus based on overall corporate performance. As discussed below under the heading - Our Compensation Decision-Making Process, the CEO approves the performance goals of the non-executive officers under the general supervision of the Compensation Committee.

Under our annual bonus programs, the Committee may pay the annual bonuses in cash or stock. Since 2000, the Committee has paid these bonuses entirely in cash. The Committee believes paying annual bonuses to our executives in cash is appropriate because:

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the executives are already receiving well over half of their overall compensation in the form of equity grants

the executive has fully earned his bonus, which we do not believe should be subject to the further risk of loss associated with equity grants, and

use of cash diversifies the compensation mix and prevents us from over-reliance on equity grants.

Long-Term Equity Incentive Programs

Our shareholder-approved long-term incentive compensation programs authorize the Compensation Committee to grant stock options, restricted stock, and various other stock-based incentives to key personnel. We believe stock incentive awards (i) encourage key personnel to focus on our long-term performance, (ii) strengthen the relationship between compensation and growth in the market price of the Common Shares and thereby align management's financial interests with those of the shareholders and (iii) help attract and retain talented personnel. We currently offer long-term incentive compensation awards to approximately 520 of our employees.

Incentives granted under these programs become exercisable based upon criteria established by the Committee. The Committee generally determines the size of equity grants based on the recipient's responsibilities and duties, and on information furnished by the Committee's consultants regarding equity incentive practices among comparable companies. The Committee's general philosophy is to provide long-term incentive compensation valued at the 50th percentile of that paid to similarly-situated officers at comparable companies. Since 2001, the Committee has elected to award annual incentive grants as opposed to larger, multi-year grants. The Committee believes annual grants provide us with greater flexibility than multi-year grants to respond to changes in compensation practices.

We strive to pay equity compensation in forms that create appropriate incentives to optimize performance at reasonable cost, and are competitive with incentives offered by other companies. For several years prior to 2004, we paid all long-term equity compensation in the form of stock options. We selected this form because of favorable accounting and tax treatments, and the near universal expectation of officers nationwide that they would receive stock options. For the last several years, however, it has been clear that the favorable accounting treatment of stock options was subject to change, and beginning in 2006 the adoption of Statement of Financial Accounting Standards No. 123(R) (which we frequently refer to as SFAS 123(R)) has eliminated the favorable accounting treatment of options. Moreover, many experts in the field of executive compensation have advised companies to avoid over-reliance on stock options. As a result, many experts, including ours, began to recommend other forms of equity compensation.

Since 2004, the Compensation Committee has paid the executives' long-term compensation with a combination of stock options and restricted stock. The Committee believes that restricted stock, when compared to stock option grants, provides us an opportunity to provide similar performance incentives to increase share prices with the issuance of fewer

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Common Shares, thereby reducing potential dilution. Moreover, unlike options, restricted stock still affords motivation to increase stock prices even if the share price becomes substantially depressed. On the other hand, the Committee believes stock options, when granted in higher multiples than restricted stock, can provide executives with enhanced performance incentives by increasing the profitability of share appreciation. In addition, all compensation expense associated with options issued under our plans is deductible by us for tax purposes under Section 162(m) of the Internal Revenue Code. Based on this, the Committee currently believes that paying equity incentives jointly in the form of restricted stock and stock options is consistent with the goal of creating appropriate incentives at reasonable costs. Using a ratio that values a share of restricted stock 337.5% higher than an option to purchase a share, we have paid half of the value of recent long-term incentive awards in restricted stock and half in options. You should note, however, that other valuation methods (including those that we are required to use under the federal proxy rules) may assign different relative or aggregate valuations to our grants.

Currently, all of our stock options vest over a two- or three-year period, and all restricted stock generally vests over a five-year period, provided the recipient remains employed by us. We have in the past issued restricted stock with vesting periods that accelerate upon the attainment of performance goals, and periodically review the possibility of granting future restricted stock awards that vest partly or wholly upon our performance. Because of the enhanced likelihood of forfeiture, these types of awards are typically granted in higher share multiples and subject the issuing company to greater dilution. Although we may elect to grant such instruments in the future, we currently believe that our use of annual incentive bonuses and long-term stock options appropriately motivates our officers to increase shareholder value. For additional information on the vesting terms of our equity awards, see Executive Compensation Incentive Compensation Outstanding Awards.

In establishing equity award levels, we review the equity ownership levels of the recipients and prior awards, but do not place great weight on this factor. We believe each annual grant of long-term compensation should match prevailing practices in order for our compensation packages to remain competitive from year to year. Otherwise, reducing current equity grants based on prior grants could increase the risk of competitors offering compensation packages to our executives that have superior long-term incentives. Moreover, the accumulation of substantial awards (awarded in reasonable annual increments) significantly increases each executive's motivation to increase our share price and remained employed by us, and could deter executives from accepting job offers that trigger equity forfeitures. For these reasons, we do not place great weight on equity ownership levels or prior grants in connection with granting new awards.

Under our plans, the exercise price of all stock options awarded by us must equal or exceed the closing price of our stock on the date of grant (or, if the markets are closed on such date, the immediately preceding trading date). As explained further below, annual awards of stock options to executives are made at the Committee's regularly scheduled meeting in February. Grants of stock options to newly hired executive officers who are eligible to receive them are made at the next regularly scheduled Committee meeting following their hire date. We have recently developed policies that clarify our practices for pricing options issued to all other employees. Under these policies, (i) employees receive their options as of the fifth business day of the month that follows immediately after the month in which we complete our annual merit

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review process (typically in February or March) and (ii) newly hired or promoted employees receive their award of stock options on the fifth business day of the month that follows immediately after the month in which they are hired or promoted.

In early 2005, a subcommittee of the Compensation Committee awarded equity incentive grants for the first year of a three-year program developed and approved by the Committee, with assistance from its consultant, PricewaterhouseCoopers LLP. Based on data compiled by PricewaterhouseCoopers, the Subcommittee determined that the target amount of long-term compensation proposed for 2005, 2006 and 2007 was consistent with its goal of granting long-term incentive awards with a value commensurate with those paid to similarly-situated executives at comparable companies. In both February 2006 and 2007, the Committee confirmed that the amount of long-term compensation targeted for 2006 and 2007 was still appropriate, and approved grants to the executive officers in such amounts. For the reasons discussed above, the Committee split these awards between stock options and restricted stock. For more information, see the tables included under the heading Executive Compensation.

