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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File No. 001-7784

CenturyLink

CENTURYLINK, 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 CenturyLink Drive, Monroe, Louisiana **(Address of principal executive offices)**	**71203** **(Zip Code)**

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $1.00	New York Stock Exchange Berlin Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: Stock Options

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

On February 21, 2012, 619,614,139 shares of common stock were outstanding. The aggregate market value of the voting stock held by non-affiliates as of June 30, 2011 was $24.2 billion.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's Proxy Statement to be furnished in connection with the 2012 annual meeting of shareholders are incorporated by reference in Part III of this Annual Report.

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Unless the context requires otherwise, references in this report to "CenturyLink," "we," "us," and "our" refer to CenturyLink, Inc. and its consolidated subsidiaries, including SAVVIS, Inc. and its consolidated subsidiaries (referred to as "Savvis") for periods on or after July 15, 2011, Qwest Communications International Inc. and its consolidated subsidiaries (referred to as "Qwest") for periods on or after April 1, 2011 and Embarq Corporation and its consolidated subsidiaries (referred to as "Embarq") for periods on or after July 1, 2009.

PART I

ITEM 1. BUSINESS

Overview

We are an integrated communications company engaged primarily in providing an array of communications services to our residential, business, governmental and wholesale customers. Our communications services include local and long-distance, network access, private line (including special access), public access, broadband, data, managed hosting (including cloud hosting), colocation, wireless and video services. In certain local and regional markets, we also provide local access and fiber transport services to competitive local exchange carriers and security monitoring. We strive to maintain our customer relationships by, among other things, bundling our service offerings to provide our customers with a complete offering of integrated communications services.

Based on total access lines at December 31, 2011, we were the third largest telecommunications company in the United States. We operate almost 75% of our total access lines in portions of Colorado, Washington, Arizona, Minnesota, Florida, North Carolina, Oregon, Iowa, Utah, New Mexico, Missouri and Nevada. We also provide local service in portions of Idaho, Ohio, Wisconsin, Virginia, Texas, Pennsylvania, Montana, Alabama, Nebraska, Indiana, Arkansas, Tennessee, Wyoming, New Jersey, North Dakota, South Dakota, Kansas, Michigan, Louisiana, South Carolina, Illinois, Georgia, Mississippi, Oklahoma and California. In the portion of these 37 states where we have access lines, which we refer to as our local service area, we are the incumbent local telephone company. We also operate 68 data centers throughout North America, South America, Europe and Asia.

We were incorporated under the laws of the State of Louisiana in 1968. Our principal executive offices are located at 100 CenturyLink Drive, Monroe, Louisiana 71203 and our telephone number is (318) 388-9000.

For a discussion of certain risks applicable to our business, financial condition and results of operations, see "Risk Factors" in Item 1A of this report. The summary financial information in this section should be read in conjunction with, and is qualified by reference to, our consolidated financial statements and notes thereto in Item 8 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this report.

Acquisitions

Acquisition of Savvis

On July 15, 2011, we acquired all of the outstanding common stock of Savvis, a provider of cloud hosting, managed hosting, colocation and network services in domestic and international markets. We believe this acquisition enhances our ability to be an information technology partner with our existing business customers and strengthens our opportunities to attract new business customers in the future. Each share of Savvis common stock outstanding immediately prior to the acquisition converted into the right to receive $30 per share in cash and 0.2479 shares of CenturyLink common stock. The aggregate consideration of $2.382 billion consisted of:

- cash payments of $1.732 billion;

- the 14.313 million shares of CenturyLink common stock issued to consummate the acquisition,
- the closing stock price of CenturyLink common stock at July 14, 2011 of $38.54; and
- the estimated net value of the pre-combination portion of certain share-based compensation awards assumed by CenturyLink of $98 million, of which $33 million was paid in cash.

Upon completing the acquisition, we also paid $547 million to retire certain pre-existing Savvis debt and accrued interest, and paid related transaction expenses totaling $15 million. The cash payments required on or about the closing date were funded using existing cash balances, which included the net proceeds from the June 2011 issuance of senior notes with an aggregate principal amount of $2 billion.

Acquisition of Qwest

On April 1, 2011, we acquired all of the outstanding common stock of Qwest Communications International Inc. ("Qwest"), a provider of data, Internet, video and voice services nationwide and globally. As of the acquisition date, Qwest served approximately 9.0 million access lines and approximately 3.0 million broadband subscribers across 14 states. Each share of Qwest common stock outstanding immediately prior to the acquisition converted into the right to receive 0.1664 shares of CenturyLink common stock, with cash paid in lieu of fractional shares. The aggregate consideration was $12.273 billion based on:

- the 294 million shares of CenturyLink common stock issued to consummate the acquisition;
- the closing stock price of CenturyLink common stock at March 31, 2011 of $41.55;
- the estimated net value of the pre-combination portion of share-based compensation awards assumed by CenturyLink of $52 million (excluding the value of restricted stock included in the number of issued shares specified above); and
- cash paid in lieu of the issuance of fractional shares of $5 million.

We assumed approximately $12.7 billion of long-term debt in connection with our acquisition of Qwest.

Acquisition of Embarq

On July 1, 2009, we acquired all of the outstanding common stock of Embarq Corporation ("Embarq"), a provider of data, Internet, video and voice services. As of the acquisition date, Embarq served approximately 5.4 million access lines and approximately 1.5 million broadband subscribers across 18 states. Each share of Embarq common stock outstanding immediately prior to the acquisition converted into the right to receive 1.37 shares of CenturyLink common stock, with cash paid in lieu of fractional shares. The aggregate consideration of $6.070 billion was based on:

- the 196 million shares of CenturyLink common stock issued to consummate the acquisition;
- the closing stock price of CenturyLink common stock at June 30, 2009 of $30.70; and
- the estimated net value of the pre-combination portion of share-based compensation awards assumed by CenturyLink of $50 million (excluding the value of restricted stock included in the number of issued shares specified above).

We assumed approximately $4.9 billion of long-term debt in connection with our acquisition of Embarq.

In connection with the Embarq acquisition, we amended our charter to eliminate our time-phase voting structure, which previously entitled persons who beneficially owned shares of our common stock continuously since May 30, 1987 to ten votes per share.

Effect of Recent Acquisitions

Our acquisitions since 2009 resulted in several important changes to our operations, including:

- providing services to an expanded number of densely-populated markets, which tend to afford consumers access to a greater range of competitive communications products than less dense markets;

- reducing the percentage of our total revenue derived from governmental support programs, which typically focus on disbursing payments to companies operating in less densely-populated areas;

- expanding and reconfiguring our operating regions to incorporate the Embarq and Qwest service areas in order to provide day-to-day decision making at the regional level as opposed to the more centralized structures formerly used by Embarq and Qwest; and

- offering certain services, such as cloud computing, that CenturyLink did not historically provide.

Other Acquisitions

On April 30, 2007, we acquired all of the outstanding stock of Madison River Communications Corp. ("Madison River") for approximately $322 million in cash. In connection with the acquisition, we also paid approximately $522 million to retire all pre-existing Madison River debt and accrued interest. At the time of this acquisition, Madison River operated approximately 164,000 predominantly rural access lines in four states.

In June 2005, we acquired fiber assets in 16 metropolitan markets from KMC Telecom Holdings, Inc. for approximately $76 million in cash, which has enabled us to offer broadband and competitive local exchange services to customers in these markets. During 2008, we sold the assets in six of these markets in two separate transactions.

We regularly evaluate the possibility of acquiring additional assets in exchange for cash, securities or other properties, and at any given time may be engaged in discussions or negotiations regarding additional acquisitions. We generally do not announce our acquisitions or dispositions until we have entered into a preliminary or definitive agreement.

References to Acquired Businesses

In the discussion that follows, we refer to the business that we operated prior to the Qwest acquisition (including Embarq's business) as "Legacy CenturyLink" and refer to the incremental business activities that we now operate as a result of the Savvis acquisition and the Qwest acquisition as "Legacy Savvis" and "Legacy Qwest", respectively.

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Financial and Operational Highlights

The following table summarizes the results of our consolidated operations. Our operating results include operations of Savvis for periods after July 15, 2011, Qwest for periods after April 1, 2011 and Embarq for periods after July 1, 2009.

	Years Ended December 31,		
	2011	2010	2009
	(Dollars in millions)		
Operating revenues	$ 15,351	7,042	4,974
Operating expenses	13,326	4,982	3,741
Operating income	$ 2,025	2,060	1,233
Net income	$ 573	948	647

	December 31,	
	2011	2010
	(Dollars in millions)	
Balance sheet data:		
Total assets	$ 56,139	22,038
Total long-term debt(1)	21,836	7,328
Total stockholders' equity	20,827	9,647

(1) Total long-term debt is the sum of current maturities of long-term debt and long-term debt on our consolidated balance sheets. For total obligations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Future Contractual Obligations" in Item 7 of this report.

The following table presents some of our operational metrics:

	December 31,		
	2011	2010	2009
		(in thousands)	
Operational metrics:			
Total broadband subscribers	5,554	2,349	2,186
Total access lines(1)	14,584	6,489	7,025

(1) Access lines are telephone lines reaching from the customers' premises to a connection with the public switched telephone network, or PSTN.

Substantially all of our revenues are from customers located in the United States, and substantially all of our long-lived assets are located in the United States.

Operations

Segments

For several years prior to 2011, we reported our operations as a single segment. However, after our acquisitions of Qwest on April 1, 2011 and Savvis on July 15, 2011, we have reorganized our business into the following operating segments:

- *Regional markets.* Consists generally of providing strategic and legacy products and services to residential consumers, small to medium-sized businesses and regional enterprise customers. Our strategic products and services offered to these customers include our private line, broadband, Multi-Protocol Label Switching ("MPLS"), hosting, video and wireless services. Our legacy services offered to these customers include local and long-distance service;

- *Business markets.* Consists generally of providing strategic and legacy products and services to enterprise and government customers. Our strategic products and services offered to these customers include our private line, broadband, MPLS, hosting and video services. Our legacy services offered to these customers include local and long-distance service;

- *Wholesale markets.* Consists generally of providing strategic and legacy products and services to other communications providers. Our strategic products and services offered to these customers are mainly private line (including special access) and MPLS. Our legacy services offered to these customers include unbundled network elements ("UNEs") which allow our wholesale customers the use of our network or a combination of our network and their own networks to provide voice and data services to their customers, long-distance and switched access services; and

- *Savvis operations.* Consists generally of the entire centrally-managed operations of our Savvis subsidiaries, which provides hosting and network services primarily to business customers. Some of these services are the same as those provided through our business markets segment. In the future, we may reclassify the revenues and expenses associated with those business markets services as part of our Savvis operations segment. However, until we are able to further integrate Legacy Savvis, we will continue to classify those services as part of the business markets segment.

The following table shows the composition of our revenues by segment. Due to system limitations, we have determined that it is impracticable to restate 2009's reportable segments, as for several years prior to 2011 we reported our operations as a single segment. For additional information on our segment data, see Item 8 "Notes to Consolidated Financial Statements" of this report.

	Years Ended December 31,		
	2011	**2010**	**Change**
	(Dollars in millions)		
Percentage of revenue:			
Regional markets	51%	66%	(15%)
Business markets	19%	4%	15%
Wholesale markets	21%	22%	(1%)
Savvis operations	3%	—	3%
Other operating revenues	6%	8%	(2%)
Total	100%	100%	

Although we now report financial information separately for each of our segments, our segment information does not include total assets and capital expenditures, which we manage on a centralized basis and are only reviewed by our chief operating decision maker ("CODM") on a consolidated basis. As we continue to integrate our recent acquisitions, we may make further changes to our segment reporting. Our segment results are not necessarily indicative of the results of operations that our segments would have achieved had they operated as stand-alone entities during the periods presented.

Products and Services

Our products and services include a variety of voice, broadband, data, information technology ("IT"), video and other communications services. In 2011, we expanded our IT services to include cloud hosting, managed hosting, colocation and network services. Through our strategic partnership with DIRECTV, we offer satellite digital television to customers in our local service area. We also offer wireless services to customers through our strategic partnership with Verizon Wireless.

We offer our customers the ability to bundle together several products and services. For example, we offer integrated and unlimited local and long-distance services. Our customers can also bundle two or more services such as broadband, video (including DIRECTV), voice and Verizon Wireless services. We believe our customers value the convenience of and price discounts associated with receiving multiple services through a single company.

Most of our products and services are provided using our telecommunications network, which consists of voice and data switches, copper cables, fiber-optic cables and other equipment. Our network serves approximately 14.6 million access lines and forms a portion of the public switched telephone network, or PSTN.

Described below are our key products and services.

Strategic Services

Our customers use our strategic services to access the Internet, connect to private networks and transmit data. We also provide value-added services and integrated solutions that make communications more secure, reliable and efficient for our customers. We focus our marketing and sales efforts on these services:

- *Private line*. Private line is a direct circuit or channel specifically dedicated for the purpose of directly connecting two or more sites. Private line offers a high-speed, secure solution for frequent transmission of large amounts of data between sites. We also provide private line services to wireless service providers that use our fiber to the tower services, commonly referred to as wireless backhaul, to support their next generation wireless networks.

- *Broadband*. Our broadband services allow customers to connect to the Internet through their existing telephone lines and fiber-optic cables at high speeds. Substantially all of our broadband subscribers are located within our local service area.

- *MPLS.* Multi-Protocol Label Switching is standards-approved data networking technology, compatible with existing asynchronous transfer mode, or ATM, and frame relay networks we provide to support real-time voice and video. This technology allows network operators flexibility to divert and route traffic around link failures, congestion and bottlenecks.

- *Hosting.* Hosting includes providing space, power, bandwidth and managed services in our data centers. We also offer a variety of server and application management services, including cloud, back-up, disaster recovery and professional web design.

- *Video*. Our video services include our facilities-based video, marketed as CenturyLink™ Prism™, which is an advanced entertainment service option that allows our customers to watch hundreds of channels and record up to four shows on one home digital video recorder. We also offer satellite digital television under an arrangement with DIRECTV that allows us to market, sell and bill for its services under its brand name.

- *VoIP*. Voice over Internet Protocol, or VoIP, is a real-time, two-way voice communication service (similar to our traditional voice services) that originates over a broadband connection and often terminates on the PSTN.

- *Wireless services.* Our wireless services are offered under an agency arrangement with Verizon Wireless that allows us to market, sell and bill for its services under its brand name, primarily to customers who buy these services as part of a bundle with one or more of our other products and services. This arrangement allows us to sell the full complement of Verizon Wireless services. Our current arrangement with Verizon Wireless has a five-year term ending in 2015 and is terminable by either party thereafter.

Legacy Services

Our legacy services represent our traditional phone services, which include the following:

- *Local.* We offer local calling services for our regional and business markets customers within our local service area, generally for a fixed monthly charge. These services include a number of enhanced calling features and other services, such as call forwarding, caller identification, conference calling, voicemail, selective call ringing, call waiting and maintenance services, for which we generally charge an additional monthly fee. We also generate revenues from non-recurring services, such as inside wire installation, service activation and reactivation.

  For our wholesale customers, local calling services include primarily resale and UNEs, which allow our wholesale customers to use our network or a combination of our network and their own networks to provide voice and data services to their customers. It also includes network transport, billing services and access to our network by other telecommunications providers and wireless carriers. Local calling services provided to our wholesale customers allow other telecommunications companies the ability to originate or terminate telecommunications services on our network;

- *Long-distance.* We offer our residential and business customers domestic and international long-distance services and toll free services. Our international long-distance services include voice calls that either terminate or originate with our customers in the United States; and

- *Switched access services.* We sell various forms of switched access services to wireline and wireless service providers for the use of our facilities to originate and terminate their interstate and intrastate voice transmissions.

Data Integration

Data integration involves the sale of telecommunications equipment located on customers' premises and related professional services. These services include network management, installation and maintenance of data equipment and building of proprietary fiber-optic broadband networks for our governmental and other business customers.

Other Revenues

We also generate other operating revenues from Universal Service Fund ("USF") revenues and surcharges and the leasing and subleasing of space in our office buildings, warehouses and other properties. We centrally manage this revenue, and consequently it is not assigned to any of our three categories described above. The majority of our real estate properties are located in our local service area.

Additional Information

During 2008, we paid an aggregate of approximately $149 million for 69 licenses in the FCC's auction of 700 megahertz wireless spectrum. We are continuing to evaluate our options associated with owning this spectrum.

From time to time, we also make investments in other communications companies.

For further information on regulatory, technological and competitive changes that could impact our revenues, see "Regulation" and "Competition" under this Item 1 below and "Risk Factors" under

Item 1A below. For more information on the financial contributions of our various services, see Item 7 of this annual report.

Importance, Duration and Effect of Patents, Trademarks and Copyrights

Either directly or through our subsidiaries, we own several patents, tradenames, trademarks, copyrights and other intellectual property necessary to conduct our business, such as our CenturyLink™ and Prism™ brand names. Our services often use the intellectual property of others, including licensed software. We also occasionally license our intellectual property to others.

Sales and Marketing

We maintain local offices in most of the larger population centers within our local service area. These offices provide sales and customer support services in the community. We also rely on our call center personnel to promote sales of services that meet the needs of our customers. Our strategy is to enhance our communications services by offering a comprehensive bundle of services and deploying new technologies to build upon our reputation and to further enhance customer loyalty.

We conduct most of our operations under the brand name "CenturyLink." Our satellite television service is offered on a co-branded basis under the "DIRECTV" name. Our switched digital television service offering is branded under the name "Prism™." The wireless service that we offer under our agency agreement with Verizon Wireless is marketed under the "Verizon Wireless" brand name. Currently, all IT and other services furnished through our Savvis operations are marketed under the "Savvis" brand name.

Our approach to our residential customers emphasizes customer-oriented sales, marketing and service with a local presence. We market our products and services primarily through direct sales representatives, inbound call centers, local retail stores, telemarketing and third parties. We support our distribution with direct mail, bill inserts, newspaper advertising, website promotions, public relations activities and sponsorship of community events.

Our approach to our business customers includes a commitment to deliver communications solutions that meet existing and future business needs through bundles of services and integrated service offerings. Our focus is to be a comprehensive customer communications solution for small businesses to large enterprises.

Our approach to our wholesale customers includes a commitment to deliver communications solutions that meet existing and future national telecommunications providers' needs through bandwidth growth and quality of services.

Our Savvis operations utilize a solution-based selling approach. By working directly with potential and existing clients, we are able to understand our clients' IT infrastructure and long-term goals. We also market through indirect channels, including collaborations with existing clients and technology providers, telecommunications companies and system integrators.

Network Architecture

Most of our products and services are provided using our telecommunications network, which consists of voice and data switches, copper cables, fiber-optic cables and other equipment. Our local exchange carrier networks also include central offices and remote sites, all with advanced digital switches and operating with licensed software. Our fiber-optic cable is the primary transport technology between our central offices and interconnection points with other incumbent carriers. We also maintain separate networks in connection with providing fiber transport services.

We continue to enhance and expand our network as broadband enabled technologies are being deployed to provide significant capacity to our customers. Rapid and significant changes in technology are expected to continue in the telecommunications industry. Our future success will depend, in part, on our ability to anticipate and adapt to technological changes.

Regulation

We are subject to significant regulation by the Federal Communications Commission ("FCC"), which regulates interstate communications, and state utility commissions, which regulate intrastate communications in our local service area. These agencies issue rules to protect consumers and promote competition; they set the rates that telecommunication companies charge each other for exchanging traffic; and they have established funds (called universal service funds or USF) to support the provision of services to high-cost areas. In most states, local voice service, switched and special access services and interconnection services are subject to price regulation, although the extent of regulation varies by type of service and geographic region. In addition, we are required to maintain licenses with the FCC and with the utility commissions of most of the states in our local service area. Laws and regulations in many states restrict the manner in which a licensed entity can interact with affiliates, transfer assets, issue debt and engage in other business activities and many mergers and acquisitions require approval by the FCC and some state commissions.

Historically, incumbent local exchange carriers, or ILECs, operated as regulated monopolies having the exclusive right and responsibility to provide local telephone services in their franchised service territories. As we discuss in greater detail below, passage of the Telecommunications Act of 1996, coupled with state legislative and regulatory initiatives and technological change, fundamentally altered the telephone industry by generally reducing the regulation of ILECs and creating a substantial increase in the number of competitors. We are considered an ILEC. The following description discusses some of the major industry regulations that affect our traditional telephone operations, but numerous other regulations not discussed below could also impact us. Some legislation and regulations are currently the subject of judicial proceedings, legislative hearings and administrative proceedings which could substantially change the manner in which the telecommunications industry operates and the amount of revenues we receive for our services. Neither the outcome of these proceedings, nor their potential impact on us, can be predicted at this time. The impact of regulatory changes in the telecommunications industry could have a substantial impact on our operations. For further information, see Item 1A of this annual report below.

State Regulation

In recent years, most states have substantially reduced their regulation of ILECs. Nonetheless, state regulatory commissions generally continue to regulate local service rates, intrastate access charges, and in some cases service quality, as they continue to grant and revoke certifications authorizing companies to provide communications services. State commissions traditionally regulated pricing through "rate of return" regulation that focused on authorized levels of earnings by ILECs. Several states continue to regulate us in this manner. In most of our states, we are generally regulated under various forms of alternative regulation that typically limit our ability to increase rates for basic local voice service, but relieve us from the requirement to meet certain earnings tests. In a few states, we have recently gained pricing freedom for the majority of retail services except for the most basic of services, such as stand-alone basic residential voice service. In most of the states in which we operate, we have gained pricing flexibility for certain enhanced calling services, such as caller identification and for bundled services that also include local voice service. State commissions periodically conduct proceedings to review the rates that we charge other telecommunications providers for using our network or for reselling our service pursuant to the Telecommunications Act of 1996, and those proceedings can result in revenue reductions.

We are currently responding to carrier complaints, legislation or generic investigations regarding our intrastate switched access charge rates in several of our states. In particular, certain long-distance providers have disputed existing intercarrier compensation rates payable to us and other ILECs with respect to VoIP traffic or refused to pay access charges, based on the contention that tariffed switched access charges should not apply to VoIP traffic. On October 27, 2011, the FCC adopted an order comprehensively reforming federal intercarrier compensation and universal service policies and rules, as discussed further below under the heading "Federal Regulation." Among other things, this order preempted state regulatory commissions' jurisdiction over all terminating access charges, however, intrastate access charges have historically been subject to exclusive state jurisdiction. Furthermore, the FCC decreed that on a prospective basis, intercarrier compensation rates for VoIP traffic are established at interstate access rates in the event intrastate switched access rates exceed interstate rates.

The FCC order requires all terminating access rates including intrastate, interstate and reciprocal compensation rates to be reduced and unified over time. Excluding the rate implications contemplated on a prospective basis by the recent FCC order, we will continue to vigorously defend and seek to collect our intrastate switched access revenue subject to outstanding disputes. These historical disputes are primarily over access charge compensation for VoIP traffic terminating on the public switched telephone network. The outcomes of these disputes cannot be determined at this time. If we are required to reduce our intrastate switched access rates as a result of any of these disputes or state initiatives, we will seek to recover displaced switched access revenues from state universal service funds or other services. However, the amount of such recovery, particularly from residential customers, is not assured.

Under state law, our telephone operating subsidiaries are typically governed by laws and regulations that (i) regulate the purchase and sale of ILECs, (ii) prescribe certain reporting requirements, (iii) require ILECs to provide service under publicly-filed tariffs setting forth the terms, conditions and prices of regulated services, (iv) limit ILECs' ability to borrow and establish asset liens (v) regulate transactions between ILECs and their affiliates, and (vi) impose various other service standards.

As an ILEC, we generally face "carrier of last resort" obligations which include an ongoing requirement to provide service to all prospective and current customers in our service area who request service and are willing to pay rates prescribed in our tariffs. In competitively-bid situations, such as newly-constructed housing developments or multi-tenant dwellings, this may constitute a competitive disadvantage to us if competitors can choose to focus on low-risk profitable customers and withhold service from high-risk unprofitable customers. Strict adherence to carrier of last resort requirements may force us to construct facilities with a low likelihood of positive economic return. In certain cases, we seek to mitigate these risks by receiving regulatory approval to use less costly alternative technologies, such as fixed wireless, or by sharing network construction costs with our customers. In addition, a few of our states provide relief from these obligations under certain specific circumstances, and in certain areas our costs to build and maintain network infrastructure are partially offset by payments from universal service programs.

We operate in states where traditional cost recovery mechanisms, including rate structures, are under evaluation or have been modified. There can be no assurance that these states will continue to provide for cost recovery at current levels.

Federal Regulation

We are required to comply with the Communications Act of 1934, which requires us to offer services at just and reasonable rates and on non-discriminatory terms, as well as the Telecommunications Act of 1996, which amended the Communications Act of 1934 primarily to promote competition.

The FCC regulates interstate services provided by us, including the special access charges we bill for wholesale network transmission and the interstate access charges that we bill to long-distance companies and other communications companies in connection with the origination and termination of interstate voice and data transmissions. Additionally, the FCC regulates a number of aspects of our business related to privacy, homeland security and network infrastructure, including access to and use of local telephone numbers. The FCC has responsibility for maintaining and administering the federal USF, which provides substantial support for maintaining networks in high-cost areas, as well as supporting service to low-income households, schools and libraries, and rural health care providers. Like other communications network operators, ILECs must obtain FCC approval to use certain radio frequencies, or to transfer control of any such licenses. The FCC retains the right to revoke these licenses if a carrier materially violates relevant legal requirements.

We, like other large and mid-sized ILECs, operate under price-cap regulation of interstate access rates. Under price-cap regulation, limits imposed on a company's interstate rates are adjusted periodically to reflect inflation, productivity improvement and changes in certain non-controllable costs.

Our operations and those of all telecommunications carriers also may be impacted by legislation and regulation imposing new or greater obligations on us. The most likely areas of impact include regulations or laws related to providing broadband service, bolstering homeland security, increasing disaster recovery requirements, minimizing environmental impacts, enhancing privacy, or addressing other issues that impact our business, including the Communications Assistance for Law Enforcement Act, and laws governing local telephone number portability and customer proprietary network information requirements. These laws and regulations may cause us to incur additional costs and could impact our ability to compete effectively.

From time-to-time, the FCC reviews the rates and terms under which ILECs provide special access services. If the FCC were to adopt significant changes in regulations affecting special access services, this could adversely impact our operations or financial results.

Universal Service Fund and Other Related Matters

For decades, the FCC has regularly considered various intercarrier compensation reforms, generally with a goal to create a uniform mechanism to be used by the entire telecommunications industry for payments between carriers originating, terminating, or carrying telecommunications traffic. In connection therewith, the FCC has received intercarrier compensation proposals from several industry groups, and solicited public comments on a variety of topics related to access charges and intercarrier compensation. In early 2011, the FCC issued a notice of proposed rulemaking focused on modernizing its universal service policies and intercarrier compensation rules.

On October 27, 2011, the FCC adopted the Connect America and Intercarrier Compensation Reform order ("CAF order") intended to reform the existing regulatory regime to recognize ongoing shifts to new technologies, including VoIP, and gradually re-direct universal service funding to foster nationwide broadband coverage. This initial ruling provides for a multi-year transition over the next decade as intercarrier compensation charges are reduced, universal service funding is explicitly targeted to broadband deployment, and subscriber line charges paid by end user customers are gradually increased. These changes will substantially increase the pace of reductions in the amount of switched access revenues we receive in our wholesale segment, while creating opportunities for increases in federal USF and retail revenue streams. The ultimate effect of this order on communications companies is largely dependent on future FCC proceedings designed to implement the order, the most significant of which are scheduled to be determined in 2012 and 2013.

On December 29, 2011, the CAF order went into effect. At the same time, numerous parties filed a Petition For Reconsideration ("PFR") with the FCC seeking numerous revisions to the order. In January 2012, we joined more than two dozen parties in appealing certain aspects of the order by filing a PFR that will be heard by the United States Tenth Circuit Court of Appeals. Future judicial challenges to the CAF order are possible, which could alter or delay the FCC's proposed changes. In addition, based on the outcome of the FCC proceedings, various state commissions may consider changes to their universal service funds or intrastate access rates. For these reasons, we cannot predict the ultimate impact of these proceedings on us at this time.

The following table reflects the minute-driven components of our intercarrier compensation revenues for the year ended December 31, 2011:

	Originating Traffic		Terminating Traffic	
	Minutes (in thousands)	Yield	Minutes (in thousands)	Yield
Revenues:				
Interstate switched access	11,397,310	$ 0.0041	12,960,384	$ 0.0057
Intrastate switched access	2,054,012	$ 0.0250	5,911,023	$ 0.0297
Local interconnection			14,911,205	$ 0.0070

The American Recovery and Reinvestment Act of 2009 (the "Recovery Act") includes certain broadband initiatives that are intended to accelerate broadband deployment across the United States. The Recovery Act approved $7.2 billion in funding for broadband stimulus projects across the United States to be administered by two governmental agencies. The programs provide grants and loans to applicants for construction of certain broadband infrastructure, provision of certain broadband services, and support of certain broadband adoption initiatives. This program has attracted a wide range of applicants including states, municipalities, start-up companies and consortiums. The participation of other parties in these programs could increase competition in selected areas, which may increase our marketing costs and decrease our revenues in those areas. We cannot at this time estimate the impact these programs may have on our operations.

On January 31, 2012 the FCC adopted an order modernizing the program that provides assistance to qualifying low-income individuals for local voice service. These changes also affect state-specific programs that provide assistance to qualifying individuals. The impact of these changes cannot be quantified at this time, but we may face increased administrative costs and audit requirements as a result of this FCC order and its implementation.

For several years, Congress has passed bills granting successive short-term exemptions from a federal law that could otherwise delay or block funding of the USF's E-rate program, including a bill extending the exemption through December 31, 2012. Although we expect funding from this program to continue, we cannot assure you that the lack of a definitive resolution of this issue will not delay or impede the disbursement of funds in the future.

We received approximately $510 million, $431 million and $385 million of revenue from federal and state universal service programs for the years ended December 31, 2011, 2010 and 2009 respectively. Such amounts represented approximately 3.3%, 6.1% and 7.7% of our 2011, 2010 and 2009 total operating revenues, respectively.

Competition

We compete in a rapidly evolving and highly competitive market and we expect intense competition to continue. We compete with cable companies, wireless providers, and national telecommunications providers, such as AT&T, Inc. and Verizon Communications Inc. Technological advances, regulatory and legislative changes have increased opportunities for alternative communications service providers, which in turn have increased competitive pressures on our business. These alternate providers often face fewer regulations and have lower cost structures than we do. In addition, the telecommunications industry has experienced substantial consolidation over the past decade and some of our competitors are generally larger, may have more financial and business resources and have broader service offerings than we currently do.

Over the past decade, fundamental technological, regulatory and legislative changes have significantly impacted the communications industry, and we expect these changes will continue. Primarily as a result of regulatory and technological changes, competition has been introduced and encouraged in each sector of the communications industry in recent years. As a result, we increasingly face competition from other communication service providers, as further described below.

Wireless telephone services increasingly constitute a significant source of competition with our ILEC services, especially since wireless carriers have begun to compete effectively on the basis of price with more traditional telephone services. As a result, some customers have chosen to completely forego use of traditional wireline phone service and instead rely solely on wireless service for voice services. We anticipate this trend will continue, particularly if wireless service providers continue to expand their coverage areas, reduce their rates, improve the quality of their services, and offer enhanced new services. Substantially all of our access line customers are currently capable of receiving wireless services from at least one competitive service provider. Technological and regulatory developments in wireless services, personal communications services, digital microwave, satellite, coaxial cable, fiber optics, local multipoint distribution services, WiFi, and other wired and wireless technologies are expected to further permit the development of alternatives to traditional landline services. Moreover, the growing prevalence of electronic mail, text messaging, social networking, and similar digital communications continues to reduce the demand for traditional landline voice services.

The Telecommunications Act of 1996, which obligates ILECs to permit competitors to interconnect their facilities to the ILEC's network and to take various other steps that are designed to promote competition, imposes several duties on an ILEC if it receives a specific request from another entity which seeks to connect with or provide services using the ILEC's network. In addition, each ILEC is obligated to (i) negotiate interconnection agreements in good faith, (ii) provide nondiscriminatory "unbundled" access to all aspects of the ILEC's network, (iii) offer resale of its telecommunications services at wholesale rates and (iv) permit competitors, on terms and conditions (including rates) that are just, reasonable and nondiscriminatory, to collocate their physical plant on the ILEC's property, or provide virtual collocation if physical collocation is not practicable. Current FCC rules require ILECs to lease a network element only in those situations where competing carriers genuinely would be impaired without access to such network elements, and where the unbundling would not interfere with the development of facilities-based competition.

As a result of these regulatory, consumer and technological developments, ILECs also face competition from competitive local exchange carriers, or CLECs, particularly in densely populated areas. CLECs provide competing services through reselling the ILECs' local services, through use of the ILECs' unbundled network elements or through their own facilities.

As noted above, wireless and other competitive services providers have been increasingly aggressive in seeking and obtaining USF support funds. This support is likely to encourage additional competitors to enter our high-cost service areas.

Technological developments have led to the development of new services that compete with traditional ILEC services. Technological improvements have enabled cable television companies to provide traditional circuit-switched telephone service over their cable networks, and several national cable companies have aggressively pursued this opportunity.

Similar to us, many cable, technology or other communications companies that previously offered a limited range of services are now offering diversified bundles of services, either through their own networks, reselling arrangements or joint ventures. As such, a growing number of companies are competing to serve the communications needs of the same customer base. Such activities will continue to place downward pressure on the demand for our access lines and the pricing of our services.

In addition to facing direct competition from those providers described above, ILECs increasingly face competition from alternate communication systems constructed by long distance carriers, large customers or alternative access vendors. These systems are capable of originating or terminating calls without use of the ILECs' networks or switching services. Other potential sources of competition include non-carrier systems that are capable of bypassing ILECs' local networks, either partially or completely, through various means, including the provision of special access or independent switching services and the concentration of telecommunications traffic on a few of the ILECs' access lines. We anticipate that all these trends will continue and lead to decreased use of our networks.

Below is more specific information on how these trends in competition have impacted our segments.

Regional Markets

Strategic Services

With respect to our strategic services, competition is based on price, bandwidth, service, promotions and bundled offerings. Wireless carriers' fourth generation, or 4G, services are allowing them to more directly compete with our strategic services. In reselling DIRECTV video services, we compete primarily with cable and other satellite companies as well as other sales agents and resellers. Many of our competitors for these strategic services are not subject to the same regulatory requirements as we are and therefore they are able to avoid significant regulatory costs and obligations.

Our strategy is to focus on increasing the subscribers of our broadband services. In order to remain competitive, we believe continually increasing connection speeds is important. As a result, we continue to invest in our fiber to the node, or FTTN, deployment, which allows for the delivery of higher speed broadband services. While traditional ATM-based broadband services are declining, they have been more than offset by growth in fiber-based broadband services. We also continue to expand our product offerings including facilities-based video services and enhance our marketing efforts as we compete in a maturing market in which a significant portion of consumers already have broadband services.

Legacy Services

Although our status as an ILEC continues to provide us some advantages in providing legacy services in our local service area, we increasingly face significant competition as an increasing number of consumers are willing to substitute cable, wireless and electronic communications for traditional voice telecommunications services. This has led to an increase in the number and type of competitors within our industry and a decrease in our market share. As a result of this product substitution, we face greater competition in providing local and long-distance services from wireless providers, resellers and sales agents (including ourselves) and from broadband service providers, including cable companies. We also continue to compete with traditional telecommunications providers, such as national carriers, smaller regional providers, CLECs and independent telephone companies.

Our strategy to reduce access line loss is based primarily on our pricing, packaging of services and features, quality of service and meeting customer care needs. While bundle price discounts have resulted in lower average revenues for our individual services, we believe service bundles continue to positively impact our customer retention. In addition to our bundle discounts, we also offer limited time promotions on our broadband service for prospective customers who want our broadband service in their bundle which further aids our ability to attract and retain customers and increase usage of our services.

Business Markets

Strategic Services

In connection with providing strategic services to our business customers, we compete primarily with cable companies, interexchange carriers and other broadband service providers. Competition is based on price, bandwidth, service, promotions and bundled offerings. In addition, our mix of total revenues derived from business customers continues to migrate from legacy services to strategic services as our enterprise and government customers increasingly demand customized and integrated data, Internet and voice services.

Our strategy is based primarily on pricing, packaging of services and features, quality of service and meeting customer care needs. Although we are experiencing price compression on our strategic services, we expect overall revenues from these services to grow.

Legacy Services

In providing our legacy services to our business market customers, we face the same competitive pressures as we face in providing our strategic services, as discussed above.

Data Integration

In providing data integration to our customers, we compete primarily with large integrators, equipment providers and national telecommunication providers. Competition is based on package offerings and as such we focus on providing these customers individualized and customizable packages. Our strategy is to provide our data integration through packages that include other strategic and legacy services. As such, in providing data integration we often face many of the same competitive pressures as we face in providing strategic and legacy services, as discussed above.

Wholesale Markets

Strategic Services

In providing private line (including special access) services to our wholesale markets customers, we compete with large cable companies, as well as other regional and national carriers and other fiber providers and CLECs. Demand for our private line services continues to increase, despite our customers' optimization of their networks, industry consolidation and technological migration. While we expect that these factors will continue to impact our wholesale markets segment, we ultimately believe the growth in fiber-based special access provided to wireless carriers for backhaul will, over time, offset the decline in copper-based special access provided to wireless carriers as they migrate to Ethernet services, although the timing and magnitude of this technological migration is uncertain.

Legacy Services

The provision of our legacy services to other communications providers is highly competitive, and has been and will continue to be adversely affected by technological migration, industry consolidation and rate reductions. We face significant competition for access services from CLECs, cable companies, resellers and wireless service providers as well as some of our own wholesale markets customers, which are deploying their own networks to provide customers with local services. By doing so, these competitors reduce traffic on our network. In addition, our long-distance revenues continue to decline as a result of customer migration to more technologically advanced services, price compression, and declining demand for traditional voice services.

Savvis Operations

Our competitors for hosting, colocation and other IT services range from telecommunications companies, hardware manufacturers and system integrators that support the in-house IT operations for a business or offer outsourcing solutions. Due to the size and capacity of some of these companies, they may be able to offer more inexpensive solutions to our customers. To compete, we focus on providing complex, secure and performance-driven services to our business customers through our global infrastructure. Our services can be purchased individually or as part of a total outsourcing arrangement. Our keys to growth include targeting the right clients, offering targeted business solutions to solve specific client needs and delivering compelling and comprehensive technical capabilities.

For our colocation services, we continue to see pricing pressures with respect to these services as low-cost wholesale colocation providers continue to enter our market, and we expect this trend to continue. Our Savvis network services continue to see pricing pressures on virtual private network and bandwidth services offset by increases in network services that support our colocation and managed hosting service offerings.

Environmental Compliance

As discussed in greater detail in Item 3 of this report, several decades ago one of our subsidiaries acquired entities that may have owned or operated seven former "manufactured gas" plant sites that may require environmental remediation. From time to time we may incur other environmental compliance and remediation expenses, mainly resulting from the ownership of other prior industrial sites or the operation of vehicle fleets or power supplies for our communications equipment. Although we cannot assess with certainty the impact of any future compliance and remediation obligations, we do not believe that future environmental compliance and remediation expenditures will have a material adverse effect on our financial condition or results of operations.

Seasonality

Overall, our business is not significantly impacted by seasonality. From time to time weather related problems have resulted in increased costs to repair our network and respond to service calls in some of our markets. The amount and timing of these costs are subject to the weather patterns of any given year, but have generally been highest during the third quarter and have been related to damage from severe storms, including hurricanes, tropical storms and tornadoes in our markets along the lower Atlantic and Gulf of Mexico coastlines.

Employees

At December 31, 2011, we had approximately 49,000 employees, of which approximately 20,000 were members of either the International Brotherhood of Electrical Workers ("IBEW") or the Communications Workers of America ("CWA"). We believe that relations with our employees continue to be generally good.

Approximately 15,000 of the union-represented employees are subject to collective bargaining agreements that expire throughout 2012. See the discussion of risks relating to our labor relations in "Risk Factors—Other Risks" in Item 1A of this report.

Our headcount is significantly higher than previous years due to our acquisition of Qwest on April 1, 2011 and Savvis on July 15, 2011. We have partially offset these increases with reductions of our workforce primarily due to (i) integration efforts from our acquisitions of Qwest and Savvis; (ii) increased competitive pressures; and (iii) the loss of access lines over the last several years.

Website Access and Important Investor Information

Our website is *www.centurylink.com*. The information contained on, or that may be accessed through, our website is not part of this annual report. You may obtain free electronic copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports in the "Investor Relations" section of our website (*ir.centurylink.com*) under the heading "SEC Filings." These reports are available on our website as soon as reasonably practicable after we electronically file them with the Securities and Exchange Commission, or SEC.

We have adopted written codes of conduct that serve as the code of ethics applicable to our directors, officers and employees, including our principal executive officer and senior financial officers, in accordance with applicable laws and rules promulgated by the SEC and the New York Stock Exchange. In the event that we make any changes (other than by a technical, administrative or non-substantive amendment) to, or provide any waivers from, the provisions of our code of conduct applicable to our directors or executive officers, we intend to disclose these events on our website or in a report on Form 8-K filed with the SEC. These codes of conduct, as well as copies of our guidelines on significant governance issues and the charters of our audit committee, compensation committee, nominating and corporate governance committee and risk evaluation committee, are also available in the "Corporate Governance" section of our website at *www.centurylink.com/Pages/AboutUs/Governance/* or in print to any shareholder who requests them by sending a written request to our Corporate Secretary at CenturyLink, Inc., 100 CenturyLink Drive, Monroe, Louisiana, 71203.

Investors may also read and copy any materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. For information on the operation of the Public Reference Room, you are encouraged to call the SEC at 1-800-SEC-0330. For all of our electronic filings, the SEC maintains a website at *www.sec.gov* that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

In connection with filing this annual report, our chief executive officer and chief financial officer made the certifications regarding our financial disclosures required under the Sarbanes-Oxley Act of 2002, and the Act's related regulations. In addition, during 2011, our chief executive officer certified to the New York Stock Exchange that he was unaware of any violations by us of the New York Stock Exchange's corporate governance listing standards.

Special Note Regarding Forward-Looking Statements

This report and other documents filed by us under the federal securities law include, and future oral or written statements or press releases by us and our management may include, forward-looking statements about our financial condition, operating results and business. These statements include, among others:

- statements concerning the benefits that we expect will result from our business activities and certain transactions we have completed, such as increased revenue and decreased capital or operating expenditures;

- statements about our anticipated future operating and financial performance, financial position and liquidity, tax position, contingent liabilities, growth opportunities and growth rates, acquisition and divestiture opportunities, business prospects, regulatory and competitive outlook, investment and expenditure plans, investment results, financing alternatives and sources and pricing plans; and

- other similar statements of our expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts, many of which are highlighted by words such as "may," "would," "could," "should," "plan," "believes," "expects," "anticipates," "estimates," "projects," "intends," "likely," "seeks," "hopes," or variations or similar expressions.

These forward-looking statements are based upon our judgment and assumptions as of the date such statements are made concerning future developments and events, many of which are outside of our control. These forward-looking statements, and the assumptions upon which they are based, are inherently speculative and are subject to uncertainties that may cause our actual results to be materially different from any future results expressed or implied by us in those statements. Some of these uncertainties and risks are described in "Risk Factors" in Item 1A of this report.

These risk factors should be considered in connection with any written or oral forward-looking statements that we or persons acting on our behalf may issue. Anticipated events may not occur and our actual results or performance may differ materially from those anticipated, estimated or projected if one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect. Additional risks that we currently deem immaterial or that are not presently known to us could also cause our actual results to differ materially from our expected results. Given these uncertainties, we caution investors not to unduly rely on our forward-looking statements. We undertake no obligation to update or revise any forward-looking statements for any reason, whether as a result of new information, future events or developments, changed circumstances, or otherwise. Further, the information about our intentions contained in this document is a statement of our intentions as of the date of this document and is based upon, among other things, the existing regulatory environment, industry conditions, market conditions and prices, the economy in general and our assumptions as of such date. We may change our intentions, at any time and without notice, based upon any changes in such factors, in our assumptions or otherwise.

Investors should also be aware that while we do, at various times, communicate with securities analysts, it is against our policy to disclose to them selectively any material non-public information or other confidential information. Accordingly, investors should not assume that we agree with any statement or report issued by an analyst irrespective of the content of the statement or report. To the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

Unless otherwise indicated, information contained in this report and other documents filed by us under the federal securities laws concerning our views and expectations regarding the communications industry are based on estimates made by us using data from industry sources, and on assumptions made by us based on our management's knowledge and experience in the markets in which we operate and the communications industry generally. You should be aware that we have not independently verified data from industry or other third-party sources and cannot guarantee its accuracy or completeness. Our estimates and assumptions involve risks and uncertainties and are subject to change based on various factors, including those discussed in Item 1A of this report.

ITEM 1A. RISK FACTORS

Any of the following risks could materially and adversely affect our business, financial condition, results of operations, liquidity or prospects. The risks described below are not the only risks facing us. Please be aware that additional risks and uncertainties not currently known to us or that we currently deem to be immaterial could also materially and adversely affect our business operations.

Risks Affecting Our Business

Increasing competition, including product substitution, continues to cause access line losses, which has adversely affected and could continue to adversely affect our operating results and financial condition.

We compete in a rapidly evolving and highly competitive market, and we expect competition to continue to intensify. We are facing greater competition from cable companies, wireless providers, broadband companies, resellers and sales agents (including ourselves) and facilities-based providers using their own networks as well as those leasing parts of our network. In addition, regulatory developments over the past several years have generally increased competitive pressures on our business. Due to some of these and other factors, we continue to lose access lines.

Some of our current and potential competitors (i) offer a more comprehensive range of communications products and services, (ii) have market presence, engineering and technical capabilities, and financial and other resources greater than ours, (iii) own larger and more diverse networks, (iv) conduct operations or raise capital at a lower cost than us, (v) are subject to less regulation, (vi) offer greater online content services or (vii) have substantially stronger brand names. Consequently, these competitors may be better equipped to charge lower prices for their products and services, to provide more attractive offerings, to develop and expand their communications and network infrastructures more quickly, to adapt more swiftly to new or emerging technologies and changes in customer requirements, and to devote greater resources to the marketing and sale of their products and services.

Competition could adversely impact us in several ways, including (i) the loss of customers and market share, (ii) the possibility of customers reducing their usage of our services or shifting to less profitable services, (iii) reduced traffic on our networks, (iv) our need to expend substantial time or money on new capital improvement projects, (v) our need to lower prices or increase marketing expenses to remain competitive and (vi) our inability to diversify by successfully offering new products or services.

We are continually taking steps to respond to these competitive pressures, but these efforts may not be successful. Our operating results and financial condition would be adversely affected if these initiatives are unsuccessful or insufficient and if we otherwise are unable to sufficiently stem or offset our continuing access line losses and our revenue declines significantly without corresponding cost reductions. If this occurred, our ability to service debt and pay other obligations would also be adversely affected.

Our legacy services continue to generate declining revenues, and our efforts to offset these declines may not be successful.

The telephone industry has experienced a decline in access lines and network access revenues, which, coupled with the other changes resulting from competitive, technological and regulatory developments, continue to place downward pressure on the revenues we generate from our legacy services.

We have taken a variety of steps to counter these declines, including:

- an increased focus on selling a broader range of strategic services, including broadband, satellite television provided by DIRECTV and wireless voice services provided by Verizon Wireless, as well as our own facilities-based digital video services;
- greater use of service bundles; and
- acquisitions to increase our scale and strengthen our product offerings, including new products and services provided by our Savvis operations.

However, some of these strategic services generate lower profit margins than our traditional services, and some can be expected to experience slowing growth as increasing numbers of our existing or potential customers subscribe to these newer products. Moreover, we cannot assure you that the revenues generated from our new offerings will offset revenue losses associated from reduced sales of our legacy products, nor can we assure you that we will be able to continue to grow through acquisitions. In addition, our reliance on services provided by others could constrain our flexibility, as described further below.

Our future results will suffer if we do not effectively adjust to changes in our business, and will further suffer if we do not effectively manage our expanded operations.

The above-described changes in our industry have placed a higher premium on marketing, technological, engineering and provisioning skills. Our recent acquisitions also significantly changed the composition of our markets and product mix. Our future success depends, in part, on our ability to retrain our staff to acquire or strengthen skills necessary to address these changes, and, where necessary, to attract and retain new personnel that possess these skills.

Unfavorable general economic conditions could negatively impact our operating results and financial condition.

Unfavorable general economic conditions, including the unstable economy and the current credit market environment, could negatively affect our business. Worldwide economic growth has been sluggish since 2008, and many experts believe that a confluence of factors in the United States, Europe and developing countries may result in a prolonged period of economic downturn, slow growth or economic uncertainty. While it is difficult to predict the ultimate impact of these general economic conditions, these conditions could adversely affect the affordability of and consumer demand for some of our products and services and could cause customers to shift to lower priced products and services or to delay or forgo purchases of our products and services. One or more of these circumstances could cause our revenues to continue declining. Also, our customers may encounter financial hardships or may not be able to obtain adequate access to credit, which could affect their ability to make timely payments to us. In addition, as discussed below, unstable economic and credit markets may preclude us from refinancing maturing debt at terms that are as favorable as those from which we previously benefited, at terms that are acceptable to us or at all. For these reasons, among others, if the current economic conditions persist or decline, this could adversely affect our operating results and financial condition, as well as our ability to raise capital.

We may need to defend ourselves against claims that we infringe upon others' intellectual property rights, or may need to seek third-party licenses to expand our product offerings.

From time to time, we receive notices from third parties or are named in lawsuits filed by third parties claiming we have infringed or are infringing upon their intellectual property rights. We may receive similar notices or be involved in similar lawsuits in the future. Responding to these claims may require us to expend significant time and money defending our use of affected technology, may require us to enter into licensing agreements requiring royalty payments that we would not otherwise have to pay or may require us to pay damages. If we are required to take one or more of these actions, our profit margins may decline. In addition, in responding to these claims, we may be required to stop selling or redesign one or more of our products or services, which could significantly and adversely affect the way we conduct business.

Similarly, from time to time, we may need to obtain the right to use certain patents or other intellectual property from third parties to be able to offer new products and services. If we cannot license or otherwise obtain rights to use any required technology from a third party on reasonable terms, our ability to offer new products and services may be restricted, made more costly or delayed.

Our reseller and sales agency arrangements expose us to a number of risks, one or more of which may adversely affect our business and operating results.

We rely on reseller and sales agency arrangements with other companies to provide some of the services that we sell to our customers, including video services and wireless products and services. If we fail to extend or renegotiate these arrangements as they expire from time to time or if these other companies fail to fulfill their contractual obligations to us or our customers, we may have difficulty finding alternative arrangements and our customers may experience disruptions to their services. In addition, as a reseller or sales agent, we do not control the availability, retail price, design, function, quality, reliability, customer service or branding of these products and services, nor do we directly control all of the marketing and promotion of these products and services. To the extent that these other companies make decisions that negatively impact our ability to market and sell their products and services, our business plans and goals and our reputation could be negatively impacted. If these reseller and sales agency arrangements are unsuccessful due to one or more of these risks, our business and operating results may be adversely affected.

We could be harmed by network disruptions, security breaches, or other significant disruptions or failures of our IT infrastructure and related systems or of those we operate for certain of our customers.

To be successful, we will need to continue providing our customers with a high capacity, reliable and secure network. We face the risk, as does any company, of a security breach, whether through cyber attack, malware, computer viruses, sabotage, or other significant disruption of our IT infrastructure and related systems. We face an added risk of a security breach or other significant disruption of the IT infrastructure and related systems that we develop, install, operate and maintain for certain of our business and governmental customers. As a communications and IT company, we face a heightened risk of a security breach or disruption from unauthorized access to our and our customers' proprietary or classified information on our systems or the systems that we operate and maintain for certain of our customers.

Although we make significant efforts to maintain the security and integrity of these types of information and systems, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging, especially in light of the growing sophistication of cyber attacks and intrusions. We may be unable to anticipate all potential types of attacks or intrusions or to implement adequate security barriers or other preventative measures.

Additional risks to our network and infrastructure include:

- power losses or physical damage, whether caused by fire, adverse weather conditions, terrorism or otherwise;
- capacity limitations;
- software and hardware defects or malfunctions;
- programming, processing and other human error; and
- other disruptions that are beyond our control.

Network disruptions, security breaches and other significant failures of the above-described systems could:

- disrupt the proper functioning of these networks and systems and therefore our operations or those of certain of our customers;
- result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of ours or our customers,

including trade secrets, which others could use to compete against us or for disruptive, destructive or otherwise harmful purposes and outcomes;

- require significant management attention or financial resources to remedy the damages that result or to change our systems;
- subject us to claims for contract breach, damages, credits, fines, penalties, termination or other remedies, particularly with respect to service standards set by state regulatory commissions; or
- result in a loss of business, damage our reputation among our customers and the public generally, subject us to additional regulatory scrutiny or expose us to litigation.

Any or all of which could have a negative impact on our results of operations, financial condition and cash flows.

Any failure or inadequacy of our information technology infrastructure could harm our business.

The capacity, reliability and security of our internal information technology hardware and software infrastructure (including our billing systems) are important to the operation of our current business, which would suffer in the event of system failures. Likewise, our ability to expand and update our information technology infrastructure in response to our growth and changing needs is important to the continued implementation of our new service offering initiatives. Our inability to expand or upgrade our technology infrastructure could have adverse consequences, which could include the delayed implementation of new service offerings, increased acquisition integration costs, service or billing interruptions, and the diversion of development resources.

Rapid changes in technology and markets could require substantial expenditure of financial and other resources in excess of contemplated levels, and any inability to respond to those changes could reduce our market share and adversely affect our operating results and financial condition.

The communications industry is experiencing significant technological changes, many of which are reducing demand for our traditional voice services or are enabling our current customers to reduce or bypass use of our networks. Technological change could also require us to expend capital or other resources in excess of currently contemplated levels, or to forego the development or provision of products or services that others can provide more efficiently. If we are not able to develop new products and services to keep pace with technological advances, or if those products and services are not widely accepted by customers, our ability to compete could be adversely affected and our market share could decline. Any inability to keep up with changes in technology and markets could also adversely affect our operating results and financial condition, as well as our ability to service debt and pay other obligations.

Consolidation among other participants in the telecommunications industry may allow our competitors to compete more effectively against us, which could adversely affect our operating results and financial condition.

The telecommunications industry has experienced substantial consolidation over the last decade, and some of our competitors have combined with other telecommunications providers, resulting in competitors that are larger, have more financial and business resources, and have broader service offerings. Further consolidation could increase competitive pressures, and could adversely affect our operating results and financial condition, as well as our ability to service debt and pay other obligations.

We have a significant amount of goodwill and other intangible assets on our balance sheet. If our goodwill or other intangible assets become impaired, we may be required to record a significant charge to earnings and reduce our stockholders' equity.

Under generally accepted accounting principles, intangible assets are reviewed for impairment on an annual basis or more frequently whenever events or circumstances indicate that its carrying value may not be recoverable. If our intangible assets are determined to be impaired in the future, we may be required to record a significant, non-cash charge to earnings during the period in which the impairment is determined.

We cannot assure you that we will be able to continue paying dividends at the current rate.

Based on current circumstances, we plan to continue our current dividend practices. However, you should be aware that these practices are subject to change for reasons that may include any of the following factors:

- we may not have enough cash to pay such dividends due to changes in our cash requirements, capital spending plans, cash flows or financial position;
- decisions on whether, when and in which amounts to make any future distributions will remain at all times entirely at the discretion of our Board of Directors, which reserves the right to change our dividend practices at any time and for any reason;
- the effects of regulatory reform, including any changes to intercarrier compensation, Universal Service Fund or special access rules;
- our desire to maintain or improve the credit ratings on our debt;
- the amount of dividends that we may distribute to our shareholders is subject to restrictions under Louisiana law and is limited by restricted payment and leverage covenants in our credit facilities and, potentially, the terms of any future indebtedness that we may incur; and
- the amount of dividends that our subsidiaries may distribute to us is subject to restrictions imposed by state law, restrictions that have been or may be imposed by state regulators in connection with obtaining necessary approvals for our recent acquisitions, and restrictions imposed by the terms of credit facilities applicable to certain subsidiaries and, potentially, the terms of any future indebtedness that these subsidiaries may incur.

Our Board of Directors is free to change or suspend our dividend practices at any time. Our common shareholders should be aware that they have no contractual or other legal right to dividends.

Our current dividend practices could limit our ability to pursue growth opportunities.

The current practice of our Board of Directors to pay an annual $2.90 per common share dividend reflects an intention to distribute to our shareholders a substantial portion of our cash flow. As a result, we may not retain a sufficient amount of cash to finance a material expansion of our business in the future. In addition, our ability to pursue any material expansion of our business, through acquisitions or increased capital spending will depend more than it otherwise would on our ability to obtain third party financing. We cannot assure you that such financing will be available to us at terms that are as favorable as those from which we previously benefited, at terms that are acceptable to us or at all.

We rely on a limited number of key suppliers, vendors, landlords and other third parties to operate our business.

We depend on a limited number of suppliers and vendors for equipment and services relating to our network infrastructure. Our local exchange carrier networks consist of central office and remote sites, all with advanced digital switches. If any of these suppliers experience interruptions or other problems delivering or servicing these network components on a timely basis, our operations could suffer significantly. To the extent that proprietary technology of a supplier is an integral component of our network, we may have limited flexibility to purchase key network components from alternative suppliers. Similarly, our data center operations are materially reliant on leasing space from landlords and power services from utility companies, and being able to renew these arrangements from time to time on favorable terms. In addition, we rely on a limited number of software vendors to support our business management systems. In the event it becomes necessary to seek alternative suppliers and vendors, we may be unable to obtain satisfactory replacement supplies, services, space or utilities on economically attractive terms, on a timely basis, or at all, which could increase costs or cause disruptions in our services.

Portions of our property, plant and equipment are located on property owned by third parties.

Over the past few years, certain utilities, cooperatives and municipalities in certain of the states in which we operate have requested significant rate increases for attaching our plant to their facilities. To the extent that these entities are successful in increasing the amount we pay for these attachments, our future operating costs will increase.

In addition, we rely on rights-of-way, colocation agreements and other authorizations granted by governmental bodies and other third parties to locate our cable, conduit and other network equipment on their respective properties. If any of these authorizations terminate or lapse, our operations could be adversely affected.

We depend on key members of our senior management team.

Our success depends largely on the skills, experience and performance of a limited number of senior officers. Competition for senior management in our industry is intense and we may have difficulty retaining our current senior officers or attracting new ones in the event of terminations or resignations. For a discussion of similar retention concerns relating to our recent mergers, please see the risks described below under the heading "Risks Relating to Our Recent Acquisitions."

As a holding company, we rely on payments from our operating companies to meet our obligations.

As a holding company, substantially all of our income and operating cash flow is dependent upon the earnings of our subsidiaries and their distribution of those earnings to us in the form of dividends, loans or other payments. As a result, we rely upon our subsidiaries to generate the funds necessary to meet our obligations, including the payment of amounts owed under our long-term debt. Our subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts owed by us or, subject to exceptions for tax-sharing purposes, to make any funds available to us to repay our obligations, whether by dividends, loans or other payments. Certain of our subsidiaries may be restricted under loan agreements or regulatory orders from transferring funds to us, including certain restrictions on the amount of dividends that may be paid to us. Moreover, our rights to receive assets of any subsidiary upon its liquidation or reorganization will be effectively subordinated to the claims of creditors of that subsidiary, including trade creditors. The notes to our consolidated financial statements included in this report describe these matters in additional detail.

Risks Relating to our Recent Acquisitions

We expect to incur substantial expenses related to the integration of Qwest and Savvis.

We have incurred, and expect to continue to incur, substantial expenses in connection with the integration of Qwest's and Savvis' business, operations, networks, systems, technologies, policies and procedures with our own. There are a large number of systems that need to be integrated, including billing, management information, purchasing, accounting and finance, sales, payroll and benefits, fixed asset, lease administration and regulatory compliance. While we have assumed that a certain level of transaction and integration expenses will be incurred, there are a number of factors beyond our control that could affect the total amount or the timing of our integration expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. Moreover, we commenced some of these integration initiatives before we completed our integration of Embarq, which we acquired in 2009. This has delayed some of our pending integration initiatives, and increased their cost and complexity. Due to these factors, we expect the integration expenses associated with our acquisitions to exceed in the near term our anticipated post-acquisition integration savings resulting from the elimination of duplicative expenses and the realization of economies of scale, many of which cannot be attained until several years after the acquisition. These acquisition-related expenses continue to reduce our earnings. These charges have been, and are expected to continue to be, significant, although the aggregate amount and timing of these charges are still uncertain.

We may be unable to integrate successfully the Legacy CenturyLink, Qwest and Savvis businesses and realize the anticipated benefits of the acquisitions.

The Qwest and Savvis acquisitions involved the combination of companies which previously operated as independent public companies. We have devoted, and will continue to devote, significant management attention and resources to integrating the business practices and operations of Legacy CenturyLink, Qwest and Savvis. We may encounter difficulties in the integration process, including the following:

- the inability to successfully combine our businesses in a manner that permits the combined company to achieve the cost savings and operating synergies anticipated to result from the acquisitions, either due to technological challenges, personnel shortages, strikes or otherwise, any of which would result in the anticipated benefits of the acquisitions not being realized partly or wholly in the time frame currently anticipated or at all;

- lost sales as a result of customers of any of the three companies deciding not to do business with the combined company;

- the complexities associated with managing the combined businesses out of several different locations and integrating personnel from the three companies, while at the same time attempting to provide consistent, high quality products and services under a unified culture;

- the additional complexities of combining companies with different histories, regulatory restrictions, product markets and customer bases, and initiating this process before we had fully completed the integration of our operations with those of Embarq;

- the failure to retain key employees, some of whom could be critical to integrating the companies;

- potential unknown liabilities and unforeseen increased expenses or regulatory conditions associated with the acquisitions; and

- performance shortfalls at one or all of the companies as a result of the diversion of management's attention caused by integrating the companies' operations.

For all these reasons, you should be aware that it is possible that the integration process could result in the distraction of our management, the disruption of our ongoing business or inconsistencies in our products, services, standards, controls, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers, vendors and employees or to achieve the anticipated benefits of our recent acquisitions, or could otherwise adversely affect our business and financial results.

Our final determinations of the acquisition date fair value of the assets and liabilities acquired from Qwest and Savvis may be significantly different from our current estimates, which could have a material adverse effect on our operating results.

We have recognized the assets and liabilities of Qwest and Savvis based on our preliminary estimates of their respective acquisition date fair values. The determination of the fair values of the acquired assets and assumed liabilities (and the related determination of estimated lives of depreciable tangible and identifiable intangible assets) requires significant judgment. As such, we have not completed our valuation analysis and calculations in sufficient detail necessary to arrive at the final estimates of the fair value of the assets acquired and liabilities assumed, along with the related allocations to goodwill and intangible assets. As such, all information presented in this report is preliminary and subject to revision pending the final valuation analysis. We expect to complete our final fair value determinations no later than the first quarter of 2012 for Qwest and the second quarter of 2012 for Savvis. Our final fair value determinations may be significantly different than those reflected in this report, which could have a material adverse effect on our operating results.

The Qwest and Embarq acquisitions changed the profile of our local exchange markets to include more large urban areas, with which we have limited operating experience.

Prior to the Embarq acquisition, we provided local exchange telephone services to predominantly rural areas and small to mid-size cities. Embarq's local exchange markets included Las Vegas, Nevada and suburbs of Orlando and several other large U.S. cities, and we have operated these more dense markets only since mid-2009. Qwest's markets included Phoenix, Arizona, Denver, Colorado, Minneapolis—St. Paul, Minnesota, Seattle, Washington, Salt Lake City, Utah, and Portland, Oregon. Compared to our legacy markets, these urban markets, on average, are substantially denser and have experienced greater access line losses in recent years. While we believe our strategies and operating models developed serving rural and smaller markets can successfully be applied to larger markets, we cannot assure you of this. Our business, financial performance and prospects could be harmed if our current strategies or operating models cannot be successfully applied to larger markets, or are required to be changed or abandoned to adjust to differences in these larger markets.

We cannot assure you whether, when or in what amounts we will be able to use Qwest's and Savvis' net operating losses.

At December 31, 2011, we had approximately $6.2 billion of federal net operating losses, or NOLs, of which, approximately $5.6 billion and $212 million relate to pre-acquisition losses of Qwest and Savvis, respectively. These NOLs can be used to offset our future federal and certain taxable income.

The acquisition of Qwest and Savvis caused an "ownership change" under federal tax laws relating to the use of NOLs. As a result, these laws could limit our ability to use their NOLs and certain other deferred tax attributes. Further limitations could apply if we are deemed to undergo an ownership change in the future. Despite this, we expect to use substantially all of these NOLs and certain other deferred tax attributes as an offset to our federal future taxable income by 2015, although the timing of that use will depend upon the consolidated group's future earnings and future tax circumstances.

Our acquisitions have increased our exposure to the risks of fluctuations in energy costs, power outages and limited availability of electrical resources.

Through the acquisitions of Qwest and Savvis, we have added a significant number of data center facilities, which are susceptible to regional costs and supply of power and electrical power outages. We attempt to limit exposure to system downtime by using backup generators and power supplies. However, we may not be able to limit our exposure entirely even with these protections in place. In addition, our energy costs can fluctuate significantly or increase for a variety of reasons, including changes in legislation and regulation. As energy costs increase, we may not always be able to pass on the increased costs of energy to our clients, which could harm our business. Power and cooling requirements at our data centers are also increasing as a result of the increasing power demands of today's servers. Since we rely on third parties to provide our data centers with power sufficient to meet our clients' power needs, our data centers could have a limited or inadequate amount of electrical resources. Our clients' demand for power may also exceed the power capacity in older data centers, which may limit our ability to fully utilize these data centers. This could adversely affect our relationships with our clients and hinder our ability to run our data centers, which could harm our business.

Our inability to renew data center leases, or renew on favorable terms, could have a negative impact on our financial results.

A significant majority of the data centers we acquired in the Qwest and Savvis acquisitions are leased and have lease terms that expire between 2012 and 2031. The majority of these leases provide us with the opportunity to renew the lease at our option for periods generally ranging from five to ten years. Many of these renewal options, however, provide that rent for the renewal period will be equal to the fair market rental rate at the time of renewal. If the fair market rental rates are significantly higher than our current rental rates, we may be unable to offset these costs by charging more for our services, which could have a negative impact on our financial results. Also, it is possible that a landlord may insist on other financially unfavorable renewal terms or, where no further option to renew exists, elect not to renew altogether.

Our acquisitions of Qwest and Savvis has increased our exposure to the risks of operating internationally.

Prior to acquiring Qwest on April 1, 2011, substantially all of our operations were historically conducted within the continental United States. Although Qwest has historically conducted some operations overseas, the acquisition of Savvis has increased the importance of international operations to our future operations, growth and prospects.

As a result of our recent acquisitions, our non-domestic operations are subject to varying degrees of regulation in each of the foreign jurisdictions in which we provide services. Local laws and regulations, and their interpretation and enforcement, differ significantly among those jurisdictions, and can change significantly over time. Future regulatory, judicial and legislative changes or interpretations may have a material adverse effect on our ability to deliver services within various foreign jurisdictions. Many of these foreign laws and regulations relating to communications services are more restrictive than U.S. laws and regulations, particularly those relating to content distributed over the Internet. For example, the European Union has enacted a data retention system that, once implemented by individual member states, will involve requirements to retain certain Internet protocol, or IP, data that could have an impact on our operations in Europe. Moreover, national regulatory frameworks that are consistent with the policies and requirements of the World Trade Organization have only recently been, or are still being, enacted in many countries. Accordingly, many countries are still in the early stages of providing for and adapting to a liberalized telecommunications market. As a result, in these markets we may encounter more protracted and difficult procedures to obtain licenses necessary to provide the full set of products we offer.

In addition to these international regulatory risks, some of the other risks inherent in conducting business internationally include:

- tax, licensing, currency, political or other business restrictions or requirements;
- import and export restrictions;
- longer payment cycles and problems collecting accounts receivable;

- additional U.S. and other regulation of non-domestic operations, including regulation under the Foreign Corrupt Practices Act, or FCPA, as well as other anti-corruption laws;
- fluctuations in currency exchange rates;
- the ability to secure and maintain the necessary physical and telecommunications infrastructure; and
- challenges in staffing and managing foreign operations.

Any one or more of these factors could adversely affect our international operations.

Moreover, in order to effectively compete in certain foreign jurisdictions, it is frequently necessary or required to establish joint ventures, strategic alliances or marketing arrangements with local operators, partners or agents. Reliance on local operators, partners or agents could expose us to the risk of being unable to control the scope or quality of our overseas services or products, or being held liable under the FCPA or other anti-corruption laws for actions taken by our strategic or local partners or agents even though these partners or agents may not themselves be subject to the FCPA or other applicable anti-corruption laws. Any determination that we have violated the FCPA or other anti-corruption laws could have a material adverse effect on our business, results of operations, reputation or prospects.

Risks Relating to Legal and Regulatory Matters

Any adverse outcome of the KPNQwest litigation, or other material litigation of Qwest, Savvis or CenturyLink could have a material adverse impact on our financial condition and operating results, on the trading price of our securities and on our ability to access the capital markets.

As described in Note 16—Commitments and Contingencies to our consolidated financial statements in Item 8 of this report, the KPNQwest matters present material and significant risks to us. In the aggregate, the plaintiffs in the KPNQwest matters seek billions of euros (equating to billions of dollars) in damages. In addition, the outcome of one of the two pending matters could have a negative impact on the other. We continue to defend against these matters vigorously and are currently unable to provide any estimate as to the timing of their resolution.

We can give no assurance as to the impacts on our financial results or financial condition that may ultimately result from these matters. The ultimate outcomes of these matters are still uncertain, and substantial settlements or judgments in these matters could have a significant impact on us. The magnitude of such settlements or judgments resulting from these matters could materially and adversely affect our financial condition and ability to meet our debt obligations, potentially impacting our credit ratings, our ability to access capital markets and our compliance with debt covenants. In addition, the magnitude of any such settlements or judgments may cause us to draw down significantly on our cash balances, which might force us to obtain additional financing or explore other methods to generate cash. Such methods could include issuing additional debt securities or selling assets.

There are other material proceedings pending against us, as described in Note 16—Commitments and Contingencies to our consolidated financial statements in Item 8 of this report. Depending on their outcome, any of these matters could have a material adverse effect on our financial position or operating results. We can give you no assurances as to the impact of these matters on our operating results or financial condition.

We operate in a highly regulated industry and are therefore exposed to restrictions on our manner of doing business and a variety of claims relating to such regulation.

General

We are subject to significant regulation by the FCC, which regulates interstate communications, and state utility commissions, which regulate intrastate communications. Generally, we must obtain and maintain certificates of authority from the FCC and regulatory bodies in most states where we offer regulated services, and we are subject to numerous, and often quite detailed, requirements and interpretations under federal, state and local laws, rules and regulations. Accordingly, we cannot ensure that we are always considered to be in compliance with all these requirements at any single point in time. The agencies responsible for the enforcement of these laws, rules and regulations may initiate inquiries or actions based on customer complaints or on their own initiative.

Regulation of the telecommunications industry is changing rapidly, and the regulatory environment varies substantially from jurisdiction to jurisdiction. Notwithstanding a recent movement towards alternative regulation, a substantial portion of our local voice services revenue remains subject to FCC and state utility commission pricing regulation, which periodically exposes us to pricing or earnings disputes and could expose us to unanticipated price declines. Interexchange carriers have filed complaints in various forums requesting reductions in our access rates. In addition, several long distance providers are disputing amounts owed to us for carrying VoIP traffic or traffic they claim is VoIP traffic and are refusing to pay such amounts. There can be no assurance that future regulatory, judicial or legislative activities will not have a material adverse effect on our operations, or that regulators or third parties will not raise material issues with regard to our compliance or noncompliance with applicable regulations.

Risk associated with recent changes in federal regulation

On October 27, 2011, the FCC adopted the Connect America and Intercarrier Compensation Reform order ("CAF order") intended to reform the existing regulatory regime to recognize ongoing shifts to new technologies, including VoIP, and gradually re-direct universal service funding to foster nationwide broadband coverage. This initial ruling provides for a multi-year transition over the next decade as intercarrier compensation charges are reduced, universal service funding is explicitly targeted to broadband deployment, and subscriber line charges paid by end user customers are gradually increased. These changes will substantially increase the pace of reductions in the amount of switched access revenues we receive in our wholesale markets segment, while creating opportunities for increases in federal USF and retail revenue streams. The ultimate effect of this order on communications companies is largely dependent on future FCC proceedings designed to implement the order, the most significant of which are scheduled to be determined in 2012 and 2013. Several judicial challenges to the CAF order are pending and additional future challenges are possible, any of which could alter or delay the FCC's proposed changes. In addition, based on the outcome of the FCC proceedings, various state commissions may consider changes to their universal service funds or intrastate access rates. For these reasons, we cannot predict the ultimate impact of these proceedings at this time.

Under other pending proceedings, the FCC may implement changes in the regulation or pricing of special access services, any of which could adversely affect our operations or financial results.

Risks posed by costs of regulatory compliance

Regulations continue to create significant compliance costs for us. Challenges to our tariffs by regulators or third parties or delays in obtaining certifications and regulatory approvals could cause us to incur substantial legal and administrative expenses, and, if successful, such challenges could adversely affect the rates that we are able to charge our customers. Our business also may be impacted by legislation and regulation imposing new or greater obligations related to regulations or laws related to broadband deployment, bolstering homeland security, increasing disaster recovery requirements, minimizing environmental impacts, enhancing privacy, or addressing other issues that impact our business, including the Communications Assistance for Law Enforcement Act (which requires communications carriers to ensure that their equipment, facilities, and services are able to facilitate authorized electronic surveillance), and laws governing local number portability and customer proprietary network information requirements. We expect our compliance costs to increase if future laws or regulations continue to increase our obligations to assist other governmental agencies.

Risks posed by other regulations

All of our operations are also subject to a variety of environmental, safety, health and other governmental regulations. We monitor our compliance with federal, state and local regulations governing the management, discharge and disposal of hazardous and environmentally sensitive materials. Although we believe that we are in compliance with these regulations, our management, discharge or disposal of hazardous and environmentally sensitive materials might expose us to claims or actions that could have a material adverse effect on our business, financial condition and operating results.

Regulatory changes in the communications industry could adversely affect our business by facilitating greater competition against us.

Beginning in 1996, Congress and the FCC have taken several steps that have resulted in increased competition among service providers. Many of the FCC's regulations remain subject to judicial review and additional rulemakings, thus making it difficult to predict what effect any changes in interpretation of the 1996 Act may ultimately have on us and our competitors. We could be adversely affected by programs or initiatives recently undertaken by Congress or the FCC, including (i) the federal broadband stimulus projects authorized by Congress in 2009; (ii) the FCC's 2010 National Broadband Plan; (iii) new "network neutrality" rules; (iv) the proposed broadband "Connect America" replacement support fund, and (v) the FCC's above-described October 27, 2011 order.

We are subject to significant regulations that limit our flexibility.

As a diversified full service ILEC, we have traditionally been subject to significant regulation that does not apply to many of our competitors. This regulation imposes substantial compliance costs on us and restricts our ability to change rates, to compete and to respond rapidly to changing industry conditions. As our business becomes increasingly competitive, regulatory disparities between us and our competitors could impede our ability to compete.

We are exposed to risks arising out of recent legislation affecting U.S. public companies.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, and related regulations implemented by the SEC, the New York Stock Exchange and the Public Company Accounting Oversight Board, are increasing legal and financial compliance costs and making some activities more time consuming. Any future failure to successfully or timely complete annual assessments of our internal controls required by Section 404 of the Sarbanes-Oxley Act could subject us to sanctions or investigation by regulatory authorities. Any such action could adversely affect our financial results or investors' confidence in us.

For a more thorough discussion of the regulatory issues that may affect our business, see Item 1 of this report.

Risks Affecting our Liquidity

Our high debt levels pose risks to our viability and may make us more vulnerable to adverse economic and competitive conditions, as well as other adverse developments.

We continue to carry significant debt. As of December 31, 2011, our consolidated debt was approximately $21.8 billion. Approximately $4.3 billion of our debt obligations comes due over the next three years. While we currently believe that we will have the financial resources to meet or refinance our obligations when they come due, we cannot fully anticipate our future condition or the condition of the credit markets or the economy generally. We may have unexpected expenses and liabilities, and we may have limited access to financing.

We expect to periodically require financing to meet our debt obligations as they come due. Due to the unstable economy and the current credit market environment, we may not be able to refinance maturing debt at terms that are as favorable as those from which we previously benefited, at terms that are acceptable to us or at all. We may also need to obtain additional financing or investigate other methods to generate cash (such as further cost reductions or the sale of assets) if revenues and cash provided by operations decline, if economic conditions weaken, if competitive pressures increase, if we are required to contribute a material amount of cash to our collective pension plans, if we are required to begin to pay other post-retirement benefits significantly earlier than is anticipated, if we become subject to significant judgments or settlements in one or more of the matters discussed in Note 16—Commitments and Contingencies to our consolidated financial statements in Item 8 of this report, or if we engage in any acquisition or other initiatives that increase our cash requirements. We can give no assurance that this additional financing will be available on terms that are acceptable to us or at all. If we are able to obtain additional financing, our credit ratings could be adversely affected, which could further raise our borrowing costs and further limit our future access to capital and our ability to satisfy our debt obligations.

Our significant levels of debt can adversely affect us in several other respects, including (i) exposing us to the risk of credit rating downgrades, which would raise our borrowing costs, (ii) hindering our ability to adjust to changing market, industry or economic conditions, (iii) limiting our ability to access the capital markets, (iv) limiting the amount of free cash flow available for future operations, acquisitions, dividends, stock repurchases or other uses, (v) making us more vulnerable to economic or industry downturns, including interest rate increases, and (vi) placing us at a competitive disadvantage compared to less leveraged competitors.

Certain of our debt issues have cross payment default or cross acceleration provisions. When present, these provisions could have a wider impact on liquidity than might otherwise arise from a default or acceleration of a single debt instrument. Any such event could adversely affect our ability to conduct business or access the capital markets and could adversely impact our credit ratings. See "Liquidity and Capital Resources" in Item 7 of this report for additional information about our credit facility.

The degree to which we are leveraged may have other important limiting consequences, including the following:

- placing us at a competitive disadvantage as compared with our less leveraged competitors;
- making us more vulnerable to downturns in general economic conditions or in any of our businesses;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- impairing our credit ratings or our ability to obtain additional financing in the future for working capital, capital expenditures or general corporate purposes.

We may be unable to significantly reduce the substantial capital requirements or operating expenses necessary to continue to operate our business, which may in turn affect our operating results.

The industry in which we operate is capital intensive, and we anticipate that our capital requirements will continue to be significant in the coming years. Although we have reduced our operating expenses over the past few years, we may be unable to further significantly reduce these costs, even if revenues in some areas of our business are decreasing. While we believe that our planned level of capital expenditures will meet both our maintenance and our core growth requirements going forward, this may not be the case if circumstances underlying our expectations change.

Adverse changes in the value of assets or obligations associated with our pension and post-retirement benefit plans could negatively impact our liquidity.

We maintain one or more qualified pension plans, non-qualified pension plans and post-retirement benefit plans, several of which are currently underfunded. The accounting unfunded status of our pension plans was $1.8 billion as of December 31, 2011. Adverse changes in interest rates or market conditions, among other assumptions and factors, could cause a significant increase in our benefit obligation or a significant decrease in the value of plan assets. These adverse changes could require us to contribute a material amount of cash to our pension plans or could accelerate the timing of required cash payments. During 2011, we contributed an aggregate of $587 million to our pension plans and we expect to make a contribution of less than $50 million in 2012. We currently expect that required and voluntary contributions for 2013 will be approximately $500 million, based on current laws and circumstances. The actual amounts of required contributions to our plans in 2013 and beyond are subject to several variables, many of which are beyond our control, including earnings on plan investments, discount rates, demographic experience, changes in plans benefits and changes in funding laws and regulations. Any future material cash contributions could have a negative impact on our liquidity by reducing our cash flows.

Our debt agreements and the debt agreements of our subsidiaries allow us to incur significantly more debt, which could exacerbate the other risks described in this report.

The terms of our debt instruments and the debt instruments of our subsidiaries permit additional indebtedness. Additional debt may be necessary for many reasons, including to adequately respond to competition, to comply with regulatory requirements related to our service obligations, to fund capital requirements or to finance acquisitions. Incremental borrowings on terms that impose additional financial risks could exacerbate the other risks described in this report.

We plan to access the public debt markets, and we cannot assure you that these markets will remain free of disruptions.

We have a significant amount of indebtedness that we intend to refinance over the next several years, principally we expect through the issuance of debt securities of CenturyLink, Qwest Corporation ("QC") or both. Our ability to arrange additional financing will depend on, among other factors, our financial position and performance, as well as prevailing market conditions and other factors beyond our control. Prevailing market conditions could be adversely affected by the ongoing sovereign debt crises in Europe, the failure of the United States to reduce its deficit in amounts deemed to be sufficient, possible further downgrades in the credit ratings of the U.S. debt, contractions or limited growth in the economy or other similar adverse economic developments in the U.S. or abroad. As a result, we cannot assure you that we will be able to obtain additional financing on terms acceptable to us or at all. Any such failure to obtain additional financing could jeopardize our ability to repay, refinance or reduce debt obligations.

Other Risks

If conditions or assumptions differ from the judgments, assumptions or estimates used in our critical accounting policies, the accuracy of our financial statements and related disclosures could be affected.

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires management to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. Our critical accounting policies, which are described in Item 7 of this report, describe those significant accounting policies and methods used in the preparation of our consolidated financial statements that are considered "critical" because they require judgments, assumptions and estimates that materially impact our consolidated financial statements and related disclosures. As a result, if future events or assumptions differ significantly from the judgments, assumptions and estimates in our critical accounting policies, these events or assumptions could have a material impact on our consolidated financial statements and related disclosures.

We face hurricane and other natural disaster risks, which can disrupt our operations and cause us to incur substantial additional capital costs.

A substantial number of our access lines are located in Florida, Alabama, Louisiana, Texas, North Carolina, and South Carolina, and our operations there are subject to the risks associated with severe tropical storms, hurricanes and tornadoes, including downed telephone lines, power outages, damaged or destroyed property and equipment, and work interruptions. Although we maintain property and casualty insurance on our plant (excluding our outside plant) and may under certain circumstances be able to seek recovery of some additional costs through increased rates, only a portion of our additional costs directly related to such hurricanes and natural disasters have historically been recoverable. We cannot predict whether we will continue to be able to obtain insurance for hazard-related damages or, if obtainable and carried, whether this insurance will be adequate to cover our losses. In addition, we expect any insurance of this nature to be subject to substantial deductibles and to provide for premium adjustments based on claims. Any future hazard-related costs and work interruptions could adversely affect our operations and our financial condition.

We are subject to franchising requirements that could impede our expansion opportunities.

We may be required to obtain from municipal authorities operating franchises to install or expand facilities. Some of these franchises may require us to pay franchise fees. These franchising requirements generally apply to our fiber transport and CLEC operations, and to our emerging switched digital television. These requirements could delay us in expanding our operations or increase the costs of providing these services.

Tax audits or changes in tax laws could adversely affect us.

Like all large businesses, we are subject to frequent and regular audits by the Internal Revenue Service as well as state and local tax authorities. These audits could subject us to tax liabilities if adverse positions are taken by these tax authorities.

We believe that we have adequately provided for tax contingencies. However, our tax audits and examinations may result in tax liabilities that differ materially from those that we have recorded in our consolidated financial statements. Because the ultimate outcomes of all of these matters are uncertain, we can give no assurance as to whether an adverse result from one or more of them will have a material effect on our financial results.

The current maximum U.S. tax rate of 15% on qualified dividends is scheduled to rise to a maximum rate of 39.6% on January 1, 2013 if Congress does not otherwise act. An increase in the U.S.

tax rate on dividends could reduce demand for our stock, which could potentially depress its trading price.

Our agreements and organizational documents and applicable law could limit another party's ability to acquire us.

A number of provisions in our agreements and organizational documents and various provisions of applicable law may delay, defer or prevent a future takeover of CenturyLink unless the takeover is approved by our Board of Directors. This could deprive our shareholders of any related takeover premium.

If we fail to extend or renegotiate our collective bargaining agreements with our labor unions as they expire from time to time, or if our unionized employees were to engage in a strike or other work stoppage, our business and operating results could be materially harmed.

Over 40% of our employees are members of various bargaining units represented by the Communications Workers of America and the International Brotherhood of Electrical Workers. From time to time, our labor agreements with these unions lapse, and we typically negotiate the terms of new agreements. Approximately 15,000 of our union-represented employees are subject to collective bargaining agreements that expire throughout 2012. We cannot predict the outcome of these negotiations. We may be unable to reach new agreements, and union employees may engage in strikes, work slowdowns or other labor actions, which could materially disrupt our ability to provide services and result in increased cost to us. In addition, new labor agreements may impose significant new costs on us, which could impair our financial condition or results of operations in the future. To the extent they contain benefit provisions, these agreements also limit our flexibility to change benefits in response to industry or competitive changes. In particular, the post-employment benefits provided under these agreements cause us to incur costs not faced by many of our competitors, which could ultimately hinder our competitive position.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our property, plant and equipment consists principally of telephone lines, central office equipment, and land and buildings related to our telephone operations. The components of our gross property, plant and equipment consisted of the following:

	December 31,	
	2011	2010
Land	2%	1%
Fiber, conduit and other outside plant[1]	42%	51%
Central office and other network electronics[2]	33%	33%
Support assets[3]	20%	13%
Construction in progress[4]	3%	2%
Gross property, plant and equipment	100%	100%

(1) Fiber, conduit and other outside plant consists of fiber and metallic cable, conduit, poles and other supporting structures.

(2) Central office and other network electronics consists of circuit and packet switches, routers, transmission electronics and electronics providing service to customers.

(3) Support assets consist of buildings, computers and other administrative and support equipment.

(4) Construction in progress includes property of the foregoing categories that has not been placed in service as it is still under construction.

We own substantially all of our telecommunications equipment required for our business. However, we lease certain facilities and equipment under various capital lease arrangements when the leasing arrangements are more favorable to us than purchasing the assets.

We also own and lease administrative offices in major metropolitan locations both in the United States and internationally. Substantially all of our network electronics equipment is located in buildings or land that we own or lease within our local service area. Outside of our local service area, our assets are generally located on real property pursuant to an agreement with the property owner or another person with rights to the property. It is possible that we may lose our rights under one or more of these agreements, due to their termination or their expiration.

Several putative class actions have been filed against us disputing our use of certain rights-of-way as described in "Legal Proceedings—Other Matters" in Item 3 of this report. If we lose any of these rights-of-way or are unable to renew them, we may find it necessary to move or replace the affected portions of our network. However, we do not expect any material adverse impacts as a result of the loss of any of these rights.

With the acquisitions of Qwest in April 2011 and Savvis in July 2011, we expanded our property to include data center assets, and the related facilities and communications equipment. The facilities that house Savvis' warehouses, network equipment and data centers are leased.

Some of the properties of our telephone subsidiaries are subject to mortgages securing the debt of such companies. Our net property, plant and equipment was $19.4 billion and $8.8 billion at December 31, 2011 and 2010, respectively.

ITEM 3. LEGAL PROCEEDINGS

In this section, when we refer to a class action as "putative" it is because a class has been alleged, but not certified in that matter. Until and unless a class has been certified by the court, it has not been established that the named plaintiffs represent the class of plaintiffs they purport to represent.

We have established accrued liabilities for the matters described below where losses are deemed probable and reasonably estimable.

Litigation Matters Relating to CenturyLink and Embarq

In December 2009, subsidiaries of CenturyLink filed two lawsuits against subsidiaries of Sprint Nextel to recover terminating access charges for VoIP traffic owed under various interconnection agreements and tariffs which presently approximate $34 million. The lawsuits allege that Sprint Nextel has breached contracts, violated tariffs, and violated the Federal Communications Act by failing to pay these charges. One lawsuit, filed on behalf of all legacy Embarq operating entities, was tried in federal court in Virginia in August 2010 and, in March 2011, a ruling was issued in our favor and against Sprint Nextel. We currently expect Sprint Nextel to file an appeal of this decision. The other lawsuit, filed on behalf of all Legacy CenturyLink operating entities, is pending in federal court in Louisiana. In that case, in early 2011 the Court dismissed certain of CenturyLink's claims, referred other claims to the FCC, and stayed the litigation. We have not deferred revenue related to these matters as an adverse outcome is not probable based upon current circumstances.

In *William Douglas Fulghum, et al. v. Embarq Corporation, et al.*, filed on December 28, 2007 in the United States District Court for the District of Kansas, a group of retirees filed a putative class action lawsuit challenging the decision to make certain modifications in retiree benefits programs relating to life insurance, medical insurance and prescription drug benefits, generally effective January 1, 2006 and January 1, 2008 (which, at the time of the modifications, was expected to reduce estimated future expenses for the subject benefits by more than $300 million). Defendants include Embarq, certain of its benefit plans, its Employee Benefits Committee and the individual plan administrator of certain of its benefits plans. Additional defendants include Sprint Nextel and certain of its benefit plans. The Court certified a class on certain of plaintiffs' claims, but rejected class certification as to other claims. Embarq and other defendants continue to vigorously contest these claims and charges. On October 14, 2011, the *Fulghum* lawyers filed a new, related lawsuit, *Abbott et al. v. Sprint Nextel et al.* CenturyLink/Embarq is not named a defendant in the lawsuit. In *Abbott,* approximately 1,800 plaintiffs allege breach of fiduciary duty in connection with the changes in retiree benefits that also are at issue in the *Fulghum* case. The *Abbott* plaintiffs are all members of the class that was certified in *Fulghum* on claims for allegedly vested benefits (Counts I and III), and the *Abbott* claims are similar to the *Fulghum* breach of fiduciary duty claim (Count II), on which the *Fulghum* court denied class certification. We have not accrued a liability for these matters as it is premature to determine whether an accrual is warranted and, if so, a reasonable estimate of probable liability.

Over 60 years ago, one of our indirect subsidiaries, Centel Corporation, acquired entities that may have owned or operated seven former plant sites that produced "manufactured gas" under a process widely used through the mid-1900s. Centel has been a subsidiary of Embarq since being spun-off in 2006 from Sprint Nextel, which acquired Centel in 1993. None of these plant sites are currently owned or operated by either Sprint, Nextel, Embarq or their subsidiaries. On three sites, Embarq and the current landowners are working with the Environmental Protection Agency ("EPA") pursuant to administrative consent orders. Remediation expenditures pursuant to the orders are not expected to be material. On five sites, including the three sites where the EPA is involved, Centel has entered into agreements with other potentially responsible parties to share remediation costs. Further, Sprint Nextel has agreed to indemnify Embarq for most of any eventual liability arising from all seven of these sites. Based upon current circumstances, we do not expect this issue to have a material adverse impact on our results of operations or financial condition. We have accrued an amount that we believe is probable for these matters; however, the amount is not material to our financial statements.

Litigation Matters Relating to Qwest

The terms and conditions of applicable bylaws, certificates or articles of incorporation, agreements or applicable law may obligate Qwest to indemnify its former directors, officers or employees with respect to certain of the matters described below and Qwest has been advancing legal fees and costs to certain former directors, officers or employees in connection with certain matters described below.

On September 29, 2010, the trustees in the Dutch bankruptcy proceeding for KPNQwest, N.V. (of which Qwest was a major shareholder) filed a lawsuit in district court in Haarlem, the Netherlands, alleging tort and mismanagement claims under Dutch law. Qwest and Koninklijke KPN N.V. ("KPN") are defendants in this lawsuit along with a number of former KPNQwest supervisory board members and a former officer of KPNQwest, some of whom were formerly affiliated with Qwest. Plaintiffs allege, among other things, that defendants' actions were a cause of the bankruptcy of KPNQwest, and they seek damages for the bankruptcy deficit of KPNQwest, which is claimed to be approximately €4.2 billion (or approximately $5.4 billion based on the exchange rate on December 31, 2011), plus statutory interest. Two lawsuits asserting similar claims were previously filed against Qwest and others in federal courts in New Jersey in 2004 and Colorado in 2009; those courts dismissed the lawsuits without prejudice on the grounds that the claims should not be litigated in the United States.

On September 13, 2006, Cargill Financial Markets, Plc and Citibank, N.A. filed a lawsuit in the District Court of Amsterdam, the Netherlands, against Qwest, KPN, KPN Telecom B.V., and other former officers, employees or supervisory board members of KPNQwest, some of whom were formerly affiliated with Qwest. The lawsuit alleges that defendants misrepresented KPNQwest's financial and business condition in connection with the origination of a credit facility and wrongfully allowed KPNQwest to borrow funds under that facility. Plaintiffs allege damages of approximately €219 million (or approximately $284 million based on the exchange rate on December 31, 2011).

We have not accrued a liability for the above matters as it is premature to determine whether an accrual is warranted and, if so, a reasonable estimate of probable liability. We will continue to defend against the pending KPNQwest litigation matters vigorously.

