

Description of Transaction and Public Interest Statement

Introduction

This application is one of fifteen contemporaneously filed applications seeking the consent of the Commission to the transfer of control of a total of 171 wireless radio licenses from Embarq Corporation (“Embarq”) to CenturyTel, Inc. (“CenturyTel”). These applications are part of a larger proposed transaction whereby Embarq is to become a wholly-owned subsidiary of CenturyTel. The licenses included in these applications are used to support the ILEC operations of fifteen wholly-owned subsidiaries of Embarq.¹ For the reasons set forth below, CenturyTel and Embarq (the “Applicants”) submit that this transaction is consistent with the Commission’s rules and regulations, serves the public interest, convenience, and necessity, and qualifies for processing in accordance with the Commission’s Immediate Approval Procedures.

The Parties

CenturyTel. CenturyTel, Inc. (“CenturyTel”) is a Louisiana corporation headquartered in Monroe, Louisiana, and its shares are publicly traded on the New York Stock Exchange. CenturyTel is a holding company that conducts its business operations principally through subsidiaries offering communications, high-speed internet, and entertainment services in small-to-mid-size cities through its copper and fiber networks. As of September 30, 2008, CenturyTel operates in 25 states, providing local exchange services over roughly 2.0 million telephone access lines and high-speed internet connections to approximately 630,000 subscribers.

¹ The fifteen wholly-owned subsidiaries that hold licenses are: Carolina Telephone and Telegraph Company LLC, United Telephone Company of the Carolinas LLC, Central Telephone Company, Central Telephone Company of Virginia, Central Telephone Company of Texas, Embarq Florida, Inc., United Telephone Company of Ohio, The United Telephone Company of Pennsylvania LLC, United Telephone Company of Indiana, Embarq Minnesota, Inc., Embarq Missouri, Inc., United Telephone Company of Kansas, United Telephone Southeast LLC, United Telephone Company of the West, and United Telephone Company of the Northwest.

CenturyTel's expansive product offerings also include long distances services, cable television services, satellite television services, Internet Protocol Television (IPTV) service, and wireless services. In certain local and regional markets, CenturyTel also provides telecommunications services as a competitive local exchange carrier, security monitoring, and other communications, and business information services. In addition, CenturyTel runs a state-of-the-art fiber system, which provides wholesale and retail fiber-based transport services to customers in the central United States. CenturyTel strives to maintain customer relationships by, among other things, maintaining a local presence in the communities it serves.

Embarq. Embarq Corporation ("Embarq") is a Delaware corporation headquartered in Overland Park, Kansas, and its shares are publicly traded on the New York Stock Exchange. Embarq is a holding company that conducts its business operations principally through subsidiaries offering a complete suite of communications services. As of September 30, 2008, Embarq has ILEC operations in 18 states, providing local exchange services over nearly 5.9 million telephone access lines and broadband service to 1.4 million subscribers. For consumers, Embarq offers an innovative portfolio of services that includes reliable local and long distance home phone service, high-speed internet access, and satellite video from DISH Network. For businesses, Embarq has a comprehensive range of flexible and integrated services designed to help businesses of all sizes be more productive and communicate with their customers. This service portfolio includes local voice and data services, long distance services, Business Class High Speed Internet services, satellite video services from DIRECTV, enhanced data network services, voice and data communication equipment, and managed network services. In addition, through its subsidiary Embarq Payphone Services, Inc., Embarq offers pay phone services in various parts of the United States.

The Transaction

Embarq, CenturyTel, and Cajun Acquisition Company (“CAC”) entered into an Agreement and Plan of Merger (“Merger Agreement”) as of October 26, 2008. CAC, a Delaware corporation, is a direct wholly-owned subsidiary of CenturyTel created to effectuate this transaction. Under the terms of the transaction, Embarq and CAC will merge, with Embarq becoming the surviving corporation and CAC ceasing to exist.² The transaction will be accomplished through exchanging 1.37 shares of CenturyTel stock for every share of Embarq common stock. CenturyTel plans to refinance certain indebtedness at closing, but no additional debt is contemplated in connection with the merger.

Under the terms of the transaction, Embarq thus will become a direct, wholly-owned subsidiary of CenturyTel. Embarq’s operating subsidiaries will remain subsidiaries of Embarq, and CenturyTel’s operating subsidiaries will remain subsidiaries of CenturyTel. In short, the transaction contemplates a parent-level transfer of equity. End user customers will continue to receive service from the same local operating company at the same rates, terms, and conditions the day after the transaction closes as immediately prior to the transaction.