Other Benefits

As a final component of executive compensation, we provide a broad array of benefits designed to be competitive, in the aggregate, with similar benefits provided by our peers. We summarize these additional benefits below.

Retirement Plans. We maintain a traditional qualified defined benefit retirement plan for most of our employees who have completed at least five years of service, plus a traditional qualified defined contribution 401(k) plan for a similar group of our employees. With respect to both of these qualified plans, we maintain nonqualified plans that permit our officers to receive or defer supplemental amounts in excess of federally-imposed caps that limit the amount of benefits highly-compensated employees are entitled to receive under qualified plans. We also maintain a nonqualified supplemental executive retirement plan which offers additional benefits to a select group of our senior officers who have served for at least five years. When we review overall compensation levels for our senior management, we factor in the benefits expected to be received under these retirement plans. Additional information regarding these plans is provided in the tables and accompanying discussion included below under the heading Executive Compensation.

Change of Control Arrangements. As described in more detail under Executive Compensation - Potential Termination Payments Payments Made Upon a Change of Control, we have agreed to pay each of our executive officers who is terminated without cause or resigns under certain specified circumstances within three years of any change of control of CenturyTel (i) a lump sum cash severance payment equal to three times the sum of such officer's annual salary and bonus, (ii) the officer's currently pending bonus, (iii) additional tax gross-up cash payments described further below and (iv) certain welfare benefits for three years.

We believe these benefits enhance shareholder value because

prior to a takeover, these protections (i) help us recruit and retain talented officers by providing assurances that their compensation and benefits will

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not be reduced or eliminated upon a takeover and (ii) help maintain the productivity of our workforce by alleviating day-to-day concerns over economic security, and

during or after a takeover, these protections (i) help our personnel, when evaluating a possible business combination, to focus on the best interest of CenturyTel and its shareholders, rather than being distracted by personal concerns, and (ii) reduce the risk that personnel will accept job offers from competitors during takeover discussions.

We monitor the aggregate amount of payments that could potentially be made to our executives if they are terminated following a change of control, and believe these potential payments are relatively small in relation to our current aggregate equity value. We further believe our change of controls benefits are substantially consistent with the general practice among our peers, although we have not commissioned a study to confirm this.

The change of control benefits are payable following a change in control if the officer is terminated without cause or resigns with good reason, which is defined to include a diminution of responsibilities, an assignment of inappropriate duties, an increase in responsibilities or duties without a commensurate increase in compensation, and a transfer of the employee exceeding 35 miles. For the CEO's agreement only, any failure of the CEO to be named the chief executive officer of the parent company surviving the change of control transaction is deemed to be diminution of responsibilities entitling the CEO to resign with good reason. All of these provisions are designed to assure our officers that they will retain a job with responsibilities, stature and career opportunities consistent with those enjoyed by them prior to the takeover. In addition, change-of-control benefits are payable to our executive and senior officers if the officer resigns for any reason during the 30-day period immediately following the first anniversary of the change of control. We believe this latter provision would help assure the acquiror of the services of our management team for at least one year following the change of control, while at the same time hastening the acquiror's incentive to deal quickly and fairly in offering our officers appropriate career and compensation opportunities.

If change of control benefits become payable, the cash payment to our key employees is based on the following multiples of salary and bonus, and the right to health and welfare benefits continues for the following number of years:

	Multiple of Salary and Bonus	Years of Welfare Benefits
Executive Officers	3 times	3 years
Senior Officers (Job Grades 66 or 67)	2 times	2 years
Other Officers (Job Grades 64 or 65)	1.5 times	1.5 years
Other Key Personnel (Job Grades 61-63)	1.0 times	1.0 year

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We have agreed to reimburse only our executive and senior officers for any taxes imposed as a result of change in control benefits. For the remainder of management, we cap their change in control benefits so that no taxes will be imposed.

For more information on our change of control arrangements, see Executive Compensation - Potential Termination Payments Payments Made Upon a Change of Control.

Reduction in Force Benefits. We pay severance benefits to non-union full-time employees who are terminated in connection with a reduction in force. Benefits are not paid if the employee voluntarily resigns or is terminated for performance reasons or in connection with the sale of a business unit or in a transaction that gives rise to the change-of-control payments described above. The amount of any applicable severance payment is based on the terminated employee's tenure with us and willingness to waive claims, and can range from two to 65 weeks of the terminated employee's base salary or wages.

Perquisites. Since 1999, we have made cash payments to our officers in lieu of previously-offered perquisites, many of which continue to be offered by our peers. During 2006, these payments to our executives ranged from \$27,950 to \$34,320.

Officers are entitled to be reimbursed for the cost of an annual physical examination, plus related travel expenses.

Under our aircraft usage policy, the CEO may use our aircraft for personal travel without reimbursing us, and each other executive officer may use our aircraft for up to \$10,000 per year in personal travel without reimbursing us (calculated in accordance with applicable guidelines of the Securities and Exchange Commission). In all such cases, personal travel is permitted only if aircraft is available and not needed for superseding business purposes.

As explained in greater detail in our 2006 proxy statement, prior to the Sarbanes-Oxley Act of 2002, we funded supplemental life insurance benefits to our officers in excess of those generally afforded to employees. These benefits were provided pursuant to endorsement split-dollar insurance agreements between us and our officers in which CenturyTel and the officer's beneficiaries would share death benefits payable under life insurance policies procured by us. In 2002, we suspended payment of further premiums under the split-dollar policies insuring the lives of our executive officers, but resumed paying premiums in 2006 under restructured arrangements approved by the Compensation Committee. These restructured arrangements, among other things, obligate us to pay premiums on the executive officers' respective insurance policies sufficient to provide the same death benefits available under the prior agreements, and entitle the executive officers to purchase additional post-retirement coverage at their cost and to receive related tax gross-up cash payments in amounts sufficient to compensate them for income and employment taxes incurred as a result of our premium payments.