Several putative class actions relating to the installation of fiber-optic cable in certain rights-of-way were filed against Qwest on behalf of landowners on various dates and in various courts in Alabama, Arizona, California, Colorado, Delaware, Florida, Georgia, Illinois (where there is a federal and a state court case), Indiana, Iowa, Kansas, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, Oklahoma, Oregon, South Carolina, Tennessee, Texas, Utah, Virginia, and Washington. For the most part, the complaints challenge our right to install our fiber-optic cable in railroad rights-of-way. The complaints allege that the railroads own the right-of-way as an easement that did not include the right to permit us to install our fiber-optic cable in the right-of-way without the Plaintiffs' consent. Most of the actions purport to be brought on behalf of state-wide classes in the named Plaintiffs' respective states, although two of the currently pending actions purport to be brought on behalf of multi-state classes. Specifically, the Illinois state court action purports to be on behalf of landowners in Illinois, Iowa, Kentucky, Michigan, Minnesota, Nebraska, Ohio and Wisconsin, and the Indiana state court action purports to be on behalf of a national class of landowners. In general, the complaints seek damages on theories of trespass and unjust enrichment, as well as punitive damages. On July 18, 2008, a federal district court in Massachusetts entered an order preliminarily approving a settlement of all of the actions described above, except the action pending in Tennessee. On September 10, 2009, the court denied final approval of the settlement on grounds that it lacked subject matter jurisdiction. On December 9, 2009, the court issued a revised ruling that, among other things, denied a motion for approval as moot and dismissed the matter for lack of subject matter jurisdiction. The parties are now engaged in negotiating and finalizing settlements on a state-by-state basis, and have filed and received final approval of settlements in Alabama and Illinois federal court, and in Tennessee state court. Final approval also has been granted in federal court actions in Idaho and North Dakota, to which Qwest is not a party. We have accrued an amount that we believe is probable for these matters; however, the amount is not material to our financial statements.

Other Matters

From time to time, we are involved in other proceedings incidental to our business, including administrative hearings of state public utility commissions relating primarily to rate making, actions relating to employee claims, various tax issues, occasional grievance hearings before labor regulatory agencies, patent infringement allegations and miscellaneous third party tort actions. The outcome of these other proceedings is not predictable. However, we do not believe that the ultimate resolution of these other proceedings, after considering available insurance coverage, will have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the New York Stock Exchange ("NYSE") and the Berlin Stock Exchange and is traded under the symbol CTL and CYT, respectively. The following table sets forth the high and low reported sales prices on the NYSE along with the quarterly dividends, for each of the quarters indicated.

	Sales prices		
	High	Low	Dividend per common share
2011			
First quarter	$ 46.78	39.45	.725
Second quarter	43.49	38.66	.725
Third quarter	41.32	31.75	.725
Fourth quarter	38.01	31.16	.725
2010			
First quarter	$ 37.00	32.98	.725
Second quarter(1)	36.73	14.16	.725
Third quarter	40.00	32.92	.725
Fourth quarter	46.87	39.18	.725

(1) During the widely-publicized temporary market disruption that occurred on the afternoon of May 6, 2010, our common stock momentarily traded as low as $14.16 in markets other than the NYSE. The opening and closing prices of our common stock on May 6, 2010, were $34.48 and $33.52, respectively.

Common stock dividends during 2011 and 2010 were paid each quarter.

As described in greater detail in Item 1A of this Annual Report on Form 10-K, the declaration and payment of dividends is at the discretion of our Board of Directors, and will depend upon our financial results, cash requirements, future prospects and other factors deemed relevant by our Board of Directors.

At February 21, 2012, there were approximately 175,000 stockholders of record although there were significantly more beneficial holders of our common stock. At February 21, 2012, the closing stock price of our common stock was $39.43.

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Issuer Purchases of Equity Securities

The following table contains information about shares of our common stock that we withheld from employees to satisfy tax obligations related to the vesting of stock-based awards during the fourth quarter of 2011:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
October 2011	13,923	$ 34.40	N/A	N/A
November 2011	2,225	37.29	N/A	N/A
December 2011	308	36.68	N/A	N/A
Total	16,456			

N/A—not applicable

ITEM 6. SELECTED FINANCIAL DATA

The following table of selected consolidated financial data should be read in conjunction with and are qualified by reference to the consolidated financial statements and notes thereto in Item 8 of this report and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this report.

The table of selected financial data shown below is derived from our audited consolidated financial statements. These historical results are not necessarily indicative of results that you can expect for any future period.

The results of operations include Savvis for periods after July 15, 2011, Qwest for periods after April 1, 2011 and Embarq for periods after July 1, 2009.

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Selected financial information from the consolidated statements of operations data is as follows:

	Years Ended December 31,[1]				
	2011	2010	2009	2008	2007
	(Dollars in millions, except per share amounts and shares in thousands)				
Operating revenues	$ 15,351	7,042	4,974	2,600	2,656
Operating expenses	$ 13,326	4,982	3,741	1,878	1,863
Operating income	$ 2,025	2,060	1,233	721	793
Income before income tax expense	$ 948	1,531	813	561	620
Net income	$ 573	948	647	366	418
Basic earnings per common share	$ 1.07	3.13	3.23	3.53	3.79
Diluted earnings per common share	$ 1.07	3.13	3.23	3.52	3.71
Dividends declared per common share	$ 2.90	2.90	2.80	2.1675	.26
Weighted average basic common shares outstanding	532,780	300,619	198,813	102,268	109,360
Weighted average diluted common shares outstanding	534,121	301,297	199,057	102,560	112,787

(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations" in Item 7 of this report for a discussion of unusual items affecting the results as of the years ended December 31, 2011, 2010 and 2009.

Selected financial information from the consolidated balance sheets is as follows:

	December 31,				
	2011	2010	2009	2008	2007
	(Dollars in millions)				
Net property, plant and equipment	$ 19,436	8,754	9,097	2,896	3,108
Goodwill	$ 21,724	10,261	10,252	4,016	4,011
Total assets	$ 56,139	22,038	22,563	8,254	8,185
Total long-term debt[1]	$ 21,836	7,328	7,754	3,315	3,014
Total stockholders' equity	$ 20,827	9,647	9,467	3,168	3,416

(1) Total long-term debt is the sum of current maturities of long-term debt and long-term debt on our consolidated balance sheets. For total obligations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Future Contractual Obligations" in Item 7 of this report.

Selected financial information from the consolidated statements of cash flows is as follows:

	Years Ended December 31,				
	2011	2010	2009	2008	2007
	(Dollars in millions)				
Net cash provided by operating activities	$ 4,201	2,045	1,574	853	1,030
Net cash used in investing activities	(3,647)	(859)	(679)	(389)	(619)
Net cash used in financing activities	(577)	(1,175)	(976)	(255)	(402)
Payments for property, plant and equipment and capitalized software	(2,411)	(864)	(755)	(287)	(326)

The following table presents certain selected consolidated operating data as of the following dates:

	December 31,				
	2011(1)	2010	2009(2)	2008	2007
	(in thousands)				
Broadband subscribers	5,554	2,349	2,186	626	541
Access lines	14,584	6,489	7,025	2,025	2,152

(1) In connection with our Qwest acquisition on April 1, 2011, we acquired approximately 9.0 million telephone access lines and approximately 3.0 million broadband subscribers.

(2) In connection with our Embarq acquisition on July 1, 2009, we acquired approximately 5.4 million telephone access lines and approximately 1.5 million broadband subscribers.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

All references to "Notes" in this Item 7 refer to the Notes to Consolidated Financial Statements included in Item 8 of this annual report.

Certain statements in this report constitute forward-looking statements. See "Special Note Regarding Forward-Looking Statements" in Item 1 of this report for factors relating to these statements and see "Risk Factors" in Item 1A of this report for a discussion of certain risk factors applicable to our business, financial condition and results of operations.

Overview

We are an integrated communications company engaged primarily in providing an array of communications services to our residential, business, governmental and wholesale customers. Our communications services include local and long-distance, network access, private line (including special access), public access, broadband, data, managed hosting (including cloud hosting), colocation, wireless and video services. In certain local and regional markets, we also provide local access and fiber transport services to competitive local exchange carriers and security monitoring. We strive to maintain our customer relationships by, among other things, bundling our service offerings to provide our customers with a complete offering of integrated communications services.

At December 31, 2011, we operated 14.584 million access lines in 37 states, and served 5.554 million broadband subscribers. During 2011, we updated our methodology for counting access lines and broadband subscribers. Our access line methodology includes only those access lines that we use to provide services to external customers and excludes lines used solely by us and our affiliates. Our methodology also excludes unbundled loops and includes stand-alone broadband subscribers. Our methodology for counting access lines may not be comparable to those of other companies.

Our consolidated financial statements include the accounts of CenturyLink, Inc. ("CenturyLink") and its majority-owned subsidiaries. These subsidiaries include SAVVIS, Inc. ("Savvis") as of July 15, 2011, Qwest Communications International Inc. ("Qwest") as of April 1, 2011 and Embarq Corporation ("Embarq") as of July 1, 2009 (See Note 2—Acquisitions). Due to the significant size of these acquisitions, direct comparisons of our results of operations for the years ended December 31, 2011, 2010 and 2009 are less meaningful than usual. We discuss below, under "Segment Results", certain trends that we believe are significant, even if they are not necessarily material to the combined company.

In the discussion that follows, we refer to the business that we operated prior to the Qwest acquisition (including Embarq's business) as "Legacy CenturyLink" and refer to the incremental business activities that we now operate as a result of the Savvis acquisition as "Legacy Savvis" and the Qwest acquisition as "Legacy Qwest." Due to the magnitude of our recent acquisitions in relation to Legacy CenturyLink operations, in the combined company variance discussions below we have separately reflected the impacts of both the Legacy Qwest and Legacy Savvis operations for enhanced visibility, although we actively manage the combined company through our four segments, as discussed further below.

We have incurred operating expenses related to our acquisitions of Savvis in July 2011, Qwest in April 2011 and Embarq in July 2009. These expenses are reflected in cost of services and products and selling, general and administrative expenses in our consolidated statements of operations as summarized below.

	Years Ended December 31,		
	2011	2010	2009
	(Dollars in millions)		
Cost of services and products:			
Integration and other expenses associated with acquisitions	$ 43	37	—
Severance expenses, accelerated recognition of share-based awards and retention compensation associated with acquisitions	24	12	6
	$ 67	49	6
Selling, general and administrative:			
Expenses incurred to effect acquisitions	$ 79	13	65
Integration and other expenses associated with acquisitions	172	64	86
Severance expenses, accelerated recognition of share-based awards and retention compensation associated with acquisitions	149	19	114
	$ 400	96	265

This table does not include costs incurred by Qwest or Savvis prior to being acquired by us. Based on current plans and information, we estimate that, in relation to our Qwest acquisition, we will incur approximately $800 million to $1 billion of operating expenses associated with transaction and integration costs (which includes approximately $393 million of the expenses noted above) and approximately $200 million of capital expenditures associated with integration activities (which includes approximately $24 million of capital expenditures incurred through December 31, 2011).

Upon the discontinuance of regulatory accounting effective July 1, 2009, we recorded a one-time, non-cash extraordinary gain that aggregated approximately $217 million before income tax expense ($136 million after-tax). See Note 14—Discontinuance of Regulatory Accounting for more information.

For several years prior to 2011, we reported our operations as a single segment. In connection with our acquisitions of Savvis on July 15, 2011 and Qwest on April 1, 2011, we have reorganized our business into the following operating segments:

- *Regional markets*, which consists primarily of providing products and services to residential consumers, small to medium-sized businesses and regional enterprise customers;
- *Business markets*, which consists primarily of providing products and services to enterprise and government customers;
- *Wholesale markets*, which consists primarily of providing products and services to other communications providers; and
- *Savvis operations*, which consists primarily of providing hosting and network services primarily to business customers provided by Legacy Savvis. The business markets segment currently provides some of the same services as our Savvis operations segment, and we may reclassify in the future the revenues and expenses associated with those services as part of our Savvis operations segment. We will continue to classify those services as part of the business markets segment until we are able to further integrate Legacy Savvis.

Due to system limitations, it is impracticable to report 2009 segment information using our current segment view. As such, only 2010 financial data has been revised under our new segment structure described above.

We now report financial information separately for each of these segments; however, our segment information does not include capital expenditures, total assets, or certain revenues and expenses that we manage on a centralized basis. As we continue to integrate our recent acquisitions, we may make further changes to the way we assess performance and make decisions about allocating resources, which could change our segment reporting. Our segment results are not necessarily indicative of the results of operations that our segments would have achieved had they operated as stand-alone entities during the periods presented. For additional information about our segments, see Note 13—Segment Information and "Results of Operations—Segment Results" below.

Results of Operations

The following table summarizes the results of our consolidated operations for the years ended December 31, 2011, 2010 and 2009, presented in a manner that we believe will be useful for understanding the relevant trends affecting our business. Our operating results include operations of Savvis for periods after July 15, 2011, Qwest for periods after April 1, 2011 and Embarq for periods after July 1, 2009.

	Years Ended December 31,		
	2011	2010	2009
	(Dollars in millions except per share amounts)		
Operating revenues	$ 15,351	7,042	4,974
Operating expenses	13,326	4,982	3,741
Operating income	2,025	2,060	1,233
Other income (expense)	(1,077)	(529)	(420)
Income tax expense	375	583	302
Extraordinary item, net of income tax expense	—	—	136
Net income	$ 573	948	647
Employees	49,200	20,300	20,200
BASIC AND DILUTED EARNINGS PER COMMON SHARE			
Before extraordinary item	$ 1.07	3.13	2.55
Extraordinary item	—	—	.68
Basic and diluted earnings per common share	$ 1.07	3.13	3.23

The lower levels of net income in 2011 were primarily attributable to the acquisition of Qwest as of April 1, 2011, which resulted in substantial acquisition, severance and integration expenses, as presented in the table under the "Overview" section above. Legacy Savvis' and Legacy Qwest's post-acquisition operations, which included substantial severance and integration expenses and significant acquisition accounting adjustments to depreciation and amortization expense based on preliminary valuation estimates (see Note 2—Acquisitions and Note 3—Goodwill, Customer Relationships and Other Intangible Assets), did not contribute significantly to our consolidated net income in 2011. Our current preliminary valuation estimates of our recently acquired assets and liabilities are subject to change as we finalize our estimates of acquisition date fair value, including those related to assets under capital leases, which may result in material changes to depreciation expense. Within our Legacy CenturyLink business, growth in strategic services revenues (which we describe further below) did not fully offset lower revenues from other services and products, further contributing to the decreases in consolidated net income.

Diluted earnings per common share in 2011 was substantially lower than the amounts for the corresponding periods of 2010 and 2009 due to decreases in net income, as well as increases in the weighted average number of outstanding common shares. The increase in outstanding shares during 2011 was primarily attributable to the issuance of 294 million shares in connection with the Qwest acquisition on April 1, 2011 and the issuance of 14.313 million shares in connection with the Savvis acquisition on July 15, 2011.

The following table summarizes our broadband subscribers and access lines:

	Years Ended December 31,		
	2011	2010	2009
		(in thousands)	
Operational metrics:			
Broadband subscribers	5,554	2,349	2,186
Access lines	14,584	6,489	7,025

During the last several years, we have experienced revenue declines primarily due to declines in access lines, intrastate access rates and minutes of use. Prior to our acquisition, Qwest had experienced similar declines in its revenues. To mitigate these declines, we remain focused on efforts to, among other things:

- promote long-term relationships with our customers through bundling of integrated services;
- provide new services, such as video, cloud hosting, managed hosting, colocation services and other additional services that may become available in the future due to advances in technology, wireless spectrum sales by the FCC or improvements in our infrastructure;
- provide our broadband and premium services to a higher percentage of our customers;
- pursue acquisitions of additional communications properties if available at attractive prices;
- increase usage of our networks; and
- market our products and services to new customers.

Operating Revenues

During 2011, we revised the way we categorize our products and services. We currently categorize our products, services and revenues among the following four categories:

- *Strategic services*, which include primarily private line (including special access which we market to business customers who require dedicated equipment to transmit large amounts of data between sites), broadband, hosting (including cloud hosting and managed hosting), colocation, multi protocol line switching ("MPLS") (which is a data networking technology that can deliver the quality of service required to support real-time voice and video), video (including DIRECTV), voice over Internet Protocol ("VoIP") and Verizon Wireless services;
- *Legacy services*, which include primarily local, long-distance, switched access, public access, integrated services digital network, ("ISDN") (which uses regular telephone lines to support voice, video and data applications), and traditional wide area network ("WAN") services (which allows a local communications network to link to networks in remote locations);

- *Data integration*, which is telecommunications equipment we sell that is located on customers' premises and related professional services, such as network management, installation and maintenance of data equipment and building of proprietary fiber-optic broadband networks for our government and business customers; and

- *Other revenues*, which consists primarily of USF revenue and surcharges.

We have revised our 2010 presentation of our products and services revenues to conform to our current categories for 2011. Due to system limitations, we have deemed it impracticable to report our 2011 revenue by our previous products and services, which were as follows:

- *Voice*, which included our local calling service to residential, business and wholesale customers within our local service areas, generally for a fixed monthly charge;

- *Data*, which included revenues primarily from monthly recurring charges for providing broadband access services, data transmission services over special circuits and private lines and switched digital television services;

- *Network Access*, which included revenues primarily from providing wholesale services to various carriers and customers in connection with the use of our facilities to originate and terminate their interstate and intrastate voice transmissions as well as universal support funds and reciprocal compensation from CLECs and wireless service providers; and

- *Other revenues*, which included revenues from providing (i) fiber transport, CLEC and security monitoring services; (ii) leasing, selling, installing and maintaining customer premise equipment and wiring; (iii) providing payphone services; (iv) participating in the publication of local directories; (v) providing network database services and (vi) providing video services, as well as other new product and service offerings.

The following table summarizes our operating revenues under our current revenue categorization:

	Years Ended December 31,		Increase (Decrease)			
	2011	2010	CenturyLink	Qwest	Savvis	Total
	(Dollars in millions)					
Strategic services	$ 6,254	2,049	150	3,572	483	4,205
Legacy services	7,680	4,288	(483)	3,875	—	3,392
Data integration	537	158	(23)	402	—	379
Other	880	547	(24)	357	—	333
Total operating revenues	15,351	7,042	(380)	8,206	483	8,309

For comparability purposes, we have included the former revenue categorization for 2010 and 2009:

	Years Ended December 31,		Increase (Decrease)		
	2010	2009	CenturyLink	Embarq	Total
	(Dollars in millions)				
Voice	$ 3,138	2,168	(77)	1,047	970
Data	1,909	1,202	(28)	735	707
Network access	1,080	928	(96)	248	152
Other	915	676	(33)	272	239
Total operating revenues	$ 7,042	4,974	(234)	2,302	2,068

Our operating revenues increased substantially in 2011 as compared to 2010 due to our acquisitions of Savvis and Qwest. Due to our acquisition of Embarq on July 1, 2009, our 2010 operating revenues reflect a full year of Embarq's results, as opposed to our 2009 operating revenues, which reflect only six months of Embarq's results.

Total operating revenues increased $8.309 billion in 2011 as compared to 2010 and increased $2.068 billion in 2010 as compared to 2009. Our 2011 increase was largely attributable to the acquisition of Qwest, which contributed total operating revenues (net of intercompany eliminations) of $8.2 billion. Legacy CenturyLink operating revenues decreased $380 million, or 5.4%, in 2011 and $234 million, or 4.7%, in 2010 as compared to the prior year period. These decreases were primarily attributable to declines in legacy services revenues, which reflected the continuing loss of access lines in our markets. At December 31, 2011, we had 14.584 million access lines, of which 8.533 million were in Legacy Qwest's markets. Access lines in our Legacy CenturyLink markets declined to 6.051 million at December 31, 2011 from 6.489 million at December 31, 2010, a decrease of 6.75%, and were 7.025 million at December 31, 2009, a decrease of 7.63%. We believe the decline in the number of access lines was primarily due to the displacement of traditional wireline telephone services by other competitive products and services. We estimate that our access lines loss will be between 5.9% and 6.6% in 2012. Our legacy services revenues were also negatively impacted in 2011 by the continued migration of customers to bundled service offerings at lower effective rates. The decreases in our legacy services revenues were partially offset by higher revenues from strategic services revenues. Broadband and private line services accounted for a majority of the growth in strategic services revenues. In 2010, total operating revenues decreased $104 million due to the elimination of all intercompany transactions upon the July 1, 2009 discontinuance of regulatory accounting.

We are aggressively marketing our strategic services (including our data hosting services) and data integration to offset the continuing declines in our legacy services revenues. We believe our recent acquisitions of Savvis and Qwest will strengthen our ability to achieve this goal. Further analysis of our operating revenues by segment is provided below in "Segment Results."

Operating Expenses

As discussed in Note 1—Basis of Presentation and Summary of Significant Accounting Policies, during 2011 we changed the definitions we use to classify expenses as cost of services and products and selling, general and administrative, and have reclassified prior period amounts to conform to our new definitions. During 2011, our operating expenses increased substantially in comparison to 2010 primarily due to our acquisition of Qwest and Savvis. In addition, our operating expenses increased substantially in 2010 as compared to 2009 due to our acquisition of Embarq.

The following tables summarize our operating expenses:

	Years Ended December 31,		Increase (Decrease)			
	2011	2010	CenturyLink	Qwest	Savvis	Total
			(Dollars in millions)			
Cost of services and products (exclusive of depreciation and amortization)	$ 6,325	2,544	(4)	3,523	262	3,781
Selling, general and administrative	2,975	1,004	60	1,791	120	1,971
Depreciation and amortization	4,026	1,434	72	2,394	126	2,592
Total operating expenses	$ 13,326	4,982	128	7,708	508	8,344

	Years Ended December 31,		Increase (Decrease)		
	2010	2009	CenturyLink	Embarq	Total
			(Dollars in millions)		
Cost of services and products (exclusive of depreciation and amortization)	$ 2,544	1,801	(59)	802	743
Selling, general and administrative	1,004	965	(87)	126	39
Depreciation and amortization	1,434	975	(22)	481	459
Total operating expenses	$ 4,982	3,741	(168)	1,409	1,241

The increases in total operating expenses of $8.344 billion in 2011 was largely attributable to the inclusion of $7.7 billion in post-acquisition Legacy Qwest operating expenses (net of intercompany eliminations) in our consolidated operating expenses. In addition, the acquisition of Savvis on July 15, 2011 increased our consolidated operating expenses by $508 million. As discussed in the "overview" section, our operating expenses for 2011, 2010 and 2009 included substantial severance and integration costs related to the Qwest, Savvis and Embarq acquisitions as well as significant acquisition accounting adjustments to depreciation and amortization expense (see Note 2—Acquisitions and Note 3—Goodwill, Customer Relationships and Other Intangible Assets). Excluding the effects of Legacy Qwest and Savvis expenses, total operating expenses in 2011 increased $128 million, or 2.6%, due primarily to integration costs associated with the Qwest acquisition and increased costs of providing our facilities-based video services to more customers. Total operating expenses in 2010 (excluding $1.409 billion of incremental costs associated with operating the Embarq properties for a full year in 2010 as compared to a half year in 2009), decreased $168 million primarily due to a $104 million reduction in operating expenses from the elimination of all intercompany transactions upon the discontinuance of regulatory accounting and a $32 million reduction in salaries and benefits.

Cost of services and products for Legacy CenturyLink operations was relatively unchanged in 2011. For 2011, higher costs of services and products associated with providing our facilities-based video service of $55 million were substantially offset by a $28 million decrease in salaries and benefits and a $20 million decrease in facilities costs associated with the migration of legacy Embarq long-distance traffic to our internal networks. Costs of services and products in 2010 (excluding $802 million of incremental costs associated with operating the Embarq properties for a full year in 2010 as compared to a half year in 2009) decreased $59 million primarily due to a reduction in operating expenses from the elimination of all intercompany transactions upon the discontinuance of regulatory accounting.

Legacy CenturyLink selling, general and administrative expenses increased $60 million, or 6.0%, for 2011 as compared to 2010, while selling, general and administrative expenses decreased $87 million for 2010 as compared to 2009. For all periods presented, our expenses include significant transaction, severance and integration expenses related to the Savvis, Qwest and Embarq acquisitions (see table in "Overview" above). Changes in the timing and amount of Qwest and Savvis integration expenses resulted in net increases in Legacy CenturyLink selling, general and administrative expenses of $164 million in 2011, from the amounts for the comparable periods of 2010. This increase was partially offset by a decrease of $33 million in 2011 in operating taxes, which were primarily due to favorable property tax and transaction tax settlements. In addition, in 2011 we had a decrease of $20 million in compensation expenses, which were primarily due to workforce reductions and lower pension expense. Selling, general and administrative expense in 2010 (excluding $126 million of incremental costs associated with operating the Embarq properties for a full year in 2010 as compared to a half year in 2009) decreased $87 million primarily due to a $32 million reduction in salaries and benefits, a $17 million decrease in legal costs and a $15 million reduction in expenses from the elimination of all intercompany transactions due to the discontinuance of regulatory accounting.

Depreciation and amortization for Legacy CenturyLink increased $72 million, or 5.0%, in 2011 primarily due to higher levels of property, plant and equipment. Depreciation and amortization in 2010 (excluding $481 million of incremental expense associated with operating the Embarq properties for a full year in 2010 as compared to a half year in 2009) decreased $22 million due to a $19 million decrease resulting from a change in certain depreciation rates effective July 1, 2009 upon the discontinuance of regulatory accounting and a $25 million decrease of certain assets becoming fully depreciated. These decreases were partially offset by a $22 million increase due to higher levels of plant in service.

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Other Consolidated Results

The following tables summarize our total other income (expense) and income tax expense:

	Years Ended December 31,		Increase (Decrease)			
	2011	2010	CenturyLink	Qwest	Savvis	Total
			(Dollars in millions)			
Interest expense	$ (1,072)	(544)	34	486	8	528
Other income (expense)	(5)	15	17	6	(3)	20
Total other income (expense)	$ (1,077)	(529)	51	492	5	548
Income tax expense	$ 375	583	nm	nm	nm	(208)

	Years Ended December 31,		Increase (Decrease)		
	2010	2009	CenturyLink	Embarq	Total
			(Dollars in millions)		
Interest expense	$ (544)	(367)	13	164	177
Other income (expense)	15	(53)	(25)	(43)	(68)
Total other income (expense)	$ (529)	(420)	(12)	121	109
Income tax expense	$ 583	302	nm	nm	281

nm—Attributing changes in income tax expense to the acquisitions of Savvis, Qwest and Embarq is considered not meaningful.

Other Income (Expense)

Interest expense increased $528 million in 2011 primarily due to debt assumed in the Qwest acquisition and incurred subsequent to that acquisition. See Note 4—Long-term Debt and Credit Facilities and "Liquidity and Capital Resources" below for additional information about the debt assumed in the Qwest acquisition.

Interest expense for Legacy CenturyLink increased $34 million, or 6.3%, in 2011 compared to 2010 and $13 million, or 3.5%, in 2010 compared to 2009. In 2011, the increase was primarily due to interest on our senior notes with $2 billion aggregate principal that were issued in June 2011 to finance the Savvis acquisition, partially offset by principal repayments made during 2010 and the first quarter of 2011. In 2010, interest expense increased primarily due to the interest expense attributable to $4.9 billion of Embarq's indebtedness we assumed in mid 2009.

Other income (expense) reflects certain items not directly related to our core operations, including gains and losses from non-operating asset dispositions and impairments, our share of income from our 49% interest in a cellular partnership, interest income and foreign currency gains and losses. Other income (expense) for Legacy CenturyLink decreased $17 million in 2011, as compared to 2010. This change was primarily due to $16 million in transaction expenses incurred in connection with terminating an unused bridge loan financing commitment related to the Savvis acquisition (see Note 2—Acquisitions). The change from 2009 to 2010 was primarily due to the recognition of a $72 million pre-tax charge for certain debt extinguishment transactions consummated in October 2009 (of which $27 million was incurred by CenturyLink and $45 million was incurred by Embarq).

Income Tax Expense

Our income tax expense for the years ended December 31, 2011 and 2010 decreased $208 million and increased $281 million, respectively, from the amounts for the comparable year. Our decrease in 2011 was primarily due to a decrease in income before income tax expense due primarily to the acquisition of Qwest. Our 2010 increase was due to increased income before income tax expense due in part to the inclusion of a full year of Embarq operations in 2010. For the years ended December 31, 2011, 2010 and 2009, our effective income tax rate was 39.6%, 38.1% and 37.2%, respectively. The 2011 increase was due in part to the effects of certain nondeductible expenses incurred in connection with our acquisition of Qwest, which was substantially offset by the effects of a tax law change in one of the states in which we operate that resulted in recognition of a $14 million tax benefit in the second quarter of 2011. In addition, due to executive compensation limitations pursuant to the Internal Revenue Code, a portion of the lump sum distributions related to the termination of an executive retirement plan made in the first quarter of 2009 is reflected as non-deductible for income tax purposes and thus increased our effective income tax rate. Certain merger-related costs incurred during 2010 and 2009 are also non-deductible for income tax purposes and similarly increased our effective income tax rate. In 2009, such an increase in our effective tax rate was partially offset by a $7 million reduction to our deferred tax asset valuation allowance associated with state net operating loss carryforwards. In addition, in 2009 we recognized net after-tax benefits of approximately $16 million primarily related to the recognition of previously unrecognized tax benefits. See Note 12—Income Taxes and "Income Tax Expense" for additional information.

Extraordinary Item

Upon the discontinuance of regulatory accounting on July 1, 2009, we recorded a one-time extraordinary gain of approximately $136 million after-tax. See Note 14—Discontinuance of Regulatory Accounting for additional information related to this extraordinary gain.

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Segment Results

Segment information is summarized below:

	Years Ended December 31, 2011	2010
	(Dollars in millions)	
Total segment revenues	$ 14,471	6,495
Total segment expenses	6,535	2,403
Total segment income	$ 7,936	4,092
Total margin percentage	55%	63%
Regional markets:		
Revenues	$ 7,832	4,640
Expenses	3,398	1,783
Income	$ 4,434	2,857
Margin percentage	57%	62%
Business markets:		
Revenues	$ 2,861	266
Expenses	1,736	120
Income	$ 1,125	146
Margin percentage	39%	55%
Wholesale markets:		
Revenues	$ 3,295	1,589
Expenses	1,021	500
Income	$ 2,274	1,089
Margin percentage	69%	69%
Savvis operations:		
Revenues	$ 483	—
Expenses	380	—
Income	$ 103	—
Margin percentage	21%	—

The lower levels of margin percentage for regional markets and business markets in 2011 were primarily attributable to the inclusion of Qwest's results beginning April 1, 2011.

For several years prior to 2011, we reported our operations as a single segment. Due to system limitations we have not reported our 2009 segment information using our current segments as we have deemed it impracticable to do so. As such, the following section only includes data for the years ended December 31, 2011 and 2010. See consolidated operating results in the "Results of Operations—Overview" section above for variance discussions related to our 2009 financial information.

The following table reconciles our total segment revenues and total segment income presented above to operating revenues and operating income reported in our consolidated statements of operations.

	Years Ended December 31, 2011	Years Ended December 31, 2010
	(Dollars in millions)	
Total segment revenues	$ 14,471	6,495
Other operating revenues	880	547
Operating revenues reported in our consolidated statements of operations	$ 15,351	7,042
Total segment income	$ 7,936	4,092
Other operating revenues	880	547
Depreciation and amortization	(4,026)	(1,434)
Other unassigned operating expenses	(2,765)	(1,145)
Operating income reported in our consolidated statements of operations	$ 2,025	2,060

In connection with the recent reorganization of our segments, we also revised the way we categorize our segment revenues and segment expenses. Our major categories of products and services are strategic services, legacy services, data integration and other, each of which is described in more detail in "Operating Revenues" above. We report our segment expenses for regional markets, business markets and wholesale markets as follows:

- *Direct expenses*, which primarily are specific, incremental expenses incurred as a direct result of providing services and products to segment customers, along with selling, general and administrative expenses that are directly associated with specific segment customers or activities; and

- *Allocated expenses*, which are determined by applying activity-based costing and other methodologies to include network expenses, facilities expenses and other expenses such as fleet, product management and real estate expenses.

For Savvis operations, segment expenses incorporate the entire operations of our Savvis subsidiaries, including certain centrally managed costs that are allocated to our other segments and overhead costs that are not allocated to our other operating segments. The integration of certain of these functions for Savvis are still in the early stages. Consequently, all Savvis operations segment expenses have been categorized as direct expenses. We intend to refine our expense methodology and begin allocating expenses to Savvis operations as we continue integrating it among our other segments beginning in 2012.

We do not assign depreciation and amortization expense to our segments, as the related assets and capital expenditures are centrally-managed. Other unassigned operating expenses consist primarily of expenses for centrally-managed administrative functions (such as finance, information technology, legal and human resources), severance expenses and restructuring expenses. Interest expense is also excluded from segment results because we manage our financing on a total company basis and have not allocated assets or debt to specific segments. In addition, other income (expense) does not relate to our segment operations and is therefore excluded from our segment results. We have recast our 2010 operating results based on our new segment reporting.

We may make further changes to our segment reporting as we continue to integrate the operations of Legacy Qwest and Legacy Savvis. For more information on our segment reporting, see Note 13—Segment Information.

Regional Markets

The operations of our regional markets segment have been impacted by several significant trends, including those described below. The discussion that follows generally applies to both our Legacy CenturyLink markets and our Legacy Qwest markets for periods after the April 1, 2011 acquisition date.

- *Strategic services.* We continue to focus on increasing subscribers of our broadband services in our regional markets segment. In order to remain competitive, we believe continually increasing connection speeds is important. As a result, we continue to invest in our fiber to the node, or FTTN, deployment, which allows for the delivery of higher speed broadband services. While traditional ATM-based broadband services are declining, they have been more than offset by growth in fiber-based broadband services. We also continue to expand our product offerings including facilities-based video services and enhance our marketing efforts as we compete in a maturing market in which most consumers already have broadband services. We expect these efforts will improve our ability to compete and increase our broadband revenues.

- *Facilities-based video expenses.* As we continue to expand our facilities-based video services we are incurring start-up expenses in advance of the revenue that this service is expected to generate. Although, over time, we expect that our revenue for facilities-based video services will offset the expenses incurred, the timing of this revenue growth is uncertain.

- *Access lines.* Our voice revenues have been, and we expect they will continue to be, adversely affected by access line losses. Intense competition and product substitution continue to drive our access line losses. For example, many consumers are substituting cable and wireless voice and electronic mail and social networking services for traditional voice telecommunications services. We expect that these factors will continue to impact our business. Service bundling and other product promotions, as described below, continue to be some of our responses to offset the loss of revenues as a result of access line losses.

- *Service bundling and product promotions.* We offer our customers the ability to bundle multiple products and services. These customers can bundle local services with other services such as broadband, video, long-distance and wireless. While our video and wireless services are an important piece of our customer retention strategy, they do not make a large contribution to strategic services revenues. However, we believe customers value the convenience of, and price discounts associated with, receiving multiple services through a single company. While bundle price discounts have resulted in lower average revenues for our individual products, we believe service bundles continue to positively impact our customer retention. In addition to our bundle discounts, we also offer limited time promotions on our broadband service for prospective customers who want our broadband product in their bundle which further aids our ability to attract and retain customers and increase usage of our services.

- *Operating efficiencies.* We continue to evaluate our operating structure and focus. This involves balancing our workforce in response to our workload requirements, productivity improvements and changes in industry, competitive, technological and regulatory conditions.

The following table summarizes the operating results from Legacy CenturyLink and Legacy Qwest for our regional markets segment:

	Years Ended December 31,		Increase (Decrease)		
	2011	2010	CenturyLink	Qwest	Total
	(Dollars in millions)				
Segment revenues:					
Strategic services	$ 2,532	1,212	55	1,265	1,320
Legacy services	5,171	3,289	(280)	2,162	1,882
Data integration	129	139	(14)	4	(10)
Total revenues	7,832	4,640	(239)	3,431	3,192
Segment expenses:					
Direct	3,252	1,818	3	1,431	1,434
Allocated	146	(35)	(26)	207	181
Total expenses	3,398	1,783	(23)	1,638	1,615
Segment income	$ 4,434	2,857	(216)	1,793	1,577
Segment margin percentage	57%	62%			

Segment Income

The acquisition of Qwest on April 1, 2011 largely contributed to an increase in our regional markets segment income of $1.577 billion for the year ended December 31, 2011 as compared to 2010. Our consolidated segment margin percentage declined in 2011 as a result of lower margins in Legacy Qwest markets. Segment income for our Legacy CenturyLink operations decreased $216 million as compared to 2010 reflecting declines in revenues while expenses remained relatively flat.

Segment Revenues

Excluding 2011 revenues attributable to the Qwest acquisition, regional markets revenues decreased $239 million, or 5.2%, for the year ended December 31, 2011 as compared to 2010. Growth in strategic services revenues did not fully offset a decline in legacy services revenues. The higher amounts of strategic services revenues are due principally to volume increases in our facilities-based video services and increases in the number of broadband subscribers, partially offset by the effects of rate discounts. Increases in MPLS and Ethernet services volumes also contributed to higher strategic services revenues. Legacy services revenues decreased primarily due to declines in local services associated with access line losses resulting from competitive pressures.

Segment Expenses

Regional markets expenses, exclusive of Legacy Qwest expenses, decreased $23 million, or 1.3%, for the year ended December 31, 2011 as compared to 2010, primarily due to lower marketing and advertising expenses and decreased employee related expense due to workforce reductions, partially offset by increased costs to provide facilities-based video services.

Business Markets

The operations of our business markets segment have been impacted by several significant trends, including those described below. The discussion that follows generally applies to both our Legacy CenturyLink markets and our Legacy Qwest markets for periods after the April 1, 2011 acquisition date.

- *Strategic services.* Our mix of total revenues continues to migrate from legacy services to strategic services as our enterprise and government customers increasingly demand customized and integrated data, Internet and voice services. We offer diverse combinations of emerging technology products and services such as private line, MPLS, hosting, and VoIP services. We believe these services afford our customers more flexibility in managing their communications needs and enable us to improve the effectiveness and efficiency of their operations. Although we are experiencing price compression on our strategic services, we expect overall revenues from these services to grow.

- *Legacy services.* We face intense competition with respect to our legacy services and continue to see customers migrating away from these services and into strategic services. In addition, our legacy services revenues have been and we expect they will continue to be adversely affected by access line losses.

- *Data integration.* We expect both data integration revenue and the related costs will fluctuate from quarter to quarter as this revenue stream tends to be more sensitive than other revenue streams to changes in the economy and to changes in spending trends of our federal government customers.

- *Operating efficiencies.* We continue to evaluate our operating structure and focus. This involves balancing our workforce in response to our productivity improvements while achieving operational efficiencies and improving our processes through automation. We also expect our business markets segment to benefit indirectly from efficiencies in our company-wide network operations.

The following table summarizes the operating results from Legacy CenturyLink and Legacy Qwest for our business markets segment:

	Years Ended December 31,		Increase (Decrease)		
	2011	**2010**	**CenturyLink**	**Qwest**	**Total**
	(Dollars in millions)				
Segment revenues:					
Strategic services	$ 1,341	57	1	1,283	1,284
Legacy services	1,113	190	(9)	932	923
Data integration	407	19	(9)	397	388
Total revenues	2,861	266	(17)	2,612	2,595
Segment expenses:					
Direct	764	6	8	750	758
Allocated	972	114	(11)	869	858
Total expenses	1,736	120	(3)	1,619	1,616
Segment income	$ 1,125	146	(14)	993	979
Segment margin percentage	39%	55%			

Segment Income

The acquisition of Qwest on April 1, 2011 substantially increased the scale of our business markets segment, resulting in an increase in our segment income of $979 million, for the year ended December 31, 2011 as compared to 2010. Our consolidated segment margin percentage declined in 2011 as a result of lower margins in Legacy Qwest markets. Legacy Qwest operations accounted for 91.3% of our 2011 business markets segment revenues and 88.3% of our segment income.

Segment Revenues

Legacy CenturyLink business markets revenues decreased $17 million, or 6.4%, for the year ended December 31, 2011 as compared to 2010. This decrease primarily reflected lower revenues from legacy services driven by access line losses and lower data integration revenues due to lower sales of data integration equipment.

Segment Expenses

Legacy CenturyLink business markets expenses remained relatively flat for the year ended December 31, 2011 as compared to 2010. However, direct expenses increased primarily due to increased employee related expenses resulting from a larger sales force and higher customer premise equipment expenses in 2011, while allocated expenses decreased due to lower network expenses related to cost optimization efforts.

Wholesale Markets

The operations of our wholesale markets segment will likely be impacted by the recently adopted FCC order which will substantially increase the pace of reductions in the amount of switched access revenues we receive, as discussed in the "Regulation" section in Item 1 of this report, as well as the significant trends discussed below. The discussion that follows generally applies to both our Legacy CenturyLink markets and our Legacy Qwest markets for periods after the April 1, 2011 acquisition date.

- *Private line services (including special access).* Demand for our private line services continues to increase, despite our customers' optimization of their networks, industry consolidation and technological migration. While we expect that these factors will continue to impact our wholesale markets segment, we ultimately believe the growth in fiber-based special access provided to wireless carriers for backhaul will, over time, offset the decline in copper-based special access provided to wireless carriers as they migrate to Ethernet, and bandwidth consumption grows, although the timing and magnitude of this technological migration is uncertain.

- *Access and local services revenues.* Our access and local services revenues have been and we expect will continue to be, adversely affected by regulation, technological migration, industry consolidation and rate reductions. For example, consumers are substituting cable, wireless and VoIP services for traditional voice telecommunications services, resulting in continued access revenue loss. We expect these factors will continue to adversely impact our wholesale markets segment.

- *Long-distance services revenues.* Wholesale long-distance revenues continue to decline as a result of customer migration to more technologically advanced services, price compression, declining demand for traditional voice services and industry consolidation.

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The following table summarizes the operating results from Legacy CenturyLink and Legacy Qwest for our wholesale markets segment:

	Years Ended December 31,		Increase (Decrease)		
	2011	2010	CenturyLink	Qwest	Total
	(Dollars in millions)				
Segment revenues:					
Strategic services	$ 1,898	780	94	1,024	1,118
Legacy services	1,396	809	(194)	781	587
Data integration	1	—	—	1	1
Total revenues	3,295	1,589	(100)	1,806	1,706
Segment expenses:					
Direct	174	139	(6)	41	35
Allocated	847	361	61	425	486
Total expenses	1,021	500	55	466	521
Segment income	$ 2,274	1,089	(155)	1,340	1,185
Segment margin percentage	69%	69%			

Segment Income

The acquisition of Qwest on April 1, 2011 largely contributed to an increase in our wholesale markets segment income of $1.185 billion for the year ended December 31, 2011 as compared to 2010. Segment income for our Legacy CenturyLink operations decreased $155 million for the year ended December 31, 2011 as compared to 2010, primarily reflecting declines in revenues in both periods, as discussed further below.

Segment Revenues

Excluding 2011 revenues attributable to the Qwest acquisition, wholesale markets revenues decreased $100 million, or 6.3%, for the year ended December 31, 2011 as compared to 2010. This decrease reflects substantially lower revenues from legacy services, partially offset by growth in revenues from strategic services. The decrease in legacy services revenues reflects ongoing declines in access and local services volumes and revenues due to the substitution of cable, wireless and VoIP services for traditional voice telecommunications services. Growth in strategic services revenues, primarily relating to private line and special access services, partially offset the declines in legacy services revenues.

Segment Expenses

Wholesale markets expenses, exclusive of Legacy Qwest expenses, increased $55 million, or 11%, for the year ended December 31, 2011 as compared to 2010. The increase in Legacy CenturyLink wholesale markets expenses was primarily due to increased allocated expenses reflecting increased bad debts expense. Direct expenses decreased for the year as a result of reduced access costs.

Savvis Operations

The operations of our Savvis operations segment could be impacted by several significant trends, including those described below.

- *Colocation.* Colocation is designed for clients seeking data center space and power for their server and networking equipment needs. Our data centers provide our clients around the world with a secure, high-powered, purpose-built location for their IT equipment. We anticipate continued pricing pressure for these services as wholesale vendors enter the enterprise colocation market; however, we believe that our data center expansion strategy can help mitigate these pricing challenges.

- *Managed hosting.* Managed hosting services provide a fully managed solution for a customer's IT infrastructure and network needs, and include dedicated and cloud hosting services, utility and computing storage, consulting and managed security services. We expect increasing pricing pressure on the managed hosting business from competing cloud computing offerings. However, we remain focused on growing our managed hosting business, specifically in our cloud service offerings, as we believe this is a key to growth. We believe that we have continued to strengthen our cloud position in the market by adding differentiating features to our cloud products.

- *Network services.* Network services are comprised of our managed network services, including managed VPN, hosting area network and bandwidth services. Segment income for these services has been relatively flat due to pricing pressures on VPN and bandwidth services, offset by increases in network services that support our colocation and managed hosting service offerings.

The following tables summarize the operating results of Savvis operations for 2011 after their acquisition date of July 15, 2011:

	Years Ended December 31,		
	2011	2010	Increase (Decrease)
	(Dollars in millions)		
Strategic services	$ 483	—	483
Segment expenses	380	—	380
Segment income	$ 103	—	103
Segment margin percentage	21%	—	

Segment Revenues

Segment revenues for our Savvis operations was $483 million, which was derived from colocation services of $183 million, or 37.9%, managed hosting services of $182 million, or 37.7%, and network services of $118 million, or 24.4%.

Segment Expenses

Segment expenses attributed to Savvis operations was $380 million, which were derived primarily from cost of services and products of $260 million and selling, general and administrative expenses of $120 million.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with accounting principles that are generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. We have identified certain policies and estimates as critical to our business operations and the understanding of our past or present results of operations related to (i) business combinations; (ii) goodwill, customer relationships and other intangible assets; (iii) property, plant and equipment; (iv) pension and post-retirement benefits; (v) loss contingencies and litigation reserves; and (vi) income taxes. These policies and estimates are considered critical because they had a material impact, or they have the potential to have a material impact, on our consolidated financial statements and because they require significant judgments, assumptions or estimates. We believe that the estimates, judgments and assumptions made when accounting for the items described below are reasonable, based on information available at the time they are made. However, there can be no assurance that actual results will not differ from those estimates.

Business Combinations

We have accounted for our acquisition of Qwest on April 1, 2011 and Savvis on July 15, 2011 under the acquisition method of accounting, whereby the tangible and separately identifiable intangible assets acquired and liabilities assumed are recognized at their estimated fair values at the acquisition date. The portion of the purchase price in excess of the estimated fair value of the net tangible and separately identifiable intangible assets acquired represents goodwill. The recognition of the fair value of assets acquired and liabilities assumed in business combinations involves estimates and judgments by our management that may be adjusted during the measurement period, but in no case beyond one year from the acquisition date. The fair values recorded are made based on management's best estimates and assumptions. In arriving at the fair values of assets acquired and liabilities assumed, we consider the following generally accepted valuation approaches: the cost approach, income approach and market approach. Our estimates may also include assumptions about projected growth rates, cost of capital, effective tax rates, tax amortization periods, technology life cycles, the regulatory and legal environment, and industry and economic trends. Small changes in the underlying assumptions can impact the estimates of fair value by material amounts, which can in turn materially impact our results of operations.

Goodwill, Customer Relationships and Other Intangible Assets

We amortize customer relationships primarily over an estimated life of 10 years, using either the sum-of-the-years-digits or straight-line methods, depending on the type of customer. Our capitalized software, which consists primarily of assets obtained from the Qwest acquisition, is primarily being amortized using the straight-line method over estimated lives up to seven years. Approximately $237 million of our capitalized software, which represents costs to develop an integrated billing and customer care system, is being amortized over a twenty year period. Tradenames and patents assets predominantly use the sum-of-the-years digits method over an estimated life of four years. Indefinite life intangibles are not amortized, but are reviewed annually for potential impairment.

We periodically review the estimated lives and methods used to amortize our other intangible assets. The amount of future amortization expense may differ materially from current amounts, depending on the results of our periodic reviews and our final determinations of acquisition date fair value related to Savvis' and Qwest's intangible assets (See Note 2—Acquisitions).

We are subject to testing for impairment of long-lived assets (including goodwill, intangible assets and other long-lived assets) based on applicable accounting guidelines.

We are required to review goodwill recorded in business combinations for impairment at least annually, or more frequently if events or a change in circumstances indicate that an impairment may have occurred. We are required to write-down the value of goodwill only in periods in which the recorded amount of goodwill exceeds the fair value. Our annual measurement date for testing goodwill impairment is September 30. We have managed our operations based on four operating segments (regional markets, business markets, wholesale markets and Savvis operations) and considered these four operating segments to be the appropriate level for testing goodwill impairment.

We have attributed our goodwill balance to our segments at December 31, 2011 as follows:

	(Dollars in millions)	
Regional markets	$	11,813
Business markets		5,021
Wholesale markets		3,533
Savvis operations		1,357
Total goodwill	$	21,724

With the exception of our Savvis segment, our operating segments do not correspond to our legal entity organization structure, which required us to apply significant judgment based on numerous assumptions to attribute our goodwill and certain other assets and liabilities to the operating segments in order to make our annual impairment assessment. For this assessment, we compare each segment's estimated fair value to the carrying value of the assets that we attribute to the segment. If the estimated fair value of the reporting unit is greater than the carrying value, we conclude that no impairment exists. If the fair value of the segment is less than the carrying value, a second calculation is required in which the implied fair value of goodwill is compared to the carrying value of goodwill that we attribute to the segment. Estimating the implied fair value of goodwill requires further assumptions and the application of judgment to assess the current fair values of the assets and liabilities attributable to the segment. If the implied fair value of goodwill is less than its carrying value, goodwill must be written down to its implied fair value. Small changes in the assumptions underlying either the valuation methods or the attribution methods can drive material changes in the implied fair value of goodwill.

At September 30, 2011, we estimated the fair value of our regional, business and wholesale markets reporting units using an equal weighting based on a market approach and a discounted cash flow method. The market approach includes the use of comparable multiples of publicly traded companies whose services are comparable to ours to corroborate discounted cash flow results. The discounted cash flow method is based on the present value of projected cash flows and a terminal value, which represents the expected normalized cash flows of the reporting unit beyond the cash flows from the discrete five-year projection period. The estimated cash flows are discounted using a rate that represents our weighted average cost of capital, which we determined to be 6.50% as of the measurement date (which was comprised of a pre-tax cost of debt of 7.0% and a cost of equity of 8.7%). We also reconciled the estimated fair values of the reporting units to our market capitalization as of September 30, 2011 and concluded that the indicated implied control premium of 16% was reasonable based on recent transactions in the market place.

For our Savvis operations, we determined the preliminary fair value of the assets acquired and liabilities assumed using various methods, including an overall discounted cash flow analysis performed for all of Savvis' operations. As of September 30, 2011, the fair value assignments were preliminary and could change significantly upon finalization of the fair value assignments. Due to the recentness of the acquisition and the related preliminary valuation results and the lack of any significant adverse events that have occurred to Savvis' operating results or our expectations of forecasted operating results utilized in the preliminary valuation since the July 15, 2011 acquisition date, we concluded that the goodwill related to the Savvis operations was not impaired as of September 30, 2011.

As of September 30, 2011, based on our analysis performed with respect to these segments as described above, we concluded that our goodwill was not impaired as of that date. However, as of that date, the estimated fair value of the regional markets and wholesale markets exceeded their carrying value by less than 5%. A 25 basis point increase in the discount rate used in our analysis would have caused the estimated fair values of the regional markets and wholesale markets goodwill to be less than their carrying values and thus would have required us to perform the second step of goodwill impairment testing.

On October 27, 2011, the FCC adopted the Connect America and Intercarrier Compensation Reform order (the "CAF order"). This order will reduce the amount of switched access revenue we recognize in our wholesale markets segment in the future. Although other elements of this order are currently expected to result in positive impacts to our overall business, it will likely have a material negative impact to our wholesale markets segment. Because we expect the order to have a material negative impact on our wholesale markets segment, we conducted another assessment of the goodwill attributed to the wholesale markets segment at December 31, 2011. In the process of re-estimating the fair value of the wholesale markets segment as a result of the CAF order, we updated our estimates of projected future cash flows and we revised our market multiple assumption. In our most recent estimate, we revised our revenue projections to stabilize by 2016 rather than our previous assumption that revenues would decline in perpetuity, and thus increasing our terminal value. After updating our fair value estimate of the wholesale markets segment to reflect revised estimates of revenues, the effects of our market multiple assumption due to changes in our stock price between September 30, 2011 and December 31, 2011, the increase in terminal value and the adverse effects of the CAF order, the estimated fair value of the wholesale markets segment exceeded its attributed carrying value by greater than 5%. We also evaluated and concluded that the goodwill attributed to our other reporting units was not impaired as of December 31, 2011 due to (i) an increase in our market capitalization since September 30, 2011, (ii) a reduction in our carrying value of equity since September 30, 2011 and (iii) the lack of significant adverse changes in the operating forecasts of our other segments.

We cannot assure that other adverse conditions will not trigger future goodwill impairment testing or an impairment charge. A number of factors, many of which we have no ability to control, could affect our financial condition, operating results and business prospects and could cause our actual results to differ from the estimates and assumptions we employed in our goodwill impairment testing. These factors include, but are not limited to, (i) further weakening in the overall economy; (ii) a significant decline in our stock price and resulting market capitalization; (iii) changes in the discount rate; (iv) successful efforts by our competitors to gain market share in our markets; (v) adverse changes as a result of regulatory actions; (vi) a significant adverse change in legal factors or in the overall business climate; (vii) recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of our reporting units and (viii) additional information relative to the impact of the CAF order. We will continue to monitor certain events that impact our operations to determine if an interim assessment of goodwill impairment should be performed prior to the next required testing date of September 30, 2012.

Property, Plant and Equipment

Property, plant and equipment acquired in connection with our acquisitions was recorded based on its fair value as of its acquisition date. Substantially all other property, plant and equipment is stated at original cost less depreciation. Renewals and betterments of plant and equipment are capitalized while repairs, as well as renewals of minor items, are charged to operating expense. Depreciation of property, plant and equipment is provided on the straight line method using class or overall group rates; such average annual rates range from 2% to 29%.

Normal retirements of property, plant and equipment are charged against accumulated depreciation, with no gain or loss recognized. Other types of property, plant and equipment is stated at cost and, when sold or retired, a gain or loss is recognized. We depreciate such property on the straight line method over estimated service lives ranging from two to 35 years.

We perform annual internal reviews to evaluate the reasonableness of depreciable lives for our property, plant and equipment. Our reviews utilize models that take into account actual usage, replacement history and assumptions about technology evolution to estimate the remaining life of our asset base. The changes in our estimates incorporated as a result of our most recent review did not have a material impact on the level of our depreciation expense.

Pension and Post-Retirement Benefits

We sponsor several noncontributory defined benefit pension plans (referred to as our pension plans) for substantially all employees. In addition to these tax qualified pension plans, we also maintain several non-qualified pension plans for certain eligible highly compensated employees. We maintain post-retirement benefit plans that provide health care and life insurance benefits for certain eligible retirees.

Pension and post-retirement health care and life insurance benefits attributed to eligible employees' service during the year, as well as interest on benefit obligations, are accrued currently. Pension and post-retirement benefit expenses are recognized over the period in which the employee renders service and becomes eligible to receive benefits as determined using the projected unit credit method. Pension prior service costs and actuarial gains and losses are recognized as components of net periodic expense over the average remaining service period of participating employees expected to receive benefits. Post-retirement healthcare prior service costs are recognized as components of net periodic expense over the average expected years to full benefit eligibility for active employees. Post-retirement actuarial gains or losses are amortized on a straight-line basis over the average expected future working lifetime of active employees.

In computing the pension and post-retirement health care and life insurance benefits expenses and obligations, the most significant assumptions we make include discount rate, expected rate of return on plan assets, health care trend rates and our evaluation of the legal basis for plan amendments. The plan benefits covered by collective bargaining agreements as negotiated with our employees' unions can also significantly impact the amount of expense, benefit obligations and pension assets that we record.

The discount rate is the rate at which we believe we could effectively settle the benefit obligations as of the end of the year. We selected the discount based on a cash flow matching analysis using hypothetical yield curves developed by an actuary firm from U.S. corporate bonds rated high quality and projections of the future benefit payments that constitute the projected benefit obligation for the plans. This process establishes the uniform discount rate that produces the same present value of the estimated future benefit payments, as is generated by discounting each year's benefit payments by a spot rate applicable to that year. The spot rates used in this process are derived from a yield curve created from yields on the 60th to 90th percentile of U.S. high quality bonds.

The expected rate of return on plan assets is the long-term rate of return we expect to earn on the plans' assets. The rate of return is determined by the strategic allocation of plan assets and the long-term risk and return forecast for each asset class. The forecasts for each asset class are generated primarily from an analysis of the long-term expectations of various third party investment management organizations. The expected rate of return on plan assets is reviewed annually and revised, as necessary, to reflect changes in the financial markets and our investment strategy.

To compute the expected return on pension and post-retirement benefit plan assets, we apply an expected rate of return to the fair value of the pension plan assets and to the fair value of the post-retirement benefit plan assets adjusted for contribution timing and for projected benefit payments to be made from the plan assets. Annual market volatility for these assets is reflected in the subsequent year's net periodic combined benefits expense.

Changes in any of the above factors could impact operating expenses in the consolidated statements of operations as well as the value of the liability and accumulated other comprehensive income of stockholders' equity on our consolidated balance sheets. The expected rate of return on plan assets is reflected as a reduction to our pension and post-retirement benefit expense. If our assumed expected rates of return for 2011 were 100 basis points lower, our qualified pension and post-retirement benefit expenses would have increased by $98 million. If our assumed discount rates for 2011 were 100 basis points lower, our qualified pension and post-retirement benefit expenses would have decreased by $29 million and our projected benefit obligation would have increased by approximately $1.8 billion. An increase of 100 basis points in the initial healthcare cost trend rate would have increased our post-retirement benefit expense by $2 million and increased our projected post-retirement benefit obligation by $70 million.

The trusts for the pension and post-retirement benefits plans hold investments in equities, fixed income, real estate and other assets such as private equity assets. The assets held by these trusts are reflected at estimated fair value as of December 31, 2011. For additional information on our trust investments, see Note 8—Employee Benefits to our consolidated financial statements in Item 8 of this report.

Loss Contingencies and Litigation Reserves

We are involved in several material legal proceedings, as described in more detail in "Legal Proceedings" in Item 3 of this report. We assess potential losses in relation to these and other pending or threatened tax and legal matters. For matters not related to income taxes, if a loss is considered probable and the amount can be reasonably estimated, we recognize an expense for the estimated loss. To the extent these estimates are more or less than the actual liability resulting from the resolution of these matters, our earnings will be increased or decreased accordingly. If the differences are material, our consolidated financial statements could be materially impacted. If a loss is considered reasonably possible, we disclose any determinable estimate of the loss if material but we do not recognize any expense for the potential loss.

Income Taxes

Our provision for income taxes includes amounts for tax consequences deferred to future periods. We record deferred income tax assets and liabilities reflecting future tax consequences attributable to tax NOLs, tax credit carryforwards and differences between the financial statement carrying value of assets and liabilities and the tax bases of those assets and liabilities. Deferred taxes are computed using enacted tax rates expected to apply in the year in which the differences are expected to affect taxable income. The effect on deferred income tax assets and liabilities of a change in tax rate is recognized in earnings in the period that includes the enactment date.

The measurement of deferred taxes often involves an exercise of judgment related to the realization of tax basis. Our deferred tax assets and liabilities reflect our assessment that tax positions taken and the resulting tax basis, are more likely than not to be sustained if they are audited by taxing authorities. Also, assessing tax rates that we expect to apply and determining the years when the temporary differences are expected to affect taxable income requires judgment about the future apportionment of our income among the states in which we operate. These and other matters involve the exercise of significant judgment. Any changes in our practices or judgments involved in the measurement of deferred tax assets and liabilities could materially impact our financial condition or results of operations.

We record deferred income tax assets and liabilities as described above. Valuation allowances are established when necessary to reduce deferred income tax assets to amounts that we believe are more likely than not to be recovered. We evaluate our deferred tax assets quarterly to determine whether adjustments to our valuation allowance are appropriate. In making this evaluation, we rely on our recent history of pre-tax earnings, estimated timing of future deductions and benefits represented by the deferred tax assets and our forecasts of future earnings, the latter two of which involve the exercise of significant judgment. At December 31, 2011, we concluded that it was more likely than not that we would realize the majority of our deferred tax assets. If forecasts of future earnings and the nature and estimated timing of future deductions and benefits change in the future, we may determine that a valuation allowance for certain deferred tax assets is appropriate, which could materially impact our financial condition or results of operations. See Note 12—Income Taxes for additional information.

Recently Issued Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-08, *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. This update simplifies the goodwill impairment assessment by allowing a company to first review qualitative factors to determine the likelihood of whether the fair value of a reporting unit is less than its carrying amount before applying the two-step goodwill impairment test. If it is determined that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, the company would not be required to perform the two-step goodwill impairment test for that reporting unit. This update is effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011 with early adoption permitted. This ASU, which we adopted during the third quarter of 2011, did not have any impact on our consolidated financial statements.

In October 2009, the FASB issued ASU 2009-13, *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements.* This update requires the use of the relative selling price method when allocating revenue in these types of arrangements. This method requires a vendor to use its best estimate of selling price if neither vendor specific objective evidence nor third party evidence of selling price exists when evaluating multiple deliverable arrangements. This standard update was effective for us on January 1, 2011 and we have adopted it prospectively for revenue arrangements entered into or materially modified after January 1, 2011. This standard update has not had and is not expected to have a material impact on our consolidated financial statements since the allocation of revenue has historically been based upon the relative fair value of the elements as determined by reference to vendor specific objective evidence of fair value when the elements have been sold on a stand-alone basis.

Liquidity and Capital Resources

Overview

At December 31, 2011, we held cash and cash equivalents of $128 million and had $1.423 billion available under our $1.7 billion revolving credit facility (referred to as our "Credit Facility", which is described further below). Excluding cash used for acquisitions, we have generally relied on cash provided by operations and our Credit Facility to fund our operating and capital expenditures, make our dividend payments and repay a portion of our maturing debt. Our operations have historically provided a stable source of cash flow that has helped us meet the needs of the business.

Our acquisition of Qwest on April 1, 2011 and, to a lesser extent, Savvis on July 15, 2011, resulted in significant changes in our consolidated financial position and our future cash requirements. At December 31, 2011, our cash and cash equivalents totaled $128 million, compared to $173 million at December 31, 2010.

At December 31, 2011, we had a working capital deficit of $496 million, reflecting current liabilities of $4.019 billion and current assets of $3.523 billion, compared to positive working capital of $132 million at December 31, 2010. The unfavorable change in our working capital position is primarily due to our consolidation of Qwest's working capital accounts as well as $480 million in current maturities of long-term debt at December 31, 2011. We anticipate that our existing cash balances and net cash provided by operating activities, which were significantly enhanced by our acquisition of Qwest, will enable us to meet our other current obligations, fund capital expenditures and pay dividends to our shareholders. We also may draw on our Credit Facility as a source of liquidity if and when necessary.

We currently expect to continue our current annual dividend of $2.90 per common share, subject to our board's discretion.

Debt and Other Financing Arrangements

We have available a four-year $1.7 billion revolving Credit Facility, which expires in January 2015. Up to $400 million of the Credit Facility can be used for letters of credit, which reduces the amount available for other extensions of credit. Available borrowings under the Credit Facility are also effectively reduced by any outstanding borrowings under our commercial paper program. Our commercial paper program borrowings are effectively limited to the lesser of $1.5 billion or the total amount available under the Credit Facility. At December 31, 2011, we had $277 million in borrowings and no amounts of letters of credit outstanding under the Credit Facility, and no amounts outstanding under our commercial paper program.

The Credit Facility has 21 lenders, with commitments ranging from $2.5 million to $135 million. Under the Credit Facility, we, and our indirect subsidiary, Qwest Corporation, ("QC"), must maintain a debt to EBITDA (earnings before interest, taxes, depreciation and amortization, as defined in our Credit Facility) ratio of not more than 4:1 and 2.85:1, respectively, as of the last day of each fiscal quarter for the four quarters then ended. The Credit Facility also contains a negative pledge covenant, which generally provides restrictions if we pledge assets or permit liens on our property, and requires that any advances under the Credit Facility must also be secured equally and ratably. The Credit Facility also has a cross payment default provision, and the Credit Facility and certain of our debt securities also have cross acceleration provisions. When present, these provisions could have a wider impact on liquidity than might otherwise arise from a default or acceleration of a single debt instrument. To the extent that our EBITDA (as defined in our Credit Facility), is reduced by cash settlements or judgments, including in respect of any of the matters discussed in Note 16—Commitments and Contingencies, our debt to EBITDA ratios under certain debt agreements will be adversely affected. This could reduce our financing flexibility due to potential restrictions on incurring additional debt under certain provisions of our debt agreements or, in certain circumstances, could result in a default under certain provisions of such agreements.

At December 31, 2011, our long-term debt (including current maturities) totaled $21.836 billion, compared to $7.328 billion outstanding at December 31, 2010. Substantially all of the $14.508 billion increase in our debt is attributable to the acquisition of Qwest on April 1, 2011 and our recent debt issuances to fund the acquisition of Savvis and the retirement of its credit facility in July 2011.

Approximately $318 million of our CenturyLink, Inc. Series L 7.875% notes will mature on August 15, 2012 and on January 27, 2012, we called $800 million of Qwest Communications International Inc. 7.500% notes due February 15, 2014, committing to retire them on March 1, 2012. Subject to market conditions, we expect to continue to issue debt securities from time to time in the future to refinance a substantial portion of our maturing debt. This includes issuing debt securities of CenturyLink or through our QC subsidiary to refinance its maturing debt. The availability, interest rate and other terms of any new borrowings will depend on the ratings assigned to us and QC by the three major credit rating agencies, among other factors. Following our announcement in April 2011 of our agreement to purchase Savvis, one of these agencies revised its previous outlook on its rating of us from stable to negative. We believe this negative outlook could result in a ratings downgrade if we are unable to reduce our "debt leverage ratio," while maintaining "free cash flow" (each as defined by the ratings agency) over the 12 to 18 months following the negative outlook announcement.

Between the date of this report and the end of 2012, we currently expect to reduce our consolidated debt levels by $800 million to $1.300 billion, based on current circumstances and market conditions.

In April 2011, we entered into a $160 million uncommitted revolving letter of credit facility. At December 31, 2011, our outstanding letters of credit totaled $129 million under this facility.

Future Contractual Obligations

The following table summarizes our estimated future contractual obligations at December 31, 2011:

	2012	2013	2014	2015	2016	2017 and thereafter	Total
	(Dollars in millions)						
Long-term debt, including current maturities and capital lease obligations	$ 480	1,717	2,057	1,659	2,856	12,798	21,567
Interest on long-term debt and capital leases(1)	1,478	1,409	1,313	1,185	1,003	11,715	18,103
Operating leases	280	244	208	178	147	928	1,985
Purchase commitmen (2)	268	114	77	52	47	148	706
Post-retirement benefit obligation	71	71	70	69	120	1,195	1,596
Non-qualified pension obligations	3	2	2	2	2	22	33
Unrecognized tax benefits (3)	—	—	—	—	—	86	86
Other	4	12	7	5	5	112	145
Total future contractual obligations (4)	$ 2,584	3,569	3,734	3,150	4,180	27,004	44,221

(1) Interest paid in all years may differ due to future refinancing of debt. Interest on our floating rate debt was calculated for all years using the rates effective at December 31, 2011.

(2) We have various long-term, non-cancelable purchase commitments for advertising and promotion services, including advertising and marketing at sports arenas and other venues and events. We also have service related commitments with various vendors for data processing, technical and software support services. Future payments under certain service contracts will vary depending on our actual usage. In the table above we estimated payments for these service contracts based on the level of services we expect to receive.

(3) Represents the amount of tax and interest we would pay for our unrecognized tax benefits. Of our total balance of unrecognized tax benefits of $111 million and related estimated interest and penalties of $33 million, only $86 million would result in future cash payments if our tax positions were not upheld. The remaining $58 million is an unrecognized tax benefit in the form of a refund claim that, if not granted, would not result in a cash payment and therefore is not included in the table above. See Note 12—Income Taxes for additional information. The timing of any payments for our unrecognized tax benefits cannot be predicted with certainty; therefore, such amount is reflected in the "2017 and thereafter" column in the above table.

(4) The table does not include:

- our open purchase orders as of December 31, 2011. These purchase orders are generally at fair value, and are generally cancelable without penalty;
- other long-term liabilities, such as accruals for legal matters and other taxes that are not contractual obligations by nature. We cannot determine with any degree of reliability the years in which these liabilities might ultimately settle;

- cash funding requirements for pension benefits payable to certain eligible current and future retirees. Benefits paid by our qualified pension plans are paid through trusts. Cash funding requirements for the trusts are not included in this table as we are not able to reliably estimate required contributions to the trust. Our funding projections are discussed further below;
- certain post-retirement benefits payable to certain eligible current and future retirees. Not all of our post-retirement benefit obligation amount is a contractual obligation and only the portion that we believe is a contractual obligation is reported in the table. See additional information on our benefits plans in Note 8—Employee Benefits to our consolidated financial statements in Item 8 of this report;
- contract termination fees. These fees are non-recurring payments, the timing and payment of which, if any, is uncertain. In the ordinary course of business and to optimize our cost structure, we enter into contracts with terms greater than one year to use the network facilities of other carriers and to purchase other goods and services. Our contracts to use other carriers' network facilities generally have no minimum volume requirements and are based on an interrelationship of volumes and discounted rates. Assuming we exited these contracts in 2012, the contract termination fees would be approximately $819 million. Under the same assumption, termination fees for these contracts to purchase goods and services would be $185 million. In the normal course of business, we believe the payment of these fees is likely to be remote; and
- potential indemnification obligations to counterparties in certain agreements entered into in the normal course of business. The nature and terms of these arrangements vary. Historically, we have not incurred significant costs related to performance under these types of arrangements.

Capital Expenditures

We incur capital expenditures on an ongoing basis in order to enhance and modernize our networks, compete effectively in our markets and expand our service offerings. We evaluate capital expenditure projects based on a variety of factors, including expected strategic impacts (such as forecasted revenue growth or productivity, expense and service impacts) and our expected return on investment. The amount of capital investment is influenced by, among other things, demand for our services and products, cash generated by operating activities and regulatory considerations. We estimate our total 2012 capital expenditures to be approximately $2.7 billion to $2.9 billion.

Our capital expenditures continue to be focused on our strategic services such as video, broadband and managed hosting services. In 2012, we anticipate that our fiber investment, which includes fiber to the tower, or FTTT, will be similar to that spent in 2011. FTTT is a type of telecommunications network consisting of fiber-optic cables that run from a telecommunication provider's broadband interconnection points to cellular towers. FTTT allows for the delivery of higher bandwidth services supporting mobile technologies than would otherwise generally be available through a more traditional telecommunications network.

Pension and Post-retirement Benefit Obligations

We are subject to material obligations under our existing defined benefit pension plans and other post-retirement benefit plans. The accounting unfunded status as of December 31, 2011 of our defined pension plans and other post-retirement benefit obligations was $1.7 billion and $3.2 billion, respectively. See Note 8—Employee Benefits to our consolidated financial statements in Item 8 of this report for additional information about our pension and other post-retirement benefit arrangements.

Benefits paid by our pension plans are paid through a trust. We contributed $587 million during the year ended December 31, 2011 to our pension plans and expect to make a contribution of less than $50 million in 2012. We currently expect that required and voluntary contributions for 2013 will be approximately $500 million, based on current laws and circumstances. The actual amount of contributions to our plans in 2013 and beyond will depend on earnings on investments, discount rates, demographic experience, changes in plans benefits and funding laws and regulations.

Certain of our post-retirement health care and life insurance benefits plans are unfunded. Several trusts hold assets that are used to help cover the health care costs of certain retirees. As of December 31, 2011, the fair value of these trust assets was $693 million; however, a portion of these assets is comprised of investments with restricted liquidity. We estimate that the more liquid assets in the trust will be adequate to provide continuing reimbursements for covered post-retirement health care costs for approximately four years. Thereafter, covered benefits will be paid either directly by us or from the trusts as the remaining assets become liquid. This projected four year period could be substantially shorter or longer depending on returns on plan assets, the timing of maturities of illiquid plan assets and future changes in benefits.

Historical Information

The following table summarizes our consolidated cash flow activities (which include cash flows from Savvis, Qwest and Embarq after their respective acquisition dates):

	Years Ended December 31,		Increase
	2011	2010	(Decrease)
	(Dollars in millions)		
Net cash provided by operating activities	$ 4,201	2,045	2,156
Net cash used in investing activities	(3,647)	(859)	2,788
Net cash used in financing activities	(577)	(1,175)	(598)

	Years Ended December 31,		Increase
	2010	2009	(Decrease)
	(Dollars in millions)		
Net cash provided by operating activities	$ 2,045	1,574	471
Net cash used in investing activities	(859)	(679)	180
Net cash used in financing activities	(1,175)	(976)	199

The increase in our net cash provided by operating activities in 2011 is largely attributable to the acquisitions of Qwest and Savvis, which contributed net cash provided by operating activities of approximately $2.1 billion and $90 million, respectively. Net cash provided by operating activities in 2010 as compared to 2009 increased primarily due to 2010 including a full year of operations of Embarq as compared to only a half year in 2009. Our consolidated financial statements in Item 8 in this report provide information about the components of net income and differences between net income and net cash provided by operating activities. For additional information about our operating results, see "Results of Operations" above.

Net cash used in investing activities included payments for property, plant and equipment and capitalized software of $2.411 billion in 2011, including $1.329 billion for Qwest and Savvis' post-acquisition capital expenditures, compared to $864 million in 2010. In addition, we paid $1.671 billion, net of $61 million cash received, for the acquisition of Savvis on July 15, 2011. Cash used in investing activities in 2011 was partially offset by cash acquired through the April 1, 2011 acquisition of Qwest of $419 million, net of $5 million cash paid.

Net cash used in financing activities decreased in 2011 primarily due to us receiving net debt proceeds in excess of payments of approximately $1.1 billion in 2011 and a debt payment of $500 million in 2010. In addition, our cash dividends paid increased $677 million in 2011 as compared to 2010 primarily as a result of the issuance of 308 million common shares in connection with our acquisitions of Qwest and Savvis in 2011. Net cash used in financing activities in 2010 as compared to 2009 increased due to a $319 million increase in cash dividends paid, primarily due to the issuance of

196 million shares issued on July 1, 2011 for the acquisition of Embarq, partially offset with $73 million in increased proceeds from the issuance of common stock under our equity incentive plans.

On October 4, 2011, our indirect wholly owned subsidiary, Qwest Corporation ("QC"), issued $950 million aggregate principal amount of its 6.75% Notes due 2021 in exchange for net proceeds, after deducting underwriting discounts and expenses, of $927 million. The notes are senior unsecured obligations of QC and may be redeemed, in whole or in part, at a redemption price equal to the greater of their principal amount or the present value of the remaining principal and interest payments discounted at a U.S. Treasury interest rate specified in the indenture agreement plus 50 basis points.

On September 21, 2011, QC issued $575 million aggregate principal amount of its 7.50% Notes due 2051 in exchange for net proceeds, after deducting underwriting discounts and expenses, of $557 million. The notes are senior unsecured obligations of QC and may be redeemed, in whole or in part, on or after September 15, 2016 at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date. In October 2011, QC used the net proceeds from this offering, together with the $927 million of net proceeds received on October 4, 2011, from the debt issuance described above and available cash, to redeem the $1.500 billion aggregate principal amount of its 8.875% Notes due 2012 and to pay all related fees and expenses, which resulted in an immaterial loss.

On June 16, 2011, we issued unsecured senior notes with an aggregate principal amount of $2.0 billion ("Senior Notes"), consisting of (i) $400 million of 7.60% Senior Notes, Series P, due 2039, (ii) $350 million of 5.15% Senior Notes, Series R, due 2017 and (iii) $1.250 billion of 6.45% Senior Notes, Series S, due 2021. After deducting underwriting discounts and expenses, we received aggregate net proceeds of $1.959 billion in exchange for the Senior Notes. We may redeem the Senior Notes, in whole or in part, at any time at a redemption price equal to the greater of their principal amount or the present value of the remaining principal and interest payments discounted at a U.S. Treasury interest rates plus 50 basis points. We used the net proceeds to fund a portion of our acquisition of Savvis and repay certain of Savvis' debt (see Note 2—Acquisitions). In April 2011, we received commitment letters from two banks to provide up to $2.0 billion in bridge financing for the Savvis acquisition. This arrangement was terminated in June 2011 in connection with the issuance of the Senior Notes, resulting in $16 million in transaction expenses recognized in other income (expense), net.

On June 8, 2011, QC issued approximately $661 million aggregate principal amount of its 7.375% Notes due 2051 in exchange for net proceeds, after deducting underwriting discounts and expenses, of $642 million. The notes are unsecured obligations of QC and may be redeemed, in whole or in part, on or after June 1, 2016 at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date. QC used the net proceeds, together with available cash, to redeem $825 million aggregate principal amount of its 7.875% Notes due 2011 and to pay related fees and expenses.

Certain Matters Related to Acquisitions

Qwest's pre-existing debt obligations consisted primarily of debt securities issued by Qwest and two of its subsidiaries while Savvis' remaining debt obligations consist primarily of capital leases, all of which are now included in our consolidated debt balances. The indentures governing Qwest's debt securities contain customary covenants that restrict the ability of Qwest or its subsidiaries from making certain payments and investments, granting liens and selling or transferring assets. Based on current circumstances, we do not anticipate that these covenants will significantly restrict our ability to manage cash balances or transfer cash between entities within our consolidated group of companies as needed.

In accounting for the Qwest acquisition, we recorded Qwest's debt securities at their estimated fair values, which totaled $12.292 billion as of April 1, 2011. Our acquisition date fair value estimates were based primarily on quoted market prices in active markets and other observable inputs where quoted market prices were not available. The fair value of Qwest's debt securities exceeded their stated principal balances on the acquisition date by $693 million, which is being recognized as a reduction to interest expense over the remaining terms of the debt, of which $150 million was recognized in 2011.

Other Matters

We have cash management arrangements with certain of our principal subsidiaries, in which substantial portions of the subsidiaries' cash is regularly transferred to us in exchange for matching receivables. In accordance with generally accepted accounting principles, these receivables are eliminated as intercompany transactions. Although we periodically repay these receivables to fund the subsidiaries' cash requirements throughout the year, at any given point in time we may owe a substantial sum to our subsidiaries under these receivables, which is not recorded on our consolidated balance sheets.

We also are involved in various legal proceedings that could have a material effect on our financial position. See Note 16—Commitment and Contingencies for the current status of such legal proceedings, including matters involving Qwest.

Market Risk

We are exposed to market risk from changes in interest rates on our variable rate long-term debt obligations. We seek to maintain a favorable mix of fixed and variable rate debt in an effort to limit interest costs and cash flow volatility resulting from changes in rates. From time to time over the past several years, we have used derivative instruments to (i) lock-in or swap our exposure to changing or variable interest rates for fixed interest rates or (ii) to swap obligations to pay fixed interest rates for variable interest rates; however, at December 31, 2011 we had no such instruments outstanding. We have established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative instrument activities. We do not hold or issue derivative financial instruments for trading or speculative purposes. Management periodically reviews our exposure to interest rate fluctuations and implements strategies to manage the exposure.

At December 31, 2011, we have approximately $21.1 billion (excluding capital lease and other obligations with a carrying amount of $712 million) of long-term debt outstanding, 95% of which bears interest at fixed rates and is therefore not exposed to interest rate risk. We had $1.049 billion floating rate debt exposed to changes in the London InterBank Offered Rate (LIBOR). A hypothetical increase of 100 basis points in LIBOR relative to this debt would decrease our annual pre-tax earnings by $10 million.

With our acquisition of Savvis in July 2011, we have become exposed to the risk of fluctuations in the foreign currencies in which its international operations are denominated, primarily the euro, the British Pound, the Canadian Dollar, the Japanese Yen and the Singapore Dollar. As a consolidated entity, the percentage of revenues generated and costs incurred that are denominated in these currencies is immaterial. We use a sensitivity analysis to estimate our exposure to this foreign currency risk, measuring the change in financial position arising from hypothetical 10% change in the exchange rates of these currencies, relative to the U.S. Dollar with all other variables held constant. The aggregate potential change in the fair value of assets resulting from a hypothetical 10% change in these exchange rates was $15 million at December 31, 2011.

Certain shortcomings are inherent in the method of analysis presented in the computation of exposures to market risks. Actual values may differ materially from those presented above if market conditions vary from the assumptions used in the analyses performed. These analyses only incorporate the risk exposures that existed at December 31, 2011.

Off-Balance Sheet Arrangements

We have no special purpose or limited purpose entities that provide off-balance sheet financing, liquidity, or market or credit risk support and we do not engage in leasing, hedging, or other similar activities that expose us to any significant liabilities that are not (i) reflected on the face of the consolidated financial statements or in the Future Contractual Obligations table above or (ii) discussed under the heading "Market Risk" above.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Risk" in Item 7 of this report is incorporated herein by reference.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Management

The Shareholders
CenturyLink, Inc.:

Management has prepared and is responsible for the integrity and objectivity of our consolidated financial statements. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts determined using our best judgments and estimates.

Our consolidated financial statements have been audited by KPMG LLP, an independent registered public accounting firm, who have expressed their opinion with respect to the fairness of the consolidated financial statements. Their audit was conducted in accordance with standards of the Public Company Accounting Oversight Board (United States).

Management is responsible for establishing and maintaining adequate internal control over financial reporting, a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our evaluation under the framework of COSO, management concluded that our internal control over financial reporting was effective at December 31, 2011. The effectiveness of our internal control over financial reporting at December 31, 2011 has been audited by KPMG LLP, as stated in their report which is included herein.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Audit Committee of the Board of Directors is composed of independent directors who are not officers or employees. The Committee meets periodically with the external auditors, internal auditors and management. The Committee considers the independence of the external auditors and the audit scope and discusses internal control, financial and reporting matters. Both the external and internal auditors have free access to the Committee.

/s/ R. Stewart Ewing, Jr.

R. Stewart Ewing, Jr.
Executive Vice President, Chief Financial Officer and Assistant Secretary
February 27, 2012

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
CenturyLink, Inc.:

We have audited the accompanying consolidated balance sheets of CenturyLink, Inc. and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive income, cash flows, and stockholders' equity for each of the years in the three-year period ended December 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 27, 2012 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

KPMG LLP
Shreveport, Louisiana
February 27, 2012

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
CenturyLink, Inc.:

We have audited CenturyLink, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Report of Management*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive income, cash flows, and stockholders' equity for each of the years in the three-year period ended December 31, 2011, and our report dated February 27, 2012 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

KPMG LLP
Shreveport, Louisiana
February 27, 2012

CENTURYLINK, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	2011	2010	2009
	(Dollars in millions, except per share amounts and shares in thousands)		
OPERATING REVENUES	$ 15,351	7,042	4,974
OPERATING EXPENSES			
Cost of services and products (exclusive of depreciation and amortization)	6,325	2,544	1,801
Selling, general and administrative	2,975	1,004	965
Depreciation and amortization	4,026	1,434	975
Total operating expenses	13,326	4,982	3,741
OPERATING INCOME	2,025	2,060	1,233
OTHER INCOME (EXPENSE)			
Interest expense	(1,072)	(544)	(367)
Other income (expense)	(5)	15	(53)
Total other income (expense)	(1,077)	(529)	(420)
INCOME BEFORE INCOME TAX EXPENSE	948	1,531	813
Income tax expense	375	583	302
NET INCOME BEFORE EXTRAORDINARY ITEM	573	948	511
Extraordinary item, net of $81 tax (Note 14)	—	—	136
NET INCOME	$ 573	948	647
BASIC AND DILUTED EARNINGS PER COMMON SHARE			
Before extraordinary item	$ 1.07	3.13	2.55
Extraordinary item	—	—	.68
Basic and diluted earnings per common share	$ 1.07	3.13	3.23
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
BASIC	532,780	300,619	198,813
DILUTED	534,121	301,297	199,057

See accompanying notes to consolidated financial statements.

CENTURYLINK, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	Years Ended December 31,		
	2011	2010	2009
	(Dollars in millions)		
NET INCOME	$ 573	948	647
OTHER COMPREHENSIVE (LOSS) INCOME:			
Items related to employee benefit plans:			
Change in net actuarial loss, net of $508, $32 and $(36) tax	(812)	(53)	49
Change in net prior service credit, net of $23, $2 and $7 tax	(37)	(3)	(11)
Auction rate securities marked to market, net of $2, $— and $— tax	(4)	—	—
Foreign currency translation adjustment and other, net of $2, $— and $— tax	(18)	—	—
Other comprehensive (loss) income	(871)	(56)	38
COMPREHENSIVE (LOSS) INCOME	$ (298)	892	685

See accompanying notes to consolidated financial statements.

CENTURYLINK, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2011	December 31, 2010
	(Dollars in millions and shares in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 128	173
Accounts receivable, less allowance of $145 and $60	1,952	713
Income tax receivable	27	102
Deferred income taxes, net	1,026	81
Other	390	74
Total current assets	3,523	1,143
NET PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	29,577	16,329
Accumulated depreciation	(10,141)	(7,575)
Net property, plant and equipment	19,436	8,754
GOODWILL AND OTHER ASSETS		
Goodwill	21,724	10,261
Customer relationships, net	8,361	930
Other intangible assets, net	2,239	622
Other	856	328
Total goodwill and other assets	33,180	12,141
TOTAL ASSETS	$ 56,139	22,038
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 480	12
Accounts payable	1,399	300
Accrued expenses and other liabilities		
Salaries and benefits	634	159
Income and other taxes	383	124
Interest	293	104
Other	250	122
Advance billings and customer deposits	580	190
Total current liabilities	4,019	1,011
LONG-TERM DEBT	21,356	7,316
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred income taxes, net	3,823	2,369
Benefit plan obligations, net	4,855	1,306
Other	1,259	389
Total deferred credits and other liabilities	9,937	4,064
COMMITMENTS AND CONTINGENCIES (Note 16)		
STOCKHOLDERS' EQUITY		
Preferred stock—non-redeemable, $25.00 par value, authorized 2,000 shares, issued and outstanding 9 and 9 shares	—	—
Common stock, $1.00 par value, authorized 800,000 shares, issued and outstanding 618,514 and 304,948 shares	619	305
Additional paid-in capital	18,901	6,181
Accumulated other comprehensive loss	(1,012)	(141)
Retained earnings	2,319	3,302
Total stockholders' equity	20,827	9,647
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 56,139	22,038

See accompanying notes to consolidated financial statements.

CENTURYLINK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2011	2010	2009
	(Dollars in millions)		
OPERATING ACTIVITIES			
Net income	$ 573	948	647
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,026	1,434	975
Extraordinary item, net of income tax expense	—	—	(136)
Deferred income taxes	395	132	154
Provision for uncollectible accounts	153	91	57
Long-term debt (premium) discount amortization	(148)	1	11
Changes in current assets and current liabilities:			
Accounts receivable	(102)	(118)	(80)
Accounts payable	(58)	(96)	(32)
Accrued income and other taxes	31	38	(150)
Other current assets and other current liabilities, net	(76)	(127)	121
Retirement benefits	(688)	(271)	(82)
Changes in other noncurrent assets and liabilities	(6)	(13)	40
Other, net	101	26	49
Net cash provided by operating activities	4,201	2,045	1,574
INVESTING ACTIVITIES			
Payments for property, plant and equipment and capitalized software	(2,411)	(864)	(755)
Cash paid for Savvis acquisition, net of $61 cash acquired	(1,671)	—	—
Cash acquired in Qwest acquisition, net of $5 cash paid	419	—	—
Cash acquired in Embarq acquisition	—	—	77
Other, net	16	5	(1)
Net cash used in investing activities	(3,647)	(859)	(679)
FINANCING ACTIVITIES			
Net proceeds from issuance of long-term debt	4,102	—	644
Payments of long-term debt	(2,984)	(500)	(825)
Net (payments) borrowings on credit facility	(88)	74	(272)
Debt issuance and retirement costs	(114)	—	(7)
Dividends paid	(1,556)	(879)	(560)
Net proceeds from issuance of common stock	103	130	57
Repurchase of common stock	(31)	(17)	(16)
Other, net	(9)	17	3
Net cash used in financing activities	(577)	(1,175)	(976)
Effect of exchange rate changes on cash and cash equivalents	(22)	—	—
Net (decrease) increase in cash and cash equivalents	(45)	11	(81)
Cash and cash equivalents at beginning of period	173	162	243
Cash and cash equivalents at end of period	$ 128	173	162
Supplemental cash flow information:			
Income taxes refunded (paid), net	$ 118	(424)	(257)
Interest (paid) (net of capitalized interest of $25, $13 and $3)	$ (1,225)	(548)	(392)

See accompanying notes to consolidated financial statements.

CENTURYLINK, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Years Ended December 31,		
	2011	2010	2009
	(Dollars in millions)		
COMMON STOCK (represents dollars and shares)			
Balance at beginning of period	$ 305	299	100
Issuance of common stock to acquire Qwest, including shares issued in connection with share-based compensation awards	294	—	—
Issuance of common stock to acquire Savvis, including shares issued in connection with share-based compensation awards	14	—	—
Issuance of common stock to acquire Embarq, including shares issued in connection with share-based compensation awards	—	—	196
Issuance of common stock through dividend reinvestment, incentive and benefit plans	6	6	4
Shares withheld to satisfy tax withholdings	—	—	(1)
Balance at end of period	619	305	299
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of period	6,181	6,020	45
Issuance of common stock to acquire Qwest, including assumption of share-based compensation awards	11,974	—	—
Issuance of common stock to acquire Savvis, including assumption of share-based compensation awards	601	—	—
Issuance of common stock to acquire Embarq, including assumption of share-based compensation awards	—	—	5,874
Issuance of common stock through dividend reinvestment, incentive and benefit plans	97	124	53
Shares withheld to satisfy tax withholdings	(30)	(16)	(15)
Share-based compensation and other, net	78	53	63
Balance at end of period	18,901	6,181	6,020
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME			
Balance at beginning of period	(141)	(85)	(123)
Other comprehensive (loss) income	(871)	(56)	38
Balance at end of period	(1,012)	(141)	(85)
RETAINED EARNINGS			
Balance at beginning of period	3,302	3,233	3,146
Net income	573	948	647
Dividends declared	(1,556)	(879)	(560)
Balance at end of period	2,319	3,302	3,233
TOTAL STOCKHOLDERS' EQUITY	$ 20,827	9,647	9,467

See accompanying notes to consolidated financial statements.

CENTURYLINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unless the context requires otherwise, references in this report to "CenturyLink," "we," "us" and "our" refer to CenturyLink, Inc. and its consolidated subsidiaries, including SAVVIS, Inc. and its consolidated subsidiaries (referred to as "Savvis") for periods on or after July 15, 2011, Qwest Communications International Inc. and its consolidated subsidiaries (referred to as "Qwest") for periods on or after April 1, 2011, and Embarq Corporation and its consolidated subsidiaries (referred to as "Embarq") for periods on or after July 1, 2009.

(1) Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

We are an integrated communications company engaged primarily in providing an array of communications services to our residential, business, governmental and wholesale customers. Our communications services include local and long-distance, network access, private line (including special access), public access, broadband, data, managed hosting (including cloud hosting), colocation, wireless and video services. In certain local and regional markets, we also provide local access and fiber transport services to competitive local exchange carriers and security monitoring.

The accompanying consolidated financial statements include our accounts and the accounts of our subsidiaries over which we exercise control. These subsidiaries include our acquisition of SAVVIS, Inc. ("Savvis") on July 15, 2011, Qwest Communications International Inc. ("Qwest") on April 1, 2011 and Embarq Corporation ("Embarq") on July 1, 2009 (See Note 2—Acquisitions). All intercompany amounts and transactions with our consolidated subsidiaries have been eliminated.

Through June 30, 2009, CenturyLink accounted for its regulated telephone operations (except for the properties acquired from Verizon in 2002) in accordance with the provisions of regulatory accounting under which certain of our assets and liabilities were required to be recorded and, accordingly, reflected in the balance sheets of our regulated entities. On July 1, 2009, we discontinued the accounting requirements of regulatory accounting upon the conversion of substantially all of our rate-of-return study areas to federal price cap regulation. In the third quarter of 2009, upon the discontinuance of regulatory accounting, we recorded a non-cash extraordinary gain in our consolidated statements of operations of $136 million after-tax. See Note 14—Discontinuance of Regulatory Accounting for additional information.

Subsequent to the July 1, 2009 discontinuance of regulatory accounting, all intercompany transactions with affiliates have been eliminated from the consolidated financial statements. Prior to July 1, 2009, intercompany transactions with regulated affiliates subject to regulatory accounting were not eliminated in connection with preparing the consolidated financial statements, as allowed by the provisions of regulatory accounting. The amount of intercompany revenues and costs that were not eliminated related to the first half of 2009 approximated $114 million.

