

**Financial Condition from WA Docket UT-082119 and Supporting Documentation for Calculation**

**Merger Condition:**

2.a. For three (3) years from the close of the merger, at any time when the condition in subsection 2.a.i. exists, the Merged Company ILECs will limit payments of dividends on common equity distributed to CenturyTel, or any other subsidiary or affiliate of CenturyTel, in any year to an amount not more than 50 percent of net income in the prior fiscal year. The Merged Company ILECs will limit payment of dividends on common equity in any quarter, if dividends are distributed quarterly, to not more than one-fourth of the annual limitation amount.

- i. The average market value of CenturyTel's common equity is less than 50 percent of the book value of CenturyTel's net debt. The average market value of CenturyTel's common equity will be calculated by multiplying the average stock price by the average number of fully-diluted common stock shares outstanding during the preceding 120 calendar day period. As used in this section, "net debt" means total long-term debt less cash. This test will be calculated prior to the determination of each declaration of dividends by the Merged Company ILECs, whether quarterly, special, or other.

Calculations:

$$\begin{aligned} \text{Average Market Value of CTL's common equity} &= \$36.85 \quad \times 608,998,000 \\ &= \$22,441,576,300 \end{aligned}$$

$$\begin{aligned} \text{Book Value of CTL Net Debt} &= \$21,142,000,000 - \$1,123,000,000 \\ &= \$20,019,000,000 \end{aligned}$$

$$50\% \times \$20,019,000,000 = \$10,009,500,000$$

Test: Is the average market value of CenturyTel's common equity less than 50% of the book value of CenturyTel's net debt? Yes or No.

If yes, the dividend restriction is triggered.

If no, the dividend restriction is not triggered

Is \$22,441,576,300 < \$10,009,500,000?

No, therefore, this restriction does not apply to dividend distributions.

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**Balances as of 9/30/11:**

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Long-Term Debt	\$ 21,142,000,000
Cash	\$ 1,123,000,000

Source: CTL 10Q 09/30/2011

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**CTL Shares Outstanding**

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9/30/2011	617,349,000
8/31/2011	617,520,000
7/31/2011	609,321,000
6/30/2011	600,580,000
5/31/2011	600,220,000
<b>Average</b>	<b>608,998,000</b>

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CTL Stock Price

Date	Adj Close	Date	Adj Close
9/30/2011	33.12	7/29/2011	37.11
9/29/2011	33.72	7/28/2011	37.24
9/28/2011	33.59	7/27/2011	37.62
9/27/2011	34.04	7/26/2011	38.27
9/26/2011	33.99	7/25/2011	37.95
9/23/2011	33.37	7/22/2011	38.66
9/22/2011	32.89	7/21/2011	38.27
9/21/2011	33.45	7/20/2011	37.76
9/20/2011	34.64	7/19/2011	37.94
9/19/2011	34.64	7/18/2011	37.83
9/16/2011	34.97	7/15/2011	38.42
9/15/2011	34.25	7/14/2011	38.54
9/14/2011	34.66	7/13/2011	38.78
9/13/2011	34.64	7/12/2011	39.31
9/12/2011	33.35	7/11/2011	39.46
9/9/2011	33.07	7/8/2011	40.31
9/8/2011	33.68	7/7/2011	40.71
9/7/2011	33.85	7/6/2011	40.91
9/6/2011	33.23	7/5/2011	41
9/2/2011	34.15	7/1/2011	41.03
9/1/2011	34.31	6/30/2011	40.43
8/31/2011	36.15	6/29/2011	40.26
8/30/2011	35.36	6/28/2011	39.8
8/29/2011	35.42	6/27/2011	39.63
8/26/2011	34.44	6/24/2011	39.16
8/25/2011	34.43	6/23/2011	39.71
8/24/2011	34.87	6/22/2011	39.99
8/23/2011	34.47	6/21/2011	40.06
8/22/2011	33.99	6/20/2011	39.6
8/19/2011	33.7	6/17/2011	39.45
8/18/2011	34.07	6/16/2011	39.52
8/17/2011	35.31	6/15/2011	39.33
8/16/2011	34.38	6/14/2011	40.11
8/15/2011	34.98	6/13/2011	39.85
8/12/2011	34.61	6/10/2011	40.09
8/11/2011	34.46	6/9/2011	40.89
8/10/2011	33.38	6/8/2011	40.58
8/9/2011	33.88	6/7/2011	40.34
8/8/2011	31.82	6/6/2011	40.74
8/5/2011	33.72	6/3/2011	41.26
8/4/2011	33.25	6/2/2011	41.71
8/3/2011	34.66	6/1/2011	42.68
8/2/2011	36.93	<b>AVG</b>	<b>36.85</b>
8/1/2011	37		

Source: [www.finance.yahoo.com](http://www.finance.yahoo.com)