For more information on each of the items under this heading, see the Summary Compensation Table appearing below under the heading Executive Compensation.

Other Employee Benefits. We maintain certain broad-based employee welfare benefit plans in which the executive officers are generally permitted to participate on terms that are either substantially similar to those provided to all other participants or which provide our

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executives with enhanced benefits upon their death or disability. We also maintain a supplemental disability plan designed to ensure disability payments to our officers in the event payments are unavailable from our disability insurer. The Board has elected to invest CenturyTel's matching contribution under the 401(k) Plan in Common Shares so as to further align employees' and shareholders' financial interests.

Our Compensation Decision-Making Process

Compensation Committee. The Compensation Committee of our Board establishes, implements, administers and monitors our programs for compensating executive officers. The Committee engages its own consultants. As described in more detail below under - Triennial Review Process, the consultants assist the Committee to design executive compensation programs, to determine whether the Committee's philosophy and practices are compatible with prevailing practices, to gather data on the compensation paid to executives at other companies, and to provide guidance on specific compensation levels based on industry trends and practices.

The Compensation Committee also establishes, implements, administers and monitors our director equity compensation programs. The Nominating and Corporate Governance Committee of the Board is responsible for approving cash compensation of our directors, and typically works closely with the Compensation Committee and its consultants to review prevailing director compensation trends and practices.

Triennial Review Process. Over the past decade, the Committee has retained independent consulting firms every three years to conduct a detailed review of compensation philosophy, practices and programs, including the structure of our annual and long-term incentive compensation programs. During these comprehensive triennial reviews, the Committee has typically sought to confirm that its philosophy and practices are comparable to those of similar companies, to reconfigure our executive compensation programs if necessary to improve them or conform them to prevailing practices, to set annual salaries, and to establish target levels of incentive compensation to be granted to each executive officer during the upcoming three-year period. During the second and third year of each of these three-year periods, the Committee consults with its independent consultants to determine if changes to the three-year program are necessary or appropriate, and to establish the specific salary and annual incentive compensation payable to the executives for the upcoming year.

For several years, the Committee has completed its triennial or annual review in February in conjunction with the first regularly scheduled board meeting of the year. This enables the Committee to approve in February all executive salary adjustments and bonus awards shortly following the completion of our performance review process and the release of our financial results for the previously-completed calendar year.

Since late 2004, the Committee has engaged PricewaterhouseCoopers LLP as its compensation consultant. In February 2005, the Committee, following several months of work with PricewaterhouseCoopers, adopted a three-year executive compensation program covering 2005, 2006 and 2007. In connection with this triennial review, the Committee and PricewaterhouseCoopers compared our officer compensation to the following three benchmarks:

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broad-based compensation data for top executives from telecommunications companies and from other companies with revenues comparable to ours, all of which was derived from various national surveys and adjusted for aging

a 14-company financial peer group of communications companies with median revenues comparable to ours

a 10-company industry peer group of S&P 500 telecommunications companies.

Although the Committee reviews all three of these benchmarks, it affords the greatest weight to the broad-based survey data, and the next greatest weight to the financial peer group. The industry peer group is used principally to confirm the relevancy of the first two benchmarks to our industry.

In connection with our review of executive compensation in early 2006, we compared our officer compensation to the same 10- and 14-company peer groups (as adjusted to reflect mergers or split-off transactions). As so adjusted, the 10-company industry peer group for 2006 consisted of Citizens Communications, Alltel, Nextel Communications, Qwest Communications, Cingular Wireless, BellSouth Corp., Sprint, AT&T Corp., SBC Communications, and Verizon Communications, and the 14-member financial peer group consisted of Alltel, Primus Telecomm Group, Univision Communications, Western Wireless, Cincinnati Bell, IDT Corporation, UnitedGlobalCom, Citizens Communications, Puget Energy, US Cellular, Telephone & Data Corporation, Level 3 Communications, Cablevision Systems and Nextel Communications.

In both 2005 and 2006, the Committee and PricewaterhouseCoopers used the benchmarking data to determine median amounts of salary, annual bonuses and equity compensation paid to executives comparable to ours. In determining how much to compensate each officer, the Committee also extensively reviewed a wide range of other factors, including the officer's individual performance and particular set of skills, the anticipated degree of difficulty of replacing the officer with someone of comparable experience and skill, the role the officer plays in maintaining a cohesive management team and improving the performance of others, the role the officer may have played in any recent extraordinary corporate achievements, the officer's tenure with us and within the telecommunications industry, the officer's pay relative to other officers and employees, the officer's prior compensation in recent years, the financial community's assessment of management's performance, and the recent performance of CenturyTel. In assessing our performance, we typically review how our actual revenues, cash flows, net income and other measures of financial performance relate to amounts previously projected by us or market participants, as well as the results of peer telecommunications companies. We also assess operational benchmarks, such as our access line losses or customer growth in relation to our competitors. Although we assess each officer's individual performance in connection with establishing all components of compensation, we typically weigh this factor more heavily for salary determinations and less heavily for bonuses, which tend to be allocated among the officers primarily on the basis of their level of responsibility and pay grade.

Role of CEO in Compensation Decisions. Although the Compensation Committee approves all compensation decisions for the executive officers, each year it receives the CEO's

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recommendations, particularly with respect to executive salaries. The Committee believes the CEO is better able than it to assess:

the relative strengths and weakness of the other executives and their recent performance

the possibility that differences in compensation among similarly situated executives could negatively impact morale, cohesion, teamwork or the overall viability of the executive group, and

the relative vulnerability of executives to job solicitations from competitors.

The Committee considers the CEO's recommendations as one of the many factors it uses to establish compensation levels for each executive.

In addition, the CEO is responsible for approving the annual salaries and bonuses of our non-executive officers, including approval of appropriate annual performance goals for such officers. The CEO also approves all equity compensation awards to the non-executive officers, acting under authority delegated by the Compensation Committee in accordance with our long-term incentive plans. The Committee oversees these processes and receives an annual report from the CEO.