Our consolidated financial statements reflect changes in the way we present the effects of noncontrolling interests in certain of our subsidiaries. To simplify the overall presentation of our financial statements, we no longer display immaterial amounts attributable to noncontrolling interests as separate items. In our revised presentation we report: (i) income attributable to noncontrolling interests in other income (expense), (ii) equity attributable to noncontrolling interests in additional paid-in capital and (iii) cash flows attributable to noncontrolling interests in other financing activities. As a result of this change, the amounts we now report as net income correspond to amounts that we previously reported as net income attributable to CenturyLink, Inc. This presentation change had no effect on earnings per common share, total equity or the classification of our cash flows.

During 2011, we changed the definitions we use to classify expenses as cost of services and products and selling, general and administrative, and as a result, we reclassified previously reported amounts to conform to the current period presentation. These revisions resulted in the reclassification of $134 million and $49 million from selling, general and administrative to cost of services and products for years ended December 31, 2010 and 2009, respectively. Our current definitions are as follows:

- *Cost of services and products (exclusive of depreciation and amortization)* are expenses incurred in providing products and services to our customers. These expenses include: employee-related expenses directly attributable to operating and maintaining our network (such as salaries, wages, benefits and professional fees); facilities expenses (which are third-party telecommunications expenses we incur for using other carriers' networks to provide services to our customers); rents and utilities expenses; equipment sales expenses (such as data integration and modem expenses); costs for universal service funds ("USF") (which are federal and state funds that are established to promote the availability of telecommunications services to all consumers at reasonable and affordable rates, among other things, and to which we are often required to contribute); and other expenses directly related to our network and hosting operations.

- *Selling, general and administrative expenses* are expenses incurred in selling products and services to our customers, corporate overhead and other operating expenses. These expenses include: employee-related expenses (such as salaries, wages, internal commissions, benefits and professional fees) directly attributable to selling products or services and employee-related expenses for administrative functions; marketing and advertising; taxes (such as property and other taxes) and fees; external commissions; bad debt expense; and other selling, general and administrative expenses.

These expense classifications may not be comparable to those of other companies.

We also have reclassified certain other prior period amounts to conform to the current period presentation, including the categorization of our revenues and our segment reporting (see Note 13—Segment Information). These changes had no impact on total revenues, total operating expenses or net income for any period.

We have reclassified certain prior year balance sheet amounts presented in our Annual Report on Form 10-K for the year ended December 31, 2010. We primarily reclassified $312 million from other assets to other intangible assets, net.

Summary of Significant Accounting Policies

Use of Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles. These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions we made when accounting for items and matters such as, but not limited to, investments, long-term contracts, customer retention patterns, allowance for doubtful accounts, depreciation, amortization, asset valuations, internal labor capitalization rates, recoverability of assets (including deferred tax assets), impairment assessments, pension, post-retirement and other post-employment benefits, taxes, certain liabilities and other provisions and contingencies are reasonable, based on information available at the time they were made. These estimates, judgments and assumptions can affect the reported amounts of assets, liabilities and components of stockholders' equity as of the dates of the consolidated balance sheets, as well as the reported amounts of revenue, expenses and components of cash flows during the periods presented in our consolidated statements of operations, our consolidated statements of comprehensive (loss) income and our consolidated statements of cash flows. We also make estimates in our assessments of potential losses in relation to threatened or pending tax and legal matters. See Note 12—Income Taxes and Note 16—Commitments and Contingencies for additional information.

For matters not related to income taxes, if a loss is considered probable and the amount can be reasonably estimated, we recognize an expense for the estimated loss. If we have the potential to recover a portion of the estimated loss from a third party, we make a separate assessment of recoverability and reduce the estimated loss if recovery is also deemed probable.

For matters related to income taxes, if the impact of an uncertain tax position is more likely than not to be sustained upon audit by the relevant taxing authority, then we recognize a benefit for the largest amount that is more likely than not to be sustained. No portion of an uncertain tax position will be recognized if the position has less than a 50% likelihood of being sustained. Interest is recognized on the amount of unrecognized benefit from uncertain tax positions.

For all of these and other matters, actual results could differ from our estimates.

Revenue Recognition

We recognize revenue for services when the related services are provided. Recognition of certain payments received in advance of services being provided is deferred until the service is provided. These advance payments include activation and installation charges, which we recognize as revenue over the expected customer relationship period, which ranges from eighteen months to over ten years depending on the service. We also defer costs for customer acquisitions. The deferral of customer acquisition costs is limited to the amount of revenue deferred on advance payments. Costs in excess of advance payments are recorded as expense in the period such costs are incurred. Expected customer relationship periods are estimated using historical experience. Termination fees or other fees on existing contracts that are negotiated in conjunction with new contracts are deferred and recognized over the new contract term.

We offer bundle discounts to our customers who receive certain groupings of services. These bundle discounts are recognized concurrently with the associated revenues and are allocated to the various services in the bundled offering based on the estimated selling price of services included in each bundled combination. Revenues from installation activities are deferred and recognized as revenue over the estimated life of the customer relationship. The costs associated with such installation activities, up to the related amount of deferred revenue, are deferred and recognized as an operating expense over the same period.

Customer arrangements that include both equipment and services are evaluated to determine whether the elements are separable. If the elements are deemed separable and separate earnings processes exist, the revenue associated with each element is allocated to each element based on the relative estimated selling price of the separate elements. We have estimated the selling prices of each element by reference to vendor-specific objective evidence of selling prices when the elements are sold separately. The revenue associated with each element is then recognized as earned. For example, if we receive an advance payment when we sell equipment and continuing service together, we immediately recognize as revenue the amount allocated to the equipment as long as all the conditions for revenue recognition have been satisfied. The portion of the advance payment allocated to the service based upon its relative selling price is recognized ratably over the longer of the contractual period or the expected customer relationship period.

We have periodically transferred optical capacity assets on our network to other telecommunications service carriers. These transactions are structured as indefeasible rights of use, commonly referred to as IRUs, which are the exclusive right to use a specified amount of capacity or fiber for a specified term, typically 20 years. We account for the cash consideration received on transfers of optical capacity assets and on all of the other elements deliverable under an IRU, as revenue ratably over the term of the agreement. We have not recognized revenue on any contemporaneous exchanges of our optical capacity assets for other optical capacity assets.

We offer some products and services that are provided by third-party vendors. We review the relationship between us, the vendor and the end customer to assess whether revenue should be reported on a gross or net basis. In assessing whether revenue should be reported on a gross or net basis, we consider whether we act as a principal in the transaction, take title to the products, have risk and rewards of ownership and act as an agent or broker. Based on our agreements with DIRECTV and Verizon Wireless, we offer these services through sales agency relationships which are reported on a net basis.

For our Savvis operations, we have service level commitments pursuant to individual client contracts with certain of our clients. To the extent that such service levels are not achieved or are otherwise disputed due to performance or service issues or other service interruptions or conditions, we will estimate the amount of credits to be issued and record a reduction to revenue, with a corresponding increase in the allowance for doubtful accounts. In the event we provide credits or payments to clients related to service level claims, we may recover such costs through third party insurance agreements. Insurance proceeds received under these agreements are recorded as an offset to previously recorded revenue reductions.

USF, Gross Receipts Taxes and Other Surcharges

In determining whether to include in our revenue and expenses the taxes and surcharges collected from customers and remitted to governmental authorities, including USF charges, sales, use, value added and some excise taxes, we assess, among other things, whether we are the primary obligor or principal taxpayer for the taxes assessed in each jurisdiction where we do business. In jurisdictions where we determine that we are the principal taxpayer, we record the taxes on a gross basis and include them in our revenue and costs of services and products.

In jurisdictions where we determine that we are merely a collection agent for the government authority, we record the taxes on a net basis and do not include them in our revenue and costs of services and products.

Advertising Costs

Costs related to advertising are expensed as incurred and included in selling, general and administrative expenses in our consolidated statements of operations. For the years ended December 31, 2011, 2010 and 2009, our advertising expense was $275 million, $49 million and $25 million, respectively.

Legal Costs

In the normal course of our business, we incur costs to hire and retain external legal counsel to advise us on regulatory, litigation and other matters. We expense these costs as the related services are received.

Income Taxes

We file a consolidated federal income tax return with our eligible subsidiaries. The provision for income taxes consists of an amount for taxes currently payable, an amount for tax consequences deferred to future periods, adjustments to our liabilities for uncertain tax positions and amortization of investment tax credits. We record deferred income tax assets and liabilities reflecting future tax consequences attributable to tax net operating loss carryforwards (NOLs), tax credit carryforwards and differences between the financial statement carrying value of assets and liabilities and the tax bases of those assets and liabilities. Deferred taxes are computed using enacted tax rates expected to apply in the year in which the differences are expected to affect taxable income. The effect on deferred income tax assets and liabilities of a change in tax rate is recognized in earnings in the period that includes the enactment date.

We use the deferral method of accounting for federal investment tax credits earned prior to the repeal of such credits in 1986. We also defer certain transitional investment tax credits earned after the repeal, as well as investment tax credits earned in certain states. We amortize these credits ratably over the estimated service lives of the related assets as a credit to our income tax expense in our consolidated statements of operations.

We establish valuation allowances when necessary to reduce deferred income tax assets to the amounts that we believe are more likely than not to be recovered. A significant portion of our net deferred tax assets relate to tax benefits attributable to NOLs. Each quarter we evaluate the need to retain all or a portion of the valuation allowance on our deferred tax assets. At December 31, 2011, we concluded that it was more likely than not that we would realize the majority of our deferred tax assets. See Note 12—Income Taxes for additional information.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments that are readily convertible into cash and are not subject to significant risk from fluctuations in interest rates. As a result, the value at which cash and cash equivalents are reported in our consolidated financial statements approximates their fair value. In evaluating investments for classification as cash equivalents, we require that individual securities have original maturities of three months or less and that individual investment funds have dollar-weighted average maturities of ninety days or less. To preserve capital and maintain liquidity, we invest with financial institutions we deem to be of sound financial condition and in high quality and relatively risk-free investment products. Our cash investment policy limits the concentration of investments with specific financial institutions or among certain products and includes criteria related to credit worthiness of any particular financial institution.

Book overdrafts occur when checks have been issued but have not been presented to our controlled disbursement bank accounts for payment. Disbursement bank accounts allow us to delay funding of issued checks until the checks are presented for payment. Until the issued checks are presented for payment, the book overdrafts are included in accounts payable on our consolidated balance sheet. This activity is included in the operating activities section in our consolidated statements of cash flows.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts Receivable are recognized based upon the amount due from customers for the services provided or at cost for purchased and other receivables less an allowance for doubtful accounts. The allowance for doubtful accounts receivable reflects our best estimate of probable losses inherent in our receivable portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available evidence. We generally consider our accounts past due if they are outstanding over 30 days. Our collection process varies by the customer segment, amount of the receivable, and our evaluation of the customer's credit risk. Our past due accounts are written off against our allowance for doubtful accounts when collection is considered to be not probable. Any recoveries of accounts previously written off are generally recognized as a reduction in bad debt expense in the period received. The carrying value of accounts receivable net of the allowance for doubtful accounts approximates fair value.

Property, Plant and Equipment

Property, plant and equipment acquired in connection with our acquisitions was recorded based on its estimated fair value as of its acquisition date plus the estimated value of any associated legally or contractually required retirement obligations. Substantially all other property, plant and equipment is stated at original cost plus the estimated value of any associated legally or contractually required retirement obligations. Property, plant and equipment is depreciated primarily using the straight-line group method. Under the straight-line group method, assets dedicated to providing telecommunications services (which comprise the majority of our property, plant and equipment) that have similar physical characteristics, use and expected useful lives are categorized in the year acquired on the basis of equal life groups for purposes of depreciation and tracking. Generally, under the straight-line group method, when an asset is sold or retired, the cost is deducted from property, plant and equipment and charged to accumulated depreciation without recognition of a gain or loss. A gain or loss is recognized in our consolidated statements of operations only if a disposal is abnormal or unusual. Leasehold improvements are amortized over the shorter of the useful lives of the assets or the expected lease term. Expenditures for maintenance and repairs are expensed as incurred. Interest is capitalized during the construction phase of network and other internal-use capital projects. Employee-related costs for construction of network and other internal use assets are also capitalized during the construction phase. Property, plant and equipment supplies used internally are carried at average cost, except for significant individual items for which cost is based on specific identification.

We perform annual internal reviews to evaluate the reasonableness of the depreciable lives for our property, plant and equipment. Our reviews utilize models that take into account actual usage, physical wear and tear, replacement history, assumptions about technology evolution and, in certain instances, actuarially determined probabilities to estimate the remaining life of our asset base. The changes in our estimates incorporated as a result of our most recent reviews did not have a material impact on the level of our depreciation expense.

We have asset retirement obligations associated with the legally or contractually required removal of a limited group of property, plant and equipment assets from leased properties and the disposal of certain hazardous materials present in our owned properties. When an asset retirement obligation is identified, usually in association with the acquisition of the asset, we record the fair value of the obligation as a liability. The fair value of the obligation is also capitalized as property, plant and equipment and then amortized over the estimated remaining useful life of the associated asset. Where the removal obligation is not legally binding, the net cost to remove assets is expensed in the period in which the costs are actually incurred.

We review long-lived assets, other than goodwill and other intangible assets with indefinite lives, for impairment whenever facts and circumstances indicate that the carrying amounts of the assets may not be recoverable. For measurement purposes, long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities, absent a material change in operations. An impairment loss is recognized only if the carrying amount of the asset group is not recoverable and exceeds its fair value. Recoverability of the asset group to be held and used is measured by comparing the carrying amount of the asset group to the estimated undiscounted future net cash flows expected to be generated by the asset group. If the asset group's carrying value is not recoverable, an impairment charge is recognized for the amount by which the carrying amount of the asset group exceeds its fair value. We determine fair values by using a combination of comparable market values and discounted cash flows, as appropriate.

Goodwill, Customer Relationships and Other Intangible Assets

Intangible assets arising from business combinations, such as goodwill, customer relationships, trademarks and tradenames, are initially recorded at fair value. We amortize customer relationships primarily over an estimated life of 10 years, using either the sum-of-the-years-digits or straight-line methods, depending on the type of customer. We amortize capitalized software using the straight-line method over estimated lives ranging up to seven years and amortize our other intangible assets predominantly using the sum-of-the-years digits method over an estimated life of four years. Other intangible assets not arising from business combinations are initially recorded at cost. Where there are no legal, regulatory, contractual or other factors that would reasonably limit the useful life of an intangible asset, we classify the intangible asset as indefinite-lived and such intangible assets are not amortized.

Internally used software, whether purchased or developed by us, is capitalized and amortized using the straight-line group method over its estimated useful life. We have capitalized certain costs associated with software such as costs of employees devoting time to the projects and external direct costs for materials and services. Costs associated with software to be used for internal purposes are expensed until the point at which the project has reached the development stage. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance, data conversion and training costs are expensed in the period in which they are incurred. We review the remaining economic lives of our capitalized software annually. Capitalized software is included in other intangible assets, net, in our consolidated balance sheets.

Our long-lived intangible assets with indefinite lives are reviewed for impairment annually or whenever an event occurs or circumstances change that would indicate an impairment may have occurred. These assets are carried at historical cost if their estimated fair value is greater than their carrying amounts. However, if their estimated fair value is less than the carrying amount, other indefinite-lived intangible assets are reduced to their estimated fair value through an impairment charge to our consolidated statements of operations. In the fourth quarter of 2011, we completed our annual review and determined that the fair value of our indefinite-lived intangible assets exceeded their carrying amounts; accordingly, no impairment charge was recorded in 2011.

We are required to review goodwill for impairment at least annually, or more frequently if events or a change in circumstances indicate that an impairment may have occurred. We are required to write-down the value of goodwill only in periods in which the recorded amount of goodwill exceeds the fair value. Our annual measurement date for testing goodwill impairment is September 30. Subsequent to our acquisitions of Qwest on April 1, 2011 and Savvis on July 15, 2011, we managed our operations based on four operating segments (regional markets, business markets, wholesale markets and Savvis operations) and have considered these four operating segments to be the appropriate level for testing goodwill impairment as of September 30, 2011. Prior to our acquisition of Qwest, our reporting units were generally aligned to our five geographic operating regions, under which we managed the substantial portion of our operations. See Note 3—Goodwill, Customer Relationships and Other Intangible Assets for additional information.

We periodically review the estimated lives and methods used to amortize our other intangible assets. The actual amounts of amortization expense may differ materially from our estimates, depending on the results of our periodic reviews and our final determinations of acquisition date fair value related to Savvis' and Qwest's intangible assets. For more information, see Note 2—Acquisitions.

Pension and Post-Retirement Benefits

We recognize the overfunded or underfunded status of our defined benefit and post-retirement plans as an asset or a liability on our balance sheet. Accumulated actuarial gains and losses are a component of our other comprehensive (loss) income, which is then included in our accumulated other comprehensive (loss) income. Pension and post-retirement benefit expenses are recognized over the period in which the employee renders service and becomes eligible to receive benefits. We make significant assumptions (including the discount rate, expected rate of return on plan assets and health care trend rates) in computing the pension and post-retirement benefits expense and obligations. See Note 8—Employee Benefits.

Foreign Currency

Our results of operations include foreign subsidiaries, which are translated from the applicable functional currency to the United States dollar using the average exchange rates during the reporting period, while assets and liabilities are translated at the reporting date. Resulting gains or losses from translating foreign currency are included in accumulated other comprehensive (loss) income.

Common Stock

At December 31, 2011, we had unissued shares of CenturyLink common stock reserved of 43.6 million shares for incentive compensation, 4.1 million shares for acquisitions, 3.4 million shares for our employee stock purchase plan ("ESPP") and 400,000 shares for our dividend reinvestment plan.

Preferred stock

Holders of outstanding CenturyLink preferred stock are entitled to receive cumulative dividends, receive preferential distributions equal to $25 per share plus unpaid dividends upon CenturyLink's liquidation and vote as a single class with the holders of common stock.

Recently Issued Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-08, *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. This update simplifies the goodwill impairment assessment by allowing a company to first review qualitative factors to determine the likelihood of whether the fair value of a reporting unit is less than its carrying amount before applying the two-step goodwill impairment test. If it is determined that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, a company would not be required to perform the two-step goodwill impairment test for that reporting unit. This update is effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011 with early adoption permitted. This ASU, which we adopted during the third quarter of 2011, did not have any impact on our consolidated financial statements.

In October 2009, the FASB issued ASU 2009-13, *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements.* This update requires the use of the relative selling price method when allocating revenue in these types of arrangements. This method requires a vendor to use its best estimate of selling price if neither vendor specific objective evidence nor third party evidence of selling price exists when evaluating multiple deliverable arrangements. This standard update was effective for us on January 1, 2011 and we have adopted it prospectively for revenue arrangements entered into or materially modified after January 1, 2011. This standard update has not had and is not expected to have a material impact on our consolidated financial statements since the allocation of revenue has historically been based upon the relative fair value of the elements as determined by reference to vendor specific objective evidence of fair value when the elements have been sold on a stand-alone basis.

(2) Acquisitions

Acquisition of Savvis

On July 15, 2011, we acquired all of the outstanding common stock of Savvis, a provider of cloud hosting, managed hosting, colocation and network services in domestic and foreign markets. We believe this acquisition enhances our ability to be an information technology partner with our existing business customers and strengthens our opportunities to attract new business customers in the future. Each share of Savvis common stock outstanding immediately prior to the acquisition converted into the right to receive $30 per share in cash and 0.2479 shares of CenturyLink common stock. The aggregate consideration of $2.382 billion consisted of:

- cash payments of $1.732 billion;
- the 14.313 million shares of CenturyLink common stock issued to consummate the acquisition,
- the closing stock price of CenturyLink common stock at July 14, 2011 of $38.54; and
- the estimated net value of the pre-combination portion of certain share-based compensation awards assumed by CenturyLink of $98 million, of which $33 million was paid in cash.

Upon completing the acquisition, we also paid $547 million to retire certain pre-existing Savvis debt and accrued interest, and paid related transaction expenses totaling $15 million. The cash payments required on or about the closing date were funded using existing cash balances, which included the net proceeds from the June 2011 issuance of senior notes with an aggregate principal amount of $2.0 billion. See Note 4—Long-term Debt and Credit Facilities, for additional information about our senior notes.

We have recognized the assets and liabilities of Savvis based on our preliminary estimates of their acquisition date fair values. The determination of the fair values of the acquired assets and assumed liabilities (and the related determination of estimated lives of depreciable tangible and identifiable intangible assets) requires significant judgment. As such, we have not completed our valuation analysis and calculations in sufficient detail necessary to arrive at the final estimates of the fair value of Savvis' assets acquired and liabilities assumed, along with the related allocations to goodwill and intangible assets. The fair values of certain tangible assets, intangible assets, certain contingent liabilities and residual goodwill are the most significant areas not yet finalized and therefore are subject to change. We expect to complete our final fair value determinations no later than the second quarter of 2012. Our final fair value determinations may be significantly different than those reflected in our consolidated financial statements at December 31, 2011.

Based on our preliminary estimate, the aggregate consideration exceeds the aggregate estimated fair value of the acquired assets and assumed liabilities by $1.357 billion, which has been recognized as goodwill. This goodwill is attributable to strategic benefits, including enhanced financial and operational scale and product and market diversification that we expect to realize. None of the goodwill associated with this acquisition is deductible for income tax purposes.

The following is our preliminary assignment of the aggregate consideration:

	July 15, 2011
	(Dollars in millions)
Cash, accounts receivable and other current assets	$ 213
Property, plant and equipment	1,335
Identifiable intangible assets	
Customer relationships	794
Other	51
Other noncurrent assets	27
Current liabilities, excluding current maturities of long-term debt	(129)
Current maturities of long-term debt	(38)
Long-term debt	(840)
Deferred credits and other liabilities	(388)
Goodwill	1,357
Aggregate consideration	$ 2,382

Acquisition of Qwest

On April 1, 2011, we acquired all of the outstanding common stock of Qwest, a provider of data, Internet, video and voice services nationwide and globally. We entered into this acquisition, among other things, to realize certain strategic benefits, including enhanced financial and operational scale, market diversification and leveraged combined networks. As of the acquisition date, Qwest served approximately 9.0 million access lines and approximately 3.0 million broadband subscribers across 14 states. Each share of Qwest common stock outstanding immediately prior to the acquisition converted into the right to receive 0.1664 shares of CenturyLink common stock, with cash paid in lieu of fractional shares. The aggregate consideration was $12.273 billion based on:

- the 294 million shares of CenturyLink common stock issued to consummate the acquisition;
- the closing stock price of CenturyLink common stock at March 31, 2011 of $41.55;
- the estimated net value of the pre-combination portion of share-based compensation awards assumed by CenturyLink of $52 million (excluding the value of restricted stock included in the number of issued shares specified above); and
- cash paid in lieu of the issuance of fractional shares of $5 million.

We assumed approximately $12.7 billion of long-term debt in connection with our acquisition of Qwest.

We have recognized the assets and liabilities of Qwest based on our preliminary estimates of their acquisition date fair values. The determination of the fair values of the acquired assets and assumed liabilities (and the related determination of estimated lives of depreciable tangible and identifiable intangible assets) requires significant judgment. As such, we have not completed our valuation analysis and calculations in sufficient detail necessary to arrive at the final estimates of the fair value of Qwest's assets acquired and liabilities assumed, along with the related allocations to goodwill and intangible assets. The fair values of certain tangible assets, intangible assets, certain contingent liabilities and residual goodwill are the most significant areas not yet finalized and therefore are subject to change. We expect to complete our final fair value determinations no later than the first quarter of 2012. Our final fair value determinations may be significantly different than those reflected in our consolidated financial statements at December 31, 2011.

Based on our preliminary estimate, the aggregate consideration exceeds the aggregate estimated fair value of the acquired assets and assumed liabilities by $10.106 billion, which amount has been recognized as goodwill. This goodwill is attributable to strategic benefits, including enhanced financial and operational scale, market diversification and leveraged combined networks that we expect to realize. None of the goodwill associated with this acquisition is deductible for income tax purposes.

The following is our preliminary assignment of the aggregate consideration:

	April 1, 2011 (Dollars in millions)
Cash, accounts receivable and other current assets	$ 2,128
Property, plant and equipment	9,554
Identifiable intangible assets	
Customer relationships	7,625
Capitalized software	1,702
Other	189
Other noncurrent assets	373
Current liabilities, excluding current maturities of long-term debt	(2,428)
Current maturities of long-term debt	(2,422)
Long-term debt	(10,253)
Deferred credits and other liabilities	(4,301)
Goodwill	10,106
Aggregate consideration	$ 12,273

Acquisition of Embarq

On July 1, 2009, we acquired all of the outstanding common stock of Embarq Corporation ("Embarq"), a provider of data, Internet, video and voice services. We entered into this acquisition, among other things, to realize certain strategic benefits, including enhanced financial and operational scale, market diversification and leveraged combined networks. As of the acquisition date, Embarq served approximately 5.4 million access lines and approximately 1.5 million broadband subscribers across 18 states. Each share of Embarq common stock outstanding immediately prior to the acquisition converted into the right to receive 1.37 shares of CenturyLink common stock, with cash paid in lieu of fractional shares. The aggregate consideration of $6.070 billion was based on:

- the 196 million shares of CenturyLink common stock issued to consummate the acquisition;
- the closing stock price of CenturyLink common stock at June 30, 2009 of $30.70; and
- the estimated net value of the pre-combination portion of share-based compensation awards assumed by CenturyLink of approximately $50 million (excluding the value of restricted stock included in the number of issued shares specified above).

We assumed approximately $4.9 billion of long-term debt in connection with our acquisition of Embarq.

In connection the Embarq acquisition, we amended our charter to eliminate our time-phase voting structure, which previously entitled persons who beneficially owned shares of our common stock continuously since May 30, 1987 to ten votes per share.

We have recognized the assets and liabilities of Embarq based on their acquisition date fair values. Based on our final determination of fair value in June 2010, the aggregate consideration exceeds the aggregate estimated fair value of the acquired assets and assumed liabilities by $6.245 billion, which amount has been recognized as goodwill. This goodwill is attributable to strategic benefits, including enhanced financial and operational scale, market diversification and leveraged combined networks that we expect to realize. None of the goodwill associated with this acquisition is deductible for income tax purposes.

The following is our assignment of the aggregate consideration:

	July 1, 2009
	(Dollars in millions)
Cash, accounts receivable and other current assets	$ 676
Property, plant and equipment	6,078
Identifiable intangible assets	
Customer relationships	1,098
Right of way	268
Other	27
Other noncurrent assets	24
Current liabilities, excluding current maturities of long-term debt	(837)
Current maturities of long-term debt	(2)
Long-term debt	(4,885)
Deferred credits and other liabilities	(2,622)
Goodwill	6,245
Aggregate consideration	$ 6,070

In connection with consummating the Embarq acquisition, we amended our charter to (i) eliminate our time-phase voting structure, which previously entitled persons who beneficially owned shares of our common stock continuously since May 30, 1987 to ten votes per share, and (ii) increase the authorized number of shares of our common stock from 350 million to 800 million. As so amended and restated, our charter provides that each share of our common stock is entitled to one vote per share with respect to each matter properly submitted to shareholders for their vote, consent, waiver, release or other action.

References to Acquired Businesses

In the discussion that follows, we refer to the business that we operated prior to the Qwest acquisition (including Embarq's business) as "Legacy CenturyLink" and refer to the incremental business activities that we now operate as a result of the Savvis acquisition and the Qwest acquisition as "Legacy Savvis" and "Legacy Qwest", respectively.

Combined Pro Forma Operating Results (Unaudited)

For the year ended December 31, 2011, CenturyLink's results of operations included operating revenues (net of intercompany eliminations) attributable to Qwest and Savvis of $8.2 billion and $483 million, respectively. The addition of Qwest and Savvis post-acquisition operations did not contribute significantly to our consolidated net income.

The following unaudited pro forma financial information presents the combined results of CenturyLink as if the Qwest and Savvis acquisitions had been consummated as of January 1, 2010.

	Years Ended December 31,	
	2011	2010
	(Dollars in millions)	
Operating revenues	$ 18,692	19,431
Net income	601	293
Basic earnings per common share	.97	.48
Diluted earnings per common share	.97	.48

This pro forma information reflects certain adjustments to previously reported operating results, consisting of primarily:

- decreased operating revenues and expenses due to the elimination of deferred revenues and deferred expenses associated with installation activities and capacity leases that were assigned no value at the acquisition date and the elimination of transactions among CenturyLink, Qwest and Savvis that are now subject to intercompany elimination;
- increased amortization expense related to identifiable intangible assets, net of decreased depreciation expense to reflect the fair value of property, plant and equipment;
- decreased recognition of retiree benefit expenses for Qwest due to the elimination of unrecognized actuarial losses;
- decreased interest expense primarily due to the amortization of an adjustment to reflect the increased fair value of long-term debt of Qwest recognized on the acquisition date; and
- the related income tax effects.

The pro forma information does not necessarily reflect the actual results of operations had the Qwest and Savvis acquisitions been consummated at January 1, 2010, nor is it necessarily indicative of future operating results. The pro forma information does not give effect to any potential revenue enhancements, cost synergies or other operating efficiencies that could result from the acquisitions (other than those realized in our historical financial statements after the respective acquisition dates).

At December 31, 2011, we had incurred cumulative acquisition related expenses, consisting primarily of integration and severance related expenses, of $41 million for Savvis, $393 million for Qwest, and $459 million for Embarq. The total amount of these expenses recognized in our costs of services and products and selling, general and administrative expenses for years ended December 31, 2011, 2010 and 2009 was $467 million, $145 million and $271 million, respectively. An additional $16 million consists of transaction expenses incurred in connection with terminating an unused loan financing commitment related to our Savvis acquisition. This amount was not considered an operating activity and therefore not included as an operating expense.

Qwest incurred cumulative pre-acquisition related expenses of $71 million, including $36 million in periods prior to being acquired and $35 million on the date of acquisition. Savvis incurred cumulative pre-acquisition related expenses of $22 million, including $3 million in periods prior to being acquired and $19 million on the date of acquisition. These amounts are not included in our results of operations.

(3) Goodwill, Customer Relationships and Other Intangible Assets

Goodwill, customer relationships and other intangible assets consisted of the following:

	December 31, 2011	December 31, 2010
	(Dollars in millions)	
Goodwill	$ 21,724	10,261
Customer relationships, less accumulated amortization of $1,337 and $349	8,361	930
Indefinite-life intangible assets	418	418
Other intangible assets subject to amortization		
Capitalized software, less accumulated amortization of $441 and $79	1,622	164
Tradenames and patents, less accumulated amortization of $73 and $3	199	40
Total other intangible assets, net	$ 2,239	622

Our goodwill was derived from numerous acquisitions whereby the purchase price exceeded the fair value of the net assets acquired (See Note 2—Acquisitions). At December 31, 2011, the net carrying amounts of goodwill, customer relationships and other intangible assets included preliminary estimates of $20.710 billion as a result of our acquisitions of Qwest and Savvis. We expect to complete the final determination of these estimates and related estimated lives for amortizable intangible assets no later than the second quarter of 2012 for Savvis and the first quarter of 2012 for Qwest.

Total amortization expense for intangible assets for years ended December 31, 2011, 2010 and 2009 was $1.425 billion, $206 million and $136 million, respectively. The 2011 total included $42 million related to the Savvis acquisition and $1.185 billion for the Qwest acquisition for the year ended December 31, 2011.

We estimate that total amortization expense for intangible assets for the years ending December 31, 2012 through 2016 will be as follows:

	(Dollars in millions)
2012	$ 1,656
2013	1,524
2014	1,389
2015	1,234
2016	1,090

Our annual measurement date for testing goodwill impairment is September 30. As of December 31, 2011, we attributed our goodwill balances to our segments as follows:

	December 31, 2011
	(Dollars in millions)
Regional markets	$ 11,813
Business markets	5,021
Wholesale markets	3,533
Savvis operations	1,357
Total goodwill	$ 21,724

For each segment, we compare its estimated fair value to the carrying value of the assets that we attribute to the segment. If the estimated fair value of the segment is greater than the carrying value, we conclude that no impairment exists. If the estimated fair value of the segment is less than the attributed carrying value, a second calculation is required in which the implied fair value of goodwill is compared to the carrying value goodwill that we attribute to the segment. If the implied fair value of goodwill is less than its carrying value, goodwill must be written down to its implied fair value.

At September 30, 2011, we estimated the fair value of our regional, business and wholesale markets segments using an equal weighting based on a market approach and a discounted cash flow method. The market approach includes the use of comparable multiples of publicly traded companies whose services are comparable to ours to corroborate discounted cash flow results. The discounted cash flow method is based on the present value of projected cash flows and a terminal value, which represents the expected normalized cash flows of the segment beyond the cash flows from the discrete projection five-year period. The estimated cash flows were discounted for each segment using a rate that represents our weighted average cost of capital, which we determined to be 6.50% as of the measurement date (which was comprised of a pre-tax cost of debt of 7.0% and a cost of equity of 8.7%). We also reconciled the estimated fair values of the segments to our market capitalization as of September 30, 2011 and concluded that the indicated implied control premium of 16% was reasonable based on recent transactions in the market place. At September 30, 2011, based on our analysis performed with respect to these segments as described above, we concluded that our goodwill was not impaired as of that date.

For our Savvis operations, we determined the preliminary fair value of the assets acquired and liabilities assumed using various methods, including an overall discounted cash flow analysis performed for all of Savvis' operations. The fair value assignments are still preliminary and could change significantly upon finalization of the fair value assignments. Due to the recentness of the acquisition and the related preliminary valuation results and the lack of any significant adverse events that have occurred to Savvis' operating results or our expectations of forecasted operating results utilized in the preliminary valuation since the July 15, 2011 acquisition date, we have concluded that the goodwill related to the Savvis operations is not impaired.

On October 27, 2011, the FCC adopted the Connect America and Intercarrier Compensation Reform order. This order will reduce the amount of switched access revenues we recognize in our wholesale markets segment in the future. This CAF order was considered to be an event or change in circumstance that may indicate that an impairment may have occurred. At December 31, 2011, we performed the first step of the goodwill impairment test to identify a potential impairment by comparing the estimated fair value of the wholesale markets segment with its attributed carrying amount, including goodwill. We concluded the goodwill of this segment is not impaired and no further testing was necessary.

(4) Long-Term Debt and Credit Facilities

Long-term debt, including unamortized discounts and premiums, at December 31, 2011 and 2010 consisted of borrowings by CenturyLink, Inc. and certain of its subsidiaries, as follows:

	Interest Rates	Maturities	Years Ended December 31, 2011	2010
			(Dollars in millions)	
CenturyLink, Inc.				
Senior notes	5.000% - 7.875%	2012 - 2039	$ 4,518	2,518
Credit facility	2.550% - 4.500%(*)	2015	277	365
Subsidiaries				
Qwest				
Senior notes	7.125% - 8.000%	2014 - 2018	2,650	—
Debentures	6.875% - 7.750%	2014 - 2043	3,182	—
Other notes	6.500% - 8.375%	2013 - 2051	5,628	—
Embarq Corporation				
Senior notes	6.738% - 7.995%	2013 - 2036	4,013	4,013
First mortgage bonds	6.875% - 8.770%	2013 - 2025	322	322
Other	6.750% - 9.000%	2013 - 2019	200	200
First mortgage notes	2.00% - 10.00%	2012 - 2018	65	83
Capital lease and other obligations	Various	Various	712	—
Unamortized premiums (discounts) and other, net			269	(173)
Total long-term debt			21,836	7,328
Less current maturities			(480)	(12)
Long-term debt, excluding current maturities			$ 21,356	7,316

(*) This range includes the weighted average interest on our credit facility of 2.74% as of December 31, 2011.

Long-Term Debt Acquired

As a result of the acquisition of Qwest on April 1, 2011, Qwest's pre-existing debt obligations, which consisted primarily of debt securities issued by Qwest Communications International Inc. and two of its subsidiaries, are now included in our consolidated debt balances. On the acquisition date, Qwest's debt securities had stated principal balances totaling $11.598 billion, predominantly fixed contractual interest rates ranging from 6.5% to 8.875% (weighted average of 7.63%) and maturities ranging from 2012 to 2051. In accounting for the Qwest acquisition, we recorded Qwest's debt securities at their estimated fair values, which totaled $12.675 billion as of April 1, 2011 (which included $383 million of capital leases and certain other obligations). Our acquisition date fair value estimates were based primarily on quoted market prices in active markets and other observable inputs where quoted market prices were not available. The amount by which the fair value of Qwest debt securities exceeded their stated principal balances on the acquisition date of $693 million is being recognized as a reduction to interest expense over the remaining terms of the debt.

Upon completing the acquisition of Savvis on July 15, 2011, we paid $547 million to retire certain pre-existing Savvis debt and accrued interest, and paid related transaction expenses totaling $15 million. The cash payments required on or about the closing date were funded using existing cash balances, which included the net proceeds from the June 16, 2011 issuance of senior notes with an aggregate principal amount of $2.0 billion, as discussed below.

New Issuances

On October 4, 2011, our indirect wholly owned subsidiary, Qwest Corporation ("QC") issued $950 million aggregate principal amount of its 6.75% Notes due 2021 in exchange for net proceeds, after deducting underwriting discounts and expenses, of $927 million. The notes are senior unsecured obligations of QC and may be redeemed, in whole or in part, at a redemption price equal to the greater of their principal amount or the present value of the remaining principal and interest payments discounted at a U.S. Treasury interest rate specified in the indenture agreement plus 50 basis points. In October 2011, QC used the net proceeds from this offering, together with the $557 million of net proceeds received on September 21, 2011 from the debt issuance described below and available cash, to redeem the $1.500 billion aggregate principal amount of its 8.875% Notes due 2012 and to pay all related fees and expenses, which resulted in an immaterial loss.

On September 21, 2011, QC issued $575 million aggregate principal amount of its 7.50% Notes due 2051 in exchange for net proceeds, after deducting underwriting discounts and expenses, of $557 million. The notes are senior unsecured obligations of QC and may be redeemed, in whole or in part, on or after September 15, 2016 at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date.

On June 16, 2011, we issued unsecured senior notes with an aggregate principal amount of $2.0 billion ("Senior Notes"), consisting of (i) $400 million of 7.60% Senior Notes, Series P, due 2039, (ii) $350 million of 5.15% Senior Notes, Series R, due 2017 and (iii) $1.250 billion of 6.45% Senior Notes, Series S, due 2021. After deducting underwriting discounts and expenses, we received aggregate net proceeds of $1.959 billion in exchange for the Senior Notes. We may redeem the Senior Notes, in whole or in part, at any time at a redemption price equal to the greater of their principal amount or the present value of the remaining principal and interest payments discounted at a U.S. Treasury interest rates plus 50 basis points. We used the net proceeds to fund a portion of our acquisition of Savvis and repay certain of Savvis' debt (see Note 2—Acquisitions). In April 2011, we received commitment letters from two banks to provide up to $2.0 billion in bridge financing for the Savvis acquisition. This arrangement was terminated in June 2011 in connection with the issuance of the Senior Notes resulting in $16 million in transaction expenses recognized in other income (expense), net.

On June 8, 2011, QC issued $661 million aggregate principal amount of its 7.375% Notes due 2051 in exchange for net proceeds, after deducting underwriting discounts and expenses, of $642 million. The notes are unsecured obligations of QC and may be redeemed, in whole or in part, on or after June 1, 2016 at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date.

In April 2011, we entered into a $160 million uncommitted revolving letter of credit facility, which enables us to provide letters of credit under terms that may be more favorable than those under the Credit Facility. At December 31, 2011, our outstanding letters of credit totaled $129 million.

In January 2011, we entered into a new four-year revolving credit facility with various lenders (the "Credit Facility"). The Credit Facility initially allowed us to borrow up to $1 billion. Upon consummation of the Qwest acquisition, our borrowing capacity under the Credit Facility increased to $1.7 billion, for the general corporate purposes of us and our subsidiaries. Up to $400 million of the Credit Facility can be used for letters of credit, which reduce the amount available for other extensions of credit. Interest is assessed on borrowings using the London Interbank Offered Rate ("LIBOR") plus an applicable margin between 0.5% and 2.5% per annum depending on the type of loan and CenturyLink's then-current senior unsecured long-term debt rating. At December 31, 2011, we had

$277 million in borrowings and an immaterial amount of letters of credit outstanding under the Credit Facility.

Repayments

In October 2011, QC used the net proceeds of $927 million from the October 4, 2011 issuance, together with the $557 million of net proceeds received from the September 21, 2011 debt issuance described above and available cash, to redeem the $1.5 billion aggregate principal amount of its 8.875% Notes due 2012 and to pay all related fees and expenses, which resulted in an immaterial loss.

In June 2011, QC used the net proceeds of $642 million from the June 8, 2011 debt issuance, together with available cash, to redeem $825 million aggregate principal amount of its 7.875% Notes due 2011 and to pay related fees and expenses, which resulted in an immaterial loss.

Aggregate maturities of our long-term debt (excluding unamortized premiums, discounts, and other):

	(Dollars in millions)
2012	$ 480
2013	1,717
2014	2,057
2015	1,659
2016	2,856
2017 and thereafter	12,798
Total notes and debentures	$ 21,567

Interest Expense

Interest expense includes interest on long-term debt. The following table presents the amount of gross interest expense, net of capitalized interest:

	Years Ended December 31,		
	2011	2010	2009
	(Dollars in millions)		
Interest expense on long-term debt:			
Gross interest expense	$ 1,097	557	370
Capitalized interest	(25)	(13)	(3)
Total interest expense on long-term debt	$ 1,072	544	367

Long-Term Debt Covenants

Certain of our loan agreements contain various restrictions, among which are limitations regarding issuance or guarantee of additional debt or issuance of preferred stock, payment of cash dividends, reacquisition or sale of capital stock and other matters. In addition, the transfer of funds from certain consolidated subsidiaries to CenturyLink is restricted by various loan agreements. Subsidiaries that have loans from government agencies and cooperative lending associations, or have issued first mortgage bonds, generally may not loan or advance any funds to CenturyLink, but may pay dividends if certain financial ratios are met. At December 31, 2011, all of our consolidated retained earnings reflected on the balance sheet were available under our loan agreements for the declaration of dividends.

The senior notes of CenturyLink were issued under an indenture dated March 31, 1994. This indenture does not contain any financial covenants, but does include restrictions that limit our ability to (i) incur, issue or create liens upon our property and (ii) consolidate with or merge into, or transfer or lease all or substantially all of its assets to, any other party. The indenture does not contain any provisions that are impacted by our credit ratings, or that restrict the issuance of new securities in the event of a material adverse change to us.

The indentures governing Qwest's debt securities contain customary covenants that restrict the ability of Qwest or its subsidiaries from incurring additional debt, making certain payments and investments, granting liens, and selling or transferring assets. We do not anticipate that these covenants will significantly restrict our ability to manage cash balances or transfer cash between entities within our consolidated group of companies as needed.

Since the Qwest parent company has achieved investment grade ratings from one of the rating agencies, most of the covenants listed above have been suspended. Under the indenture governing these notes, we must repurchase the notes upon certain changes of control, which were not triggered upon the acquisition on April 1, 2011. This indenture also contains provisions for cross acceleration relating to any of our other debt obligations and the debt obligations of our restricted subsidiaries in an aggregate amount in excess of $100 million.

Embarq's senior notes were issued pursuant to an indenture dated as of May 17, 2006. While Embarq is generally prohibited from creating liens on its property unless its senior notes are secured equally and ratably, Embarq can create liens on its property without equally and ratably securing its senior notes so long as the sum of all indebtedness so secured does not exceed 15% of Embarq's consolidated net tangible assets. The indenture contains customary events of default, none of which are impacted by Embarq's credit rating. The indenture does not contain any financial covenants or restrictions on the ability to issue new securities in accordance with the terms of the indenture.

Several of our other subsidiaries have outstanding first mortgage bonds or notes. Each issue of these first mortgage bonds or notes are secured by substantially all of the property, plant and equipment of the issuing subsidiary. Approximately 23% of our property, plant and equipment is pledged to secure the long-term debt of subsidiaries.

Under the Credit Facility, we, and our indirect subsidiary, Qwest Corporation, ("QC"), must maintain a debt to EBITDA (earnings before interest, taxes, depreciation and amortization, as defined in our Credit Facility) ratio of not more than 4:1 and 2.85:1, respectively, as of the last day of each fiscal quarter for the four quarters then ended. The Credit Facility also contains a negative pledge covenant, which generally provides restrictions if we pledge assets or permit liens on our property, and requires that any advances under the Credit Facility must also be secured equally and ratably. The Credit Facility also has a cross payment default provision, and the Credit Facility and certain of our debt securities also have cross acceleration provisions. At December 31, 2011, we were in compliance with all of the provisions and covenants contained in our Credit Facility and other debt agreements.

Subsequent Event

On January 27, 2012 we called $800 million of Qwest 7.5% notes due February 15, 2014. The principal amount plus all accrued interest will be redeemed on March 1, 2012 at a redemption price of 100%.

(5) Accounts Receivable

The following table presents details of our accounts receivable balances:

	December 31, 2011	December 31, 2010
	(Dollars in millions)	
Trade receivables	$ 1,609	718
Earned and unbilled receivables	349	51
Purchased and other receivables	139	4
Total accounts receivable	2,097	773
Less: allowance for doubtful accounts	(145)	(60)
Accounts receivable, less allowance	$ 1,952	713

We are exposed to concentrations of credit risk from residential and business customers within our local service area, business customers outside of our local service area and from other telecommunications service providers. We generally do not require collateral to secure our receivable balances. We have agreements with other telecommunications service providers whereby we agree to bill and collect on their behalf for services rendered by those providers to our customers within our local service area. We purchase accounts receivable from other telecommunications service providers primarily on a recourse basis and include these amounts in our accounts receivable balance. We have not experienced any significant loss associated with these purchased receivables.

The following table presents details of our allowance for doubtful accounts:

	Beginning Balance	Additions	Deductions	Other	Ending Balance
			(Dollars in millions)		
2011	$ 60	153	(68)	—	145
2010	$ 48	91	(79)	—	60
2009	$ 16	57	(25)	—	48

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(6) Property, Plant and Equipment

Net property, plant and equipment is composed of the following:

	Depreciable Lives	December 31, 2011	2010
		(Dollars in millions)	
Land	N/A	$ 590	206
Fiber, conduit and other outside plant[1]	8-45 years	12,423	8,382
Central office and other network electronics[2]	3-10 years	9,730	5,412
Support assets[3]	5-35 years	6,090	2,057
Construction in progress[4]	N/A	744	272
Gross property, plant and equipment		29,577	16,329
Accumulated depreciation		(10,141)	(7,575)
Net property, plant and equipment		$ 19,436	8,754

(1) Fiber, conduit and other outside plant consists of fiber and metallic cable, conduit, poles and other supporting structures.

(2) Central office and other network electronics consists of circuit and packet switches, routers, transmission electronics and electronics providing service to customers.

(3) Support assets consist of buildings, computers and other administrative and support equipment.

(4) Construction in progress includes property of the foregoing categories that has not been placed in service as it is still under construction.

We recorded depreciation expense of $2.601 billion, $1.228 billion and $839 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Asset Retirement Obligations

At December 31, 2011, our asset retirement obligations balance was primarily related to estimated future costs of removing equipment from leased properties and estimated future costs of properly disposing of asbestos and other hazardous materials upon remodeling or demolishing buildings. Asset retirement obligations are included in other long-term liabilities on our consolidated balance sheets.

As of the Qwest and Savvis acquisition dates, we recorded liabilities to reflect our preliminary estimates of fair values of Qwest and Savvis asset retirement obligations. Our fair value estimates were determined using discounted cash flow methods.

The following table provides asset retirement obligation activity:

	Years Ended December 31, 2011	2010	2009
	(Dollars in millions)		
Balance at beginning of year	$ 41	39	—
Accretion expense	9	2	1
Liabilities incurred	—	—	38
Liabilities assumed in Qwest and Savvis acquisitions	124	—	—
Liabilities settled and other	(3)	—	—
Change in estimate	(62)	—	—
Balance at end of year	$ 109	41	39

During 2011, we revised our estimates for the cost of removal of network equipment, asbestos remediation, and other obligations by $62 million. These revisions resulted in a reduction of the asset retirement obligation and offsetting reduction to gross property, plant and equipment.

(7) Severance and Leased Real Estate

Periodically, we have reductions in our workforce and have accrued liabilities for related severance costs. These workforce reductions resulted primarily from the progression or completion of our integration plans, increased competitive pressures and reduced workload demands due to the loss of access lines.

We report severance liabilities within accrued expenses and other liabilities-salaries and benefits in our consolidated balance sheets and report severance expenses in cost of services and products and selling, general and administrative expenses in our consolidated statements of operations. We have not allocated any severance expense to our regional, business and wholesale markets segments.

In periods prior to our acquisition of Qwest, Qwest had ceased using certain real estate that it was leasing under long-term operating leases. As of the April 1, 2011 acquisition date, we recorded liabilities to reflect our preliminary estimates of the fair values of the existing lease obligations for real estate for which we had ceased using, net of estimated sublease rentals. Our fair value estimates were determined using discounted cash flow methods. We recognize expense to reflect accretion of the discounted liabilities and periodically, we adjust the expense when our actual experience differs from our initial estimates. We report the current portion of liabilities for ceased-use real estate leases in accrued expenses and other liabilities and report the noncurrent portion in deferred credits and other liabilities in our consolidated balance sheets. We report the related expenses in selling, general and administrative expenses in our consolidated statements of operations. At December 31, 2011, the current and noncurrent portions of our leased real estate accrual were $27 million and $126 million, respectively. The remaining lease terms range from 0.1 to 14.0 years, with a weighted average of 9.1 years.

Changes in our accrued liabilities for severance expenses and leased real estate were as follows:

	Severance	Real Estate
	(Dollars in millions)	
Balance at January 1, 2010	$ 69	—
Accrued to expense	27	—
Payments, net	(78)	—
Balance at December 31, 2010	18	—
Accrued to expense	132	6
Liabilities assumed in Qwest acquisition	20	168
Payments, net	(133)	(21)
Balance at December 31, 2011	$ 37	153

Our severance expenses for the year ended December 31, 2011 also included $12 million of share-based compensation associated with the accelerated vesting of stock awards that occurred in connection with workforce reductions relating to the acquisition of Qwest.

(8) Employee Benefits

Pension, Post-Retirement and Other Post-Employment Benefits

We sponsor several defined benefit pension plans, which in the aggregate cover a substantial portion of our employees including separate plans for Legacy CenturyLink, Legacy Qwest and Embarq employees. Until such time as we elect to integrate the Qwest and Embarq benefit plans with ours, we plan to continue to operate these plans independently. Pension benefits for participants of these plans who are represented by a collective bargaining agreement are based on negotiated schedules. All other participants' pension benefits are based on each individual participant's years of service and compensation. We use a December 31 measurement date for all our plans. In addition to these tax qualified pension plans, we also maintain non-qualified pension plans for certain former highly compensated employees. We maintain post-retirement benefit plans that provide health care and life insurance benefits for certain eligible retirees. We also provide other post-employment benefits for eligible former employees.

Pension

In connection with the acquisition of Qwest on April 1, 2011, we assumed defined benefit pension plans sponsored by Qwest for its employees. Based on a valuation analysis, we recognized a $490 million net liability at April 1, 2011 for the unfunded status of the Qwest pension plans, reflecting projected benefit obligations of $8.3 billion in excess of the $7.8 billion fair value of plan assets.

Current funding laws require a company with a plan shortfall to fund the annual cost of benefits earned in addition to a seven-year amortization of the shortfall. Our funding policy for the pension plan is to make contributions with the objective of accumulating sufficient assets to pay all qualified pension benefits when due under the terms of the plan. The accounting unfunded status of our qualified pension plans was $1.7 billion as of December 31, 2011. We expect to make a contribution of less than $50 million in 2012, based on current laws and circumstances.

In 2010, to align our benefit structure closer to those offered by our competitors, we froze our Legacy CenturyLink and Embarq pension benefit accruals for our non-represented employees at December 31, 2010. Such action resulted in a reduction of our benefit obligation of approximately $110 million and resulted in the recognition of a curtailment gain of approximately $21 million in 2010.

Prior to their acquisition on April 1, 2011, Qwest had frozen its pension benefit accruals for non-represented employees.

Other Post-Retirement Benefits

Our post-retirement health care plans provide post-retirement benefits to qualified retirees. The post-retirement health care plans we assumed as part of our acquisitions of Qwest and Embarq provide post-retirement benefits to qualified retirees and allows (i) eligible employees retiring before certain dates to receive benefits at no or reduced cost and (ii) eligible employees retiring after certain dates to receive benefits on a shared cost basis. The post-retirement health care plans are generally funded by us and we expect to continue funding these post-retirement obligations as benefits are paid. Our plan uses a December 31 measurement date.

In connection with the acquisition of Qwest on April 1, 2011, we assumed post-retirement benefit plans sponsored by Qwest for certain of its employees. At April 1, 2011, we recognized a $2.5 billion liability for the unfunded status of Qwest's post-retirement benefit plans, reflecting estimated accumulated post-retirement benefit obligations of $3.3 billion in excess of the $768 million fair value of the plan assets.

No contributions were made to the post-retirement trusts in 2011 or 2010 and we do not expect to make a contribution in 2012.

A change of 100 basis points in the assumed initial health care cost trend rate would have had the following effects in 2011:

	100 Basis Points Change	
	Increase	(Decrease)
	(Dollars in millions)	
Effect on the aggregate of the service and interest cost components of net periodic post-retirement benefit expense (statements of operations)	$ 2	(2)
Effect on benefit obligation (balance sheets)	70	(65)

We expect our health care cost trend rate to decrease by 0.5% per year from 7.5% in 2012 to an ultimate rate of 5.0% in 2018. Our post-retirement health care expense, for certain eligible Legacy Qwest retirees and certain eligible Legacy CenturyLink retirees, is capped at a set dollar amount. Therefore, those health care benefit obligations are not subject to increasing health care trends after the effective date of the caps.

Expected Cash Flows

The pension, non-qualified pension and post-retirement health care benefit payments and premiums and life insurance premium payments are paid by us or distributed from plan assets. The estimated benefit payments provided below are based on actuarial assumptions using the demographics of the employee and retiree populations and have been reduced by estimated participant contributions.

	Pension Plans	Post-Retirement Benefit Plans	Medicare Part D Subsidy Receipts
		(Dollars in millions)	
Estimated future benefit payments:			
2012	$ 1,029	391	(24)
2013	996	386	(26)
2014	985	378	(28)
2015	974	369	(30)
2016	966	359	(32)
2017—2021	4,623	1,604	(183)

Net Periodic Benefit Expense

The measurement date used to determine pension, non-qualified pension and post-retirement health care and life insurance benefits is December 31. The actuarial assumptions used to compute the net periodic benefit expense for our pension, non-qualified pension and post-retirement benefit plans are based upon information available as of the beginning of the year, as presented in the following table.

	Pension Plans			Post-Retirement Benefit Plans		
	2011(1)	2010	2009	2011(2)	2010	2009
Actuarial assumptions at beginning of year:						
Discount rate	5.00%-5.50%	5.50%-6.00%	6.60%-6.90%	5.30%	5.70%-5.80%	6.40%-6.90%
Rate of compensation increase	3.25%	3.50%-4.00%	4.00%	N/A	N/A	N/A
Expected long-term rate of return on plan assets	7.50%-8.00%	8.25%-8.50%	8.25%-8.50%	7.25%	7.25%	8.25%-8.50%
Initial health care cost trend rate	N/A	N/A	N/A	8.50%	8.00%	7.00%
Ultimate health care cost trend rate	N/A	N/A	N/A	5.00%	5.00%	5.00%
Year ultimate trend rate is reached	N/A	N/A	N/A	2018	2014	2011

N/A—Not applicable

(1) This column does not consider Qwest's actuarial assumptions for its pension plan as of the beginning of the year due to the acquisition date of April 1, 2011. Qwest had the following actuarial assumptions as of April 1, 2011: discount rate of 5.40%; expected long-term rate of return on plan assets 7.50%; and a rate of compensation increase of 3.50%.

(2) This column does not consider Qwest's actuarial assumptions for its post-retirement benefit plan as of the beginning of the year due to the acquisition date of April 1, 2011. Qwest had the following actuarial assumptions as of April 1, 2011: discount rate of 5.30%; expected long-term rate of return on plan assets of 7.50%; initial health care cost trend rate of 7.50% and ultimate health care trend rate of 5.00% to be reached in 2016.

Net periodic pension expense, which includes the effects of the Qwest acquisition subsequent to April 1, 2011 and the Embarq acquisition subsequent to July 1, 2009, included the following components:

	Pension Plans Years Ended December 31,		
	2011	2010	2009
	(Dollars in millions)		
Service cost	$ 70	61	36
Interest cost	560	246	135
Expected return on plan assets	(709)	(283)	(128)
Curtailment gain	—	(21)	—
Settlements	1	—	18
Contractual retirement benefits	—	—	15
Amortization of unrecognized prior service cost	2	2	—
Amortization of unrecognized actuarial loss	13	17	16
Net periodic pension (income) expense(1)(2)	$ (63)	22	92

(1) Includes $58 million of income related to the Qwest plans subsequent to the April 1, 2011 acquisition date.

(2) The Legacy Embarq pension plan contains a provision that grants early retirement benefits for certain participants affected by workforce reductions. During 2009, we recognized approximately $15 million of additional pension expense related to these contractual benefits.

Net periodic post-retirement benefit expense, which includes the effects of the Qwest acquisition subsequent to April 1, 2011 and the Embarq acquisition subsequent to July 1, 2009, included the following components:

	Post-Retirement Plans Years Ended December 31,		
	2011	2010	2009
	(Dollars in millions)		
Service cost	$ 18	15	9
Interest cost	152	32	27
Expected return on plan assets	(41)	(4)	(2)
Amortization of unrecognized prior service cost	(2)	(3)	(4)
Amortization of unrecognized actuarial loss	—	1	—
Net periodic post-retirement benefit expense(1)	$ 127	41	30

(1) Includes $92 million related to the Qwest plans subsequent to the April 1, 2011 acquisition date.

Benefit Obligations

The actuarial assumptions used to compute the funded status for the plans are based upon information available as of December 31, 2011 and December 31, 2010 and are as follows:

	Pension Plans		Post-Retirement Benefit Plans	
	December 31,		December 31,	
	2011	2010	2011	2010
Actuarial assumptions at end of year:				
Discount rate	4.25%-5.10%	5.00%-5.50%	4.60%-4.80%	5.30%
Rate of compensati increase	3.25%	3.25%-4.00%	N/A	N/A
Initial health care cost trend rate	N/A	N/A	7.25%-8.00%	8.50%
Ultimate health care cost trend rate	N/A	N/A	5.00%	5.00%
Year ultimate trend rate is reached	N/A	N/A	2018	2018

N/A—Not applicable

The following table summarizes the change in the benefit obligations for the pension and post-retirement benefit plans:

	Pension Plans Years Ended December 31,		
	2011	2010	2009
	(Dollars in millions)		
Change in benefit obligation			
Benefit obligation at beginning of year	$ 4,534	4,182	463
Service cost	70	61	36
Interest cost	560	246	135
Plan amendments	12	4	16
Acquisitions	8,267	—	3,467
Actuarial loss	930	427	232
Contractual retirement benefits	—	—	15
Curtailment gain	—	(110)	—
Settlements	—	—	8
Benefits paid by company	(16)	(5)	(57)
Benefits paid from plan assets	(761)	(271)	(133)
Benefit obligation at end of year	$ 13,596	4,534	4,182

	Post-Retirement Benefit Plans Years Ended December 31,		
	2011	2010	2009
	(Dollars in millions)		
Change in benefit obligation			
Benefit obligation at beginning of year	$ 558	582	293
Service cost	18	15	9
Interest cost	152	32	27
Participant contributions	64	14	3
Plan amendments	31	—	—
Acquisitions	3,284	—	228
Direct subsidy receipts	22	1	—
Actuarial loss (gain)	153	(32)	58
Benefits paid	(352)	(54)	(36)
Benefit obligation at end of year	$ 3,930	558	582

Our aggregate accumulated benefit obligation as of December 31, 2011, 2010 and 2009 was $17.499 billion, $4.509 billion and $4.042 billion, respectively.

Plan Assets

We maintain plan assets for our pension plans and certain post-retirement benefit plans. The pension plan assets are used for the payment of pension benefits and certain eligible plan expenses. The post-retirement benefit plan assets are used to pay health care benefits and premiums on behalf of eligible retirees who are former union-represented plan participants and to pay certain eligible plan expenses. The expected rate of return on plan assets is the long-term rate of return we expect to earn on the plans' assets. The rate of return is determined by the strategic allocation of plan assets and the long-term risk and return forecast for each asset class. The forecasts for each asset class are generated primarily from an analysis of the long-term expectations of various third party investment management organizations. The expected rate of return on plan assets is reviewed annually and revised, as necessary, to reflect changes in the financial markets and our investment strategy. The following table summarizes the change in the fair value of plan assets for the pension and post-retirement benefit plans:

	Pension Plans Years Ended December 31,		
	2011	2010	2009
	(Dollars in millions)		
Change in plan assets			
Fair value of plan assets at beginning of year	$ 3,732	3,220	353
Return on plan assets	479	483	474
Acquisitions	7,777	—	2,407
Employer contributions	587	300	119
Settlements	—	—	—
Benefits paid	(761)	(271)	(133)
Fair value of plan assets at end of year	$ 11,814	3,732	3,220

	Post-Retirement Benefit Plans Years Ended December 31,		
	2011	2010	2009
	(Dollars in millions)		
Change in plan assets			
Fair value of plan assets at beginning of year	$ 54	57	17
Return on plan assets	4	6	6
Acquisitions	768	—	33
Employer contributions	155	31	34
Participant contributions	64	14	3
Benefits paid	(352)	(54)	(36)
Fair value of plan assets at end of year	$ 693	54	57

Pension Plans: Our investment objective for the pension plan assets is to achieve an attractive risk-adjusted return over time that will provide for the payment of benefits and minimize the risk of large losses. Our pension plan investment strategy is designed to meet this objective by broadly diversifying plan assets across numerous strategies with differing expected returns, volatilities and correlations. The pension plan assets have target allocations of 53% to interest rate sensitive investments and 47% to investments designed to provide higher expected returns than the interest rate sensitive investments. Interest rate sensitive investments include 32% of plan assets targeted primarily to long-duration investment grade bonds, 10% to high yield and emerging market bonds, 5% to convertible bonds and 6% targeted to diversified strategies, which primarily have exposures to global government, corporate and inflation-linked bonds, as well as some exposures to global stocks and commodities. Assets expected to provide higher returns than the interest rate sensitive assets include broadly diversified equity investments with approximately 15% targeted to U.S. stocks, 12% to developed market non-U.S. stocks and 3% to emerging market stocks. Approximately 12% is allocated to other private markets investments including funds primarily invested in private equity, debt and hedge funds. Real estate investments are targeted at 5% of plan assets. At the beginning of 2012, our expected annual long-term rate of return on pension assets is assumed to be 7.5%.

Post-Retirement Benefit Plans: Our investment objective for the post-retirement benefit plan assets is to achieve an attractive risk-adjusted return and minimize the risk of large losses over the expected life of the assets. Investment risk is managed by broadly diversifying assets across numerous strategies with differing expected returns, volatilities and correlations. Our investment strategy is designed to be consistent with the investment objective, with particular focus on providing liquidity for the reimbursement of our union-represented employees post-retirement health care costs. The post-retirement benefit plan assets have target allocations of 35% to equities and 65% to non-equity investments. Specific target allocations within these broad categories are allowed to vary to provide liquidity in order to meet reimbursement requirements. Equity investments are broadly diversified with exposure to publicly traded U.S., non-U.S. and emerging market stocks and private equity. While no new private equity investments have been made in recent years, the percent allocation to existing private equity investments is expected to increase in the near term as liquid, publicly traded stocks are drawn down for the reimbursement of health care costs. The 65% non-equity allocation includes investment grade bonds, high yield bonds, convertible bonds, emerging market debt, real estate, hedge funds, private debt and diversified strategies. At the beginning of 2012, our expected annual long-term rate of return on post-retirement benefit plan assets is assumed to be 7.5%.

Permitted investments: Plan assets are managed consistent with the restrictions set forth by the Employee Retirement Income Security Act of 1974, as amended, which requires diversification of assets and also generally prohibits defined benefit and welfare plans from investing more than 10% of their assets in securities issued by the sponsor company. At December 31, 2011, the pension and post-retirement benefit plans did not directly own any shares of our common stock or any of our debt, which is consistent with December 31, 2010.

Derivative instruments: Derivative instruments are used to reduce risk as well as provide return. The pension and post-retirement benefit plans use exchange traded futures to gain exposure to equity and Treasury markets consistent with target asset allocations. Interest rate swaps are used in the pension plan to reduce risk relative to measurement of the benefit obligation, which is sensitive to interest rate changes. Foreign exchange forward contracts and total return swaps are used primarily to manage currency exposures. Credit default swaps are used to manage credit risk exposures in a cost effective and targeted manner relative to transacting with physical corporate fixed income securities. Options are currently used to manage interest rate exposure taking into account the implied volatility and current pricing of the specific underlying market instrument. Some derivative instruments subject the plans to counterparty risk. We closely monitor counterparty exposure and mitigate this risk by diversifying the exposure among multiple high credit quality counterparties, requiring collateral and limiting exposure by periodically settling contracts.

The gross notional exposure of the derivative instruments directly held by the plans is shown below. The notional amount of the derivatives corresponds to market exposure but does not represent an actual cash investment.

	Gross notional exposure	
	Pension Plan	Post-Retirement Benefit Plans
	Year Ended December 31, 2011	
Derivative instrument:	(Dollars in millions)	
Exchange-traded U.S. equity futures	$ 535	12
Exchange-traded non-U.S. equity futures	4	—
Exchange-traded Treasury futures	1,512	19
Interest rate swaps	635	—
Total return swaps	110	51
Credit default swaps	201	—
Foreign exchange forwards	635	23
Options	917	—

Fair Value Measurements: Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent and knowledgeable parties who are willing and able to transact for an asset or liability at the measurement date. We use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs when determining fair value and then we rank the estimated values based on the reliability of the inputs used following the fair value hierarchy set forth by the FASB. For additional information on the fair value hierarchy, see Note 11—Fair Value Disclosure.

At December 31, 2011, we used the following valuation techniques to measure fair value for assets. There were no changes to these methodologies during 2011:

- Level 1—Assets were valued using the closing price reported in the active market in which the individual security was traded.

- Level 2—Assets were valued using quoted prices in markets that are not active, broker dealer quotations, net asset value of shares held by the plans and other methods by which all significant input were observable at the measurement date.

- Level 3—Assets were valued using unobservable inputs in which little or no market data exists as reported by the respective institutions at the measurement date.

The tables below presents the fair value of plan assets by category and the input levels used to determine those fair values at December 31, 2011. It is important to note that the asset allocations do not include market exposures that are gained with derivatives.

	Fair value of pension plan assets at December 31, 2011			
	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Investment grade bonds (a)	$ 694	2,206	—	2,900
High yield bonds (b)	—	541	79	620
Emerging market bonds (c)	—	295	—	295
Convertible bonds (d)	—	337	—	337
Diversified strategies (e)	—	489	—	489
U.S. stocks (f)	401	944	—	1,345
Non-U.S. stocks (g)	994	459	—	1,453
Emerging market stocks (h)	102	136	—	238
Private equity (i)	—	—	791	791
Private debt (j)	—	—	461	461
Market neutral hedge funds (k)	—	620	188	808
Directional hedge funds (k)	—	268	183	451
Real estate (l)	—	48	535	583
Derivatives (m)	12	(5)	—	7
Cash equivalents and short-term investments (n)	13	1,183	—	1,196
Total investments	$ 2,216	7,521	2,237	11,974
Dividends and interest receivable				32
Pending trades receivable				436
Accrued expenses				(8)
Pending trades payable				(620)
Total pension plan assets				$ 11,814

	Fair value of post-retirement plan assets at December 31, 2011			
	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Investment grade bonds (a)	$ 45	100	—	$ 145
High yield bonds (b)	—	61	—	61
Emerging market bonds (c)	—	33	—	33
Convertible bonds (d)	—	30	—	30
Diversified strategies (e)	—	62	—	62
U.S. stocks (f)	64	4	—	68
Non-U.S. stocks (g)	62	2	—	64
Emerging market stocks (h)	—	17	—	17
Private equity (i)	—	—	60	60
Private debt (j)	—	—	8	8
Market neutral hedge funds (k)	—	67	—	67
Directional hedge funds (k)	—	20	—	20
Real estate (l)	—	19	26	45
Cash equivalents and short-term investments (n)	5	20	—	25
Total investments	$ 176	435	94	705
Dividends and interest receivable				3
Pending trades receivable				23
Accrued expenses				(15)
Pending trades payable				(23)
Total post-retirement plan assets				$ 693

The tables below presents the fair value of plan assets by category and the input levels used to determine those fair values at December 31, 2010. It is important to note that the asset allocations do not include market exposures that are gained with derivatives. Investments include dividend and interest receivable, pending trades, trades payable and accrued expenses.

	Fair value of pension plan assets at December 31, 2010			
	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Investment grade bonds (a)	$ —	331	—	331
High yield bonds (b)	—	913	—	913
U.S. stocks (f)	1,168	277	—	1,445
Non-U.S. stocks (g)	508	—	—	508
Private equity (i)	—	—	1	1
Private debt (j)	—	—	3	3
Directional hedge funds (k)	—	—	161	161
Real estate (l)	—	—	182	182
Cash equivalents and short-term investments (n)	26	—	—	26
Other (o)	13	146	3	162
Total pension plan assets	$ 1,715	1,667	350	3,732

	Fair value of post-retirement plan assets at December 31, 2010			
	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Fixed income (a)(d)	$ 35	5	—	40
U.S. stocks (f)	5	5	—	10
Cash equivalents and short-term investments (n)	4	—	—	4
Total post-retirement plan assets	$ 44	10	—	54

The plans' assets are invested in various asset categories utilizing multiple strategies and investment managers. For several of the investments in the tables above and discussed below, the plans own units in commingled funds and limited partnerships that invest in various types of assets. Interests in commingled funds are valued using the net asset value (NAV) per unit of each fund. The NAV reported by the fund manager is based on the market value of the underlying investments owned by each fund, minus its liabilities, divided by the number of shares outstanding. Commingled funds held by the plans that can be redeemed at NAV within a year of the financial statement date are generally classified as Level 2. Investments in limited partnerships represent long-term commitments with a fixed maturity date, typically ten years. Valuation inputs for these limited partnership interests are generally based on assumptions and other information not observable in the market and are classified as Level 3 investments. The assumptions and valuation methodologies of the pricing vendors, account managers, fund managers and partnerships are monitored and evaluated for reasonableness. Below is an overview of the asset categories, the underlying strategies and valuation inputs used to value the assets in the preceding tables:

(a) *Investment grade bonds* represent investments in fixed income securities as well as commingled bond funds with characteristics similar to the Barclays Capital U.S. Aggregate Bond Index. This index is comprised of U.S. Treasury securities, agencies, corporate bonds, mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities. Treasury securities are valued at the bid price reported in the active market in which the security is traded and are classified as Level 1. The valuation inputs of other investment grade bonds primarily utilize observable market information and are based on a spread to U.S. Treasury securities and consider yields available on comparable securities of issuers with similar credit ratings. The primary observable inputs include references to the new issue market for similar securities, the secondary trading markets and dealer quotes. Option adjusted spread models are utilized to evaluate securities such as asset backed securities that have early redemption features. These securities are classified as Level 2. The commingled funds are valued at NAV based on the market value of the underlying fixed income securities using the same valuation inputs described above. The commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

(b) *High yield bonds* represent investments in below investment grade fixed income securities as well as commingled high yield bond funds. The valuation inputs for the securities primarily utilize observable market information and are based on a spread to U.S. Treasury securities and consider yields available on comparable securities of issuers with similar credit ratings. These securities are classified as Level 2. The commingled funds are valued at NAV based on the market value of the underlying high yield instruments using the same valuation inputs described above. Commingled funds that can be redeemed at NAV within a year of the financial statement date are classified as Level 2. Commingled funds that cannot be redeemed at NAV or that cannot be redeemed at NAV within a year of the financial statement date are classified as Level 3.

(c) *Emerging market bonds* represent investments in securities issued by governments and other entities located in developing countries as well as commingled emerging market bond funds. The valuation inputs for the securities utilize observable market information and are primarily based on dealer quotes or a spread relative to the local government bonds. These securities are classified as Level 2. The commingled funds are valued at NAV based on the market value of the underlying emerging market bonds using the same valuation inputs described above. The commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

(d) *Convertible bonds* primarily represent investments in corporate debt securities that have features that allow the debt to be converted into equity securities under certain circumstances. The valuation inputs for the individual convertible bonds primarily utilize observable market information including a spread to U.S. Treasuries and the value and volatility of the underlying equity security. Convertible bonds are classified as Level 2.

(e) *Diversified strategies* represent an investment in a commingled fund that primarily has exposures to global government, corporate and inflation linked bonds, global stocks and commodities. The commingled fund is valued at NAV based on the market value of the underlying investments. The valuation inputs utilize observable market information including published prices for exchange traded securities, bid prices for government bonds, and spreads and yields available for comparable fixed income securities with similar credit ratings. This fund can be redeemed at NAV within a year of the financial statement date and is classified as Level 2.

(f) *U.S. stocks* represent investments in stocks of U.S. based companies as well as commingled U.S. stock funds. The valuation inputs for U.S. stocks are based on the last published price reported on the major stock market on which the securities are traded and are classified as Level 1. The commingled funds are valued at NAV based on the market value of the underlying investments using the same valuation inputs described above. These commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

(g) *Non-U.S. stocks* represent investments in stocks of companies based in developed countries outside the U.S. as well as commingled funds. The valuation inputs for non-U.S. stocks are based on the last published price reported on the major stock market on which the securities are traded and are classified as Level 1. The commingled funds are valued at NAV based on the market value of the underlying investments using the same valuation inputs described above. These commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

(h) *Emerging market stocks* represent investments in a registered mutual fund and commingled funds comprised of stocks of companies located in developing markets. Registered mutual funds are valued at the last published price reported on the major market on which the mutual funds are traded and are classified as Level 1. The commingled funds are valued at NAV based on the market value of the underlying investments using the same valuation inputs described previously for individual stocks. These commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

(i) *Private equity* represents non-public investments in domestic and foreign buy out and venture capital funds. Private equity funds are structured as limited partnerships and are valued according to the valuation policy of each partnership, subject to prevailing accounting and other regulatory guidelines. The partnerships use valuation methodologies that give consideration to a range of factors, including but not limited to the price at which investments were acquired, the nature of the investments, market conditions, trading values on comparable public securities, current and projected operating performance, and financing transactions subsequent to the acquisition of the investments. These valuation methodologies involve a significant degree of judgment. Private equity investments are classified as Level 3.

(j) *Private debt* represents non-public investments in distressed or mezzanine debt funds. Mezzanine debt instruments are debt instruments that are subordinated to other debt issues and may include embedded equity instruments such as warrants. Private debt funds are structured as limited partnerships and are valued according to the valuation policy of each partnership, subject to prevailing accounting and other regulatory guidelines. The valuation of underlying fund investments are based on factors including the issuer's current and projected credit worthiness, the security's terms, reference to the securities of comparable companies, and other market factors. These valuation methodologies involve a significant degree of judgment. Private debt investments are classified as Level 3.

(k) *Market neutral hedge funds* hold investments in a diversified mix of instruments that are intended in combination to exhibit low correlations to market fluctuations. These investments are typically combined with futures to achieve uncorrelated excess returns over various markets. *Directional hedge funds*—This asset category represents investments that may exhibit somewhat higher correlations to market fluctuations than the market neutral hedge funds. Investments in hedge funds include both direct investments and investments in diversified funds of funds. Hedge Funds are valued at NAV based on the market value of the underlying investments which include publicly traded equity and fixed income securities and privately negotiated debt securities. The hedge funds are valued by third party administrators using the same valuation inputs previously described. Hedge funds that can be redeemed at NAV within a year of the financial statement date are classified as Level 2. Hedge fund investments that cannot be redeemed at NAV or that cannot be redeemed at NAV within a year of the financial statement date are classified as Level 3.

(l) *Real estate* represents investments in commingled funds and limited partnerships that invest in a diversified portfolio of real estate properties. These investments are valued at NAV according to the valuation policy of each fund or partnership, subject to prevailing accounting and other regulatory guidelines. The valuation inputs of the underlying properties are generally based on third-party appraisals that use comparable sales or a projection of future cash flows to determine fair value. Real estate investments that can be redeemed at NAV within a year of the financial statement date are classified as Level 2. Real estate investments that cannot be redeemed at NAV or that cannot be redeemed at NAV within a year of the financial statement date are classified as Level 3.

(m) *Derivatives* include the market value of exchange traded futures contracts which are classified as Level 1, as well as privately negotiated over-the-counter swaps that are valued based on the change in interest rates or a specific market index and classified as Level 2. The market values represent gains or losses that occur due to fluctuations in interest rates, foreign currency exchange rates, security prices, or other factors.

(n) *Cash equivalents and short-term investments* represent investments that are used in conjunction with derivatives positions or are used to provide liquidity for the payment of benefits or other purposes. U.S. Treasury Bills are valued at the bid price reported in the active market in which the security is traded and are classified as Level 1. The valuation inputs of other securities are based on a spread to U.S. Treasury Bills, the Federal Funds Rate, or London Interbank Offered Rate and consider yields available on comparable securities of issuers with similar credit ratings and are classified as Level 2. The commingled funds are valued at NAV based on the market value of the underlying investments using the same valuation inputs described above. These commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

(o) *Other* represents investment in private debt, high yield bonds and net payables and receivables associated with the securities. The valuation of underlying fund investments are based on factors including the issuer's current and projected credit worthiness, the security's terms, reference to the securities of comparable companies, and other market factors. These valuation methodologies involve a significant degree of judgment. These investments are classified as Level 3.

Concentrations of Risk: Investments, in general, are exposed to various risks, such as significant world events, interest rate, credit, foreign currency and overall market volatility risk. These risks are managed by broadly diversifying assets across numerous asset classes and strategies with differing expected returns, volatilities and correlations. Risk is also broadly diversified across numerous market sectors and individual companies. Financial instruments that potentially subject the plans to concentrations of counterparty risk consist principally of investment contracts with high quality financial institutions. These investment contracts are typically collateralized obligations and/or are actively managed, limiting the amount of counterparty exposure to any one financial institution. Although the investments are well diversified, the value of plan assets could change materially depending upon the overall market volatility, which could affect the funded status of the plans.

The table below presents a rollforward of the pension plan assets valued using Level 3 inputs:

	Pension Plan Assets Valued Using Level 3 Inputs							
	High Yield Bonds	Private Equity	Private Debt	Market Neutral Hedge Fund	Directional Hedge Funds	Real Estate	Other	Total
	(Dollars in millions)							
Balance at December 31, 2009	$ —	—	—	—	160	162	—	322
Net acquisitions (dispositions)	—	1	3	—	(9)	2	3	—
Actual return on plan assets:								
(Losses) gains relating to assets sold during the year	—	—	—	—	2	(2)	—	—
Gains (losses) relating to assets still held at year-end	—	—	—	—	8	20	—	28
Balance at December 31, 2010	—	1	3	—	161	182	3	350
Net acquisitions (dispositions)	96	795	453	185	30	318	(3)	1,874
Actual return on plan assets:								
(Losses) gains relating to assets sold during the year	(12)	197	13	3	(1)	9	—	209
(Losses) gains relating to assets still held at year-end	(5)	(202)	(8)	—	(7)	26	—	(196)
Balance at December 31, 20	$ 79	791	461	188	183	535	—	2,237

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The table below presents a rollforward of the post-retirement plan assets valued using Level 3 inputs:

	Post-Retirement Plan Assets Valued Using Level 3 Inputs			
	Private Equity	Private Debt	Real Estate	Total
	(Dollars in millions)			
Balance at December 31, 2010	$ —	—	—	—
Net acquisitions	55	8	24	87
Actual return on plan assets:				
Gains relating to assets sold during the year	33	1	—	34
(Losses) gains relating to assets still held at year-end	(28)	(1)	2	(27)
Balance at December 31, 20	$ 60	8	26	94

Certain gains and losses are allocated between assets sold during the year and assets still held at year-end based on transactions and changes in valuations that occurred during the year. These allocations also impact our calculation of net acquisitions and dispositions.

At December 31, 2011, the investment program produced actual gains on pension and post-retirement plan assets of $483 million as compared to the expected returns of $750 million for a difference of $267 million. As of December 31, 2010, the investment program produced actual gains on pension and post-retirement plan assets of $489 million as compared to the expected returns of $287 million for a difference of $202 million. The short-term annual returns on plan assets will almost always be different from the expected long-term returns and the plans could experience net gains or losses, due primarily to the volatility occurring in the financial markets during any given year.

Unfunded Status

The following table presents the unfunded status of the pensions and post-retirement benefit plans:

	Pension Plans		Post-Retirement Benefit Plans	
	Years Ended December 31,		Years Ended December 31,	
	2011	2010	2011	2010
	(Dollars in millions)			
Benefit obligation	$ (13,596)	(4,534)	(3,930)	(558)
Fair value of plan assets	11,814	3,732	693	54
Unfunded status	$ (1,782)	(802)	(3,237)	(504)
Current portion of unfunded status	$ —	—	(164)	—
Non-current portion of unfunded status	$ (1,782)	(802)	(3,073)	(504)

The current portion of our post-retirement benefit obligations is recorded on our consolidated balance sheets in accrued expenses and other current liabilities—other.

Accumulated Other Comprehensive (Loss) Income—Recognition and Deferrals

The following tables present cumulative items not recognized as a component of net periodic benefits expense as of December 31, 2010, items recognized as a component of net periodic benefits expense, additional items deferred during 2011 and cumulative items not recognized as a component of net periodic benefits expense as of December 31, 2011. The items not recognized as a component of net periodic benefits expense have been recorded on our consolidated balance sheets in accumulated other comprehensive loss:

	As of and for the Years Ended December 31,				
	2010	Recognition of Net Periodic Benefits Expense	Deferrals	Net Change in AOCI	2011
	(Dollars in millions)				
Accumulated other comprehensive (loss) income:					
Pension plans:					
Net actuarial (loss) gain	$ (188)	13	(1,160)	(1,147)	(1,335)
Prior service (cost) benefit	(19)	2	(12)	(10)	(29)
Deferred income tax benefit (expense)	80	(5)	451	446	526
Total pension plans	(127)	10	(721)	(711)	(838)
Post-retirement benefit plans:					
Net actuarial (loss) gain	(31)	—	(190)	(190)	(221)
Prior service benefit (cost)	12	(2)	(31)	(33)	(21)
Deferred income tax benefit (expense)	7	—	85	85	92
Total post-retirement benefit plans	(12)	(2)	(136)	(138)	(150)
Total accumulated other comprehensive (loss) income	$ (139)	8	(857)	(849)	(988)

The following table presents estimated items to be recognized in 2012 as a component of net periodic benefit expense of the pension, non-qualified pension and post-retirement benefit plans:

	Pension Plans	Post-Retirement Plans
	(Dollars in millions)	
Estimated recognition of net periodic benefit expense in 2012:		
Net actuarial (loss)	$ (30)	—
Prior service (cost)	(3)	—
Deferred income tax benefit	12	—
Estimated net periodic benefit expense to be recorded in 2012 as a component of other comprehensive income (loss)	$ (21)	—

Medicare Prescription Drug, Improvement and Modernization Act of 2003

We sponsor post-retirement health care plans with several benefit options that provide prescription drug benefits that we deem actuarially equivalent to or exceeding Medicare Part D. We recognize the impact of the federal subsidy received under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 in the calculation of our post-retirement benefit obligation and net periodic post-retirement benefit expense.

Other Benefit Plans

Health Care and Life Insurance

We provide health care and life insurance benefits to essentially all of our active employees. We are largely self-funded for the cost of the health care plan. Our health care benefit expenses for current employees were $377 million, $190 million and $67 million for the years ended December 31, 2011, 2010 and 2009, respectively. Union-represented employee benefits are based on negotiated collective bargaining agreements. Employees are required to partially fund the health care benefits provided by us, in addition to paying their own out-of-pocket costs. Participating non-represented employees contributed $62 million, $30 million and $9 million December 31, 2011, 2010 and 2009, respectively. Participating union-represented employees contributed $28 million, $17 million and $4 million for the years ended December 31, 2011, 2010 and 2009, respectively. Our group life insurance plans are fully insured and the premiums are paid by us.

401(k) Plan

We sponsor a qualified defined contribution benefit plan covering substantially all of our employees. Under this plan, employees may contribute a percentage of their annual compensation to the plan up to certain maximums, as defined by the plan and by the Internal Revenue Service ("IRS"). Currently, we match a percentage of employee contributions in cash. At December 31, 2011 and December 31, 2010, the assets of the plan included approximately 9 million and 4 million shares of our common stock, respectively, as a result of the combination of previous employer match and participant directed contributions. We recognized expenses related to this plan of $70 million, $17 million and $14 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Deferred Compensation Plans

We sponsored non-qualified unfunded deferred compensation plans for various groups that included certain of our current and former highly compensated employees. Participants in these plans could, at their discretion, invest their deferred compensation in various investment choices including our common stock. The value of assets and liabilities related to these plans was not significant.

(9) Share-based Compensation

We maintain programs that allow our Board of Directors (through its Compensation Committee or our Chief Executive Officer as its delegate) to grant incentives to certain employees and our outside directors in any one or a combination of several forms, including incentive and non-qualified stock options; stock appreciation rights; restricted stock awards; restricted stock units and market and performance shares. Stock options generally expire ten years from the date of grant. We also offer an ESPP which allows eligible employees to purchase our common stock at a 15% discount based on the lower of the beginning or ending stock price during recurring six month offering periods.

Acquisitions

Upon the July 15, 2011, closing of our acquisition of Savvis, and pursuant to the terms of the acquisition agreement, we assumed certain obligations under Savvis' share-based compensation arrangements. Specifically:

- all Savvis stock options outstanding immediately prior to the acquisition were vested in full and were converted into 2,420,532 fully vested CenturyLink stock options, and

- all non-vested Savvis restricted stock units outstanding immediately prior to the acquisition converted into an aggregate 1,080,070 non-vested CenturyLink awards.

We estimate the aggregate fair value of the assumed Savvis share-based compensation arrangements was $123 million, of which $98 million was attributable to services performed prior to the acquisition date and was included in the cost of the acquisition. The fair value of CenturyLink shares was determined based on the $38.54 closing price of our common stock on July 14, 2011. The remaining $25 million of the aggregate fair value of the assumed Savvis awards was attributable to post-acquisition services and is being recognized as compensation expense, net of estimated forfeitures, over the remaining 1.5 year vesting period.

Upon the April 1, 2011, closing of our acquisition of Qwest, pursuant to the terms of the acquisition agreement, we assumed certain obligations under Qwest's pre-existing share-based compensation arrangements. Specifically:

- all Qwest non-qualified stock options outstanding immediately prior to the acquisition converted into an aggregate of 7,198,331 CenturyLink non-qualified stock options (including 5,562,198 fully vested options),

- all non-vested shares of Qwest restricted stock outstanding immediately prior to the acquisition converted into an aggregate of 780,455 non-vested shares of CenturyLink restricted stock, and

- all Qwest market-based awards outstanding immediately prior to the acquisition vested in full and were paid out by us through the issuance of an aggregate of 563,269 shares of CenturyLink common stock in April 2011.

The aggregate fair value of the assumed Qwest awards was $114 million, of which $85 million was attributable to services performed prior to the acquisition date and was included in the cost of the acquisition. The fair value of CenturyLink shares was determined based on the $41.55 closing price of our common stock on March 31, 2011. We determined the fair value of Qwest's non-qualified stock options, using the Black-Scholes option-pricing model, reflecting a risk-free interest rate ranging from 0% to 2.13% (depending on the expected life of the option), an expected dividend yield of 6.98%, an expected term ranging from 0.1 to 4.8 years (depending on the option's remaining contractual term and exercise price and on historical experience), and expected volatility ranging from 11.1% to 35.3% (based on the expected term and historical experience). The remaining $29 million of the aggregate fair value of the assumed Qwest awards was attributable to post-acquisition period and was included in the cost of the acquisition, which is being recognized as compensation expense, net of estimated forfeitures, over the remaining vesting periods from 0.1 years to 3.0 years.

Upon the July 1, 2009, closing of our acquisition of Embarq, pursuant to the terms of the acquisition agreement, we assumed certain obligations under Embarq pre-existing share-based compensation arrangements. Specifically:

- all Embarq stock options outstanding immediately prior to the acquisition were vested in full and were converted into 7.2 million fully vested CenturyLink stock options, and

- all non-vested Embarq restricted stock units outstanding immediately prior to the acquisition converted into an aggregate 2.4 million non-vested CenturyLink awards.

The aggregate fair value of the assumed Embarq awards was $99 million, of which $50 million was attributable to services performed prior to the acquisition date and was included in the cost of the acquisition. The fair value of CenturyLink shares was determined based on the $30.70 closing price of our common stock on June 30, 2009. We determined the fair value of Embarq's non-qualified stock options, using the Black-Scholes option-pricing model, reflecting a risk-free interest rate ranging from 0.5% to 2.6% (depending on the expected life of the option), an expected dividend yield of 9.12%, an expected term ranging from 0.3 to 6.0 years (depending on the option's remaining contractual term and exercise price and on historical experience), and expected volatility ranging from 27% to 50% (based on the expected term and historical experience). The remaining $49 million of the aggregate fair value of the assumed Embarq awards was attributable to post-acquisition period and was included in the cost of the acquisition, which is being recognized as compensation expense, net of estimated forfeitures, over the remaining vesting periods.

Stock Options

The following table summarizes activity involving stock option awards for the year ended December 31, 2011:

	Number of Options (in thousands)	Weighted-Average Exercise Price
Outstanding at December 31, 2010	5,040	$ 39.06
Assumed in Savvis acquisition	2,421	$ 14.29
Assumed in Qwest acquisition	7,198	$ 34.50
Exercised	(3,072)	$ 23.59
Forfeited/Expired	(1,198)	$ 68.43
Outstanding at December 31, 2011	10,389	$ 31.05
Exercisable at December 31, 2011	9,321	$ 29.56

The aggregate intrinsic value of our options outstanding and exercisable at December 31, 2011 was $87 million and $77 million, respectively. The weighted average remaining contractual term for such options was 4.9 years and 4.5 years, respectively.

During 2011, we received net cash proceeds of $72 million in connection with our option exercises. The tax benefit realized from these exercises was $19 million. The total intrinsic value of options exercised for the years ended December 31, 2011, 2010 and 2009 was $47 million, $28 million and $6 million, respectively.

Restricted Stock

For awards that contain only service conditions for vesting, we calculate its fair value based on the closing stock price on the date of grant. For restricted stock units that contain market and performance conditions, the award fair value is calculated through Monte-Carlo simulations.

During the second and third quarter of 2011, we granted approximately 624,000 shares of restricted stock to certain executive-level employees as part of our long-term incentive program, of which approximately 474,000 contained only service conditions and will vest on a straight-line basis on May 31, 2012, 2013 and 2014. The remaining awards contain market conditions and will vest on May 31, 2014. These shares represent only the target for the award as each recipient has the opportunity to ultimately receive between 0% and 200% of the target restricted stock award depending on our total shareholder return for 2011, 2012 and 2013 in relation to that of the S&P 500 Index.

In addition to these awards, during 2011 we granted approximately 689,000 shares of restricted stock awards to certain other key employees and our outside directors as part of our equity compensation and retention programs. These awards require only service conditions for vesting.

During the first quarter of 2010, we granted approximately 397,000 shares of restricted stock to certain executive-level employees as part of our long-term incentive program, of which approximately 198,000 contained only service conditions and will vest on a straight-line basis in March 15, 2011, 2012 and 2013. The remaining awards contain service and market conditions. One half of these awards will vest on March 15, 2012 based on our two-year total shareholder return for 2010 and 2011 as measured against the total shareholder return of the companies comprising the S&P 500 Index. The other half will vest on March 15, 2013 based on our three-year total shareholder return for 2010, 2011 and 2012 as measured against the total shareholder return of the companies comprising the S&P 500 Index. These shares represent only the target for the award as each recipient has the opportunity to ultimately receive between 0% and 200% of the target restricted stock award depending on our total shareholder return in relation to that of the S&P 500 Index.

In addition to these awards, during 2010 we granted approximately 600,000 shares of restricted stock awards to certain other key employees and our outside directors as part of our equity compensation and retention programs. These awards require only service conditions for vesting.

In anticipation of our acquisition of Qwest, during the third quarter of 2010, we granted 407,000 shares of restricted stock to certain executive officers and other key employees as part of a retention program. The shares of restricted stock contain only service conditions and will vest in equal installments on the first, second and third anniversaries of the April 1, 2011 closing date of the acquisition. As this retention program was contingent upon the consummation of the Qwest acquisition, we did not begin expensing these awards until the closing of the acquisition on April 1, 2011.

