

CENTURYTEL INC  
Form 10-Q  
August 01, 2008

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

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

For the quarterly period ended June 30, 2008

or

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

Commission File Number: 1-7784

CenturyTel, Inc.  
(Exact name of registrant as specified in its charter)

Louisiana  
(State or other jurisdiction of  
incorporation or organization)

72-0651161  
(I.R.S. Employer  
Identification No.)

100 CenturyTel Drive, Monroe, Louisiana 71203  
(Address of principal executive offices) (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of July 28, 2008, there were 102,350,645 shares of common stock outstanding.

CenturyTel, Inc.

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Signature

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\* All references to “Notes” in this quarterly report refer to these Notes to Consolidated Financial Statements.

PART I. FINANCIAL INFORMATION  
Item 1. Financial Statements  
CenturyTel, Inc.  
CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED)

Three months  
ended June 30,  
2008                      2007                      Six months  
ended June 30,  
2008                      2007  
(Dollars, except per share amounts,  
and shares in thousands)

	2008	2007	2008	2007
<b>OPERATING REVENUES</b>	\$ 658,106	689,991	1,306,720	1,290,846
<b>OPERATING EXPENSES</b>				
Cost of services and products (exclusive of depreciation and amortization)	239,626	226,388	477,438	439,919
Selling, general and administrative	106,836	97,456	198,461	188,913
Depreciation and amortization	130,954	134,311	266,638	262,095
Total operating expenses	477,416	458,155	942,537	890,927
<b>OPERATING INCOME</b>	180,690	231,836	364,183	399,919
<b>OTHER INCOME (EXPENSE)</b>				
Interest expense	(49,166)	(57,667)	(99,288)	(104,628)
Other income (expense)	12,907	8,080	21,324	13,370
Total other income (expense)	(36,259)	(49,587)	(77,964)	(91,258)
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	144,431	182,249	286,219	308,661
Income tax expense	52,264	69,984	105,292	118,526
<b>NET INCOME</b>	\$ 92,167	112,265	180,927	190,135
<b>BASIC EARNINGS PER SHARE</b>	\$ .89	1.03	1.72	1.73
			176.4	
Interest and dividend income	77.6			
Total investment income	\$254.0			

**NOTE 4. FAIR VALUE MEASUREMENTS**

Accounting standards define fair value based on an exit price model, establish a framework for measuring fair value where the assets and liabilities are required to be carried at fair value and provide for certain disclosures related to the valuation methods used within a valuation hierarchy as established within the accounting standards. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in



markets that are not active, or other observable characteristics for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived principally from, or corroborated by, observable market data through correlation. Level 3 inputs are unobservable inputs based on the Plan's assumptions. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair values of the Master Trust's investments as of December 31, 2014, by asset category, were as follows (\$ in millions):

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and equivalents	\$ 13.9	—	—	\$ 13.9
Money market funds	143.9	—	—	143.9
Common stock	679.9	—	—	679.9
Danaher Corporation Stock Fund	466.9	—	—	466.9
Mutual funds:				
Balanced/hybrid funds	36.2	—	—	36.2
Taxable bond funds	258.3	—	—	258.3
U.S. stock funds	972.3	—	—	972.3
International/global funds	249.1	—	—	249.1
Other	0.9	—	—	0.9
Common/collective trusts	—	\$ 1,769.0	—	1,769.0
Total	\$ 2,821.4	\$ 1,769.0	\$—	\$ 4,590.4

The fair values of the Master Trust's investments as of December 31, 2013, by asset category, were as follows (\$ in millions):

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and equivalents	\$ 13.2	—	—	\$ 13.2
Money market funds	138.0	—	—	138.0
Common stock	742.4	—	—	742.4
Danaher Corporation Stock Fund	435.5	—	—	435.5
Mutual funds:				
Balanced/hybrid funds	27.3	—	—	27.3
Taxable bond funds	247.6	—	—	247.6
U.S. stock funds	848.4	—	—	848.4
International/global funds	237.1	—	—	237.1
Other	1.4	—	—	1.4
Common/collective trusts	—	\$ 1,719.8	—	1,719.8
Total	\$ 2,690.9	\$ 1,719.8	\$—	\$ 4,410.7

Refer to Note 3 for additional disclosures regarding the Master Trust.

Following is a description of the valuation techniques and inputs used for each major class of assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2014 and 2013.

Common stock, money market funds, mutual funds, and other are valued at the quoted closing price reported on the active market on which the individual securities are traded.

The Danaher Corporation Stock Fund consists of shares of the Company's stock and nominal cash balance and is valued based on the quoted market price of the Company's common stock and the cost of short-term money market investments.



Common/collective trusts include the Fidelity MIP II, as well as other target date funds. Refer to Note 2 for a full description of the Fidelity MIP II.