Forfeiture of Prior Compensation

Our officers have agreed to forfeit their equity compensation awards (and to return to us any cash, securities or other assets received by them upon the sale of Common Shares they acquired through a prior award) if at any time during their employment with us or within 18 months after termination of employment they engage in activity contrary or harmful to our interests. The Compensation Committee is authorized to waive these forfeiture provisions if it determines in its sole discretion that such action is in our best interests. We have filed with the Securities and Exchange Commission copies of our form of incentive agreements containing these forfeiture provisions.

We have never to our knowledge restated our financial statements, and currently have no formal policies regarding whether we would adjust previously-awarded annual incentive bonuses in the event we restated the financial statements upon which such bonuses were based. Under certain circumstances, however, equity awards to culpable executives could be subject to forfeiture under the provisions summarized in the preceding paragraph. In addition, certain laws would require our CEO and CFO to reimburse us for incentive compensation paid or trading profits earned following the release of financial statements that are subsequently restated due to material noncompliance with SEC reporting requirements caused by misconduct.

Other Compensation Matters

To the extent that it is practicable and consistent with our executive compensation objectives, we seek to comply with Section 162(m) of the Internal Revenue Code and the regulations adopted thereunder in order to preserve the tax deductibility of performance-based

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compensation in excess of \$1 million per taxable year to each of our officers. If compliance with Section 162(m) conflicts with our compensation objectives or is contrary to the best interests of the shareholders, we will pursue those objectives, regardless of the attendant tax implications. In each of the last several years, we granted Restricted Stock that did not qualify as performance-based compensation under Section 162(m).

We believe that our compensation programs create an appropriate incentive for our senior managers to benefit from appreciation in the value of our stock. Although we have reviewed the merits of imposing mandatory security ownership requirements, we have chosen not to do so, primarily because such requirements could cause hardships for officers with less tenure or lower net worth, and because we saw no compelling need to mandate rigid requirements. Similarly, we have not adopted any formal prohibition against our officers hedging the economic risk of their holdings of our Common Shares. Although we believe that excessive use of such hedging could undercut the benefits of our equity incentive programs, we do not believe that our officers have acted in such manner. We plan to continue to periodically assess the merits of adopting ownership requirements or hedging prohibitions in the future.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management the report included above under the heading Compensation Discussion and Analysis. Based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis report be included in this proxy statement and incorporated into our Annual Report on Form 10-K for the year ended December 31, 2006.

Submitted by the Compensation Committee of the Board of Directors.

C. G. Melville, Jr. (Chairman) James B. Gardner Fred R. Nichols

EXECUTIVE COMPENSATION

Overview

The following table sets forth certain information regarding the compensation of (i) our principal executive and financial officers and (ii) each of our four most highly compensated executive officers other than our principal executive and financial officers. In this proxy statement, we sometimes refer to these six executive officers as the named officers. Following this table is additional information regarding incentive compensation, pension benefits, deferred compensation and potential termination payments pertaining to the named officers. For additional information on the compensation summarized below and other benefits, see Compensation Discussion and Analysis.

Table of Contents**Summary Compensation Table**

Name and Principal Position	Year	Salary	Restricted Stock Awards⁽¹⁾	Stock Option Awards⁽¹⁾	Non-Equity Plan Compensation⁽²⁾	Change in Pension Value⁽³⁾	All Other Compensation⁽⁴⁾	Total
Glen F. Post, III <i>Chairman of the Board and Chief Executive Officer</i>	2006	\$ 1,000,000	\$ 1,244,231	\$ 1,449,394 ⁽⁵⁾	\$ 702,000	\$ 497,552	\$ 586,051	\$ 5,479,228
Karen A. Puckett <i>President and Chief Operating Officer</i>	2006	602,384	492,855	287,062	357,816	180,781	252,838	2,173,736
R. Stewart Ewing, Jr. <i>Executive Vice President and Chief Financial Officer</i>	2006	540,448	409,966	852,500 ⁽⁵⁾	262,658	359,134	110,561	2,535,267
Michael E. Maslowski <i>Senior Vice President and Chief Information Officer</i>	2006	332,524	268,830	155,013	143,650	294,977	201,346	1,396,340
David D. Cole <i>Senior Vice President Operations Support</i>	2006	388,020	268,830	155,013	188,578	172,849	170,419	1,343,709
Stacey W. Goff <i>Senior Vice</i>	2006	339,184	268,830	155,013	178,848	110,675	142,492	1,195,042

*President,
General
Counsel
and Secretary*

- (1) The amounts shown in this column reflect the dollar amount recognized with respect to these awards for financial statement reporting purposes for 2006 under SFAS 123(R), which requires us to spread the compensation cost of the award of each recipient proportionately over the requisite service period. See footnote 14 entitled "Stock Compensation Programs" of the notes to our audited financial statements included in *Appendix A* for an explanation of material assumptions that we used to calculate the fair value of these stock awards.
- (2) The amounts shown in this column reflect cash payments made under our annual incentive bonus plans for 2006 performance. For additional information, see -
Incentive
Compensation
2006 Awards

below.

- (3) Reflects the net change during 2006 of the present value of the executives accumulated benefits under the three defined benefit plans discussed under - Pension Benefits.

- (4) The amounts shown in this column are comprised of (i) the payment of cash in lieu of previously-offered perquisites, (ii) reimbursements for the cost of an annual physical examination, (iii) personal use of our aircraft, (iv) contributions or other allocations to our defined contribution plans, (v) the payment of premiums on life insurance policies, (vi) cash payments to compensate the executives for taxes incurred by such life insurance premium payments and (vii) the value of dividends paid on the executives unvested restricted stock, in each case for and on behalf of the named officers during 2006 as follows:

	Insurance	Insurance	Restricted
	Insurance		

Name	Cash Allowance	Physical Exam	Aircraft Use	Contributions to Plans	Premiums Paid	Premium Tax Reimbursement Payments	Stock Dividends
Mr. Post	\$ 34,320	\$ 2,103	\$ 5,350	\$ 144,386	\$ 215,854	\$ 146,013	\$ 38,025
Ms. Puckett	27,950	1,670		80,619	75,874	51,325	15,400
Mr. Ewing	27,950	2,697	825	66,279			12,810
Mr. Maslowski	27,950	3,378		36,971	74,352	50,295	8,400
Mr. Cole	27,950		2,275	47,997	49,985	33,812	8,400
Mr. Goff	27,950		6,422	42,840	33,929	22,951	8,400

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For additional information on these payments and benefits, see Compensation Discussion and Analysis Other Benefits Perquisites.