The following table summarizes activity involving restricted stock and restricted stock unit awards for the year ended December 31, 2011:

	Number of Shares	**Weighted-Average Grant Date Fair Value**
	(in thousands)	
Non-vested at December 31, 2010	2,892	$ 33.69
Granted	1,313	$ 36.15
Assumed in Savvis acquisition	1,080	$ 38.54
Assumed in Qwest acquisition	780	$ 41.55
Vested	(1,780)	$ 34.58
Forfeited	(77)	$ 33.99
Non-vested at December 31, 2011	4,208	$ 36.78

During 2010, we granted 1.4 million shares of restricted stock at a weighted-average price of $36.56. During 2009, we granted 820,000 shares of restricted stock at a weighted-average price of $27.34, excluding the 2.4 million shares issued in connection with our acquisition of Embarq. The total fair value of restricted stock that vested during 2011, 2010 and 2009 was $72 million, $48 million and $45 million, respectively.

Compensation Expense and Tax Benefit

We recognize compensation expense related to our share-based awards with graded vesting that only have a service condition on a straight-line basis over the requisite service period for the entire award. Total compensation expense for all share-based payment arrangements for the years ended December 31, 2011, 2010 and 2009 was $65 million, $38 million and $55 million, respectively. These amounts included $12 million in compensation expense recognized in 2011 and $21 million in 2009 for the acceleration of certain awards resulting from the consummation of the Qwest and Embarq acquisitions. Our tax benefit recognized in the income statements for our share-based payment arrangements for the years ended December 31, 2011, 2010 and 2009 was $25 million, $14 million and $21 million, respectively. At December 31, 2011, there was $96 million of total unrecognized compensation expense related to our share-based payment arrangements, which we expect to recognize over a weighted-average period of 1.79 years.

(10) Earnings Per Common Share

Basic and diluted earnings per common share for the years ended December 31, 2011, 2010 and 2009 were calculated as follows:

	Years Ended December 31,		
	2011	2010	2009
	(Dollars in millions, except per share amounts, shares in thousands)		
Income (Numerator):			
Net income before extraordinary item	$ 573	948	511
Extraordinary item, net of income tax expense	—	—	136
Net income	573	948	647
Earnings applicable to non-vested restricted stock	(2)	(6)	(4)
Net income applicable to common stock for computing basic earnings per common share	571	942	643
Net income as adjusted for purposes of computing diluted earnings per common share	$ 571	942	643
Shares (Denominator):			
Weighted average number of shares:			
Outstanding during period	534,320	301,428	199,177
Non-vested restricted stock	(2,209)	(1,756)	(1,387)
Non-vested restricted stock units	669	947	1,023
Weighted average shares outstanding for computing basic earnings per common share	532,780	300,619	198,813
Incremental common shares attributable to dilutive securities:			
Shares issuable under convertible securities	13	13	13
Shares issuable under incentive compensation plans	1,328	665	231
Number of shares as adjusted for purposes of computing diluted earnings per common share	534,121	301,297	199,057
Basic earnings per common share:			
Before extraordinary item	$ 1.07	3.13	2.55
Extraordinary item	—	—	.68
Basic earnings per common share	$ 1.07	3.13	3.23
Diluted earnings per common share:			
Before extraordinary item	$ 1.07	3.13	2.55
Extraordinary item	—	—	.68
Diluted earnings per common share	$ 1.07	3.13	3.23

Our calculations of diluted earnings per common share exclude shares of common stock that are issuable upon exercise of stock options when the exercise price is greater than the average market price of our common stock during the period. Such potentially issuable shares totaled 2.4 million, 2.9 million and 4.1 million for 2011, 2010 and 2009, respectively.

(11) Fair Value Disclosure

Our financial instruments consist of cash and cash equivalents, accounts receivable, investments, accounts payable and long-term debt, excluding capital lease obligations. The carrying amounts of our cash and cash equivalents, accounts receivable and accounts payable approximate their fair values.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent and knowledgeable parties who are willing and able to transact for an asset or liability at the measurement date. We use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs when determining fair value and then we rank the estimated values based on the reliability of the inputs used following the fair value hierarchy set forth by the FASB.

We determined the fair values of our long-term notes, including the current portion, based on quoted market prices where available or, if not available, based on discounted future cash flows using current market interest rates

The three input levels in the hierarchy of fair value measurements are defined by the FASB generally as follows:

Input Level	Description of Input
Level 1	Observable inputs such as quoted market prices in active markets.
Level 2	Inputs other than quoted prices in active markets that are either directly or indirectly observable.
Level 3	Unobservable inputs in which little or no market data exists.

The following table presents the carrying amounts and estimated fair values of our investment securities, which are reported in noncurrent other assets, and long-term debt, excluding capital lease obligations, as well as the input levels used to determine the fair values:

		December 31, 2011		December 31, 2010	
	Input Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(Dollars in millions)			
Assets—Investments securities	3	$ 73	73	—	—
Liabilities—Long-term debt excluding capital lease obligations	2	$ 21,124	22,052	7,328	8,007

In connection with the acquisition of Qwest on April 1, 2011, we acquired auction rate securities maturing in 2033 to 2036 that are not actively traded in liquid markets. We have designated these securities as available for sale and, accordingly, we report them on our balance sheet under our "goodwill and other assets—other" line item at fair value on a recurring basis. We estimated the fair value of these securities at December 31, 2011 using a probability-weighted cash flow model that considers the coupon rate for the securities, probabilities of default and liquidation prior to maturity, and a discount rate commensurate with the creditworthiness of the issuer. These securities have a cost basis of $79 million.

(12) Income Taxes

	Years Ended December 31,		
	2011	2010	2009
	(Dollars in millions)		
Income tax expense was as follows:			
Federal			
Current	$ (49)	384	158
Deferred	401	145	210
State			
Current	25	67	3
Deferred	(6)	(13)	12
Foreign			
Current	4	—	—
Deferred	—	—	—
Total income tax expense	$ 375	583	383

	Years Ended December 31,		
	2011	2010	2009
	(Dollars in millions)		
Income tax expense was allocated as follows:			
Income tax expense in the consolidated statements of income:			
Attributable to income before extraordinary item	$ 375	583	302
Attributable to extraordinary item	—	—	81
Stockholders' equity:			
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(13)	(12)	(4)
Tax effect of the change in accumulated other comprehensive loss	(535)	(34)	29

The following is a reconciliation from the statutory federal income tax rate to our effective income tax rate:

	Years Ended December 31,		
	2011	2010	2009
	(Percentage of pre-tax income)		
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	1.3%	1.9%	2.0%
Change in tax treatment of Medicare subsidy	—	0.3%	—
Nondeductible acquisition related costs	0.9%	0.2%	0.7%
Nondeductible compensation pursuant to executive compensation limitations	0.4%	0.2%	0.9%
Recognition of previously unrecognized tax benefits	—	—	(1.5)%
Foreign income taxes	0.4%	—	—
Foreign valuation allowance	0.8%	—	—
Other, net	0.8%	0.5%	0.1%
Effective income tax rate	39.6%	38.1%	37.2%

Included in income tax expense for the years ended December 31, 2011, 2010 and 2009 is $24 million, $4 million and $7 million, respectively, which related to a portion of our transaction costs associated with our recent acquisitions. The 2011 and 2010 transaction costs were primarily related to the acquisition of Qwest. The 2009 transaction costs were related to the acquisition of Embarq. These costs are considered non-deductible for income tax purposes.

In 2011, our effective tax rate decreased due to a $16 million reduction to our net deferred tax asset valuation allowance associated with state operating loss carryforwards. We also recorded an additional valuation allowance of $8 million on deferred tax assets that require future income of a special character to realize the benefits. Because we are not currently forecasting income of an appropriate character for these benefits to be realized, we will continue to maintain a valuation allowance equal to the amount we do not believe is more likely than not to be realized.

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The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2011 and 2010 were as follows:

	Years Ended December 31, 2011	2010
	(Dollars in millions)	
Deferred tax assets		
Post-retirement and pension benefit costs	$ 2,052	510
Net operating loss carryforwards	2,492	75
Other employee benefits	118	45
Other	836	116
Gross deferred tax assets	5,498	746
Less valuation allowance	(276)	(43)
Net deferred tax assets	5,222	703
Deferred tax liabilities		
Property, plant and equipment, primarily due to depreciation differences	(3,641)	(1,762)
Goodwill and other intangible assets	(4,215)	(1,159)
Other	(163)	(70)
Gross deferred tax liabilities	(8,019)	(2,991)
Net deferred tax liability	$ (2,797)	(2,288)

Of the $2.797 billion and $2.288 billion net deferred tax liability at December 31, 2011 and 2010, respectively, $3.823 billion and $2.369 billion is reflected as a long-term liability and $1.026 billion and $81 million is reflected as a net current deferred tax asset.

In connection with our acquisitions of Savvis on July 15, 2011 and Qwest on April 1, 2011, we recognized net noncurrent deferred tax liabilities of approximately $320 million and $595 million, respectively, which reflects the expected future tax effects of certain differences between the financial reporting carrying amounts and tax bases of Savvis' and Qwest's assets and liabilities. In addition, due to the Qwest acquisition, we recognized a net current deferred tax asset of $271 million, which relates primarily to certain accrued liabilities that are expected to result in future tax deductions. These primary differences involve Qwest's pension and other post-retirement benefit obligations as well as tax effects for acquired intangible assets, property, plant and equipment and long-term debt, including the effects of acquisition date valuation adjustments, for both entities. The net deferred tax liability is partially offset by a deferred tax asset for expected future tax deductions relating to Savvis' and Qwest's net operating loss carryforwards.

At December 31, 2011, we had NOLs of $6.2 billion. If unused, the NOLs will expire between 2015 and 2031; however, no significant amounts expire until 2020. At December 31, 2011, we had $72 million ($47 million net of federal income tax) of state investment tax credit carryforwards that will expire between 2012 and 2024 if not utilized. In addition, at December 31, 2011 we had $30 million of alternative minimum tax, or AMT, credits. Our acquisitions of Qwest and Savvis caused "ownership changes" within the meaning of Section 382 of the Internal Revenue Code. As a result, our ability to use these NOLs is subject to annual limits imposed by Section 382. Despite this, we expect to use substantially all of these NOLs as an offset against our future taxable income, although the timing of that use will depend upon our future earnings and future tax circumstances.

We establish valuation allowances when necessary to reduce the deferred tax assets to amounts we expect to realize. At December 31, 2011, a valuation allowance of $276 million was established as it is more likely than not that this amount of net operating loss carryforwards will not be utilized prior to expiration.

Based on our consideration of preliminary information, we recorded valuation allowances of $10 million and $231 million, respectively on the acquisition dates for the portion of the acquired net deferred tax assets that we do not believe is more likely than not to be realized. Our preliminary acquisition date assignment of deferred income taxes and the related valuation allowance are subject to adjustment as discussed in Note 2—Acquisitions.

The activity of our gross unrecognized tax benefits (excluding both interest and any related federal benefit) during 2011 was as follows:

	Unrecognized Tax Benefits	
	(Dollars in millions)	
Unrecognized tax benefits at December 31, 2010	$	311
Assumed in Qwest and Savvis acquisitions		206
Decrease due to the reversal of tax positions taken in a prior year		(13)
Decrease from the lapse of statute of limitations		(1)
Settlements		(392)
Unrecognized tax benefits at December 31, 2011	$	111

Upon the dismissal of our refund appeal in October 2011, we recorded a $242 million settlement related to the treatment of universal service fund receipts of certain subsidiaries acquired in our Embarq acquisition, effectively settling the issue for the 1990 through 1994 years. We are currently in the process of dismissing our (2004-2006) proceedings, due to an agreement in place with the IRS Chief Counsel's office. Dismissal of the Tax Court proceedings will result in an agreed tax deficiency amount for each period. Since the Tax Court proceedings involved years that Embarq was owned by Sprint, Sprint will receive the deficiency and the payment to the IRS will trigger a settlement obligation under the Tax Sharing agreement with Sprint. During 2011, Qwest also withdrew their claims associated with the treatment of universal services fund receipts resulting in a $141 million settlement decrease in our unrecognized tax benefits. Due to Qwest's NOL carryforward, the settlement of the position resulted in a reduction in our unrecognized tax benefit but no cash payment is required.

If we were to prevail on all unrecognized tax benefits recorded on our balance sheet, we would recognize approximately $118 million (including interest and net of federal benefit), which would lower our effective tax rate.

Our policy is to reflect interest expense associated with unrecognized tax benefits in income tax expense. We had accrued interest (presented before related tax benefits) of approximately $33 million and $12 million at December 31, 2011 and December 31, 2010, respectively.

We file income tax returns, including returns for our subsidiaries, with federal, state and local jurisdictions. Our uncertain income tax positions are related to tax years that are currently under or remain subject to examination by the relevant taxing authorities.

Beginning with our 2009 tax year, we are subject to annual examination by the IRS.

In 2010, Qwest and its subsidiaries filed amended federal income tax returns for 2006-2007 to make protective claims with respect to items reserved in their audit settlements and to correct items not addressed in prior audits. Those amended federal income tax returns are subject to adjustment in an IRS audit. Additionally, in 2009, Qwest and its subsidiaries filed amended federal income tax returns for 2002-2005 to make protective claims with respect to items reserved in their audit settlements and to correct items not addressed in prior audits. Those amended federal income tax returns are subject to adjustment in an IRS audit.

Our open income tax years by major jurisdiction are as follows at December 31, 2011:

Jurisdiction	**Open tax years**
Federal	2008—current
State	
Florida	2006—current
Louisiana	2008—current
Minnesota	1996—1999 and 2002—current
New York	2001—2006 and 2008—current
North Carolina	2006—current
Oregon	2002—current
Texas	2008—current
Other states	2005—current

Since the period for assessing additional liability typically begins upon the filing of a return, it is possible that certain jurisdictions could assess tax for years prior to the open tax years disclosed above. Additionally, it is possible that certain jurisdictions in which we do not believe we have an income tax filing responsibility, and accordingly did not file a return, may attempt to assess a liability, or that other jurisdictions to which we pay taxes may attempt to assert that we owe additional taxes.

Based on our current assessment of various factors, including (i) the potential outcomes of these ongoing examinations, (ii) the expiration of statute of limitations for specific jurisdictions, (iii) the negotiated settlement of certain disputed issues, and (iv) the administrative practices of applicable taxing jurisdictions, it is reasonably possible that the related unrecognized tax benefits for uncertain tax positions previously taken may decrease by up to $9 million within the next 12 months. The actual amount of such decrease, if any, will depend on several future developments and events, many of which are outside our control.

(13) Segment Information

For several years prior to 2011, we reported our operations as a single segment. However, after our acquisitions of Qwest on April 1, 2011 and Savvis on July 15, 2011, we have reorganized our business into the following operating segments:

- *Regional markets.* Consists generally of providing strategic and legacy products and services to residential consumers, small to medium-sized businesses and regional enterprise customers. Our strategic products and services offered to these customers include our private line, broadband, Multi-Protocol Label Switching ("MPLS"), hosting and video services. Our legacy services offered to these customers include local and long-distance service;

- *Business markets.* Consists generally of providing strategic and legacy products and services to enterprise and government customers. Our strategic products and services offered to these customers include our private line, broadband, MPLS, hosting and video services. Our legacy services offered to these customers include local and long-distance service;

- *Wholesale markets.* Consists generally of providing strategic and legacy products and services to other communications providers. Our strategic products and services offered to these customers are mainly private line (including special access) and MPLS. Our legacy services offered to these customers include unbundled network elements ("UNEs") which allow our wholesale customers the use our network or a combination of our network and their own networks to provide voice and data services to their customers, long-distance and switched access services; and

- *Savvis operations.* Currently consists of the entire centrally-managed operations of our Savvis subsidiaries, which provides hosting and network services primarily to business customers when provided by Legacy Savvis. Some of these services are the same as those provided through our business markets segment. In the future, we may reclassify the revenues and expenses associated with those business markets services as part of our Savvis operations segment. However, until we are able to further integrate Legacy Savvis, we will continue to classify those services as part of the business markets segment.

We may make further changes to our segment reporting as we continue to integrate the operations of Legacy Qwest and Legacy Savvis.

In addition, we have revised the way we categorize our products and services and report our related revenues. These products and services are now described as follows:

- *Strategic services*, which include primarily private line (including special access), broadband, hosting (including cloud hosting and managed hosting), colocation, multi protocol line switching ("MPLS") (which is a data networking technology that can deliver the quality of service required to support real-time voice and video), video (including DIRECTV), voice over Internet Protocol ("VoIP") and Verizon Wireless services;

- *Legacy services*, which include primarily local, long-distance, switched access, public access, integrated services digital network ("ISDN") (which uses regular telephone lines to support voice, video and data applications), and traditional wide area network ("WAN") services (which allows a local communications network to link to networks in remote locations);

- *Data integration*, which is telecommunications equipment we sell that is located on customers' premises and related professional services, such as network management, installation and maintenance of data equipment and building of proprietary fiber-optic broadband networks for our government and business customer; and

- *Other revenues*, which consists primarily of USF revenue and surcharges.

We have revised our prior period revenue classifications to conform to our current categories.

Previously, we had categorized our products and services related to revenue as voice, data and network access. These products and services were described as follows:

- *Voice.* We offered local calling services to residential and business customers within our local service area, generally for a fixed monthly charge. We offered a number of enhanced voice services (such as call forwarding, caller identification, conference calling, voicemail, selective call ringing and call waiting) to our local exchange customers for an additional monthly fee. We also offered long-distance services to our customers based on either usage or pursuant to flat-rate calling plans.

- *Data.* We derived our data revenues primarily from monthly recurring charges for providing broadband access services, data transmission services over special circuits and private lines and switched digital television services. Our special access data service consisted of providing dedicated circuits connecting other carriers' networks to their customers' locations, wireless carriers' cell towers to mobile switching centers, or business customers to our network. Although the traffic handled through special access facilities may have included voice as well as data, we reported revenues associated with special access as data revenues.

- *Network Access.* We derived our network access revenues primarily from providing wholesale services to various carriers and customers in connection with the use of our facilities to originate and terminate their interstate and intrastate voice transmissions. This revenue also included charges for receiving universal support funds, receiving reciprocal compensation from CLECs and wireless service providers for terminating their calls on our networks and offering certain network facilities and related services to CLECs. Our revenues for switched access services depended primarily on the level of call volumes.

- *Other.* We derived our other revenues principally by providing fiber transport, security monitoring services, leasing, selling, installing and maintaining customer premise telecommunications equipment and wiring and providing payphone services.

In connection with the recent reorganization of our segments, we also revised the way we categorize our segment revenues and expenses. Our segment revenues include all revenues from our strategic services, legacy services and data integration as described in more detail above. We report our segment expenses for regional markets, business markets and wholesale markets as follows:

- *Direct expenses*, which primarily are specific, incremental expenses incurred as a direct result of providing services and products to segment customers, along with selling, general and administrative expenses that are directly associated with specific segment customers or activities; and

- *Allocated expenses*, which are determined by applying activity-based costing and other methodologies to include network expenses, facilities expenses and other expenses such as fleet, product management, and real estate expenses.

We do not assign depreciation and amortization expense to our segments, as the related assets and capital expenditures are centrally-managed. Other unassigned operating expenses consist primarily of expenses for centrally-managed administrative functions (such as finance, information technology, legal and human resources), severance expenses and restructuring expenses. Interest expense is also excluded from segment results because we manage our financing on a total company basis and have not allocated assets or debt to specific segments. In addition, other income (expense) does not relate to our segment operations and is therefore excluded from our segment results. Our segment results do not include any intersegment revenue or expenses. Our chief operating decision maker does not review assets and capital expenditures by segment, nor does he include the centrally-managed income and expenses noted above in the calculation of segment income.

Our operating revenues for our products and services consisted of the following categories for the years ended December 31, 2011 and 2010:

	Years Ended December 31,	
	2011	2010
	(Dollars in millions)	
Strategic services	$ 6,254	2,049
Legacy services	7,680	4,288
Data integration	537	158
Other	880	547
Total operating revenues	$ 15,351	7,042

Due to system limitations we have not reported our 2009 segment information using our current segments or our 2009 revenues using our current presentation of products and services, as we have deemed it impracticable to do so. Our operating revenues for our products and services consisted of the following categories for the years ended December 31, 2010 and 2009:

	Years Ended December 31,	
	2010	2009
	(Dollars in millions)	
Voice	$ 3,138	2,168
Data	1,909	1,202
Network access	1,080	928
Other	915	676
Total operating revenues	$ 7,042	4,974

Other operating revenues include revenue from universal support funds which allows us to recover a portion of our costs under federal and state cost recovery mechanisms and certain surcharges to our customers, including billings for our required contributions to several USF programs. These surcharge billings to our customers are reflected on a gross basis in our statements of operations (included in both operating revenues and expenses) and aggregated approximately $392 million, $115 million and $84 million for the years ended December 31, 2011, 2010 and 2009, respectively. We also generate other operating revenues from leasing and subleasing of space in our office buildings, warehouses and other properties. We centrally-manage the activities that generate these other operating revenues and consequently these revenues are not included in any of our four segments presented below.

Segment information for the years ended December 31, 2011 and 2010 is summarized below:

	Years Ended December 31, 2011	2010
	(Dollars in millions)	
Total segment revenues	$ 14,471	6,495
Total segment expenses	6,535	2,403
Total segment income	$ 7,936	4,092
Total margin percentage	55%	63%
Regional markets:		
Revenues	$ 7,832	4,640
Expenses	3,398	1,783
Income	$ 4,434	2,857
Margin percentage	57%	62%
Business markets:		
Revenues	$ 2,861	266
Expenses	1,736	120
Income	$ 1,125	146
Margin percentage	39%	55%
Wholesale markets:		
Revenues	$ 3,295	1,589
Expenses	1,021	500
Income	$ 2,274	1,089
Margin percentage	69%	69%
Savvis operations:		
Revenues	$ 483	—
Expenses	380	—
Income	$ 103	—
Margin percentage	21%	—

The following table reconciles segment income to net income for the years ended December 31, 2011 and 2010:

	Years Ended December 31, 2011	2010
	(Dollars in millions)	
Total segment income	$ 7,936	4,092
Other operating revenues	880	547
Depreciation and amortization	(4,026)	(1,434)
Other unassigned operating expenses	(2,765)	(1,145)
Other income (expense), net	(1,077)	(529)
Income tax expense	(375)	(583)
Net income	$ 573	948

We do not have any single customer that provides more than 10% of our total operating revenues. Substantially all of our revenues come from customers located in the United States.

(14) Discontinuance of Regulatory Accounting

Through June 30, 2009, we accounted for our regulated telephone operations (except for the properties acquired from Verizon in 2002) in accordance with the provisions of regulatory accounting under which actions by regulators can provide reasonable assurance of the recognition of an asset, reduce or eliminate the value of an asset and impose a liability on a regulated enterprise. Such regulatory assets and liabilities were required to be recorded and, accordingly, reflected in the balance sheet of entities subject to regulatory accounting.

On July 1, 2009, we discontinued the accounting requirements of regulatory accounting upon the conversion of substantially all of our rate-of-return study areas to federal price cap regulation (based on the FCC's approval of our petition to convert our study areas to price cap regulation).

Upon the discontinuance of regulatory accounting, we reversed previously established regulatory assets and liabilities. Depreciation rates of certain assets established by regulatory authorities for our telephone operations subject to regulatory accounting have historically included a component for removal costs in excess of the related salvage value. Notwithstanding the adoption of accounting guidance related to the accounting for asset retirement obligations, regulatory accounting required us to continue to reflect this accumulated liability for removal costs in excess of salvage value even though there was no legal obligation to remove the assets. Therefore, we did not adopt the asset retirement obligation provisions for our telephone operations that were subject to regulatory accounting. Upon the discontinuance of regulatory accounting, such accumulated liability for removal costs included in accumulated depreciation was removed and an asset retirement obligation was established. Upon the discontinuance of regulatory accounting, we were required to adjust the carrying amounts of property, plant and equipment only to the extent the assets were impaired, as judged in the same manner applicable to nonregulated enterprises. We did not record an impairment charge related to the carrying value of the property, plant and equipment of our regulated telephone operations as a result of the discontinuance of regulatory accounting.

In the third quarter of 2009, upon the discontinuance of regulatory accounting, we recorded a non-cash extraordinary gain in our consolidated statements of income comprised of the following components:

	Gain (loss) (Dollars in millions)
Elimination of removal costs embedded in accumulated depreciation	$ 221
Establishment of asset retirement obligation	(2)
Elimination of other regulatory assets and liabilities	(2)
Net extraordinary gain before income tax expense	217
Income tax expense associated with extraordinary gain	(81)
Extraordinary gain attributable to CenturyLink, Inc.	$ 136
Basic earnings per common share of extraordinary gain	.68
Diluted earnings per common share of extraordinary gain	.68

Upon the discontinuance of regulatory accounting, we revised the lives of our property, plant and equipment to reflect the economic estimated remaining useful lives of the assets. In general, the estimated remaining useful lives of our telephone property were lengthened as compared to the lives related to the depreciation rates used that were established by regulatory authorities.

Upon the discontinuance of regulatory accounting, we eliminated certain intercompany transactions with regulated affiliates that previously were not eliminated under the application of regulatory accounting. This has caused our operating revenues and operating expenses to be lower by equivalent amounts beginning in the third quarter of 2009.

(15) Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(Dollars in millions, except per share amounts)				
2011					
Operating revenues	$ 1,696	4,406	4,596	4,653	15,351
Operating income	464	480	548	533	2,025
Net income	211	115	138	109	573
Basic earnings per common share	.69	.19	.23	.18	1.07
Diluted earnings per common share	.69	.19	.23	.18	1.07
2010					
Operating revenues	$ 1,800	1,772	1,748	1,722	7,042
Operating income	545	523	506	486	2,060
Net income	253	238	232	225	948
Basic earnings per common share	.84	.79	.76	.74	3.13
Diluted earnings per common share	.84	.79	.76	.74	3.13

These results include Savvis operations for periods beginning July 15, 2011 and Qwest operations for periods beginning April 1, 2011 (See Note 2—Acquisitions).

(16) Commitments and Contingencies

In this section, when we refer to a class action as "putative" it is because a class has been alleged, but not certified in that matter. Until and unless a class has been certified by the court, it has not been established that the named plaintiffs represent the class of plaintiffs they purport to represent.

We have established accrued liabilities for the matters described below where losses are deemed probable and reasonably estimable.

Litigation Matters Relating to CenturyLink and Embarq

In December 2009, subsidiaries of CenturyLink filed two lawsuits against subsidiaries of Sprint Nextel to recover terminating access charges for VoIP traffic owed under various interconnection agreements and tariffs which presently approximate $34 million. The lawsuits allege that Sprint Nextel has breached contracts, violated tariffs, and violated the Federal Communications Act by failing to pay these charges. One lawsuit, filed on behalf of all legacy Embarq operating entities, was tried in federal court in Virginia in August 2010 and, in March 2011, a ruling was issued in our favor and against Sprint Nextel. We currently expect Sprint Nextel to file an appeal of this decision. The other lawsuit, filed on behalf of all Legacy

CenturyLink operating entities, is pending in federal court in Louisiana. In that case, in early 2011 the Court dismissed certain of CenturyLink's claims, referred other claims to the FCC, and stayed the litigation. We have not deferred revenue related to these matters as an adverse outcome is not probable based upon current circumstances.

In *William Douglas Fulghum, et al. v. Embarq Corporation, et al.*, filed on December 28, 2007 in the United States District Court for the District of Kansas, a group of retirees filed a putative class action lawsuit challenging the decision to make certain modifications in retiree benefits programs relating to life insurance, medical insurance and prescription drug benefits, generally effective January 1, 2006 and January 1, 2008 (which, at the time of the modifications, was expected to reduce estimated future expenses for the subject benefits by more than $300 million). Defendants include Embarq, certain of its benefit plans, its Employee Benefits Committee and the individual plan administrator of certain of its benefits plans. Additional defendants include Sprint Nextel and certain of its benefit plans. The Court certified a class on certain of plaintiffs' claims, but rejected class certification as to other claims. Embarq and other defendants continue to vigorously contest these claims and charges. On October 14, 2011, the *Fulghum* lawyers filed a new, related lawsuit, *Abbott et al. v. Sprint Nextel et al.* CenturyLink/Embarq is not named a defendant in the lawsuit. In *Abbott*, approximately 1,800 plaintiffs allege breach of fiduciary duty in connection with the changes in retiree benefits that also are at issue in the *Fulghum* case. The *Abbott* plaintiffs are all members of the class that was certified in *Fulghum* on claims for allegedly vested benefits (Counts I and III), and the *Abbott* claims are similar to the *Fulghum* breach of fiduciary duty claim (Count II), on which the *Fulghum* court denied class certification. We have not accrued a liability for these matters as it is premature to determine whether an accrual is warranted and, if so, a reasonable estimate of probable liability.

Over 60 years ago, one of our indirect subsidiaries, Centel Corporation, acquired entities that may have owned or operated seven former plant sites that produced "manufactured gas" under a process widely used through the mid-1900s. Centel has been a subsidiary of Embarq since being spun-off in 2006 from Sprint Nextel, which acquired Centel in 1993. None of these plant sites are currently owned or operated by either Sprint Nextel, Embarq or their subsidiaries. On three sites, Embarq and the current landowners are working with the Environmental Protection Agency ("EPA") pursuant to administrative consent orders. Remediation expenditures pursuant to the orders are not expected to be material. On five sites, including the three sites where the EPA is involved, Centel has entered into agreements with other potentially responsible parties to share remediation costs. Further, Sprint Nextel has agreed to indemnify Embarq for most of any eventual liability arising from all seven of these sites. Based upon current circumstances, we do not expect this issue to have a material adverse impact on our results of operations or financial condition. We have accrued an amount that we believe is probable for these matters; however, the amount is not material to our financial statements.

Litigation Matters Relating to Qwest

The terms and conditions of applicable bylaws, certificates or articles of incorporation, agreements or applicable law may obligate Qwest to indemnify its former directors, officers or employees with respect to certain of the matters described below, and Qwest has been advancing legal fees and costs to certain former directors, officers or employees in connection with certain matters described below.

On September 29, 2010, the trustees in the Dutch bankruptcy proceeding for KPNQwest, N.V. (of which Qwest was a major shareholder) filed a lawsuit in district court in Haarlem, the Netherlands, alleging tort and mismanagement claims under Dutch law. Qwest and Koninklijke KPN N.V. ("KPN") are defendants in this lawsuit along with a number of former KPNQwest supervisory board members and a former officer of KPNQwest, some of whom were formerly affiliated with Qwest. Plaintiffs allege, among other things, that defendants' actions were a cause of the bankruptcy of KPNQwest, and they seek damages for the bankruptcy deficit of KPNQwest, which is claimed to be approximately €4.200 billion (or approximately $5.4 billion based on the exchange rate on December 31, 2011), plus statutory interest. Two lawsuits asserting similar claims were previously filed against Qwest and others in federal courts in New Jersey in 2004 and Colorado in 2009; those courts dismissed the lawsuits without prejudice on the grounds that the claims should not be litigated in the United States.

On September 13, 2006, Cargill Financial Markets, Plc and Citibank, N.A. filed a lawsuit in the District Court of Amsterdam, the Netherlands, against Qwest, KPN, KPN Telecom B.V., and other former officers, employees or supervisory board members of KPNQwest, some of whom were formerly affiliated with Qwest. The lawsuit alleges that defendants misrepresented KPNQwest's financial and business condition in connection with the origination of a credit facility and wrongfully allowed KPNQwest to borrow funds under that facility. Plaintiffs allege damages of approximately €219 million (or approximately $284 million based on the exchange rate on December 31, 2011).

We have not accrued a liability for the above matters as it is premature to determine whether an accrual is warranted and, if so, a reasonable estimate of probable liability. We will continue to defend against the pending KPNQwest litigation matters vigorously.

Several putative class actions relating to the installation of fiber-optic cable in certain rights-of-way were filed against Qwest on behalf of landowners on various dates and in various courts in Alabama, Arizona, California, Colorado, Delaware, Florida, Georgia, Illinois (where there is a federal and a state court case), Indiana, Iowa, Kansas, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, Oklahoma, Oregon, South Carolina, Tennessee, Texas, Utah, Virginia, and Washington. For the most part, the complaints challenge our right to install our fiber-optic cable in railroad rights-of-way. The complaints allege that the railroads own the right-of-way as an easement that did not include the right to permit us to install our fiber-optic cable in the right-of-way without the Plaintiffs' consent. Most of the actions purport to be brought on behalf of state-wide classes in the named Plaintiffs' respective states, although two of the currently pending actions purport to be brought on behalf of multi-state classes. Specifically, the Illinois state court action purports to be on behalf of landowners in Illinois, Iowa, Kentucky, Michigan, Minnesota, Nebraska, Ohio and Wisconsin, and the Indiana state court action purports to be on behalf of a national class of landowners. In general, the complaints seek damages on theories of trespass and unjust enrichment, as well as punitive damages. On July 18, 2008, a federal district court in Massachusetts entered an order preliminarily approving a settlement of all of the actions described above, except the action pending in Tennessee. On September 10, 2009, the court denied final approval of the settlement on grounds that it lacked subject matter jurisdiction. On December 9, 2009, the court issued a revised ruling that, among other things, denied a motion for approval as moot and dismissed the matter for lack of subject matter jurisdiction. The parties are now engaged in negotiating and finalizing settlements on a state-by-state basis, and have filed and received final approval of settlements in Alabama and Illinois federal court, and in Tennessee state court. Final approval also has been granted in federal court actions in Idaho and North Dakota, to which Qwest is not a party. We have accrued an amount that we believe is probable for these matters; however, the amount is not material to our financial statements.

Other

From time to time, we are involved in other proceedings incidental to our business, including administrative hearings of state public utility commissions relating primarily to rate making, actions relating to employee claims, various tax issues, occasional grievance hearings before labor regulatory agencies, patent infringement allegations and miscellaneous third party tort actions. The outcome of these other proceedings is not predictable. However, we do not believe that the ultimate resolution of these other proceedings, after considering available insurance coverage, will have a material adverse effect on our financial position, results of operations or cash flows.

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Capital Leases

We lease certain facilities and equipment under various capital lease arrangements. Depreciation of assets under capital leases is included in depreciation and amortization expense. Payments on capital leases are included in repayments of long-term debt, including current maturities in the consolidated statements of cash flows.

The table below summarizes our capital lease activity:

	Years Ended December 31,		
	2011	2010	2009
	(Dollars in millions)		
Assets acquired through capital leases	$ 696	—	—
Depreciation expense	89	—	—
Cash payments towards capital leases	76	—	—

	December 31, 2011	December 31, 2010
	(Dollars in millions)	
Assets included in property, plant and equipment	$ 698	—
Accumulated depreciation	91	—

The future minimum payments under capital leases as of December 31, 2011 are included in our consolidated balance sheet as follows:

	Future Minimum Payments
	(Dollars in millions)
Capital lease obligations:	
2012	$ 147
2013	140
2014	121
2015	89
2016	53
2017 and thereafter	231
Total minimum payments	781
Less: amount representing interest and executory costs	(165)
Present value of minimum payments	616
Less: current portion	(112)
Long-term portion	$ 504

Operating Leases

CenturyLink leases various equipment, office facilities, retail outlets, switching facilities, and other network sites. These leases, with few exceptions, provide for renewal options and escalations that are either fixed or based on the consumer price index. Any rent abatements, along with rent escalations, are included in the computation of rent expense calculated on a straight-line basis over the lease term. The lease term for most leases includes the initial non-cancelable term plus any term under renewal options that are reasonably assured. For the years ended December 31, 2011, 2010 and 2009, our gross rental expense was $401 million, $174 million and $107 million. We also received sublease rental income for the year ended December 31, 2011 of $17 million. We did not have any material sublease rental income for the years ended December 31, 2010 and 2009.

At December 31, 2011, our future rental commitments for operating leases were as follows:

	Future Minimum Payments
	(Dollars in millions)
2012	$ 280
2013	244
2014	208
2015	178
2016	147
2017 and thereafter	928
Total future minimum payments(1)	$ 1,985

(1) Minimum payments have not been reduced by minimum sublease rentals of $119 million due in the future under non-cancelable subleases.

Purchase Obligations

We have several commitments primarily for marketing activities and support services from a variety of vendors to be used in the ordinary course of business totaling $706 million at December 31, 2011. Of this amount, we expect to purchase $268 million in 2012, $191 million in 2013 through 2014, $99 million in 2015 through 2016 and $148 million in 2017 and thereafter. These amounts do not represent our entire anticipated purchases in the future, but represent only those items for which we are contractually committed.

(17) Other Financial Information

Other Current Assets

	December 31,	
	2011	2010
	(Dollars in millions)	
Prepaid expenses	$ 240	41
Other	150	33
Total other current assets	$ 390	74

(18) Labor Union Contracts

Over 40% of our employees are members of various bargaining units represented by the Communications Workers of America and the International Brotherhood of Electrical Workers. We believe that relations with our employees continue to be generally good. Approximately 15,000 or 75%

of our union-represented employees are subject to collective bargaining agreements that expire throughout 2012.

(19) Dividends

Our Board of Directors declared the following dividends payable in 2011 and 2010:

Date Declared	Record Date	Dividend Per Share	Total Amount (in millions)	Payment Date
November 15, 2011	December 6, 2011	.725	$ 449	December 16, 2011
August 23, 2011	September 6, 2011	.725	$ 449	September 16, 2011
May 18, 2011	June 6, 2011	.725	$ 436	June 16, 2011
January 24, 2011	February 18, 2011	.725	$ 222	February 25, 2011
November 9, 2010	December 7, 2010	.725	$ 220	December 20, 2010
August 24, 2010	September 7, 2010	.725	$ 220	September 20, 2010
May 21, 2010	June 8, 2010	.725	$ 220	June 21, 2010
February 25, 2010	March 9, 2010	.725	$ 219	March 22, 2010

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

The effectiveness of our or any system of disclosure controls and procedures is subject to certain limitations, including the exercise of judgment in designing, implementing and evaluating the controls and procedures, the assumptions used in identifying the likelihood of future events and the inability to eliminate misconduct completely. As a result, there can be no assurance that our disclosure controls and procedures will detect all errors or fraud. By their nature, our or any system of disclosure controls and procedures can provide only reasonable assurance regarding management's control objectives.

Our Chief Executive Officer, Glen F. Post, III, and our Chief Financial Officer, R. Stewart Ewing, Jr., have evaluated the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the "Exchange Act") at December 31, 2011. Based on the evaluation, Messrs. Post and Ewing concluded that our disclosure controls and procedures are designed, and are effective, to provide reasonable assurance that the information required to be disclosed by us in the reports that we file under the Exchange Act is timely recorded, processed, summarized and reported and to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including Messrs. Post and Ewing, in a manner that allows timely decisions regarding required disclosure.

We completed our acquisitions of Savvis on July 15, 2011, and Qwest on April 1, 2011. We have extended our oversight and monitoring processes that support our internal control over financial reporting to include the acquired operations. Except for these extensions, we did not make any changes to our internal control over financial reporting during 2011 that materially affected, or that we believe are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 is incorporated by reference to the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated by reference to the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

The following table provides information as of December 31, 2011 about our equity compensation plans under which Common Shares are authorized for issuance:

	Number of securities to be issued upon exercise of outstanding options and rights[(1)] (a)	Weighted-average exercise price of outstanding options and rights[(2)] (b)	Number of securities remaining available for future issuance under plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by shareholders	2,113,862[(1)]	$ 41.39	32,113,146[(3)]
Equity compensation plans not approved by shareholders[(4)]	10,334,529[(5)]	29.51	—
Totals	12,448,391	$ 31.05	32,113,146

(1) The total includes 150,385 potentially issuable restricted stock units, which contain market provisions and have a maximum payout of 200%. This payout could be reduced to zero if specified total shareholder return targets as compared to the S&P 500 are not met over a specified period.

(2) The total number of securities issued and outstanding includes restricted stock units, which do not have an exercise price. Consequently, these awards were excluded from the computation of weighted-average exercise price of outstanding options and rights.

(3) This amount includes 3,423,780 shares remaining to be granted under our shareholder-approved employee stock purchase plan.

(4) These amounts represent common shares to be issued upon exercise of options and restricted stock units outstanding under four equity plans: the Legacy Qwest Equity Incentive Plan, the Amended and Restated Savvis 2003 Incentive Compensation Plan, the Savvis 199 Stock Option Plan, and the 2008 Legacy Embarq Equity Incentive Plan (the "Legacy Plans"). Each of the Legacy Plans was assumed in connection with a merger. No additional equity awards will be granted under any of the Legacy Plans.

(5) The total includes 179,138 potentially issuable restricted stock units, which contain market provisions and have a maximum payout of 200%. This payout could be reduced to zero if specified total shareholder return targets as compared to the S&P 500 are not met over a specified period.

The balance of the information required by Item 12 is incorporated by reference to the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by Item 13 is incorporated by reference to the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is incorporated by reference to the Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibits identified in parentheses below are on file with the SEC and are incorporated herein by reference. All other exhibits are provided as part of this electronic submission.

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of October 26, 2008, among CenturyLink, Inc., Embarq Corporation and Cajun Acquisition Company (incorporated by reference to Exhibit 99.1 of the Current Report on Form 8-K filed by CenturyLink, Inc. (File No. 001-07784) with the Securities and Exchange Commission on October 30, 2008).
2.2	Agreement and Plan of Merger, dated as of April 21, 2010, among CenturyLink, Inc., its subsidiary SB44 Acquisition Company, and Qwest Communications International Inc. (incorporated by reference to Exhibit 2.1 of the Current Report on Form 8-K filed by CenturyLink (File No. 001-07784) with the Securities and Exchange Commission on April 27, 2010).
2.3	Agreement and Plan of Merger, dated as of April 26, 2011, among CenturyLink, Inc., SAVVIS, Inc. and Mimi Acquisition Company (incorporated by reference to Exhibit 2.1 of the Current Report on Form 8-K filed by CenturyLink, Inc. (File No. 001-07784) with the Securities and Exchange Commission on April 27, 2011).
3.1	Amended and Restated Articles of Incorporation of CenturyLink, Inc., as amended through May 21, 2010 (incorporated by reference to Exhibit 3.1 of our Quarterly Report on Form 10-Q for the period ended June 30, 2010).
3.2	Bylaws of CenturyLink, Inc., as amended and restated through November 4, 2010 (incorporated by reference to Exhibit 3.2 of our Quarterly Report on Form 10-Q for the period ended September 30, 2010).
4.1	Form of common stock certificate (incorporated by reference to Exhibit 4.1 of our Quarterly Report on Form 10-Q for the period ended June 30, 2010).
4.2	Instruments relating to CenturyLink's Revolving Credit Facility.
	a. Four-Year Revolving Credit Facility, dated January 19, 2011, between CenturyLink, Inc. and the lenders named therein (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed by CenturyLink, Inc. on January 24, 2011).
	b. Form of related Guarantee Agreement (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed be CenturyLink, Inc. on January 24, 2011).
4.3	Instruments relating to indebtedness of Qwest Communications International, Inc. and its subsidiaries.
	a. Indenture, dated as of April 15, 1990, by and between the Mountain States Telephone and Telegraph Company and The First National Bank of Chicago (incorporated by reference to Qwest Corporation's Annual Report on Form 10-K for the year ended December 31, 2002, File No. 1-03040).
	b. First Supplemental Indenture, dated as of April 16, 1991, by and between U S WEST Communications, Inc. and The First National Bank of Chicago (incorporated by reference to Qwest Corporation's Annual Report on Form 10-K for the year ended December 31, 2002, File No. 1-03040).
	c. Indenture, dated as of November 4, 1998, with Bankers Trust Company (incorporated by reference to Qwest Communications International Inc.'s Registration Statement on Form S-4, filed February 2, 1999, File No. 333-71603).
	d. Indenture, dated as of November 27, 1998, with Bankers Trust Company (incorporated by reference to Qwest Communications International Inc.'s Registration Statement on Form S-4, filed February 2, 1999, File No. 333-71603).
	e. Indenture, dated as of June 29, 1998, by and among U S WEST Capital Funding, Inc., U S WEST, Inc., and The First National Bank of Chicago (now known as Bank One Trust Company, N. A.), as trustee (incorporated by reference to U S WEST's Current Report on Form 8-K, dated November 18, 1998, File No. 1-14087).
	f. Indenture, dated as of October 15, 1999, by and between Qwest Corporation and Bank One Trust Company, N.A., as trustee (incorporated by reference to Qwest Corporation's Annual Report on Form 10-K for the year ended December 31, 1999, File No. 1-03040).

g. First Supplemental Indenture, dated as of June 30, 2000, by and among U S WEST Capital Funding, Inc., U S WEST, Inc., Qwest Communications International Inc., and Bank One Trust Company, as trustee (incorporated by reference to Qwest Communications International Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, File No. 1-15577).

h. Officer's Certificate of Qwest Corporation, dated March 12, 2002 (including forms of $8^{7}/8$% notes due March 15, 2012) (incorporated by reference to Qwest Corporation's Form S-4, File No. 333-115119).

i. Indenture, dated as of December 26, 2002, between Qwest Communications International Inc., Qwest Services Corporation, Qwest Capital Funding, Inc. and Bank One Trust Company, N.A., as trustee (incorporated by reference to Qwest Communications International Inc.'s Current Report on Form 8-K filed on January 10, 2003, File No. 1-15577).

j. First Supplemental Indenture, dated as of December 26, 2002, by and among Qwest Communications International Inc., Qwest Services Corporation, Qwest Capital Funding, Inc. and Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company), supplementing the Indenture, dated as of November 4, 1998, with Bankers Trust Company (incorporated by reference to Qwest Communications International Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003, as originally filed on March 11, 2004, File No. 1-15577).

k. First Supplemental Indenture, dated as of December 26, 2002, by and among Qwest Communications International Inc., Qwest Services Corporation, Qwest Capital Funding, Inc. and Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company), supplementing the Indenture, dated as of November 27, 1998, with Bankers Trust Company (incorporated by reference to Qwest Communications International Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003, as originally filed on March 11, 2004, File No. 1-15577).

l. Second Supplemental Indenture, dated as of December 4, 2003, by and among Qwest Communications International Inc., Qwest Services Corporation, Qwest Capital Funding, Inc. and Bank One Trust Company, N.A. (as successor in interest to Bankers Trust Company), supplementing the Indenture, dated as of November 4, 1998, with Bankers Trust Company (incorporated by reference to Qwest Communications International Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003, as originally filed on March 11, 2004, File No. 1-15577).

m. Second Supplemental Indenture, dated as of December 4, 2003, by and among Qwest Communications International Inc., Qwest Services Corporation, Qwest Capital Funding, Inc. and Bank One Trust Company, N.A. (as successor in interest to Bankers Trust Company), supplementing the Indenture, dated as of November 27, 1998, with Bankers Trust Company (incorporated by reference to Qwest's Annual Report on Form 10-K for the year ended December 31, 2003, as originally filed on March 11, 2004, File No. 1- 15577).

n. Indenture, dated as of February 5, 2004, among Qwest Communications International Inc., Qwest Services Corporation, Qwest Capital Funding, Inc. and J.P. Morgan Trust Company (incorporated by reference to Qwest Communications International Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003, as originally filed on March 11, 2004, File No. 1-15577).

o. First Supplemental Indenture, dated as of August 19, 2004, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Qwest Communications International Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, File No. 1-15577).

p. Second Supplemental Indenture, dated November 23, 2004, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Qwest Corporation's Current Report on Form 8-K filed on November 23, 2004, File No. 1-03040).

q. First Supplemental Indenture, dated June 17, 2005, among Qwest Communications International Inc., Qwest Services Corporation, Qwest Capital Funding, Inc. and U.S. Bank National Association (incorporated by reference to Qwest Communications International Inc.'s Current Report on Form 8-K filed on June 23, 2005, File No. 1-15577).

r. Third Supplemental Indenture, dated as of June 17, 2005, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Qwest Communications International Inc.'s Current Report on Form 8-K filed on June 23, 2005, File No. 1-15577).

s. Second Supplemental Indenture, dated June 23, 2005, among Qwest Communications International Inc., Qwest Services Corporation, Qwest Capital Funding, Inc. and U.S. Bank National Association (incorporated by reference to Qwest Communications International Inc.'s Current Report on Form 8-K filed on June 23, 2005, File No. 1-15577).

t. Indenture, dated as of November 8, 2005, by and between Qwest Communications International Inc. and U.S. Bank National Association (incorporated by reference to Qwest Communications International Inc.'s Current Report on Form 8-K filed on November 14, 2005, File No. 1-15577).

u. First Supplemental Indenture, dated as of November 8, 2005, by and between Qwest Communications International Inc. and U.S. Bank National Association (incorporated by reference to Qwest Communications International Inc.'s Current Report on Form 8-K filed on November 14, 2005, File No. 1-15577).

v. First Supplemental Indenture, dated as of November 16, 2005, by and among Qwest Services Corporation, Qwest Communications International Inc., Qwest Capital Funding, Inc. and J.P. Morgan Trust Company, N.A. as successor to Bank One Trust Company, N.A. (incorporated by reference to Qwest Communications International Inc.'s Current Report on Form 8-K filed on November 21, 2005, File No. 1-15577).

w. Fourth Supplemental Indenture, dated August 8, 2006, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Qwest Communications International Inc.'s Current Report on Form 8-K filed on August 8, 2006, File No. 1-15577).

x. Fifth Supplemental Indenture, dated May 16, 2007, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Qwest Communications International Inc.'s Current Report on Form 8-K filed on May 18, 2007, File No. 1-15577).

y. Sixth Supplemental Indenture, dated April 13, 2009, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Qwest Communications International Inc.'s Current Report on Form 8-K filed on April 13, 2009, File No. 1-15577).

z. Third Supplemental Indenture, dated September 17, 2009, by and among Qwest Communications International Inc., Qwest Services Corporation, Qwest Capital Funding, Inc. and U.S. Bank National Association (incorporated by reference to Qwest Communications International Inc.'s Current Report on Form 8-K filed on September 21, 2009, File No. 1-15577).

aa. Fourth Supplemental Indenture, dated January 12, 2010, by and among Qwest Communications International Inc., Qwest Services Corporation, Qwest Capital Funding, Inc. and U.S. Bank National Association (incorporated by reference to Qwest Communications International Inc.'s Current Report on Form 8-K filed on January 13, 2010, File No. 1-15577).

bb. Seventh Supplemental Indenture, dated June 8, 2011, between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Qwest Corporation's Form 8-A filed on June 7, 2011, File No. 1-03040).

cc. Eighth Supplemental Indenture, dated September 21, 2011, between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Qwest Corporation's Form 8-A filed on September 20, 2011, File No. 1-03040).

dd. Ninth Supplemental Indenture, dated October 4, 2011, between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Qwest Corporation's Current Report on Form 8-K filed on October 4, 2011, File No. 1-03040).

4.4 Instruments relating to indebtedness of Embarq Corporation.

a. Indenture, dated as of May 17, 2006, by and between Embarq Corporation and J.P. Morgan Trust Company, National Association, a national banking association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed by Embarq Corporation (File No. 001-32732) with the Securities and Exchange Commission on May 18, 2006).

b. 6.738% Global Note due 2013 of Embarq Corporation (incorporated by reference to Exhibit 4.2 to the Annual Report on Form 10-K for the year ended December 31, 2006 filed by Embarq Corporation (File No. 001-32372) with the Securities and Exchange Commission on March 9, 2007).

c. 7.082% Global Note due 2016 of Embarq Corporation (incorporated by reference to Exhibit 4.3 to the Annual Report on Form 10-K for the year ended December 31, 2006 filed by Embarq Corporation (File No. 001-32372) with the Securities and Exchange Commission on March 9, 2007).

d. 7.995% Global Note due 2036 of Embarq Corporation (incorporated by reference to Exhibit 4.4 to the Annual Report on Form 10-K for the year ended December 31, 2006 filed by Embarq Corporation (File No. 001-32372) with the Securities and Exchange Commission on March 9, 2007).

4.5 Instruments relating to CenturyLink's public senior debt.

a. Indenture dated as of March 31, 1994 between CenturyLink and Regions Bank (formerly First American Bank & Trust of Louisiana), as Trustee (incorporated by reference to Exhibit 4.1 of our Registration Statement on Form S-3, Registration No. 33-52915).

b. Form of CenturyLink's 7.2% Senior Notes, Series D, due 2025 (incorporated by reference to Exhibit 4.27 to our Annual Report on Form 10-K for the year ended December 31, 1995).

c. Form of CenturyLink's 6.875% Debentures, Series G, due 2028, (incorporated by reference to Exhibit 4.9 to our Annual Report on Form 10-K for the year ended December 31, 1997).

d. Form of CenturyLink's 7.875% Senior Notes, Series L, due 2012 (incorporated by reference to Exhibit 4.2 of our Registration Statement on Form S-4, File No. 333-100480).

e. Third Supplemental Indenture dated as of February 14, 2005 between CenturyLink and Regions Bank, as Trustee, designating and outlining the terms and conditions of CenturyLink's 5% Senior Notes, Series M, due 2015 (incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K dated February 15, 2005).

f. Form of 5% Senior Notes, Series M, due 2015 (included in Exhibit 4.5(e)).

g. Fourth Supplemental Indenture dated as of March 26, 2007 between CenturyLink and Regions Bank, as Trustee, designating and outlining the terms and conditions of CenturyLink's 6.0% Senior Notes, Series N, due 2017 and 5.5% Senior Notes, Series O, due 2013 (incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K dated March 29, 2007).

h. Form of 6.0% Senior Notes, Series N, due 2017 and 5.5% Senior Notes, Series O, due 2013 (included in Exhibit 4.5(g)).

i. Fifth Supplemental Indenture dated as of September 21, 2009 between CenturyLink and Regions Bank, as Trustee, designating and outlining the terms and conditions of CenturyLink's 7.60% Senior Notes, Series P, due 2039 and 6.15% Senior Notes, Series Q, due 2019 (incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K dated September 21, 2009).

j. Form of 7.60% Senior Notes, Series P, due 2019 and 6.15% Senior Notes, Series Q, due 2019 (included in Exhibit 4.5(i)).

k. Sixth Supplemental Indenture, dated as of June 16, 2011, between CenturyLink and Regions Bank, as Trustee, designating and outlining the terms and conditions of CenturyLink's 5.15% Senior Notes, Series R, due 2017 and 6.45% Senior Notes, Series S, due 2021 (incorporated by reference to our Current Report on Form 8-K filed on June 16, 2011).

l. Form of 5.15% Senior Notes, Series R, due 2017 and 6.45% Senior Notes, Series S, due 2021 (included in Exhibit 4.5(k).

10.1 Qualified Employee Benefit Plans of CenturyLink, Inc. (excluding several narrow-based qualified plans that cover union employees or other limited groups of employees).

a. CenturyLink Dollars & Sense 401(k) Plan and Trust, as amended and restated through December 31, 2006 (incorporated by reference to Exhibit 10.1(a) of the Annual Report on Form 10-K for the year ended December 31, 2006 filed by CenturyLink, Inc. (File No. 001-07784) with the Securities and Exchange Commission on March 1, 2007), as amended by the First Amendment and the Second Amendment thereto, each dated December 31, 2007 (incorporated by reference to Exhibit 10.1(a) of the Annual Report on Form 10-K for the year ended December 31, 2007 filed by CenturyLink, Inc. (File No. 001-07784) with the Securities and Exchange Commission on February 29, 2008), as amended by the Third Amendment thereto dated November 20, 2008 (incorporated by reference to Exhibit 10.1(a) to the Annual Report on Form 10-K for the year ended December 31, 2008 filed by CenturyLink, Inc. (File No. 001-07784) with the Securities and Exchange Commission on February 27, 2009), as amended by the Fourth Amendment thereto dated June 30, 2009 (incorporated by reference to Exhibit 10.1(a) to the Quarterly Report on Form 10-Q filed by CenturyLink, Inc. for the period ended June 30, 2009), as amended by the Fifth Amendment thereto dated September 15, 2009 (incorporated by reference to Exhibit 10.1(a) to the Annual Report on Form 10-K filed by CenturyLink, Inc. for the year ended December 31, 2009), as amended by the Sixth Amendment thereto, dated December 30, 2009 (incorporated by reference to Exhibit 10.1(a) to the Annual Report on Form 10-K filed by CenturyLink, Inc. for the year ended December 31, 2009), as amended by the Seventh Amendment thereto, effective May 20, 2010 (incorporated by reference to Exhibit 10.1(a) to the Quarterly Report on Form 10-Q filed by CenturyLink, Inc. for the period ended September 30, 2010) and as amended by the Eighth Amendment thereto, effective January 1, 2011 (incorporated by reference to Exhibit 10.1(a) to the Annual Report on Form 10-K filed by CenturyLink, Inc. for the year ended December 31, 2010).

b. CenturyLink Union 401(k) Plan and Trust, as amended and restated through December 31, 2006 (incorporated by reference to Exhibit 10.1(b) of the Annual Report on Form 10-K for the year ended December 31, 2006 filed by CenturyLink, Inc. (File No. 001-07784) with the Securities and Exchange Commission on March 1, 2007), as amended by the First Amendment thereto dated May 29, 2007 (incorporated by reference to Exhibit 10.1(b) of the Quarterly Report on Form 10-Q filed by CenturyLink, Inc. (File No. 001-07784) with the Securities and Exchange Commission on May 7, 2008), as amended by the Second Amendment thereto dated December 31, 2007 (incorporated by reference to Exhibit 10.1(b) of the Annual Report on Form 10-K for the year ended December 31, 2007 filed by CenturyLink, Inc. (File No. 001-07784) with the Securities and Exchange Commission on February 29, 2008), as amended by the Third Amendment thereto dated November 20, 2008 (incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2008 filed by CenturyLink, Inc. (File No. 001-07784) with the Securities and Exchange Commission on February 27, 2009), as amended by the Fourth Amendment thereto dated June 30, 2009 (incorporated by reference to Exhibit 10.1(b) to the Quarterly Report on Form 10-Q filed by CenturyLink, Inc. for the period ended June 30, 2009), as amended by the Fifth Amendment thereto dated September 15, 2009 (incorporated by reference to Exhibit 10.1(b) to the Annual Report on Form 10-K filed by CenturyLink, Inc. for the year ended December 31, 2009), as amended by the Sixth Amendment thereto, dated December 30, 2009 (incorporated by reference to Exhibit 10.1(b) to the Annual Report on Form 10-K filed by CenturyLink, Inc. for the year ended December 31, 2009), as amended by the Seventh Amendment thereto, effective May 20, 2010 (incorporated by reference to Exhibit 10.1(b) to the Quarterly Report on Form 10-Q filed by CenturyLink, Inc. for the period ended September 30, 2010) and as amended by the Eighth Amendment thereto, effective January 1, 2011 (incorporated by reference to Exhibit 10.1(b) to the Annual Report on Form 10-K filed by CenturyLink, Inc. for the year ended December 31, 2010).

c. CenturyLink Retirement Plan, as amended and restated through December 31, 2006 (incorporated by reference to Exhibit 10.1(c) of the Annual Report on Form 10-K for the year ended December 31, 2006 filed by CenturyLink, Inc. (File No. 001-07784) with the Securities and Exchange Commission on March 1, 2007), as amended by Amendment No. 1 thereto dated April 2, 2007 (incorporated by reference to Exhibit 10.1(c) of the Quarterly Report on Form 10-Q filed by CenturyLink, Inc. (File No. 001-07784) with the Securities and Exchange Commission on May 7, 2008), as amended by Amendment No. 2 thereto dated as of December 31, 2007 (incorporated by reference to Exhibit 10.1(c) of the Annual Report on Form 10-K for the year ended December 31, 2007 filed by CenturyLink, Inc. (File No. 001-07784) with the Securities and Exchange Commission on February 29, 2008), as amended by Amendment No. 3 thereto dated October 24, 2008 (incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2008 filed by CenturyLink, Inc. (File No. 001-07784) with the Securities and Exchange Commission on February 27, 2009), as amended by Amendment No. 4 dated June 30, 2009 (incorporated by reference to Exhibit 10.1(c) to the Quarterly Report on Form 10-Q filed by CenturyLink, Inc. for the period ended June 30, 2009), as amended by Amendment No. 5 thereto dated September 15, 2009 (incorporated by reference to Exhibit 10.1(c) to the Annual Report on Form 10-K filed by CenturyLink, Inc. for the year ended December 31, 2009), as amended by Amendment No. 6 thereto, dated December 30, 2009 (incorporated by reference to Exhibit 10.1(c) to the Annual Report on Form 10-K filed by CenturyLink, Inc. for the year ended December 31, 2009), as amended by Amendment No. 7 thereto, effective at various dates during 2010 (incorporated by reference to Exhibit 10.1(c) to the Quarterly Report on Form 10-Q filed by CenturyLink, Inc. for the period ended September 30, 2010) and as amended by Amendment No. 8 thereto, effective January 1, 2011 (incorporated by reference to Exhibit 10.1(c) to the Annual Report on Form 10-K filed by CenturyLink, Inc. for the year ended December 31, 2010).

10.2 Stock-based Incentive Plans and Agreements of CenturyLink, Inc.

a. Amended and Restated 1983 Restricted Stock Plan, as amended and restated through February 23, 2010 (incorporated by reference to Exhibit 10.2(a) to the Annual Report on Form 10-K filed by CenturyLink, Inc. for the year ended December 31, 2009).

b. Amended and Restated 2000 Incentive Compensation Plan, as amended through May 23, 2000 (incorporated by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2000) and amendment thereto dated May 29, 2003 (incorporated by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2003).

(i) Form of Stock Option Agreement, pursuant to the 2000 Incentive Compensation Plan and dated as of May 21, 2001, entered into by CenturyLink and its officers (incorporated by reference to Exhibit 10.2(e) of our Annual Report on Form 10-K for the year ended December 31, 2001).

(ii) Form of Stock Option Agreement, pursuant to the 2000 Incentive Compensation Plan and dated as of February 25, 2002, entered into by CenturyLink and its officers (incorporated by reference to Exhibit 10.2(d) (ii) of our Annual Report on Form 10-K for the year ended December 31, 2002).

c. Amended and Restated 2002 Directors Stock Option Plan, dated as of February 25, 2004 (incorporated by reference to Exhibit 10.2(e) of our Annual Report on Form 10-K for the year ended December 31, 2003) and amendment thereto dated October 24, 2008 (incorporated by reference to Exhibit 10.2(d) of our Annual Report on Form 10-K for the year ended December 31, 2008).

(i) Form of Stock Option Agreement, pursuant to the foregoing plan, entered into by CenturyLink in connection with options granted to the outside directors as of May 10, 2002 (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2002).

(ii) Form of Stock Option Agreement, pursuant to the foregoing plan, entered into by CenturyLink in connection with options granted to the outside directors as of May 9, 2003 (incorporated by reference to Exhibit 10.2(e)(ii) of our Annual Report on Form 10-K for the year ended December 31, 2003).

(iii) Form of Stock Option Agreement, pursuant to the foregoing plan, entered into by CenturyLink in connection with options granted to the outside directors as of May 7, 2004 (incorporated by reference to Exhibit 10.2(d)(iii) of our Annual Report on Form 10-K for the year ended December 31, 2005).

d. Amended and Restated 2002 Management Incentive Compensation Plan, dated as of February 25, 2004 (incorporated by reference to Exhibit 10.2(f) of our Annual Report on Form 10-K for the year ended December 31, 2003) and amendment thereto dated October 24, 2008 (incorporated by reference to Exhibit 10.2(e) of our Annual Report on Form 10-K for the year ended December 31, 2008).

(i) Form of Stock Option Agreement, pursuant to the foregoing plan, entered into between CenturyLink and certain of its officers and key employees at various dates during 2002 following May 9, 2002 (incorporated by reference to Exhibit 10.4 of our Quarterly Report on Form 10-Q for the period ended September 30, 2002).

(ii) Form of Stock Option Agreement, pursuant to foregoing plan and dated as of February 24, 2003, entered into by CenturyLink and its officers (incorporated by reference to Exhibit 10.2(f)(ii) of our Annual Report on Form 10-K for the year ended December 31, 2002).

(iii) Form of Stock Option Agreement, pursuant to foregoing plan and dated as of February 25, 2004, entered into by CenturyLink and its officers (incorporated by reference to Exhibit 10.2(f)(iii) of our Annual Report on Form 10-K for the year ended December 31, 2003).

(iv) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 24, 2003, entered into by CenturyLink and its executive officers (incorporated by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q for the period ended March 31, 2003).

(v) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 25, 2004, entered into by CenturyLink and its executive officers (incorporated by reference to Exhibit 10.2(f)(v) of our Quarterly Report on Form 10-Q for the period ended March 31, 2004).

(vi) Form of Stock Option Agreement, pursuant to foregoing plan and dated as of February 17, 2005, entered into by CenturyLink and its executive officers (incorporated by reference to Exhibit 10.2(e)(v) of our Annual Report on Form 10-K for the year ended December 31, 2004).

(vii) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 17, 2005, entered into by CenturyLink and its executive officers (incorporated by reference to Exhibit 10.2(e)(vi) of our Annual Report on Form 10-K for the period ended December 31, 2004).

e. Amended and Restated 2005 Directors Stock Plan, as amended and restated through February 23, 2010 (incorporated by reference to Exhibit 10.2(f) to the Annual Report on Form 10-K filed by CenturyLink, Inc. for the year ended December 31, 2009).

(i) Form of Restricted Stock Agreement, pursuant to the foregoing plan, entered into between CenturyLink and each of its outside directors as of May 13, 2005 (incorporated by reference to Exhibit 10.4 of our Current Report on Form 8-K dated May 13, 2005).

(ii) Form of Restricted Stock Agreement, pursuant to the foregoing plan, entered into between CenturyLink and each of its outside directors as of May 12, 2006 (incorporated by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q for the period ended June 30, 2006).

(iii) Form of Restricted Stock Agreement, pursuant to the foregoing plan, entered into between CenturyLink and each of its outside directors as of May 11, 2007 (incorporated by reference to Exhibit 10.2(f)(iii) of our Annual Report on Form 10-K for the period ended December 31, 2008).

(iv) Form of Restricted Stock Agreement, pursuant to the foregoing plan, entered into between CenturyLink and each of its outside directors as of May 9, 2008 (incorporated by reference to Exhibit 10.2(f)(iv) of our Annual Report on Form 10-K for the period ended December 31, 2008).

(v) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of May 8, 2009, entered into between CenturyLink, Inc. and each of its outside directors on such date who remained on the Board following July 1, 2009 (incorporated by reference to Exhibit 10.2(b) to the Quarterly Report on Form 10-Q filed by CenturyLink, Inc. for the period ended June 30, 2009).

(vi) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of May 8, 2009, entered into between CenturyLink, Inc. and each of its outside directors who retired on July 1, 2009 (incorporated by reference to Exhibit 10.2(c) to the Quarterly Report on Form 10-Q filed by CenturyLink, Inc. for the period ended June 30, 2009).

(vii) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of July 2, 2009, entered into between CenturyLink, Inc. and each of its outside directors named to the Board on July 1, 2009 (incorporated by reference to Exhibit 10.1(d) to the Quarterly Report on Form 10-Q filed by CenturyLink, Inc. for the period ended June 30, 2009).

(viii) Restricted Stock Agreement, pursuant to the foregoing plan and dated as of July 2, 2009, entered into between CenturyLink, Inc. and William A. Owens in payment of Mr. Owens' 2009 supplemental chairman's fees (incorporated by reference to Exhibit 10.2(e) to the Quarterly Report on Form 10-Q filed by CenturyLink, Inc. for the period ended June 30, 2009).

(ix) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of May 21, 2010, entered into between CenturyLink, Inc. and seven of our outside directors on such date (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed by CenturyLink, Inc. for the period ended June 30, 2010).

f. Amended and Restated 2005 Management Incentive Compensation Plan, as amended and restated through February 23, 2010 (incorporated by reference to Exhibit 10.2(g) to the Annual Report on Form 10-K filed by CenturyLink, Inc. for the year ended December 31, 2009)

(i) Form of Stock Option Agreement, pursuant to the foregoing plan, entered into between CenturyLink and certain officers and key employees at various dates since May 12, 2005 (incorporated by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q for the period ended September 30, 2005).

(ii) Form of Restricted Stock Agreement, pursuant to the foregoing plan, entered into between CenturyLink and certain officers and key employees at various dates since May 12, 2005 (incorporated by reference to Exhibit 10.3 of our Quarterly Report on Form 10-Q for the period ended September 30, 2005).

(iii) Form of Stock Option Agreement, pursuant to the foregoing plan and dated as of February 21, 2006, entered into between CenturyLink and its executive officers (incorporated by reference to Exhibit 10.2(g)(iii) of our Annual Report on Form 10-K for the year ended December 31, 2005).

(iv) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 21, 2006, entered into between CenturyLink and its executive officers (incorporated by reference to Exhibit 10.2(g) (iv) of our Annual Report on Form 10-K for the year ended December 31, 2005).

(v) Form of Stock Option Agreement, pursuant to the foregoing plan and dated as of February 26, 2007, entered into between CenturyLink and its executive officers (incorporated by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007).

(vi) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 26, 2007, entered into between CenturyLink and its executive officers (incorporated by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007).

(vii) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 21, 2008, entered into between CenturyLink and its executive officers ((incorporated by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008).

(viii) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 26, 2009 (incorporated by reference to Exhibit 10.2(g) of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009).

(ix) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of March 8, 2010 (incorporated by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010).

g. Amended and Restated CenturyLink Legacy Embarq 2008 Equity Incentive Plan, as amended and restated through February 23, 2010 (incorporated by reference to Exhibit 10.2(h) to the Annual Report on Form 10-K filed by CenturyLink, Inc. for the year ended December 31, 2009).

(i) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of May 21, 2010, entered into between CenturyLink and four of its outside directors as of such date (incorporated by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q for the period ended June 30, 2010).

(ii) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of May 21, 2010, entered into between CenturyLink and William A. Owens in payment of Mr. Owens' 2010 supplemental chairman's fees (incorporated by reference to Exhibit 10.3 of our Quarterly Report on Form 10-Q for the period ended June 30, 2010).

(iii) Form of Restricted Stock Agreement, dated as of September 7, 2010 by and between CenturyLink, Inc. and Dennis G. Huber (incorporated by reference to Exhibit 10.16 of our Quarterly Report on Form 10-Q for the period ended September 30, 2010).

h. Form of Retention Award Agreement, pursuant to the equity incentive plans of CenturyLink or Embarq and dated August 23, 2010, entered into between CenturyLink, Inc. and certain officers and key employees as of such date (incorporated by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q for the period ended September 30, 2010).

i. CenturyLink 2011 Equity Incentive Plan (incorporated by reference to CenturyLink, Inc.'s Proxy Statement for its 2011 Annual Meeting of Shareholders, File No. 1-07784).

(i) Form of Restricted Stock Agreement for executive officers (incorporated by reference to Exhibit 10.2(a)(i) of our Quarterly Report on Form 10-Q for the period ended June 30, 2011).

(ii) Form of Restricted Stock Agreement for non-management directors (incorporated by reference to Exhibit 10.2(a)(ii) of our Quarterly Report on Form 10-Q for the period ended June 30, 2011).

10.3 Key Employee Incentive Compensation Plan, dated January 1, 1984, as amended and restated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(f) of our Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1(f) of our Annual Report on Form 10-K for the year ended December 31, 1996), amendment thereto dated February 25, 1997 (incorporated by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 1997), amendment thereto dated April 25, 2001 (incorporated by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2001), amendment thereto dated April 17, 2000 (incorporated by reference to Exhibit 10.3(a) of our Annual Report on Form 10-K for the year ended December 31, 2001) and amendment thereto dated February 27, 2007 (incorporated by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2007).

10.4 Supplemental Dollars & Sense Plan, 2008 Restatement, effective January 1, 2008, (incorporated by reference to Exhibit 10.3(c) of our Annual Report on Form 10-K for the year ended December 31, 2007) and amendment thereto dated October 24, 2008 (incorporated by reference to Exhibit 10.3(c) of our Annual Report on Form 10-K for the year ended December 31, 2008) and amendment thereto dated December 27, 2010 (incorporated by reference to Exhibit 10.4 to the Annual Report on Form 10-K filed by CenturyLink, Inc. for the year ended December 31, 2010).

10.5* Supplemental Defined Benefit Pension Plan, effective as of January 1, 2012, included herein.

10.6 Amended and Restated Salary Continuation (Disability) Plan for Officers, dated November 26, 1991 (incorporated by reference to Exhibit 10.16 of our Annual Report on Form 10-K for the year ended December 31, 1991).

10.7 2010 Executive Officer Short-Term Incentive Program (incorporated by reference to our 2010 Proxy Statement filed on Form 14A with the Securities and Exchange Commission on April 7, 2010).

10.8 Amended and Restated CenturyLink 2001 Employee Stock Purchase Plan, dated as of June 30, 2009 (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q filed by CenturyLink, Inc. for the period ended June 30, 2009).

10.9 Form of Indemnification Agreement entered into by CenturyLink, Inc. and each of its directors as of July 1, 2009 (incorporated by reference to Exhibit 99.3 of the Current Report on Form 8-K filed by CenturyLink, Inc. (File No. 001-07784) with the Securities and Exchange Commission on July 1, 2009).

10.10 Form of Indemnification Agreement entered into by CenturyLink, Inc. and each of its officers as of July 1, 2009 (incorporated by reference to Exhibit 10.5 to the Quarterly Report on Form 10-Q filed by CenturyLink, Inc. for the period ended June 30, 2009).

10.11 Change of Control Agreement, effective January 1, 2011, by and between Glen F. Post, III and CenturyLink (incorporated by reference to Exhibit 10.11 to the Annual Report on Form 10-K filed by CenturyLink, Inc. for the year ended December 31, 2010).

10.12 Form of Change of Control Agreement, effective January 1, 2011 by and between CenturyLink and each of its other executive officers (incorporated by reference to Exhibit 10.12 to the Annual Report on Form 10-K filed by CenturyLink, Inc. for the year ended December 31, 2010).

10.13 Amended and Restated CenturyLink, Inc. Bonus Life Insurance Plan for Executive Officers, dated as of April 3, 2008 (incorporated by reference to Exhibit 10.4 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008) and First Amendment thereto (incorporated by reference to Exhibit 10.13 of our Quarterly Report on Form 10-Q for the period ended September 30, 2010).

10.14 Certain Material Agreements and Plans of Embarq Corporation.

a. Agreement Regarding Special Compensation and Post Employment Restrictive Covenants, dated December 12, 1995, by and between Sprint Corporation and Dennis G. Huber, which continues to govern certain payments being made to Mr. Huber as of the date of this report (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q filed by Embarq Corporation (File No. 001-32372) with the Securities and Exchange Commission on October 30, 2008).

b. Amendment 2008-1 to the Employment Agreement between Embarq Corporation and Dennis G. Huber, dated December 22, 2008 (incorporated by reference to Exhibit 10.7 to the Annual Report on Form 10-K for the year ended December 31, 2008 filed by Embarq Corporation (File No. 001-32372) on February 13, 2009).

c. Embarq Corporation 2006 Equity Incentive Plan, as amended and restated (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8 filed by CenturyLink, Inc. (File No. 001-07784) with the Securities and Exchange Commission on July 1, 2009).

d. Form of 2007 Award Agreement for executive officers of Embarq Corporation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Embarq Corporation (File No. 001-32372) with the Securities and Exchange Commission on February 27, 2007).

e. Form of 2008 Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed by Embarq Corporation (File No. 001-32372) with the Securities and Exchange Commission on March 4, 2008).

f. Form of 2009 Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Embarq Corporation (File No. 001-32732) with the Securities and Exchange Commission on March 5, 2009).

g. Form of Stock Option Award Agreement (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed by Embarq Corporation (File No. 001-32372) with the Securities and Exchange Commission on March 4, 2008).

h. Amendment to Outstanding RSUs granted in 2007 and 2008 under the Embarq Corporation 2006 Equity Incentive Plan (incorporated by reference to Exhibit 10.16 to the Annual Report on Form 10-K for the year ended December 31, 2008 filed by Embarq Corporation (File No. 001-32372) on February 13, 2009).

i. Form of 2006 Award Agreement between Embarq Corporation and Richard A. Gephardt (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed by Embarq Corporation (File No. 001-32372) with the Securities and Exchange Commission on August 1, 2006), as amended by the amendment thereto dated June 26, 2009 (incorporated by reference to Exhibit 10.6 (m) to the Quarterly Report on Form 10-Q filed by CenturyLink, - Inc. for the period ended June 30, 2009).

j. Amended and Restated Executive Severance Plan, including Form of Participation Agreement entered into between Embarq Corporation and William E. Cheek (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q filed by Embarq Corporation (File No. 001-32372) with the Securities and Exchange Commission on October 30, 2008).

k.** Embarq Supplemental Executive Retirement Plan, as amended and restated as of January 1, 2009 (incorporated by reference to Exhibit 10.27 to the Annual Report on Form 10-K for the year ended December 31, 2008 filed by Embarq Corporation (File No. 001-32372) on February 13, 2009) amendment thereto dated December 27, 2010 (incorporated by reference to Exhibit 10.14(o) to the Annual Report on Form 10-K filed by CenturyLink, Inc. for the year ended December 31, 2010) and second amendment thereto dated November 15, 2011, included herein.

10.15 Certain Material Agreements and Plans of Qwest Communications International Inc.

a. Equity Incentive Plan, as amended and restated (incorporated by reference to Qwest Communications International Inc.'s Proxy Statement for the 2007 Annual Meeting of Stockholders, File No. 1-15577).

b. Forms of restricted stock, performance share and option agreements used under Equity Incentive Plan, as amended and restated (incorporated by reference to Qwest Communications International Inc.'s Current Report on Form 8-K filed on October 24, 2005, Annual Report on Form 10-K for the year ended December 31, 2005, Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, Annual Report on Form 10-K for the year ended December 31, 2006, Current Report on Form 8-K filed on September 12, 2008, Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, and Annual Report on Form 10-K for the year ended December 31, 2010, File No. 1-15577).

c.** Deferred Compensation Plan for Nonemployee Directors, as amended and restated, Amendment to Deferred Compensation Plan for Nonemployee Directors (incorporated by reference to Qwest Communications International Inc.'s Current Report on Form 8-K filed on December 16, 2005 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, File No. 1-15577) and Amendment No. 2011-1 to Deferred Compensation Plan for Nonemployee Directors, included herein.

d. Qwest Nonqualified Pension Plan (incorporated by reference to Qwest Communications International Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009, File No. 1-15577).

e. Severance Agreement, dated August 26, 2009, by and between Qwest Communications International Inc. and Christopher K. Ancell (incorporated by reference to Qwest Communications International Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, File No. 1-15577).

f. Letter, dated September 4, 2009, from Qwest to Christopher K. Ancell (incorporated by reference to Qwest Communications International Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, File No. 1-15577).

g. Form of Amendment Agreement, dated as of December 20, 2010, by and between Qwest Communications International Inc. and Christopher K. Ancell (incorporated by reference to Qwest Communications International Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010, File No. 1-15577).

h. Letter, dated September 9, 2010, between CenturyLink, Inc. and Christopher K. Ancell (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q filed by CenturyLink, Inc. for the period ended June 30, 2011).

10.16 Certain Material Agreements and Plans of Savvis, Inc.

a. SAVVIS, Inc. Amended and Restated 2003 Incentive Compensation Plan (incorporated by reference to SAVVIS, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, File No. 0-29375) , as amended by Amendment No. 1 (incorporated by reference to SAVVIS, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2006, File No. 0-29375), Amendment No. 2 (incorporated by reference to SAVVIS, Inc.'s Current Report on Form 8-K filed on May 15, 2007, File No. 0-29375), Amendment No. 3 (incorporated by reference to SAVVIS, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, File No. 0-29375), Amendment No. 4 (incorporated by reference to SAVVIS, Inc.'s Current Report on Form 8-K filed on May 22, 2009, File No. 0-29375) and Amendment No. 5 (incorporated by reference to SAVVIS, Inc.'s Current Report on Form 8-K filed on May 22, 2009, File No. 0-29375).

b. Form agreements under Amended and Restated 2003 Incentive Compensation Plan applicable to awards held by James E. Ousley: Form of Non-Qualified Stock Option Agreement (incorporated by reference to Savvis, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, File No. 0-29375); and Form of Stock Unit Agreement (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Savvis, Inc. (File No. 0-29375) with the Securities and Exchange Commission on August 23, 2005).

c. Form of Indemnification Agreement between Savvis, Inc. and James E. Ousley (incorporated by reference to SAVVIS, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2010).

10.17 Amended and Restated Employment Agreement, Confidentiality, Severance and Non-Competition Agreement, dated as of September 2, 2011, by and among James E. Ousley, Savvis, Inc. and CenturyLink, Inc. (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed by CenturyLink, Inc. for the period ended September 30, 2011).

10.18* Form of Restricted Stock Agreement, dated October 7, 2011, by and between CenturyLink, Inc. and James E. Ousley.

10.19	Employment Agreement, dated as of September 7, 2010 by and between CenturyLink, Inc. and Dennis G. Huber (incorporated by reference to Exhibit 10.15 of our Quarterly Report on Form 10-Q for the period ended September 30, 2010).
12*	Ratio of Earnings to Fixed Charges.
21*	Subsidiaries of CenturyLink, Inc.
23*	Independent Registered Public Accounting Firm Consent.
31.1*	Certification of the Chief Executive Officer of CenturyLink, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer of CenturyLink, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32*	Certification of the Chief Executive Officer and Chief Financial Officer of CenturyLink, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	Financial statements from the Annual Report on Form 10-K of CenturyLink, Inc. for the year ended December 31, 2011, formatted in XBRL: (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive (Loss) Income (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Stockholders' Equity and (vi) the Notes to the Consolidated Financial Statements.

* Exhibit filed herewith.

** Portions of Exhibits 10.14(k) and 10.15(c) filed herewith.

Note: Our Corporate Governance Guidelines and Charters of our Board of Director Committees are located on our website at www.centurylink.com.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CenturyLink, Inc.

Date: February 27, 2012 By: /s/ David D. Cole

David D. Cole

Senior Vice President, Controller and Operations Support
(Chief Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

/s/ Glen F. Post, III Glen F. Post, III	Chief Executive Officer, President and Director	February 27, 2012
/s/ William A. Owens William A. Owens	Chairman of the Board	February 27, 2012
/s/ R. Stewart Ewing, Jr. R. Stewart Ewing, Jr.	Executive Vice President, Chief Financial Officer and Assistant Secretary	February 27, 2012
/s/ David D. Cole David D. Cole	Senior Vice President, Controller and Operations Support	February 27, 2012
/s/ Charles L. Biggs Charles L. Biggs	Director	February 27, 2012
/s/ Virginia Boulet Virginia Boulet	Director	February 27, 2012
/s/ Peter C. Brown Peter C. Brown	Director	February 27, 2012
/s/ Richard A. Gephardt Richard A. Gephardt	Director	February 27, 2012

/s/ W. Bruce Hanks W. Bruce Hanks	Director	February 27, 2012
/s/ Gregory J. McCray Gregory J. McCray	Director	February 27, 2012
/s/ C. G. Melville, Jr. C. G. Melville, Jr.	Director	February 27, 2012
/s/ Edward A. Mueller Edward A. Mueller	Director	February 27, 2012
/s/ Fred R. Nichols Fred R. Nichols	Director	February 27, 2012
/s/ Harvey P. Perry Harvey P. Perry	Director	February 27, 2012
/s/ Michael J. Roberts Michael J. Roberts	Director	February 27, 2012
/s/ Laurie A. Siegel Laurie A. Siegel	Director	February 27, 2012
/s/ James A. Unruh James A. Unruh	Director	February 27, 2012
/s/ Joseph R. Zimmel Joseph R. Zimmel	Director	February 27, 2012

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Section 2: EX-10.5 (EX-10.5)

Exhibit 10.5

CENTURYLINK, INC.
SUPPLEMENTAL DEFINED BENEFIT PLAN
Amended and Restated Effective January 1, 2012

I. Purpose of the Plan

1.01 This CenturyLink, Inc. Supplemental Defined Benefit Plan was established by CenturyLink, Inc. and its Subsidiaries to provide a method for attracting and retaining key employees; to provide a method for recognizing the contributions of such personnel; and to promote executive and managerial flexibility, thereby advancing the interests of the Company and its stockholders. In addition, this Plan is intended to provide to a select group of management and highly compensated employees a more adequate level of retirement benefits in combination with the Company's general retirement program. This Plan is not intended to constitute a qualified plan under Code §401(a) and is designed to be exempt from the participation, vesting, funding and fiduciary responsibility rules of ERISA. This Plan is intended to comply with Code §409A. This Plan was amended and restated effective January 1, 2005 and was again amended and restated effective January 1, 2008 to comply with the Final Treasury Regulations under Code §409A and to make certain other changes. This Plan is now amended and restated effective January 1, 2012 to incorporate amendments adopted subsequent to the January 1, 2008 restatement and to make certain other changes.

Contemporaneously herewith the amendment and restatement of this Plan effective January 1, 2008, the Company amended the CenturyLink, Inc. Supplemental Executive Retirement Plan ("**SERP**"), a plan aggregated with this Plan pursuant to Treasury Regulation §1.409A-1 (c)(2), to eliminate any annuity benefits that the SERP was otherwise scheduled to pay after December 31, 2008 to Participants in the SERP who did not elect a lump sum, and to transfer the obligation to pay such annuities to this Plan. Accordingly, this Plan was amended to increase the amount of annuity benefits to be paid from this Plan by the amount of annuity benefits being assumed by it from the SERP after December 31, 2008.

II. Definitions

As used in this Plan, the following terms shall have the meanings indicated, unless the context otherwise specifies or requires:

2.01 "**ACTIVE PARTICIPANT**" shall have the meaning assigned to the term in Section 10.03(a).

2.02 "**ACTUARIAL EQUIVALENT**" shall mean the amount of pension of a different type or payable at a different age that has the same value as computed by the actuary on the same basis as that prescribed in Section 2.2 of the Retirement Plan.

2.03 "**AFFILIATE**" (and variants thereof) shall mean a person or entity that controls, or is controlled by, or is under common control with, another specified person or entity, either directly or indirectly.

2.04 "**BENEFIT YEARS**" shall mean Years of Credited Service for benefit accrual purposes as determined under Section 2.51 of the Retirement Plan. No additional Benefit Years shall be credited after December 31, 2010.

2.05 "**BOARD**" shall mean the Board of Directors of the Company.

2.06 "**CAUSE**"

(a) "**Cause**" shall mean:

(i) conviction of a felony;

(ii) habitual intoxication during working hours;

(iii) habitual abuse of or addiction to a controlled dangerous substance; or

(iv) the willful and continued failure of the Participant to substantially perform the Participant's duties with the Company or its Affiliates (other than any such failure resulting from incapacity due to physical or mental illness or the Participant's termination of employment for Good Reason) for a period of 15 days after a written demand for substantial performance is delivered to the Participant by the Board which specifically identifies the manner in which the Board believes that the Participant has not substantially performed the Participant's duties.

(b) For purposes of this Section 2.06, no act or failure to act on the part of the Participant shall be considered "willful" unless it is done, or omitted to be done, by the Participant in bad faith and without reasonable belief that the Participant's action or omission was in the best interests of the Company or its Affiliates. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of a senior officer of the Company or based upon the advice of counsel for the Company or its Affiliates shall be conclusively presumed to be done, or omitted to be done, by the Participant in good faith and in the best interests of the Company or its Affiliates. Any termination by the Company or any of its Affiliates of the Participant's employment shall not be deemed to be for Cause unless the Participant's action or inaction meets the foregoing standard and until there shall have been delivered to the Participant a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Participant and the Participant is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Participant is guilty of the conduct described in subsection (a) above, and specifying the particulars thereof in detail.

(c) No action or inaction shall be deemed the basis for Cause unless the Participant is terminated therefor within 120 days after such action or omission is known to the Chief Executive Officer of the Company.

(d) In the event that the existence of Cause shall become an issue in any action or proceeding between the Company and the Participant, the Company shall, notwithstanding the finding of the Board referenced above, have the burden of establishing that the actions or inactions deemed the basis for Cause did in fact occur and do constitute Cause and that the Company has satisfied the procedural requirements of this provision. The satisfaction of the Company's burden shall require clear and convincing evidence. Any purported termination of employment of the Participant by the Company which does not meet

each and every substantive and procedural requirement of this provision shall be treated for all purposes under this Plan as a termination of employment without Cause.

2.07 "**CHANGE IN CONTROL**" shall mean the occurrence of any of the following, each of which shall constitute a "Change in Control":

(a) the acquisition by any person of beneficial ownership of 30% or more of the outstanding shares of the common stock, $1.00 par value per share (the "**Common Stock**"), of CenturyLink, Inc., or 30% or more of the combined voting power of CenturyLink, Inc.'s then outstanding securities entitled to vote generally in the election of directors; provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition (other than a Business Combination (as defined below) which constitutes a Change of Control under subsection (c) hereof) of Common Stock directly from CenturyLink, Inc., (ii) any acquisition of Common Stock by CenturyLink, Inc. or its Subsidiaries, (iii) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by CenturyLink, Inc. or any corporation controlled by CenturyLink, Inc., or (iv) any acquisition of Common Stock by any corporation pursuant to a Business Combination that does not constitute a Change of Control under subsection (c)) hereof; or

(b) individuals who, as of January 1, 2006, constitute the Board of Directors of CenturyLink, Inc. (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to such date whose election, or nomination for election by CenturyLink, Inc.'s shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, unless such individual's initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the incumbent Board; or

(c) consummation of a reorganization, share exchange, merger or consolidation (including any such transaction involving any direct or indirect subsidiary of CenturyLink, Inc., or sale or other disposition of all or substantially all assets of CenturyLink, Inc. (a "**Business Combination**"); provided, however, that in no such case shall any such transaction constitute a Change of Control if immediately following such Business Combination: (i) the individuals and entities who were the beneficial owners of CenturyLink, Inc.'s outstanding Common Stock and CenturyLink, Inc.'s voting securities entitled to vote generally in the election of directors immediately prior to such Business Combination have direct or indirect beneficial ownership, respectively, of more than 50% of the then outstanding shares of common stock, and more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the surviving or successor corporation, or, if applicable, the ultimate parent company thereof (the "**Post-Transaction Corporation**"), and (ii) except to the extent that such ownership existed prior to the Business Combination, no person (excluding the Post-Transaction Corporation and any employee benefit plan or related trust of either CenturyLink, Inc., the Post-Transaction Corporation or any subsidiary of either corporation) beneficially owns, directly or indirectly, 20% or more of the then outstanding shares of common stock of the corporation resulting from such Business Combination or 20% or more of the combined voting power of the then outstanding voting securities of such corporation, and (iii) at least a majority of the members of the board of directors of the Post-Transaction Corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) approval by the shareholders of CenturyLink, Inc. of a complete liquidation or dissolution of CenturyLink, Inc.

For purposes of this Section 2.07, the term "person" shall mean a natural person or entity, and shall also mean the group or syndicate created when two or more persons act as a syndicate or other group (including, without limitation, a partnership or limited partnership) for the purpose of acquiring, holding, or disposing of a security, except that "person" shall not include an underwriter temporarily holding a security pursuant to an offering of the security.

2.08 "**409A CHANGE IN CONTROL EVENT**" shall mean a Change in Control Event as defined in Treasury Regulation §1.409A-3(i)(5).

2.09 "**CODE**" shall mean the Internal Revenue Code of 1986, as amended.

2.10 "**COMMITTEE**" shall mean the CenturyLink Employee Benefits Committee.

2.11 "**COMPENSATION COMMITTEE**" shall mean the Compensation Committee of the Board.

2.12 "**COMPANY**" shall mean CenturyLink, Inc.

2.13 "**DISABLED**" **OR** "**DISABILITY**" shall have the meaning set forth in Treasury Regulation §1.409A-3(i)(4). Specifically, "Disabled" or "Disability" shall mean that, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, a Participant is (i) unable to engage in any substantial gainful activity or (ii) receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Participant's Employer. A Participant will be deemed disabled if determined to be disabled in accordance with the Employer's disability program, provided that the definition of disability under such disability insurance program complies with the definition in the preceding sentence. Also, prior to January 1, 2012 but not after December 31, 2011, a Participant will be deemed disabled if determined to be totally disabled by the Social Security Administration.

2.14 "**EFFECTIVE DATE**" of this Plan, as amended and restated herein, shall mean January 1, 2012. The Effective Date of the original Plan was January 1, 1999.

2.15 "**ELIGIBLE TERMINATION**" shall mean a termination of an Active Participant's (as defined in Section 10.03(a)) employment by the Company or its Affiliates other than for Cause, death or Disability, or a voluntary termination of employment by an Active Participant for Good Reason, provided that either of such terminations occur within three years after a Change in Control.

2.16 "**EMPLOYER**" shall mean the Company, any Subsidiary thereof, and any Affiliate designated by the Company as a participating employer under this Plan.

2.17 "**ERISA**" shall mean the Employee Retirement Income Security Act of 1974, as amended.

2.18 "**FINAL AVERAGE PAY**" shall mean a Participant's Final Average Compensation as determined under Section 2.25 of the Retirement Plan, without taking into account the limitations contained in Sections 2.14(d) and (e) and 5.7 thereof.

2.19 "**GOOD REASON**" shall mean Good Reason as defined in the Participant's Change of Control Agreement.

2.20 "**NORMAL RETIREMENT DATE**" shall mean the first day of the month coincident with or next following a Participant's 65th birthday.

2.21 "**PARTICIPANT**" shall mean any officer of the Employer who is granted participation in the Plan in accordance with the provisions of Article III.

2.22 "**PLAN**" shall mean the CenturyLink, Inc. Supplemental Defined Benefit Plan, as set forth herein and as it may be amended from time to time.