The Public Interest

The proposed transaction is in the public interest because it will provide benefits to consumers of both companies without any countervailing harms.³ It combines two leading broadband-focused communications companies with strong customer-centric histories. The

² Embarq will be the surviving corporation but will adopt the By-Laws and Certificate of Incorporation of CAC.

³ A complete public interest statement and discussion of the proposed transaction is available in CenturyTel and Embarq’s application to transfer control of domestic Section 214 authorizations, filed concurrently with this application.

communications industry is rapidly evolving in response to developments in competition, technology, new customer preferences, and the maturation and convergence of different communications services platforms. Successful adaptation to this evolution is critical to maintaining the economic resources necessary to provide excellent communications services to consumers at affordable rates.

The proposed transaction will result in a combined enterprise that can achieve greater economies of scale and scope than could the two companies operating independently. This, in turn, will enhance the combined firm's ability to respond rapidly to customer preferences in providing a full portfolio of quality, advanced communications services. As detailed below, the merger will create important efficiency enhancements, improve the telecommunications services available to consumers, make the combined firm a stronger competitor, and help ensure the future financial stability of the combined enterprise.

Significant Synergy Opportunities. The transaction is expected to generate synergies of approximately \$400 million annually within the first three years of operation. Key drivers of these synergies include reduction of corporate overhead, elimination of duplicate functions, realization of enhanced revenue opportunities, and achievement of increased operational efficiencies through the adoption of best practices and capabilities from each company. Consumers will benefit from these efficiencies in the form of improved services at competitive prices.

Advanced Services Speedily Deployed to More Customers. In addition to benefiting from the significant cost saving synergies, consumers will also benefit from more rapid deployment of advanced services, including IPTV and next-generation broadband-based services. CenturyTel has invested heavily to successfully roll out IPTV services in two test markets (La Crosse,

Wisconsin and Columbia, Missouri) with the intention and capability to offer these services in additional markets in the near future. Specifically, CenturyTel has developed centralized headend facilities and operational capabilities and has forged the necessary relationships with content providers to enable CenturyTel to deploy IPTV services in additional markets. Embarq, on the other hand, has not yet made such progress in its deployment of IPTV and, absent a combination with CenturyTel, is unlikely to make IPTV services available to significant numbers of consumers in the near term. While the significant investment required to deploy IPTV services in a given market requires individual, market-level analysis, this transaction would allow the Applicants to use CenturyTel's substantial investments to deploy IPTV services to current Embarq customers more quickly than is otherwise likely to be the case.

CenturyTel and Embarq are leading rural broadband providers. The combined entity will enjoy an enhanced ability to deploy next-generation broadband services. In addition to other scale and scope efficiencies, by combining Embarq's existing network with CenturyTel's backbone network, including its fiber transport lines, the Applicants will be able to realize greater "transport" economies of scale. The combined network will place more Embarq and CenturyTel customers within economically feasible reach of the backbone network accommodating next-generation broadband applications. This means that more customers in more areas should have an opportunity to receive next-generation broadband network services as a result of this transaction.

Furthermore, consumers will benefit in numerous ways from the shared resources of the two companies and the adoption of best practices. For example, CenturyTel has acquired 700 MHz radio spectrum licenses that would be available to the combined company for offering enhanced wireless broadband and voice services. By the same token, Embarq is more advanced

in bringing to market IP (internet protocol) products for business customers. In short, the combined company will be able to offer consumers a better array of services than either CenturyTel or Embarq could offer on its own.

Benefits to Rural Consumers. With its inherited expertise in serving predominantly smaller, rural areas, the new entity will deliver modern, advanced communications services to areas that are not the focus of larger communications companies. The combination of two mid-sized local wireline providers with investment grade ratings, solid financial fundamentals, and adequate access to capital will position the combined enterprise to capitalize on the collective knowledge of local customers' needs and to deliver innovative product offerings to these rural and smaller markets. Customers will benefit through their ability to subscribe to existing and future services. The post-merger CenturyTel will benefit through its improved ability to retain and attract customers whose needs are satisfied by its enhanced offerings, service quality and customer care. The public interest will be served by the transaction because the new company will bring to bear the combined resources of CenturyTel and Embarq to focus on delivering a full portfolio of communications services targeted to meet the needs of customers in predominantly rural and smaller markets.

A Viable Competitive Alternative for Consumers. Over the past few years, CenturyTel and Embarq, like many other local providers, have experienced line loss as a result of evolutions in the communications industry, including greater reliance by consumers on wireless services and increased competition from cable companies. Embarq, for example, lost slightly over 6% of its switched access lines annually in 2006 and 2007, and lost 8.6% on a year-over-year basis as

of September 30, 2008.⁴ Excluding its acquisition of Madison River's access lines, CenturyTel has experienced line loss of roughly 5% to 6% annually since 2006.⁵ These losses have resulted in decreased economies of scale.