- (5) Because Mr. Post and Mr. Ewing are eligible to retire early (which would accelerate the vesting of all of their stock options) before the end of the award's vesting period, related compensation costs associated with their 2006 option grants have been recognized over the period from date of grant through their respective retirement eligible dates. Approximately 53% of Mr. Post's grant date fair value related to his 2006 option grant was recognized as 2006 compensation expense. All of Mr. Ewing's grant date fair value related to his 2006 option grant was recognized as 2006 compensation expense. For all other named officers, the compensation cost is spread proportionately over the full length of the award's multi-year vesting period. See Note 1 above.

Incentive Compensation

2006 Awards. The table and discussion below summarizes (i) the range of potential payouts under the annual incentive bonus awards granted in February 2006 (and paid in February 2007), (ii) grants of nonqualified options made on February 20, 2006 and (iii) grants of restricted stock made on February 20, 2006.

Grants of Plan-Based Awards

Name	Type of Award and Grant Date	Range of Payouts Under 2006 Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Share	Exercise Price of Option Awards	Grant Date Fair Value of Stock and Option Awards ⁽²⁾
		Threshold	Target	Maximum	Equity Incentive Plan Awards Target		
Glen F. Post, III	Annual Bonus (N/A)	\$325,000	\$650,000	\$1,950,000			
	Stock Options (2/20/06)				200,000	\$35.41	\$2,728,000
	Restricted Stock (2/20/06)				58,500		2,071,485
Karen A. Puckett	Annual Bonus (N/A)	165,656	331,311	993,934			
	Stock Options (2/20/06)				75,000	35.41	1,023,000
	Restricted Stock (2/20/06)				22,000		779,020
R. Stewart Ewing, Jr.	Annual Bonus (N/A)	121,601	243,202	729,605			
	Stock Options (2/20/06)				62,500	35.41	852,500
	Restricted Stock (2/20/06)				18,300		648,003
Michael E. Maslowski	Annual Bonus (N/A)	66,505	133,010	399,029			
	Stock Options (2/20/06)				40,500	35.41	552,420

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	Restricted Stock (2/20/06)				12,000		424,920
David D. Cole	Annual Bonus (N/A)	87,305	174,609	523,827			
	Stock Options (2/20/06)				40,500	35.41	552,420
	Restricted Stock (2/20/06)				12,000		424,920
Stacey W. Goff	Annual Bonus (N/A)	76,316	152,633	457,898			
	Stock Options (2/20/06)				40,500	35.41	552,420
	Restricted Stock (2/20/06)				12,000		424,920

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- (1) These columns provide information on the potential bonus payouts approved with respect to 2006 performance. For information on the actual amounts paid based on 2006 performance criteria, see the column of the Summary Compensation Table labeled Non-Equity Incentive Plan Compensation.
- (2) Calculated in accordance with SFAS 123(R).

In February 2006, the Compensation Committee of our Board elected to base the amount of the senior officers 2006 annual incentive bonuses on whether we attained threshold, target or outstanding levels of 2006 operating cash flow (established at \$1.135, \$1.195 and \$1.255 billion, respectively) and 2006 end-user revenues (established at \$1.264, \$1.330 and \$1.397 billion, respectively). In each case, attainment of less than 95% of the target amount was designed to result in no bonus payment, and attainment of more than 105% of the target amount was designed to result in three times the bonus payable for attaining the target level of performance. For these purposes, operating cash flow meant our operating income plus depreciation and amortization, and end-user revenues meant our total operating revenues less net access revenues and certain other smaller revenue components included in the category described as other revenue in *Appendix A* to this proxy statement. In both cases, we adjusted these amounts to eliminate the effects of extraordinary or non-recurring transactions in accordance with procedures described further elsewhere herein. For purposes of calculating the aggregate bonus payment, attainment of the operating cash flow and end-user revenue targets were weighed 60% and 40%, respectively. As reported in the Summary Compensation Table above, these awards resulted in cash payments to our named officers ranging from \$143,650 to \$702,000. For additional information, see Compensation Discussion and Analysis Annual Incentive Bonuses.

Each of the options granted to our executive officers on February 20, 2006 has a term of ten years and vests over a three-year period, with one-third of the options having become exercisable on March 15, 2007, and one-third becoming exercisable on each of March 15, 2008 and March 15, 2009.

The restricted stock issued to our executive officers vest over a five-year period, with one-fifth of the shares having vested on March 15, 2007 and one-fifth vesting on March 15, 2008, March 15, 2009, March 15, 2010, and March 15, 2011, respectively. The holders of these shares of restricted stock are recognized as the owners of such shares, and, accordingly, receive dividends with respect thereto.

The vesting of the above-described options and restricted stock will accelerate if the officer dies, becomes disabled or retires, and upon the occurrence of a change of control of CenturyTel, as described further in our shareholder-approved 2005 Management Incentive Compensation Plan, a copy of which we have filed with the Securities and Exchange Commission. All of these awards are subject to forfeiture if the officer competes with us or engages in certain other activities harmful to us, all as specified further in the forms of incentive agreements that we have filed with the Securities and Exchange Commission. See - Potential Termination Payments.

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Outstanding Awards. The table below summarizes information on stock options and unvested restricted stock outstanding at December 31, 2006.