The fair value of the Fidelity MIP II has been estimated based on the fair value of the underlying investment contracts in the fund as reported by the issuer of the fund. The fair value differs from the contract value. The contract value is the relevant measurement attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan.

Other target date funds are valued based on the Plan's interest, represented by investment units, in the underlying investments held within the trust that are traded in an active market by the trustee.

The methods described above may produce a fair value estimate that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes the valuation methods are appropriate and consistent with the methods used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

For the years ended December 31, 2014 and 2013, there were no investments transferred between levels.

#### NOTE 5. TAX STATUS OF THE PLAN

The Plan received a determination letter from the Internal Revenue Service ("IRS") dated November 21, 2014, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the "Code") and, therefore, the related trust is exempt from taxation. Subsequent to the issuance of this determination letter, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Sponsor believes that the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax-exempt.

Accounting standards require plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The Plan Sponsor has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2014 and 2013, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits of the Plan for any tax periods in progress. The Plan Sponsor believes the Plan is no longer subject to income tax examinations for years prior to 2010.

#### NOTE 6. RELATED PARTY TRANSACTIONS AND PARTIES IN INTEREST TRANSACTIONS

Certain investments are held in shares of mutual funds managed by Fidelity. Fidelity is the trustee as defined by the Plan and, therefore, these qualify as party in interest transactions.

Additionally, as of December 31, 2014 and 2013, the Master Trust invested in 5.4 million and 5.6 million shares, respectively, of Danaher Corporation common stock as part of the Danaher Corporation Stock Fund. During the year ended December 31, 2014, the Master Trust received \$1.8 million of dividends on shares of Danaher Corporation common stock.

#### NOTE 7. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The accompanying financial statements present fully benefit-responsive investment contracts at contract value. The Form 5500 requires fully benefit-responsive contracts to be reported at fair value. Therefore, the adjustment from fair value to contract value for fully benefit-responsive investment contracts represents a reconciling item.

Notes receivable from participants in the accompanying financial statements include all loans in the plan as of the end of the year. The participant loans in the Form 5500 only include loans that are active or deemed loans with post-default payments remitted during the year. The difference between these two amounts represents a reconciling item.

The following is a reconciliation of net assets available for benefits per the financial statements as of December 31 to the Form 5500:

	2014	2013
Net assets available for benefits per the financial statements	\$4,557,034,814	\$4,375,108,124
Loans with no post-default payment activity that are deemed distributions	(930,988	) (955,332
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	6,356,339	6,885,956
Net assets available for benefits per the Form 5500	\$4,562,460,165	\$4,381,038,748

The following is a reconciliation of the net increase prior to plan transfers per the financial statements to net income in the Form 5500 for the year ended December 31, 2014:

Net increase prior to plan transfers per the financial statements	\$177,081,783
Adjustment from fair value to contract value for fully benefit-responsive investment contracts as of December 31, 2014	6,356,339
Payments received post-default	26,642
Loan defaults previously deemed distributed that reached a distributable event	110,703
Adjustment from fair value to contract value for fully benefit-responsive investment contracts as of December 31, 2013	(6,885,956
Interest payments on loans deemed distributed that have had no post-default payment activity	(76,756
Deemed distributions	(36,245
Net income per the Form 5500	\$176,576,510

SUPPLEMENTAL SCHEDULES

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DANAHER CORPORATION & SUBSIDIARIES SAVINGS PLAN  
 EIN: 59-1995548, PLAN NO. 004  
 FORM 5500, SCHEDULE H, LINE 4a —  
 SCHEDULE OF DELINQUENT PARTICIPANT CONTRIBUTIONS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

Participant Contributions Transferred Late to Plan	Total that Constitute Nonexempt Prohibited Transactions			
	Contributions Not Corrected	Contributions Corrected Outside VFCP	Contributions Pending Correction in VFCP	Total Fully Corrected Under VFCP and PTE 2002-51
Check Here if Late Participant Loan Repayments are Included: <input type="checkbox"/>				
\$1,270	—	1,270	* —	\$—

\* Represents delinquent participant contributions from one 2014 pay period. The Company transmitted lost earnings to the Plan during 2014 and intends to file the required Form 5330.

DANAHER CORPORATION & SUBSIDIARIES SAVINGS PLAN  
 EIN: 59-1995548, PLAN NO. 004  
 FORM 5500, SCHEDULE H, LINE 4i —  
 SCHEDULE OF ASSETS (HELD AT END OF YEAR)  
 AS OF DECEMBER 31, 2014

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
*	Participant loans	Interest rates range from 2.3% to 11.5% with maturity at various dates	**	\$54,570,669

\* Party in interest.

\*\* Historical cost not required to be presented as all investments are participant-directed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

DANAHER CORPORATION & SUBSIDIARIES SAVINGS PLAN

June 22, 2015

By: /s/ R. L. King  
R. L. King  
Vice President, Global Benefits and HR M&A

EXHIBITS

Exhibit  
Number

Description

23.1

Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm

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