2.23 "**RETIREMENT PLAN**" shall mean the CenturyLink Retirement Plan, as it may be amended from time to time. References herein to sections of the Retirement Plan are based on the amended and restated Plan document as in effect on December 31, 2006.

2.24 "**SERP**" means the CenturyLink, Inc. Supplemental Executive Retirement Plan, as described in Article I.

2.25 "**SOCIAL SECURITY COVERED COMPENSATION**" shall mean the amount determined pursuant to Section 2.46 of the Retirement Plan.

2.26 "**SPECIFIED EMPLOYEE**" shall mean a Participant who is a key employee of the Employer under Treasury Regulation §1.409A-1(i) because of final and binding action taken by the Board or its Compensation Committee, or by operation of law or such regulation.

2.27 "**SUBSIDIARY**" shall mean any corporation in which CenturyLink, Inc. owns, directly or indirectly through subsidiaries, at least fifty percent (50%) of the combined voting power of all classes of stock.

III. <u>Participation</u>

3.01 Subject to Section 3.04, any employee who is either one of the officers of an Employer in a position to contribute materially to the continued growth and future financial success of an Employer, or one who has made a significant contribution to the Employer's operations, thereby meriting special recognition, shall be eligible to participate provided the following requirements are met:

(a) The officer is employed on a full-time basis by the Employer and is compensated by a regular salary; and

(b) The coverage of the officer is duly approved by the Compensation Committee.

3.02 Subject to Section 3.04, if a Participant who retired or otherwise terminated employment is rehired, he shall not again become a Participant in this Plan unless the coverage of the officer is again duly approved by the Compensation Committee.

3.03 It is intended that participation in this Plan shall be extended only to those officers who are members of a select group of management or highly compensated employees, as determined by the Compensation Committee.

3.04 **<u>Plan Participation Freeze</u>**. Notwithstanding the foregoing, effective January 1, 2011, no employee shall be eligible to participate in this Plan if his employment with the Employer began after December 31, 2010. In addition, effective January 1, 2011, no employee whose employment with the Employer began before January 1, 2011 shall be eligible to participate in the Plan after December 31, 2010, except that any employee who was a Participant in the Plan on December 31, 2010 shall remain a Participant solely with respect to any vested but unpaid Plan benefit he or she may have accrued under the Plan.

IV. <u>Normal Retirement</u>

4.01 Subject to the provisions of Articles XII and XIII, the monthly retirement benefit payable to a Participant shall commence on his Normal Retirement Date, provided he has had a separation from service, and shall be the excess, if any, of the sum of the amounts determined pursuant to Sections 6.1(a)(1) and (a)(2) of the Retirement Plan (as modified by Section 6.1(g) of the Retirement Plan, which freezes Retirement Plan benefits at the level accrued as of December 31, 2010, with the exception of limited transition benefits under Section 6.1(g)(2) of such plan), computed without taking into account the limitations contained in Sections 2.14(d) and (e) and 5.7 thereof over the amount so determined taking into account such limitations; the resulting benefit shall be further reduced by the amount determined pursuant to Section 6.1(a)(3) of the CenturyLink Retirement Plan, if any.

4.02 **<u>Benefit Freeze</u>**. In accordance with Section 6.1 of the Retirement Plan, the Normal Retirement benefit under this Plan shall be frozen at the level accrued as of December 31, 2010, and shall not increase after such date, with the exception of any applicable transition benefit increases in accordance with Section 4.01 of this Plan. The freezing of benefits pursuant to this Section 4.02 also applies to all Plan benefits that are determined by reference to the Normal Retirement benefit under Section 6.1 of the Retirement Plan (including but not limited to benefits under the following Articles of this Plan: Late Retirement under Article V; Early Retirement under Article VI; Disability Retirement under Article VII; Spouses' Benefits under Article VIII; and Benefits for Terminated Vested Participants under Article X).

V. <u>Late Retirement</u>

5.01 If a Participant remains employed beyond his Normal Retirement Date, his late retirement benefit shall commence on the first day of the month coincident with or next following his actual date of separation from service, subject to the provisions of Articles XII and XIII.

5.02 Subject to Section 4.02, a Participant's late retirement benefit shall be the excess, if any, of the sum of the amounts determined pursuant to Sections 6.1(a)(1) and (2) and 6.3 of the Retirement Plan, computed without taking into account the limitations contained in Sections 2.14(d) and (e) and 5.7 thereof, over the amount so determined taking into account

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such limitations; the resulting benefit shall be further reduced by the amount determined pursuant to Section 6.1(a)(3) of the Retirement Plan, if any.

VI. <u>Early Retirement</u>

6.01 A Participant who has attained age 55 and who has completed 5 or more Years of Service, is eligible for early retirement. An eligible Participant's early retirement benefit shall commence on the first day of the month coincident with or next following the date he terminates employment, subject to the provisions of Articles XII and XIII.

6.02 Subject to Section 4.02, a Participant's early retirement benefit shall be the excess, if any, of the sum of the amounts determined pursuant to Sections 6.1(a)(1) and (2) and 6.2 of the Retirement Plan, computed without taking into account the limitations contained in Sections 2.14(d) and (e) and 5.7 thereof, over the amount so determined taking into account such limitations; the resulting benefit shall be further reduced by the amount determined pursuant to Section 6.1(a)(3) of the Retirement Plan, if any.

VII. <u>Disability</u>

7.01 Subject to Section 4.02, a Participant who becomes Disabled prior to retirement or termination of service will be entitled to a disability benefit equal to the excess, if any, of the sum of the amounts determined pursuant to Sections 6.1(a)(1) and (2) and 6.4 of the Retirement Plan, computed without taking into account the limitations contained in Sections 2.14(d) and (e) and 5.7 thereof, over the amount so determined taking into account such limitations; the resulting benefit shall be further reduced by the amount determined pursuant to Section 6.1(a)(3) of the Retirement Plan, if any.

7.02 A Participant's disability benefit shall commence on his Normal Retirement Date, subject to the provision of Articles XII and XIII.

VIII. Death Benefit for Spouse

8.01 A spouse of a Participant shall be entitled to a benefit computed in accordance with Section 8.02 if the Participant dies before the Annuity Starting Date (as defined in the Retirement Plan) and if the requirements of (a) and (b) below are satisfied:

(a) the Participant had earned a nonforfeitable right to benefits under the Retirement Plan, and

(b) the Participant was legally married to the surviving spouse at death and was so married for the year preceding death.

8.02 Subject to Section 4.02, the monthly death benefit payable to the spouse of a Participant shall be the excess of an amount determined pursuant to Sections 6.1(a)(1) and (2) of the Retirement Plan, computed without taking into account the limitations contained in Sections 2.14(d) and (e) and 5.7 thereof, over the amount so determined taking into account such limitations; the resulting benefit shall be further reduced by the amount determined pursuant to Section 6.1(a)(3) of the Retirement Plan, if any. The benefit payable to a spouse who qualifies for a spouse's benefit under Section 8.01 shall be further reduced as follows:

(a) If, at death, the Participant is age 55 or over, or actively employed by the Company with 30 or more Years of Service under the Retirement Plan, the benefit of the spouse shall be the amount payable to the spouse as beneficiary of the survivor annuity portion of the joint and survivor annuity under Section 11.01 with respect to the Participant, determined as though the Participant had retired on the first day of the month in which death occurs. On the death of a Participant with 30 or more Years of Service under the Retirement Plan before age 55, the Participant shall be assumed to be age 55 for purposes of this subsection (a).

(b) If the Participant does not meet the requirements of subsection (a) above, at death, the benefit of the spouse shall be the amount payable to the spouse as beneficiary under the survivor annuity portion of the joint and survivor annuity under Section 11.01 with respect to the Participant, determined as though the Participant had separated from service on the date of death, if not already separated, and had survived until age 55.

8.03 Subject to the provisions of Articles XII and XIII, benefits for a spouse under Section 8.02(a) shall commence as of the last day of the month following the first day of the month coinciding with or following the date of death of the Participant, and benefits under Section 8.02 (b) shall commence on the first day of the month following the first day of the month coinciding with or following the later of the date of death of the Participant or the date on which the Participant would have attained age 55, subject to the provisions of Articles XII and XIII.

8.04 If a Participant has no surviving spouse at the date of his or her death, no death benefit shall be paid under this Plan.

IX. Reemployment

9.01 If a Participant who retired or otherwise terminated employment for any reason and commenced receiving benefits under this Plan is later rehired by the Company, an Affiliate or a Subsidiary, such Participant's benefit payments shall continue as if the Participant had not been rehired. Subject to Sections 3.04 and 4.02, if the Participant is again approved for coverage by the Compensation Committee under Section 3.02, the Participant's benefits upon his subsequent retirement or termination of employment for any reason shall be determined as follows:

(a) If a Participant retires on his Normal Retirement Date, the monthly retirement benefit shall be determined pursuant to Article IV, reduced by the Actuarial Equivalent of the benefit payments the Participant previously received.

(b) If a Participant remains employed beyond his Normal Retirement Date, the late retirement benefit payable to a Participant upon his late retirement shall be determined pursuant to Article V, reduced by the Actuarial Equivalent of the benefit payments the Participant previously received.

(c) If a Participant retires prior to his Normal Retirement Date and is eligible for early retirement according to Section 6.01, the early retirement benefit payable to a Participant shall be determined pursuant to Section 6.02, reduced by the Actuarial Equivalent of the benefit payments the Participant previously received.

(d) The benefit payable under subsections (a) through (c) above shall not be less than the amount he received from his previous retirement or from his previous termination of employment for any reason.

(e) The benefit payable under subsections (a) through (c) shall be in the same form as the Participant was receiving.

X. Termination of Service; Change in Control

10.01 If a Participant voluntarily or involuntarily terminates employment prior to death, Disability or retirement, he shall be entitled only to his vested accrued benefits at the time of termination and shall be vested in such accrued benefits in accordance with the following schedule:

Years of Service	Vested
less than 5	0%
5 or more	100%

10.02 Subject to Section 4.02, a Participant's vested accrued benefit shall be equal to the excess of an amount determined pursuant to Sections 6.1(a)(1) and (2) and 6.6 of the Retirement Plan, computed without taking into account the limitations contained in Sections 2.14(d) and (e) and 5.7 thereof, over the amount so determined taking into account such limitations; the resulting benefit shall be further reduced by the amount determined pursuant to Sections 6.1(a)(3) and 6.6 of the Retirement Plan, if any. Payment of the amount so determined shall commence on the first day of the month following the Participant's 55th birthday, subject to the provisions of Articles XII and XIII. Nonvested accrued benefits shall be forfeited.

10.03 **(a)** Notwithstanding anything to the contrary in this Plan or in any applicable law or regulation, upon the occurrence of a Change in Control (the "**CIC Effective Date**"), the accrued benefit of each Participant (other than any Participant whose service as an employee was terminated prior to full vesting of his accrued benefit under Section 10.01) and the benefits conferred under this Section shall automatically vest and thereafter may not be adversely affected in any matter without the prior written consent of the Participant. Notwithstanding anything to the contrary in this Plan, upon the occurrence of a Change in Control, any Participant who is then employed by the Company or its Subsidiaries ("**Active Participant**") shall, if the Change in Control is a 409A Change in Control Event, have an irrevocable right to receive, and the Company shall be irrevocably obligated to pay, a lump sum cash payment in an amount determined pursuant to this Section if during a period commencing upon the CIC Effective Date and ending on the second anniversary of the occurrence of the 409A Change in Control Event, the Active Participant voluntarily or involuntarily separates from service ("**Termination**"). The lump sum cash payment payable to Active Participants under this Section (the "**Lump Sum Payment**") shall be paid on the first day of the month following the date of Termination, subject to the provisions of Articles XII and XIII.

(b) The amount of each Lump Sum Payment shall be determined as follows:

(i) With respect to any Active Participant who, after giving effect to the terms of subsection (b)(iv) below, is eligible as of the date of Termination to receive benefits under Article IV or V of this Plan, the Lump Sum Payment shall equal the Present Value (as

defined below) of the stream of payments to which such participant would have otherwise been entitled to receive immediately upon Termination in accordance with Article IV or V of this Plan (assuming such benefits are paid in the form of a lifetime annuity), based upon such participant's Final Average Pay, Social Security Covered Compensation and Benefit Years as of the date of Termination, after giving effect to the terms of subsection (b)(iv) below.

(ii) With respect to any Active Participant who, after giving effect to the terms of subsection (b)(iv) below, is not eligible as of the date of Termination to receive benefits under Article IV, V or VI of this Plan, the Lump Sum Payment shall equal the product of (A) the Present Value, calculated as of age 65, of the stream of payments to which such Participant would have otherwise been entitled to receive at age 65 in accordance with the terms of this Plan based on the same assumptions and terms set forth in subsection (b)(i) above, multiplied times (B) such discount factor as is necessary to reduce the amount determined under subsection (b)(ii)(A) above to its Present Value, it being understood that in calculating such discount factor, no discount shall be applied to reflect the possibility that such Participant may die prior to attaining age 65.

(iii) With respect to any Active Participant who, after giving effect to the terms of subsection (b)(iv) below, is eligible as of the date of Termination to receive benefits under Article VI of this Plan, the Lump Sum Payment shall equal the greater of (A) the Present Value of the stream of payments to which such participant would have otherwise been entitled to receive immediately upon Termination in accordance with Article VI of this Plan, based upon the assumptions and terms set forth in subsection (b)(i) above, or (B) the Present Value, calculated as of age 65, of the stream of payments to which such Participant would otherwise be entitled to receive at age 65 in accordance with this Plan, determined in the same manner and subject to the same assumptions and terms set forth in subsection (b)(ii) above.

(iv) In calculating the payment due to any Active Participant under this Section who has incurred an Eligible Termination, the number of years of Benefit Years of the Active Participant shall be deemed to equal the number of years determinable under the other Sections of this Plan plus three years and the Active Participant's age shall be deemed to equal his actual age plus three years; provided, however, that in no event shall the provisions of this subsection be applicable if the application thereof will reduce an Active Participant's Lump Sum Payment from the amount that would otherwise be payable with the addition of less than three years of service, age or both.

(v) As used in this Section with respect to any amount, the "**Present Value**" of such amount shall mean the discounted value of such amount that is determined by making customary present value calculations in accordance with generally accepted actuarial principles, provided that (A) the discount interest rate applied in connection therewith shall equal the interest rate quoted by the Bloomberg Municipal AAA General Obligation 5-Year Index (as of the close of business on the first business day of the calendar quarter in which such present value calculations are made) or, in the event such index is no longer published, any similar index for comparable municipal securities and (B) the mortality table applied in connection therewith shall be the mortality table prescribed by the Commissioner of Internal Revenue under Code §417(e)(3)(A)(ii)(I) or any successor table prescribed by such organization.

(c) Notwithstanding anything to the contrary in this Plan, upon the occurrence of a 409A Change in Control Event, each Participant who has already begun to receive periodic payments under this Plan ("**Retired Participant**") shall have an irrevocable and unconditional

right to receive, and the Company shall be irrevocably and unconditionally obligated to pay, a lump sum payment in an amount equal to the present value of the Participant's future stream of payments which would otherwise be payable under this Plan. Such lump sum payment shall be paid on the first day of the month following the date of the 409A Change in Control Event. The Company shall offer to assist such Participant in purchasing at such Participant's cost an annuity for the benefit of such Participant.

(d) Notwithstanding anything to the contrary in this Plan, upon the occurrence of 409A Change in Control Event, any Participant (other than a Retired Participant) who is then a former employee of the Company or its subsidiaries whose accrued benefit is vested under Section 10.01 ("**Inactive Participant**") shall have an irrevocable and unconditional right to receive, and the Company shall be irrevocably and unconditionally obligated to pay, a lump sum payment in an amount determined in the manner provided in subsection (b)(ii) or (iii), as applicable; provided, however, that no Inactive Participant will be entitled to the benefits of subsection (b)(iv). Such lump sum payment shall be paid on the first day of the month following the date of the 409A Change in Control Event.

XI. Form of Benefit Payment

11.01 The normal form of benefit payment for a Participant who is not married on his benefit commencement date is an annuity payable monthly for the lifetime of the Participant or in the case of a Participant who is married on his benefit commencement date, the normal form of benefit payment is an Actuarially Equivalent annuity payable monthly for the lifetime of the Participant and a survivor annuity payable monthly to the spouse (if living) upon the Participant's death which is 50% of the amount of the amount of the annuity payable during the lifetime of the Participant, in each case payable in accordance with the Company's standard payroll practices with payments commencing as of the first day of the month following the Participant's benefit commencement date.

11.02 Each of the following Participants who were receiving annuity payments under the SERP prior to January 1, 2009 shall receive the following biweekly benefits from the Plan in the following forms of payment, beginning with the first payroll period ending after December 31, 2008, and the Plan hereby assumes the obligation for such annuity payments:

Personnel Number	Name	Bi-weekly Benefit	Form of Payment
59165	Cunningham, Marvin	2,544.86	100% Joint & Survivor
25872	Dalrymple, Gyl	426.72	Single Life Annuity

The bi-weekly benefit payable under this Section shall be increased annually to reflect increases in cost of living at a rate of 3% per annum. This increase shall take effect January 1 of each year on the benefit in pay status beginning January 1, 2010.

Payments pursuant to this Section 11.02: (i) shall be in addition to any other payments pursuant to the Plan; (ii) shall be subject to acceleration as outlined in the Plan (in circumstances including but not limited to those set forth in Section 10.03(c)); and (iii) shall not be increased as a result of a Change in Control.

11.03 A Participant may, before any annuity payment has been made, elect the optional form of payment which is the Actuarial Equivalent of a Participant's basic monthly pension, which shall begin on his benefit commencement date. The optional form of payment is as follows:

Alternative Joint and Survivor Annuity

(a) Under an Alternative Joint and Survivor Annuity, a reduced amount shall be payable to the Participant for his lifetime. The beneficiary, whether or not the Participant's spouse, if surviving at the Participant's death, shall be entitled to receive thereafter a lifetime survivor benefit in an amount equal to 100% of the reduced amount that had been payable to the Participant. If the beneficiary is not the Participant's spouse who is entitled to a 50% survivor annuity under Section 11.01, the Participant may elect that the survivor annuity be 50% of the reduced amount payable to the Participant.

(b) The reduced amount payable to the retired Participant shall be the Actuarial Equivalent of the amount determined under Article IV, V, VI, VII, VIII or X, as the case may be. The appropriate actuarial factor shall be determined for any Participant and his beneficiary as of the commencement date of the Participant's benefit.

(c) If the Participant designates any individual other than his spouse as his beneficiary, the annual amount of the Participant's annuity under the Alternative Joint and Survivor Annuity shall not be less than 50% of the annual benefit calculated as a single life annuity, and the beneficiary's survivor annuity under the Alternative Joint and Survivor Annuity shall be reduced to the extent necessary to reflect any adjustment required by this subsection (c) in the amount of the Participant's annuity under the Alternative Joint and Survivor Annuity.

XII. Acceleration of Payments

12.01 Cash-Out of De Minimis Distributions. Notwithstanding any other provision of this Plan, if the single sum actuarial present value of the Participant's, Beneficiary's or Spouse's benefit under this Plan and all other plans that would be treated as a single plan with this Plan pursuant to Treasury Regulation §1.409A-1(c)(2) does not exceed the applicable dollar amount under Code §402(g)(1)(B) ($17,000 in 2012), then such amount shall be paid in one lump sum to the person entitled to payment on the date the first annuity payment would otherwise be paid under this Plan. Such payment is mandatory but shall only occur if the Participant's interest under the Plan (as determined in accordance with Treasury Regulation §1.409A-1(c)(2)) is terminated and liquidated in its entirety in conjunction with the payment.

12.02 Taxes. If at any time this Plan fails to meet the requirements of Code §409A, an amount equal to the amount required to be included in the Participant's income as a result of the failure to comply with the requirements of Code §409A shall be paid to the Participant in one lump sum on the first day of the month following the Company's determination that the failure has occurred.

To the full extent permitted under Treasury Regulation §1.409A-3(j)(4) but subject to the limitations thereunder, the Committee in its sole discretion may make a lump sum payment to a Participant in an amount that is needed to pay (a) the Participants' state, local or foreign tax obligations (and the income tax withholding related to the state, local and foreign tax amount)

that arise from participation in this Plan and that apply before the Participant's Plan benefit is paid to the Participant and/or (b) the Federal Insurance Contributions Act (FICA) tax imposed under Code §§3201, 3211, 3231(e)(1) and 3231(e)(8) on the Participant's Plan benefits and the income tax imposed at the source on wages under Code §3401 or the corresponding withholding provisions of applicable state, local or foreign tax laws as a result of payment of the FICA amount and the additional income tax at source on wages attributable to the pyramiding Code §3401 wages and taxes.

12.03 Domestic Relations Orders. If this Plan receives a domestic relations order as defined in Code §414(p)(1)(B) and ERISA §206(d)(3)(B)(ii), the Committee shall accelerate the time or schedule of a payment to an individual other than the Participant in order to fulfill such order, provided that the provisions of ERISA §§206(d)(3)(C) through (F) shall apply as if this Plan were governed by Part 2 of Title I of ERISA.

12.04 Conflicts of Interest and Ethics Rules. The Committee shall accelerate the time or schedule of a payment under this Plan as may be necessary: (a) to comply with an ethics agreement between the Participant and the Federal government or (b) to comply with applicable Federal, state, local or foreign ethics laws or conflict of interest laws; each as described in Treasury Regulation §1.409A-3(j)(4)(iii).

XIII. Delay of Payments

13.01 A payment otherwise due hereunder shall be delayed to a date after the designated payment date under the following circumstances:

(a) Notwithstanding any other provision hereof, payments which constitute deferred compensation under Code §409A and the Treasury Regulations thereunder and which are not exempt from coverage by Code §409A and the Treasury Regulations thereunder shall commence upon termination of employment of a Participant who is a Specified Employee on the first day of the seventh month following the date of the Specified Employee's termination of employment, or, if earlier, the date of death of the Specified Employee. On the first day of such seventh month or on the first day of the month following the earlier death of the Specified Employee, the Specified Employee or his estate or spouse, as the case may be, shall be paid the amount to which the Specified Employee normally would be entitled hereunder on such date plus the amounts which would have been previously paid to the Specified Employee but for the fact that he was a Specified Employee. Nevertheless, for all other purposes of this Agreement, the payments shall be deemed to have commenced on the date they would have had the Employee not been a Specified Employee.

(b) Notwithstanding any other provision hereof, a Participant shall not have separated from service with the Employer on account of termination of employment for reasons other than death if he would not be deemed to have experienced a termination of employment under the default rules of Treasury Regulation §1.409A-1(h).

(c) Payments that would violate loan covenants or other contractual terms to which the Employer is a party, where such a violation would result in material harm to the Employer (in such case, payment will be made at the earliest date at which the Employer reasonably anticipates that the making of the payment will not cause such violation, or such violation will not cause material harm to the Employer).

(d) Payment where the Employer reasonably anticipates that the making of the payment will violate Federal securities laws or other applicable law, provided that the payment shall be made at the earliest date at which the Employer reasonably anticipates that the making of the payment will not cause such violation. (The making of a payment that would cause inclusion in gross income or the application of any penalty provision or other provision of the Code is not treated as a violation of applicable law.)

(e) Payments the deduction for which the Employer reasonably anticipates would be limited by the application of Code §162(m) (in such case, payment will be made at either the earliest date at which the Employer reasonably anticipates that the deduction of the payment will not be so limited or the calendar year in which the Participant separates from service).

(f) Payment may also be delayed upon such other events and conditions as the Commissioner of Internal Revenue may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

XIV. Additional Restrictions on Benefit Payments

14.01 In no event will there be a duplication of benefits payable under this Plan because of employment by more than one participating Employer.

XV. Administration and Interpretation

15.01 The Plan shall be administered by the Committee. The Committee shall have full power and authority to interpret and administer the Plan and, subject to the provisions herein set forth, to prescribe, amend and rescind rules and regulations and make all other determinations necessary or desirable for the administration of this Plan.

15.02 The decision of the Committee relating to any question concerning or involving the interpretation or administration of this Plan shall be final and conclusive.

XVI. Nature of this Plan

16.01 Benefits under this Plan shall generally be payable by the Employer from its own funds, and such benefits shall not (a) impose any obligation upon the trust(s) of the other employee benefit programs of the Employer, (b) be paid from such trust(s) or (c) have any effect whatsoever upon the amount or payment of benefits under the other employee benefit programs of the Employer. Participants have only an unsecured right to receive benefits under this Plan from the Employer as general creditors of the Employer. The Employer may deposit amounts in a trust established by the Employer for the purpose of funding the Employer's obligations under this Plan. Participants and their beneficiaries, however, have no secured interest or special claim to the assets of such trust, and the assets of the trust shall be subject to the payment of claims of general creditors of the Employer upon the insolvency or bankruptcy of the Employer, as provided in the trust.

XVII. Employment Relationship

17.01 An employee shall be considered to be in the employment of the Company and its Subsidiaries as long as he remains an employee of the Company, any Subsidiary or any

corporation to which substantially all of the assets and business of the Company are transferred. Nothing in the adoption of this Plan or the designation of any Participant shall confer on any employee the right to continued employment by the Company or a Subsidiary, or affect in any way the right of the Company or such Subsidiary to terminate his employment at any time. Any question as to whether and when there has been a termination of an employee's employment, and the cause, notice or other circumstances of such termination, shall be determined by the Committee, and its determination shall be final.

XVIII. Amendment and Termination of Plan

18.01 The Company may terminate this Plan and accelerate any payments due (or that may become due) under this Plan:

(a) Within 12 months of a corporate dissolution of the Company taxed under Code §331, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A), provided that the amounts deferred under this Plan are included in the Participant's gross income in the latest of (i) the calendar year in which the termination occurs, (ii) the calendar year in which the amount is no longer subject to a substantial risk of forfeiture or (iii) the first calendar year in which the payment is administratively practicable.

(b) Within the 30 days preceding or the 12 months following a 409A Change in Control Event provided that Treasury Regulation §1.409A-3(j)(4)(ix)(B) is complied with.

(c) In the Company's discretion, provided that Treasury Regulation §1.409A-3(j)(4)(ix)(C) is complied with.

(d) Due to such other events and conditions as the Commissioner of the IRS may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

18.02 The Company, acting through the Compensation Committee, the Board, or any person or entity designated by the Compensation Committee or the Board, may amend this Plan. The Committee cannot amend this Plan for any reason, unless authorized to do so by the Compensation Committee or the Board. Notwithstanding any other provision of this Plan, it is the intention of the Company that no payment or entitlement pursuant to this Plan will give rise to any adverse tax consequences to any Participant under Code §409A and Treasury Regulations and other interpretive guidance issued thereunder, including that issued after the date hereof (collectively, "**Section 409A**"). This Plan and any amendments hereto shall be interpreted to that end and (1) to the maximum extent permitted by law, no effect shall be given to any provision herein, any amendment hereto or any action taken hereunder in a manner that reasonably could be expected to give rise to adverse tax consequences under Section 409A and (2) the Company shall take any corrective action reasonably within its control that is necessary to avoid such adverse tax consequences. No amendments shall divest otherwise vested rights of Participants, their Beneficiaries or Spouses.

XIX. Binding Effect

19.01 This Plan shall be binding on the Company, each Subsidiary and any designated Affiliate, the successors and assigns thereof, and any entity to which substantially all of the assets or business of the Company, a Subsidiary, or a designated Affiliate are transferred.

XX. Construction

20.01 The masculine gender, where appearing in this Plan, shall be deemed to include the feminine gender, and the singular may indicate the plural, unless the context clearly indicates the contrary. The words “hereof”, “herein”, “hereunder” and other similar compounds of the word “here” shall, unless otherwise specifically stated, mean and refer to the entire Plan, not to any particular provision or Section. Article and Section headings are included for convenience of reference and are not intended to add to, or subtract from, the terms of this Plan.

20.02 This Plan shall be interpreted in a manner that does not give rise to any adverse tax consequences to any Participant under Code §409A and the Treasury Regulations and other interpretive guidance issued thereunder. Any provision of this Plan that would cause a violation of Code §409A, if followed, shall be disregarded.

20.03 Any reference to any section of the Code or the Treasury Regulations shall be deemed to also refer to any successor provisions thereto.

XXI. Demand For Benefits

21.01 (a) **Filing of Claims for Benefits.** Benefits shall ordinarily be paid to a Participant without the need for demand, and to a beneficiary upon receipt of the beneficiary’s address and Social Security Number (and evidence of death of the Participant, if needed). Nevertheless, a Participant or a person claiming to be a beneficiary who claims entitlement to a benefit can file a claim for benefits in writing with the Committee.

(b) **Notification to Claimant of Decision.** If a claim is wholly or partially denied, a notice of the decision rendered in accordance with the rules set forth below will be furnished to the claimant not later than 90 days after receipt of the claim by the Committee.

If special circumstances require an extension of time for processing the claim, the Committee will give the claimant a written notice of the extension prior to the end of the initial 90-day period. In no event will the extension exceed an additional 90 days. The extension notice will indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render its final decision.

(c) **Content of Notice.** The Committee will provide to every claimant who is denied a claim for benefits written or electronic notice setting forth in a clear and simple manner: (i) the specific reason or reasons for denial; (ii) the specific reference to pertinent plan provisions on which denial is based; (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such materials or information are necessary; and (iv) appropriate information as to the steps to be taken if the claimant wishes to submit his or her claim for review, including a statement of the claimant’s right to bring a civil action under ERISA §502(a) following an adverse determination on review.

(d) **Review Procedure.** After the claimant has received written notification of an adverse benefit determination, the claimant or a duly authorized representative will have 60 days within which to appeal, in writing, such determination. The claimant may submit written comments, documents, records, and any other information relevant to the claim for benefits. The Committee will provide the claimant, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the claimant’s claim for

benefits. The review will take into account all items submitted by the claimant, regardless of whether such information was submitted or considered in the initial benefit determination.

(e) **Decision on Review.** The decision on review by the Committee will be rendered as promptly as is feasible, but not later than 60 days after the receipt of a request for review, unless the Committee in its sole discretion determines that special circumstances require an extension of time for processing, in which case a decision will be rendered as promptly as is feasible, but not later than 120 days after receipt of a request for review.

If an extension of time for review is required because of special circumstances, written notice of the extension will be furnished to the claimant before termination of the initial 60-day review period and shall indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render the determination on review.

The decision on review will be in written or electronic form. In the event of an adverse benefit determination, the decision shall contain: (1) specific reasons for the adverse determination, written in a clear and simple manner; (2) specific references to the pertinent plan provisions on which the determination is based; (3) a statement that the claimant may request, free of charge, reasonable access to and copies of all documents, records and other information relevant to the claim for benefits; and (4) the claimant’s right to bring an action under ERISA §502(a).

(f) **Failure to Establish and Follow Reasonable Claims Procedure.** In the case of the failure of the Committee to establish or follow claims procedures consistent with the requirements of U.S. Department of Labor Regulation §2560.503-1, the claimant shall be deemed to have exhausted the administrative remedies available under the Plan and shall be entitled to pursue any available remedies under ERISA §502(a) on the basis that the Plan has failed to provide a reasonable claims procedure that would yield a decision on the merits of the claim.

EXECUTED this day of December, 2011.

EMBARQ CORPORATION

By: ______________________________
Marina Pearson
Title: Vice President, Human Resources, Compensation & Benefits

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Section 3: EX-10.14(K) (EX-10.14(K))

EXHIBIT 10.14(k)

**SECOND AMENDMENT
TO THE
EMBARQ SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

WHEREAS, Embarq Corporation (the "Company") established the Embarq Supplement Executive Retirement Plan effective as of May 17, 2006, as most recently amended and restated effective January 1, 2009, and as subsequently further amended (the "Plan"); and

WHEREAS, Sections 7.1 and 8.9 of the Plan provide that the Board of Directors of the Company (the "Board") may, in its sole discretion, amend the Plan; and

WHEREAS, by action dated November 15, 2011, the Board of Directors of Embarq Corporation delegated its amendment authority with regard to the Plan to the CenturyLink Plan Design Committee; and

WHEREAS, the CenturyLink Plan Design Committee wishes to amend the Plan in order to clarify certain provisions therein and make certain other changes;

NOW, THEREFORE, the Plan is hereby amended as follows:

1. Effective November 15, 2011, the definition of "Committee" in Section 2.1 of the Plan ("Definitions") is hereby amended in its entirety to read as follows:

   "Committee" means the CenturyLink Employee Benefits Committee.

2. Effective January 1, 2011, Section 5.4 of the Plan ("Form of Payment") is hereby amended in its entirety to read as follows:

   5.4 Form of Payment.

   (a) Default Form of Payment. Subject to the exceptions under Section 5.4(c), benefits payable to a Participant under the Plan shall be distributed as follows:

   (i) If the Participant does not make a timely election (as described under subsection (ii) below), then such benefits shall be payable in the form of an annuity for the Participant's life, or

   (ii) if the Participant so elects, in the form of a Qualified Joint and Survivor Annuity, using the actuarial factors for conversion, as provided under the Qualified Pension Plan as of the date of the Participant's election. Such election must be made by the Participant in writing and will only be effective if it is received by the Committee at least 30 days before the Participant's Benefit Commencement Date;

provided, however, that the election as to the form of payment of a Participant who was a participant in the Sprint Supplemental Executive Retirement Plan immediately prior to the Effective Date will apply to any benefits paid under this Plan, unless a subsequent election to change the form of payment is made.

(b) Form of Payment of Vested Enhanced Benefit. Notwithstanding anything in the Plan to the contrary, if the Participant is receiving payment of his or her Vested Benefit in the form of an annuity at the time he or she becomes entitled to an Enhanced Benefit, the Vested Enhanced Benefit shall be paid in the same form as the Vested Benefit then being paid.

(c) Exception to Default Form of Payment — Lump Sum Payment.

(i) Notwithstanding Section 5.4(a) and subject to Section 5.4(c)(ii):

(A) If the actuarial equivalent of the present value of a Participant's Vested Benefit hereunder is valued at not more than two times the limit on the amount of contributions permitted under Section 402(g) of the Code on the date of such Participant's Separation from Service, the Company shall pay the equivalent actuarial value of such Vested Benefit in a lump sum on the 180th day after the Participant's Separation from Service with an Employer.

(B) Subject to Section 5.4(b), if the actuarial equivalent of the present value of a Participant's Vested Enhanced Benefit, if any, is valued at not more than two times the limit on the amount of contributions permitted under Section 402(g) of the Code on the later of (i) first day of the 25th month following such Participant's Separation from Service with the Employer or (ii) first day of the month coincident with or next following the Participant's 55th birthday, as applicable, the equivalent actuarial value of such Vested Enhanced Benefit shall be paid in a lump sum in accordance with Section 5.1 (b) above.

(ii) Notwithstanding Section 5.4(a):

(A) If the actuarial equivalent of the present value of the Participant's Vested Benefit hereunder is valued at not more than one time the limit on the amount of contributions permitted under Section 402(g) of the Code on May 1, 2009, the Company shall pay the equivalent actuarial value of such Vested Benefit in a lump sum on May 1, 2009.

(B) Subject to Section 5.4(b), if the actuarial equivalent of the present value of a Participant's Vested Enhanced Benefit hereunder is valued at not more than one time the limit on the amount of contributions permitted under Section 402(g) of the Code on the first day of the 25th month following such Participant's Separation from Service with the Employer, the Company shall pay the equivalent actuarial value of such Vested Enhanced Benefit in a lump sum within 60 days after the first day of the 25th month following such Participant's Separation from Service with the Employer.

(d) For purposes of this Section 5.4, such actuarial equivalent amount shall be determined in the same manner that the amount of an involuntary cash out distribution is computed under the Qualified Pension Plan. The payment of a lump sum amount under this Section 5.4 shall be a complete discharge of any obligations to such individual and his or her beneficiaries hereunder.

3. Effective January 1, 2011, a new Section 5.5 ("Limitation of Actuarial Adjustments") is hereby added to the Plan and shall in its entirety read as follows:

5.5 Limitation of Actuarial Adjustments. Notwithstanding any Plan provision to the contrary, in no event shall there be an actuarial adjustment of a Participant's Vested Benefit or Enhanced Benefit if the Benefit Commencement Date is after the Participant's attainment of age 65.

4. Effective January 1, 2011, Exhibit 4 to the Plan is hereby amended in its entirety to read as follows:

Exhibit 4

Equivalent Actuarial Value of a Vested Enhanced Benefit if (i) the Participant Separates from Service due to an Involuntary Termination without Cause, whether or not such Participant has attained age 55, (ii) the Participant has a Vested Benefit in accordance with Section 4.2 of the Plan and (iii) the sum of

Participant's age and years of Credited Service equal at least 75 as of the end of the period during which severance is actually paid:

Age When Benefits Begin	Percentage of Benefits
55	75.0

56	77.5
57	80.0
58	82.5
59	85.0
60	87.5
61	90.0
62	92.5
63	95.0
64	97.5
65 or older	100.0

5. Effective November 15, 2011, Section 7.1 of the Plan ("Amendment") is hereby amended in its entirety to read as follows:

   7.1 [Reserved.]

6. Effective November 15, 2011, Section 8.9 of the Plan ("Amendments") is hereby amended in its entirety to read as follows:

   8.9 Amendments. The Board or its authorized delegate may amend this Plan in its sole discretion. Any such amendment shall be effective at such date as the Board or its authorized delegate may determine, except that no such amendment, other than an amendment of a minor nature or permitted in accordance with the terms of the trust, if any, described in Section 8.4, may apply to any period prior to the announcement of the amendment.

7. Effective November 15, 2011, Section 8.10 of the Plan ("Plan Termination") is hereby amended in its entirety to read as follows:

   8.10 Plan Termination. The Board or its authorized delegate may at any time terminate this Plan in whole or in part in which case no further benefits shall accrue hereunder with respect to any affected Participant. If an Employer ceases to be a Subsidiary of the Company, the participation in this Plan of all Participants employed by that Employer will terminate and no further benefits for such Participants shall accrue hereunder. There shall be no acceleration of any benefits payable under this Plan upon termination of the Plan, except as permitted under Section 409A of the Code.

8. Except as amended above, each and every provision of the Plan, as it previously may have been amended, shall remain in full force and effect without change or modification.

9. Any inconsistent provision of the Plan shall be read to be consistent with this Amendment and its purposes.

10. The Effective Date of each item of this Amendment shall be as indicated as indicated above.

Signature in Counterparts. The undersigned agree to be bound by their telecopied signatures and agree that the Company may rely on their telecopied signatures. This Resolution may be executed in multiple counterparts which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned, being all of the members of the CenturyLink Plan Design Committee, hereby approve, adopt and execute this Amendment on this day of December, 2011.

CENTURYLINK PLAN DESIGN COMMITTEE

By: ______________________
Charles Wheeler, Chair
Title: Sr. Vice President, Human Resources

By: ______________________
G. Clay Bailey, Member
Title: Sr. Vice President, Treasurer

By: ______________________
Joseph Osa, Member
Title: Vice President, Human Resources, Labor

By: ______________________
Marina Pearson, Member
Title: Vice President, Human Resources, Compensation & Benefits

By: ______________________
Mark Stites, Member
Title: Vice President, Legal

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Section 4: EX-10.15(C) (EX-10.15(C))

EXHIBIT 10.15(c)

AMENDMENT 2011-1
TO THE
QWEST COMMUNICATIONS INTERNATIONAL INC.
DEFERRED COMPENSATION PLAN

WHEREAS, Qwest Communications International Inc. (the "Company") established the Qwest Communications International Inc. Deferred Compensation Plan effective as of January 1, 1999, as most recently amended and restated effective January 1, 2005, and as subsequently further amended (the "Plan"); and

WHEREAS, Section 11.1 of Part A of the Plan permits the Company to amend the Plan by action of the Board of Directors of the Company; provided, however, that no amendment shall be effective to decrease or restrict the value of a Plan participant's account balance in existence at the time the amendment is made and subject to other limitations not herein relevant.

WHEREAS, by action dated November 15, 2011, the Board has delegated its authority to amend the Plan to the CenturyLink Plan Design Committee; and

WHEREAS, the CenturyLink Plan Design Committee wishes to amend Part A of the Plan in order to cause the cessation of active participation, deferrals and other contributions thereunder after December 31, 2011 and to make other desired changes;

NOW, THEREFORE, the Plan is hereby amended as follows:

1. Effective January 1, 2012, Section 1.23 of Part A of the Plan ("Participant") is hereby amended in its entirety to read as follows:

1.23 "Participant" shall mean any Employee (i) who is selected to participate in the Plan, (ii) who elects to participate in the Plan, (iii) who signs a Plan Agreement, an Election Form and a Beneficiary Designation Form, (iv) whose signed Plan Agreement, Election Form and Beneficiary Designation Form are accepted by the Committee, (v) who commences participation in the Plan, and (vi) whose Plan Agreement has not terminated. A spouse or former spouse of a Participant shall not be treated as a Participant in the Plan or have an account balance under the Plan, even if he or she has an interest in the Participant's benefits under the Plan as a result of applicable law or property settlements resulting from legal separation or divorce. Notwithstanding any Plan provision to the contrary, there shall be no new Participants after December 31, 2011, and any Employee who is a Participant as of December 31, 2011 shall remain a Participant solely with respect to his Account Balance as of December 31, 2011 (as subsequently adjusted in accordance with the Plan's terms, such as for earnings, losses, distributions, etc.).

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2. Effective January 1, 2012, a new Section 2.4 ("Selection, Enrollment and Eligibility in Plan Years After December 31, 2011") is hereby added to Part A of the Plan and shall in its entirety read as follows:

2.4 Selection, Enrollment and Eligibility In Plan Years After December 31, 2011. Notwithstanding any Plan provision to the contrary, (a) no Employee shall be selected to participate in the Plan after December 31, 2011, (b) there shall be no new Participants after December 31, 2011, and (c) after December 31, 2011, Participants who have an Account Balance as of December 31, 2011 shall not be able to make deferrals of Annual Salary, Bonus, Commissions and Other Compensation earned after December 31, 2011; provided, however, each Participant with an Account Balance as of December 31, 2011 shall remain a Participant with respect to that Account Balance (as subsequently adjusted in accordance with the Plan's terms, such as for earnings, losses, distributions, etc.).

3. Effective January 1, 2012, Section 3.3 of Part A of the Plan ("Election to Defer; Effect of Election Form") is hereby amended in its entirety to read as follows:

3.3 Election to Defer; Effect of Election Form.

(a) First Plan Year. In connection with a Participant's commencement of participation in the Plan, the Participant shall make an irrevocable deferral election for the Plan Year in which the Participant commences participation in the Plan, along with such other elections as the Committee or its designated agent deems necessary or desirable under the Plan. For these elections to be valid, the Election Form must be completed and signed by the Participant, timely delivered to the Committee or its designated agent (in accordance with Section 2.2 above) and accepted by the Committee.

(b) Subsequent Plan Years. For each succeeding Plan Year, an irrevocable deferral election for that Plan Year, and such other elections as the Committee or its designated agent deems necessary or desirable under the Plan, shall be made by timely delivering to the Committee or its designated agent, in accordance with its rules and procedures, before the end of the Plan Year preceding the Plan Year for which the election is made, a new Election Form. If no such Election Form is timely delivered for a Plan Year, the Annual Deferral Amount shall be zero for that Plan Year.

(c) Plan Years after December 31, 2011. No Participant shall be permitted to make an irrevocable deferral election for any Plan Year that commences after December 31, 2011.

4. Effective January 1, 2012, Section 3.5 of Part A of the Plan ("Annual Company Matching Amount") is hereby amended in its entirety to read as follows:

3.5 Annual Company Matching Amount. For each Plan Year, the Company shall make a matching contribution to each Participant's Company Matching Account using: (a) the sum of the Participant's total deferrals to this Plan for the Plan Year and his deferrals to the 401(k) Plan for the Plan Year of the 401(k) Plan that ends with or within such Plan Year; multiplied by (b) the matching contribution formula set forth in the 401(k) Plan for the Plan Year of the 401(k) Plan that ends with or within such Plan Year (without regard to the 401(k) Plan's limits on pre-tax deferrals or includable compensation); and then reduced by (c) the amount of actual Company matching contributions to the 401(k) Plan for such Plan Year. If a Participant is not employed by an Employer as of the last day of a Plan Year other than by reason of his or her Retirement or death, the Annual Company Matching Amount for such Plan Year shall be zero (0). The foregoing sentence shall not apply to grandfathered former participants in the US WEST Deferred Compensation Plan. In the event of Retirement or death, a Participant shall be credited with the Annual Company Matching Amount for the Plan Year in which he or she Retires or dies. Notwithstanding any Plan provision to the contrary, the Company shall not make any Company matching contributions to any Participant's Company Matching Account under the Plan after December 31, 2011.

5. Effective November 15, 2011, Section 11.1 of the Plan ("Amendment") is hereby amended in its entirety to read as follows:

11.1 Amendment. Any Employer may, at any time, amend or modify the Plan in whole or in part with respect to that Employer by the action of its board of directors or the delegate of the board of directors; provided, however, that: (i) no amendment or modification shall be effective to decrease or restrict the value of a Participant's Account Balance in existence at the time the amendment or modification is made, calculated as if the Participant had experienced a Termination of Employment as of the effective date of the amendment or modification or, if the amendment or modification occurs after the date upon which the Participant was eligible to Retire, the Participant had Retired as of the effective date of the amendment or modification, and (ii) no amendment or modification of this Section 11.1 or Section 12.2 of the Plan shall be effective. The amendment or modification of the Plan shall not affect any Participant or Beneficiary who has become entitled to the payment of benefits under the Plan as of the date of the amendment or modification.

6. Effective November 15, 2011, Section 11.4 of the Plan ("Termination") is hereby amended in its entirety to read as follows:

11.4 Termination. Although each Employer anticipates that it will continue the Plan for an indefinite period of time, there is no guarantee that any Employer will continue the Plan or will not terminate the Plan at any time in the future. Accordingly, each Employer reserves the right to discontinue its sponsorship of the Plan and/or to terminate the Plan at any time with respect to any or all of its participating Employees by action of its board of directors or the delegate of the board of directors.

7. Except as amended above, each and every provision of the Plan, as it previously may have been amended, shall remain in full force and effect without change or modification.

8. Any inconsistent provision of the Plan shall be read to be consistent with this Amendment and its purposes.

9. The Effective Date of each item of this Amendment shall be as indicated above.

Signature in Counterparts. The undersigned agree to be bound by their telecopied signatures and agree that the Company may rely on their telecopied signatures. This Resolution may be executed in multiple counterparts which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned, being all of the members of the CenturyLink Plan Design Committee, hereby approve, adopt and execute this Amendment on this ____________ day of December, 2011.

CENTURYLINK PLAN DESIGN COMMITTEE

By: ______________________________
Charles Wheeler, Chair
Title: Sr. Vice President, Human Resources

By: ______________________________
G. Clay Bailey, Member
Title: Sr. Vice President, Treasurer

By: ______________________________
Joseph Osa, Member
Title: Vice President, Human Resources, Labor

By: ______________________________
Marina Pearson, Member
Title: Vice President, Human Resources,
Compensation & Benefits

By: ______________________________________
Mark Stites, Member
Title: Vice President, Legal

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Section 5: EX-10.18 (EX-10.18)

EXHIBIT 10.18

RESTRICTED STOCK AGREEMENT
UNDER THE
CENTURYLINK 2011 EQUITY INCENTIVE PLAN
(2011 Grants to Section 16 Officers other than CEO)

This RESTRICTED STOCK AGREEMENT (this "Agreement") is entered into as of October 7, 2011, by and between CenturyLink, Inc. ("CenturyLink") and James E. Ousley ("Award Recipient").

WHEREAS, CenturyLink maintains the CenturyLink 2011 Equity Incentive Plan (the "Plan") under which the Compensation Committee, or a duly authorized subcommittee thereof (the "Committee"), of the Board of Directors of CenturyLink (the "Board") may, directly or indirectly, among other things, grant restricted shares of CenturyLink's common stock, $1.00 par value per share (the "Common Stock"), to key employees of CenturyLink or its subsidiaries (collectively, the "Company"), subject to such terms, conditions, or restrictions as it may deem appropriate; and

WHEREAS, pursuant to the Plan, the Committee has awarded to the Award Recipient restricted shares of Common Stock on the terms and conditions specified below.

NOW, THEREFORE, the parties agree as follows:

1.
AWARD OF SHARES

Upon the terms and conditions of the Plan and this Agreement, CenturyLink as of the date of this Agreement (the "Grant Date") hereby awards to the Award Recipient a total of restricted shares of Common Stock (the "Restricted Stock") that vest, subject to Sections 2, 3 and 4 hereof, in installments as follows:

Scheduled Vesting Date	Number of Shares
December 31, 2012	

2.
AWARD RESTRICTIONS ON
RESTRICTED STOCK

2.1 In addition to the conditions and restrictions provided in the Plan, neither the shares of Restricted Stock nor the right to vote the Restricted Stock, to receive accrued dividends thereon or to enjoy any other rights or interests thereunder or hereunder may be sold, assigned, donated, transferred, exchanged, pledged, hypothecated, or otherwise encumbered prior to vesting. Except as otherwise provided in this Section 2.1, the Award Recipient shall be entitled

to all rights of a shareholder of CenturyLink with respect to the Restricted Stock, including the right to vote the shares. All dividends and other distributions relating to the Restricted Stock will accrue when declared and be paid to the Award Recipient only upon the vesting of the related Restricted Stock.

2.2 If the shares of Restricted Stock have not already vested or been forfeited under the terms of this Agreement or the Plan, all of the shares of Restricted Stock shall vest and all restrictions set forth in Section 2.1 shall lapse on the date on which the employment of the Award Recipient terminates as a result of (i) death or (ii) disability within the meaning of Section 22(e)(3) of the Internal Revenue Code.

2.3 (a) If the shares of Restricted Stock have not already vested or been forfeited under the terms of this Agreement or the Plan, and the Award Recipient's employment is terminated by CenturyLink without Cause (as defined below) or by the Award Recipient for Good Reason (as defined below) within 18 months following a Change of Control of CenturyLink (as defined in the Plan), then all Restricted Stock shall vest immediately and all restrictions set forth in Section 2.1 shall lapse.

(b) (i) For purposes of this Section 2.3, "Cause" shall mean the Award Recipient's (A) willful breach of any nondisclosure, noncompetition, nonsolicitation or nondisparagement covenants contained in any agreement between the Company and the Award Recipient; (B) conviction of, or plea of guilty or *nolo contendere* to, a felony or other crime involving dishonesty or moral turpitude; (C) workplace conduct resulting in the payment of civil monetary penalties or the incurrence of civil non-monetary penalties that will materially restrict or prevent the Award Recipient from discharging his obligations to the Company; (D) habitual intoxication during working hours or habitual abuse of or addiction to a controlled substance; (E) material breach of the Company's insider trading, corporate ethics and compliance policies and programs or any other Board-adopted policies applicable to management conduct; (F) participation in the public reporting of any information contained in any report filed by the Company with the Securities and Exchange Commission that was impacted by the Award Recipient's knowing or intentional fraudulent or illegal conduct; or (G) substantial, willful and repeated failure to perform duties as instructed by or on behalf of the Board in writing.

(ii) The Award Recipient's employment shall not be deemed terminated for Cause unless the Company shall have delivered to the Award Recipient a termination notice with a copy of a resolution adopted by the affirmative vote of not less than three-quarters of the entire Board at a meeting called partly or wholly for such purpose (after reasonable notice is provided to the Award Recipient and the Award Recipient has had an opportunity, with counsel, to be heard by the Board) finding that the Award Recipient should be terminated for Cause and specifying in reasonable detail the grounds therefor.

(iii) No action or inaction shall be deemed the basis for Cause unless the Award Recipient is terminated therefor prior to the first anniversary of the date on which such action or omission is first known to the Chief Executive Officer of the Company.

(c) For purpose of this Section 2.3, "Good Reason" shall mean any termination qualifying as a termination for "good reason" under any change of control agreement in effect between the Company and the Award Recipient, or if no such agreement is in place, any of the following events or conditions described in this Section 2.3(c), but only if the Award Recipient shall have provided written notice to the Company within 90 days of the initial existence or occurrence of such event or condition and the Company shall have failed to cure such event or condition within 30 days of its receipt of such notice:

(i) Any failure of the Company or its Affiliates to provide the Award Recipient with a position, authority, duties and responsibilities at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 180-day period immediately preceding the Change of Control. The Award Recipient's position, authority, duties and responsibilities after a Change of Control shall not be considered commensurate in all material respects with the Award Recipient's position, authority, duties and responsibilities prior to a Change of Control unless after the Change of Control the Award Recipient holds an equivalent position with, and exercises substantially equivalent authority, duties and responsibilities on behalf of, either the Post-Transaction Company or the Company;

(ii) The assignment to the Award Recipient of any duties inconsistent in any material respect with the Award Recipient's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities at the time of the Change of Control, or any other action that results in a diminution in any material respect in such position, authority, duties or responsibilities;

(iii) A reduction of the Award Recipient's base salary in effect as of the date of the Change of Control without the Award Recipient's consent, except for across-the-board salary reductions similarly affecting all or substantially all similarly-situated officers of the Company and the Post-Transaction Company;

(iv) The Award Recipient is advised of, manifests an awareness of, or becomes aware of facts that would cause a reasonable person to inquire into any failure in any material respect by the Company or its Affiliates to comply with any of the provisions of this Agreement; or

(v) Any directive requiring the Award Recipient to be based at any office or location more than 50 miles from the location the Award Recipient was based prior to the Change of Control, or requiring the Award Recipient to travel on business to a substantially greater extent than required immediately prior to the Change of Control.

(d) For purpose of this Section 2.3, "Affiliate" (or variants thereof) shall mean a person that controls, or is controlled by or is under common control with, another specified person, either directly or indirectly.

2.4 If the shares of Restricted Stock have not already vested or been forfeited under the terms of this Agreement or the Plan, and the Award Recipient's employment terminates because of retirement on or after attaining the age of 55 with at least ten years of prior service with the Company but prior to the Award Recipient attaining age 65, then, provided the Committee has specifically approved such action, all Restricted Stock shall vest immediately and all restrictions set forth in Section 2.1 shall lapse.

2.5 If the shares of Restricted Stock have not already vested or been forfeited under the terms of this Agreement or the Plan, and the Award Recipient's employment terminates because of retirement on or after age 65, then, provided the Committee has specifically approved such action, all Restricted Stock shall vest immediately and all restrictions set forth in Section 2.1 shall lapse.

3.
TERMINATION OF EMPLOYMENT

All unvested Restricted Stock shall automatically terminate and be forfeited if the employment of the Award Recipient terminates for any reason, unless and to the extent otherwise provided in Section 2.

4.
FORFEITURE OF AWARD

4.1 If, at any time during the Award Recipient's employment by the Company or within 18 months after termination of employment, the Award Recipient engages in any activity in competition with any activity of the Company, or inimical, contrary or harmful to the interests of the Company, including but not limited to: (a) conduct relating to the Award Recipient's employment for which either criminal or civil penalties against the Award Recipient may be sought, (b) conduct or activity that results in termination of the Award Recipient's employment for cause, (c) violation of the Company's policies, including, without limitation, the Company's insider trading, ethics and corporate compliance policies and programs, (d) participating in the public reporting of any financial or operating result that was impacted by the participant's knowing or intentional fraudulent or illegal conduct; (e) accepting employment with, acquiring a 5% or more equity or participation interest in, serving as a consultant, advisor, director or agent of, directly or indirectly soliciting or recruiting any employee of the Company who was employed at any time during the Award Recipient's tenure with the Company, or otherwise assisting in any other capacity or manner any company or enterprise that is directly or indirectly in competition with or acting against the interests of the Company or any of its lines of business (a "competitor"), except for (i) any isolated, sporadic accommodation or assistance provided to a competitor, at its request, by the Award Recipient during the Award Recipient's tenure with the Company, but only if provided in the good faith and reasonable belief that such action would benefit the Company by promoting good business relations with the competitor and would not harm the Company's interests in any substantial manner or (ii) any other service or assistance that is provided at the request or with the written permission of the Company, (f) disclosing or misusing any confidential information or material concerning the Company, (g) engaging in, promoting, assisting or otherwise participating in a hostile takeover attempt of the Company or any other transaction or proxy contest that could reasonably be expected to result in a Change of

Control not approved by the Board or (h) making any statement or disclosing any information to any customers, suppliers, lessors, lessees, licensors, licensees, regulators, employees or others with whom the Company engages in business that is defamatory or derogatory with respect to the business, operations, technology, management, or other employees of the Company, or taking any other action that could reasonably be expected to injure the Company in its business relationships with any of the foregoing parties or result in any other detrimental effect on the Company, then the award of Restricted Stock granted hereunder shall automatically terminate and be forfeited effective on the date on which the Award Recipient engages in such activity and (1) all shares of Common Stock acquired by the Award Recipient pursuant to this Agreement (or other securities into which such shares have been converted or exchanged) shall be returned to the Company or, if no longer held by the Award Recipient, the Award Recipient shall pay to the Company, without interest, all cash, securities or other assets received by the Award Recipient upon the sale or transfer of such stock or securities, and (2) all unvested shares of Restricted Stock shall be forfeited.

4.2 If the Award Recipient owes any amount to the Company under Section 4.1 above, the Award Recipient acknowledges that the Company may, to the fullest extent permitted by applicable law, deduct such amount from any amounts the Company owes the Award Recipient from time to time for any reason (including without limitation amounts owed to the Award Recipient as salary, wages, reimbursements or other compensation, fringe benefits, retirement benefits or vacation pay). Whether or not the Company elects to make any such set-off in whole or in part, if the Company does not recover by means of set-off the full amount the Award Recipient owes it, the Award Recipient hereby agrees to pay immediately the unpaid balance to the Company.

4.3 The Award Recipient may be released from the Award Recipient's obligations under Sections 4.1 and 4.2 above only if the Committee determines in its sole discretion that such action is in the best interests of the Company.

5.
STOCK CERTIFICATES

No stock certificates evidencing the Restricted Stock shall be issued by CenturyLink until the lapse of restrictions under the terms hereof. Instead, ownership of the Restricted Stock shall be evidenced by a book entry with the applicable restrictions reflected. Upon the lapse of restrictions on shares of Restricted Stock, CenturyLink shall issue the vested shares of Restricted Stock (either through book entry issuances or delivery of a stock certificate) in the name of the Award Recipient or his or her nominee, subject to the other terms and conditions hereof, including those governing any withholdings of shares under Section 6 below. Upon receipt of any such vested shares, the Award Recipient is free to hold or dispose of such shares, subject to (i) applicable securities laws, (ii) CenturyLink's policy statement on insider trading, and (iii) CenturyLink's stock ownership guidelines then in effect.

6.
WITHHOLDING TAXES

Notwithstanding any Plan provision to the contrary, at the time that all or any portion of the Restricted Stock vests, CenturyLink will withhold from the shares the Award Recipient otherwise would receive hereunder the number of whole shares of Common Stock, rounding up if necessary, having a value equal to the minimum statutory amount required to be withheld under federal, state and local law.

7.
ADDITIONAL CONDITIONS

Anything in this Agreement to the contrary notwithstanding, if, at any time prior to the vesting of the Restricted Stock in accordance with Section 1 or 2 hereof, CenturyLink further determines, in its sole discretion, that the listing, registration or qualification (or any updating of any such document) of the shares of Common Stock issuable pursuant hereto is necessary on any securities exchange or under any federal or state securities or blue sky law, or that the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with the issuance of shares of Common Stock pursuant thereto, or the removal of any restrictions imposed on such shares, such shares of Common Stock shall not be issued, in whole or in part, or the restrictions thereon removed, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to CenturyLink. CenturyLink agrees to use commercially reasonable efforts to issue all shares of Common Stock issuable hereunder on the terms provided herein.

8.
NO CONTRACT OF EMPLOYMENT INTENDED

Nothing in this Agreement shall confer upon the Award Recipient any right to continue in the employment of the Company, or to interfere in any way with the right of the Company to terminate the Award Recipient's employment relationship with the Company at any time.

9.
BINDING EFFECT

Upon being duly executed and delivered by CenturyLink and the Award Recipient, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, legal representatives and successors. Without limiting the generality of the foregoing, whenever the term "Award Recipient" is used in any provision of this Agreement under circumstances where the provision appropriately applies to the heirs, executors, administrators or legal representatives to whom this award may be transferred by will or by the laws of descent and distribution, the term "Award Recipient" shall be deemed to include such person or persons.

10.
INCONSISTENT PROVISIONS

The shares of Restricted Stock granted hereby are subject to the terms, conditions, restrictions and other provisions of the Plan as fully as if all such provisions were set forth in their entirety in this Agreement. If any provision of this Agreement conflicts with a provision of the Plan, the Plan provision shall control, except with regard to this Agreement's limitations on the Committee's discretion provided in the last sentence of Section 2.6. The Award Recipient acknowledges receipt from CenturyLink of a copy of the Plan and a prospectus summarizing the Plan and further acknowledges that the Award Recipient was advised to review such materials prior to entering into this Agreement. The Award Recipient waives the right to claim that the provisions of the Plan are not binding upon the Award Recipient and the Award Recipient's heirs, executors, administrators, legal representatives and successors.

11.
ATTORNEYS' FEES AND EXPENSES

Should any party hereto retain counsel for the purpose of enforcing, or preventing the breach of, any provision hereof, including, but not limited to, the institution of any action or proceeding in court to enforce any provision hereof, to enjoin a breach of any provision of this Agreement, to obtain specific performance of any provision of this Agreement, to obtain monetary or liquidated damages for failure to perform any provision of this Agreement, or for a declaration of such parties' rights or obligations hereunder, or for any other judicial remedy, then the prevailing party shall be entitled to be reimbursed by the losing party for all costs and expenses incurred thereby, including, but not limited to, attorneys' fees (including costs of appeal).

12.
GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Louisiana.

13.
SEVERABILITY

If any term or provision of this Agreement, or the application thereof to any person or circumstance, shall at any time or to any extent be invalid, illegal or unenforceable in any respect as written, the Award Recipient and CenturyLink intend for any court construing this Agreement to modify or limit such provision so as to render it valid and enforceable to the fullest extent allowed by law. Any such provision that is not susceptible of such reformation shall be ignored so as to not affect any other term or provision hereof, and the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable, shall not be affected thereby and each term and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

14.
ENTIRE AGREEMENT; MODIFICATION

The Plan and this Agreement contain the entire agreement between the parties with respect to the subject matter contained herein. This Agreement may not, without the Award Recipient's consent, be amended or modified so as to materially adversely affect the Award Recipient's rights under this Agreement, except (i) as provided in the Plan, as it may be amended from time to time in the manner provided therein, or (ii) by a written document signed by each of the parties hereto. Any oral or written agreements, representations, warranties, written inducements, or other communications with respect to the subject matter contained herein made prior to the execution of the Agreement shall be void and ineffective for all purposes.

15.
ELECTRONIC DELIVERY AND EXECUTION OF DOCUMENTS

15.1 The Company may, in its sole discretion, deliver any documents related to the Award Recipient's current or future participation in the Plan or any other equity compensation plan of the Company by electronic means or request Award Recipient's consent to the terms of an award by electronic means. The plan documents may, but do not necessarily, include: the Plan, any grant notice, this Agreement, the Plan prospectus, and any reports of CenturyLink provided generally to CenturyLink's shareholders. In addition, the Award Recipient may deliver by electronic means any grant notice or award agreement to the Company or to such third party involved in administering the applicable plan as the Company may designate from time to time. Such means of electronic delivery may include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the applicable plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company. By accepting the terms of this Agreement, the Award Recipient also hereby consents to participate in such plans and to execute agreements setting the terms of participation through an on-line or electronic system as described herein.

15.2 The Award Recipient acknowledges that the Award Recipient has read Section 15.1 of this Agreement and consents to the electronic delivery and electronic execution of plan documents as described in Section 15.1. The Award Recipient acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Award Recipient by contacting the Company by telephone or in writing. The Award Recipient further acknowledges that the Award Recipient will be provided with a paper copy of any documents if the attempted electronic delivery of such documents to the Award Recipient fails. Similarly, the Award Recipient understands that the Award Recipient must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents by the Award Recipient fails. The Award Recipient may revoke his or her consent to the electronic delivery and execution of documents described in Section 15.1 or may change the electronic mail address to which such documents are to be delivered (if Award Recipient has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Award Recipient understands that he or she is not required to consent to electronic delivery or execution of documents described in Section 15.1

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered effective as of the day and year first above written.

CENTURYLINK, INC.

By: ______________________________
Glen F. Post, III
Chief Executive Officer and President

____
James E. Ousley
Award Recipient

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Section 6: EX-12 (EX-12)

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 12

CENTURYLINK, INC.

CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES
(UNAUDITED)

	Years Ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
	(Dollars in millions)				
Income before income tax expense	$ 948	1,531	813	561	620
Less: Income from equity investee	(13)	(16)	(19)	(13)	(16)
Add: estimated fixed charges	1,223	615	418	229	245
Add: estimated amortization of capitalized interest	12	2	2	1	2
Add: distributed income of equity investee	14	16	20	16	10
Less: interest capitalized	(25)	(13)	(3)	(2)	(2)
Total earnings available for fixed charges	$ 2,159	2,135	1,231	792	859
Estimate of interest factor on rentals	126	57	48	27	31
Interest expense, including amortization of premiums, discounts and debt issuance costs	1,072	545	367	200	212
Interest capitalized	25	13	3	2	2
Total fixed charges	$ 1,223	615	418	229	245
Ratio of earnings to fixed charges	1.77	3.47	2.94	3.46	3.51

QuickLinks

Exhibit 12

CENTURYLINK, INC. CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES (UNAUDITED)
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Section 7: EX-21 (EX-21)

EXHIBIT 21

CENTURYLINK, INC.
SUBSIDIARIES OF THE REGISTRANT
AS OF DECEMBER 31, 2011

Subsidiary	State of incorporation or formation
Actel, LLC	Delaware
Bloomingdale Telephone Company, Inc. (20%)	Michigan
Century Cellunet International, Inc.	Louisiana
Cellunet of India Limited	Mauritius
Century Interactive Fax, Inc.	Louisiana
Century Telephone of West Virginia, Inc.	West Virginia
CenturyTel Acquisition LLC	Louisiana
CenturyTel of Adamsville, Inc.	Tennessee
CenturyTel of Arkansas, Inc.	Arkansas
CenturyTel Broadband Services, LLC	Louisiana
CenturyTel TeleVideo, Inc.	Wisconsin
CenturyTel/Teleview of Wisconsin, Inc.	Wisconsin
Qwest Broadband Services, Inc.	Delaware
CenturyTel Broadband Wireless, LLC	Louisiana
CenturyTel of Central Indiana, Inc.	Indiana
CenturyTel of Central Louisiana, LLC	Louisiana
CenturyTel of Chatham, LLC	Louisiana
CenturyTel of Chester, Inc.	Iowa
CenturyTel of Claiborne, Inc.	Tennessee
CenturyTel of East Louisiana, LLC	Louisiana
CenturyTel of Evangeline, LLC	Louisiana
CenturyTel Fiber Company II, LLC	Louisiana
CenturyTel Holdings, Inc.	Louisiana
Century Marketing Solutions, LLC	Louisiana
CenturyTel Arkansas Holdings, Inc.	Arkansas
CenturyTel of Central Arkansas, LLC	Louisiana
CenturyTel of Northwest Arkansas, LLC	Louisiana
CenturyTel Holdings Alabama, Inc.	Alabama
CenturyTel of Alabama, LLC	Louisiana
CenturyTel Holdings Missouri, Inc.	Missouri
CenturyTel of Missouri, LLC	Louisiana

CenturyTel Investments of Texas, Inc.	Delaware
CenturyTel of the Northwest, Inc.	Washington
Brown Equipment Corp.	Nevada
Carter Company, Inc.	Hawaii
Honomach PR, Inc.	Puerto Rico
Cascade Autovon Company	Washington
CenturyTel/Cable Layers, Inc.	Wisconsin
CenturyTel of Central Wisconsin, LLC	Delaware
CenturyTel of Colorado, Inc.	Colorado

CenturyTel of Eagle, Inc.	Colorado
CenturyTel of Eastern Oregon, Inc.	Oregon
CenturyTel Entertainment, Inc.	Washington
CenturyTel of Fairwater-Brandon-Alto, LLC	Delaware
CenturyTel of Forestville, LLC	Delaware
CenturyTel of the Gem State, Inc. (97%)	Idaho
CenturyTel of Inter Island, Inc.	Washington
CenturyTel of Larsen-Readfield, LLC	Delaware
CenturyTel of the Midwest-Kendall, LLC	Delaware
CenturyTel of the Midwest-Wisconsin, LLC	Delaware
CenturyTel of Minnesota, Inc.	Minnesota
CenturyTel of Monroe County, LLC	Delaware
CenturyTel of Montana, Inc. (99%)	Oregon
CenturyTel of Northern Wisconsin, LLC	Delaware
CenturyTel of Northwest Wisconsin, LLC	Delaware
CenturyTel of Oregon, Inc.	Oregon
CenturyTel of Paradise, Inc.	Washington
CenturyTel of Cowiche, Inc.	Washington
CenturyTel of Postville, Inc.	Iowa
CenturyTel of Southern Wisconsin, LLC	Delaware
CenturyTel of the Southwest, Inc.	New Mexico
CenturyTel Telecom Service, Inc.	Washington
CenturyTel Telephone Utilities, Inc.	Washington
CenturyTel of Upper Michigan, Inc.	Michigan
CenturyTel of Washington, Inc.	Washington
CenturyTel/WORLDVOX, Inc.	Oregon
CenturyTel of Wyoming, Inc.	Wyoming
Eagle Valley Communications Corporation	Colorado

International Communications Holdings, Inc.	Delaware
Pacific Telecom, Inc. (Shell)	Oregon
PTI Communications of Ketchikan, Inc.	Alaska
PTI Communications of Minnesota, Inc.	Minnesota
PTI Transponders, Inc.	Oregon
Universal Manufacturing Corp.	Wisconsin
CenturyTel of Idaho, Inc.	Delaware
CenturyTel Interactive Company	Louisiana
CenturyTel Internet Holdings, Inc.	Louisiana
centurytel.com, LLC	Louisiana
CenturyTel Investments, LLC	Louisiana
CenturyTel Long Distance, LLC	Louisiana
CenturyTel of Michigan, Inc.	Michigan
CenturyTel Midwest - Michigan, Inc.	Michigan
CenturyTel Mobile Communications, Inc.	Louisiana
CenturyTel of Mountain Home, Inc.	Arkansas
CenturyTel of North Louisiana, LLC	Louisiana
CenturyTel of North Mississippi, Inc.	Mississippi
CenturyTel of Northern Michigan, Inc.	Michigan
CenturyTel of Northwest Louisiana, Inc.	Louisiana
CenturyTel of Odon, Inc.	Indiana
CenturyTel of Ohio, Inc.	Ohio
CenturyTel of Ooltewah-Collegedale, Inc.	Tennessee
CenturyTel of Port Aransas, Inc.	Texas
CenturyTel of Redfield, Inc.	Arkansas
CenturyTel of Ringgold, LLC	Louisiana
CenturyTel SM Telecorp, Inc.	Texas
CenturyTel Telecommunications, Inc.	Texas
CenturyTel of San Marcos, Inc.	Texas
CenturyTel San Marcos Investments, LLC	Delaware
CenturyTel Security Systems, Inc.	Louisiana
CenturyTel Service Group, LLC	Louisiana
CenturyTel Solutions, LLC	Louisiana
CenturyTel of South Arkansas, Inc.	Arkansas
CenturyTel of Southeast Louisiana, LLC	Louisiana
CenturyTel of Southwest Louisiana, LLC	Louisiana
CenturyTel Supply Group, Inc.	Louisiana
CenturyTel/Tele-Max, Inc.	Texas

Subsidiary	State or Jurisdiction of Incorporation
CenturyTel of Lake Dallas, Inc.	Texas
CenturyTel Web Solutions, LLC	Louisiana
CenturyTel of Wisconsin, LLC	Louisiana
Embarq Corporation	Delaware
Carolina Telephone and Telegraph Company LLC	North Carolina
NOCUTS, Inc.	Pennsylvania
SC One Company	Kansas
Centel Corporation	Kansas
Centel Capital Corporation	Delaware
Centel-Texas, Inc.	Texas
Central Telephone Company of Texas	Texas
EQ Central Texas Equipment LLC	Texas
Central Telephone Company	Delaware
Central Telephone Company of Virginia	Virginia
Embarq Florida, Inc.	Florida
The Winter Park Telephone Company	Florida
CenturyLink Sales Solutions, Inc.	Delaware
Embarq, Inc.	Kansas
Embarq Capital Corporation	Delaware
SC Seven Company	Delaware
Embarq Communications, Inc.	Delaware
Embarq Communications of Virginia, Inc.	Virginia
Embarq Holdings Company LLC	Delaware
Embarq Directory Trademark Company, LLC	Delaware
Embarq Interactive Holdings LLC	Delaware
Embarq Interactive Markets LLC	Delaware
Embarq Management Company	Delaware
EQ Management Equipment LP	Nevada
Embarq Mid-Atlantic Management Services Company	North Carolina
Embarq Minnesota, Inc.	Minnesota
Embarq Missouri, Inc.	Missouri
SC Eight Company	Kansas
Embarq Network Company LLC	Delaware
Embarq Payphone Services, Inc.	Florida
EQ Equipment Leasing, Inc.	Delaware

United Telephone Company of the Carolinas LLC	South Carolina
SC Two Company	Kansas
United Telephone Company of Eastern Kansas	Delaware
United Telephone Company of Florida	Florida
Vista-United Telecommunications (49%)	Florida
United Telephone Company of Indiana, Inc.	Indiana
SC Four Company	Kansas
United Telephone Company of Kansas	Kansas
Embarq Midwest Management Services Company	Kansas
United Teleservices, Inc.	Kansas
United Telephone Company of New Jersey, Inc.	New Jersey
United Telephone Company of the Northwest	Oregon
United Telephone Company of Ohio	Ohio
SC Five Company	Kansas
United Telephone Company of Pennsylvania LLC, The	Pennsylvania
SC Six Company	Kansas
Valley Network Partnership (40% aggregate)	Virginia
United Telephone Company of Southcentral Kansas	Arkansas
United Telephone Company of Texas, Inc.	Texas
EQ United Texas Equipment LLC	Texas
United Telephone Company of the West	Delaware
United Telephone Southeast LLC	Virginia
SC Three Company	Kansas
Hillsboro Telephone Company, Inc. (20%)	Wisconsin
Lafayette MSA Limited Partnership (49%)	Delaware

Madison River Communications Corp.	Delaware
Gallatin River Holdings L.L.C.	Delaware
Gallatin River Communications L.L.C.	Delaware
Madison River Communications, LLC	Delaware
Gulf Communications, LLC	Delaware
Savannah River Communications, LLC	Delaware
Madison River Finance Corp.	Delaware
Madison River Holdings LLC	Delaware
Madison River LTD Funding LLC	Delaware
Coastal Communications, Inc.	Delaware
Coastal Utilities, Inc.	Georgia
Coastal Long Distance Services LLC	Georgia
Gulf Coast Services, Inc.	Alabama

Subsidiary	**State or Jurisdiction of Incorporation**
Gulf Long Distance LLC	Alabama
Gulf Telephone Company	Alabama
Madison River Management LLC	Delaware
Mebtel, Inc.	North Carolina
Pacific Telecom Cellular of Alaska RSA #1, Inc.	Alaska
Qwest Communications International, Inc.	Delaware
EUnet International Limited	United Kingdom
EUnet International B.V.	Netherlands
Qwest B.V.	Netherlands
KPNQwest N.V. (44.34%)	Netherlands
Qwest B.V.	Netherlands
Qwest Capital Funding, Inc.	Colorado
Qwest Europe LLC	Delaware
Qwest Foundation	Colorado
Qwest Services Corporation	Colorado
CenturyLink Investment Management Company	Colorado
Qwest Communications Company, LLC	Delaware
Qwest Communications Corporation of Virginia	Virginia
Qwest International Services Corporation	Delaware
Qwest N Limited Partnership (98.5%)	Delaware
Qwest Transoceanic, Inc.	Delaware
Qwest Communications International Ltd.	United Kingdom
Qwest Holdings, BV	Netherlands
Qwest France SAS	France
Qwest Germany GmbH	Germany
Qwest Netherlands BV	Netherlands
Qwest Peru S.R.L.	Peru
Qwest Telecommunications Asia, Limited	Hong Kong
Qwest Australia Pty Limited	Australia
Qwest Communications Japan Corporation	Japan
Qwest Communications Korea, Limited	Korea
Qwest Hong Kong Telecommunications, Limited	Hong Kong
Qwest Singapore Pte Ltd.	Singapore
Qwest Taiwan Telecommunications, Limited	Taiwan
Qwest Corporation	Colorado

1200 Landmark Center Condominium Association, Inc.	Nebraska
CenturyLink Technologies India Private Limited	India
Block 142 Parking Garage Association	Colorado
Qwest Database Services, Inc.	Colorado
SMS/800, Inc. (33.3%)	District of Columbia
Qwest India Holdings, LLC	Delaware
CenturyLink Technologies India Private Limited	India
The El Paso County Telephone Company	Colorado
MoveARoo, LLC (33.3%)	Delaware
Qwest Dex Holdings, Inc.	Delaware
Qwest Government Services, Inc.	Colorado
Qwest LD Corp.	Delaware

Qwest Wireless, L.L.C.	Delaware
SAVVIS, Inc.	Delaware
SAVVIS Argentina S.A.	Argentina
SAVVIS Australia Pty. Ltd.	Australia
SAVVIS Canada, Inc.	Delaware
SAVVIS Communications Canada, Inc.	Canada
2099418 Ontario Corp.	Ontario
SAVVIS Communications Chile, S.A.	Chile
SAVVIS Communications Corporation	Missouri
SAVVIS Federal Systems, Inc.	Delaware
SAVVIS Communications International, Inc.	Delaware
SAVVIS Communications Private Limited	India
SAVVIS Korea Limited	Korea
SAVVIS Communications K.K.	Japan
SAVVIS do Brasil Ltda.	Brazil
SAVVIS Telecommunicacões Ltda.	Brazil
SAVVIS do Brasil Participacoes Ltda.	Brazil
SAVVIS Comunicacoes Ltda.	Brazil
SAVVIS Europe B.V.	Netherlands
SAVVIS Europe BV Sucursal en España	Spain
SAVVIS Europe B.V., The Netherlands, filial Sweden	Sweden
SAVVIS France S.A.S.	France
SAVVIS Germany GmbH	Germany
SAVVIS Hong Kong Ltd.	Hong Kong
SAVVIS Hungary Telecommunications KFT	Hungary
SAVVIS Italia S.r.l.	Italy

Subsidiary	State or Jurisdiction of Incorporation
SAVVIS Malaysia Sd. Ltd.	Malaysia
SAVVIS Mexico, S.A. de C.V.	Mexico
SAVVIS New Zealand Limited	New Zealand
SAVVIS Philippines, Inc.	Philippines
SAVVIS Poland Sp Zo.o.	Poland
SAVVIS Singapore Company Pte. Ltd.	Singapore
SAVVIS Switzerland A.G.	Switzerland
SAVVIS Taiwan Limited	Taiwan
SAVVIS (Thailand) Limited	Thailand
SAVVIS U.K. Limited	United Kingdom
SkyComm Technologies Corporation (50.0%)	Delaware
Spectra Communications Group, LLC	Delaware
TelUSA Holdings, LLC (89%)	Delaware
Telephone USA of Wisconsin, LLC	Delaware
Western Re, Inc.	Vermont

Certain of the Company's smaller subsidiaries have been intentionally omitted from this exhibit pursuant to rules and regulations of the Securities and Exchange Commission.

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Section 8: EX-23 (EX-23)

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
CenturyLink, Inc.:

We consent to the incorporation by reference in the Registration Statement (No. 333-165607) on Form S-3, the Registration Statements (No. 33-60061, No. 333-160391, No. 333-37148, No. 333-60806, No. 333-150157, No. 333-124854, No. 333-174291, No. 333-167339, No. 333-150188, and No. 333-

174571) on Form S-8, and the Registration Statements (No. 33-48956, No. 333-17015, No. 333-167339, No. 333-174291, and No. 333-155521) on Form S-4 of CenturyLink, Inc. of our reports dated February 27, 2012, with respect to the consolidated balance sheets of CenturyLink, Inc. and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive income, cash flows, and stockholders' equity for each of the years in the three-year period ended December 31, 2011, and related financial statement schedule, and the effectiveness of internal control over financial reporting as of December 31, 2011, which reports appear in the December 31, 2011 annual report on Form 10-K of CenturyLink, Inc.

/s/ KPMG LLP

Shreveport, Louisiana
February 27, 2012

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Section 9: EX-31.1 (EX-31.1)

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Exhibit 31.1

CERTIFICATION

I, Glen F. Post, III, Chief Executive Officer and President, certify that:

1. I have reviewed this annual report on Form 10-K of CenturyLink, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2012	/s/ Glen F. Post, III
	Glen F. Post, III
	Chief Executive Officer and President

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Section 10: EX-31.2 (EX-31.2)

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Exhibit 31.2

CERTIFICATION

I, R. Stewart Ewing, Jr., Executive Vice President, Chief Financial Officer and Assistant Secretary, certify that:

1. I have reviewed this annual report on Form 10-K of CenturyLink, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2012	/s/ R. Stewart Ewing, Jr.
	R. Stewart Ewing, Jr.

Executive Vice President, Chief
Financial Officer and Assistant
Secretary

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Exhibit 31.2

CERTIFICATION
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Section 11: EX-32 (EX-32)

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Exhibit 32

Chief Executive Officer and Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Each of the undersigned, acting in his capacity as the Chief Executive Officer or Chief Financial Officer of CenturyLink, Inc. ("CenturyLink"), certifies that, to his knowledge, the Annual Report on Form 10-K for the year ended December 31, 2011 of CenturyLink fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of CenturyLink as of the dates and for the periods covered by such report.

A signed original of this statement has been provided to CenturyLink and will be retained by CenturyLink and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: February 27, 2012

/s/ Glen F. Post, III	/s/ R. Stewart Ewing, Jr.
Glen F. Post, III	R. Stewart Ewing, Jr.
Chief Executive Officer and President	Executive Vice President, Chief Financial Officer and Assistant Secretary

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Section 1: 10-K (10-K)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2012

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No. 001-7784

CenturyLink™

CENTURYLINK, INC.
(Exact name of registrant as specified in its charter)

Louisiana	**72-0651161**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $1.00	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: Stock Options

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

On February 15, 2013, 625,822,780 shares of common stock were outstanding. The aggregate market value of the voting stock held by non-affiliates as of June 30, 2012 was $24.5 billion.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's Proxy Statement to be furnished in connection with the 2013 annual meeting of shareholders are incorporated by reference in Part III of this Annual Report.

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Unless the context requires otherwise, references in this report to "CenturyLink," "we," "us" and "our" refer to CenturyLink, Inc. and its consolidated subsidiaries, including SAVVIS, Inc. and its consolidated subsidiaries (referred to as "Savvis") for periods on or after July 15, 2011 and Qwest Communications International Inc. and its consolidated subsidiaries (referred to as "Qwest") for periods on or after April 1, 2011.

PART I

ITEM 1. BUSINESS

Overview

We are an integrated communications company engaged primarily in providing an array of communications services to our residential, business, governmental and wholesale customers. Our communications services include local and long-distance, network access, private line (including special access), public access, broadband, data, managed hosting (including cloud hosting), colocation, wireless and video services. In certain local and regional markets, we also provide local access and fiber transport services to competitive local exchange carriers ("CLECs") and security monitoring. We strive to maintain our customer relationships by, among other things, bundling our service offerings to provide our customers with a complete offering of integrated communications services.

Based on our 13.7 million of total access lines at December 31, 2012, we were the third largest telecommunications company in the United States. We operate almost 75% of our total access lines in portions of Colorado, Washington, Arizona, Minnesota, Florida, North Carolina, Oregon, Iowa, Utah, New Mexico, Missouri and Nevada. We also provide local service in portions of Idaho, Ohio, Wisconsin, Virginia, Texas, Pennsylvania, Montana, Alabama, Nebraska, Indiana, Arkansas, Tennessee, Wyoming, New Jersey, North Dakota, South Dakota, Kansas, Michigan, Louisiana, South Carolina, Illinois, Georgia, Mississippi, Oklahoma and California. In the portion of these 37 states where we have access lines, which we refer to as our local service area, we are the incumbent local telephone company. We also operate 54 data centers throughout North America, Europe and Asia. We define a data center as any facility where we market, sell and deliver either colocation services or multi-tenant managed services, or both.

We were incorporated under the laws of the State of Louisiana in 1968. Our principal executive offices are located at 100 CenturyLink Drive, Monroe, Louisiana 71203 and our telephone number is (318) 388-9000.

For a discussion of certain risks applicable to our business, financial condition and results of operations, see "Risk Factors" in Item 1A of this report. The summary financial information in this section should be read in conjunction with, and is qualified by reference to, our consolidated financial statements and notes thereto in Item 8 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this report.

Acquisitions

Acquisition of Savvis

On July 15, 2011, we acquired all of the outstanding common stock of Savvis, a provider of cloud hosting, managed hosting, colocation and network services in domestic and international markets. We believe this acquisition enhanced our ability to provide information technology services to our existing business customers and strengthened our ability to attract new business customers. Each share of Savvis common stock outstanding immediately prior to the acquisition converted into the right to receive $30 per share in cash and 0.2479 shares of CenturyLink common stock. The aggregate consideration of $2.382 billion was based on:

- cash payments of $1.732 billion;

- the 14.313 million shares of CenturyLink common stock issued to consummate the acquisition;
- the closing stock price of CenturyLink common stock at July 14, 2011 of $38.54; and
- the estimated net value of the pre-combination portion of certain share-based compensation awards assumed by CenturyLink of $98 million, of which $33 million was paid in cash.

Upon completing the acquisition, we also paid $547 million to retire certain pre-existing Savvis debt and accrued interest.

Acquisition of Qwest

On April 1, 2011, we acquired all of the outstanding common stock of Qwest, a provider of data, broadband, video and voice services nationwide and globally. We entered into this acquisition, among other things, to realize certain strategic benefits, including enhanced financial and operational scale, market diversification and leveraged combined networks. As of the acquisition date, Qwest served approximately 9.0 million access lines and approximately 3.0 million broadband subscribers across 14 states. Each share of Qwest common stock outstanding immediately prior to the acquisition converted into the right to receive 0.1664 shares of CenturyLink common stock, with cash paid in lieu of fractional shares. The aggregate consideration of $12.273 billion was based on:

- the 294 million shares of CenturyLink common stock issued to consummate the acquisition;
- the closing stock price of CenturyLink common stock at March 31, 2011 of $41.55;
- the estimated net value of the pre-combination portion of share-based compensation awards assumed by CenturyLink of $52 million (excluding the value of restricted stock included in the number of issued shares specified above); and
- cash paid in lieu of the issuance of fractional shares of $5 million.

We assumed approximately $12.7 billion of long-term debt in connection with our acquisition of Qwest.

Effect of Recent Acquisitions

Our acquisitions in 2011 resulted in several important changes to our operations, including:

- providing services to an expanded number of densely-populated markets, which tend to afford consumers access to a greater range of competitive communications products than less dense markets;
- reducing the percentage of our total revenue derived from governmental support programs, which typically focus on disbursing payments to companies operating in less densely-populated areas;
- expanding and reconfiguring our operating regions to incorporate the Qwest service areas in order to provide day-to-day decision making at the regional level as opposed to the more centralized structures formerly used by Qwest; and
- offering certain services, such as cloud hosting, that CenturyLink did not historically provide.

Other Acquisitions

On July 1, 2009, we acquired all of the outstanding common stock of Embarq Corporation ("Embarq"), a provider of data, Internet, video and voice services for stock valued at approximately $6.1 billion on the acquisition date. As of the acquisition date, Embarq served approximately 5.4 million access lines and approximately 1.5 million broadband subscribers across 18 states. We assumed approximately $4.9 billion of long-term debt in connection with our acquisition of Embarq.

We regularly evaluate the possibility of acquiring additional assets in exchange for cash, securities or other properties, and at any given time may be engaged in discussions or negotiations regarding additional acquisitions. We generally do not announce our acquisitions or dispositions until we have entered into a preliminary or definitive agreement.

References to Acquired Businesses

In the discussion that follows, we refer to the incremental business activities that we now operate as a result of the Savvis acquisition and the Qwest acquisition as "Legacy Savvis" and "Legacy Qwest", respectively. References to "Legacy CenturyLink", when used in comparison of our consolidated results for the years ended December 31, 2012 and 2011, mean the business we operated prior to the Qwest and Savvis acquisitions.

Financial and Operational Highlights

The following table summarizes the results of our consolidated operations. Our operating results include the operations of Savvis for periods after July 15, 2011 and Qwest for periods after April 1, 2011.

	Years Ended December 31,		
	2012	2011	2010
	(Dollars in millions)		
Operating revenues	$ 18,376	15,351	7,042
Operating expenses	15,663	13,326	4,982
Operating income	$ 2,713	2,025	2,060
Net income	$ 777	573	948

	December 31,	
	2012	2011
	(Dollars in millions)	
Balance sheet data:		
Total assets	$ 54,020	56,044
Total long-term debt(1)	20,605	21,836
Total stockholders' equity	19,289	20,827

(1) Total long-term debt is the sum of current maturities of long-term debt and long-term debt on our consolidated balance sheets. For total obligations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Future Contractual Obligations" in Item 7 of this report.

The following table summarizes certain of our operational metrics:

	As of December 31,		
	2012	2011	2010
	(in thousands)		
Operational metrics:			
Total broadband subscribers(1)	5,848	5,652	2,349
Total access lines(2)	13,748	14,584	6,489

(1) Broadband subscribers are customers that purchase high-speed Internet connection service through their existing telephone lines and fiber-optic cables.

(2) Access lines are telephone lines reaching from the customers' premises to a connection with the public switched telephone network, or PSTN.

During the second quarter of 2012, we updated our methodology for counting broadband subscribers to include residential, business and wholesale subscribers instead of only residential and small business subscribers. We have restated our previously reported amounts to reflect this change.

Substantially all of our long-lived assets are located in the United States and substantially all of our revenues are from customers located in the United States. We estimate that less than 2% of our consolidated revenue is derived from providing telecommunications and data hosting services outside the United States.

Operations

Segments

Since acquiring Qwest and Savvis in 2011, we have reorganized our operations and associated reporting segments on three occasions, including in 2012 and early 2013.

During the second quarter of 2012, in order to more effectively deploy the strategic assets acquired from Qwest and Savvis and to better serve our business and government customers, we internally restructured our business into the following operating segments:

- *Regional markets.* Consists primarily of providing strategic and legacy products and services to residential consumers, state and local governments, small to medium-sized businesses and enterprise customers that in each case are located mainly within one of our six regions. Our strategic products and services offered to these customers include our private line, broadband, MPLS, hosting, video services and wireless services. Our legacy services offered to these customers consist primarily of local and long-distance service;

- *Wholesale markets.* Consists primarily of providing strategic and legacy products and services to other domestic and international communications providers. Our strategic products and services offered to these customers are mainly private line (including special access) and MPLS. Our legacy services offered to these customers include UNEs which allow our wholesale customers the use of our network or a combination of our network and their own networks to provide voice and data services to their customers, long-distance and switched access services;

- *Enterprise markets—network.* Consists primarily of providing strategic and legacy network communications products and services to national and international enterprise and government customers. Our strategic products and services offered to these customers include our private line, broadband, MPLS and hosting services. Our legacy services offered to these customers consist primarily of local and long-distance services; and

- *Enterprise markets—data hosting.* Consists primarily of providing colocation, managed hosting and cloud hosting services to national and international enterprise and government customers.

The following table shows the composition of our revenues by segment for 2012 and 2011 under our segment categorization as of December 31, 2012.

	Years Ended December 31,		
	2012	2011	Change
Percentage of revenue:			
Regional markets	54%	57%	(3%)
Wholesale markets	20%	22%	(2%)
Enterprise markets—network	14%	13%	1%
Enterprise markets—data hosting	6%	3%	3%
Other operating revenues	6%	5%	1%
Total	100%	100%	

For additional information on our segment data, including our 2010 segment results and information on certain centrally-managed assets and expenses not reflected in our segment reports, see Note 13—Segment Information to the consolidated financial statements in Item 8 of this report and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this report.

On January 3, 2013, we announced a reorganization of our operating segments. Beginning with the first quarter of 2013, we will report the following four segments in our consolidated financial statements: consumer, business, wholesale and data hosting. For additional information on this change, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this report.

Products and Services

Our products and services include a variety of voice, broadband, data, information technology ("IT"), video and other communications services. In 2011, we expanded our IT services to include cloud hosting, managed hosting, colocation and network services.

We offer our customers the ability to bundle together several products and services. For example, we offer integrated and unlimited local and long-distance services. Our customers can also bundle two or more services such as broadband, video (including DIRECTV through our strategic partnership), voice and Verizon Wireless (through our strategic partnership) services. We believe our customers value the convenience and price discounts associated with receiving multiple services through a single company.

Most of our products and services are provided using our telecommunications network, which consists of voice and data switches, copper cables, fiber-optic cables and other equipment. Our network serves approximately 13.7 million access lines and forms a portion of the public switched telephone network, or PSTN.

Described below are our key products and services.