Outstanding Equity Awards at December 31, 2006⁽¹⁾

Name	Option Awards			Stock Awards		
	Number of Securities Underlying		Option	Option	Number of Shares That Have	Market Value
	Unexercised Options	Exercise	Expiration	Not	of Shares That Have Not	
	Exercisable	Unexercisable ⁽²⁾	Price	Date	Vested ⁽³⁾	Vested
Glen F. Post, III	320,000		\$34.625	2/21/2010	46,800 ⁽⁴⁾	\$2,043,288
	236,200		28.030	5/21/2011	46,800	2,043,288
	320,000		32.990	2/25/2012	58,500	2,554,110
	160,000		28.340	2/25/2014		
	200,000		33.400	2/17/2015		
		200,000	35.410	2/20/2016		
Karen A. Puckett	120,000		32.990	2/25/2012	22,000 ⁽⁴⁾	960,520
	75,000		33.400	2/17/2015	17,600	768,416
		75,000	35.410	2/20/2016	22,000	960,520
R. Stewart Ewing, Jr.	85,000		34.625	2/21/2010	18,300 ⁽⁴⁾	798,978
	81,000 ⁽⁵⁾		32.990	2/25/2012	14,640	639,182
	62,500 ⁽⁵⁾		28.340	2/25/2014	18,300	798,978
	62,500 ⁽⁵⁾		33.400	2/17/2015		
		62,500	35.410	2/20/2016		
Michael E. Maslowski	19,142		45.540	3/24/2009	12,000 ⁽⁴⁾	523,920
	13,500		33.400	2/17/2015	9,600	419,136
		40,500	35.410	2/20/2016	12,000	523,920
David D. Cole	85,000		34.625	2/21/2010	12,000 ⁽⁴⁾	523,920
	81,000		32.990	2/25/2012	9,600	419,136
	27,001		28.340	2/25/2014	12,000	523,920
	40,500		33.400	2/17/2015		
		40,500	35.410	2/20/2016		
Stacey W. Goff	9,400		34.625	2/21/2010	12,000 ⁽⁴⁾	523,920
	18,000		32.990	2/25/2012	9,600	419,136
	50,000		34.200	8/26/2013	12,000	523,920
	40,500		33.400	2/17/2015		
		40,500	35.410	2/20/2016		

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- (1) All information on exercisability, vesting and market value is solely as of December 31, 2006. Some of the options or restricted stock listed above may have vested, become exercisable or been exercised since such date.

- (2) Our options generally vest at a rate of one-third per year over the first three years of the ten-year option term. Our options expiring in 2014 and 2015 vested one-third immediately with the remainder vesting over the following two years. Also, in late 2005, the Company accelerated the vesting of all then-outstanding options. In addition, our options accelerate and become immediately exercisable in full upon a change of control of CenturyTel or if the recipient

dies, becomes disabled or retires.

- (3) Except as noted in footnote 4, all shares listed under this column are shares of restricted stock that generally vest as a rate of 20% per year during the first five years after their grant date. In addition, vesting of our restricted stock accelerates upon a change of control of CenturyTel or upon termination of the officer's employment as a result of death or disability, or, if permitted by the Compensation Committee, retirement or termination by CenturyTel.
- (4) All of these shares of restricted stock will vest in full on February 25, 2009.
- (5) Pursuant to a qualified domestic relations order entered into in 2006, Mr. Ewing transferred all of his options

expiring in 2012 and 2014 and two-thirds of his options expiring in 2015 (relating to 185,000 Common Shares in the aggregate), none of which have been exercised.

2006 Exercises and Vesting. The following table provides information on Common Shares acquired by the named officers during 2006 in connection with the exercise of options and the vesting of restricted stock.

Option Exercises and Stock Vested

Name	Option Awards ⁽¹⁾		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized On Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting ⁽²⁾
Glen F. Post, III	501,783	\$7,848,325	13,520	\$508,893
Karen A. Puckett	274,999	3,043,762	5,613	211,273
R. Stewart Ewing, Jr.	162,000	2,065,198	4,873	183,420
Michael E. Maslowski	198,498	1,474,244	3,310	124,588
David D. Cole	210,115	3,091,040	3,310	124,588
Stacey W. Goff	23,165	283,704	2,400	90,336

(1) Excludes options transferred by Mr. Ewing during 2006 pursuant to a qualified domestic relations order.

(2) Based on the closing price of the Common Shares on the vesting date.

Pension Benefits

The following table and discussion summarizes pension benefits payable to the named officers under (i) our retirement plan qualified under Internal Revenue Code Section 401(a),

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which permits most of our employees (including officers) who have completed at least five years of service to receive pension benefits upon attaining early or normal retirement age, (ii) our nonqualified supplemental plan, which is designed to pay supplemental retirement benefits to officers in amounts equal to the benefits such officers would otherwise forego due to federal limitations on compensation and benefits under qualified plans, and (iii) our nonqualified supplemental executive retirement plan, which offers additional retirement benefits to a select group of our senior officers who have completed at least five years of service. We refer to these defined benefit plans below as our qualified plan, our supplemental plan and our SERP, respectively.

Pension Benefits

Name	Plan Name	Numbers of Years Credited Service⁽¹⁾	Present Value of Accumulated Benefit⁽²⁾
Glen F. Post, III	Qualified Plan	8	\$ 810,373
	Supplemental Plan	8	283,729
	SERP	25	5,727,177
Karen A. Puckett	Qualified Plan	6	423,010
	Supplemental Plan	6	103,676
	SERP	6	735,516
R. Stewart Ewing, Jr.	Qualified Plan	8	869,544
	Supplemental Plan	8	130,505
	SERP	24	2,107,882
Michael E. Maslowski	Qualified Plan	7	1,074,266
	Supplemental Plan	7	58,262
	SERP	7	235,710
David D. Cole	Qualified Plan	8	614,180
	Supplemental Plan	8	51,753
	SERP	24	933,021
Stacey W. Goff	Qualified Plan	8	246,732
	Supplemental Plan	8	22,082
	SERP	4	181,063

(1) In accordance with our plans and practices, these figures correspond to the named officers tenure at CenturyTel, unless otherwise noted in the discussion below.

(2) These figures represent accumulated benefits as of December 31, 2006 (assuming the executive remains employed by us and begins receiving retirement benefits at the normal retirement age of 65), discounted from the normal retirement age to December 31, 2006 using a discount rate of 5.8%. See Note 11 entitled Defined Benefit and Other Retirement Plans of the notes to our audited financial statements included in *Appendix A* for additional information.