This merger will benefit consumers by allowing CenturyTel and Embarq to increase their economies of scale over current levels.⁶ The two companies combined will serve approximately 8 million access lines, 2 million broadband customers, and approximately 400,000 video subscribers. With its significantly increased scale, the transaction will enhance the competitive strength of the combined company to maintain affordable and high-quality telecommunications services and facilitate deployment of new products and services, including IPTV, broadband, and wireless data offers.

No Service Disruptions for Customers. At the same time, the proposed transaction will not disrupt services to customers of CenturyTel and Embarq. Under the terms of the Merger Agreement, Embarq's operating subsidiaries will remain subsidiaries of Embarq, and CenturyTel's operating subsidiaries will remain subsidiaries of CenturyTel. Ensuring the continuation of high quality service and customer experience pre- and post-merger is vitally

⁴ See Embarq Corporation, Quarterly Report (Form 10-Q) (filed on Oct. 30, 2008); Embarq Corporation, Annual Report (Form 10-K) (filed on Feb. 29, 2008). As of September 30, 2008, Embarq has lost 1.5 million access lines out of the 7.4 million lines it serviced on December 31, 2005. This amounts to a loss of approximately 20% of its access lines during the three-year period.

⁵ See CenturyTel, Inc., Quarterly Report (Form 10-Q) (filed on Oct. 31, 2008); CenturyTel, Inc., Annual Report (Form 10-K) (filed on Feb. 29, 2008). CenturyTel expects access line loss to be between 5.5% and 6.5% for the full year 2008.

⁶ The total number of access lines of the combined entity (based on line counts from the Third Quarter of 2008) will be less than 600,000 greater than the number of lines Embarq served at the beginning of 2006.

important. CenturyTel and Embarq understand that continuing to meet and anticipate customer needs is a top priority. The transaction will not change the incentives of the combined entity to do so. Accordingly, immediately following consummation of the transaction, end user customers will continue to receive service from the same local operating company and at the same rates and on the same terms and conditions as immediately prior to the transaction; as such, the transaction will be transparent to the customers.⁷

To that end, the Applicants will continue to employ experienced and dedicated service personnel. The customer service, network, and operations functions that are critical to each company's success today will continue when the transaction is complete, and the post-transaction company will be staffed to ensure that continuity of expertise. The local operations of the Applicants will continue to be managed by employees with extensive knowledge of the local telephone business and with a commitment to meeting the telecommunications needs of the local communities they serve.

In sum, immediately after the merger, the Applicants will provide the same high quality local exchange and long distance services that they do today, subject to the same rules and regulations. Finally, this transaction will have no impact on the terms of any existing interconnection agreements or obligations under state and federal laws regarding interconnection.

⁷ In view of the current rapidly changing communications market, any provider, including post-transaction CenturyTel, must constantly review its pricing strategy and product mix to respond appropriately to marketplace demands. Prices and product mixes necessarily will change over time as marketplace, technology, and business demands dictate. The combined entity will make such changes only following full compliance with all applicable rules and laws.

Immediate Approval Procedures

As indicated in the associated applications, the proposed transaction qualifies for the Commission's Immediate Approval Procedures set forth in Section 1.948(j)(2) of the Commission's rules. The Applicants certify: (1) that CenturyTel meets the Commission's basic qualifications and eligibility requirements, (2) that the transaction complies with the Commission's foreign ownership restrictions, (3) that the transaction does not involve spectrum licensed in a Wireless Radio Service that may be used to provide interconnected mobile voice and/or data services under the applicable service rules and that would, if transferred, create a geographic overlap with spectrum in any licensed Wireless Radio Service (including the same service) in which CenturyTel holds a direct or indirect interest of 10% or more, either as a licensee or spectrum lessee, and that could be used by CenturyTel to provide interconnected mobile and/or data services, (4) that the licensee is not a designated entity or entrepreneur subject to unjust enrichment requirements and/or transfer restrictions under applicable Commission rules, and (5) that the transfer of control does not require a waiver of, or a declaratory ruling pertaining to, any applicable Commission rules, and there is no pending issue as to whether the licenses are subject to revocation, cancellation, or termination by the Commission.

Conclusion

Accordingly, for the reasons set forth herein, the Applicants respectfully submit that the grant of these applications will serve the public interest, convenience, and necessity, and thus warrant favorable and expedited Commission action.