Strategic Services

Our customers use our strategic services to access the Internet, connect to private networks and transmit data. We also provide value-added services and integrated solutions that make communications more secure, reliable and efficient for our customers. We focus our marketing and sales efforts on these services:

- *Private line.* Private line (including special access) is a direct circuit or channel specifically dedicated for the purpose of directly connecting two or more sites. Private line offers a high-speed, secure solution for frequent transmission of large amounts of data between sites. We also provide private line transmission services to wireless service providers that use our fiber-optic cables connected to their towers, commonly referred to as fiber to the tower or wireless backhaul services, to support their next generation wireless networks;

- *Broadband.* Our broadband services allow customers to connect to the Internet through their existing telephone lines and fiber-optic cables at high speeds. Substantially all of our broadband subscribers are located within our local service area;

- *MPLS.* Multi-Protocol Label Switching is standards-approved data networking technology, compatible with existing asynchronous transfer mode, or ATM, and frame relay networks we provide to support real-time voice and video. This technology allows network operators flexibility to divert and route traffic around link failures, congestion and bottlenecks;

- *Managed Hosting.* Managed hosting includes provision of centralized IT infrastructure and a variety of managed services including cloud and traditional computing, application management, back-up, storage, and advanced services including planning, design, implementation and support services;

- *Colocation.* Colocation services enable our customers to install their own IT equipment in our state-of-the art facilities through our centralized IT infrastructure;

- *Ethernet.* Ethernet services include point-to-point and multi-point configurations that facilitate data transmissions across metropolitan areas and wide area networks;

- *Video.* Our video services include our facilities-based video, marketed as CenturyLink™ Prism™, which is a premium entertainment service that allows our customers to watch hundreds of television or cable channels and record up to four shows on one home digital video recorder. We also offer satellite digital television under an arrangement with DIRECTV that allows us to market, sell and bill for its services under its brand name;

- *VoIP.* Voice over Internet Protocol, or VoIP, is a real-time, two-way voice communication service (similar to our traditional voice services) that originates over a broadband connection and often terminates on the PSTN; and

- *Wireless services.* Our wireless services are offered under an agency arrangement with Verizon Wireless that allows us to market, sell and bill for its services under its brand name, primarily to customers who buy these services as part of a bundle with one or more of our other products and services. This arrangement allows us to sell the full complement of Verizon Wireless services. Our current five-year arrangement with Verizon Wireless runs through 2015 and is terminable by either party thereafter.

Legacy Services

Our legacy services represent our traditional voice, data and network services, which include the following:

- *Local.* We offer local calling services for our regional markets customers within our local service area, generally for a fixed monthly charge. These services include a number of enhanced calling features and other services, such as call forwarding, caller identification, conference calling, voicemail, selective call ringing and call waiting, for which we generally charge an additional monthly fee. We also generate revenues from non-recurring services, such as inside wire installation, maintenance services, service activation and reactivation.

  For our wholesale customers, local calling services include primarily resale and UNEs, which allow our wholesale customers to use our network or a combination of our network and their own networks to provide voice and data services to their customers. Local calling services also include network transport, billing services and access to our network by other telecommunications providers and wireless carriers. Local calling services provided to our wholesale customers allow other telecommunications companies the ability to originate or terminate telecommunications services on our network;

- *Long-distance.* We offer our residential and business customers domestic and international long-distance services and toll-free services. Our international long-distance services include voice calls that either terminate or originate with our customers in the United States;

- *ISDN.* We offer integrated services digital network ("ISDN") services, which uses regular telephone lines to support voice, video and data applications;

- *WAN.* We offer wide area network ("WAN") services, which allow a local communications network to link to networks in remote locations; and

- *Switched access services.* We provide various forms of switched access services to wireline and wireless service providers for the use of our facilities to originate and terminate their interstate and intrastate voice transmissions.

Data Integration

Data integration involves our sale of telecommunications equipment to customers for use on their premises and related professional services. These services include network management, installation and maintenance of telecommunication and data equipment and the building of proprietary fiber-optic networks for our governmental and other business customers.

Other Revenues

We also generate other operating revenues from Universal Service Fund ("USF") revenues and surcharges and the leasing and subleasing of space in our office buildings, warehouses and other properties. The majority of our real estate properties are located in our local service area.

Additional Information

During 2008, we paid an aggregate of approximately $149 million for 69 licenses in the FCC's auction of 700 megahertz wireless spectrum. During the second quarter of 2012, we committed to a plan to sell our Advanced Wireless Services A Block and 700 MHz wireless spectrum in the A, B, and C Blocks, which in the aggregate had a basis of $154 million. We sold $58 million of our wireless spectrum assets during the fourth quarter of 2012, and we sold another $43 million of our wireless spectrum assets in January 2013. In the aggregate, these transactions resulted in a gain of $32 million. We expect to reach agreements with various other purchasers for the remaining spectrum, and the consummation of which will be subject to regulatory approval.

From time to time, we also make investments in other communications companies.

For further information on regulatory, technological and competitive changes that could impact our revenues, see "Regulation" and "Competition" under this Item 1 below and "Risk Factors" under Item 1A below. For more information on the financial contributions of our various services, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this report.

Patents, Trade Names, Trademarks and Copyrights

Either directly or through our subsidiaries, we have rights in various patents, trade names, trademarks, copyrights and other intellectual property necessary to conduct our business, such as our

CenturyLink™ and Prism™ brand names. Our services often use the intellectual property of others, including licensed software. We also occasionally license our intellectual property to others.

Sales and Marketing

We maintain local offices in most of the larger population centers within our local service area. These offices provide sales and customer support services in the community. We also rely on our call center personnel to promote sales of services that meet the needs of our customers. Our strategy is to enhance our communications services by offering a comprehensive bundle of services and deploying new technologies to further enhance customer loyalty.

We conduct most of our operations under the brand name "CenturyLink." Our satellite television service is offered on a co-branded basis under the "DIRECTV" name. Our switched digital television service offering is branded under the name "Prism™." The wireless service that we offer under our agency agreement with Verizon Wireless is marketed under the "Verizon Wireless" brand name. Currently, certain data hosting, IT and other services furnished through our Savvis operations are marketed under the "SAVVIS" or "savvisdirect" brand names.

Our approach to our regional markets' residential customers emphasizes customer-oriented sales, marketing and service with a local presence. We market our products and services primarily through direct sales representatives, inbound call centers, local retail stores, telemarketing and third parties. We support our distribution with direct mail, bill inserts, newspaper advertising, website promotions, public relations activities and sponsorship of community events and sports venues.

Our approach to our regional markets' business and government customers includes a commitment to deliver communications products and services that meet existing and future business needs through bundles of services and integrated service offerings. Our focus is to be a comprehensive communications solution for our small office, mid-sized and select enterprise business and government customers.

Our approach to our wholesale markets' customers includes a commitment to deliver communications solutions that meet existing and future needs of national network telecommunications providers through bandwidth growth and quality of services.

Our approach to our enterprise market—network customers includes a commitment to deliver network products and services that meet existing and future customer needs by offering private line, broadband, MPLS and hosting services and well as local and long-distance services.

Our enterprise market—data hosting operations utilize a solution-based selling approach. By working directly with potential and existing clients, we are able to understand our clients' IT infrastructure and long-term goals. We also market through indirect channels, including collaborations with existing clients and technology providers, telecommunications companies and system integrators.

Network Architecture

Most of our products and services are provided using our telecommunications network, which consists of voice and data switches, copper cables, fiber-optic cables and other equipment. Our local exchange carrier networks also include central offices and remote sites, all with advanced digital switches and operating with licensed software. Our fiber-optic cable is the primary transport technology between our central offices and interconnection points with other incumbent carriers. As of December 31, 2012, we maintained over 1.03 million miles of copper plant and approximately 157 thousand miles of fiber-optic plant in our local exchange networks. We also maintain separate networks in connection with providing fiber transport and CLEC services.

Most of our long distance service is provided through reselling arrangements with other long distance carriers, with the balance being provided directly through CenturyLink's own switches and network equipment. All of our satellite television and wireless voice service is provided by other carriers under agency agreements.

We continue to enhance and expand our network by deploying broadband-enabled technologies to provide additional capacity to our customers. Rapid and significant changes in technology are expected to continue in the telecommunications industry. Our future success will depend, in part, on our ability to anticipate and adapt to changes in customer demands and technology. In particular, we anticipate that continued increases in broadband usage by our customers will require us to make significant capital expenditures to increase network capacity or to implement network management practices to alleviate network capacity shortages, either of which could adversely impact our results of operation and financial condition. For additional information, see "Risk Factors", generally, in Item 1A of this report, and, in particular, "Risk Factors—Risks Affecting Our Business—Increases in broadband usage may cause network capacity limitations, resulting in service disruptions, reduced capacity or slower transmission speeds for our customers."

For more information, see Item 2 of this report.

Regulation

We are subject to significant regulation by the Federal Communications Commission ("FCC"), which regulates interstate communications, and state utility commissions, which regulate intrastate communications in our local service area. These agencies issue rules to protect consumers and promote competition; they set the rates that telecommunication companies charge each other for exchanging traffic; and they have established USF to support the provision of services to high-cost areas. In most states, local voice service, switched and special access services and interconnection services are subject to price regulation, although the extent of regulation varies by type of service and geographic region. In addition, we are required to maintain licenses with the FCC and with the utility commissions of most of the states in our local service area. Laws and regulations in many states restrict the manner in which a licensed entity can interact with affiliates, transfer assets, issue debt and engage in other business activities, and many mergers and acquisitions require approval by the FCC and some state commissions.

Historically, incumbent local exchange carriers ("ILECs") operated as regulated monopolies having the exclusive right and responsibility to provide local telephone services in their franchised service territories. As we discuss in greater detail below, passage of the Telecommunications Act of 1996, coupled with state legislative and regulatory initiatives and technological change, fundamentally altered the telephone industry by generally reducing the regulation of ILECs and creating a substantial increase in the number of competitors. We are considered an ILEC. The following description discusses some of the major industry regulations that affect our traditional telephone operations, but numerous other regulations not discussed below could also impact us. Some legislation and regulations are currently the subject of judicial, legislative and administrative proceedings which could substantially change the manner in which the telecommunications industry operates and the amount of revenues we receive for our services. Neither the outcome of these proceedings, nor their potential impact on us, can be predicted at this time. For additional information, see Item 1A of this annual report below.

State Regulation

In recent years, most states have substantially reduced their regulation of ILECs. Nonetheless, state regulatory commissions generally continue to regulate local service rates, intrastate access charges, state universal service funds and in some cases service quality, as they continue to grant and revoke certifications authorizing companies to provide communications services. State commissions traditionally regulated pricing through "rate of return" regulation that focused on authorized levels of earnings by ILECs. Several states continue to regulate us in this manner. In most of our states, we are generally regulated under various forms of alternative regulation that typically limit our ability to increase rates for basic local voice service, but relieve us from the requirement to meet certain earnings tests. In a few states, we have recently gained pricing freedom for the majority of retail services except for the most basic of services, such as stand-alone basic residential voice service. In most of the states in which we operate, we have gained pricing flexibility for certain enhanced calling services, such as caller identification and for bundled services that also include local voice service. State commissions periodically conduct proceedings to review the rates that we charge other telecommunications providers for using our network or for reselling our service pursuant to the Telecommunications Act of 1996.

We are currently responding to carrier complaints, legislation or generic investigations regarding our intrastate switched access rates in several of our states. In particular, certain long-distance providers have disputed existing intercarrier compensation rates payable to us and other ILECs with respect to VoIP traffic or refused to pay access charges, based on the contention that tariffed switched access charges should not apply to VoIP traffic. On October 27, 2011, the FCC adopted an order comprehensively reforming federal intercarrier compensation and universal service policies and rules, as discussed further below under the heading "Federal Regulation." Among other things, this order preempted state regulatory commissions' jurisdiction over all terminating access charges, including intrastate access charges that have historically been subject to exclusive state jurisdiction. Furthermore, the FCC decreed that, on a prospective basis, intercarrier compensation rates for VoIP traffic will be established at interstate access rates in the event intrastate switched access rates exceed interstate rates.

The FCC order requires all terminating access rates including intrastate, interstate and reciprocal compensation rates to be reduced and unified over time. Excluding the rate implications contemplated on a prospective basis by the recent FCC order, we will continue to vigorously defend and seek to collect our intrastate switched access revenue subject to outstanding disputes. These historical disputes are primarily over access charge compensation for VoIP traffic terminating on the public switched telephone network. The outcomes of these disputes cannot be determined at this time. If we are required to reduce our intrastate switched access rates as a result of any of these disputes or state initiatives, we will seek to recover displaced switched access revenues from state universal service funds or other services. However, the amount of such recovery, particularly from residential customers, is not assured.

Under state law, our telephone operating subsidiaries are typically governed by laws and regulations that (i) regulate the purchase and sale of ILECs, (ii) prescribe certain reporting requirements, (iii) require ILECs to provide service under publicly-filed tariffs setting forth the terms, conditions and prices of regulated services, (iv) limit ILECs' ability to borrow and pledge their assets, (v) regulate transactions between ILECs and their affiliates, and (vi) impose various other service standards.

Unlike many of our competitors, as an ILEC we generally face "carrier of last resort" obligations which include an ongoing requirement to provide service to all prospective and current customers in our service area who request service and are willing to pay rates prescribed in our tariffs. In competitively-bid situations, such as newly-constructed housing developments or multi-tenant dwellings, this may constitute a competitive disadvantage to us if competitors can choose to focus on low-risk profitable customers and withhold service from high-risk unprofitable customers. In addition, strict adherence to carrier of last resort requirements may force us to construct facilities with a low likelihood of positive economic return.

We operate in states where traditional cost recovery mechanisms, including rate structures, are under evaluation or have been modified. There can be no assurance that these states will continue to provide for cost recovery at current levels.

Federal Regulation

We are required to comply with the Communications Act of 1934, which requires us to offer services at just and reasonable rates and on non-discriminatory terms, as well as the

Telecommunications Act of 1996, which amended the Communications Act of 1934 primarily to promote competition.

The FCC regulates interstate services provided by us, including the special access charges we bill for wholesale network transmission and the interstate access charges that we bill to long-distance companies and other communications companies in connection with the origination and termination of interstate voice and data transmissions. Additionally, the FCC regulates a number of aspects of our business related to privacy, homeland security and network infrastructure, including access to and use of local telephone numbers. The FCC has responsibility for maintaining and administering the federal USF, which provides substantial support for maintaining networks in high-cost areas, as well as supporting service to low-income households, schools and libraries, and rural health care providers. Like other communications network operators, ILECs must obtain FCC approval to use certain radio frequencies, or to transfer control of any such licenses. The FCC retains the right to revoke these licenses if a carrier materially violates relevant legal requirements.

We, like other large and mid-sized ILECs, operate under price-cap regulation of interstate access rates. Under price-cap regulation, limits imposed on a company's interstate rates are adjusted periodically to reflect inflation, productivity improvement and changes in certain non-controllable costs.

In recent years, our operations and those of other telecommunications carriers have been further impacted by legislation and regulation imposing additional obligations on us, particularly with regards to providing broadband service, bolstering homeland security, increasing disaster recovery requirements, minimizing environmental impacts and enhancing privacy. These laws include the Communications Assistance for Law Enforcement Act, and laws governing local telephone number portability and customer proprietary network information requirements. These laws and regulations may cause us to incur additional costs and could impact our ability to compete effectively.

In December 2012, the FCC initiated a special access proceeding and has requested data, information and documents to allow it to conduct a comprehensive evaluation of competition in the special access market. The ultimate impact of this proceeding on the Company is currently unknown. However, if the FCC were to adopt significant changes in regulations affecting special access services, this could adversely impact our operations or financial results.

Universal Service Fund and Other Related Matters

For decades, the FCC has regularly considered various intercarrier compensation reforms, generally with a goal to create a uniform mechanism to be used by the entire telecommunications industry for payments between carriers originating, terminating, or carrying telecommunications traffic. In connection therewith, the FCC solicited public comments on a variety of topics related to access charges and intercarrier compensation.

The American Recovery and Reinvestment Act of 2009 (the "Recovery Act") includes certain broadband initiatives that are intended to accelerate broadband deployment across the United States. The Recovery Act approved $7.2 billion in funding for broadband stimulus projects across the United States to be administered by two governmental agencies. The programs provide grants and loans to applicants for construction of certain broadband infrastructure, provision of certain broadband services, and support of certain broadband adoption initiatives. This program has attracted a wide range of applicants including states, municipalities, start-up companies and consortiums. The participation of other parties in these programs has increased competition in selected areas, which may increase our marketing costs and decrease our revenues in those areas. This trend may intensify if program participation increases.

On October 27, 2011, the FCC adopted the Connect America and Intercarrier Compensation Reform order ("CAF order"), intended to reform the existing regulatory regime to recognize ongoing shifts to new technologies, including VoIP, and gradually re-direct universal service funding to foster nationwide broadband coverage. This initial ruling provides for a multi-year transition over the next decade as terminating intercarrier compensation charges are reduced, universal service funding is explicitly targeted to broadband deployment, and line charges paid by end user customers are gradually increased. We anticipate that these changes will substantially increase the pace of reductions in the amount of switched access revenues in our wholesale segment, while creating opportunities for increases in federal USF and retail revenue streams.

On December 29, 2011, the CAF order went into effect. At the same time, numerous parties filed a petition for reconsideration with the FCC seeking numerous revisions to the order. In January 2012, we joined more than two dozen parties in challenging certain aspects of the order by filing a separate appeal that is expected to be heard by the United States Tenth Circuit Court of Appeals in late 2013. Future judicial challenges to the CAF order are possible, which could alter or delay the FCC's proposed changes. In addition, based on the outcome of the FCC proceedings, various state commissions may consider changes to their universal service funds or intrastate access rates. Moreover, rulemaking designed to implement the order is not complete, and several FCC proceedings relating to the order remain pending. For these and other reasons, we cannot predict the ultimate impact of these proceedings at this time.

On January 31, 2012, the FCC adopted an order modernizing the program that provides assistance to qualifying low-income individuals for local voice service. These changes also affect state-specific programs that provide assistance to qualifying individuals. The impact of these changes on us and our low-income customers cannot be quantified at this time, but we may face increased administrative costs, additional audit requirements and potential customer disconnections as a result of this FCC order and its implementation.

We received approximately $543 million, $510 million and $431 million of revenue from federal and state universal service programs for the years ended December 31, 2012, 2011 and 2010, respectively. Such amounts represented approximately 3.0%, 3.3% and 6.1% of our 2012, 2011 and 2010 total operating revenues, respectively.

Other Regulations

Certain of our telecommunications and data hosting services conducted in foreign countries are or may become subject to various foreign laws, including those regulating the protection and retention of data.

Competition

General

We compete in a rapidly evolving and highly competitive market and we expect intense competition to continue. We compete with cable and satellite companies, wireless providers, national telecommunications providers (such as AT&T, Inc. and Verizon Communications Inc.) and a variety of other competitors. Technological advances, regulatory and legislative changes have increased opportunities for alternative communications service providers, which in turn have increased competitive pressures on our business. These alternate providers often face fewer regulations and have lower cost structures than we do. In addition, the telecommunications industry has experienced substantial consolidation over the past decade and some of our competitors in one or more lines of our business are generally larger, have stronger brand names, have more financial and business resources and have broader service offerings than we currently do.

Over the past decade, fundamental technological, regulatory and legislative changes have significantly impacted the communications industry, and we expect these changes will continue. Primarily as a result of regulatory and technological changes, competition has been introduced and encouraged in each sector of the communications industry in recent years. As a result, we increasingly face competition from other communication service providers, as further described below.

Wireless telephone services increasingly constitute a significant source of competition with our ILEC services. As a result, some customers have chosen to completely forego use of traditional wireline phone service and instead rely solely on wireless service for voice services. We anticipate this trend will continue, particularly if wireless service providers continue to expand their coverage areas, reduce their rates, improve the quality of their services and offer enhanced new services. Substantially all of our access line customers are currently capable of receiving wireless services from at least one competitive service provider. Technological and regulatory developments in wireless services, personal communications services, digital microwave, satellite, coaxial cable, fiber-optics, local multipoint distribution services, WiFi, and other wired and wireless technologies are expected to further permit the development of alternatives to traditional landline services. Moreover, the growing prevalence of electronic mail, text messaging, social networking and similar digital communications continues to reduce the demand for traditional landline voice services.

The Telecommunications Act of 1996, which obligates ILECs to permit competitors to interconnect their facilities to the ILEC's network and to take various other steps that are designed to promote competition, imposes several duties on an ILEC if it receives a specific request from another entity which seeks to connect with or provide services using the ILEC's network. In addition, each ILEC is obligated to (i) negotiate interconnection agreements in good faith, (ii) provide nondiscriminatory "unbundled" access to all aspects of the ILEC's network, (iii) offer resale of its telecommunications services at wholesale rates and (iv) permit competitors, on terms and conditions (including rates) that are just, reasonable and nondiscriminatory, to colocate their physical plant on the ILEC's property, or provide virtual colocation if physical colocation is not practicable. Current FCC rules require ILECs to lease a network element only in those situations where competing carriers genuinely would be impaired without access to such network elements, and where the unbundling would not interfere with the development of facilities-based competition.

As a result of these regulatory, consumer and technological developments, ILECs also face competition from competitive local exchange carriers, or CLECs, particularly in densely populated areas. CLECs provide competing services through reselling the ILECs' local services, through use of the ILECs' unbundled network elements or through their own facilities.

Technological developments have led to the development of new services that compete with traditional ILEC services. Technological improvements have enabled cable television companies to provide traditional circuit-switched telephone service over their cable networks, and several national cable companies have aggressively pursued this opportunity. Similarly, companies providing VoIP services provide voice communication services over the Internet which compete with our traditional telephone service and our own VoIP services.

Similar to us, many cable, technology or other communications companies that previously offered a limited range of services are now offering diversified bundles of services, either through their own networks, reselling arrangements or joint ventures. As such, a growing number of companies are competing to serve the communications needs of the same customer base. Such activities will continue to place downward pressure on the demand for our access lines and the pricing of our services.

As both consumers and business customers increasingly demand high-speed connections for entertainment, communications and productivity, we expect the demands on our network will continue to increase over the next several years. To succeed, we and other network-based providers must ensure that our networks can deliver services that meet these increasing bandwidth requirements. We plan to continue to invest in our network to be able to meet this future demand. In addition, network reliability and security are increasingly important competitive factors in the enterprise business.

In addition to facing direct competition from those providers described above, ILECs increasingly face competition from alternate communication systems constructed by long distance carriers, large customers or alternative access vendors. These systems are capable of originating or terminating calls without use of the ILECs' networks or switching services. Other potential sources of competition include non-carrier systems that are capable of bypassing ILECs' local networks, either partially or completely, through various means, including the provision of special access or independent switching services and the concentration of telecommunications traffic on a few of the ILECs' access lines. We anticipate that all these trends will continue and lead to decreased use of our networks.

Additional information about competitive pressures is located (i) under the heading "Risk Factors—Risks Affecting Our Business" in Item 1A of this report and (ii) in the discussion immediately below, which contains more specific information on how these trends in competition have impacted our segments.

Regional Markets

Strategic Services

With respect to our strategic services, competition is based on price, bandwidth, service, promotions and bundled offerings. Wireless carriers' fourth generation, or 4G, services are allowing them to more directly compete with our strategic services. In reselling DIRECTV video services, we compete primarily with cable and other satellite companies as well as other sales agents and resellers. We also compete with interexchange carriers and other broadband service providers. Our Prism™ residential video service faces substantial competition from a variety of competitors, including well-established cable companies and companies that deliver content over the Internet and on mobile devices at little or no cost to their customers. Many of our competitors for these strategic services are not subject to the same regulatory requirements as we are and therefore they are able to avoid significant regulatory costs and obligations

Our strategy is based on pricing, packaging of services and features, quality of service and meeting customer care needs and on maintaining our focus on increasing the subscribers of our broadband services. In order to remain competitive, we believe continually increasing connection speeds is important. As a result, we continue to invest in our network, which allows for the delivery of higher speed broadband services. While traditional ATM-based broadband services are declining, they have been more than offset by growth in fiber-based broadband services. We also continue to expand our product offerings including facilities-based video services and enhance our marketing efforts as we compete in a maturing market in which a significant portion of consumers already have broadband services.

Legacy Services

Although our status as an ILEC continues to provide us advantages in providing local services in our local service area, as noted above we increasingly face significant competition as an increasing number of consumers are willing to substitute cable, wireless and electronic communications for traditional voice telecommunications services. This has led to an increase in the number and type of competitors within our industry and a decrease in our market share. As a result of this product substitution, we face greater competition in providing local and long distance services from wireless providers, resellers and sales agents (including ourselves), social media hosts and broadband service providers, including cable companies. We also continue to compete with traditional telecommunications providers, such as national carriers, smaller regional providers, CLECs and independent telephone companies.

Our strategy to reduce access line loss is based primarily on our pricing, packaging of services and features, quality of service and meeting customer care needs. While bundle price discounts have resulted in lower average revenues for our individual services, we believe service bundles continue to positively impact our customer retention. In addition to our bundle discounts, we also offer limited time promotions on our broadband service for prospective customers who want our broadband service in their bundle, which further aids our ability to attract and retain customers and increase usage of our services.

Data Integration

In providing data integration to our customers, we compete primarily with large integrators, equipment providers and national telecommunication providers. Competition is based on package offerings and as such we focus on providing these customers individualized and customizable packages. Our strategy is to provide our data integration through packages that include other strategic and legacy services. As such, in providing data integration we often face many of the same competitive pressures as we face in providing strategic and legacy services, as discussed above.

Wholesale Markets

Strategic Services

In providing private line (including special access) services to our wholesale markets customers, we compete with large cable companies, as well as other regional and national carriers, other fiber providers and CLECs. Demand for our private line services continues to increase, despite our customers' optimization of their networks, industry consolidation and technological migration. While we expect that these factors will continue to impact our wholesale markets segment, we believe the growth in fiber-based special access provided to wireless carriers for backhaul will, over time, ultimately offset the decline in copper-based special access provided to wireless carriers as they migrate to Ethernet services, although the timing and magnitude of this technological migration is uncertain.

Legacy Services

The provision of our legacy services to other communications providers is highly competitive, and has been and will continue to be adversely affected by product substitution, technological migration, industry consolidation and rate reductions. We face significant competition for access services from CLECs, cable companies, resellers and wireless service providers as well as some of our own wholesale markets customers, which are deploying their own networks to provide customers with local services. By doing so, these competitors reduce traffic on our network. In addition, our long-distance revenues continue to decline as a result of customer migration to more technologically advanced services, price compression, and declining demand for traditional voice services.

Enterprise Markets—Network

Strategic Services

Our competitors for integrated data, Internet, voice services and other IT services range from mid-sized businesses to large enterprises. Due to the size and capacity of some of these companies, they may be able to offer more inexpensive solutions to our customers. To compete, we focus on providing complex, secure and performance-driven services to our business customers through our global infrastructure. Our network services continue to see pricing pressures on virtual private network and bandwidth services offset by increases in network services that support our colocation and managed hosting service offerings. Our keys to growth include targeting the right clients, offering targeted business solutions to solve specific client needs and delivering compelling and comprehensive technical capabilities.

Legacy Services

We face intense competition with respect to our legacy services and continue to see customers migrating away from these services and into strategic services. In addition, our legacy services revenues have been, and we expect they will continue to be, adversely affected by access line losses and price competition.

Data Integration

We expect data integration to continue to fluctuate from quarter to quarter as this offering tends to be more sensitive than others to changes in the economy and in spending trends of our federal government customers. In addition, changes to our compensation programs, which focus on higher margin strategic services, could negatively impact data integration revenues.

Enterprise Markets—Data Hosting

Strategic Services

Our competitors for hosting, colocation and other IT services include telecommunications companies, hardware manufacturers and system integrators that support the in-house IT operations for a business or offer outsourcing solutions. Due to the size and capacity of some of these companies, they may be able to offer more inexpensive solutions to our customers. To compete, we focus on providing complex, secure and performance-driven services to our business customers through our global infrastructure on the same terms outlined under the heading "Business—Enterprise Markets—Network—Strategic Services" in Item I of this report.

For our colocation services, we continue to see pricing pressures with respect to these services as low-cost wholesale colocation providers continue to enter our market, and we expect this trend to continue. Our services can be purchased individually or as part of a total outsourcing arrangement.

Environmental Compliance

Several decades ago one of our subsidiaries acquired entities that may have owned or operated seven former "manufactured gas" plant sites that may require environmental remediation. From time to time we may incur other environmental compliance and remediation expenses, mainly resulting from the ownership of other prior industrial sites or the operation of vehicle fleets or power supplies for our communications equipment. Although we cannot assess with certainty the impact of any future compliance and remediation obligations or provide you with any assurances regarding the ultimate impact thereof, we do not believe that future environmental compliance and remediation expenditures will have a material adverse effect on our financial condition or results of operations.

Seasonality

Overall, our business is not significantly impacted by seasonality. From time to time weather related problems have resulted in increased costs to repair our network and respond to service calls in some of our markets. The amount and timing of these costs are subject to the weather patterns of any given year, but have generally been highest during the third quarter and have been related to damage from severe storms, including hurricanes, tropical storms and tornadoes in our markets along the lower Atlantic and Gulf of Mexico coastlines.

Employees

At December 31, 2012, we had approximately 47,000 employees, of which approximately 18,000 are members of either the International Brotherhood of Electrical Workers ("IBEW") or the Communications Workers of America ("CWA"). Approximately 12,000 of these employees are subject to collective bargaining agreements that expired October 6, 2012. We are currently negotiating the terms of new agreements. In the meantime, the predecessor agreements have been extended, and the unions have agreed to provide at least twenty-four hour advance notice before terminating those predecessor agreements. See the discussion of risks relating to our labor relations in "Risk Factors—Risks Affecting Our Business" in Item 1A of this report.

Over the past several years, we have reduced our workforce primarily due to (i) integration efforts from our recent acquisitions; (ii) increased competitive pressures; and (iii) the loss of access lines.

Website Access and Important Investor Information

Our website is *www.centurylink.com*. The information contained on, or that may be accessed through, our website is not part of this annual report. You may obtain free electronic copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports in the "Investor Relations" section of our website (*ir.centurylink.com*) under the heading "SEC Filings." These reports are available on our website as soon as reasonably practicable after we electronically file them with the Securities and Exchange Commission, or SEC.

We have adopted written codes of conduct that serve as the code of ethics applicable to our directors, officers and employees, including our principal executive officer and senior financial officers, in accordance with applicable laws and rules promulgated by the SEC and the New York Stock Exchange. In the event that we make any changes (other than by a technical, administrative or non-substantive amendment) to, or provide any waivers from, the provisions of our code of conduct applicable to our directors or executive officers, we intend to disclose these events on our website or in a report on Form 8-K filed with the SEC. These codes of conduct, as well as copies of our guidelines on significant governance issues and the charters of our audit committee, compensation committee, nominating and corporate governance committee and risk evaluation committee, are also available in the "Corporate Governance" section of our website at *www.centurylink.com/Pages/AboutUs/Governance/* or in print to any shareholder who requests them by sending a written request to our Corporate Secretary at CenturyLink, Inc., 100 CenturyLink Drive, Monroe, Louisiana, 71203.

Investors may also read and copy any materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. For information on the operation of the Public Reference Room, you are encouraged to call the SEC at 1-800-SEC-0330. For all of our electronic filings, the SEC maintains a website at *www.sec.gov* that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

In connection with filing this annual report, our chief executive officer and chief financial officer made the certifications regarding our financial disclosures required under the Sarbanes-Oxley Act of 2002, and its related regulations. In addition, during 2012, our chief executive officer certified to the New York Stock Exchange that he was unaware of any violations by us of the New York Stock Exchange's corporate governance listing standards.

Special Note Regarding Forward-Looking Statements and Related Matters

This report and other documents filed by us under the federal securities law include, and future oral or written statements or press releases by us and our management may include, forward-looking statements about our financial condition, operating results and business. These statements include, among others:

- statements concerning the benefits that we expect will result from our business activities and certain transactions we have completed, such as increased revenue and decreased capital or operating expenditures;

- statements about our anticipated future operating and financial performance, financial position and liquidity, tax position, contingent liabilities, growth opportunities and growth rates, acquisition and divestiture opportunities, business prospects, regulatory and competitive outlook, investment and expenditure plans, investment results, financing alternatives and sources and pricing plans; and

- other similar statements of our expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts, many of which are highlighted by words such as "may," "would," "could," "should," "plan," "believes," "expects," "anticipates," "estimates," "projects," "intends," "likely," "seeks," "hopes," or variations or similar expressions.

These forward-looking statements are based upon our judgment and assumptions as of the date such statements are made concerning future developments and events, many of which are beyond our control. These forward-looking statements, and the assumptions upon which they are based, are inherently speculative and are subject to a number of risks and uncertainties. Actual events and results may differ materially from those anticipated, estimated, projected or implied by us in those statements if one or more of these risks or uncertainties materialize, or if our underlying assumptions prove incorrect. Factors that could affect actual results include but are not limited to:

- the timing, success and overall effects of competition from a wide variety of competitive providers;

- the risks inherent in rapid technological change;

- the effects of ongoing changes in the regulation of the communications industry, including the outcome or regulatory or judicial proceedings relating to intercarrier compensation, access charges, universal service, broadband deployment and net neutrality;

- our ability to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages;

- our ability to effectively adjust to changes in the communications industry and changes in the composition of our markets and product mix caused by our recent acquisitions;

- our ability to successfully integrate recently-acquired operations into our incumbent operations, including the possibility that the anticipated benefits from our recent acquisitions cannot be fully realized in a timely manner or at all, or that integrating the acquired operations will be more difficult, disruptive or costly than anticipated;

- our ability to use net operating loss carryovers of Qwest in projected amounts;

- our ability to effectively manage our expansion opportunities, including retaining and hiring key personnel;

- possible changes in the demand for, or pricing of, our products and services, including our ability to effectively respond to increased demands for high-speed broadband service;

- our ability to successfully introduce new product or service offerings on a timely and cost-effective basis;

- our continued access to credit markets on favorable terms;

- our ability to collect our receivables from financially troubled communications companies;

- any adverse developments in legal or regulatory proceedings involving us;

- our ability to continue to pay common share dividends in accordance with past practices, which may be affected by changes in our cash requirements, capital spending plans, cash flows or financial position;
- unanticipated increases or other changes in our future cash requirements, whether caused by unanticipated increases in capital expenditures, increases in pension funding requirements or otherwise;
- the effects of adverse weather;
- other risks referenced in this report or other of our filings with the SEC; and
- the effects of more general factors such as changes in interest rates, in tax rates, in accounting policies or practices, in operating, medical, pension or administrative costs, in general market, labor or economic conditions, or in legislation, regulation or public policy.

These and other uncertainties related to our business and our recent acquisitions are described in greater detail in Item 1A of this report, which is subject to updating and supplementing by our subsequent SEC reports.

These risk factors should be considered in connection with any written or oral forward-looking statements that we or persons acting on our behalf may issue. Anticipated events may not occur and our actual results or performance may differ materially from those anticipated, estimated or projected if one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect. Additional risks that we currently deem immaterial or that are not presently known to us could also cause our actual results to differ materially from our expected results. Given these uncertainties, we caution investors not to unduly rely on our forward-looking statements. We undertake no obligation to update or revise any forward-looking statements for any reason, whether as a result of new information, future events or developments, changed circumstances, or otherwise. Further, the information about our intentions contained in this document is a statement of our intentions as of the date of this document and is based upon, among other things, the existing regulatory environment, industry conditions, market conditions and prices, the economy in general and our assumptions as of such date. We may change our intentions, at any time and without notice, based upon any changes in such factors, in our assumptions or otherwise.

Investors should also be aware that while we do, at various times, communicate with securities analysts, it is against our policy to disclose to them selectively any material non-public information or other confidential information. Accordingly, investors should not assume that we agree with any statement or report issued by an analyst irrespective of the content of the statement or report. To the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

Unless otherwise indicated, information contained in this report and other documents filed by us under the federal securities laws concerning our views and expectations regarding the communications industry are based on estimates made by us using data from industry sources, and on assumptions made by us based on our management's knowledge and experience in the markets in which we operate and the communications industry generally. You should be aware that we have not independently verified data from industry or other third-party sources and cannot guarantee its accuracy or completeness. Our estimates and assumptions involve risks and uncertainties and are subject to change based on various factors, including those discussed below in Item 1A of this report.

ITEM 1A. RISK FACTORS

Any of the following risks could materially and adversely affect our business, financial condition, results of operations, liquidity or prospects. The risks described below are not the only risks facing us.

Please be aware that additional risks and uncertainties not currently known to us or that we currently deem to be immaterial could also materially and adversely affect our business operations.

Risks Affecting Our Business

Increasing competition, including product substitution, continues to cause access line losses, which has adversely affected and could continue to adversely affect our operating results and financial condition.

We compete in a rapidly evolving and highly competitive market, and we expect competition to continue to intensify. In addition to competition from larger national telecommunications providers, we are facing increasing competition from a variety of other sources, including cable and satellite companies, wireless providers, broadband companies, resellers, sales agents and facilities-based providers using their own networks as well as those leasing parts of our network. In addition, regulatory developments over the past several years have generally increased competitive pressures on our business. Due to some of these and other factors, we continue to lose access lines.

Some of our current and potential competitors (i) offer a more comprehensive range of communications products and services, (ii) have market presence, engineering and technical capabilities, and financial and other resources greater than ours, (iii) own larger or more diverse networks with greater transmission capacity or other advantages, (iv) conduct operations or raise capital at a lower cost than us, (v) are subject to less regulation, (vi) offer greater online content or (vii) have substantially stronger brand names. Consequently, these competitors may be better equipped to provide more attractive offerings, to charge lower prices for their products and services, to develop and expand their communications and network infrastructures more quickly, to adapt more swiftly to new or emerging technologies and changes in customer requirements, and to devote greater resources to the marketing and sale of their products and services.

Competition could adversely impact us in several ways, including (i) the loss of customers and market share, (ii) the possibility of customers reducing their usage of our services or shifting to less profitable services, (iii) reduced traffic on our networks, (iv) our need to expend substantial time or money on new capital improvement projects, (v) our need to lower prices or increase marketing expenses to remain competitive and (vi) our inability to diversify by successfully offering new products or services.

We are continually taking steps to respond to these competitive pressures, but these efforts may not be successful. Our operating results and financial condition would be adversely affected if these initiatives are unsuccessful or insufficient and if we otherwise are unable to sufficiently stem or offset our continuing access line losses and our revenue declines significantly without corresponding cost reductions. If this occurred, our ability to service debt and pay other obligations would also be adversely affected.

Rapid changes in technology and markets could require substantial expenditure of financial and other resources in excess of contemplated levels, and any inability to respond to those changes could reduce our market share and adversely affect our operating results and financial condition.

The communications industry is experiencing significant technological changes, many of which are reducing demand for our traditional voice services or are enabling our current customers to reduce or bypass use of our networks. Similarly, the information technology services industry is experiencing rapid changes in technologies. Further technological change could require us to expend capital or other resources in excess of currently contemplated levels, or to forgo the development or provision of products or services that others can provide more efficiently. If we are not able to develop new products and services to keep pace with technological advances, or if those products and services are not widely accepted by customers, our ability to compete could be adversely affected and our market share could decline. Any inability to effectively respond to changes in technology and markets could also adversely affect our operating results and financial condition, as well as our ability to service debt and pay other obligations.

For additional information on the risks of increased expenditures, see "Risk Factors—Risks Affecting our Liquidity and Capital Resources—Our business requires us to incur substantial capital and operating expenses, which reduces our available free cash flow."

Our legacy services continue to experience declining revenues, and our efforts to offset these declines may not be successful.

The telephone industry has experienced a decline in access lines and network access revenues, which, coupled with the other changes resulting from competitive, technological and regulatory developments, continue to place downward pressure on the revenues we generate from our legacy services.

We have taken a variety of steps to counter these declines, including:

- an increased focus on selling a broader range of higher-growth strategic services, which are described in detail in Item 1 and 7 of this report;
- an increased focus on serving a broader range of business, governmental and wholesale customers;
- greater use of service bundles; and
- acquisitions to increase our scale and strengthen our product offerings, including new products and services provided by our Savvis operations.

However, some of these strategic services generate lower profit margins than our traditional services, and some can be expected to experience slowing growth as increasing numbers of our existing or potential customers subscribe to these newer products. Moreover, we cannot assure you that the revenues generated from our new offerings will offset revenue losses associated from reduced sales of our legacy products. Similarly, we cannot assure you that our new service offerings will be as successful as anticipated, or that we will be able to continue to grow through acquisitions. In addition, our reliance on third parties to provide certain of these strategic services could constrain our flexibility, as described further below.

If we fail to extend or renegotiate our collective bargaining agreements with our labor unions as they expire from time to time, or if our unionized employees were to engage in a strike or other work stoppage, our business and operating results could be materially harmed.

Over 38% of our employees are members of various bargaining units represented by the Communications Workers of America and the International Brotherhood of Electrical Workers. Approximately 12,000, or 26%, of our employees are subject to collective bargaining agreements that expired October 6, 2012. We are currently negotiating the terms of new agreements. In the meantime, the predecessor agreements have been extended, and the applicable unions have agreed to provide us with at least twenty-four hour advance notice before terminating those predecessor agreements.

We may be unable to reach new agreements, and union employees may engage in strikes, work slowdowns or other labor actions, which could materially disrupt our ability to provide services and result in increased cost to us. In addition, new labor agreements may impose significant new costs on us, which could impair our financial condition or results of operations in the future. To the extent they contain benefit provisions, these agreements may also limit our flexibility to change benefits in response to industry or competitive changes. In particular, the post-employment benefits provided under these agreements could cause us to incur costs not faced by many of our competitors, which could ultimately hinder our competitive position.

Our future results will suffer if we do not effectively adjust to changes in our business, and will further suffer if we do not effectively manage our expanded operations.

The above-described changes in our industry have placed a higher premium on marketing, technological, engineering and provisioning skills. Our recent acquisitions also significantly changed the composition of our markets and product mix. Our future success depends, in part, on our ability to retrain our staff to acquire or strengthen skills necessary to address these changes, and, where necessary, to attract and retain new personnel that possess these skills.

Unfavorable general economic conditions could negatively impact our operating results and financial condition.

Unfavorable general economic conditions, including the unstable economy and credit market, could negatively affect our business. Worldwide economic growth has been sluggish since 2008, and many experts believe that a confluence of factors in the United States, Europe, Asia and developing countries may result in a prolonged period of economic downturn, slow growth or economic uncertainty. While it is difficult to predict the ultimate impact of these general economic conditions, they could adversely affect the affordability of and consumer demand for some of our products and services and could cause customers to shift to lower priced products and services or to delay or forgo purchases of our products and services. These conditions impact, in particular, our ability to sell discretionary products or services to business customers that are under pressure to reduce costs or to governmental customers that have suffered recent budget cuts. Any one or more of these circumstances could cause our revenues to continue declining. Also, our customers may encounter financial hardships or may not be able to obtain adequate access to credit, which could negatively impact their ability to make timely payments to us. In addition, as discussed further below, unstable economic and credit markets may preclude us from refinancing maturing debt at terms that are as favorable as those from which we previously benefited, at terms that are acceptable to us or at all. For these reasons, among others, if the current economic conditions persist or decline, this could adversely affect our operating results and financial condition, as well as our ability to raise capital.

We could be harmed by security breaches, damages or other significant disruptions or failures of our networks, IT infrastructure or related systems, or of those we operate for certain of our customers.

To be successful, we will need to continue providing our customers with a high-capacity, reliable and secure network. We face the risk, as does any company, of a security breach or significant disruption of our IT infrastructure and related systems (including our billing systems). As a communications and IT company, we face an added risk that a security breach or other significant disruption of our public networks or IT infrastructure and related systems that we develop, install, operate and maintain for certain of our business and governmental customers could lead to material interruptions or curtailments of service. Moreover, due to the nature of our customers and services, we face a heightened risk that a security breach or disruption could result in unauthorized access to our customers' proprietary or classified information on our public networks or internal systems or the systems that we operate and maintain for certain of our customers.

We make significant efforts to maintain the security and integrity of these types of information and systems and maintain contingency plans in the event of security breaches or other system disruptions. Nonetheless, we cannot assure you that our security efforts and measures will prevent unauthorized access to our systems, loss or destruction of data (including confidential client information), account takeovers, unavailability of service, computer viruses, malware, or other forms of cyber attacks or similar events. These threats may derive from human error, fraud, malice or sabotage on the part of employees, third parties or other nations, or could result from accidental technological failure. Similar to other large telecommunications companies, we have been subject to a variety of security breaches and cyber attacks, although to date none of these have resulted in a material adverse effect on our operating results or financial condition. We cannot assure you, however, that future security breaches or disruptions would not be successful or damaging, especially in light of the growing frequency and sophistication of cyber attacks and intrusions. We may be unable to anticipate all potential types of attacks or intrusions or to implement adequate security barriers or other preventative measures, and any resulting damages could be material.

Additional risks to our network and infrastructure include:

- power losses or physical damage, whether caused by fire, adverse weather conditions, terrorism or otherwise;
- capacity limitations;
- software and hardware defects or malfunctions;
- programming, processing and other human error; and
- other disruptions that are beyond our control.

Network disruptions, security breaches and other significant failures of the above-described systems could:

- disrupt the proper functioning of these networks and systems and therefore our operations or those of certain of our customers;
- result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of ours, our customers or our customers' end-users, including trade secrets, which others could use for competitive, disruptive, destructive or otherwise harmful purposes and outcomes;
- require significant management attention or financial resources to remedy the damages that result or to change our systems, including expenses to repair systems, add new personnel or develop additional protective systems;
- subject us to claims for contract breach, damages, credits, fines, penalties, termination or other remedies, particularly with respect to service standards set by state regulatory commissions; or
- result in a loss of business, damage our reputation among our customers and the public generally, subject us to additional regulatory scrutiny or expose us to litigation.

Likewise, our ability to expand and update our information technology infrastructure in response to our growth and changing needs is important to the continued implementation of our new service offering initiatives. Our inability to expand or upgrade our technology infrastructure could have adverse consequences, which could include the delayed implementation of new service offerings, increased acquisition integration costs, service or billing interruptions, and the diversion of development resources.

Any or all of the foregoing developments could have a negative impact on our results of operations, financial condition and cash flows.

Increases in broadband usage may cause network capacity limitations, resulting in service disruptions, reduced capacity or slower transmission speeds for our customers.

Video streaming services and peer-to-peer file sharing applications use significantly more bandwidth than traditional Internet activity such as web browsing and email. As utilization rates and availability of these services continue to grow, our high-speed Internet customers may use much more bandwidth than in the past. If this occurs, we could be required to make significant capital expenditures to increase network capacity in order to avoid service disruptions, reduced capacity or slower transmission speeds for our customers. Alternatively, we could choose to implement network management practices to reduce the network capacity available to bandwidth-intensive activities during certain times in market areas experiencing congestion, which could negatively affect our ability to retain and attract customers in affected markets. While we believe demand for these services may drive high-speed Internet customers to pay for faster broadband speeds, we may not be able to recover the costs of the necessary network investments. This could result in an adverse impact to our operating margins, results of operations and financial condition.

We may need to defend ourselves against claims that we infringe upon others' intellectual property rights, or we may need to seek third-party licenses to expand our product offerings.

From time to time, we receive notices from third parties or are named in lawsuits filed by third parties claiming we have infringed or are infringing upon their intellectual property rights. We may receive similar notices or be involved in similar lawsuits in the future. Responding to these claims may require us to expend significant time and money defending our use of affected technology, may require us to enter into licensing agreements requiring royalty payments that we would not otherwise have to pay or may require us to pay damages. If we are required to take one or more of these actions, our profit margins may decline. In addition, in responding to these claims, we may be required to stop selling or redesign one or more of our products or services, which could significantly and adversely affect the way we conduct business.

Similarly, from time to time, we may need to obtain the right to use certain patents or other intellectual property from third parties to be able to offer new products and services. If we cannot license or otherwise obtain rights to use any required technology from a third party on reasonable terms, our ability to offer new products and services may be restricted, made more costly or delayed.

Our reseller and sales agency arrangements expose us to a number of risks, one or more of which may adversely affect our business and operating results.

We rely on reseller and sales agency arrangements with other companies to provide some of the services that we sell to our customers, including video services and wireless products and services. If we fail to extend or renegotiate these arrangements as they expire from time to time or if these other companies fail to fulfill their contractual obligations to us or our customers, we may have difficulty finding alternative arrangements and our customers may experience disruptions to their services. In addition, as a reseller or sales agent, we do not control the availability, retail price, design, function, quality, reliability, customer service or branding of these products and services, nor do we directly control all of the marketing and promotion of these products and services. To the extent that these other companies make decisions that negatively impact our ability to market and sell their products and services, our business plans and goals and our reputation could be negatively impacted. If these reseller and sales agency arrangements are unsuccessful due to one or more of these risks, our business and operating results may be adversely affected.

Consolidation among other participants in the telecommunications industry may allow our competitors to compete more effectively against us, which could adversely affect our operating results and financial condition.

The telecommunications industry has experienced substantial consolidation over the last couple of decades, and some of our competitors have combined with other telecommunications providers, resulting in larger competitors that have greater financial and business resources and broader service offerings. Further consolidation could increase competitive pressures, and could adversely affect our operating results and financial condition, as well as our ability to service debt and pay other obligations.

We have a significant amount of goodwill and other intangible assets on our balance sheet. If our goodwill or other intangible assets become impaired, we may be required to record a significant charge to earnings and reduce our stockholders' equity.

Under generally accepted accounting principles, intangible assets are tested for impairment on an annual basis or more frequently whenever events or circumstances indicate that its carrying value may not be recoverable. If our intangible assets are determined to be impaired in the future, we may be required to record a significant, non-cash charge to earnings during the period in which the impairment is determined.

We cannot assure you that we will be able to continue paying dividends at the current rate.

Decisions on whether, when and in which amounts to make any future dividend distributions will remain at all times entirely at the discretion of our Board of Directors, which reserves the right to change or terminate our dividend practices at any time and for any reason. Based on current circumstances, we plan to continue our current dividend practices. However, you should be aware that these practices are reviewed periodically and are subject to change for reasons that may include any of the following factors:

- we may not have enough cash to pay such dividends due to changes in our cash requirements, capital spending plans, stock purchase plans, cash flows or financial position;
- the effects of regulatory reform, including any changes to intercarrier compensation, Universal Service Fund or special access rules;
- our desire to maintain or improve the credit ratings on our debt;
- the amount of dividends that we may distribute to our shareholders is subject to restrictions under Louisiana law and is limited by restricted payment and leverage covenants in our credit facilities and, potentially, the terms of any future indebtedness that we may incur; and
- the amount of dividends that our subsidiaries may distribute to us is subject to restrictions imposed by state law, restrictions that have been or may be imposed by state regulators in connection with obtaining necessary approvals for our acquisitions, and restrictions imposed by the terms of credit facilities applicable to certain subsidiaries and, potentially, the terms of any future indebtedness that these subsidiaries may incur.

Our Board of Directors is free to change or suspend our dividend practices at any time. Our common shareholders should be aware that they have no contractual or other legal right to dividends.

Our current dividend practices could limit our ability to pursue growth opportunities, repurchase stock or retire debt.

The current practice of our Board of Directors to continue to pay common share dividends in accordance with past practices reflects an intention to distribute to our shareholders a substantial portion of our cash flow. As a result, we may not retain a sufficient amount of cash to apply to other transactions that could be beneficial to our shareholders or debtholders, including stock buybacks, debt prepayments or capital expenditures that strengthen our business. In addition, our ability to pursue any material expansion of our business through acquisitions or increased capital spending will depend more than it otherwise would on our ability to obtain third party financing. We cannot assure you that such financing will be available to us at terms that are as favorable as those from which we previously benefited, at terms that are acceptable to us or at all.

We rely on a limited number of key suppliers, vendors, landlords and other third parties to operate our business, as well as a limited number of financial institutions to fund our revolving credit requirements.

We depend on a limited number of suppliers and vendors for equipment and services relating to our network infrastructure. Our local exchange carrier networks consist of central office and remote sites, all with advanced digital switches. If any of these suppliers experience interruptions or other problems delivering or servicing these network components on a timely basis, our operations could suffer significantly. To the extent that proprietary technology of a supplier is an integral component of our network, we may have limited flexibility to purchase key network components from alternative suppliers. Similarly, our data center operations are materially reliant on leasing significant amounts of space from landlords and substantial amounts of power from utility companies, and being able to renew these arrangements from time to time on favorable terms. In addition, we rely on a limited number of software vendors to support our business management systems. In the event it becomes necessary to seek alternative suppliers and vendors, we may be unable to obtain satisfactory replacement supplies, services, space or utilities on economically attractive terms, on a timely basis, or at all, which could increase costs or cause disruptions in our services.

We rely on eighteen financial institutions to provide us with access to revolving credit under our credit facility. If one or more of these lenders default on their funding commitments, our access to revolving credit could be adversely affected.

Portions of our property, plant and equipment are located on property owned by third parties.

Over the past few years, certain utilities, cooperatives and municipalities in certain of the states in which we operate have requested significant rate increases for attaching our plant to their facilities. To the extent that these entities are successful in increasing the amount we pay for these attachments, our future operating costs will increase.

In addition, we rely on rights-of-way, colocation agreements and other authorizations granted by governmental bodies and other third parties to locate our cable, conduit and other network equipment on their respective properties. If any of these authorizations terminate or lapse, our operations could be adversely affected.

We depend on key members of our senior management team.

Our success depends largely on the skills, experience and performance of a limited number of senior officers. Competition for senior management in our industry is intense and we may have difficulty retaining our current senior officers or attracting new ones in the event of terminations or resignations. For a discussion of similar retention concerns relating to our recent mergers, please see the risks described below under the heading "Risk Factors—Risks Relating to our Recent Acquisitions."

As a holding company, we rely on payments from our operating companies to meet our obligations.

As a holding company, substantially all of our income and operating cash flow is dependent upon the earnings of our subsidiaries and their distribution of those earnings to us in the form of dividends, loans or other payments. As a result, we rely upon our subsidiaries to generate the funds necessary to meet our obligations, including the payment of amounts owed under our long-term debt. Our subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts owed by us or, subject to limited exceptions for tax-sharing or cash management purposes, to make any funds available to us to repay our obligations, whether by dividends, loans or other payments. All of our subsidiaries are subject to state law restrictions that limit the amount of dividends they can pay to us. In addition, certain of our subsidiaries may be restricted under loan agreements or regulatory orders from transferring funds to us, including certain restrictions on the amount of dividends that may be paid to us. Moreover, our rights to receive assets of any subsidiary upon its liquidation or reorganization will be effectively subordinated to the claims of creditors of that subsidiary, including trade creditors. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" in Item 7 of this report, for further discussion on these matters.

Risks Relating to our Recent Acquisitions

We expect to incur substantial expenses related to the integration of Qwest and Savvis.

We have incurred, and expect to continue to incur, substantial expenses in connection with the integration of Qwest's and Savvis' business, operations, networks, systems, technologies, policies and procedures with our own. There are a large number of systems that need to be integrated, including billing, management information, purchasing, accounting and finance, sales, payroll and benefits, fixed asset, lease administration and regulatory compliance. While we have assumed that a certain level of transaction and integration expenses will be incurred, there are a number of factors beyond our control that could affect the total amount or the timing of our integration expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time.

We may be unable to integrate successfully into Legacy CenturyLink our recently-acquired operations and realize the anticipated benefits of our recent acquisitions.

Our recent acquisitions involved the combination of companies which previously operated as independent public companies. We have devoted, and will continue to devote, significant management attention and resources to integrating the business practices and operations of Legacy CenturyLink, Qwest and Savvis. We may encounter difficulties in the integration process, including the following:

- the inability to successfully combine our businesses in a manner that permits the combined company to achieve the cost savings and operating synergies anticipated to result from the acquisitions, either due to technological challenges, personnel shortages, strikes or otherwise, any of which would result in the anticipated benefits of the acquisitions not being realized partly or wholly in the time frame anticipated or at all;

- lost sales as a result of customers deciding not to do business with the combined company;

- the complexities associated with managing the combined businesses out of several different locations and integrating personnel from multiple companies, while at the same time attempting to provide consistent, high-quality products and services under a unified culture;

- the additional complexities of combining companies with different histories, regulatory restrictions, sales forces, marketing strategies, product markets and customer bases;

- the failure to retain key employees, some of whom could be critical to integrating or expanding the companies;

- potential unknown liabilities and unforeseen increased expenses or regulatory conditions associated with the acquisitions; and

- performance shortfalls at one or all of the companies as a result of the diversion of management's attention caused by integrating the companies' operations.

For all these reasons, you should be aware that it is possible that the integration process could result in the distraction of our management, the disruption of our ongoing business or inconsistencies in our products, services, standards, controls, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers, vendors and employees or to achieve the anticipated benefits of our recent acquisitions, or could otherwise adversely affect our business and financial results.

The Qwest and Embarq acquisitions changed the profile of our local exchange markets to include more large urban areas, with which we have limited operating experience.

Prior to our acquisition of Embarq Corporation ("Embarq"), we provided local exchange telephone services to predominantly rural areas and small to mid-size cities. Embarq's local exchange markets included Las Vegas, Nevada and suburbs of Orlando and several other large U.S. cities, and we have operated these more dense markets only since mid-2009. Qwest's markets included Phoenix, Arizona, Denver, Colorado, Minneapolis—St. Paul, Minnesota, Seattle, Washington, Salt Lake City, Utah, and Portland, Oregon. Compared to our legacy markets, these urban markets, on average, are substantially denser and experienced greater access line losses prior to being acquired by us. While we believe our strategies and operating models developed serving rural and smaller markets can successfully be applied to larger markets, we cannot assure you of this. Our business, financial performance and prospects could be harmed if our current strategies or operating models cannot be successfully applied to larger markets, or are required to be changed or abandoned to adjust to differences in these larger markets.

We cannot assure you whether, when or in what amounts we will be able to use Qwest's net operating losses.

At December 31, 2012, we had approximately $4.7 billion of federal net operating losses, or NOLs, which relate primarily to pre-acquisition losses of Qwest. These NOLs can be used to offset our future federal and certain taxable income.

The acquisition of Qwest caused an "ownership change" under federal tax laws relating to the use of NOLs. As a result, these laws could limit our ability to use their NOLs and certain other deferred tax attributes. Further limitations could apply if we are deemed to undergo an ownership change in the future. Despite this, we expect to use substantially all of these NOLs and certain other deferred tax attributes as an offset to our federal future taxable income by 2015, although the timing of that use will depend upon the consolidated group's future earnings and future tax circumstances.

Our acquisitions have increased our exposure to the risks of fluctuations in energy costs, power outages and availability of electrical resources.

Through the acquisitions of Qwest and Savvis, we have added a significant number of data center facilities, which are susceptible to regional costs and supply of power and electrical power outages. We attempt to limit exposure to system downtime by using backup generators and power supplies. However, we may not be able to limit our exposure entirely even with these protections in place. In addition, our energy costs can fluctuate significantly or increase for a variety of reasons, including changes in legislation and regulation. Several pending proposals designed to reduce greenhouse emissions could substantially increase our energy costs. As energy costs increase, we may not always be able to pass on the increased costs of energy to our clients, which could harm our business. Power and cooling requirements at our data centers are also increasing as a result of the increasing power demands of today's servers. Since we rely on third parties to provide our data centers with power sufficient to meet our clients' power needs, our data centers could have a limited or inadequate amount of electrical resources. Our clients' demand for power may also exceed the power capacity in older data centers, which may limit our ability to fully utilize these data centers. This could adversely affect our relationships with our clients and hinder our ability to run our data centers, which could harm our business.

Our inability to renew data center leases, or renew on favorable terms, could have a negative impact on our financial results.

A significant majority of the data centers we acquired in the Qwest and Savvis acquisitions are leased and have lease terms that expire between 2013 and 2031. The majority of these leases provide us with the opportunity to renew the lease at our option for periods generally ranging from five to ten years. Many of these renewal options, however, provide that rent for the renewal period will be equal to the fair market rental rate at the time of renewal. If the fair market rental rates are significantly higher than our current rental rates, we may be unable to offset these costs by charging more for our services, which could have a negative impact on our financial results. Also, it is possible that a landlord may insist on other financially unfavorable renewal terms or, where no further option to renew exists, elect not to renew altogether.

Our acquisitions of Qwest and Savvis have increased our exposure to the risks of operating internationally.

Prior to acquiring Qwest on April 1, 2011, substantially all of our operations were historically conducted within the continental United States. Although Qwest has historically conducted some operations overseas, the acquisition of Savvis on July 15, 2011, increased the importance of international operations to our future operations, growth and prospects.

As a result of our recent acquisitions, our foreign operations are subject to varying degrees of regulation in each of the foreign jurisdictions in which we provide services. Local laws and regulations, and their interpretation and enforcement, differ significantly among those jurisdictions, and can change significantly over time. Future regulatory, judicial and legislative changes or interpretations may have a material adverse effect on our ability to deliver services within various foreign jurisdictions. Many of these foreign laws and regulations relating to communications services are more restrictive than U.S. laws and regulations, particularly those relating to content distributed over the Internet. For example, the European Union has enacted a data retention system that, once implemented by individual member states, will involve requirements to retain certain Internet protocol, or IP, data that could have an impact on our operations in Europe. Moreover, national regulatory frameworks that are consistent with the policies and requirements of the World Trade Organization have only recently been, or are still being, enacted in many countries. Accordingly, many countries are still in the early stages of providing for and adapting to a liberalized telecommunications market. As a result, in these markets we may encounter more protracted and difficult procedures to obtain licenses necessary to provide the full set of products we offer.

In addition to these international regulatory risks, some of the other risks inherent in conducting business internationally include:

- tax, licensing, currency, political or other business restrictions or requirements;
- import and export restrictions;
- longer payment cycles and problems collecting accounts receivable;
- additional U.S. and other regulation of non-domestic operations, including regulation under the Foreign Corrupt Practices Act, or FCPA, as well as other anti-corruption laws;
- fluctuations in currency exchange rates;
- the ability to secure and maintain the necessary physical and telecommunications infrastructure; and
- challenges in staffing and managing foreign operations.

Any one or more of these factors could adversely affect our international operations.

Moreover, in order to effectively compete in certain foreign jurisdictions, it is frequently necessary or required to establish joint ventures, strategic alliances or marketing arrangements with local operators, partners or agents. Reliance on local operators, partners or agents could expose us to the risk of being unable to control the scope or quality of our overseas services or products, or being held liable under the FCPA or other anti-corruption laws for actions taken by our strategic or local partners or agents even though these partners or agents may not themselves be subject to the FCPA or other applicable anti-corruption laws. Any determination that we have violated the FCPA or other anti-corruption laws could have a material adverse effect on our business, results of operations, reputation or prospects.

Any additional future acquisitions by us would subject us to additional business, operating and financial risks, the impact of which cannot presently be evaluated, and could adversely impact our capital structure or financial position.

From time to time in the future we may pursue other acquisition opportunities. To the extent we acquire a business that is highly leveraged or is otherwise subject to a high level of risk, we may be affected by the currently unascertainable risks of that business. Accordingly, there is no current basis for you to evaluate the possible merits or risks of any particular business or assets that we may acquire. In addition, the financing of any future acquisition completed by us could adversely impact our capital structure or financial position, as any such financing would likely include the issuance of additional securities or the borrowing of additional funds. Except as required by law or applicable securities exchange listing standards, we do not expect to ask our shareholders to vote on any proposed acquisition. Moreover, we generally do not announce our acquisitions until we have entered into a preliminary or definitive agreement.

Risks Relating to Legal and Regulatory Matters

Any adverse outcome of the KPNQwest litigation, or other material litigation of Qwest, Savvis or CenturyLink could have a material adverse impact on our financial condition and operating results, on the trading price of our securities and on our ability to access the capital markets.

As described in Note 15—Commitments and Contingencies to the consolidated financial statements in Item 8 of this report, the KPNQwest matters present material and significant risks to us. In the aggregate, the plaintiffs in the KPNQwest matters seek billions of dollars in damages. We continue to defend against these matters vigorously and are currently unable to provide any estimate as to the timing of their resolution.

We can give no assurance as to the impacts on our financial results or financial condition that may ultimately result from these matters. The ultimate outcomes of these matters are still uncertain, and substantial settlements or judgments in these matters could have a significant impact on us. The magnitude of such settlements or judgments resulting from these matters could materially and adversely affect our financial condition and ability to meet our debt obligations, potentially impacting our credit ratings, our ability to access capital markets and our compliance with debt covenants. In addition, the magnitude of any such settlements or judgments may cause us to draw down significantly on our cash balances, which might force us to obtain additional financing or explore other methods to generate cash. Such methods could include issuing additional debt securities or selling assets.

There are other material proceedings pending against us, as described in the above-referenced Note 15. Depending on their outcome, any of these matters could have a material adverse effect on our financial position or operating results. We can give you no assurances as to the impact of these matters on our operating results or financial condition.

We operate in a highly regulated industry and are therefore exposed to restrictions on our manner of doing business and a variety of claims relating to such regulation.

General. We are subject to significant regulation by the Federal Communications Commission ("FCC"), which regulates interstate communications, and state utility commissions, which regulate intrastate communications. Generally, we must obtain and maintain certificates of authority from the FCC and regulatory bodies in most states where we offer regulated services, and we are subject to numerous, and often quite detailed, requirements and interpretations under federal, state and local laws, rules and regulations. Accordingly, we cannot ensure that we are always considered to be in compliance with all these requirements at any single point in time. The agencies responsible for the enforcement of these laws, rules and regulations may initiate inquiries or actions based on customer complaints or on their own initiative.

Regulation of the telecommunications industry continues to change rapidly, and the regulatory environment varies substantially from jurisdiction to jurisdiction. Notwithstanding a recent movement towards alternative regulation, a substantial portion of our local voice services revenue remains subject to FCC and state utility commission pricing regulation, which periodically exposes us to pricing or earnings disputes and could expose us to unanticipated price declines. Interexchange carriers have filed complaints in various forums requesting reductions in our access rates. In addition, several long distance providers are disputing amounts owed to us for carrying VoIP traffic, or traffic they claim to be VoIP traffic, and are refusing to pay such amounts. There can be no assurance that future regulatory, judicial or legislative activities will not have a material adverse effect on our operations, or that regulators or third parties will not raise material issues with regard to our compliance or noncompliance with applicable regulations.

Risks associated with recent changes in federal regulation. On October 27, 2011, the FCC adopted the Connect America and Intercarrier Compensation Reform order ("CAF order") intended to reform the existing regulatory regime to recognize ongoing shifts to new technologies, including VoIP, and gradually re-direct universal service funding to foster nationwide broadband coverage. This initial ruling provides for a multi-year transition over the next decade as intercarrier compensation charges are reduced, universal service funding is explicitly targeted to broadband deployment, and subscriber line charges paid by end user customers are gradually increased. We expect these changes will substantially increase the pace of reductions in the amount of switched access revenues we receive in our wholesale markets segment, while creating opportunities for increases in federal USF and retail revenue streams. Several judicial challenges to the CAF order are pending and additional future challenges are possible, any of which could alter or delay the FCC's proposed changes. In addition, based on the outcome of the FCC proceedings, various state commissions may consider changes to their universal service funds or intrastate access rates. Moreover, rulemaking designed to implement the order is not complete, and several FCC proceedings relating to the order remain pending. For these and other reasons, we cannot predict the ultimate impact of these proceedings at this time.

In addition, during the last few years Congress or the FCC has initiated various other changes, including (i) broadband stimulus projects, support funds and similar plans and (ii) new "network neutrality" rules. The FCC is also considering changes in the regulation of special access services. Any of these recent or pending initiatives could adversely affect our operations or financial results.

Risks posed by costs of regulatory compliance. Regulations continue to create significant compliance costs for us. Challenges to our tariffs by regulators or third parties or delays in obtaining certifications and regulatory approvals could cause us to incur substantial legal and administrative expenses, and, if successful, such challenges could adversely affect the rates that we are able to charge our customers. Our business also may be impacted by legislation and regulation imposing new or greater obligations related to regulations or laws related to broadband deployment, bolstering homeland security, increasing disaster recovery requirements, minimizing environmental impacts, enhancing privacy, or addressing other issues that impact our business, including the Communications Assistance for Law Enforcement Act (which requires communications carriers to ensure that their equipment, facilities, and services are able to facilitate authorized electronic surveillance), and laws governing local number portability and customer proprietary network information requirements. We expect our compliance costs to increase if future laws or regulations continue to increase our obligations to assist other governmental agencies.

Risks posed by other regulations. All of our operations are also subject to a variety of environmental, safety, health and other governmental regulations. We monitor our compliance with federal, state and local regulations governing the management, discharge and disposal of hazardous and environmentally sensitive materials. Although we believe that we are in compliance with these regulations, our management, discharge or disposal of hazardous and environmentally sensitive materials might expose us to claims or actions that could have a material adverse effect on our business, financial condition and operating results.

Regulatory changes in the communications industry could adversely affect our business by facilitating greater competition against us.

For over 15 years, Congress and the FCC have taken several steps that have resulted in increased competition among communications service providers. Many of the FCC's regulations remain subject to judicial review and additional rulemakings, thus making it difficult to determine the ultimate impact of these changes on us and our competitors.

"Net neutrality" legislation or regulation could limit our ability to operate our high-speed data business profitably and to manage our broadband facilities efficiently.

In order to continue to provide quality high-speed data service at attractive prices, we believe we need the continued flexibility to respond to changing consumer demands, to manage bandwidth usage efficiently and to invest in our networks. The FCC's "net neutrality" regulations could adversely impact our ability to operate our high-speed data network profitably and to undertake the upgrades and implement network management practices that may be needed to continue to provide high quality high-speed data services, and could therefore negatively impact our ability to compete effectively.

We may be liable for the material that content providers distribute over our network.

The law relating to the liability of private network operators for information carried on, stored or disseminated through their networks is still unsettled. As such, we could be exposed to legal claims relating to content disseminated on our networks. Claims could challenge the accuracy of materials on our network, or could involve matters such as defamation, invasion of privacy or copyright infringement. If we need to take costly measures to reduce our exposure to these risks, or are required to defend ourselves against such claims, our financial results could be negatively affected.

We are subject to significant regulations that limit our flexibility.

As a diversified full service ILEC in most of our key markets, we have traditionally been subject to significant regulation that does not apply to many of our competitors. This regulation imposes substantial compliance costs on us and restricts our ability to change rates, to compete and to respond rapidly to changing industry conditions. As our business becomes increasingly competitive, regulatory disparities between us and our competitors could impede our ability to compete.

We are subject to franchising requirements that could impede our expansion opportunities.

We may be required to obtain from municipal authorities operating franchises to install or expand facilities. Some of these franchises may require us to pay franchise fees. These franchising requirements generally apply to our fiber transport and CLEC operations, and to our facilities-based video services. These requirements could delay us in expanding our operations or increase the costs of providing these services.

We are exposed to risks arising out of recent legislation affecting U.S. public companies.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, and related regulations implemented thereunder, are increasing legal and financial compliance costs and making some activities more time consuming. Any failure to successfully or timely complete annual assessments of our internal controls required by Section 404 of the Sarbanes-Oxley Act could subject us to sanctions or investigation by regulatory authorities. Any such action could adversely affect our financial results or investors' confidence in us.

For a more thorough discussion of the regulatory issues that may affect our business, see "Regulation" in Item 1of this report.

Risks Affecting our Liquidity and Capital Resources

Our high debt levels pose risks to our viability and may make us more vulnerable to adverse economic and competitive conditions, as well as other adverse developments.

We continue to carry significant debt. As of December 31, 2012, our consolidated debt was approximately $20.6 billion. Approximately $2.1 billion of our debt securities come due over the next thirty-six months. While we currently believe that we will have the financial resources to meet or refinance our obligations when they come due, we cannot fully anticipate our future financial condition or the condition of the credit markets or the economy. We may incur unexpected expenses or liabilities, and we may have limited access to financing.

Our significant levels of debt can adversely affect us in several other respects, including (i) limiting our ability to access the capital markets, (ii) exposing us to the risk of credit rating downgrades, which would raise our borrowing costs and could further limit our access to capital, (iii) hindering our flexibility to plan for or react to changing market, industry or economic conditions, (iv) limiting the amount of cash flow available for future operations, acquisitions, dividends, stock repurchases or other uses, (v) making us more vulnerable to economic or industry downturns, including interest rate increases, and (vi) placing us at a competitive disadvantage compared to less leveraged competitors.

The effects of each of these factors could be intensified if we borrow more cash. We expect to periodically require financing to meet our debt obligations as they come due. Due to the unstable economy and credit market, we may not be able to refinance maturing debt at terms that are as favorable as those from which we previously benefited, at terms that are acceptable to us or at all. We may also need to obtain additional financing or investigate other methods to generate cash (such as further cost reductions or the sale of assets) under a variety of circumstances, including if revenues and cash provided by operations decline, if economic conditions weaken, if competitive pressures increase, if regulatory requirements change, if we are required to contribute a material amount of cash to our pension plans, if we are required to begin to pay other post-retirement benefits significantly earlier than anticipated, if our payments for federal taxes increase faster or in greater amounts than currently anticipated, if we become subject to significant judgments or settlements in one or more of the matters discussed in Note 15—Commitments and Contingencies to the consolidated financial statements in Item 8 of this report, if we engage in any acquisitions or if we undertake substantial capital projects or other initiatives that increase our cash requirements. We can give no assurance that this additional financing will be available on terms that are acceptable to us or at all. If we are able to obtain additional financing, our credit ratings could be adversely affected, which could further raise our borrowing costs and further limit our future access to capital and our ability to satisfy our debt obligations.

Certain of our debt instruments have cross payment default or cross acceleration provisions. When present, these provisions could have a wider impact on liquidity than might otherwise arise from a default or acceleration of a single debt instrument. Any such event could adversely affect our ability to conduct business or access the capital markets and could adversely impact our credit ratings. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" in Item 7 of this report for additional information about our credit facility.

Our debt agreements and the debt agreements of our subsidiaries allow us to incur significantly more debt, which could exacerbate the other risks described in this report.

The terms of our debt instruments and the debt instruments of our subsidiaries permit additional indebtedness. Additional debt may be necessary for many reasons, including those discussed immediately above. Incremental borrowings on terms that impose additional financial risks could exacerbate the other risks described in this report.

Our business requires us to incur substantial capital and operating expenses, which reduce our available free cash flow.

Our business is capital intensive, and we anticipate that our capital requirements will continue to be significant in the coming years. As discussed further under "Risk Factors—Risks Affecting Our Business—Increases in broadband usage may cause network capacity limitations, resulting in service disruptions, reduced capacity or slower transmission speeds for our customers," increased bandwidth consumption by consumers and businesses have placed increased demands on the transmission capacity of our networks. If we determine that our networks must be expanded to handle these increased demands, we may be required to make substantial capital expenditures, even though there is no assurance that the return on our investment will be satisfactory. In addition, many of our growth initiatives are capital intensive and changes in technology could require further spending. In addition to investing in expanded networks, new products or new technologies, we must from time to time replace some of the equipment that supports our traditional services as that equipment ages, even though the revenue base from those services is not growing. While we believe that our planned level of capital expenditures will meet both our maintenance and core growth requirements, this may not be the case if demands on our network continue to accelerate or other circumstances underlying our expectations change. Increased spending could, among other things, adversely affect our operating margins, cash flows, results of operations and financial position.

Similarly, we continue to anticipate incurring substantial operating expenses to support our incumbent services and growth initiatives. Although we have successfully reduced our operating expenses over the past few years, we may be unable to further reduce these costs, even if revenues in some of our lines of business are decreasing. If so, our operating margins will be adversely impacted.

Adverse changes in the value of assets or obligations associated with our qualified pension plans could negatively impact our liquidity.

The funded status of our qualified pension plans is the difference between the value of plan assets and the benefit obligation. The accounting unfunded status of our qualified pension plans was $2.5 billion as of December 31, 2012. Adverse changes in interest rates or market conditions, among other assumptions and factors, could cause a significant increase in our benefit obligation or a significant decrease in the value of plan assets. These adverse changes could require us to contribute a material amount of cash to our pension plans or could accelerate the timing of required cash payments. For information on the amount of cash we propose to contribute to our plans in the near term, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Pension and Post-retirement Benefit Obligations" in Item 7 of this report. The actual amount of required contributions to our plans in 2014 and beyond will depend on a variety of factors, including earnings on plan investments, prevailing interest and discount rates, demographic experience, changes in plans benefits and changes in funding laws and regulations. Any future material cash contributions could have a negative impact on our liquidity by reducing our cash flows.

We plan to access the public debt markets, and we cannot assure you that these markets will remain free of disruptions.

We have a significant amount of indebtedness that we intend to refinance over the next several years, principally through the issuance of debt securities of CenturyLink, Qwest Corporation or both. Our ability to arrange additional financing will depend on, among other factors, our financial position, performance, and credit ratings, as well as prevailing market conditions and other factors beyond our control. Prevailing market conditions could be adversely affected by the ongoing disruptions in the European sovereign debt markets, the failure of the United States to reduce its deficit in amounts deemed to be sufficient, possible further downgrades in the credit ratings of the U.S. debt, contractions or limited growth in the economy or other similar adverse economic developments in the U.S. or abroad. Instability in the global financial markets has from time to time resulted in periodic volatility in the capital markets. This volatility could limit our access to the credit markets, leading to higher borrowing costs or, in some cases, the inability to obtain financing on terms that are acceptable to us, or at all. Any such failure to obtain additional financing could jeopardize our ability to repay, refinance or reduce debt obligations.

Other Risks

If conditions or assumptions differ from the judgments, assumptions or estimates used in our critical accounting policies, the accuracy of our consolidated financial statements and related disclosures could be affected.

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires management to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. Our critical accounting policies, which are described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in Item 7 of this report, describe those significant accounting policies and methods used in the preparation of our consolidated financial statements that are considered "critical" because they require judgments, assumptions and estimates that materially impact our consolidated financial statements and related disclosures. As a result, if future events or assumptions differ significantly from the judgments, assumptions and estimates in our critical accounting policies, these events or assumptions could have a material impact on our consolidated financial statements and related disclosures.

We face hurricane and other natural disaster risks, which can disrupt our operations and cause us to incur substantial additional capital and operating costs.

A substantial number of our facilities are located in Florida, Alabama, Louisiana, Texas, North Carolina, South Carolina and other coastal states, which subjects them to the risks associated with severe tropical storms, hurricanes and tornadoes, including downed telephone lines, flooded facilities, power outages, fuel shortages, damaged or destroyed property and equipment, and work interruptions. Although we maintain property and casualty insurance on our plant (excluding our outside plant) and may under certain circumstances be able to seek recovery of some additional costs through increased rates, only a portion of our additional costs directly related to such hurricanes and natural disasters have historically been recoverable. We cannot predict whether we will continue to be able to obtain insurance for hazard-related damages or, if obtainable and carried, whether this insurance will be adequate to cover our losses. In addition, we expect any insurance of this nature to be subject to substantial deductibles and to provide for premium adjustments based on claims. Any future hazard-related costs and work interruptions could adversely affect our operations and our financial condition.

Tax audits or changes in tax laws could adversely affect us.

Like all large businesses, we are subject to frequent and regular audits by the Internal Revenue Service as well as state and local tax authorities. These audits could subject us to tax liabilities if adverse positions are taken by these tax authorities.

We believe that we have adequately provided for tax contingencies. However, our tax audits and examinations may result in tax liabilities that differ materially from those that we have recognized in our consolidated financial statements. Because the ultimate outcomes of all of these matters are uncertain, we can give no assurance as to whether an adverse result from one or more of them will have a material effect on our financial results.

Dividends received by certain investors may be subject to a new 3.8% Medicare tax on unearned income beginning on January 1, 2013, and certain tax reform plans under consideration by the U.S. Congress could increase the dividend tax rate. Any significant increase in the U.S. tax rate on dividends could reduce demand for our stock, which could potentially depress its trading price.

Our agreements and organizational documents and applicable law could limit another party's ability to acquire us.

A number of provisions in our agreements and organizational documents and various provisions of applicable law may delay, defer or prevent a future takeover of CenturyLink unless the takeover is approved by our Board of Directors. For additional information, please see our Registration Statement on Form 8-A/A filed with the SEC July 1, 2009. This could deprive our shareholders of any related takeover premium.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our property, plant and equipment consists principally of telephone lines, central office equipment, land and buildings related to our telephone operations. Our gross property, plant and equipment consisted of the following components as of the following dates:

	December 31,	
	2012	2011
Land	2%	2%
Fiber, conduit and other outside plant[(1)]	40%	41%
Central office and other network electronics[(2)]	36%	33%
Support assets[(3)]	19%	21%
Construction in progress[(4)]	3%	3%
Gross property, plant and equipment	100%	100%

(1) Fiber, conduit and other outside plant consists of fiber and metallic cable, conduit, poles and other supporting structures.

(2) Central office and other network electronics consists of circuit and packet switches, routers, transmission electronics and electronics providing service to customers.

(3) Support assets consist of buildings, computers and other administrative and support equipment.

(4) Construction in progress includes inventory held for construction and property of the aforementioned categories that has not been placed in service as it is still under construction.

We own substantially all of our telecommunications equipment required for our business. However, we lease certain facilities, plant, equipment and software under various capital lease arrangements when the leasing arrangements are more favorable to us than purchasing the assets.

We also own and lease administrative offices in major metropolitan locations both in the United States and internationally. Substantially all of our network electronics equipment is located in buildings or on land that we own or lease within our local service area. Outside of our local service area, our assets are generally located on real property pursuant to an agreement with the property owner or another person with rights to the property. It is possible that we may lose our rights under one or more of these agreements, due to their termination or their expiration.

With the acquisitions of Qwest in April 2011 and Savvis in July 2011, we expanded our property to include data center assets, and the related facilities and communications equipment. The facilities that house Savvis' warehouses, network equipment and data centers are leased.

During 2012, we reclassified certain amounts reported in prior periods of inventory held for construction to conform to the current period presentation. This reclassification increased construction in progress at December 31, 2011 by $55 million with an offsetting decrease to fiber, conduit and other outside plant and central office and other network electronics by $8 million and $47 million, respectively.

Some of our property, plant and equipment is pledged to secure the long-term debt of subsidiaries. Our net property, plant and equipment was $19.0 billion and $19.4 billion at December 31, 2012 and 2011, respectively.

Several putative class actions have been filed against us disputing our use of certain rights-of-way as described in "Legal Proceedings—Litigation Matters Relating to Qwest" in Item 3 of this report. If we lose any of these rights-of-way or are unable to renew them, we may find it necessary to move or replace the affected portions of our network. However, we do not expect any material adverse impacts as a result of the loss of any of these rights.

ITEM 3. LEGAL PROCEEDINGS

In this section, when we refer to a class action as "putative" it is because a class has been alleged, but not certified in that matter. Until and unless a class has been certified by the court, it has not been established that the named plaintiffs represent the class of plaintiffs they purport to represent.

We have established accrued liabilities for the matters described below where losses are deemed probable and reasonably estimable.

We are vigorously defending against all of the matters described below. As a matter of course, we are prepared both to litigate the matters to judgment, as well as to evaluate and consider all settlement opportunities.

Litigation Matters Relating to CenturyLink and Embarq

In December 2009, subsidiaries of CenturyLink filed two lawsuits against subsidiaries of Sprint Nextel to recover terminating access charges for VoIP traffic owed under various interconnection agreements and tariffs which presently approximate $34 million. The lawsuits allege that Sprint Nextel has breached contracts, violated tariffs, and violated the Federal Communications Act by failing to pay these charges. One lawsuit, filed on behalf of all legacy Embarq operating entities, was tried in federal court in Virginia in August 2010 and, in March 2011, a ruling was issued in our favor and against Sprint Nextel. In the first quarter of 2012, Sprint Nextel filed an appeal of this decision. The other lawsuit, filed on behalf of all Legacy CenturyLink operating entities, is pending in federal court in Louisiana. In that case, in early 2011 the Court dismissed certain of CenturyLink's claims, referred other claims to the FCC, and stayed the litigation. In April 2012, Sprint Nextel filed a petition with the FCC, seeking a declaratory ruling that CenturyLink's access charges do not apply to VoIP originated calls. We have not deferred revenue related to these matters as an adverse outcome is not probable based upon current circumstances.

In *William Douglas Fulghum, et al. v. Embarq Corporation, et al.*, filed on December 28, 2007 in the United States District Court for the District of Kansas, a group of retirees filed a putative class action lawsuit challenging the decision to make certain modifications in retiree benefits programs relating to life insurance, medical insurance and prescription drug benefits, generally effective January 1, 2006 and January 1, 2008 (which, at the time of the modifications, was expected to reduce estimated future expenses for the subject benefits by more than $300 million). Defendants include Embarq, certain of its benefit plans, its Employee Benefits Committee and the individual plan administrator of certain of its benefits plans. Additional defendants include Sprint Nextel and certain of its benefit plans. The Court certified a class on certain of plaintiffs' claims, but rejected class certification as to other claims. Embarq and other defendants continue to vigorously contest these claims and charges. On October 14, 2011, the *Fulghum* lawyers filed a new, related lawsuit, *Abbott et al. v. Sprint Nextel et al*. CenturyLink/Embarq is not named a defendant in the lawsuit. In *Abbott*, approximately 1,500 plaintiffs allege breach of fiduciary duty in connection with the changes in retiree benefits that also are at issue in the *Fulghum* case. The *Abbott* plaintiffs are all members of the class that was certified in *Fulghum* on claims for allegedly vested benefits (Counts I and III), and the *Abbott* claims are similar to the *Fulghum* breach of fiduciary duty claim (Count II), on which the *Fulghum* court denied class certification. The Court has stayed proceedings in *Abbott* indefinitely. On February 14, 2013, the *Fulghum* court dismissed the majority of the plaintiffs' claims in that case. Embarq and the other defendants will continue to vigorously contest any remaining claims in *Fulghum* and seek to have the claims in the *Abbott* case dismissed on similar grounds. We have not accrued a liability for these matters as it is premature (i) to determine whether an accrual is warranted and (ii) if so, to determine a reasonable estimate of probable liability.

Litigation Matters Relating to Qwest

The terms and conditions of applicable bylaws, certificates or articles of incorporation, agreements or applicable law may obligate Qwest to indemnify its former directors, officers or employees with respect to certain of the matters described below and Qwest has been advancing legal fees and costs to certain former directors, officers or employees in connection with certain matters described below.

On September 29, 2010, the trustees in the Dutch bankruptcy proceeding for KPNQwest, N.V. (of which Qwest was a major shareholder) filed a lawsuit in the District Court of Haarlem, the Netherlands, alleging tort and mismanagement claims under Dutch law. Qwest and Koninklijke KPN N.V. ("KPN") are defendants in this lawsuit along with a number of former KPNQwest supervisory board members and a former officer of KPNQwest, some of whom were formerly affiliated with Qwest. Plaintiffs allege, among other things, that defendants' actions were a cause of the bankruptcy of KPNQwest, and they seek damages for the bankruptcy deficit of KPNQwest, which is claimed to be approximately €4.2 billion (or approximately $5.6 billion based on the exchange rate on December 31, 2012), plus statutory interest. Two lawsuits asserting similar claims were previously filed against Qwest and others in federal courts in New Jersey in 2004 and Colorado in 2009; those courts dismissed the lawsuits without prejudice on the grounds that the claims should not be litigated in the United States.

On September 13, 2006, Cargill Financial Markets, Plc and Citibank, N.A. filed a lawsuit in the District Court of Amsterdam, the Netherlands, against Qwest, KPN, KPN Telecom B.V., and other former officers, employees or supervisory board members of KPNQwest, some of whom were formerly affiliated with Qwest. The lawsuit alleges that defendants misrepresented KPNQwest's financial and business condition in connection with the origination of a credit facility and wrongfully allowed KPNQwest to borrow funds under that facility. Plaintiffs allege damages of approximately €219 million (or approximately $289 million based on the exchange rate on December 31, 2012). On April 25, 2012, the court issued its judgment denying the claims asserted by Cargill and Citibank in their lawsuit. Cargill and Citibank are appealing that decision.

We have not accrued a liability for the above matters. Regarding the 2010 proceeding, we believe it is premature to determine whether an accrual is warranted and, if so, a reasonable estimate of our probable liability. Regarding the 2006 suit, we do not believe that liability is probable. We will continue to defend against both KPNQwest litigation matters vigorously.

Several putative class actions relating to the installation of fiber optic cable in certain rights-of-way were filed against Qwest on behalf of landowners on various dates and in courts located in 34 states in which Qwest has such cable (Alabama, Arizona, California, Colorado, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, and Wisconsin.) For the most part, the complaints challenge our right to install our fiber optic cable in railroad rights-of-way. The complaints allege that the railroads own the right-of-way as an easement that did not include the right to permit us to install our cable in the right-of-way without the Plaintiffs' consent. Most of the currently pending actions purport to be brought on behalf of state-wide classes in the named Plaintiffs' respective states, although one action pending before the Illinois Court of Appeals purports to be brought on behalf of landowners in Illinois, Iowa, Kentucky, Michigan, Minnesota, Nebraska, Ohio and Wisconsin. In general, the complaints seek damages on theories of trespass and unjust enrichment, as well as punitive damages. After previous attempts to enter into a single nationwide settlement in a single court proved unsuccessful, the parties proceeded to seek court approval of settlements on a state-by-state basis. To date, the parties have received final approval of such settlements in 22 states (Alabama, Colorado, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, New York, North Carolina, Oklahoma, Tennessee, Virginia and Wisconsin), have received preliminary approval of the settlements in eight states (California, Kentucky, Nevada, Ohio, Oregon, Pennsylvania, South Carolina and Utah), and have not yet received either preliminary or final approval in four states (Arizona, Massachusetts, New Mexico and Texas). We have accrued an amount that we believe is probable for these matters; however, the amount is not material to our consolidated financial statements.

Other Matters

From time to time, we are involved in other proceedings incidental to our business, including patent infringement allegations, administrative hearings of state public utility commissions relating primarily to rate making, actions relating to employee claims, various tax issues, environmental law issues, grievance hearings before labor regulatory agencies, and miscellaneous third party tort actions. The outcome of these other proceedings is not predictable. However, based on current circumstances we do not believe that the ultimate resolution of these other proceedings, after considering available defenses and insurance coverage, will have a material adverse effect on our financial position, results of operations or cash flows.

The information included in Note 15—Commitments and Contingencies to the consolidated financial statements included in Item 8 of this report is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the New York Stock Exchange ("NYSE") and the Berlin Stock Exchange and is traded under the symbol CTL and CYT, respectively. The following table sets forth the high and low reported sales prices on the NYSE along with the quarterly dividends, for each of the quarters indicated.

	Sales Prices		Dividend per Common Share
	High	Low	
2012			
First quarter	$ 40.54	36.25	.725
Second quarter	39.89	36.91	.725
Third quarter	43.43	38.96	.725
Fourth quarter	40.49	36.52	.725
2011			
First quarter	$ 46.78	39.45	.725
Second quarter	43.49	38.66	.725
Third quarter	41.32	31.75	.725
Fourth quarter	38.01	31.16	.725

Common stock dividends during 2012 and 2011 were paid each quarter. On February 26, 2013, our Board of Directors declared a common stock dividend of $.54 per share.

As described in greater detail in Item 1A of this Annual Report on Form 10-K, the declaration and payment of dividends is at the discretion of our Board of Directors, and will depend upon our financial results, cash requirements, future prospects and other factors deemed relevant by our Board of Directors.

At February 15, 2013, there were approximately 168,000 stockholders of record although there were significantly more beneficial holders of our common stock. At February 15, 2013, the closing stock price of our common stock was $33.02.

Issuer Purchases of Equity Securities

The following table contains information about shares of our common stock that we withheld from employees to satisfy tax obligations related to the vesting of stock-based awards during the fourth quarter of 2012:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
October 2012	91,527	$ 39.32	N/A	N/A
November 2012	—	—	N/A	N/A
December 2012	302,915	39.12	N/A	N/A
Total	394,442			

N/A—not applicable

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ITEM 6. SELECTED FINANCIAL DATA

The following table of selected consolidated financial data should be read in conjunction with and are qualified by reference to the consolidated financial statements and notes thereto in Item 8 of this report and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this report.

The table of selected financial data shown below is derived from our audited consolidated financial statements. These historical results are not necessarily indicative of results that you can expect for any future period.

The results of operations include Savvis for periods after July 15, 2011, Qwest for periods after April 1, 2011 and Embarq for periods after July 1, 2009.

Selected financial information from the consolidated statements of operations data is as follows:

	Years Ended December 31,[1]				
	2012	2011	2010	2009	2008
	(Dollars in millions, except per share amounts and shares in thousands)				
Operating revenues	$ 18,376	15,351	7,042	4,974	2,600
Operating expenses	15,663	13,326	4,982	3,741	1,878
Operating income	$ 2,713	2,025	2,060	1,233	721
Income before income tax expense	1,250	948	1,531	813	561
Net income	777	573	948	647	366
Basic earnings per common share	1.25	1.07	3.13	3.23	3.53
Diluted earnings per common share	1.25	1.07	3.13	3.23	3.52
Dividends declared per common share	2.90	2.90	2.90	2.80	2.1675
Weighted average basic common shares outstanding	620,205	532,780	300,619	198,813	102,268
Weighted average diluted common shares outstanding	622,285	534,121	301,297	199,057	102,560

(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations" in Item 7 of this report for a discussion of unusual items affecting the results for the years ended December 31, 2012, 2011 and 2010.