The aggregate amount of a participant's total monthly pension payment under the qualified and supplemental plans is equal to the participant's years of service since 1999 (up to a maximum of 30 years) multiplied by the sum of (i) 0.5% of his final average pay plus (ii) 0.5%

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of his final average pay in excess of his compensation subject to Social Security taxes. For these purposes, final average pay means the participant's average monthly compensation during the 60 consecutive month period within his last ten years of employment in which he received his highest compensation.

Participants in the SERP receive a retirement benefit equal to (i) 3% of the officer's average monthly compensation (defined below) times the officer's years of service with us (not to exceed ten years) plus (ii) 1% of the officer's average monthly compensation times his years of service in excess of ten years of service with us (up to 15 additional years), minus (iii) 4% of his estimated monthly Social Security benefits times his years of service with us (up to a maximum of 25 years). Payments to retired officers under this formula are increased by 3% per year to reflect cost of living increases. Average monthly compensation means the officer's average monthly compensation during the 36 consecutive month period within his last ten years of employment in which he received his highest compensation. Participants added to the plan after January 1, 2000 receive credit only for service while a plan participant.

Under all three retirement plans, the compensation upon which benefits are based equals the aggregate amount of the participant's salary and annual cash incentive bonus. Although the pension benefits described above are provided through three separate plans, the Company reserves the right to transfer benefits from the supplemental plan or the SERP to the qualified plan to the extent allowed under Treasury regulations and other guidance. The value of benefits transferred to the qualified plan directly offsets the value of benefits in the supplemental plan or the SERP. In 2005 and 2006, we transferred benefits from the supplemental plan and the SERP to the qualified plan, the incremental value of which will be payable to the recipients in the form of enhanced annuities or supplemental benefits.

The normal form of benefit payment under all three retirement plans is (i) in the case of unmarried participants, a monthly annuity payable for the life of the participant, and (ii) in the case of married participants, an actuarially equivalent monthly annuity payable for the lifetime of the participant and a survivor annuity payable for the lifetime of the spouse upon the participant's death. Participants may elect optional forms of annuity benefits under all three plans and, in the case of the qualified plan, an annuity that guarantees ten years of benefits, all of which are actuarially equivalent in value to the normal form of benefit. The enhanced annuities described in the prior paragraph may be paid in the form of a lump sum, at the participant's election.

The normal retirement age under all three of the above-described plans is 65. Participants may receive benefits under all three plans upon early retirement, which is defined as attaining age 55 with either five years of service (with respect to the qualified and supplemental plans) or 10 years of service (with respect to the SERP). Under our qualified and supplemental plans, the benefit payable upon early termination is calculated under formulas that pay between 60% to 100% of the base plan benefit and 48% to 92% of the excess plan benefit, in each case with the lowest percentage applying to early retirement at age 55 and proportionately higher percentages applying to early retirement after age 55. The early termination benefit under the SERP is equal to 50%, 70% or 80% of the full normal retirement benefit (depending on the retiree's years of service) for early retirement at age 55, and is equal to higher percentages that proportionately escalate up to 100% with each additional year of age up to age 65. For

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additional information on early retirement benefits, please see the early retirement provisions of our pension plans, copies of which are filed with the Securities and Exchange Commission.

Stewart Ewing is currently eligible for early retirement under all three of the pension plans described above.

Deferred Compensation

The following table and discussion provides information on our supplemental dollars & sense plan, which is designed to permit officers to defer amounts in excess of the amounts that may be deferred under federal law governing qualified 401(k) plans.

Non-Qualified Deferred Compensation

Name	Executive	CenturyTel	Aggregate	Aggregate	Aggregate
	Contributions	Contributions			
	in	in	in		31,
	2006 ⁽¹⁾	2006 ⁽²⁾	2006		2006 ⁽⁴⁾
Glen F. Post, III	\$ 126,980	\$ 128,222	\$ 19,475	\$ 10,532	\$ 264,145
Karen A. Puckett	56,279	69,178	9,719	15,684	119,492
R. Stewart Ewing, Jr.	42,693	53,357	6,997	14,070	88,977
Michael E. Maslowski	16,970	23,135	3,039	13,072	30,072
David D. Cole	30,448	32,075	4,376	10,796	56,103
Stacey W. Goff	57,973	30,970	7,696	15,215	81,424

(1) All of these amounts in this column reflect contributions by the officer of salary paid in 2006 and reported as 2006 salary compensation in the Summary Compensation Table.

(2) We have reflected all of the amounts included in this column as 2006 compensation in the column of the Summary Compensation Table labeled All Other Compensation.

(3)

The amounts in this column reflect transfers of benefits from the supplemental dollars & sense plan to our qualified 401(k) plan.

- (4) As indicated in notes 1 and 2 above, most of this balance has been disclosed as compensation in this proxy statement.

Under our supplemental dollars & sense plan, certain of our senior officers may defer up to (i) up to 25% of their salary in excess of the federal limit on annual contributions to qualified 401(k) plans (which was \$220,000 for 2006) and (ii) 25% of the restricted stock portion of their annual incentive bonus award (which is deducted from the cash portion of such bonus). (The latter deferral has been unavailable since 1999, which was the last year that our annual bonuses included a restricted stock portion.) For every dollar that participants contribute to this plan up to 6% of their excess salary, we add an amount equal to the total matching percentage then in effect for matching contributions made by us under our qualified 401(k) plan (which was 60% for 2006). All amounts contributed under this supplemental plan by the participants or us may be invested by the participants in the same broad array of money market and mutual funds offered under our qualified 401(k) plan. Participants may change their investments in these funds at any time. We reserve the right to transfer benefits from the supplemental dollars &

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sense plan to our qualified 401(k) or retirement plans to the extent allowed under Treasury regulations and other guidance. The value of benefits transferred to our qualified plans directly offsets the value of benefits in the supplemental dollars & sense plan. We made transfers of this type in both 2005 and 2006. Participants in the supplemental dollars & sense plan normally receive payment of their account balances in a lump sum once they cease working fulltime for us.

