

October 27, 2008

Bulletin:

CenturyTel Inc. Ratings Unaffected By Announced Acquisition Of Embarq Corp.

Primary Credit Analysts:

Allyn Arden, CFA, New York (1) 212-438-7832; allyn_arden@standardandpoors.com
Susan Madison, New York (1) 212-438-4516; susan_madison@standardandpoors.com

NEW YORK (Standard & Poor's) Oct. 27, 2008--Standard & Poor's Ratings Services said today that its ratings on incumbent local exchange carriers Monroe, La.-based CenturyTel Inc. (BBB-/Stable/A-3) and Embarq Corp. (BBB-/Stable/--), are not affected by CenturyTel's definitive agreement to acquire Embarq in a stock-for-stock transaction. Given the change of control requirements under the Embarq bank credit facility, we expect this facility to be repaid or refinanced in conjunction with the transaction. As such, we would withdraw the ratings on Embarq's senior unsecured term loan and revolver when they are repaid.

The combined company is not expected to have a materially different business or financial risk profile than those of the two stand-alone companies. The combined company will modestly benefit from greater scale, solid net free cash flow generation, healthy margins, and moderate pro forma leverage of about 2.3x. This figure excludes about \$300 million of potential operating cost synergies. Still, we remain concerned about the ongoing access-line losses at both companies, which totaled 6% at CenturyTel and 8.6% at Embarq as of the 2008 third quarter, and the potential for future debt-financed acquisitions and/or shareholder-friendly initiatives. A significant acceleration of access-line losses and integration issues could prompt a revision of the outlook to negative.

Copyright © 2008 Standard & Poor's, a division of The McGraw-Hill Companies, Inc. (S&P). S&P and/or its third party licensors have exclusive proprietary rights in the data or information provided herein. This data/information may only be used internally for business purposes and shall not be used for any unlawful or unauthorized purposes. Dissemination, distribution or reproduction of this data/information in any form is strictly prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P, its affiliates or its third party licensors, S&P, its affiliates and its third party licensors do not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates and its third party licensors be liable for any direct, indirect, special or consequential damages in connection with subscriber's or others use of the data/information contained herein. Access to the data or information contained herein is subject to termination in the event any agreement with a third-party of information or software is terminated.

Analytic services provided by Standard & Poor's Ratings Services (Ratings Services) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.

Ratings Services receives compensation for its ratings. Such compensation is normally paid either by the issuers of such securities or third parties participating in marketing the securities. While Standard & Poor's reserves the right to disseminate the rating, it receives no payment for doing so, except for subscriptions to its publications. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1)212.438.9823 or by e-mail to: research_request@standardandpoors.com.