Selected financial information from the consolidated balance sheets is as follows:

	December 31,				
	2012	2011	2010	2009	2008
	(Dollars in millions)				
Net property, plant and equipment	$ 19,032	19,444	8,754	9,097	2,896
Goodwill	21,732	21,732	10,261	10,252	4,016
Total assets	54,020	56,044	22,038	22,563	8,254
Total long-term debt[1]	20,605	21,836	7,328	7,754	3,315
Total stockholders' equity	19,289	20,827	9,647	9,467	3,168

(1) Total long-term debt is the sum of current maturities of long-term debt and long-term debt on our consolidated balance sheets. For total obligations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Future Contractual Obligations" in Item 7 of this report.

Selected financial information from the consolidated statements of cash flows is as follows:

	Years Ended December 31,				
	2012	2011	2010	2009	2008
	(Dollars in millions)				
Net cash provided by operating activities	$ 6,065	4,201	2,045	1,574	853
Net cash used in investing activities	(2,690)	(3,647)	(859)	(679)	(389)
Net cash used in financing activities	(3,295)	(577)	(1,175)	(976)	(255)
Payments for property, plant and equipment and capitalized software	(2,919)	(2,411)	(864)	(755)	(287)

The following table presents certain selected consolidated operating data as of the following dates:

	December 31,				
	2012	2011(1)	2010	2009(2)	2008
	(in thousands)				
Broadband subscribers(3)	5,848	5,652	2,349	2,186	626
Access lines	13,748	14,584	6,489	7,025	2,025

(1) In connection with our Qwest acquisition on April 1, 2011, we acquired approximately 9.0 million telephone access lines and approximately 3.0 million broadband subscribers.

(2) In connection with our Embarq acquisition on July 1, 2009, we acquired approximately 5.4 million telephone access lines and approximately 1.5 million broadband subscribers.

(3) Broadband subscribers are customers that purchase high-speed Internet connection service through their existing telephone lines and fiber-optic cables. During the second quarter of 2012, we updated our methodology for counting broadband subscribers to include residential, business and wholesale subscribers instead of only residential and small business subscribers. We have restated our previously reported amounts to reflect this change.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

All references to "Notes" in this Item 7 refer to the Notes to Consolidated Financial Statements included in Item 8 of this report. Certain statements in this report constitute forward-looking statements. See "Special Note Regarding Forward-Looking Statements" in Item 1 of this report for factors relating to these statements and "Risk Factors" in Item 1A of this report for a discussion of certain risk factors applicable to our business, financial condition and results of operations.

Overview

We are an integrated communications company engaged primarily in providing an array of communications services to our residential, business, governmental and wholesale customers. Our communications services include local and long-distance, network access, private line (including special access), public access, broadband, data, managed hosting (including cloud hosting), colocation, wireless and video services. In certain local and regional markets, we also provide local access and fiber transport services to competitive local exchange carriers and security monitoring. We strive to maintain our customer relationships by, among other things, bundling our service offerings to provide our customers with a complete offering of integrated communications services.

At December 31, 2012, we operated approximately 13.7 million access lines in 37 states, served approximately 5.8 million broadband subscribers, and operated 54 data centers throughout North America, Europe and Asia. During 2012, we updated our methodology for counting broadband subscribers to include residential, business and wholesale subscribers instead of only residential and small business subscribers. We have restated our previously reported amounts to reflect this change. For purposes of counting our access lines, we include only those access lines that we use to provide services to external customers and exclude lines used solely by us and our affiliates. Our counting methodology also excludes unbundled loops and includes stand-alone broadband subscribers. Our methodology for counting access lines may not be comparable to those of other companies.

Our consolidated financial statements include the accounts of CenturyLink, Inc. ("CenturyLink") and its majority-owned subsidiaries. These subsidiaries include SAVVIS, Inc. ("Savvis") as of July 15, 2011 and Qwest Communications International Inc. ("Qwest") as of April 1, 2011. See Note 2—Acquisitions to the consolidated financial statements in Item 8 of this report. Due to the significant size of these acquisitions, direct comparisons of our results of operations for the years ended December 31, 2012, 2011 and 2010 to prior periods are less meaningful than usual. We discuss below, under "Results of Operations—Segment Results", certain trends that we believe are significant, even if they are not necessarily material to the combined company.

In the discussion that follows, we refer to the incremental business activities that we now operate as a result of the Savvis acquisition and the Qwest acquisition as "Legacy Savvis" and "Legacy Qwest", respectively. References to "Legacy CenturyLink", when used in reference to a comparison of our consolidated results for the years ended December 31, 2012 and 2011, mean the business we operated prior to the Qwest and Savvis acquisitions. Due to the magnitude of our recent acquisitions in relation to Legacy CenturyLink operations, in the combined company variance discussions below we have separately reflected the impacts of both the Legacy Qwest and Legacy Savvis operations for enhanced visibility, although we actively manage the combined company through our four segments, as discussed further below.

We have incurred operating expenses related to our acquisitions of Savvis in July 2011, Qwest in April 2011 and Embarq in July 2009. These expenses are reflected in cost of services and products and selling, general and administrative expenses in our consolidated statements of operations as summarized below.

	Years Ended December 31,		
	2012	2011	2010
	(Dollars in millions)		
Cost of services and products:			
Integration and other expenses associated with acquisitions	$ 22	43	37
Severance expenses, accelerated recognition of share-based awards and retention compensation associated with acquisitions	—	24	12
Total	$ 22	67	49
Selling, general and administrative:			
Expenses incurred to effect acquisitions	$ —	79	13
Integration and other expenses associated with acquisitions	25	172	64
Severance expenses, accelerated recognition of share-based awards and retention compensation associated with acquisitions	36	149	19
Total	$ 61	400	96

This table does not include costs incurred by Qwest or Savvis prior to being acquired by us. Based on current plans and information, we estimate, in relation to our Qwest acquisition, total integration, severance and retention expenses to be between $600 million to $700 million (which includes approximately $464 million of cumulative expenses incurred through December 31, 2012) and our capital expenditures associated with integration activities will approximate $200 million (which includes approximately $63 million of cumulative capital expenditures incurred through December 31, 2012). We anticipate that the amount of our integration costs in future years will vary substantially based on integration activities conducted during those periods and could in certain cases be significantly higher than those incurred by us during the year ended December 31, 2012.

For several years prior to 2011, we reported our operations as a single segment. However, in 2011, in connection with our acquisitions of Qwest on April 1, 2011 and Savvis on July 15, 2011, we reorganized our business into the following operating segments:

- *Regional markets.* Consisted primarily of providing products and services to residential consumers, small to medium-sized businesses and regional enterprise customers;
- *Business markets.* Consisted primarily of providing products and services to enterprise and government customers;
- *Wholesale markets.* Consisted primarily of providing products and services to other communications providers; and
- *Savvis operations.* Consisted primarily of providing hosting and network services primarily to business customers provided by Legacy Savvis.

In the second quarter of 2012, in order to more effectively deploy the strategic assets acquired from Qwest and Savvis and to better serve our business and government customers, we restructured our business into the following operating segments:

- *Regional markets.* Consists primarily of providing strategic and legacy products and services to residential consumers, state and local governments, small to medium-sized businesses and enterprise customers that in each case are located mainly within one of our six regions. Our strategic products and services offered to these customers include our private line, broadband, MPLS, hosting, video services, and wireless services. Our legacy services offered to these customers consist primarily of local and long-distance service;

- *Wholesale markets.* Consists primarily of providing strategic and legacy products and services to other domestic and international communications providers. Our strategic products and services offered to these customers are mainly private line (including special access) and MPLS. Our legacy services offered to these customers include UNEs which allow our wholesale customers the use of our network or a combination of our network and their own networks to provide voice and data services to their customers, long-distance and switched access services;

- *Enterprise markets—network.* Consists primarily of providing strategic and legacy network communications products and services to national and international enterprise and government customers. Our strategic products and services offered to these customers include our private line, broadband, MPLS and hosting services. Our legacy services offered to these customers consist primarily of local and long-distance services; and

- *Enterprise markets—data hosting.* Consists primarily of providing colocation, managed hosting and cloud hosting services to national and international enterprise and government customers.

Due to system limitations, we have determined that it is impracticable to report 2010 segment information using our segment structure described above. As such, only 2011 financial data has been revised under our segment structure described above.

We now report financial information separately for each of these segments; however, our segment information does not include capital expenditures, total assets, or certain revenues and expenses that we manage on a centralized basis and are only reviewed by our chief operating decision maker ("CODM") on a consolidated basis. Our segment results are not necessarily indicative of the results of operations that our segments would have achieved had they operated as stand-alone entities during the periods presented. For additional information about our segments, see Note 13—Segment Information to the consolidated financial statements in Item 8 of this report and "Results of Operations—Segment Results" below.

On January 3, 2013, we announced a reorganization of our operating segments. Consequently, beginning with the first quarter of 2013, we will report the following four segments in our consolidated financial statements: consumer, business, wholesale and data hosting. The primary purpose of the reorganization is to strengthen our focus on the enterprise business market while continuing our commitment to our hosting and consumer customers. The reorganization combines business sales and operations functions that resided in the enterprise markets—network segment and the regional markets segment into the new business segment. The remaining customers serviced by the regional markets segment will become the new consumer segment. Our wholesale markets and enterprises markets—data hosting segments will not be impacted by the organizational realignment.

Results of Operations

The following table summarizes the results of our consolidated operations for the years ended December 31, 2012, 2011 and 2010. Our operating results include operations of Savvis for periods after July 15, 2011 and Qwest for periods after April 1, 2011.

	Years Ended December 31,		
	2012	2011	2010
	(Dollars in millions except per share amounts)		
Operating revenues	$ 18,376	15,351	7,042
Operating expenses	15,663	13,326	4,982
Operating income	2,713	2,025	2,060
Other income (expense)	(1,463)	(1,077)	(529)
Income tax expense	473	375	583
Net income	$ 777	573	948
Basic earnings per common share	$ 1.25	1.07	3.13
Diluted earnings per common share	$ 1.25	1.07	3.13

Due to our acquisitions of Qwest on April 1, 2011 and Savvis on July 15, 2011, our 2012 operating results reflect a full year of Qwest's and Savvis' results, as compared to our 2011 operating results, which reflect only nine months of Qwest's operating results and five and a half months of Savvis' operating results.

The increase in net income in 2012 was primarily due to the 2012 period containing a full year of Qwest's operating results compared to the 2011 period only containing nine months and a significant decrease from 2011 in the amount of acquisition, severance and integration expenses resulting from our recent acquisitions, as presented in the table under the "Overview" section above. The lower levels of net income in 2011 as compared to 2010 were primarily due to increased acquisition, severance and integration expenses attributable to the April 1, 2011 acquisition of Qwest. The post-acquisition operations of Legacy Savvis and Legacy Qwest, which included substantial severance and integration expenses and significant acquisition accounting adjustments to depreciation and amortization expense based on valuation estimates, did not contribute significantly to our consolidated net income in 2011. See Note 2—Acquisitions and Note 3—Goodwill, Customer Relationships and Other Intangible Assets to the consolidated financial statements in Item 8 of this report. Within our Legacy CenturyLink business, growth in strategic services revenues (which we describe further below) did not fully offset lower revenues from other services and products, further contributing to decreases in consolidated net income.

Diluted earnings per common share in 2012 was higher than 2011 as a result of increased net income for 2012. Diluted earnings per common share in 2011 was substantially lower than the amounts for the corresponding period of 2010 due to decreases in net income, as well as increases in the weighted average number of outstanding common shares. The increase in the weighted average number of outstanding common shares during 2012 and 2011 was primarily attributable to the issuance of approximately 294 million shares in connection with the Qwest acquisition on April 1, 2011 and the issuance of approximately 14.3 million shares in connection with the Savvis acquisition on July 15, 2011.

The following table summarizes our broadband subscribers, access lines and number of employees:

	As of December 31,		
	2012	2011	2010
		(in thousands)	
Operational metrics:			
Broadband subscribers	5,848	5,652	2,349
Access lines	13,748	14,584	6,489
Employees	47.0	49.2	20.3

During the second quarter of 2012, we updated our methodology for counting broadband subscribers to include residential, business and wholesale subscribers instead of only residential and small business subscribers. We have restated our previously reported amounts to reflect this change.

During the last several years, we have experienced revenue declines primarily due to declines in access lines, intrastate access rates and minutes of use. Prior to our acquisition, Qwest had experienced similar declines in its revenues. To mitigate these declines, we remain focused on efforts to, among other things:

- promote long-term relationships with our customers through bundling of integrated services;
- provide new services, such as video, cloud hosting, managed hosting, colocation and other additional services that may become available in the future due to, among other things, advances in technology or improvements in our infrastructure;
- provide our broadband and premium services to a higher percentage of our customers;
- pursue acquisitions of additional assets if available at attractive prices;
- increase usage of our networks; and
- market our products and services to new customers.

Operating Revenues

We currently categorize our products, services and revenues among the following four categories:

- *Strategic services*, which include primarily broadband, private line (including special access which we market to wholesale and business customers who require dedicated equipment to transmit large amounts of data between sites), MPLS (which is a data networking technology that can deliver the quality of service required to support real-time voice and video), hosting (including cloud hosting and managed hosting), colocation, Ethernet, video (including resold satellite and our facilities-based video services), VoIP and Verizon Wireless services;
- *Legacy services*, which include primarily local, long-distance, switched access, public access, ISDN (which uses regular telephone lines to support voice, video and data applications), and WAN services (which allows a local communications network to link to networks in remote locations);
- *Data integration*, which includes the sale of telecommunications equipment to customers for use on their premises and related professional services, such as network management, installation and maintenance of data equipment and building of proprietary fiber-optic networks for our government and business customers; and
- *Other revenues*, which consists primarily of USF revenue and surcharges. Unlike the first three revenue categories, other revenues are not included in our segment revenues.

The following table summarizes our operating revenues under our current revenue categorization which is presented in a manner that we believe will be useful for understanding the relevant trends affecting our business:

	Years Ended December 31,		Increase (Decrease)			
	2012	2011	CenturyLink	Qwest	Savvis	Total
			(Dollars in millions)			
Strategic services	$ 8,361	6,262	307	1,207	585	2,099
Legacy services	8,287	7,672	(633)	1,248	—	615
Data integration	672	537	19	116	—	135
Other	1,056	880	44	132	—	176
Total operating revenues	$ 18,376	15,351	(263)	2,703	585	3,025

During 2012, operating revenues attributable to certain products and services were reclassified from legacy services to strategic services. Due to system limitations, we have determined that is impracticable to restate 2010's operating revenues to conform to our current revenue categorization. For comparability purposes, we have included our operating revenues for the years ended December 31, 2011 and 2010 under our prior revenue categorization:

	Years Ended December 31,		Increase (Decrease)			
	2011	2010	CenturyLink	Qwest	Savvis	Total
			(Dollars in millions)			
Strategic services	$ 6,254	2,049	150	3,572	483	4,205
Legacy services	7,680	4,288	(483)	3,875	—	3,392
Data integration	537	158	(23)	402	—	379
Other	880	547	(24)	357	—	333
Total operating revenues	$ 15,351	7,042	(380)	8,206	483	8,309

Our operating revenues increased substantially in both 2012 and 2011 as compared to 2011 and 2010, respectively, due to our acquisitions of Qwest on April 1, 2011 and Savvis on July 15, 2011. Total operating revenues increased $3.025 billion in 2012 as compared to 2011 and increased $8.309 billion in 2011 as compared to 2010. As reflected in the chart above, our acquisitions of Qwest and Savvis contributed incremental operating revenues (net of intercompany eliminations) of $2.7 billion and $585 million, respectively, to our 2012 revenues. Legacy CenturyLink operating revenues decreased $263 million, or 1.7%, in 2012 and $380 million, or 5.4%, in 2011 as compared to the prior year period. These decreases were primarily attributable to declines in legacy services revenues, which reflected the continuing loss of access lines in our markets. At December 31, 2012, we had 13.748 million access lines, of which 8.055 million were in Legacy Qwest's markets. Access lines in our Legacy CenturyLink markets declined to 5.693 million at December 31, 2012 from 6.051 million at December 31, 2011, a decrease of 5.93% during 2012, and were 6.489 million at December 31, 2010, a decrease of 6.75% during 2011. We believe the decline in the number of access lines was primarily due to the displacement of traditional wireline telephone services by other competitive products and services. We estimate that our access lines loss will be between 5.4% and 5.9% in 2013. Our legacy services revenues were also negatively impacted in 2012 by the continued reduction in access revenues and continued migration of customers to bundled service offerings at lower effective rates. The decreases in our legacy services revenues were partially offset by higher revenues from strategic services revenues. Ethernet, MPLS, Internet Protocol Television ("IPTV"), VoIP and broadband services accounted for a majority of the growth in strategic services revenues.

We are aggressively marketing our strategic services (including our data hosting services) and data integration to offset the continuing declines in our legacy services revenues. We believe our recent acquisitions of Savvis and Qwest will strengthen our ability to achieve this goal.

Further analysis of our operating revenues by segment is provided below in "Segment Results."

Operating Expenses

Our current definitions of operating expenses are as follows:

- *Cost of services and products (exclusive of depreciation and amortization)* are expenses incurred in providing products and services to our customers. These expenses include: employee-related expenses directly attributable to operating and maintaining our network (such as salaries, wages, benefits and professional fees); facilities expenses (which include third-party telecommunications expenses we incur for using other carriers' networks to provide services to our customers); rents and utilities expenses; equipment sales expenses (such as data integration and modem expenses); costs for universal service funds ("USF") (which are federal and state funds that are established to promote the availability of telecommunications services to all consumers at reasonable and affordable rates, among other things, and to which we are often required to contribute); and other expenses directly related to our network and hosting operations.

- *Selling, general and administrative expenses* are corporate overhead and other operating expenses. These expenses include: employee-related expenses (such as salaries, wages, internal commissions, benefits and professional fees) directly attributable to selling products or services and employee-related expenses for administrative functions; marketing and advertising; taxes (such as property and other taxes) and fees; external commissions; bad debt expense; and other selling, general and administrative expenses.

These expense classifications may not be comparable to those of other companies.

During 2012 and 2011, our operating expenses increased substantially in comparison to 2011 and 2010 primarily due to our acquisitions of Qwest and Savvis.

The following tables summarize our operating expenses:

	Years Ended December 31,		Increase (Decrease)			
	2012	2011	CenturyLink	Qwest	Savvis	Total
	(Dollars in millions)					
Cost of services and products (exclusive of depreciation and amortization)	$ 7,639	6,325	(73)	1,082	305	1,314
Selling, general and administrati	3,244	2,975	(367)	483	153	269
Depreciation and amortization	4,780	4,026	(149)	741	162	754
Total operating expenses	$ 15,663	13,326	(589)	2,306	620	2,337

	Years Ended December 31,		Increase (Decrease)			
	2011	2010	CenturyLink	Qwest	Savvis	Total
	(Dollars in millions)					
Cost of services and products (exclusive of depreciation and amortization)	$ 6,325	2,544	(4)	3,523	262	3,781
Selling, general and administrative	2,975	1,004	60	1,791	120	1,971
Depreciation and amortization	4,026	1,434	72	2,394	126	2,592
Total operating expenses	$ 13,326	4,982	128	7,708	508	8,344

The acquisitions of Qwest and Savvis largely contributed to the increase in total operating expenses of $2.337 billion in 2012. Excluding the effects of Legacy Qwest and Legacy Savvis expenses, total operating expenses in 2012 decreased $589 million, or 4.4%, due primarily to decreases in employee-related expenses, severance and integration expenses relating to our recent acquisitions and depreciation and amortization expense. The increase in total operating expenses of $8.344 billion in 2011 was largely attributable to the inclusion of $7.7 billion in post-acquisition Legacy Qwest operating expenses (net of intercompany eliminations) in our consolidated operating expenses. In addition, the acquisition of Savvis on July 15, 2011 increased our consolidated operating expenses for 2011 by $508 million. As discussed in the "Overview" section, our operating expenses for 2012, 2011, and 2010 included substantial severance and integration costs related to the Qwest, Savvis and Embarq acquisitions as well as significant acquisition accounting adjustments to depreciation and amortization expense. See Note 2—Acquisitions and Note 3—Goodwill, Customer Relationships and Other Intangible Assets to the consolidated financial statements in Item 8 of this report. Excluding the effects of Legacy Qwest and Legacy Savvis expenses, total operating expenses in 2011 increased $128 million, or 2.6%, due primarily to integration costs associated with the Qwest acquisition and increased costs of providing our facilities-based video services to more customers.

For the year ended December 31, 2012, Legacy CenturyLink cost of services and products (exclusive of depreciation and amortization) were slightly lower as compared to 2011. During the year, we experienced decreases in severance, salaries and wages and related benefits, which were partially offset by increases in customer premise equipment and maintenance costs, network expense, and contractor costs. Cost of services and products for Legacy CenturyLink operations was relatively unchanged in 2011. For 2011, $55 million of higher costs of services and products associated with providing our facilities-based video service were substantially offset by a $28 million decrease in salaries and benefits and a $20 million decrease in facilities costs associated with the migration of legacy Embarq long-distance traffic to our internal networks.

Legacy CenturyLink selling, general and administrative expenses decreased $367 million, or 2.8%, for 2012 as compared to 2011, while selling, general and administrative expenses increased $60 million, or 6.0%, for 2011 as compared to 2010. The decrease in 2012 primarily was due to a decrease in severance and integration expenses relating to our recent acquisitions, as well as a decrease in salaries, wages, and employee benefits due to a reduction in headcount. For all periods presented, our expenses include significant transaction, severance and integration expenses related to the Qwest, Savvis and Embarq acquisitions (see table in "Overview" above). Changes in the timing and amount of Qwest and Savvis integration expenses resulted in a net increase in Legacy CenturyLink's 2011 selling, general and administrative expenses compared to 2010. This increase was partially offset by a decrease of $33 million in 2011 in operating taxes, which were primarily due to favorable property tax and transaction tax settlements. In addition, in 2011 we had a decrease of $20 million in compensation expenses, which were primarily due to workforce reductions and lower pension expense.

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Effective January 1, 2012, we changed our rates of capitalized labor as we transitioned certain of Qwest's legacy systems to our historical company systems. This transition resulted in an estimated $40 million to $55 million increase in the amount of labor capitalized as an asset compared to the amount that would have been capitalized if Qwest had continued to use its legacy systems and a corresponding estimated $40 million to $55 million decrease in operating expenses for the year ended December 31, 2012. The reduction in expenses described above, net of tax, increased net income approximately $25 million to $34 million, or $0.04 to $0.05 per basic and diluted common share, for the year ended December 31, 2012.

Excluding the effects of the acquisitions of Qwest and Savvis, depreciation and amortization expense for Legacy CenturyLink decreased $149 million, or 3.7%, due to annual updates of our depreciation rates for capitalized assets and an out-of-period accounting adjustment, partially offset by net growth in capital assets. Depreciation and amortization for Legacy CenturyLink increased $72 million, or 5.0%, in 2011 primarily due to higher levels of property, plant and equipment and an out-of-period accounting adjustment corrected in 2012.

Further analysis of our operating expenses by segment is provided below in "Segment Results."

Other Consolidated Results

The following tables summarize our total other income (expense) and income tax expense:

	Years Ended December 31,		Increase (Decrease)			
	2012	2011	CenturyLink	Qwest	Savvis	Total
	(Dollars in millions)					
Interest expense	$ (1,319)	(1,072)	62	169	16	247
Net loss on early retirement of debt	(179)	(8)	179	(8)	—	171
Other income (expense)	35	3	32	(1)	1	32
Total other income (expense)	$ (1,463)	(1,077)	273	160	17	386
Income tax expense	$ 473	375	nm	nm	nm	98

	Years Ended December 31,		Increase (Decrease)			
	2011	2010	CenturyLink	Qwest	Savvis	Total
	(Dollars in millions)					
Interest expense	$ (1,072)	(544)	34	486	8	528
Net loss on early retirement of debt	(8)	—	—	8	—	8
Other income (expense)	3	15	17	(2)	(3)	12
Total other income (expense)	$ (1,077)	(529)	51	492	5	548
Income tax expense	$ 375	583	nm	nm	nm	(208)

nm—Attributing changes in income tax expense to the acquisitions of Savvis and Qwest is considered not meaningful.

Interest Expense

Interest expense for the year ended December 31, 2012 increased by $247 million compared to 2011. This increase is primarily due to the 2012 period containing a full year of Qwest interest expense compared to the 2011 period containing only nine months. Interest expense increased $528 million in 2011 primarily due to higher debt balances associated principally with debt assumed in the Qwest acquisition and incurred to finance the Savvis acquisition. See Note 4—Long-term Debt and Credit Facilities to the consolidated financial statements in Item 8 of this report and "Liquidity and Capital Resources" below for additional information about those transactions.

Interest expense for Legacy CenturyLink increased $62 million, or 5.8%, in 2012 compared to 2011 and increased $34 million, or 6.3%, in 2011 compared to 2010. The increase in both years is substantially due to interest on our $2 billion aggregate principal amount of senior notes issued in June 2011 to finance the Savvis acquisition. The 2012 increase is due to those notes being outstanding for a full year versus a partial year in 2011. The 2011 increase was due to those notes being outstanding for a partial year versus not at all in 2010.

Net Loss on Early Retirement of Debt

In the fourth quarter of 2012, QCII redeemed certain of its outstanding debt securities, which resulted in a gain of $15 million.

In the second quarter of 2012, our subsidiaries Embarq and QC completed premium-priced cash tender offers for the purchase of certain of their respective outstanding debt securities, resulting in an aggregate loss of $190 million. Also in the second quarter of 2012, our subsidiaries Embarq and QCII redeemed certain of their respective outstanding debt securities which resulted in a net loss of $9 million.

During 2012, QCII and QC redeemed certain of their outstanding debt securities, which resulted in a gain of $5 million.

In the fourth quarter and second quarter of 2011, QC redeemed certain of its outstanding debt securities which resulted in a total net loss of $8 million.

Other Income (Expense)

Other income (expense) reflects certain items not directly related to our core operations, including our share of income from our 49% interest in a cellular partnership, interest income, gains and losses from non-operating asset dispositions and impairments and foreign currency gains and losses. Other income for Legacy CenturyLink was greater for the year ended December 31, 2012 as compared to 2011 due to gains on the sales of our auction rate securities and the recognition in 2011 of $16 million in transaction expenses incurred in connection with terminating an unused bridge loan financing commitment related to the Savvis acquisition. See Note 2—Acquisitions to the consolidated financial statements in Item 8 of this report. Other income for Legacy CenturyLink decreased $17 million in 2011, as compared to 2010 primarily due to the $16 million in transaction expenses discussed above.

Income Tax Expense

Our income tax expense for the years ended December 31, 2012 and 2011increased $98 million and decreased $208 million, respectively, from the amounts for the comparable prior year. Our increase in 2012 was primarily due to a $302 million, or 32%, increase in income before income tax expense as compared to 2011. Our decrease in 2011 was primarily due to a decrease in income before income tax expense, which was attributable to a decline in operating income and increased interest expense directly related to the acquisition of Qwest. For the years ended December 31, 2012, 2011 and 2010, our effective income tax rate was 37.8%, 39.6% and 38.1%, respectively. The 2012 effective tax rate reflects the $16 million reversal of a valuation allowance related to the auction rate securities we sold in 2012, a $12 million benefit related to state NOLs net of valuation allowance, and a $6 million expense associated with reversing a receivable related to periods that have been effectively settled with the IRS. The 2011 rate increase was due in part to $24 million of non-deductible transaction costs and an $8 million valuation allowance recorded on deferred tax assets that require future income of a special character to realize the benefits. Such increase was partially offset by a $16 million reduction in our valuation allowance related to state NOLs due primarily to the effects of a tax law change in one of the states in which we operate. Certain merger-related costs incurred during 2010 are also non-deductible for income tax purposes and similarly increased our effective income tax rate. See Note 12—Income Taxes to the consolidated financial statements in Item 8 of this report and "Income Taxes" below for additional information.

Segment Results

As described further above under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview," we revised our segment structure in 2012 and restated previously reported segment results for the year ended December 31, 2011 to conform to our 2012 segment presentation. The following table summarizes our segment results for 2012 and 2011 under our segment categorization at December 31, 2012.

	Years Ended December 31,	
	2012	**2011**
	(Dollars in millions)	
Total segment revenues	$ 17,320	14,471
Total segment expenses	8,094	6,513
Total segment income	$ 9,226	7,958
Total margin percentage	53%	55%
Regional markets:		
Revenues	$ 9,876	8,743
Expenses	4,218	3,673
Income	$ 5,658	5,070
Margin percentage	57%	58%
Wholesale markets:		
Revenues	$ 3,721	3,305
Expenses	1,117	1,021
Income	$ 2,604	2,284
Margin percentage	70%	69%
Enterprise markets—network:		
Revenues	$ 2,609	1,933
Expenses	1,891	1,450
Income	$ 718	483
Margin percentage	28%	25%
Enterprise markets—data hosting:		
Revenues	$ 1,114	490
Expenses	868	369
Income	$ 246	121
Margin percentage	22%	25%

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Due to system limitations, we have determined that it is impracticable to restate 2010's reported segments to conform to our current segment categorization at December 31, 2012. For comparability purposes, we have included our segment information for the years ended December 31, 2011 and 2010 based on the segment categorization we were operating under at the end of 2011.

	Years Ended December 31,	
	2011	2010
	(Dollars in millions)	
Total segment revenues	$ 14,471	6,495
Total segment expenses	6,535	2,403
Total segment income	$ 7,936	4,092
Total margin percentage	55%	63%
Regional markets:		
Revenues	$ 7,832	4,640
Expenses	3,398	1,783
Income	$ 4,434	2,857
Margin percentage	57%	62%
Business markets:		
Revenues	$ 2,861	266
Expenses	1,736	120
Income	$ 1,125	146
Margin percentage	39%	55%
Wholesale markets:		
Revenues	$ 3,295	1,589
Expenses	1,021	500
Income	$ 2,274	1,089
Margin percentage	69%	69%
Savvis operations:		
Revenues	$ 483	—
Expenses	380	—
Income	$ 103	—
Margin percentage	21%	—

The lower levels of margin percentage for regional markets and business markets in 2011 were primarily attributable to the inclusion of Qwest's results beginning April 1, 2011.

The following table reconciles our total segment revenues and total segment income presented above to operating revenues and operating income reported in our consolidated statements of operations.

	Years Ended December 31,		
	2012	2011	2010
	(Dollars in millions)		
Total segment revenues	$ 17,320	14,471	6,495
Other operating revenues	1,056	880	547
Operating revenues reported in our consolidated statements of operations	$ 18,376	15,351	7,042
Total segment income	$ 9,226	7,958	4,092
Other operating revenues	1,056	880	547
Depreciation and amortization	(4,780)	(4,026)	(1,434)
Other unassigned operating expenses	(2,789)	(2,787)	(1,145)
Operating income reported in our consolidated statement of operations	$ 2,713	2,025	2,060

Our segment revenues include all revenues from our strategic and legacy services and data integration as described in more detail above. Segment revenues are based upon each customer's classification to an individual segment. We report our segment revenues based upon all services provided to that segment's customers. We report our segment expenses for our four segments as follows:

- *Direct expenses,* which primarily are specific expenses incurred as a direct result of providing services and products to segment customers, along with selling, general and administrative expenses that are directly associated with specific segment customers or activities; and
- *Allocated expenses,* which include network expenses, facilities expenses and other expenses such as fleet and real estate expenses.

During the first quarter of 2012, as we transitioned certain of Qwest's legacy systems to our historical company systems, we updated our methodologies for reporting our direct expenses and for allocating our expenses to our segments. Specifically, we no longer include certain fleet expenses for our regional markets segment in direct expenses; they are now expenses allocated to our segments, with the exception of enterprise markets—data hosting. In addition, we now more fully allocate network building rent and power expenses to our regional markets, wholesale markets and enterprise markets—network segments. We determined that it was impracticable to recast our segment results for prior periods to reflect these changes in methodology.

During the second quarter of 2012, as we reorganized our business into our four segments as indicated above, we further revised our methodology for how we allocate our expenses to our segments to better align segment expenses with related revenues. Under our revised methodology, we no longer allocate certain product development costs to our segments, but we do now allocate certain expenses from our enterprise markets—data hosting segment to our other three segments. We restated our segment results for 2011 to reflect these changes in our methodology. We determined that it was impracticable to recast our segment results for 2010 under our revised methodology.

We do not assign depreciation and amortization expense to our segments, as the related assets and capital expenditures are centrally managed. Similarly, severance expenses, restructuring expenses and, subject to an exception for our enterprise markets—data hosting segment, certain centrally managed administrative functions (such as finance, information technology, legal and human resources) are not assigned to our segments. Interest expense is also excluded from segment results because we manage our financing on a total company basis and have not allocated assets or debt to specific segments. In addition, other income (expense) does not relate to our segment operations and is therefore excluded from our segment results.

As discussed under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview", beginning in the first quarter of 2013, we plan to report our operations under the following four segments: consumer, business, wholesale and data hosting.

Regional Markets

The operations of our regional markets segment have been impacted by several significant trends, including those described below.

- *Strategic services.* We continue to focus on increasing subscribers of our broadband services in our regional markets segment. In order to remain competitive, we believe continually increasing connection speeds is important. As a result, we continue to invest in our (broadband) network, which allows for the delivery of higher speed broadband services. While traditional broadband services are declining, they have been more than offset by growth in fiber-based broadband services. We also continue to expand our product offerings including facilities-based video services, Ethernet, MPLS and other managed services and we continue to refine our marketing efforts as we compete in a maturing market in which most consumers already have broadband services. We expect these efforts will improve our ability to compete and increase our strategic revenues;

- *Facilities-based video expenses.* As we continue to expand our facilities-based video service infrastructure, we are incurring start-up expenses in advance of the revenue that this service is expected to generate. Although, over time, we expect that our revenue for facilities-based video services will offset the expenses incurred, the timing of this revenue growth is uncertain;

- *Access lines.* Our voice revenues have been, and we expect they will continue to be, adversely affected by access line losses. Intense competition and product substitution continue to drive our access line losses. For example, many consumers are substituting cable and wireless voice and electronic mail, texting and social networking services for traditional voice telecommunications services. We expect that these factors will continue to negatively impact our business. As a result of the expected loss of revenues associated with access lines, we continue to offer service bundling and other product promotions to help mitigate this trend, as described below;

- *Service bundling and product promotions.* We offer our customers the ability to bundle multiple products and services. These customers can bundle local services with other services such as broadband, video, long-distance and wireless;

- *Data integration.* We expect both data integration revenue and the related costs will fluctuate from quarter to quarter as this offering tends to be more sensitive than others to changes in the economy and in spending trends of our state and local government customers, many of whom have recently experienced budget cuts; and

- *Operating efficiencies.* We continue to evaluate our operating structure and focus. This involves balancing our segment workforce in response to our workload requirements, productivity improvements and changes in industry, competitive, technological and regulatory conditions.

The following table summarizes the results of operations from our regional markets segment:

	Regional Markets Segment					
	Years Ended December 31,		Increase / (Decrease)			
	2012	2011	CenturyLink	Qwest	Savvis	Total
	(Dollars in millions)					
Segment revenues:						
Strategic services	$ 3,607	2,890	168	546	3	717
Legacy services	5,996	5,593	(399)	802	—	403
Data integration	273	260	(19)	32	—	13
Total revenues	9,876	8,743	(250)	1,380	3	1,133
Segment expenses:						
Direct	3,939	3,469	(44)	514	—	470
Allocated	279	204	52	20	3	75
Total expenses	4,218	3,673	8	534	3	545
Segment income	$ 5,658	5,070	(258)	846	—	588
Segment margin percentage	57%	58%				

Segment Income

The acquisition of Qwest on April 1, 2011 largely contributed to an increase in our regional markets segment income of $588 million for the year ended December 31, 2012 as compared to 2011. Our consolidated segment margin percentage remained relatively unchanged from 2011 to 2012. Segment income for our Legacy CenturyLink operations decreased $258 million as compared to 2011 reflecting declines in revenues while expenses remained relatively flat.

Segment Revenues

Excluding revenues attributable to the Legacy Qwest and Legacy Savvis acquisitions, regional markets revenues decreased $250 million, or 2.9%, for the year ended December 31, 2012 as compared to 2011 due to declines in legacy services revenues and the implementation of the CAF order, partially offset by growth in strategic services revenues. Legacy services revenues decreased primarily due to declines in local and long-distance services associated principally with access line losses resulting from the competitive pressures and product substitution described previously. Growth in strategic services revenues was principally due to increases in the number of broadband subscribers as well as volume increases in our facilities-based video, Ethernet, and MPLS services.

Segment Expenses

Regional markets total expenses, exclusive of Legacy Qwest and Legacy Savvis expenses, increased $8 million for the year ended December 31, 2012 as compared to 2011, due to an increase in allocated expenses. Allocated expenses increased primarily due to our updated methodology more fully allocating to our segments network and building rent and related power expenses. Direct expenses decreased due to decreases in employee related expenses, fleet expenses and marketing costs, which were partially offset by increases in customer premise equipment costs and network service costs.

Wholesale Markets

The operations of our wholesale markets segment have been impacted by several significant trends, including those described below:

- *Private line services (including special access).* Demand for our private line services continues to increase, despite our customers' optimization of their networks, industry consolidation and technological migration. While we expect that these factors could negatively impact our wholesale markets segment, we ultimately believe the bandwidth consumption growth in our fiber-based special access services provided to wireless carriers for backhaul will, over time, offset the decline in copper-based special access services provided to wireless carriers as they migrate to Ethernet services, although the timing and magnitude of this technological migration is uncertain;

- *Access and local services revenues.* Our access and local services revenues have been and we expect will continue to be, adversely affected by technological migration, industry consolidation, regulation and rate reductions. For example, wholesale consumers are substituting cable, wireless and VoIP services for traditional voice telecommunications services, resulting in continued access revenue loss. We expect these factors will continue to adversely impact our wholesale markets segment;

- *Switched access revenues.* We believe that changes related to the Connect America and Intercarrier Compensation Reform order ("CAF order") adopted by the Federal Communications Commission ("FCC") on October 27, 2011 will substantially increase the pace of reductions in the amount of switched access revenues we receive in our wholesale markets segment;

- *Long-distance services revenues.* Wholesale long-distance revenues continue to decline as a result of customer migration to more technologically advanced services, price compression, declining demand for traditional voice services and industry consolidation; and

- *Operating efficiencies.* We continue to evaluate our operating structure and focus. This involves balancing our segment workforce in response to our workload requirements, productivity improvements and changes in industry, competitive, technological and regulatory conditions. We also expect our wholesale markets segment to benefit indirectly from enhanced efficiencies in our company-wide network operations.

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The following table summarizes the results of operations from our wholesale markets segment:

	Wholesale Markets Segment					
	Years Ended December 31,		Increase / (Decrease)			
	2012	2011	CenturyLink	Qwest	Savvis	Total
			(Dollars in millions)			
Segment revenues:						
Strategic services	$ 2,296	1,915	33	339	9	381
Legacy services	1,424	1,389	(213)	248	—	35
Data integration	1	1	—	—	—	—
Total revenues	3,721	3,305	(180)	587	9	416
Segment expenses:						
Direct	169	174	(18)	13	—	(5)
Allocated	948	847	(60)	155	6	101
Total expenses	1,117	1,021	(78)	168	6	96
Segment income	$ 2,604	2,284	(102)	419	3	320
Segment margin percentage	70%	69%				

Segment Income

The acquisition of Qwest on April 1, 2011 largely contributed to an increase in our wholesale markets segment income of $320 million for the year ended December 31, 2012 as compared to 2011. Segment income for our Legacy CenturyLink operations decreased $102 million for the year ended December 31, 2012 as compared to 2011, primarily reflecting declines in revenues, as discussed further below.

Segment Revenues

Excluding revenues attributable to the Legacy Qwest and Legacy Savvis acquisitions, wholesale markets revenues decreased $180 million, or 5.5%, for the year ended December 31, 2012 as compared to 2011. This decrease reflects substantially lower revenues from legacy services, partially offset by growth in revenues from strategic services. Strategic services revenues increased primarily due to growth in Ethernet and broadband services. The decrease in legacy services revenues was driven by continuing declines in access, long-distance and local services volumes, and the implementation of the CAF order, as well as the substitution of cable, wireless, VoIP and other services for traditional voice telecommunications services.

Segment Expenses

Wholesale markets expenses, exclusive of Legacy Qwest and Legacy Savvis expenses, decreased $78 million, or 7.6%, for the year ended December 31, 2012 as compared to 2011. The decrease in Legacy CenturyLink wholesale markets expenses was primarily due to a lower allocation of fleet and network real estate expenses due to the above-described updated expense allocation methodology and to reductions in employee related expenses.

Enterprise Markets—Network

The operations of our enterprise markets—network segment have been impacted by several significant trends, including those described below.

- *Strategic services.* Our mix of total segment revenues continues to migrate from legacy services to strategic services as our enterprise and government customers increasingly demand customized and integrated data, Internet and voice services. We offer to our enterprise customers diverse combinations of products and services such as private line, MPLS and VoIP services. We believe these services afford our customers more flexibility in managing their communications needs and enable us to improve the effectiveness and efficiency of their operations. Although we are experiencing price compression on our strategic services due to competition, we expect overall revenues from these services to grow;

- *Legacy services.* We face intense competition with respect to our legacy services and continue to see customers migrating away from these services into strategic services. In addition, our legacy services revenues have been, and we expect they will continue to be, adversely affected by access line losses and price compression;

- *Data integration.* We expect both data integration revenue and the related costs will fluctuate from quarter to quarter as this offering tends to be more sensitive than others to changes in the economy and in spending trends of our federal government customers. In addition, changes to our compensation programs, which focus on higher margin strategic services, could negatively impact data integration revenues; and

- *Operating efficiencies.* We continue to evaluate our operating structure and focus. This involves balancing our segment workforce in response to our productivity improvements while achieving operational efficiencies and improving our processes through automation. We also expect our enterprise markets—network segment to benefit indirectly from enhanced efficiencies in our company-wide network operations.

The following table summarizes the results of operations from our enterprise markets—network segment:

	Enterprise Markets—Network Segment					
	Years Ended December 31,		Increase / (Decrease)			
	2012	2011	CenturyLink	Qwest	Savvis	Total
	(Dollars in millions)					
Segment revenues:						
Strategic services	$ 1,344	967	56	314	7	377
Legacy services	867	690	(21)	198	—	177
Data integration	398	276	38	84	—	122
Total revenues	2,609	1,933	73	596	7	676
Segment expenses:						
Direct	781	568	33	180	—	213
Allocated	1,110	882	(40)	261	7	228
Total expenses	1,891	1,450	(7)	441	7	441
Segment income	$ 718	483	80	155	—	235
Segment margin percentage	28%	25%				

Segment Income

The acquisition of Qwest on April 1, 2011 substantially increased the scale of our enterprise markets—network segment, resulting in an increase of $235 million in segment income for the year ended December 31, 2012 as compared to 2011. Segment income for our Legacy CenturyLink operations increased $80 million for the year ended December 31, 2012 as compared to 2011, primarily reflecting an increase in revenues.

Segment Revenues

Excluding revenues attributable to the Legacy Qwest and Legacy Savvis acquisitions, enterprise markets—network segment revenues increased by $73 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. The increase was primarily due to growth in strategic services revenues from increased volumes of MPLS services and increased data integration revenues from maintenance and installation of customer premise equipment. Lower revenues from legacy services were driven by access line losses and price compression partially offset the increases in strategic services revenues and data integration revenues.

Segment Expenses

Enterprise markets—network segment expenses, exclusive of Legacy Qwest and Legacy Savvis expenses, decreased by $7 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011 primarily due to decreased allocated expenses partially offset by increased direct expenses. Allocated expenses decreased for the year ended December 31, 2012 due to lower allocation of fleet and network real estate expenses due to the above-described updated expense allocation methodology. The increase in direct expenses was primarily due to increased maintenance and installation costs associated with customer premise equipment, partially offset by decreases in employee related expenses.

Enterprise Markets—Data Hosting

The operations of our enterprise markets—data hosting segment is largely comprised of the operations of our Legacy Savvis services for periods after the July 15, 2011 acquisition date, which have been impacted by significant trends, including those described below.

- *Colocation.* Colocation is designed for clients seeking data center space and power for their server and networking equipment needs. Our data centers provide our domestic and international clients with a secure, high-powered, purpose-built location for their IT equipment. We anticipate continued pricing pressure for these services as wholesale vendors enter the enterprise colocation market; however, we believe that our combination of global data center assets, operational expertise and broad range of services strengthens our competitive position;

- *Managed hosting.* Our managed hosting services provide a fully managed solution for a customer's IT infrastructure and network needs, and include dedicated and cloud hosting services, utility and computing storage, consulting and managed security services. We expect increasing pricing pressure on the managed hosting business from competing cloud hosting offerings. However, we remain focused on expanding our managed hosting business, specifically in our cloud hosting offerings, which we believe is a key to growth. We believe that we have continued to strengthen our position in the cloud hosting market by adding differentiating features to our cloud hosting products; and

- *Operating efficiencies.* We continue to evaluate our operating structure and focus. This involves balancing our segment workforce in response to our workload requirements, productivity improvements and changes in industry, competitive, technological and regulatory conditions.

The following table summarizes the results of operations from our enterprise markets—data hosting segment:

	Enterprise Markets—Data Hosting Segment					
	Years Ended December 31,		Increase / (Decrease)			
	2012	2011	CenturyLink	Qwest	Savvis	Total
	(Dollars in millions)					
Segment revenues:						
Strategic services	$ 1,114	490	50	8	566	624
Total revenues	1,114	490	50	8	566	624
Segment expenses:						
Direct	940	415	56	11	458	525
Allocated	(72)	(46)	1	(10)	(17)	(26)
Total expenses	868	369	57	1	441	499
Segment income	$ 246	121	(7)	7	125	125
Segment margin percentage	22%	25%				

Segment Income

The acquisition of Savvis on July 15, 2011 substantially increased the scale of our enterprise markets—data hosting segment, resulting in an increase of $125 million in our segment income for the year ended December 31, 2012 as compared to the year ended December 31, 2011.

Segment Revenues

Savvis operations accounted for 97% of our enterprise markets—data hosting segment revenues for the year ended December 31, 2012. Growth in strategic services is driven by roughly equivalent increases in both colocation and managed hosting.

Segment Expenses

Excluding the expenses attributable to the Legacy Qwest and Legacy Savvis acquisitions, enterprise markets—data hosting segment direct expenses increased for the year ended December 31, 2012 as compared to the year ended December 31, 2011 primarily due to increases in salaries and benefits caused by a higher headcount and an increase in facility costs.

Due to the continuing use of Legacy Savvis accounting systems, the direct expenses of our enterprise markets—data hosting segment includes certain data communication, operational, and selling, general, and administrative costs that are allocated to our other three segments and are offset by corporate allocated expenses which resulted in a negative net allocation impact.

Other Operational Matters

Approximately 26% of our employees are subject to collective bargaining agreements that expired on October 6, 2012. We are currently negotiating the terms of new agreements. In the meantime, the predecessor agreements have been extended, and the applicable unions have agreed to provide us with at least 24 hour advance notice before terminating those predecessor agreements. If we fail to extend or renegotiate our collective bargaining agreements with our labor unions, or if our unionized employees were to engage in a strike or other work stoppage, our business and operating results could be materially harmed. See "Risk Factors—Other Risks Affecting Our Business" in Item 1A of this report. To help mitigate this potential risk, we have established contingency plans in which we would assign trained, non-represented employees to cover jobs for represented employees in the event of a work stoppage to provide continuity for our customers.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles that are generally accepted in the United States. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. We have identified certain policies and estimates as critical to our business operations and the understanding of our past or present results of operations related to (i) business combinations; (ii) goodwill, customer relationships and other intangible assets; (iii) property, plant and equipment; (iv) pension and post-retirement benefits; (v) loss contingencies and litigation reserves; and (vi) income taxes. These policies and estimates are considered critical because they had a material impact, or they have the potential to have a material impact, on our consolidated financial statements and because they require significant judgments, assumptions or estimates. We believe that the estimates, judgments and assumptions made when accounting for the items described below are reasonable, based on information available at the time they are made. However, there can be no assurance that actual results will not differ from those estimates.

Business Combinations

We have accounted for our acquisitions of Qwest on April 1, 2011 and Savvis on July 15, 2011 under the acquisition method of accounting, whereby the tangible and separately identifiable intangible assets acquired and liabilities assumed are recognized at their estimated fair values at the acquisition date. The portion of the purchase price in excess of the estimated fair value of the net tangible and separately identifiable intangible assets acquired represents goodwill. The estimates of fair value and resulting allocation of the purchase price related to our acquisitions of Qwest and Savvis involved significant estimates and judgments by our management. In arriving at the fair values of assets acquired and liabilities assumed, we considered the following generally accepted valuation approaches: the cost approach, income approach and market approach. Our estimates also included assumptions about projected growth rates, cost of capital, effective tax rates, tax amortization periods, technology life cycles, the regulatory and legal environment and industry and economic trends. Small changes in the underlying assumptions could impact the estimates of fair value by material amounts, which could in turn materially impact our results of operations.

Goodwill, Customer Relationships and Other Intangible Assets

We amortize customer relationships over primarily over an estimated life of 10 years to 12.5 years, using either the sum-of-the-years-digits or straight-line methods, depending on the type of customer. We amortize capitalized software, which consists primarily of assets obtained from the Qwest acquisition, using the straight-line method over estimated lives ranging up to seven years. Approximately $237 million of our capitalized software represents costs to develop an integrated billing and customer care system and is being amortized over a 20 year period that began in 2004. We amortize trade names and patent assets predominantly using the sum-of-the-years digits over an estimated life of four years. Other intangible assets not arising from business combinations are initially recorded at cost. Where there are no legal, regulatory, contractual or other factors that would reasonably limit the useful life of an intangible asset, we classify the intangible asset as indefinite-lived and such intangible assets are not amortized. We periodically review the estimated lives and methods used to amortize our other intangible assets. The amount of future amortization expense may differ materially from current amounts, depending on the results of our periodic reviews.

Our long-lived intangible assets with indefinite lives are tested for impairment annually, or, under certain circumstances, more frequently, such as when events or circumstances indicate there may be an impairment. These assets are carried at historical cost if their estimated fair value is greater than their carrying amounts. However, if their estimated fair value is less than the carrying amount, other indefinite-lived intangible assets are reduced to their estimated fair value through an impairment charge to our consolidated statements of operations. We early adopted the provisions of Accounting Standards Update ("ASU") 2012-2, Intangibles—Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment, during the fourth quarter of 2012, which allows us the option to first review qualitative factors to determine the likelihood of whether the indefinite-lived intangible asset is impaired before performing a qualitative impairment test. Under this approach, if we determine that it is more likely than not that the indefinite-lived intangible asset is impaired, we will be required to compute and compare the fair value of the indefinite-lived intangible asset to its carrying amount to determine and measure the impairment loss, if any. We completed our qualitative assessment as of December 31, 2012 and concluded it is not more likely than not that our indefinite-lived intangible assets are impaired; thus, no impairment charge was recorded in 2012.

Our goodwill was derived from numerous acquisitions where the purchase price exceeded the fair value of the net assets acquired. For more information on our recent acquisitions and resulting fair values, see Note 2—Acquisitions to the consolidated financial statements in Item 8 of this report.

We are required to reassign goodwill to reporting units each time we reorganize our internal reporting structure which causes a change in our operating segments. Goodwill is reassigned to the reporting units using a relative fair value allocation approach. We utilize the earnings before interest, tax and depreciation as our allocation methodology as it represents a reasonable proxy for the fair value of the operations being reorganized.

We have attributed our goodwill balance to our segments at December 31, 2012 as follows:

	(Dollars in millions)	
Regional markets	$	15,170
Wholesale markets		3,283
Enterprise markets—network		1,788
Enterprise markets—data hosting		1,491
Total goodwill	$	21,732

For additional information on the April 1, 2012 reorganization of our segments, see Note 13—Segment Information to the consolidated financial statements in Item 8 of this report.

We are required to test goodwill for impairment at least annually, or more frequently if events or a change in circumstances indicate that an impairment may have occurred. We are required to write-down the value of goodwill in periods in which the recorded amount of goodwill exceeds the fair value. Our reporting units, which we refer to as our segments, are not discrete legal entities with discrete financial statements. Our assets and liabilities are employed in and relate to the operations of multiple reporting units. Therefore, each time we perform goodwill impairment analysis on a reporting unit, we estimate the equity carrying value and future cash flows of each of our segments using allocation methodologies. Certain estimates, judgments and assumptions are required to perform these allocations. We believe these estimates, judgments and assumptions to be reasonable, but slight changes in many of these can significantly affect each reporting unit's equity carrying value and future cash flows utilized for our goodwill impairment test. Our annual measurement date for testing goodwill impairment is September 30. As of September 30, 2012, we tested for goodwill impairment on our reporting units, which were our four operating segments (regional markets, wholesale markets, enterprise markets—network and enterprise markets—data hosting) that we recognized following our internal reorganization earlier in 2012.

In the third quarter of 2011, we adopted the provisions of ASU 2011-08, Testing Goodwill for Impairment, which permits us to make a qualitative assessment of whether it is more likely than not that a reporting unit's estimated fair value is less than its carrying amount before applying the two-step goodwill impairment test, which requires us (i) in step one, to identify potential impairments by comparing the estimated fair value of a reporting unit against its carrying value and (ii) in step two, to quantify any impairment identified in step one. At September 30, 2012, as a result of the April 1, 2012 internal reorganization of our four segments we did not have a baseline valuation to perform a qualitative assessment. We estimated the fair value of our four segments using an equal weighting based on a market approach and a discounted cash flow method. The market approach includes the use of comparable multiples of publicly traded companies whose services are comparable to ours. The discounted cash flow method is based on the present value of projected cash flows and a terminal value, which represents the expected normalized cash flows of the segments beyond the cash flows from the discrete nine-year projection period. We discounted the estimated cash flows for our regional markets, wholesale markets, and enterprise markets—network segments using a rate that represents a market participant's weighted average cost of capital, which we determined to be approximately 6.0% as of the measurement date (which was comprised of an after-tax cost of debt of 3.2% and a cost of equity of 8.4%). We discounted the estimated cash flows of our enterprise markets—data hosting segment using a rate that represents a market participant's estimated weighted average cost of capital, which we determined to be approximately 11.0% as of the measurement date (which was comprised of an after-tax cost of debt of 3.2% and a cost of equity of 12.0%). We also reconciled the estimated fair values of the segments to our market capitalization as of September 30, 2012 and concluded that the indicated implied control premium of approximately 14% was reasonable based on recent transactions in the market place. Based on our analysis performed with respect to our reporting units described above, we concluded that our goodwill was not impaired as of September 30, 2012.

As of September 30, 2012, based on our analysis performed with respect to our four reporting units, the estimated fair value of our equity exceeded our carrying value of equity for our regional markets, wholesale markets, enterprise markets—network and enterprise markets—data hosting segments by 19%, 130%, 78% and 10%, respectively.

We may be required to assess our goodwill for impairment before our next required testing date of September 30, 2013 under certain circumstances, including any failure of our future operating results to meet forecasted expectations or any significant increases in our weighted average cost of capital. In addition, we cannot assure that adverse conditions will not trigger future goodwill impairment testing or an impairment charge. A number of factors, many of which we have no ability to control, could affect our financial condition, operating results and business prospects and could cause our actual results to differ from the estimates and assumptions we employed in our goodwill impairment testing. These factors include, but are not limited to, (i) further weakening in the overall economy; (ii) a significant decline in our stock price and resulting market capitalization; (iii) changes in the discount rate; (iv) successful efforts by our competitors to gain market share in our markets; (v) adverse changes as a result of regulatory actions; (vi) a significant adverse change in legal factors or in the overall business climate; and (vii) recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of our reporting units. For additional information, see "Risk Factors" in Item 1A of this report. We will continue to monitor certain events that impact our operations to determine if an interim assessment of goodwill impairment should be performed prior to the next required testing date of September 30, 2013.

Property, Plant and Equipment

Property, plant and equipment acquired in connection with our acquisitions was recorded based on its estimated fair value as of its acquisition date. Property, plant and equipment purchased subsequent to our acquisitions is recorded at cost plus the estimated value of any associated legally or contractually required asset retirement obligation. Renewals and betterments of plant and equipment are capitalized while repairs, as well as renewals of minor items, are charged to operating expense. Depreciation of property, plant and equipment is provided on the straight-line method using class or overall group rates. The group method provides for the recognition of the remaining net investment, less anticipated net salvage value, over the remaining useful life of the assets. This method requires the periodic revision of depreciation rates.

Normal retirements of property, plant and equipment are charged against accumulated depreciation, with no gain or loss recognized. Other types of property, plant and equipment are stated at cost and, when sold or retired, a gain or loss is recognized. We depreciate such property on the straight-line method over estimated service lives ranging from 3 to 45 years.

We perform annual internal reviews to evaluate the reasonableness of the depreciable lives for our property, plant and equipment. Our reviews utilize models that take into account actual usage, physical wear and tear, replacement history, assumptions about technology evolution and, in certain instances, actuarially determined probabilities to estimate the remaining life of our asset base.

Due to rapid changes in technology and the competitive environment, selecting the estimated economic life of telecommunications plant, equipment and software requires a significant amount of judgment. We regularly review data on utilization of equipment, asset retirements and salvage values to determine adjustments to our depreciation rates. The effect of a hypothetical one year increase or decrease in the estimated remaining useful lives of our property, plant and equipment would have decreased depreciation by approximately $460 million or increased depreciation by approximately $650 million, respectively.

We review long-lived assets, other than goodwill and other intangible assets with indefinite lives, for impairment whenever facts and circumstances indicate that the carrying amounts of the assets may not be recoverable. For measurement purposes, long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities, absent a material change in operations. An impairment loss is recognized only if the carrying amount of the asset group is not recoverable and exceeds its fair value. Recoverability of the asset group to be held and used is measured by comparing the carrying amount of the asset group to the estimated undiscounted future net cash flows expected to be generated by the asset group. If the asset group's carrying value is not recoverable, an impairment charge is recognized for the amount by which the carrying amount of the asset group exceeds its fair value. We determine fair values by using a combination of comparable market values and discounted cash flows, as appropriate. During 2012, we did not incur changes in events or circumstances that would indicate that the carrying amounts of our long-lived assets, other than goodwill and other intangible assets with indefinite lives, may not be recoverable. As a result, no impairment charge was recorded in 2012.

Pension and Post-Retirement Benefits

We sponsor several noncontributory defined benefit pension plans (referred to as our pension plans) for a substantial portion of our employees. In addition to these tax "qualified" pension plans, we also maintain several non-qualified pension plans for certain eligible highly compensated employees. We also maintain post-retirement benefit plans that provide health care and life insurance benefits for certain eligible retirees.

Pension and post-retirement health care and life insurance benefits attributed to eligible employees' service during the year, as well as interest on benefit obligations, are accrued currently. Pension and post-retirement benefit expenses are recognized over the period in which the employee renders service and becomes eligible to receive benefits as determined using the projected unit credit method. Pension prior service costs and certain actuarial gains and losses are recognized as components of net periodic expense over the average remaining service period of participating employees expected to receive benefits. Post-retirement healthcare prior service costs are recognized as components of net periodic expense over the average expected years to full benefit eligibility for active employees. Certain post-retirement actuarial gains or losses are amortized on a straight-line basis over the average expected future working lifetime of active employees.

In computing the pension and post-retirement health care and life insurance benefits expenses and obligations, the most significant assumptions we make include discount rate, expected rate of return on plan assets, health care trend rates and our evaluation of the legal basis for plan amendments. The plan benefits covered by collective bargaining agreements as negotiated with our employees' unions can also significantly impact the amount of expense, benefit obligations and pension assets that we record.

The discount rate is the rate at which we believe we could effectively settle the benefit obligations as of the end of the year. We selected the discount rate based on a cash flow matching analysis using hypothetical yield curves developed by an actuarial firm from U.S. corporate bonds rated high quality and projections of the future benefit payments that constitute the projected benefit obligation for the plans. This process establishes the uniform discount rate that produces the same present value of the estimated future benefit payments as is generated by discounting each year's benefit payments by a spot rate applicable to that year. The spot rates used in this process are derived from a yield curve created from yields on the 60th to 90th percentile of U.S. high quality bonds.

The expected rate of return on plan assets is the long-term rate of return we expect to earn on the plans' assets in the future. The rate of return is determined by the strategic allocation of plan assets and the long-term risk and return forecast for each asset class. The forecasts for each asset class are generated primarily from an analysis of the long-term expectations of various third party investment management organizations. The expected rate of return on plan assets is reviewed annually and revised, as necessary, to reflect changes in the financial markets and our investment strategy.

To compute the expected return on pension and post-retirement benefit plan assets, we apply an expected rate of return to the fair value of the pension plan assets and to the fair value of the post-retirement benefit plan assets adjusted for contribution timing and for projected benefit payments to be made from the plan assets. Annual market volatility for these assets is reflected in subsequent years' net periodic combined benefits expense.

Changes in any of the above factors could significantly impact operating expenses in the consolidated statements of operations and other comprehensive (loss) income in the consolidated statements of comprehensive (loss) income as well as the value of the liability and accumulated other comprehensive income (loss) of stockholders' equity on our consolidated balance sheets. The expected return on plan assets is reflected as a reduction to our pension and post-retirement benefit expense. If our assumed expected rates of return for 2012 were 100 basis points lower, our qualified pension and post-retirement benefit expenses would have increased by $118 million. If our assumed discount rates for 2012 were 100 basis points lower, our qualified pension and post-retirement benefit expenses would have increased by $78 million and our projected benefit obligation would have increased by approximately $2.2 billion. An increase of 100 basis points in the initial healthcare cost trend rate would have increased our post-retirement benefit expense by $11 million and increased our projected post-retirement benefit obligation by $77 million.

The trusts for the pension and post-retirement benefits plans hold investments in equities, fixed income, real estate and other assets such as private equity assets. The assets held by these trusts are reflected at estimated fair value as of December 31, 2012. For additional information on our trust investments, see Note 8—Employee Benefits to the consolidated financial statements in Item 8 of this report.

Loss Contingencies and Litigation Reserves

We are involved in several material legal proceedings, as described in more detail in "Legal Proceedings" in Item 3 of this report. We assess potential losses in relation to these and other pending or threatened tax and legal matters. For matters not related to income taxes, if a loss is considered probable and the amount can be reasonably estimated, we recognize an expense for the estimated loss. To the extent these estimates are more or less than the actual liability resulting from the resolution of these matters, our earnings will be increased or decreased accordingly. If the differences are material, our consolidated financial statements could be materially impacted. If a loss is considered reasonably possible, we disclose the estimate of the potential loss if material but we do not recognize any expense for the potential loss.

For matters related to income taxes, we determine that if the impact of an uncertain tax position is more likely than not to be sustained upon audit by the relevant taxing authority, then we recognize a benefit for the largest amount that is more likely than not to be sustained. No portion of an uncertain tax position will be recognized if the position has less than a 50% likelihood of being sustained. Though the validity of any tax position is a matter of tax law, the body of statutory, regulatory and interpretive guidance on the application of the law is complex and often ambiguous. Because of this, whether a tax position will ultimately be sustained may be uncertain. The overall tax liability recorded for uncertain tax positions as of the successor dates of December 31, 2012 and December 31, 2011, considers the anticipated utilization of any applicable tax credits and net operating losses ("NOLs").

Income Taxes

Our provision for income taxes includes amounts for tax consequences deferred to future periods. We record deferred income tax assets and liabilities reflecting future tax consequences attributable to tax net operating losses, or NOLs, tax credit carryforwards and differences between the financial statement carrying value of assets and liabilities and the tax bases of those assets and liabilities. Deferred taxes are computed using enacted tax rates expected to apply in the year in which the differences are expected to affect taxable income. The effect on deferred income tax assets and liabilities of a change in tax rate is recognized in earnings in the period that includes the enactment date.

The measurement of deferred taxes often involves the exercise of considerable judgment related to the realization of tax basis. Our deferred tax assets and liabilities reflect our assessment that tax positions taken in filed tax returns and the resulting tax basis, are more likely than not to be sustained if they are audited by taxing authorities. Also, assessing tax rates that we expect to apply and determining the years when the temporary differences are expected to affect taxable income requires judgment about the future apportionment of our income among the states in which we operate. Any changes in our practices or judgments involved in the measurement of deferred tax assets and liabilities could materially impact our financial condition or results of operations.

We record deferred income tax assets and liabilities as described above. Valuation allowances are established when necessary to reduce deferred income tax assets to amounts that we believe are more likely than not to be recovered. We evaluate our deferred tax assets quarterly to determine whether adjustments to our valuation allowance are appropriate in light of changes in facts or circumstances, such as changes in tax law, interactions with taxing authorities and developments in case law. In making this evaluation, we rely on our recent history of pre-tax earnings, estimated timing of future deductions and benefits represented by the deferred tax assets and our forecasts of future earnings, the latter two of which involve the exercise of significant judgment. At December 31, 2012, we established a valuation allowance of $281 million, primarily related to state NOLs, as it is more likely than not that this amount will not be utilized prior to expiration. If forecasts of future earnings and the nature and estimated timing of future deductions and benefits change in the future, we may determine that a valuation allowance for certain deferred tax assets is appropriate, which could materially impact our financial condition or results of operations. See Note 12—Income Taxes to the consolidated financial statements in Item 8 of this report for additional information.

Liquidity and Capital Resources

Overview

At December 31, 2012, we held cash and cash equivalents of $211 million and we had $1.180 billion available under our $2 billion revolving credit facility (referred to as our "Credit Facility", which is described further below). At December 31, 2012, cash and cash equivalents of $58 million were held in foreign bank accounts for the purpose of funding our foreign operations. Repatriation of some foreign balances is restricted by local law and subject to United States federal income taxes, less applicable foreign tax credits. Excluding cash used for acquisitions, we have generally relied on cash generated by operations and our Credit Facility to fund our operating and capital expenditures and other cash requirements.

At December 31, 2012, we had a working capital deficit of $982 million, reflecting current liabilities of $4.595 billion and current assets of $3.613 billion, compared to negative working capital of $500 million at December 31, 2011. The unfavorable change in our working capital position is primarily due to an increase in current maturities of long-term debt of $725 million, partially offset by a decrease in accounts payable of $193 million. We anticipate that our existing cash balances and net cash provided by operating activities will enable us to meet our other current obligations, fund capital expenditures and pay dividends to our shareholders. We also may draw on our Credit Facility as a source of liquidity if and when necessary.

We currently expect to continue our current practice of paying quarterly cash dividends in respect of our common stock, subject to our board's discretion to modify or terminate this practice at any time.

Credit Facilities

On April 6, 2012, we amended and restated our $1.7 billion revolving credit facility to increase the aggregate principal amount available to $2 billion and to extend the maturity date to April 2017. This amended credit facility (the "Credit Facility") has 18 lenders, with commitments ranging from $2.5 million to $181 million and allows us to obtain revolving loans and to issue up to $400 million of letters of credit, which upon issuance reduce the amount available for other extensions of credit. Interest is assessed on borrowings using either the LIBOR or the base rate (each as defined in the Credit Facility) plus an applicable margin between 1.25% and 2.25% per annum for LIBOR loans and 0.25% and 1.25% per annum for base rate loans depending on our then current senior unsecured long-term debt rating. Our obligations under the Credit Facility are guaranteed by two of our wholly-owned subsidiaries, Embarq and QCII, and one of QCII's wholly-owned subsidiaries. In the event of a ratings decline below "investment grade" as defined, Savvis and its operating subsidiaries will become guarantors of the Credit Facility. At December 31, 2012, we had $820 million in borrowings and no amounts of letters of credit outstanding under the Credit Facility.

Under the Credit Facility, we, and our indirect subsidiary, Qwest Corporation, must maintain a debt to EBITDA (earnings before interest, taxes, depreciation and amortization, as defined in our Credit Facility) ratio of not more than 4.0:1.0 and 2.85:1.0, respectively, as of the last day of each fiscal quarter for the four quarters then ended. The Credit Facility also contains a negative pledge covenant, which generally requires us to secure equally and ratably any advances under the Credit Facility if we pledge assets or permit liens on our property for the benefit of other debtholders. The Credit Facility also has a cross payment default provision, and the Credit Facility and certain of our debt securities also have cross acceleration provisions. When present, these provisions could have a wider impact on liquidity than might otherwise arise from a default or acceleration of a single debt instrument. To the extent that our EBITDA (as defined in our Credit Facility) is reduced by cash settlements or judgments, including in respect of any of the matters discussed in Note 15—Commitments and Contingencies to the consolidated financial statements in Item 8 of this report, our debt to EBITDA ratios under certain debt agreements will be adversely affected. This could reduce our financing flexibility due to potential restrictions on incurring additional debt under certain provisions of our debt agreements or, in certain circumstances, could result in a default under certain provisions of such agreements.

In April 2011, we entered into a $160 million uncommitted revolving letter of credit facility. At December 31, 2012, our outstanding letters of credit totaled $120 million under this facility.

Stock Repurchase Program

On February 13, 2013, we announced our board's approval of a two-year program to repurchase up to an aggregate of $2.0 billion of our outstanding common stock. We expect to execute this share repurchase program primarily in open market transactions, subject to market conditions and other factors.

Debt and Other Financing Arrangements

Approximately $176 million of our CenturyLink, Inc. Series O 5.500% notes will mature on April 1, 2013, and $750 million of Qwest Corporation floating rate senior notes will mature on June 15, 2013. In addition, approximately $59 million of Embarq 6.875% notes and $50 million of Embarq 6.750% notes will mature on July 15, 2013 and August 15, 2013, respectively. Subject to market conditions, we expect to continue to issue debt securities from time to time in the future to refinance a substantial portion of our maturing debt, including issuing QC debt securities to refinance its maturing debt. The availability, interest rate and other terms of any new borrowings will depend on the ratings assigned to us and QC by credit rating agencies, among others factors.

Following our announcement on February 13, 2013 of changes in our capital allocation plans, one credit agency downgraded CenturyLink's debt credit ratings and another indicated that it has placed CenturyLink's debt credit ratings under review for a downgrade. As of the date of this report, the credit ratings for the senior unsecured debt of CenturyLink, Inc. and Qwest Corporation were as follows:

Agency	CenturyLink, Inc.	Qwest Corporation
Standard & Poor's	BB	BBB-
Moody's Investors Service, Inc.	Baa3 (under review for downgrade)	Baa3 (under review for downgrade)
Fitch Ratings	BB+	BBB-

Additional downgrades of CenturyLink's senior unsecured debt ratings could under certain circumstances incrementally increase the cost of our borrowing under the Credit Facility or require us to add a couple of additional subsidiary guarantors thereunder. In addition, the recent actions of the credit agencies, and any additional downgrades in the future, could impact our access to debt capital or further raise our borrowing costs. See "Risk Factors—Risks Affecting our Liquidity and Capital Resources" in Item 1A of this report.

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Future Contractual Obligations

The following table summarizes our estimated future contractual obligations as of December 31, 2012:

	2013	2014	2015	2016	2017	2018 and thereafter	Total
	(Dollars in millions)						
Long-term debt, including current maturities and capital lease obligations	$ 1,205	781	545	1,488	2,313	14,255	20,587
Interest on long-term debt and capital leases(1)	1,317	1,279	1,220	1,148	1,034	14,397	20,395
Operating leases	297	252	219	183	156	964	2,071
Purchase commitmen (2)	213	76	53	45	41	96	524
Post-retirement benefit obligation	74	73	72	70	68	1,100	1,457
Non-qualified pension obligations	6	5	5	5	5	22	48
Unrecognized tax benefits (3)	—	—	—	—	—	87	87
Other	14	4	5	8	11	135	177
Total future contractual obligations (4)	$ 3,126	2,470	2,119	2,947	3,628	31,056	45,346

(1) Actual interest paid in all years may differ due to future refinancing of debt. Interest on our floating rate debt was calculated for all years using the rates effective at December 31, 2012.

(2) We have various long-term, non-cancelable purchase commitments for advertising and promotion services, including advertising and marketing at sports arenas and other venues and events. We also have service related commitments with various vendors for data processing, technical and software support services. Future payments under certain service contracts will vary depending on our actual usage. In the table above we estimated payments for these service contracts based on the level of services we expect to receive.

(3) Represents the amount of tax and interest we would pay for our unrecognized tax benefits. Of our total balance of unrecognized tax benefits of $78 million and related estimated interest and penalties of $33 million, only $87 million would result in future cash payments if our tax positions were not upheld. The remaining $24 million is an unrecognized tax benefit in the form of a refund claim that, if not granted, would not result in a cash payment and therefore is not included in the table above. See Note 12—Income Taxes to the consolidated financial statements in Item 8 of this report for additional information. The timing of any payments for our unrecognized tax benefits cannot be predicted with certainty; therefore, such amount is reflected in the "2018 and thereafter" column in the above table.

(4) The table is limited to contractual obligations only and does not include:

- contingent liabilities;
- our open purchase orders as of December 31, 2012. These purchase orders are generally issued at fair value, and are generally cancelable without penalty;
- other long-term liabilities, such as accruals for legal matters and other taxes that are not contractual obligations by nature. We cannot determine with any degree of reliability the years in which these liabilities might ultimately settle;
- cash funding requirements for qualified pension benefits payable to certain eligible current and future retirees. Benefits paid by our qualified pension plans are paid through trusts. Cash funding requirements for these trusts are not included in this table as we are not able to reliably estimate required contributions to the trusts. Our funding projections are discussed further below;

- certain post-retirement benefits payable to certain eligible current and future retirees. Not all of our post-retirement benefit obligation amount is a contractual obligation and only the portion that we believe is a contractual obligation is reported in the table. See additional information on our benefits plans in Note 8—Employee Benefits to the consolidated financial statements in Item 8 of this report;

- contract termination fees. These fees are non-recurring payments, the timing and payment of which, if any, is uncertain. In the ordinary course of business and to optimize our cost structure, we enter into contracts with terms greater than one year to use the network facilities of other carriers and to purchase other goods and services. Our contracts to use other carriers' network facilities generally have no minimum volume requirements and are based on an interrelationship of volumes and discounted rates. Assuming we terminate these contracts in 2013, the contract termination fees would be approximately $495 million. Under the same assumption, termination fees for these contracts to purchase goods and services would be $31 million. In the normal course of business, we do not believe payment of these fees is likely; and

- potential indemnification obligations to counterparties in certain agreements entered into in the normal course of business. The nature and terms of these arrangements vary. Historically, we have not incurred significant costs related to performance under these types of arrangements.

Capital Expenditures

We incur capital expenditures on an ongoing basis in order to enhance and modernize our networks, compete effectively in our markets and expand our service offerings. We evaluate capital expenditure projects based on a variety of factors, including expected strategic impacts (such as forecasted revenue growth, operating, productivity, expense or service impacts) and our expected return on investment. The amount of capital investment is influenced by, among other things, demand for our services and products, cash flow generated by operating activities, cash required for other purposes and regulatory considerations. We estimate our total 2013 capital expenditures to be approximately $2.85 billion to $3.05 billion.

Our capital expenditures continue to be focused on our strategic services such as video, broadband and managed hosting services. In particular, we expect to continue to focus on expanding our fiber infrastructure, including installations of "fiber to the tower," which is a type of telecommunications network consisting of fiber-optic cables that run from a wireless carrier's mobile telephone switching office to cellular towers to enable the delivery of higher bandwidth services supporting mobile technologies than would otherwise generally be available through a more traditional copper-based telecommunications network. For more information on capital spending, see Items 1 and 1A of this report.

We have agreed to accept approximately $35 million of the $90 million available to us from Phase 1 of the FCC's Connect America Fund ("CAF") established by Congress to help telecommunications carriers defray the cost of providing broadband access to remote customers. We intend to use the funds to deploy broadband service for up to 45,000 homes in unserved rural areas principally in Colorado, Minnesota, New Mexico, Virginia and Washington. We determined that restrictions on the use of these funds have made acceptance of additional CAF funds uneconomical. We have, however, filed with the FCC a waiver application, which, if granted, would allow us to deploy broadband services with CAF funds to approximately 60,000 more homes in high-cost unserved areas in our markets. We received approximately $32 million in CAF funds during 2012 and received approximately $3 million in January 2013.

Pension and Post-retirement Benefit Obligations

We are subject to material obligations under our existing defined benefit pension plans and other post-retirement benefit plans. The accounting unfunded status as of December 31, 2012 of our defined pension plans and other post-retirement benefit obligations were $2.6 billion and $3.4 billion, respectively. See Note 8—Employee Benefits to the consolidated financial statements in Item 8 of this report for additional information about our pension and other post-retirement benefit arrangements.

Benefits paid by our qualified pension plans are paid through a trust that holds all plan assets. We made cash contributions of $32 million during the year ended December 31, 2012 to our qualified pension plans. In the first quarter of 2013, we made cash contributions totaling $147 million. Based on current laws and circumstances, we do not expect any further required contributions to the plans for the remainder of 2013. For information on a 2012 law that reduced the amount of our required pension plan cash contributions, please see our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012.

Certain of our post-retirement health care and life insurance benefits plans are unfunded. Several trusts hold assets that are used to help cover the health care costs of certain retirees. As of December 31, 2012, the fair value of these trust assets was $626 million; however, a portion of these assets is comprised of investments with restricted liquidity. We estimate that the more liquid assets in the trust will be adequate to provide continuing reimbursements for covered post-retirement health care costs for approximately four years. Thereafter, covered benefits will be paid either directly by us or from the trusts as the remaining assets become liquid. This projected four year period could be substantially shorter or longer depending on returns on plan assets, the timing of maturities of illiquid plan assets and future changes in benefits.

Our estimated annual long-term rate of return on the pension plans trust assets is 7.50% and for the post-retirement plans trust assets ranges from 6.00% to 7.50% based on the assets currently held; however, actual returns could vary widely in any given year.

Historical Information

The following table summarizes our consolidated cash flow activities (which include cash flows from Savvis and Qwest after their respective acquisition dates):

	Years Ended December 31,		Increase
	2012	2011	(Decrease)
	(Dollars in millions)		
Net cash provided by operating activities	$ 6,065	4,201	1,864
Net cash used in investing activities	(2,690)	(3,647)	(957)
Net cash used in financing activities	(3,295)	(577)	2,718

	Years Ended December 31,		Increase
	2011	2010	(Decrease)
	(Dollars in millions)		
Net cash provided by operating activities	$ 4,201	2,045	2,156
Net cash used in investing activities	(3,647)	(859)	2,788
Net cash used in financing activities	(577)	(1,175)	(598)

The increase in net cash provided by operating activities for 2012 and 2011is primarily attributable to the acquisitions of Qwest and Savvis, which contributed net cash provided by operating activities of approximately $3.4 billion in 2012 and $2.2 billion in 2011. Our consolidated financial statements in Item 8 of this report provide information about the components of net income and differences between net income and net cash provided by operating activities. For additional information about our operating results, see "Results of Operations" above.

Net cash used in investing activities included payments for property, plant and equipment and capitalized software of $2.9 billion in 2012, including $1.9 billion for Qwest and Savvis' capital expenditures. Net cash used in investing activities included payments for property, plant and equipment and capitalized software of $2.4 billion in 2011, including $1.3 billion for Qwest and Savvis' post-acquisition capital expenditures, compared to $864 million in 2010. In addition, we paid $1.7 billion, net of $61 million cash received, for the acquisition of Savvis on July 15, 2011. Cash used in investing activities in 2011 was partially offset by cash acquired through the April 1, 2011 acquisition of Qwest of $419 million, net of $5 million cash paid.

Net cash used in financing activities increased in 2012 compared to 2011, primarily due to a net long-term debt pay down of $1.8 billion in 2012 versus a net long-term debt issuance of $1.1 billion in 2011, a $2.9 billion difference. This difference was primarily due to the $2 billion senior notes issued in June 2011to finance the Savvis acquisition. Also contributing was a $255 million increase in dividends paid attributable to an increase in the average number of shares outstanding. These increases in cash used in financing activities were partially offset by a $631 million increase in net borrowings under our Credit Facility. Net cash used in financing activities decreased in 2011 primarily due to us receiving net debt proceeds in excess of payments of approximately $1.1 billion in 2011 versus debt payments of $500 million in 2010. In addition, our cash dividends paid increased $677 million in 2011 as compared to 2010 primarily as a result of the issuance of 308 million common shares in connection with our acquisitions of Qwest and Savvis in 2011.

On October 26, 2012, QCII redeemed all $550 million of its 8.00% Notes due 2015, which resulted in a gain of $15 million.

On August 29, 2012, certain subsidiaries of CenturyLink paid $29 million and $30 million, respectively, to retire its outstanding Rural Utilities Service and Rural Telephone Bank debt.

On August 15, 2012, CenturyLink paid at maturity the $318 million principal amount of its 7.875% Notes.

On July 20, 2012, QC redeemed all $484 million of its 7.50% Notes due 2023, which resulted in an immaterial loss.

On June 25, 2012, QC issued $400 million aggregate principal amount of 7.00% Notes due 2052 in exchange for net proceeds, after deducting underwriting discounts and expenses, of $387 million. The Notes are unsecured obligations and may be redeemed, in whole or in part, on or after July 1, 2017 at a redemption price equal to 100% of the principal amount redeemed plus accrued interest.

On May 17, 2012, QCII redeemed $500 million of its 7.50% Notes due 2014, which resulted in an immaterial gain.

On April 23, 2012, Embarq redeemed the remaining $200 million of its 6.738% Notes due 2013, which resulted in an immaterial loss.

On April 18, 2012, CenturyLink entered into a term loan in the amount of $440 million with CoBank and several other Farm Credit System banks. This term loan is payable in 29 consecutive quarterly installments of $5.5 million in principal plus interest through April 18, 2019, when the balance will be due. We have the option of paying monthly interest based upon either London Interbank Offered Rate ("LIBOR") or the base rate (as defined in the credit agreement) plus an applicable margin between 1.50% to 2.50% per annum for LIBOR loans and 0.50% to 1.50% per annum for base rate loans depending on our then current senior unsecured long-term debt rating. Our term loan is guaranteed by two of our wholly-owned subsidiaries, Embarq and Qwest Communications International Inc ("QCII"), and one of QCII's wholly-owned subsidiaries. The remaining terms and conditions of our term loan are substantially similar to those set forth in our Credit Facility (as described further in Note 4—Long-Term Debt and Credit Facilities to the consolidated financial statements in Item 8 of this report).

On April 18, 2012, QC completed a cash tender offer to purchase a portion of its $811 million of 8.375% Notes due 2016 and its $400 million of 7.625% Notes due 2015. With respect to its 8.375% Notes due 2016, QC received and accepted tenders of approximately $575 million aggregate principal amount of these notes, or 71%, for $722 million including a premium, fees and accrued interest. With respect to its 7.625% Notes due 2015, QC received and accepted tenders of approximately $308 million aggregate principal amount of these notes, or 77%, for $369 million including a premium, fees and accrued interest. The completion of these tender offers resulted in a loss of $46 million.

On April 2, 2012, QC issued $525 million aggregate principal amount of 7.00% Notes due 2052 in exchange for net proceeds, after deducting underwriting discounts and expenses, of $508 million. The Notes are unsecured obligations and may be redeemed, in whole or in part, on or after April 1, 2017 at a redemption price equal to 100% of the principal amount redeemed plus accrued interest.

On April 2, 2012, Embarq completed a cash tender offer to purchase a portion of its $528 million of 6.738% Notes due 2013 and its $2.0 billion of 7.082% Notes due 2016. With respect to its 6.738% Notes due 2013, Embarq received and accepted tenders of approximately $328 million aggregate principal amount of these notes, or 62%, for $360 million including a premium, fees and accrued interest. With respect to its 7.082% Notes due 2016, Embarq received and accepted tenders of approximately $816 million aggregate principal amount of these notes, or 41%, for $944 million including a premium, fees and accrued interest. The completion of these tender offers resulted in a loss of $144 million.

On March 12, 2012, CenturyLink issued (i) $650 million aggregate principal amount of 7.65% Senior Notes due 2042 in exchange for net proceeds, after deducting underwriting discounts, of approximately $644 million and (ii) $1.4 billion aggregate principal amount of 5.80% Senior Notes due 2022 in exchange for net proceeds, after deducting underwriting discounts, of approximately $1.389 billion. The Notes are unsecured obligations and may be redeemed at any time on the terms and conditions specified therein.

On March 1, 2012, QCII redeemed $800 million of its 7.50% Notes due 2014, which resulted in an immaterial gain.

Certain Matters Related to Acquisitions

Qwest's pre-existing debt obligations consisted primarily of debt securities issued by QCII and two of its subsidiaries while Savvis' remaining long-term debt obligations consist primarily of capital leases, all of which are now included in our consolidated debt balances. The indentures governing Qwest's debt securities contain customary covenants that restrict the ability of Qwest or its subsidiaries from making certain payments and investments, granting liens and selling or transferring assets. Based on current circumstances, we do not anticipate that these covenants will significantly restrict our ability to manage cash balances or transfer cash between entities within our consolidated group of companies as needed.

In accounting for the Qwest acquisition, we recorded Qwest's debt securities at their estimated fair values, which totaled $12.292 billion as of April 1, 2011. Our acquisition date fair value estimates were based primarily on quoted market prices in active markets and other observable inputs where quoted market prices were not available. The fair value of Qwest's debt securities exceeded their stated principal balances on the acquisition date by $693 million, which we recorded as a premium.

The table below summarizes the portions of this premium recognized as a reduction to interest expense or extinguished during the periods indicated:

	Years Ended December 31, 2012	Years Ended December 31, 2011	Total Since Acquisition
	(Dollars in millions)		
Amortized	$ 86	154	240
Extinguished[(1)]	177	58	235
Total premiums recognized	$ 263	212	475

(1) See "Debt and Other Financing Arrangements" for more information

The remaining premium of $218 million as of December 31, 2012 will reduce interest expense in future periods, unless otherwise extinguished.

Net Operating Loss Carryforwards

We are currently using federal NOLs to offset a portion of our federal taxable income. We expect to deplete a significant portion of these NOLs and certain other deferred tax attributes by 2014, and substantially all of these tax benefits by 2015. Once our NOLs are fully utilized, we expect that the amounts of our cash flows dedicated to the payment of federal taxes will increase substantially. The amounts of those payments will depend upon many factors, including future earnings, tax law changes and future tax circumstances. For additional information, see "Risk Factors—Risks Related to our Recent Acquisitions" appearing in Item 1A of Part II of this report.

Other Matters

CenturyLink has cash management arrangements with certain of its principal subsidiaries, in which substantial portions of the subsidiaries' cash is regularly advanced to CenturyLink. In accordance with generally accepted accounting principles, these advances are eliminated as intercompany transactions. Although CenturyLink periodically repays these advances to fund the subsidiaries' cash requirements throughout the year, at any given point in time we may owe a substantial sum to our subsidiaries under these advances, which are not recognized on our consolidated balance sheets.

In connection with reclassifying certain wireless spectrum assets as assets held for sale, during the second quarter of 2012 we reclassified $154 million from "other intangible assets, net" to "current assets—other." For more information on the sale of these assets, see "Business—Operations—Products and Services—Additional Information" in Item 1 of this report.

We also are involved in various legal proceedings that could have a material adverse effect on our financial position. See Note 15—Commitment and Contingencies to the consolidated financial statements in Item 8 of this report for the current status of such legal proceedings, including matters involving Qwest.

Market Risk

We are exposed to market risk from changes in interest rates on our variable rate long-term debt obligations and fluctuations in certain foreign currencies. We seek to maintain a favorable mix of fixed and variable rate debt in an effort to limit interest costs and cash flow volatility resulting from changes in rates.

From time to time, we have used derivative instruments to (i) lock-in or swap our exposure to changing or variable interest rates for fixed interest rates or (ii) to swap obligations to pay fixed interest rates for variable interest rates. As of December 31, 2012, we had no such instruments outstanding. We have established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative instrument activities. We do not hold or issue derivative financial instruments for trading or speculative purposes. Management periodically reviews our exposure to interest rate fluctuations and implements strategies to manage the exposure.

There were no material changes to market risks arising from changes in interest rates for the year ended December 31, 2012, when compared to the disclosures provided in our Annual Report on Form 10-K for the year ended December 31, 2011.

At December 31, 2012, we have approximately $19.9 billion (excluding capital lease and other obligations with a carrying amount of $734 million) of long-term debt outstanding, 89.9% of which bears interest at fixed rates and is therefore not exposed to interest rate risk. We had $2 billion floating rate debt exposed to changes in the London InterBank Offered Rate (LIBOR). A hypothetical increase of 100 basis points in LIBOR relative to this debt would decrease our annual pre-tax earnings by $20 million.

With our acquisition of Savvis in July 2011, we have become exposed to the risk of fluctuations in the foreign currencies in which its international operations are denominated, primarily the Euro, the British Pound, the Canadian Dollar, the Japanese Yen and the Singapore Dollar. As a consolidated entity, the percentage of revenues generated and costs incurred that are denominated in these currencies are immaterial. We use a sensitivity analysis to estimate our exposure to this foreign currency risk, measuring the change in financial position arising from hypothetical 10% change in the exchange rates of these currencies, relative to the U.S. Dollar with all other variables held constant. The aggregate potential change in the fair value of assets resulting from a hypothetical 10% change in these exchange rates was $18 million at December 31, 2012.

Certain shortcomings are inherent in the method of analysis presented in the computation of exposures to market risks. Actual values may differ materially from those presented above if market conditions vary from the assumptions used in the analyses performed. These analyses only incorporate the risk exposures that existed at December 31, 2012.

Off-Balance Sheet Arrangements

We have no special purpose or limited purpose entities that provide off-balance sheet financing, liquidity, or market or credit risk support and we do not engage in leasing, hedging, or other similar activities that expose us to any significant liabilities that are not (i) reflected on the face of the consolidated financial statements, (ii) disclosed in Note 15—Commitments and Contingencies to the consolidated financial statements in Item 8 of this report, or in the Future Contractual Obligations table included in this Item 7 above or (iii) discussed under the heading "Market Risk" above.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Risk" in Item 7 of this report is incorporated herein by reference.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Management

The Shareholders
CenturyLink, Inc.:

Management has prepared and is responsible for the integrity and objectivity of our consolidated financial statements. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts determined using our best judgments and estimates.

Our consolidated financial statements have been audited by KPMG LLP, an independent registered public accounting firm, who have expressed their opinion with respect to the fairness of the consolidated financial statements. Their audit was conducted in accordance with standards of the Public Company Accounting Oversight Board (United States).

Management is responsible for establishing and maintaining adequate internal control over financial reporting, a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our evaluation under the framework of COSO, management concluded that our internal control over financial reporting was effective at December 31, 2012. The effectiveness of our internal control over financial reporting at December 31, 2012 has been audited by KPMG LLP, as stated in their report which is included herein.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Audit Committee of the Board of Directors is composed of independent directors who are not officers or employees. The Committee meets periodically with the external auditors, internal auditors and management. The Committee considers the independence of the external auditors and the audit scope and discusses internal control, financial and reporting matters. Both the external and internal auditors have free access to the Committee.

/s/ R. Stewart Ewing, Jr.

R. Stewart Ewing, Jr.
Executive Vice President, Chief Financial Officer and Assistant Secretary
March 1, 2013

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
CenturyLink, Inc.:

We have audited the accompanying consolidated balance sheets of CenturyLink, Inc. and subsidiaries (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income (loss), cash flows, and stockholders' equity for each of the years in the three-year period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 1, 2013 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Shreveport, Louisiana
March 1, 2013

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
CenturyLink, Inc.:

We have audited CenturyLink, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Report of Management*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income (loss), cash flows, and stockholders' equity for each of the years in the three-year period ended December 31, 2012, and our report dated March 1, 2013 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Shreveport, Louisiana
March 1, 2013

CENTURYLINK, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	2012	2011	2010
	(Dollars in millions, except per share amounts and shares in thousands)		
OPERATING REVENUES	$ 18,376	15,351	7,042
OPERATING EXPENSES			
Cost of services and products (exclusive of depreciation and amortization)	7,639	6,325	2,544
Selling, general and administrative	3,244	2,975	1,004
Depreciation and amortization	4,780	4,026	1,434
Total operating expenses	15,663	13,326	4,982
OPERATING INCOME	2,713	2,025	2,060
OTHER INCOME (EXPENSE)			
Interest expense	(1,319)	(1,072)	(544)
Net loss on early retirement of debt	(179)	(8)	—
Other income	35	3	15
Total other income (expense)	(1,463)	(1,077)	(529)
INCOME BEFORE INCOME TAX EXPENSE	1,250	948	1,531
Income tax expense	473	375	583
NET INCOME	$ 777	573	948
BASIC AND DILUTED EARNINGS PER COMMON SHARE			
BASIC	$ 1.25	1.07	3.13
DILUTED	$ 1.25	1.07	3.13
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
BASIC	620,205	532,780	300,619
DILUTED	622,285	534,121	301,297

See accompanying notes to consolidated financial statements.