Potential Termination Payments

The materials below discuss payments and benefits that our officers are eligible to receive if they (i) resign or retire, (ii) are terminated by us, with or without cause, (iii) die or become disabled or (iv) become entitled to termination benefits following a change of control of CenturyTel.

Notwithstanding the information appearing below, you should be aware that our officers have agreed to forfeit their equity compensation awards (and profits derived therefrom) if they compete with us or engage in other activity harmful to our interests while employed with us or within 18 months after termination. Certain other compensation might also be recoverable by us under certain circumstances after termination of employment. See Compensation Discussion and Analysis Forfeiture of Awards for more information.

Payments Made Upon All Terminations. Regardless of the manner in which our employees' employment terminates prior to a change of control, they are entitled to receive amounts earned during their term of employment (subject to the potential forfeitures discussed above). With respect to each such terminated employee, such amounts include his or her:

salary and unused vacation pay through the date of termination, payable immediately in cash

restricted stock that has vested

benefits accrued and vested under our qualified and supplemental defined benefit pension plans, with payouts generally occurring at early or normal retirement age

benefits held in our qualified and supplemental defined contribution plans, which the employee is generally free to receive at the time of termination

rights to continued health care benefits to the extent required by law.

Payments Made Upon Voluntary or Involuntary Terminations. In addition to benefits described under the heading immediately above, employees terminated by us without cause prior to a change of control are also entitled to:

exercise all vested options within 190 days of the termination date

keep all unvested restricted stock if approved by our Compensation Committee

if the termination qualifies as a layoff, (i) a cash severance payment in the amount described under

Compensation Discussion and Analysis Other Benefits Reduction in Force Benefits, (ii) receipt of their annual target incentive bonus, and (iii) out placement assistance benefits

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None of the benefits listed immediately above are payable if the employee resigns or is terminated for cause, except that resigning employees are entitled to exercise their vested options within 190 days and employees terminated for cause could request the Compensation Committee to accelerate their unvested restricted stock (which is unlikely to be granted).

Payments Made Upon Retirement. Employees who retire in conformity with our retirement policies are entitled to: exercise all of their options, all of which accelerate upon retirement, within three years of their retirement date

keep all unvested restricted stock if approved by our Compensation Committee (which traditionally has been granted)

payment of their annual target incentive bonus

post-retirement life, health and welfare benefits

all of the benefits described under the heading - Payments Made Upon All Terminations

Payments Made Upon Death or Disability. Upon death or disability, officers (or their estates) are entitled to (without duplication of benefits):

payments under our disability or life insurance plans, as applicable

exercise all of their options, all of which accelerate upon death or disability, within two years

keep all of their restricted stock, whether vested or unvested

payment of their annual target incentive bonus

continued rights to receive (i) life, health and welfare benefits at early or normal retirement age, in the event of disabilities of employees with ten years of prior service, or (ii) health and welfare benefits payable to surviving eligible dependents, in the event of death of employees meeting certain age and service requirements

all of the benefits described under the heading - Payments Made Upon All Terminations, except that (i) upon death benefits under our retirement plans are generally available only to surviving spouses and (ii) benefits payable to mentally disabled employees under our nonqualified defined benefit retirement plans may be paid prior to retirement age.

Payments Made Upon a Change of Control. We have entered into agreements that entitle each of our executive officers who are terminated without cause or resigns under certain specified circumstances within three years of any change in control of CenturyTel to (i) receive a lump sum cash severance payment equal to three times the sum of such officer's annual salary and bonus, (ii) receive such officer's currently pending bonus, (iii) receive any such additional tax gross-up cash payments as may be necessary to compensate him or her for any federal excise taxes, penalties or interest imposed upon contingent change in control payments and (iv) continue to receive certain welfare benefits for three years.

Under the above-referenced agreements, a change in control of CenturyTel would be deemed to occur upon (i) any person (as defined in the Securities Exchange Act of 1934)

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becoming the beneficial owner of 30% or more of the outstanding Common Shares or 30% or more of combined voting power of our voting securities, (ii) a majority of our directors being replaced, (iii) consummation of certain mergers, substantial asset sales or similar business combinations, or (iv) approval by the shareholders of a liquidation or dissolution of CenturyTel.

All of the above-referenced agreements provide the benefits described above if the officer resigns with good reason, which we describe further under the heading Compensation Discussion and Analysis Change-in-Control Arrangements. Except as otherwise described under such heading, all of the change in control agreements for our executives are substantially similar. We have filed forms of these agreements with the Securities and Exchange Commission.

In the event of a change in control of CenturyTel, our benefit plans provide, among other things, that all restrictions on outstanding restricted stock will lapse and all outstanding stock options will become fully exercisable. In addition, participants in the Supplemental Executive Retirement Plan and the Supplemental Defined Benefit Plan whose service is terminated within three years of the change in control will receive a cash payment equal to the present value of their plan benefits (after providing age and service credits of up to three years), determined in accordance with actuarial assumptions specified in the plan. Upon the earlier of the date that a change of control transaction is completed, announced or proposed, post-retirement life, health and welfare benefits will vest with respect to (i) former employees receiving such benefits on such date and (ii) current employees who have completed ten years of service and attained age 53 as of such date.

Estimated Potential Termination Payments. The table below provides estimates of the value of payments and benefits that would become payable if the named officers were terminated in the manner described below, in each case based on the assumption described in the table's notes.

Potential Termination Payments

Name	Type of Termination Payment ⁽²⁾	Type of Termination of Employment ⁽¹⁾			
		Involuntary Termination Without Cause ⁽³⁾	Disability	Death	Termination Upon a Change of Control ⁽⁴⁾
Glen F. Post, III	Annual Bonus	\$ 702,000	\$ 702,000	\$ 702,000	\$ 947,567
	Equity Awards ⁽⁵⁾		8,290,686	8,290,686	8,290,686
	Pension and Welfare ⁽⁶⁾	10,000			12,966,950
	Cash Severance ⁽⁷⁾	1,000,000			15,445,812
		\$ 1,712,000	\$ 8,992,686	\$ 8,992,686	\$