CENTURYLINK, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years Ended December 31,		
	2012	2011	2010
	(Dollars in millions)		
NET INCOME	$ 777	573	948
OTHER COMPREHENSIVE (LOSS) INCOME:			
Items related to employee benefit plans:			
Change in net actuarial loss, net of $432, $508 and $32 tax	(694)	(812)	(53)
Change in net prior service credit, net of $4, $23 and $2 tax	(6)	(37)	(3)
Auction rate securities marked to market, net of $(1), $2 and $— tax	2	(4)	—
Auction rate securities settlements reclassified to net income, net of $(1), $— and $— tax	3	—	—
Foreign currency translation adjustment and other, net of $—, $2 and $— tax	6	(18)	—
Other comprehensive (loss) income	(689)	(871)	(56)
COMPREHENSIVE INCOME (LOSS)	$ 88	(298)	892

See accompanying notes to consolidated financial statements.

CENTURYLINK, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2012	December 31, 2011
	(Dollars in millions and shares in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 211	128
Accounts receivable, less allowance of $158 and $145	1,917	1,950
Income tax receivable	42	27
Deferred income taxes, net	891	1,019
Other	552	393
Total current assets	3,613	3,517
NET PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	32,086	29,585
Accumulated depreciation	(13,054)	(10,141)
Net property, plant and equipment	19,032	19,444
GOODWILL AND OTHER ASSETS		
Goodwill	21,732	21,732
Customer relationships, net	7,052	8,239
Other intangible assets, net	1,795	2,243
Other, net	796	869
Total goodwill and other assets	31,375	33,083
TOTAL ASSETS	$ 54,020	56,044
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 1,205	480
Accounts payable	1,207	1,400
Accrued expenses and other liabilities		
Salaries and benefits	683	633
Income and other taxes	356	383
Interest	268	293
Other	234	255
Advance billings and customer deposits	642	573
Total current liabilities	4,595	4,017
LONG-TERM DEBT	19,400	21,356
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred income taxes, net	3,644	3,800
Benefit plan obligations, net	5,844	4,855
Other	1,248	1,189
Total deferred credits and other liabilities	10,736	9,844
COMMITMENTS AND CONTINGENCIES (Note 15)		
STOCKHOLDERS' EQUITY		
Preferred stock — non-redeemable, $25.00 par value, authorized 2,000 shares, issued and outstanding 7 and 9 shares	—	—
Common stock, $1.00 par value, authorized 1,600,000 and 800,000 shares, respectively, issued and outstanding 625,658 and 618,514 shares	626	619
Additional paid-in capital	19,079	18,901
Accumulated other comprehensive (loss) income	(1,701)	(1,012)
Retained earnings	1,285	2,319
Total stockholders' equity	19,289	20,827
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 54,020	56,044

See accompanying notes to consolidated financial statements.

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CENTURYLINK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2012	2011	2010
	(Dollars in millions)		
OPERATING ACTIVITIES			
Net income	$ 777	573	948
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,780	4,026	1,434
Deferred income taxes	394	395	132
Provision for uncollectible accounts	187	153	91
Long-term debt (premium) discount amortization	(88)	(148)	1
Net loss on early retirement of debt	179	8	—
Changes in current assets and current liabilities:			
Accounts receivable	(154)	(102)	(118)
Accounts payable	(72)	(58)	(96)
Accrued income and other taxes	(14)	31	38
Other current assets and other current liabilities, net	16	(76)	(127)
Retirement benefits	(169)	(688)	(271)
Changes in other noncurrent assets and liabilities	161	(6)	(13)
Other, net	68	93	26
Net cash provided by operating activities	6,065	4,201	2,045
INVESTING ACTIVITIES			
Payments for property, plant and equipment and capitalized software	(2,919)	(2,411)	(864)
Cash paid for Savvis acquisition, net of $61 cash acquired	—	(1,671)	—
Cash acquired in Qwest acquisition, net of $5 cash paid	—	419	—
Proceeds from sale of property and intangible assets	191	—	—
Other, net	38	16	5
Net cash used in investing activities	(2,690)	(3,647)	(859)
FINANCING ACTIVITIES			
Net proceeds from issuance of long-term debt	3,362	4,102	—
Payments of long-term debt	(5,118)	(2,984)	(500)
Net borrowings (payments) on credit facility	543	(88)	74
Early retirement of debt costs	(346)	(114)	—
Dividends paid	(1,811)	(1,556)	(879)
Net proceeds from issuance of common stock	110	103	130
Repurchase of common stock	(37)	(31)	(17)
Other, net	2	(9)	17
Net cash used in financing activities	(3,295)	(577)	(1,175)
Effect of exchange rate changes on cash and cash equivalents	3	(22)	—
Net increase (decrease) in cash and cash equivalents	83	(45)	11
Cash and cash equivalents at beginning of period	128	173	162
Cash and cash equivalents at end of period	$ 211	128	173
Supplemental cash flow information:			
Income taxes (paid) refunded, net	$ (82)	$ 118	(424)
Interest (paid) (net of capitalized interest of $43, $25 and $13)	$ (1,405)	$ (1,225)	(548)

See accompanying notes to consolidated financial statements.

CENTURYLINK, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Years Ended December 31,		
	2012	2011	2010
	(Dollars in millions)		
COMMON STOCK (represents dollars and shares)			
Balance at beginning of period	$ 619	305	299
Issuance of common stock to acquire Qwest, including shares issued in connection with share-based compensation awards	—	294	—
Issuance of common stock to acquire Savvis, including shares issued in connection with share-based compensation awards	—	14	—
Issuance of common stock through dividend reinvestment, incentive and benefit plans	8	6	6
Shares withheld to satisfy tax withholdings	(1)	—	—
Balance at end of period	626	619	305
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of period	18,901	6,181	6,020
Issuance of common stock to acquire Qwest, including assumption of share-based compensation awards	—	11,974	—
Issuance of common stock to acquire Savvis, including assumption of share-based compensation awards	—	601	—
Issuance of common stock through dividend reinvestment, incentive and benefit plans	102	97	124
Shares withheld to satisfy tax withholdings	(34)	(30)	(16)
Share-based compensation and other, net	110	78	53
Balance at end of period	19,079	18,901	6,181
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME			
Balance at beginning of period	(1,012)	(141)	(85)
Other comprehensive (loss) income	(689)	(871)	(56)
Balance at end of period	(1,701)	(1,012)	(141)
RETAINED EARNINGS			
Balance at beginning of period	2,319	3,302	3,233
Net income	777	573	948
Dividends declared	(1,811)	(1,556)	(879)
Balance at end of period	1,285	2,319	3,302
TOTAL STOCKHOLDERS' EQUITY	$ 19,289	20,827	9,647

See accompanying notes to consolidated financial statements.

CENTURYLINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unless the context requires otherwise, references in this report to "CenturyLink," "we," "us" and "our" refer to CenturyLink, Inc. and its consolidated subsidiaries, including SAVVIS, Inc. and its consolidated subsidiaries (referred to as "Savvis") for periods on or after July 15, 2011 and Qwest Communications International Inc. and its consolidated subsidiaries (referred to as "Qwest") for periods on or after April 1, 2011.

(1) Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

We are an integrated communications company engaged primarily in providing an array of communications services to our residential, business, governmental and wholesale customers. Our communications services include local and long-distance, network access, private line (including special access), public access, broadband, data, managed hosting (including cloud hosting), colocation, wireless and video services. In certain local and regional markets, we also provide local access and fiber transport services to competitive local exchange carriers and security monitoring.

The accompanying consolidated financial statements include our accounts and the accounts of our subsidiaries over which we exercise control. These subsidiaries include our acquisition of SAVVIS, Inc. ("Savvis") on July 15, 2011 and Qwest Communications International Inc. ("Qwest") on April 1, 2011. See Note 2—Acquisitions for additional information. All intercompany amounts and transactions with our consolidated subsidiaries have been eliminated.

Effective January 1, 2012, we changed our rates of capitalized labor as we transitioned certain of Qwest's legacy systems to our historical company systems. This transition resulted in an estimated $40 million to $55 million increase in the amount of labor capitalized as an asset compared to the amount that would have been capitalized if Qwest had continued to use its legacy systems and a corresponding estimated $40 million to $55 million decrease in operating expenses for the year ended December 31, 2012. The reduction in expenses described above, net of tax, increased net income approximately $25 million to $34 million, or $0.04 to $0.05 per basic and diluted common share, for the year ended December 31, 2012.

Effective January 1, 2012, we changed our estimates of the remaining useful lives and net salvage value for certain telecommunications equipment. These changes resulted in additional depreciation expense of approximately $26 million for the year ended December 31, 2012. This additional depreciation expense, net of tax, reduced net income by approximately $16 million, or $0.03 per basic and diluted common share, for the year ended December 31, 2012.

On April 2, 2012, our subsidiary, Qwest Corporation ("QC"), sold an office building for net proceeds of $133 million. As part of the transaction, QC agreed to lease a portion of the building from the new owner. As a result, the $16 million gain from the sale was deferred and will be recognized as a reduction to rent expense over the 10 year lease term.

We also have reclassified certain other prior period amounts to conform to the current period presentation, including the categorization of our revenues and our segment reporting. See Note 13—Segment Information for additional information. These changes had no impact on total revenues, total operating expenses or net income for any period.

Summary of Significant Accounting Policies

Use of Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles. These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions we made when accounting for items and matters such as, but not limited to, investments, long-term contracts, customer retention patterns, allowance for doubtful accounts, depreciation, amortization, asset valuations, internal labor capitalization rates, recoverability of assets (including deferred tax assets), impairment assessments, pension, post-retirement and other post-employment benefits, taxes, certain liabilities and other provisions and contingencies are reasonable, based on information available at the time they were made. These estimates, judgments and assumptions can affect the reported amounts of assets, liabilities and components of stockholders' equity as of the dates of the consolidated balance sheets, as well as the reported amounts of revenue, expenses and components of cash flows during the periods presented in our consolidated statements of operations, our consolidated statements of comprehensive (loss) income and our consolidated statements of cash flows. We also make estimates in our assessments of potential losses in relation to threatened or pending tax and legal matters. See Note 12—Income Taxes and Note 15—Commitments and Contingencies for additional information.

For matters not related to income taxes, if a loss is considered probable and the amount can be reasonably estimated, we recognize an expense for the estimated loss. If we have the potential to recover a portion of the estimated loss from a third party, we make a separate assessment of recoverability and reduce the estimated loss if recovery is also deemed probable.

For matters related to income taxes, if the impact of an uncertain tax position is more likely than not to be sustained upon audit by the relevant taxing authority, then we recognize a benefit for the largest amount that is more likely than not to be sustained. No portion of an uncertain tax position will be recognized if the position has less than a 50% likelihood of being sustained. Interest is recognized on the amount of unrecognized benefit from uncertain tax positions.

For all of these and other matters, actual results could differ from our estimates.

Revenue Recognition

We recognize revenue for services when the related services are provided. Recognition of certain payments received in advance of services being provided is deferred until the service is provided. These advance payments include activation and installation charges, which we recognize as revenue over the expected customer relationship period, which ranges from eighteen months to over ten years depending on the service. We also defer costs for customer activations and installations. The deferral of customer activation and installation costs is limited to the amount of revenue deferred on advance payments. Costs in excess of advance payments are recorded as expense in the period such costs are incurred. Expected customer relationship periods are estimated using historical experience. Termination fees or other fees on existing contracts that are negotiated in conjunction with new contracts are deferred and recognized over the new contract term.

We offer bundle discounts to our customers who receive certain groupings of services. These bundle discounts are recognized concurrently with the associated revenues and are allocated to the various services in the bundled offering based on the estimated selling price of services included in each bundled combination.

Customer arrangements that include both equipment and services are evaluated to determine whether the elements are separable. If the elements are deemed separable and separate earnings processes exist, the revenue associated with each element is allocated to each element based on the relative estimated selling price of the separate elements. We have estimated the selling prices of each element by reference to vendor-specific objective evidence of selling prices when the elements are sold separately. The revenue associated with each element is then recognized as earned. For example, if we receive an advance payment when we sell equipment and continuing service together, we immediately recognize as revenue the amount allocated to the equipment as long as all the conditions for revenue recognition have been satisfied. The portion of the advance payment allocated to the service based upon its relative selling price is recognized ratably over the longer of the contractual period or the expected customer relationship period.

We have periodically transferred optical capacity assets on our network to other telecommunications service carriers. These transactions are structured as indefeasible rights of use, commonly referred to as IRUs, which are the exclusive right to use a specified amount of capacity or fiber for a specified term, typically 20 years. We account for the cash consideration received on transfers of optical capacity assets and on all of the other elements deliverable under an IRU, as revenue ratably over the term of the agreement. We have not recognized revenue on any contemporaneous exchanges of our optical capacity assets for other optical capacity assets.

We offer some products and services that are provided by third-party vendors. We review the relationship between us, the vendor and the end customer to assess whether revenue should be reported on a gross or net basis. In assessing whether revenue should be reported on a gross or net basis, we consider whether we act as a principal in the transaction, take title to the products, have risk and rewards of ownership or act as an agent or broker. Based on our agreements with DIRECTV and Verizon Wireless, we offer these services through sales agency relationships which are reported on a net basis.

For our data hosting operations, we have service level commitments pursuant to contracts with certain of our clients. To the extent that such service levels are not achieved or are otherwise disputed due to performance or service issues or other service interruptions or conditions, we will estimate the amount of credits to be issued and record a reduction to revenue, with a corresponding increase in the credit reserve.

USF, Gross Receipts Taxes and Other Surcharges

In determining whether to include in our revenue and expenses the taxes and surcharges collected from customers and remitted to governmental authorities, including USF charges, sales, use, value added and some excise taxes, we assess, among other things, whether we are the primary obligor or principal taxpayer for the taxes assessed in each jurisdiction where we do business. In jurisdictions where we determine that we are the principal taxpayer, we record the surcharges on a gross basis and include them in our revenue and costs of services and products. In jurisdictions where we determine that we are merely a collection agent for the government authority, we record the taxes on a net basis and do not include them in our revenue and costs of services and products.

Advertising Costs

Costs related to advertising are expensed as incurred and included in selling, general and administrative expenses in our consolidated statements of operations. For the years ended December 31, 2012, 2011 and 2010, our advertising expense was $189 million, $275 million and $49 million, respectively.

Legal Costs

In the normal course of our business, we incur costs to hire and retain external legal counsel to advise us on regulatory, litigation and other matters. We expense these costs as the related services are received.

Income Taxes

We file a consolidated federal income tax return with our eligible subsidiaries. The provision for income taxes consists of an amount for taxes currently payable, an amount for tax consequences deferred to future periods, adjustments to our liabilities for uncertain tax positions and amortization of investment tax credits. We record deferred income tax assets and liabilities reflecting future tax consequences attributable to tax net operating losses ("NOLs"), tax credit carryforwards and differences between the financial statement carrying value of assets and liabilities and the tax bases of those assets and liabilities. Deferred taxes are computed using enacted tax rates expected to apply in the year in which the differences are expected to affect taxable income. The effect on deferred income tax assets and liabilities of a change in tax rate is recognized in earnings in the period that includes the enactment date.

We establish valuation allowances when necessary to reduce deferred income tax assets to the amounts that we believe are more likely than not to be recovered. A significant portion of our net deferred tax assets relate to tax benefits attributable to NOLs. Each quarter we evaluate the need to retain all or a portion of the valuation allowance on our deferred tax assets. At December 31, 2012, we had established a $281 million valuation allowance, primarily related to state NOLs, as it is more likely than not that this amount will not be utilized prior to expiration. See Note 12—Income Taxes for additional information.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments that are readily convertible into cash and are not subject to significant risk from fluctuations in interest rates. As a result, the value at which cash and cash equivalents are reported in our consolidated financial statements approximates their fair value. In evaluating investments for classification as cash equivalents, we require that individual securities have original maturities of ninety days or less and that individual investment funds have dollar-weighted average maturities of ninety days or less. To preserve capital and maintain liquidity, we invest with financial institutions we deem to be of sound financial condition and in high quality and relatively risk-free investment products. Our cash investment policy limits the concentration of investments with specific financial institutions or among certain products and includes criteria related to credit worthiness of any particular financial institution.

Book overdrafts occur when checks have been issued but have not been presented to our controlled disbursement bank accounts for payment. Disbursement bank accounts allow us to delay funding of issued checks until the checks are presented for payment. Until the issued checks are presented for payment, the book overdrafts are included in accounts payable on our consolidated balance sheet. This activity is included in the operating activities section in our consolidated statements of cash flows.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recognized based upon the amount due from customers for the services provided or at cost for purchased and other receivables less an allowance for doubtful accounts. The allowance for doubtful accounts receivable reflects our best estimate of probable losses inherent in our receivable portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available evidence. We generally consider our accounts past due if they are outstanding over 30 days. Our collection process varies by the customer segment, amount of the receivable, and our evaluation of the customer's credit risk. Our past due accounts are written off against our allowance for doubtful accounts when collection is considered to be not probable. Any recoveries of accounts previously written off are generally recognized as a reduction in bad debt expense in the period received. The carrying value of accounts receivable net of the allowance for doubtful accounts approximates fair value.

Property, Plant and Equipment

Property, plant and equipment acquired in connection with our acquisitions was recorded based on its estimated fair value as of its acquisition date plus the estimated value of any associated legally or contractually required retirement obligations. Property, plant and equipment purchased subsequent to our acquisitions is recorded at cost plus the estimated value of any associated legally or contractually required retirement obligations. Property, plant and equipment is depreciated primarily using the straight-line group method. Under the straight-line group method, assets dedicated to providing telecommunications services (which comprise the majority of our property, plant and equipment) that have similar physical characteristics, use and expected useful lives are categorized in the year acquired on the basis of equal life groups for purposes of depreciation and tracking. Generally, under the straight-line group method, when an asset is sold or retired in the course of normal business activities, the cost is deducted from property, plant and equipment and charged to accumulated depreciation without recognition of a gain or loss. A gain or loss is recognized in our consolidated statements of operations only if a disposal is abnormal or unusual. Leasehold improvements are amortized over the shorter of the useful lives of the assets or the expected lease term. Expenditures for maintenance and repairs are expensed as incurred. Interest is capitalized during the construction phase of network and other internal-use capital projects. Employee-related costs for construction of network and other internal use assets are also capitalized during the construction phase. Property, plant and equipment supplies used internally are carried at average cost, except for significant individual items for which cost is based on specific identification.

We perform annual internal reviews to evaluate the reasonableness of the depreciable lives for our property, plant and equipment. Our reviews utilize models that take into account actual usage, physical wear and tear, replacement history, assumptions about technology evolution and, in certain instances, actuarially determined probabilities to estimate the remaining life of our asset base.

We have asset retirement obligations associated with the legally or contractually required removal of a limited group of property, plant and equipment assets from leased properties and the disposal of certain hazardous materials present in our owned properties. When an asset retirement obligation is identified, usually in association with the acquisition of the asset, we record the fair value of the obligation as a liability. The fair value of the obligation is also capitalized as property, plant and equipment and then amortized over the estimated remaining useful life of the associated asset. Where the removal obligation is not legally binding, the net cost to remove assets is expensed in the period in which the costs are actually incurred.

We review long-lived assets, other than goodwill and other intangible assets with indefinite lives, for impairment whenever facts and circumstances indicate that the carrying amounts of the assets may not be recoverable. For measurement purposes, long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities, absent a material change in operations. An impairment loss is recognized only if the carrying amount of the asset group is not recoverable and exceeds its fair value. Recoverability of the asset group to be held and used is measured by comparing the carrying amount of the asset group to the estimated undiscounted future net cash flows expected to be generated by the asset group. If the asset group's carrying value is not recoverable, an impairment charge is recognized for the amount by which the carrying amount of the asset group exceeds its fair value. We determine fair values by using a combination of comparable market values and discounted cash flows, as appropriate.

Goodwill, Customer Relationships and Other Intangible Assets

Intangible assets arising from business combinations, such as goodwill, customer relationships, capitalized software, trademarks and trade names, are initially recorded at estimated fair value. We amortize customer relationships primarily over an estimated life of 10 years to 12.5 years, using either the sum-of-the-years-digits or straight-line methods, depending on the type of customer. We amortize capitalized software using the straight-line method over estimated lives ranging up to seven years and amortize our other intangible assets predominantly using the sum-of-the-years digits method over an estimated life of four years. Other intangible assets not arising from business combinations are initially recorded at cost. Where there are no legal, regulatory, contractual or other factors that would reasonably limit the useful life of an intangible asset, we classify the intangible asset as indefinite-lived and such intangible assets are not amortized.

Internally used software, whether purchased or developed by us, is capitalized and amortized using the straight-line group method over its estimated useful life. We have capitalized certain costs associated with software such as costs of employees devoting time to the projects and external direct costs for materials and services. Costs associated with software to be used for internal purposes are expensed until the point at which the project has reached the development stage. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance, data conversion and training costs are expensed in the period in which they are incurred. We review the remaining economic lives of our capitalized software annually. Capitalized software is included in other intangible assets, net, in our consolidated balance sheets.

Our long-lived intangible assets with indefinite lives are tested for impairment annually, or, under certain circumstances, more frequently, such as when events or circumstances indicate there may be an impairment. These assets are carried at historical cost if their estimated fair value is greater than their carrying amounts. However, if their estimated fair value is less than the carrying amount, other indefinite-lived intangible assets are reduced to their estimated fair value through an impairment charge to our consolidated statements of operations. We early adopted the provisions of Accounting Standards Update ("ASU") 2012-2, Intangibles—Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment, during the fourth quarter of 2012, which allows us the option to first review qualitative factors to determine the likelihood of whether the indefinite-lived intangible asset is impaired before performing a qualitative impairment test. Under this approach, if we determine that it is more likely than not that the indefinite-lived intangible asset is impaired, we are required to compute and compare the fair value of the indefinite-lived intangible asset to its carrying amount to determine and measure the impairment loss, if any. We completed our qualitative assessment as of December 31, 2012 and concluded it is not more likely than not that our indefinite-lived intangible assets are impaired; thus, no impairment charge was recorded in 2012.

We are required to test goodwill for impairment at least annually, or more frequently if events or a change in circumstances indicate that an impairment may have occurred. We are required to write-down the value of goodwill in periods in which the recorded amount of goodwill exceeds the fair value. Our reporting units, which we refer to as our segments, are not discrete legal entities with discrete financial statements. Our assets and liabilities are employed in and relate to the operations of multiple reporting units. Therefore, the equity carrying value and future cash flows must be estimated each time a goodwill impairment analysis is performed on a reporting unit. As a result, our assets, liabilities and cash flows are allocated to reporting units using reasonable and consistent allocation methodologies. Certain estimates, judgments and assumptions are required to perform these allocations. We believe these estimates, judgments and assumptions to be reasonable, but changes in many of these can significantly affect each reporting unit's equity carrying value and future cash flows utilized for our goodwill impairment test. Our annual measurement date for testing goodwill impairment is September 30. As of September 30, 2012, we tested for goodwill impairment on our reporting units, which are our four operating segments (regional markets, wholesale markets, enterprise markets—network and enterprise markets—data hosting) that we recognized following our internal reorganization effective April 1, 2012. In the fourth quarter of 2012, we completed our annual impairment testing and concluded that our goodwill was not impaired as of September 30, 2012. See Note 3—Goodwill, Customer Relationships and Other Intangible Assets for additional information.

We are required to reassign goodwill to reporting units each time we reorganize our internal reporting structure which causes a change in our operating segments. Goodwill is reassigned to the reporting units using a relative fair value approach. We utilize the earnings before interest, tax and depreciation as our allocation methodology as it represents a reasonable proxy for the fair value of the operations being reorganized.

We periodically review the estimated lives and methods used to amortize our other intangible assets. The actual amounts of amortization expense may differ materially from our estimates, depending on the results of our periodic reviews.

Pension and Post-Retirement Benefits

We recognize the overfunded or underfunded status of our defined benefit and post-retirement plans as an asset or a liability on our balance sheet. Each year's actuarial gains or losses are a component of our other comprehensive (loss) income, which is then included in our accumulated other comprehensive (loss) income. Pension and post-retirement benefit expenses are recognized over the period in which the employee renders service and becomes eligible to receive benefits. We make significant assumptions (including the discount rate, expected rate of return on plan assets and health care trend rates) in computing the pension and post-retirement benefits expense and obligations. See Note 8—Employee Benefits for additional information.

Foreign Currency

Our results of operations include foreign subsidiaries, which are translated from the applicable functional currency to the United States Dollar using the average exchange rates during the reporting period, while assets and liabilities are translated at the reporting date. Resulting gains or losses from translating foreign currency are a component of our other comprehensive (loss) income, which is then included in our accumulated other comprehensive (loss) income. For the years ended December 31, 2012, 2011 and 2010, our foreign currency translation gain (loss), net of tax, was $6 million, $(15) million and $-0- million, respectively.

Common Stock

At December 31, 2012, we had unissued shares of CenturyLink common stock reserved of 34 million shares for incentive compensation, 4 million shares for acquisitions and 3 million shares for our employee stock purchase plan ("ESPP").

Preferred stock

Holders of outstanding CenturyLink preferred stock are entitled to receive cumulative dividends, receive preferential distributions equal to $25 per share plus unpaid dividends upon CenturyLink's liquidation and vote as a single class with the holders of common stock.

Out-of-Period Adjustments

During the year ended December 31, 2012, we discovered and corrected an error that resulted in an overstatement of depreciation expense in 2011. We evaluated the error considering both quantitative and qualitative factors and concluded that the error was immaterial to our previously issued and current period consolidated financial statements. Therefore, we recognized a $30 million reduction in depreciation expense during the year ended December 31, 2012. The correction of the error resulted in an increase in net income of $19 million, or approximately $0.03 per basic and diluted common share, for the year ended December 31, 2012.

(2) Acquisitions

Acquisition of Savvis

On July 15, 2011, we acquired all of the outstanding common stock of Savvis, a provider of cloud hosting, managed hosting, colocation and network services in domestic and foreign markets. We believe this acquisition enhances our ability to be an information technology partner with our existing business customers and strengthens our opportunities to attract new business customers in the future. Each share of Savvis common stock outstanding immediately prior to the acquisition converted into the right to receive $30 per share in cash and 0.2479 shares of CenturyLink common stock. The aggregate consideration of $2.382 billion consisted of:

- cash payments of $1.732 billion;
- the 14.313 million shares of CenturyLink common stock issued to consummate the acquisition,
- the closing stock price of CenturyLink common stock at July 14, 2011 of $38.54; and
- the estimated net value of the pre-combination portion of certain share-based compensation awards assumed by CenturyLink of $98 million, of which $33 million was paid in cash.

Upon completing the acquisition, we also paid $547 million to retire certain pre-existing Savvis debt and accrued interest, and paid related transaction expenses totaling $15 million. The cash payments required on or about the closing date were funded using existing cash balances, which included the net proceeds from the June 2011 issuance of senior notes with an aggregate principal amount of $2 billion. See Note 4—Long-term Debt and Credit Facilities, for additional information about our senior notes.

We have completed our valuation of the fair value of Savvis' assets acquired and liabilities assumed, along with the related allocations to goodwill and intangible assets. The aggregate consideration paid by us exceeded the aggregate estimated fair value of the assets acquired and liabilities assumed by $1.349 billion, which we have recognized as goodwill. This goodwill is attributable to strategic benefits, including enhanced financial and operational scale, and product and market diversification that we expect to realize. None of the goodwill associated with this acquisition is deductible for income tax purposes.

The following is our assignment of the aggregate consideration:

	July 15, 2011 (Dollars in millions)
Cash, accounts receivable and other current assets*	$ 214
Property, plant and equipment	1,367
Identifiable intangible assets	
Customer relationships	739
Other	51
Other noncurrent assets	27
Current liabilities, excluding current maturities of long-term debt	(129)
Current maturities of long-term debt	(38)
Long-term debt	(840)
Deferred credits and other liabilities	(358)
Goodwill	1,349
Aggregate consideration	$ 2,382

* Includes estimated fair value of $90 million for accounts receivable which had gross contractual value of $101 million on July 15, 2011. The $11 million difference between the gross contractual value and the estimated fair value assigned represents our best estimate as of July 15, 2011 of contractual cash flows that would not be collected.

We have retrospectively adjusted our previously reported preliminary assignment of the aggregate Savvis consideration for changes to our original estimates. These changes are the result of additional information obtained since the filing of our Form 10-K for the year ended December 31, 2011, which occurred during the one-year measurement period. Due to these revisions in our estimates, (i) customer relationships decreased $55 million due to a decrease in our customer relationships valuation, (ii) property, plant and equipment increased $32 million primarily from a revision to our valuation of our capital lease assets, and (iii) deferred credits and other liabilities decreased by $30 million primarily from changes in deferred taxes. Among other minor revisions, goodwill decreased by $8 million as an offset to the above-mentioned changes. The depreciation and amortization expense impact of the adjustments to intangible assets and property, plant and equipment valuations did not result in a material change to previously—reported amounts.

Acquisition of Qwest

On April 1, 2011, we acquired all of the outstanding common stock of Qwest, a provider of data, Internet, video and voice services nationwide and globally. We entered into this acquisition, among other things, to realize certain strategic benefits, including enhanced financial and operational scale, market diversification and leveraged combined networks. As of the acquisition date, Qwest served approximately 9.0 million access lines and approximately 3.0 million broadband subscribers across 14 states. Each share of Qwest common stock outstanding immediately prior to the acquisition converted into the right to receive 0.1664 shares of CenturyLink common stock, with cash paid in lieu of fractional shares. The aggregate consideration was $12.273 billion based on:

- the 294 million shares of CenturyLink common stock issued to consummate the acquisition;
- the closing stock price of CenturyLink common stock at March 31, 2011 of $41.55;
- the estimated net value of the pre-combination portion of share-based compensation awards assumed by CenturyLink of $52 million (excluding the value of restricted stock included in the number of issued shares specified above); and
- cash paid in lieu of the issuance of fractional shares of $5 million.

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We assumed approximately $12.7 billion of long-term debt in connection with our acquisition of Qwest.

We have completed our valuation of the fair value of Qwest's assets acquired and liabilities assumed, along with the related allocations to goodwill and intangible assets. The aggregate consideration exceeded the aggregate estimated fair value of the assets acquired and liabilities assumed by $10.123 billion, which we have recognized as goodwill. This goodwill is attributable to strategic benefits, including enhanced financial and operational scale, market diversification and leveraged combined networks that we expect to realize. None of the goodwill associated with this acquisition is deductible for income tax purposes.

The following is our assignment of the aggregate consideration:

	April 1, 2011 (Dollars in millions)
Cash, accounts receivable and other current assets*	$ 2,121
Property, plant and equipment	9,529
Identifiable intangible assets	
Customer relationships	7,558
Capitalized software	1,702
Other	189
Other noncurrent assets	390
Current liabilities, excluding current maturities of long-term debt	(2,426)
Current maturities of long-term debt	(2,422)
Long-term debt	(10,253)
Deferred credits and other liabilities	(4,238)
Goodwill	10,123
Aggregate consideration	$ 12,273

* Includes estimated fair value of $1.194 billion for accounts receivable which had gross contractual value of $1.274 billion on April 1, 2011. The $80 million difference between the gross contractual value and the estimated fair value assigned represents our best estimate as of April 1, 2011 of contractual cash flows that would not be collected.

We have retrospectively adjusted our reported assignment of the aggregate Qwest consideration for changes to our original estimates of the fair value of certain items at the acquisition date. These changes are the result of additional information obtained since the filing of our Form 10-K for the year ended December 31, 2011, which occurred during the one-year measurement period. Due to these revisions of our estimates, (i) identifiable intangible assets decreased due to a $67 million decrease in our customer relationships valuation, (ii) property, plant and equipment decreased by $24 million primarily from a revision to our valuation of our buildings, and (iii) deferred credits and other liabilities decreased by $63 million primarily from a revision to one of our lease valuations and changes in tax liabilities. Among other minor revisions, goodwill increased by $17 million as an offset to the above-mentioned changes. The depreciation and amortization expense impact of the adjustments to intangible assets and property, plant and equipment valuations did not result in a material change to previously reported amounts.

On the acquisition date, we assumed Qwest's contingencies. For more information on our contingencies, see Note 15—Commitments and Contingencies.

Acquisition-Related Expenses

We have incurred operating expenses related to our acquisition of Savvis in July 2011, Qwest in April 2011 and Embarq in July 2009. The table below summarizes our expenses related to our acquisitions, which consist primarily of integration and severance expenses:

	Years Ended December 31,		
	2012	2011	2010
	(Dollars in millions)		
Acquisition-related expenses	$ 83	467	145

The total amounts of these expenses are recognized in our cost of services and products and selling, general and administrative expenses.

At December 31, 2012, we had incurred cumulative acquisition related expenses, consisting primarily of integration and severance related expenses, of $56 million for Savvis and $464 million for Qwest. In addition to the acquisition-related expenses included in the schedule for the year ended December 31, 2011, transaction expenses in the amount of $16 million were incurred in connection with terminating an unused loan financing commitment related to our Savvis acquisition. This amount was not considered an operating activity and therefore not included as an operating expense.

Qwest incurred cumulative pre-acquisition related expenses of $71 million, including $36 million in periods prior to being acquired and $35 million on the date of acquisition. Savvis incurred cumulative pre-acquisition related expenses of $22 million, including $3 million in periods prior to being acquired and $19 million on the date of acquisition. These amounts are not included in our results of operations.

References to Acquired Businesses

In the discussion that follows, we refer to the incremental business activities that we now operate as a result of the Savvis acquisition and the Qwest acquisition as "Legacy Savvis" and "Legacy Qwest", respectively. References to "Legacy CenturyLink", when used to a comparison of our consolidated results for the years ended December 31, 2012 and 2011, mean the business we operated prior to the Qwest and Savvis acquisitions.

Combined Pro Forma Operating Results (Unaudited)

The following unaudited pro forma financial information presents the combined results of CenturyLink as if the Qwest and Savvis acquisitions had been consummated as of January 1, 2010.

	Years Ended December 31,	
	2011	2010
	(Dollars in millions)	
Operating revenues	$ 18,692	19,431
Net income	601	293
Basic earnings per common share	.97	.48
Diluted earnings per common share	.97	.48

This pro forma information reflects certain adjustments to previously reported operating results, consisting of primarily:

- decreased operating revenues and expenses due to the elimination of deferred revenues and deferred expenses associated with installation activities and capacity leases that were assigned no value at the acquisition date and the elimination of transactions among CenturyLink, Qwest and Savvis that are now subject to intercompany elimination;

- increased amortization expense related to identifiable intangible assets, net of decreased depreciation expense to reflect the fair value of property, plant and equipment;
- decreased recognition of retiree benefit expenses for Qwest due to the elimination of unrecognized actuarial losses;
- decreased interest expense primarily due to the amortization of an adjustment to reflect the increased fair value of long-term debt of Qwest recognized on the acquisition date; and
- the related income tax effects.

The pro forma information does not necessarily reflect the actual results of operations had the Qwest and Savvis acquisitions been consummated at January 1, 2010, nor is it necessarily indicative of future operating results. The pro forma information does not adjust for integration costs incurred by us, Qwest and Savvis during 2011 (which are further described above in this note) or integration costs to be incurred by us in future periods. In addition, the pro forma information does not give effect to any potential revenue enhancements, cost synergies or other operating efficiencies that could result from the acquisitions (other than those realized in our historical consolidated financial statements after the respective acquisition dates).

(3) Goodwill, Customer Relationships and Other Intangible Assets

Goodwill, customer relationships and other intangible assets consisted of the following:

	December 31, 2012	December 31, 2011
	(Dollars in millions)	
Goodwill	$ 21,732	21,732
Customer relationships, less accumulated amortization of $2,524 and $1,337	7,052	8,239
Indefinite-life intangible assets	268	422
Other intangible assets subject to amortization		
Capitalized software, less accumulated amortization of $814 and $441	1,399	1,622
Trade names and patents, less accumulated amortization of $142 and $71	128	199
Total other intangible assets, net	$ 1,795	2,243

Total amortization expense for intangible assets for the years ended December 31, 2012, 2011 and 2010 was $1.682 billion, $1.425 billion and $206 million, respectively.

We estimate that total amortization expense for intangible assets for the years ending December 31, 2013 through 2017 will be as follows:

	(Dollars in millions)
2013	$ 1,493
2014	1,369
2015	1,232
2016	1,104
2017	983

Our goodwill was derived from numerous acquisitions whereby the purchase price exceeded the fair value of the net assets acquired. For more information on our recent acquisitions and resulting fair values, see Note 2—Acquisitions. During the year ended December 31, 2012, during the respective one-year measurement periods for our recent acquisitions we retrospectively adjusted our previously reported preliminary assignment of the aggregate consideration for changes to our original estimates. Due to these revisions in our estimates, goodwill increased by $8 million. This adjustment to goodwill has been reflected in the balance sheets for both December 31, 2012 and December 31, 2011.

Effective April 1, 2012, we restructured our operating segments to support our new operating structure. As a result, we reassigned goodwill to our reporting units using a relative fair value allocation approach. As of December 31, 2012, we attributed our goodwill balances to our segments as follows:

	December 31, 2012
	(Dollars in millions)
Regional markets	$ 15,170
Wholesale markets	3,283
Enterprise markets—network	1,788
Enterprise markets—data hosting	1,491
Total goodwill	$ 21,732

We test our goodwill for impairment annually, or, under certain circumstances, more frequently, such as when events or circumstances indicate there may be impairment. We are required to write down the value of goodwill only in periods in which the recorded amount of goodwill exceeds the estimated fair value. Our annual measurement date for testing impairment is September 30. As of September 30, 2012, we tested for goodwill impairment on our reporting units, which are our four operating segments (regional markets, wholesale markets, enterprise markets—network and enterprise markets—data hosting) that we recognized following our internal reorganization in the second quarter of 2012.

We adopted the provisions of ASU 2011-08, Testing Goodwill for Impairment, in the third quarter of 2011, which permits us to make a qualitative assessment of whether it is more likely than not that a reporting unit's, which we refer to as our segments, fair value is less than its carrying amount before applying the two-step goodwill impairment test, which requires us (i) in step one, to identify potential impairments by comparing the estimated fair value of a reporting unit against its carrying value and (ii) in step two, to quantify any impairment identified in step one. At September 30, 2012, as a result of the recent internal reorganization of our four segments we did not have a baseline valuation to perform a qualitative assessment. We estimated the fair value of our four segments using an equal weighting based on a market approach and a discounted cash flow method. The market approach includes the use of comparable multiples of publicly traded companies whose services are comparable to ours. The discounted cash flow method is based on the present value of projected cash flows and a terminal value, which represents the expected normalized cash flows of the segments beyond the cash flows from the discrete nine-year projection period. We discounted the estimated cash flows for our regional markets, wholesale markets, and enterprise markets—network segments using a rate that represents a market participant's weighted average cost of capital, which we determined to be approximately 6.0% as of the measurement date (which was comprised of an after-tax cost of debt of 3.2% and a cost of equity of 8.4%). We discounted the estimated cash flows of our enterprise markets—data hosting segment using a rate that represents a market participant's estimated weighted average cost of capital, which we determined to be approximately 11.0% as of the measurement date (which was comprised of an after-tax cost of debt of 3.2% and a cost of equity of 12.0%). We also reconciled the estimated fair values of the segments to our market capitalization as of September 30, 2012 and concluded that the indicated implied control premium of approximately 14% was reasonable based on recent transactions in the market place. Based on our analysis performed with respect to our reporting units described above, we have concluded that our goodwill is not impaired.

Our long-lived intangible assets with indefinite lives are tested for impairment annually, or, under certain circumstances, more frequently, such as when events or circumstances indicate there may be an impairment. These assets are carried at historical cost if their estimated fair value is greater than their carrying amounts. However, if their estimated fair value is less than the carrying amount, other indefinite-lived intangible assets are reduced to their estimated fair value through an impairment charge to our consolidated statements of operations. We early adopted the provisions of ASU 2012-2, Intangibles—Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment, during the fourth quarter of 2012, which allows us the option to first review qualitative factors to determine the likelihood of whether the indefinite-lived intangible asset is impaired before performing a qualitative impairment test. Under this approach, if we determine that it is more likely than not that the indefinite-lived intangible asset is impaired, we will be required to compute and compare the fair value of the indefinite-lived intangible asset to its carrying amount to determine and measure the impairment loss, if any. We completed our qualitative assessment as of December 31, 2012 and concluded it is not more likely than not that our indefinite-lived intangible assets are impaired; thus, no impairment charge was recorded in 2012.

During the second quarter of 2012, we committed to a plan to sell our Advanced Wireless Services A Block and 700 MHz wireless in the A, B, and C Blocks, which in the aggregate had a basis of $154 million. We sold $58 million of our wireless spectrum assets during the fourth quarter of 2012, and we sold another $43 million of our wireless spectrum assets in January 2013. In the aggregate, these transactions resulted in a gain of $32 million. We expect to reach agreements with various other purchasers for the remaining spectrum, and the consummation of which will be subject to regulatory approval.

(4) Long-Term Debt and Credit Facilities

Long-term debt, including unamortized discounts and premiums, at December 31, 2012 and 2011 consisted of borrowings by CenturyLink, Inc. and certain of its subsidiaries, including Qwest and Embarq Corporation ("Embarq"), as follows:

	Interest Rates	Maturities	December 31, 2012	December 31, 2011
			(Dollars in millions)	
CenturyLink, Inc.				
Senior notes	5.000% - 7.650%	2013 - 2042	$ 6,250	4,518
Credit facility[1]	1.960% - 4.000%	2017	820	277
Term loan	2.22%	2019	424	—
Subsidiaries				
Qwest				
Senior notes[2]	3.558% - 8.375%	2013 - 2052	9,168	11,460
Embarq				
Senior notes	7.082% - 7.995%	2016 - 2036	2,669	4,013
First mortgage bonds	6.875% - 8.770%	2013 - 2025	322	322
Other	6.750% - 9.000%	2013 - 2019	200	200
Other subsidiary notes				
First mortgage notes			—	65
Capital lease and other obligations	Various	Various	734	712
Unamortized premiums (discounts) and other, net			18	269
Total long-term debt			20,605	21,836
Less current maturities			(1,205)	(480)
Long-term debt, excluding current maturities			$ 19,400	21,356

(1) The information presented here illustrates the interest rates and maturity on our credit facility as amended and restated on April 6, 2012. The outstanding amount of our Credit Facility borrowings at December 31, 2012 was $820 million with a weighted average interest rate of 2.45%.

(2) The $750 million of Qwest Corporation Notes due 2013 are floating rate notes, with a rate that resets every three months. As of the most recent measurement date of December 17, 2012, the rate for these notes was 3.558%.

New Issuances

2012

On June 25, 2012, QC issued $400 million aggregate principal amount of 7.00% Notes due 2052 in exchange for net proceeds, after deducting underwriting discounts and expenses, of $387 million. The Notes are unsecured obligations and may be redeemed, in whole or in part, on or after July 1, 2017 at a redemption price equal to 100% of the principal amount redeemed plus accrued interest.

On April 18, 2012, CenturyLink entered into a term loan in the amount of $440 million with CoBank and several other Farm Credit System banks. This term loan is payable in 29 consecutive quarterly installments of $5.5 million in principal plus interest through April 18, 2019, when the balance will be due. We have the option of paying monthly interest based upon either London Interbank Offered Rate ("LIBOR") or the base rate (as defined in the credit agreement) plus an applicable margin between 1.50% to 2.50% per annum for LIBOR loans and 0.50% to 1.50% per annum for base rate loans depending on our then current senior unsecured long-term debt rating. Our term loan is guaranteed by two of our wholly-owned subsidiaries, Embarq and QCII, and one of QCII's wholly-owned subsidiaries. The remaining terms and conditions of our term loan are substantially similar to those set forth in our Credit Facility, described in this Note below under "Credit Facilities."

On April 2, 2012, QC issued $525 million aggregate principal amount of 7.00% Notes due 2052 in exchange for net proceeds, after deducting underwriting discounts and expenses, of $508 million. The Notes are unsecured obligations and may be redeemed, in whole or in part, on or after April 1, 2017 at a redemption price equal to 100% of the principal amount redeemed plus accrued interest.

On March 12, 2012, CenturyLink issued (i) $650 million aggregate principal amount of 7.65% Senior Notes due 2042 in exchange for net proceeds, after deducting underwriting discounts, of approximately $644 million and (ii) $1.4 billion aggregate principal amount of 5.80% Senior Notes due 2022 in exchange for net proceeds, after deducting underwriting discounts, of approximately $1.389 billion. The Notes are unsecured obligations and may be redeemed at any time on the terms and conditions specified therein.

2011

On October 4, 2011, our indirect wholly owned subsidiary, QC issued $950 million aggregate principal amount of its 6.75% Notes due 2021 in exchange for net proceeds, after deducting underwriting discounts and expenses, of $927 million. The notes are senior unsecured obligations of QC and may be redeemed, in whole or in part, at a redemption price equal to the greater of their principal amount or the present value of the remaining principal and interest payments discounted at a U.S. Treasury interest rate specified in the indenture agreement plus 50 basis points. In October 2011, QC used the net proceeds from this offering, together with the $557 million of net proceeds received on September 21, 2011 from the debt issuance described below and available cash, to redeem the $1.500 billion aggregate principal amount of its 8.875% Notes due 2012 and to pay all related fees and expenses, which resulted in an immaterial loss.

On September 21, 2011, QC issued $575 million aggregate principal amount of its 7.50% Notes due 2051 in exchange for net proceeds, after deducting underwriting discounts and expenses, of $557 million. The notes are senior unsecured obligations of QC and may be redeemed, in whole or in part, on or after September 15, 2016 at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date.

On June 16, 2011, we issued unsecured senior notes with an aggregate principal amount of $2.0 billion ("Senior Notes"), consisting of (i) $400 million of 7.60% Senior Notes, Series P, due 2039, (ii) $350 million of 5.15% Senior Notes, Series R, due 2017 and (iii) $1.250 billion of 6.45% Senior Notes, Series S, due 2021. After deducting underwriting discounts and expenses, we received aggregate net proceeds of $1.959 billion in exchange for the Senior Notes. We may redeem the Senior Notes, in whole or in part, at any time at a redemption price equal to the greater of their principal amount or the present value of the remaining principal and interest payments discounted at a U.S. Treasury interest rates plus 50 basis points. We used the net proceeds to fund a portion of our acquisition of Savvis and repay certain of Savvis' debt. See Note 2—Acquisitions for additional information. In April 2011, we received commitment letters from two banks to provide up to $2.0 billion in bridge financing for the Savvis acquisition. This arrangement was terminated in June 2011 in connection with the issuance of the Senior Notes resulting in $16 million in transaction expenses recognized in other income (expense), net.

On June 8, 2011, QC issued $661 million aggregate principal amount of its 7.375% Notes due 2051 in exchange for net proceeds, after deducting underwriting discounts and expenses, of $642 million. The notes are unsecured obligations of QC and may be redeemed, in whole or in part, on or after June 1, 2016 at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date.

Repayments

2012

On October 26, 2012, QCII redeemed all $550 million of its 8.00% Notes due 2015, which resulted in a gain of $15 million.

On August 29, 2012, certain subsidiaries of CenturyLink paid $29 million and $30 million, respectively, to retire its outstanding Rural Utilities Service and Rural Telephone Bank debt.

On August 15, 2012, CenturyLink paid at maturity the $318 million principal amount of its 7.875% Notes.

On July 20, 2012, QC redeemed all $484 million of its 7.50% Notes due 2023, which resulted in an immaterial loss.

On May 17, 2012, QCII redeemed $500 million of its 7.50% Notes due 2014, which resulted in an immaterial gain.

On April 23, 2012, Embarq redeemed the remaining $200 million of its 6.738% Notes due 2013, which resulted in an immaterial loss.

On April 18, 2012, QC completed a cash tender offer to purchase a portion of its $811 million of 8.375% Notes due 2016 and its $400 million of 7.625% Notes due 2015. With respect to its 8.375% Notes due 2016, QC received and accepted tenders of approximately $575 million aggregate principal amount of these notes, or 71%, for $722 million including a premium, fees and accrued interest. With respect to its 7.625% Notes due 2015, QC received and accepted tenders of approximately $308 million aggregate principal amount of these notes, or 77%, for $369 million including a premium, fees and accrued interest. The completion of this tender offer resulted in a loss of $46 million.

On April 2, 2012, Embarq completed a cash tender offer to purchase a portion of its $528 million of 6.738% Notes due 2013 and its $2.0 billion of 7.082% Notes due 2016. With respect to its 6.738% Notes due 2013, Embarq received and accepted tenders of approximately $328 million aggregate principal amount of these notes, or 62%, for $360 million including a premium, fees and accrued interest. With respect to its 7.082% Notes due 2016, Embarq received and accepted tenders of approximately $816 million aggregate principal amount of these notes, or 41%, for $944 million including a premium, fees and accrued interest. The completion of these tender offers resulted in a loss of $144 million.

On March 1, 2012, QCII redeemed $800 million of its 7.50% Notes due 2014, which resulted in an immaterial gain.

2011

In October 2011, QC used the net proceeds of $927 million from the October 4, 2011 issuance, together with the $557 million of net proceeds received from the September 21, 2011 debt issuance described above and available cash, to redeem the $1.5 billion aggregate principal amount of its 8.875% Notes due 2012 and to pay all related fees and expenses, which resulted in an immaterial loss.

In June 2011, QC used the net proceeds of $642 million from the June 8, 2011 debt issuance, together with available cash, to redeem $825 million aggregate principal amount of its 7.875% Notes due 2011 and to pay related fees and expenses, which resulted in an immaterial loss.

Credit Facilities

On April 6, 2012, we amended and restated our $1.7 billion revolving credit facility to increase the aggregate principal amount available to $2.0 billion and to extend the maturity date to April 2017. This amended credit facility (the "Credit Facility") has 18 lenders, with commitments ranging from $2.5 million to $181 million and allows us to obtain revolving loans and to issue up to $400 million of letters of credit, which will reduce the amount available for other extensions of credit. Interest is assessed on borrowings using either the LIBOR or the base rate (as defined in the Credit Facility) plus an applicable margin between 1.25% and 2.25% per annum for LIBOR loans and 0.25% and 1.25% per annum for base rate loans depending on our then current senior unsecured long-term debt rating. Our obligations under the Credit Facility are guaranteed by two of our wholly-owned subsidiaries, Embarq and QCII, and one of QCII's wholly-owned subsidiaries. In the event of a ratings decline below "investment grade" as defined, Savvis and its operating subsidiaries will become guarantors of the Credit Facility. As of December 31, 2012, there was $820 million outstanding under the Credit Facility.

In April 2011, we entered into a $160 million uncommitted revolving letter of credit facility which enables us to provide letters of credit under terms that may be more favorable than those under the Credit Facility. At December 31, 2012, our outstanding letters of credit totaled $120 million under this facility.

Aggregate Maturities of Long-Term Debt

Aggregate maturities of our long-term debt (excluding unamortized premiums, discounts and other):

	(Dollars in millions)
2013	$ 1,205
2014	781
2015	545
2016	1,488
2017	2,313
2018 and thereafter	14,255
Total long-term debt	$ 20,587

Interest Expense

Interest expense includes interest on long-term debt. The following table presents the amount of gross interest expense, net of capitalized interest:

	Years Ended December 31,		
	2012	2011	2010
	(Dollars in millions)		
Interest expense:			
Gross interest expense	$ 1,362	1,097	557
Capitalized interest	(43)	(25)	(13)
Total interest expense	$ 1,319	1,072	544

Covenants

Certain of our loan agreements contain various restrictions, as described more fully below. The covenants currently in place result in no significant restriction to the transfer of funds from our consolidated subsidiaries to CenturyLink.

The senior notes of CenturyLink were issued under an indenture dated March 31, 1994. This indenture does not contain any financial covenants, but does include restrictions that limit our ability to (i) incur, issue or create liens upon our property and (ii) consolidate with or merge into, or transfer or lease all or substantially all of our assets to any other party. The indenture does not contain any provisions that are impacted by our credit ratings or that restrict the issuance of new securities in the event of a material adverse change to us.

The indentures governing Qwest's debt securities contain customary covenants that restrict the ability of Qwest or its subsidiaries from incurring additional debt, making certain payments and investments, granting liens, and selling or transferring assets. We do not anticipate that these covenants will significantly restrict our ability to manage cash balances or transfer cash between entities within our consolidated group of companies as needed.

Since the Qwest parent company has achieved investment grade ratings from one of the rating agencies, most of the covenants listed above have been suspended. These covenants will be reinstated if the Qwest parent company loses the investment grade rating from that agency. Under the indenture governing these notes, we must repurchase the notes upon certain changes of control, which were not triggered upon the acquisition on April 1, 2011. This indenture also contains provisions for cross acceleration relating to any of our other debt obligations and the debt obligations of our restricted subsidiaries in an aggregate amount in excess of $100 million.

Embarq's senior notes were issued pursuant to an indenture dated as of May 17, 2006. While Embarq is generally prohibited from creating liens on its property unless its senior notes are secured equally and ratably, Embarq can create liens on its property without equally and ratably securing its senior notes so long as the sum of all indebtedness so secured does not exceed 15% of Embarq's consolidated net tangible assets. The indenture contains customary events of default, none of which are impacted by Embarq's credit rating. The indenture does not contain any financial covenants or restrictions on the ability to issue new securities in accordance with the terms of the indenture.

Several of our other subsidiaries have outstanding first mortgage bonds or notes. Each issue of these first mortgage bonds or notes is secured by substantially all of the property, plant and equipment of the issuing subsidiary. Approximately 21% of our property, plant and equipment is pledged to secure the long-term debt of subsidiaries.

Under the Credit Facility, we, and our indirect subsidiary, QC, must maintain a debt to EBITDA (earnings before interest, taxes, depreciation and amortization, as defined in our Credit Facility) ratio of not more than 4:1 and 2.85:1, respectively, as of the last day of each fiscal quarter for the four quarters then ended. The Credit Facility also contains a negative pledge covenant, which generally provides restrictions if we pledge assets or permit liens on our property, and requires that any advances under the Credit Facility must also be secured equally and ratably. The Credit Facility also has a cross payment default provision, and the Credit Facility and certain of our debt securities also have cross acceleration provisions.

At December 31, 2012, we were in compliance with all of the provisions and covenants contained in our Credit Facility and other debt agreements.

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(5) Accounts Receivable

The following table presents details of our accounts receivable balances:

	December 31,	
	2012	2011[1]
	(Dollars in millions)	
Trade and purchased receivables	$ 1,782	1,768
Earned and unbilled receivables	274	296
Other	19	31
Total accounts receivable	2,075	2,095
Less: allowance for doubtful accounts	(158)	(145)
Accounts receivable, less allowance	$ 1,917	1,950

(1) We have reclassified prior period amounts to conform to the current period presentation.

We are exposed to concentrations of credit risk from residential and business customers within our local service area, business customers outside of our local service area and from other telecommunications service providers. We generally do not require collateral to secure our receivable balances. We have agreements with other telecommunications service providers whereby we agree to bill and collect on their behalf for services rendered by those providers to our customers within our local service area. We purchase accounts receivable from other telecommunications service providers primarily on a recourse basis and include these amounts in our accounts receivable balance. We have not experienced any significant loss associated with these purchased receivables.

The following table presents details of our allowance for doubtful accounts:

	Beginning Balance	Additions	Deductions	Other	Ending Balance
			(Dollars in millions)		
2012	$ 145	187	(174)	—	158
2011	$ 60	153	(68)	—	145
2010	$ 48	91	(79)	—	60

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(6) Property, Plant and Equipment

Net property, plant and equipment is composed of the following:

	Depreciable Lives	December 31, 2012	December 31, 2011
		(Dollars in millions)	
Land	N/A	$ 579	590
Fiber, conduit and other outside plant[1]	15-45 years	13,030	12,415
Central office and other network electronics[2]	3-10 years	11,395	9,683
Support assets[3]	3-30 years	6,235	6,098
Construction in progress[4]	N/A	847	799
Gross property, plant and equipment		32,086	29,585
Accumulated depreciation		(13,054)	(10,141)
Net property, plant and equipment		$ 19,032	19,444

(1) Fiber, conduit and other outside plant consists of fiber and metallic cable, conduit, poles and other supporting structures.

(2) Central office and other network electronics consists of circuit and packet switches, routers, transmission electronics and electronics providing service to customers.

(3) Support assets consist of buildings, computers and other administrative and support equipment.

(4) Construction in progress includes inventory held for construction and property of the aforementioned categories that has not been placed in service as it is still under construction.

Effective January 1, 2012, we changed our rates of capitalized labor as we transitioned certain of Qwest's legacy systems to our historical company systems. This transition resulted in an estimated $40 million to $55 million increase in the amount of labor capitalized as an asset compared to the amount that would have been capitalized if Qwest had continued to use its legacy systems and a corresponding estimated $40 million to $55 million decrease in operating expenses for the year ended December 31, 2012. The reduction in expenses described above, net of tax, increased net income approximately $25 million to $34 million, or $0.04 to $0.05 per basic and diluted common share, for the year ended December 31, 2012.

Effective January 1, 2012, we changed our estimates of the remaining useful lives and net salvage value for certain telecommunications equipment. These changes resulted in additional depreciation expense of approximately $26 million for the year ended December 31, 2012. This additional depreciation expense, net of tax, reduced net income by approximately $16 million, or $0.03 per basic and diluted common share, for the year ended December 31, 2012.

During the year ended December 31, 2012, we discovered and corrected an error that resulted in an overstatement of depreciation expense in 2011. We evaluated the error considering both quantitative and qualitative factors and concluded that the error was immaterial to our previously issued and current period consolidated financial statements. Therefore, we recognized a $30 million reduction in depreciation expense during the year ended December 31, 2012. The correction of the error resulted in an increase in net income of $19 million, or approximately $0.03 per basic and diluted common share, for the year ended December 31, 2012.

During the first and second quarters of 2012, we retrospectively adjusted our reported preliminary assignment of the aggregate Qwest and Savvis consideration for changes to our original estimates of the fair value of buildings at the acquisition date. This retrospective adjustment increased the previously reported December 31, 2011 support assets by $8 million.

During 2012, we reclassified certain prior period amounts of inventory held for construction to conform to the current period presentation. This reclassification increased construction in progress at December 31, 2011 by $55 million with an offsetting decrease to fiber, conduit and other outside plant and central office and other network electronics by $8 million and $47 million, respectively.

We recorded depreciation expense of $3.098 billion, $2.601 billion and $1.228 billion for the years ended December 31, 2012, 2011 and 2010, respectively.

Asset Retirement Obligations

At December 31, 2012, our asset retirement obligations balance was primarily related to estimated future costs of removing equipment from leased properties and estimated future costs of properly disposing of asbestos and other hazardous materials upon remodeling or demolishing buildings. Asset retirement obligations are included in other long-term liabilities on our consolidated balance sheets.

The following table provides asset retirement obligation activity:

	Years Ended December 31,		
	2012	2011	2010
	(Dollars in millions)		
Balance at beginning of year	$ 109	41	39
Accretion expense	7	9	2
Liabilities incurred	1	—	—
Liabilities assumed in Qwest and Savvis acquisitions	—	124	—
Liabilities settled and other	(1)	(3)	—
Change in estimate	(10)	(62)	—
Balance at end of year	$ 106	109	41

During 2012 and 2011, we revised our estimates for the cost of removal of network equipment, asbestos remediation, and other obligations by $10 million and $62 million, respectively. These revisions resulted in a reduction of the asset retirement obligation and offsetting reduction to gross property, plant and equipment.

(7) Severance and Leased Real Estate

Periodically, we have reductions in our workforce and have accrued liabilities for related severance costs. These workforce reductions resulted primarily from the progression or completion of our integration plans, increased competitive pressures and reduced workload demands due to the loss of access lines.

We report severance liabilities within accrued expenses and other liabilities-salaries and benefits in our consolidated balance sheets and report severance expenses in cost of services and products and selling, general and administrative expenses in our consolidated statements of operations. We have not allocated any severance expense to our regional, enterprise and wholesale markets segments.

In periods prior to our acquisition of Qwest, Qwest had ceased using certain real estate that it was leasing under long-term operating leases. As of the April 1, 2011 acquisition date, we recognized liabilities to reflect our preliminary estimates of the fair values of the existing lease obligations for real estate for which we had ceased using, net of estimated sublease rentals. Our fair value estimates were determined using discounted cash flow methods. We recognize expense to reflect accretion of the discounted liabilities and periodically, we adjust the expense when our actual experience differs from our initial estimates. We report the current portion of liabilities for ceased-use real estate leases in accrued expenses and other liabilities and report the noncurrent portion in deferred credits and other liabilities in our consolidated balance sheets. We report the related expenses in selling, general and administrative expenses in our consolidated statements of operations. At December 31, 2012, the current and noncurrent portions of our leased real estate accrual were $19 million and $112 million, respectively. The remaining lease terms range from 0.1 to 13.0 years, with a weighted average of 9.0 years.

Changes in our accrued liabilities for severance expenses and leased real estate were as follows:

	Severance	Real Estate
	(Dollars in millions)	
Balance at December 31, 2010	$ 18	—
Accrued to expense	132	6
Liabilities assumed in Qwest acquisition	20	168
Payments, net	(133)	(21)
Balance at December 31, 2011	37	153
Accrued to expense	96	2
Payments, net	(113)	(24)
Reversals and adjustments	(3)	—
Balance at December 31, 2012	$ 17	131

Our severance expenses for the year ended December 31, 2011 included $12 million of share-based compensation associated with the accelerated vesting of stock awards that occurred in connection with workforce reductions relating to the acquisition of Qwest.

(8) Employee Benefits

Pension, Post-Retirement and Other Post-Employment Benefits

We sponsor several defined benefit pension plans, which in the aggregate cover a substantial portion of our employees including separate plans for Legacy CenturyLink, Legacy Qwest and Legacy Embarq employees. Until such time as we elect to integrate the Qwest and Embarq benefit plans with ours, we plan to continue to operate these plans independently. Pension benefits for participants of these plans who are represented by a collective bargaining agreement are based on negotiated schedules. All other participants' pension benefits are based on each individual participant's years of service and compensation. We use a December 31 measurement date for all our plans. In addition to these tax qualified pension plans, we also maintain non-qualified pension plans for certain former highly compensated employees. We maintain post-retirement benefit plans that provide health care and life insurance benefits for certain eligible retirees. We also provide other post-employment benefits for eligible former employees.

Pension

In connection with the acquisition of Qwest on April 1, 2011, we assumed defined benefit pension plans sponsored by Qwest for its employees. Based on a valuation analysis, we recognized a $490 million net liability at April 1, 2011 for the unfunded status of the Qwest pension plans, reflecting projected benefit obligations of $8.3 billion in excess of the $7.8 billion fair value of plan assets.

Current funding laws require a company with a plan shortfall to fund the annual cost of benefits earned in addition to a seven-year amortization of the shortfall. Our funding policy for the pension plans is to make contributions with the objective of accumulating sufficient assets to pay all qualified pension benefits when due under the terms of the plans. The accounting unfunded status of our qualified pension plans was $2.5 billion as of December 31, 2012.

We made cash contributions of approximately $32 million in 2012 to our qualified pension plans. During the first quarter of 2013, we made a series of cash contributions totaling $147 million to our qualified pension plans. Based on current laws and circumstances, we do not expect any further required contributions to these plans for the remainder of 2013.

In 2010, to align our benefit structure closer to those offered by our competitors, we froze our Legacy CenturyLink and Legacy Embarq pension benefit accruals for our non-represented employees at December 31, 2010. Such action resulted in a reduction of our benefit obligation of approximately $110 million and resulted in the recognition of a curtailment gain of approximately $21 million in 2010. Prior to their acquisition on April 1, 2011, Qwest had frozen its pension benefit accruals for non-represented employees.

Other Post-Retirement Benefits

Our post-retirement health care plans provide post-retirement benefits to qualified retirees. The post-retirement health care plans we assumed as part of our acquisitions of Qwest and Embarq provide post-retirement benefits to qualified retirees and allow (i) eligible employees retiring before certain dates to receive benefits at no or reduced cost and (ii) eligible employees retiring after certain dates to receive benefits on a shared cost basis. The post-retirement health care plans are primarily funded by us and we expect to continue funding these post-retirement obligations as benefits are paid. Our plans use a December 31 measurement date.

In connection with the acquisition of Qwest on April 1, 2011, we assumed post-retirement benefit plans sponsored by Qwest for certain of its employees. At April 1, 2011, we recognized a $2.5 billion liability for the unfunded status of Qwest's post-retirement benefit plans, reflecting estimated accumulated post-retirement benefit obligations of $3.3 billion in excess of the $762 million fair value of the plan assets.

No contributions were made to the post-retirement trusts in 2012 or 2011, and we do not expect to make a contribution in 2013.

A change of 100 basis points in the assumed initial health care cost trend rate would have had the following effects in 2012:

	100 Basis Points Change	
	Increase	**(Decrease)**
	(Dollars in millions)	
Effect on the aggregate of the service and interest cost components of net periodic post-retirement benefit expense (statement of operations)	$ 3	(3)
Effect on benefit obligation (balance sheet)	77	(70)

We expect our health care cost trend rate to decrease by 0.25% per year from 6.75% in 2013 to an ultimate rate of 4.50% in 2022. Our post-retirement health care expense, for certain eligible Legacy Qwest retirees and certain eligible Legacy CenturyLink retirees, is capped at a set dollar amount. Therefore, those health care benefit obligations are not subject to increasing health care trends after the effective date of the caps.

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Expected Cash Flows

The qualified pension, non-qualified pension and post-retirement health care benefit payments and premiums and life insurance premium payments are paid by us or distributed from plan assets. The estimated benefit payments provided below are based on actuarial assumptions using the demographics of the employee and retiree populations and have been reduced by estimated participant contributions.

	Pension Plans	Post-Retirement Benefit Plans	Medicare Part D Subsidy Receipts
		(Dollars in millions)	
Estimated future benefit payments:			
2013	$ 1,051	377	(25)
2014	1,006	370	(26)
2015	996	358	(28)
2016	985	348	(29)
2017	972	338	(31)
2018 - 2022	4,626	1,511	(173)

Net Periodic Benefit Expense

The measurement date used to determine pension, non-qualified pension and post-retirement health care and life insurance benefits is December 31. The actuarial assumptions used to compute the net periodic benefit expense for our qualified pension, non-qualified pension and post-retirement benefit plans are based upon information available as of the beginning of the year, as presented in the following table.

	Pension Plans			Post-Retirement Benefit Plans		
	2012	2011(1)	2010	2012	2011(2)	2010
Actuarial assumptions at beginning of year:						
Discount rate	4.25% - 5.10%	5.00% - 5.50%	5.50% - 6.00%	4.60% - 4.80%	5.30%	5.70% - 5.80%
Rate of compensation increase	3.25%	3.25%	3.50% - 4.00%	N/A	N/A	N/A
Expected long-term rate of return on plan assets	7.50%	7.50% - 8.00%	8.25% - 8.50%	6.00% - 7.50%	7.25%	7.25%
Initial health care cost trend rate	N/A	N/A	N/A	8.00%	8.50%	8.00%
Ultimate health care cost trend rate	N/A	N/A	N/A	5.00%	5.00%	5.00%
Year ultimate trend rate is reached	N/A	N/A	N/A	2018	2018	2014

N/A—Not applicable

(1) This column does not consider Qwest's actuarial assumptions for its pension plan as of the beginning of the year due to the acquisition date of April 1, 2011. Qwest had the following actuarial assumptions as of April 1, 2011: discount rate of 5.40%; expected long-term rate of return on plan assets 7.50%; and a rate of compensation increase of 3.50%.

(2) This column does not consider Qwest's actuarial assumptions for its post-retirement benefit plan as of the beginning of the year due to the acquisition date of April 1, 2011. Qwest had the following actuarial assumptions as of April 1, 2011: discount rate of 5.30%; expected long-term rate of return on plan assets of 7.50%; initial health care cost trend rate of 7.50% and ultimate health care trend rate of 5.00% to be reached in 2016.

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Net periodic pension expense, which includes the effects of the Qwest acquisition subsequent to April 1, 2011, included the following components:

	Pension Plans Years Ended December 31,		
	2012	2011(1)	2010
	(Dollars in millions)		
Service cost	$ 87	70	61
Interest cost	625	560	246
Expected return on plan assets	(847)	(709)	(283)
Curtailment gain	—	—	(21)
Settlements	—	1	—
Amortization of unrecognized prior service cost	4	2	2
Amortization of unrecognized actuarial loss	35	13	17
Net periodic pension (income) expense	$ (96)	(63)	22

(1) Includes $58 million of income related to the Qwest plans subsequent to the April 1, 2011 acquisition date.

Net periodic post-retirement benefit expense, which includes the effects of the Qwest acquisition subsequent to April 1, 2011, included the following components:

	Post-Retirement Plans Years Ended December 31,		
	2012	2011(1)	2010
	(Dollars in millions)		
Service cost	$ 22	18	15
Interest cost	173	152	32
Expected return on plan assets	(45)	(41)	(4)
Amortization of unrecognized prior service cost	—	(2)	(3)
Amortization of unrecognized actuarial loss	—	—	1
Net periodic post-retirement benefit expense	$ 150	127	41

(1) Includes $92 million related to the Qwest plans subsequent to the April 1, 2011 acquisition date.

Benefit Obligations

The actuarial assumptions used to compute the funded status for the plans are based upon information available as of December 31, 2012 and December 31, 2011 and are as follows:

	Pension Plans		Post-Retirement Benefit Plans	
	December 31,		December 31,	
	2012	2011	2012	2011
Actuarial assumptions at end of year:				
Discount rate	3.25% - 4.20%	4.25% - 5.10%	3.60%	4.60% - 4.80%
Rate of compensati increase	3.25%	3.25%	N/A	N/A
Initial health care cost trend rate	N/A	N/A	6.75% / 7.50%	7.25% / 8.00%
Ultimate health care cost trend rate	N/A	N/A	4.50%	5.00%
Year ultimate trend rate is reached	N/A	N/A	2022 / 2024	2018

N/A—Not applicable

The following table summarizes the change in the benefit obligations for the pension and post-retirement benefit plans:

	Pension Plans		
	Years Ended December 31,		
	2012	2011	2010
	(Dollars in millions)		
Change in benefit obligation			
Benefit obligation at beginning of year	$ 13,596	4,534	4,182
Service cost	87	70	61
Interest cost	625	560	246
Plan amendments	14	12	4
Acquisitions	—	8,267	—
Actuarial loss	1,565	930	427
Curtailment gain	—	—	(110)
Benefits paid by company	(5)	(16)	(5)
Benefits paid from plan assets	(1,001)	(761)	(271)
Benefit obligation at end of year	$ 14,881	13,596	4,534

	Post-Retirement Benefit Plans Years Ended December 31,		
	2012	2011	2010
	(Dollars in millions)		
Change in benefit obligation			
Benefit obligation at beginning of year	$ 3,930	558	582
Service cost	22	18	15
Interest cost	173	152	32
Participant contributions	86	64	14
Plan amendments	—	31	—
Acquisitions	—	3,284	—
Direct subsidy receipts	19	22	1
Actuarial loss (gain)	260	153	(32)
Benefits paid by company	(268)	(219)	(45)
Benefits paid from plan assets	(147)	(133)	(9)
Benefit obligation at end of year	$ 4,075	3,930	558

Our aggregate accumulated benefit obligation as of December 31, 2012, 2011 and 2010 was $18.956 billion, $17.499 billion and $4.509 billion, respectively.

Plan Assets

We maintain plan assets for our qualified pension plans and certain post-retirement benefit plans. The qualified pension plan assets are used for the payment of pension benefits and certain eligible plan expenses. The post-retirement benefit plan's assets are used to pay health care benefits and premiums on behalf of eligible retirees and to pay certain eligible plan expenses. The expected rate of return on plan assets is the long-term rate of return we expect to earn on the plans' assets. The rate of return is determined by the strategic allocation of plan assets and the long-term risk and return forecast for each asset class. The forecasts for each asset class are generated primarily from an analysis of the long-term expectations of various third party investment management organizations. The expected rate of return on plan assets is reviewed annually and revised, as necessary, to reflect changes in the financial markets and our investment strategy. The following tables summarize the change in the fair value of plan assets for the pension and post-retirement benefit plans:

	Pension Plans Years Ended December 31,		
	2012	2011	2010
	(Dollars in millions)		
Change in plan assets			
Fair value of plan assets at beginning of year	$ 11,814	3,732	3,220
Return on plan assets	1,476	479	483
Acquisitions	—	7,777	—
Employer contributions	32	587	300
Settlements	—	—	—
Benefits paid from plan assets	(1,001)	(761)	(271)
Fair value of plan assets at end of year	$ 12,321	11,814	3,732

	Post-Retirement Benefit Plans Years Ended December 31,		
	2012	2011	2010
	(Dollars in millions)		
Change in plan assets			
Fair value of plan assets at beginning of year	$ 693	54	57
Actual gain on plan assets	80	4	6
Acquisitions	—	768	—
Employer contributions	—	—	—
Participant contributions	—	—	—
Benefits paid from plan assets	(147)	(133)	(9)
Fair value of plan assets at end of year	$ 626	693	54

Pension Plans: Our investment objective for the pension plan assets is to achieve an attractive risk-adjusted return over time that will provide for the payment of benefits and minimize the risk of large losses. Our pension plan investment strategy is designed to meet this objective by broadly diversifying plan assets across numerous strategies with differing expected returns, volatilities and correlations. The pension plan assets have target allocations of 55% to interest rate sensitive investments and 45% to investments designed to provide higher expected returns than the interest rate sensitive investments. Interest rate sensitive investments include 35% of plan assets targeted primarily to long-duration investment grade bonds, 13.5% targeted to high yield, emerging market bonds and convertible bonds and 6.5% targeted to diversified strategies, which primarily have exposures to global government, corporate and inflation-linked bonds, as well as some exposures to global stocks and commodities. Assets expected to provide higher returns than the interest rate sensitive assets include broadly diversified equity investments with targets of approximately 14% to U.S. stocks and 14% to developed and emerging market non-U.S. stocks. Approximately 12% is allocated to other private markets investments including funds primarily invested in private equity, debt and hedge funds. Real estate investments are targeted at 5% of plan assets. At the beginning of 2013, our expected annual long-term rate of return on pension assets is assumed to be 7.5%.

Post-Retirement Benefit Plans: Our investment objective for the post-retirement benefit plan assets is to achieve an attractive risk-adjusted return and minimize the risk of large losses over the expected life of the assets. Investment risk is managed by broadly diversifying assets across numerous strategies with differing expected returns, volatilities and correlations. Our investment strategy is designed to be consistent with the investment objective, with particular focus on providing liquidity for the reimbursement of our union-represented employees post-retirement health care costs. The post-retirement benefit plan assets have target allocations of 35% to equities and 65% to non-equity investments. Specific target allocations within these broad categories are allowed to vary to provide liquidity in order to meet reimbursement requirements. Equity investments are broadly diversified with exposure to publicly traded U.S., non-U.S. and emerging market stocks and private equity. While no new private equity investments have been made in recent years, the percent allocation to existing private equity investments is expected to increase as liquid, publicly traded stocks are drawn down for the reimbursement of health care costs. The 65% non-equity allocation includes investment grade bonds, high yield bonds, convertible bonds, emerging market debt, real estate, hedge funds, private debt and diversified strategies. At the beginning of 2013, our expected annual long-term rate of return on post-retirement benefit plan assets is assumed to be 7.5%.

Permitted investments: Plan assets are managed consistent with the restrictions set forth by the Employee Retirement Income Security Act of 1974, as amended, which requires diversification of assets and also generally prohibits defined benefit and welfare plans from investing more than 10% of their assets in securities issued by the sponsor company. At December 31, 2012 and 2011, the pension and post-retirement benefit plans did not directly own any shares of our common stock or any of our debt.

Derivative instruments: Derivative instruments are used to reduce risk as well as provide return. The pension and post-retirement benefit plans use exchange traded futures to gain exposure to equity and Treasury markets consistent with target asset allocations. Interest rate swaps are used in the pension plans to reduce risk relative to measurement of the benefit obligation, which is sensitive to interest rate changes. Foreign exchange forward contracts and total return swaps are used primarily to manage currency exposures. Credit default swaps are used to manage credit risk exposures in a cost effective and targeted manner relative to transacting with physical corporate fixed income securities. Options are currently used to manage interest rate exposure taking into account the implied volatility and current pricing of the specific underlying market instrument. Some derivative instruments subject the plans to counterparty risk. We closely monitor counterparty exposure and mitigate this risk by diversifying the exposure among multiple high credit quality counterparties, requiring collateral and limiting exposure by periodically settling contracts.

The gross notional exposure of the derivative instruments directly held by the plans is shown below. The notional amount of the derivatives corresponds to market exposure but does not represent an actual cash investment.

	Gross Notional Exposure			
	Pension Plans		Post-Retirement Benefit Plans	
	Years Ended December 31,			
	2012	2011	2012	2011
	(Dollars in millions)			
Derivative instruments:				
Exchange-traded U.S. equity futures	$ 302	535	30	12
Exchange-traded non-U.S. equity futures	1	4	—	—
Exchange-traded Treasury futures	1,763	1,512	—	19
Interest rate swaps	1,471	635	—	—
Total return swaps	—	110	—	51
Credit default swaps	495	201	—	—
Foreign exchange forwards	726	635	21	23
Options	768	917	—	—

Fair Value Measurements: Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent and knowledgeable parties who are willing and able to transact for an asset or liability at the measurement date. We use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs when determining fair value and then we rank the estimated values based on the reliability of the inputs used following the fair value hierarchy set forth by the FASB. For additional information on the fair value hierarchy, see Note 11—Fair Value Disclosure.

At December 31, 2012, we used the following valuation techniques to measure fair value for assets. There were no changes to these methodologies during 2012:

- Level 1—Assets were valued using the closing price reported in the active market in which the individual security was traded.

- Level 2—Assets were valued using quoted prices in markets that are not active, broker dealer quotations, net asset value of shares held by the plans and other methods by which all significant input were observable at the measurement date.

- Level 3—Assets were valued using unobservable inputs in which little or no market data exists as reported by the respective institutions at the measurement date.

The tables below presents the fair value of plan assets by category and the input levels used to determine those fair values at December 31, 2012. It is important to note that the asset allocations do not include market exposures that are gained with derivatives.

	Fair Value of Pension Plan Assets at December 31, 2012			
	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Investment grade bonds (a)	$ 830	1,555	—	$ 2,385
High yield bonds (b)	—	1,303	59	1,362
Emerging market bonds (c)	199	396	—	595
Convertible bonds (d)	—	374	—	374
Diversified strategies (e)	—	655	—	655
U.S. stocks (f)	1,225	119	—	1,344
Non-U.S. stocks (g)	1,212	178	—	1,390
Emerging market stocks (h)	111	193	—	304
Private equity (i)	—	—	711	711
Private debt (j)	—	—	465	465
Market neutral hedge funds (k)	—	906	—	906
Directional hedge funds (k)	—	340	194	534
Real estate (l)	—	223	337	560
Derivatives (m)	(5)	3	—	(2)
Cash equivalents and short-term investments (n)	—	750	—	750
Total investments	$ 3,572	6,995	1,766	12,333
Accrued expenses				(12)
Total pension plan assets				$ 12,321

	Fair Value of Post-Retirement Plan Assets at December 31, 2012			
	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Investment grade bonds (a)	$ 22	86	—	$ 108
High yield bonds (b)	—	90	—	90
Emerging market bonds (c)	—	40	—	40
Convertible bonds (d)	—	2	—	2
Diversified strategies (e)	—	72	—	72
U.S. stocks (f)	55	—	—	55
Non-U.S. stocks (g)	58	1	—	59
Emerging market stocks (h)	—	20	—	20
Private equity (i)	—	—	45	45
Private debt (j)	—	—	6	6
Market neutral hedge funds (k)	—	41	—	41
Directional hedge funds (k)	—	24	—	24
Real estate (l)	—	21	28	49
Cash equivalents and short-term investments (n)	5	21	—	26
Total investments	$ 140	418	79	637
Accrued expenses				(1)
Reimbursement accrual				(10)
Total post-retirement plan assets				$ 626

The tables below presents the fair value of plan assets by category and the input levels used to determine those fair values at December 31, 2011. It is important to note that the asset allocations do not include market exposures that are gained with derivatives. Investments include dividend and interest receivable, pending trades, trades payable and accrued expenses.

	Fair Value of Pension Plan Assets at December 31, 2011			
	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Investment grade bonds (a)	$ 694	2,206	—	$ 2,900
High yield bonds (b)	—	541	79	620
Emerging market bonds (c)	—	295	—	295
Convertible bonds (d)	—	337	—	337
Diversified strategies (e)	—	489	—	489
U.S. stocks (f)	401	944	—	1,345
Non-U.S. stocks (g)	994	459	—	1,453
Emerging market stocks (h)	102	136	—	238
Private equity (i)	—	—	791	791
Private debt (j)	—	—	461	461
Market neutral hedge funds (k)	—	620	188	808
Directional hedge funds (k)	—	268	183	451
Real estate (l)	—	48	535	583
Derivatives (m)	12	(5)	—	7
Cash equivalents and short-term investments (n)	13	1,183	—	1,196
Total investments	$ 2,216	7,521	2,237	11,974
Dividends and interest receivable				32
Pending trades receivable				436
Accrued expenses				(8)
Pending trades payable				(620)
Total pension plan assets				$ 11,814

	Fair Value of Post-Retirement Plan Assets at December 31, 2011			
	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Investment grade bonds (a)	$ 45	100	—	$ 145
High yield bonds (b)	—	61	—	61
Emerging market bonds (c)	—	33	—	33
Convertible bonds (d)	—	30	—	30
Diversified strategies (e)	—	62	—	62
U.S. stocks (f)	64	4	—	68
Non-U.S. stocks (g)	62	2	—	64
Emerging market stocks (h)	—	17	—	17
Private equity (i)	—	—	60	60
Private debt (j)	—	—	8	8
Market neutral hedge funds (k)	—	67	—	67
Directional hedge funds (k)	—	20	—	20
Real estate (l)	—	19	26	45
Cash equivalents and short-term investments (n)	5	20	—	25
Total investments	$ 176	435	94	705
Dividends and interest receivable				3
Pending trades receivable				23
Accrued expenses				(15)
Pending trades payable				(23)
Total post-retirement plan assets				$ 693

The plans' assets are invested in various asset categories utilizing multiple strategies and investment managers. For several of the investments in the tables above and discussed below, the plans own units in commingled funds and limited partnerships that invest in various types of assets. Interests in commingled funds are valued using the net asset value ("NAV") per unit of each fund. The NAV reported by the fund manager is based on the market value of the underlying investments owned by each fund, minus its liabilities, divided by the number of shares outstanding. Commingled funds held by the plans that can be redeemed at NAV within a year of the financial statement date are generally classified as Level 2. Investments in limited partnerships represent long-term commitments with a fixed maturity date, typically ten years. Valuation inputs for these limited partnership interests are generally based on assumptions and other information not observable in the market and are classified as Level 3 investments. The assumptions and valuation methodologies of the pricing vendors, account managers, fund managers and partnerships are monitored and evaluated for reasonableness. Below is an overview of the asset categories, the underlying strategies and valuation inputs used to value the assets in the preceding tables:

(a) *Investment grade bonds* represent investments in fixed income securities as well as commingled bond funds comprised of U.S. Treasury securities, agencies, corporate bonds, mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities. Treasury securities are valued at the bid price reported in the active market in which the security is traded and are classified as Level 1. The valuation inputs of other investment grade bonds primarily utilize observable market information and are based on a spread to U.S. Treasury securities and consider yields available on comparable securities of issuers with similar credit ratings. The primary observable inputs include references to the new issue market for similar securities, the secondary trading markets and dealer quotes. Option adjusted spread models are utilized to evaluate securities such as asset backed securities that have early redemption features. These securities are classified as Level 2. The commingled funds are valued at NAV based on the market value of the underlying fixed income securities using the same valuation inputs described above. The commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

(b) *High yield bonds* represent investments in below investment grade fixed income securities as well as commingled high yield bond funds. The valuation inputs for the securities primarily utilize observable market information and are based on a spread to U.S. Treasury securities and consider yields available on comparable securities of issuers with similar credit ratings. These securities are classified as Level 2. The commingled funds are valued at NAV based on the market value of the underlying high yield instruments using the same valuation inputs described above. Commingled funds that can be redeemed at NAV within a year of the financial statement date are classified as Level 2. Commingled funds that cannot be redeemed at NAV or that cannot be redeemed at NAV within a year of the financial statement date are classified as Level 3.

(c) *Emerging market bonds* represent investments in securities issued by governments and other entities located in developing countries as well as commingled emerging market bond funds. The valuation inputs for the securities utilize observable market information and are primarily based on dealer quotes or a spread relative to the local government bonds. These securities are classified as Level 2. The commingled funds are valued at NAV based on the market value of the underlying emerging market bonds using the same valuation inputs described above. The commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

(d) *Convertible bonds* primarily represent investments in corporate debt securities that have features that allow the debt to be converted into equity securities under certain circumstances. The valuation inputs for the individual convertible bonds primarily utilize observable market information including a spread to U.S. Treasuries and the value and volatility of the underlying equity security. Convertible bonds are classified as Level 2.

(e) *Diversified strategies* represent an investment in a commingled fund that primarily has exposures to global government, corporate and inflation linked bonds, global stocks and commodities. The commingled fund is valued at NAV based on the market value of the underlying investments. The valuation inputs utilize observable market information including published prices for exchange traded securities, bid prices for government bonds, and spreads and yields available for comparable fixed income securities with similar credit ratings. This fund can be redeemed at NAV within a year of the financial statement date and is classified as Level 2.

(f) *U.S. stocks* represent investments in stocks of U.S. based companies as well as commingled U.S. stock funds. The valuation inputs for U.S. stocks are based on the last published price reported on the major stock market on which the securities are traded and are classified as Level 1. The commingled funds are valued at NAV based on the market value of the underlying investments using the same valuation inputs described above. These commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

(g) *Non-U.S. stocks* represent investments in stocks of companies based in developed countries outside the U.S. as well as commingled funds. The valuation inputs for non-U.S. stocks are based on the last published price reported on the major stock market on which the securities are traded and are classified as Level 1. The commingled funds are valued at NAV based on the market value of the underlying investments using the same valuation inputs described above. These commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

(h) *Emerging market stocks* represent investments in a registered mutual fund and commingled funds comprised of stocks of companies located in developing markets. Registered mutual funds are valued at the last published price reported on the major market on which the mutual funds are traded and are classified as Level 1. The commingled funds are valued at NAV based on the market value of the underlying investments using the same valuation inputs described previously for individual stocks. These commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

(i) *Private equity* represents non-public investments in domestic and foreign buy out and venture capital funds. Private equity funds are structured as limited partnerships and are valued according to the valuation policy of each partnership, subject to prevailing accounting and other regulatory guidelines. The partnerships use valuation methodologies that give consideration to a range of factors, including but not limited to the price at which investments were acquired, the nature of the investments, market conditions, trading values on comparable public securities, current and projected operating performance, and financing transactions subsequent to the acquisition of the investments. These valuation methodologies involve a significant degree of judgment. Private equity investments are classified as Level 3.

(j) *Private debt* represents non-public investments in distressed or mezzanine debt funds. Mezzanine debt instruments are debt instruments that are subordinated to other debt issues and may include embedded equity instruments such as warrants. Private debt funds are structured as limited partnerships and are valued according to the valuation policy of each partnership, subject to prevailing accounting and other regulatory guidelines. The valuation of underlying fund investments are based on factors including the issuer's current and projected credit worthiness, the security's terms, reference to the securities of comparable companies, and other market factors. These valuation methodologies involve a significant degree of judgment. Private debt investments are classified as Level 3.

(k) *Market neutral hedge funds* hold investments in a diversified mix of instruments that are intended in combination to exhibit low correlations to market fluctuations. These investments are typically combined with futures to achieve uncorrelated excess returns over various markets. *Directional hedge funds*—This asset category represents investments that may exhibit somewhat higher correlations to market fluctuations than the market neutral hedge funds. Investments in hedge funds include both direct investments and investments in diversified funds of funds. Hedge Funds are valued at NAV based on the market value of the underlying investments which include publicly traded equity and fixed income securities and privately negotiated debt securities. The hedge funds are valued by third party administrators using the same valuation inputs previously described. Hedge funds that can be redeemed at NAV within a year of the financial statement date are classified as Level 2. Hedge fund investments that cannot be redeemed at NAV or that cannot be redeemed at NAV within a year of the financial statement date are classified as Level 3.

(l) *Real estate* represents investments in commingled funds and limited partnerships that invest in a diversified portfolio of real estate properties. These investments are valued at NAV according to the valuation policy of each fund or partnership, subject to prevailing accounting and other regulatory guidelines. The valuation inputs of the underlying properties are generally based on third-party appraisals that use comparable sales or a projection of future cash flows to determine fair value. Real estate investments that can be redeemed at NAV within a year of the financial statement date are classified as Level 2. Real estate investments that cannot be redeemed at NAV or that cannot be redeemed at NAV within a year of the financial statement date are classified as Level 3.

(m) *Derivatives* include the market value of exchange traded futures contracts which are classified as Level 1, as well as privately negotiated over-the-counter swaps that are valued based on the change in interest rates or a specific market index and classified as Level 2. The market values represent gains or losses that occur due to fluctuations in interest rates, foreign currency exchange rates, security prices, or other factors.

(n) *Cash equivalents and short-term investments* represent investments that are used in conjunction with derivatives positions or are used to provide liquidity for the payment of benefits or other purposes. U.S. Treasury Bills are valued at the bid price reported in the active market in which the security is traded and are classified as Level 1. The valuation inputs of other securities are based on a spread to U.S. Treasury Bills, the Federal Funds Rate, or London Interbank Offered Rate and consider yields available on comparable securities of issuers with similar credit ratings and are classified as Level 2. The commingled funds are valued at NAV based on the market value of the underlying investments using the same valuation inputs described above. These commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

Concentrations of Risk: Investments, in general, are exposed to various risks, such as significant world events, interest rate, credit, foreign currency and overall market volatility risk. These risks are managed by broadly diversifying assets across numerous asset classes and strategies with differing expected returns, volatilities and correlations. Risk is also broadly diversified across numerous market sectors and individual companies. Financial instruments that potentially subject the plans to concentrations of counterparty risk consist principally of investment contracts with high quality financial institutions. These investment contracts are typically collateralized obligations and/or are actively managed, limiting the amount of counterparty exposure to any one financial institution. Although the investments are well diversified, the value of plan assets could change materially depending upon the overall market volatility, which could affect the funded status of the plans.

The table below presents a rollforward of the pension plan assets valued using Level 3 inputs:

	Pension Plan Assets Valued Using Level 3 Inputs							
	High Yield Bonds	Private Equity	Private Debt	Market Neutral Hedge Fund	Directional Hedge Funds	Real Estate	Other	Total
	(Dollars in millions)							
Balance at December 31, 2010	$ —	1	3	—	161	182	3	350
Net acquisitions (dispositions)	96	795	453	185	30	318	(3)	1,874
Actual return on plan assets:								
(Losses) gains relating to assets sold during the year	(12)	197	13	3	(1)	9	—	209
(Losses) gains relating to assets still held at year-end	(5)	(202)	(8)	—	(7)	26	—	(196)
Balance at December 31, 2011	79	791	461	188	183	535	—	2,237
Net transfers	(12)	—	—	(188)	—	(105)	—	(305)
Acquisitions	1	70	120	—	—	18	—	209
Dispositions	(11)	(109)	(102)	—	—	(121)	—	(343)
Actual return on plan assets:								
Gains relating to assets sold during the year	—	3	1	—	—	—	—	4
Gains (losses) relating to assets still held at year-end	2	(44)	(15)	—	11	10	—	(36)
Balance at December 3 2012	$ 59	711	465	—	194	337	—	1,766

The table below presents a rollforward of the post-retirement plan assets valued using Level 3 inputs:

	Post-Retirement Plan Assets Valued Using Level 3 Inputs			
	Private Equity	Private Debt	Real Estate	Total
	(Dollars in millions)			
Balance at December 31, 2010	$ —	—	—	—
Net acquisitions	55	8	24	87
Actual return on plan assets:				
Gains relating to assets sold during the year	33	1	—	34
(Losses) gains relating to assets still held at year-end	(28)	(1)	2	(27)
Balance at December 31, 2011	60	8	26	94
Acquisitions	1	—	—	1
Dispositions	(15)	(3)	(1)	(19)
Gains (losses) relating to assets sold during the year	4	2	(1)	5
(Losses) gains relating to assets still held at year-end	(5)	(1)	4	(2)
Balance at December 31 2012	$ 45	6	28	79

Certain gains and losses are allocated between assets sold during the year and assets still held at year-end based on transactions and changes in valuations that occurred during the year. These allocations also impact our calculation of net acquisitions and dispositions.

For the year ended December 31, 2012, the investment program produced actual gains on qualified pension and post-retirement plan assets of $1.555 billion as compared to the expected returns of $892 million for a difference of $663 million. For the year ended December 31, 2011, the investment program produced actual gains on pension and post-retirement plan assets of $483 million as compared to the expected returns of $750 million for a difference of $267 million. The short-term annual returns on plan assets will almost always be different from the expected long-term returns and the plans could experience net gains or losses, due primarily to the volatility occurring in the financial markets during any given year.

Unfunded Status

The following table presents the unfunded status of the pensions and post-retirement benefit plans:

	Pension Plans		Post-Retirement Benefit Plans	
	Years Ended December 31,		Years Ended December 31,	
	2012	2011	2012	2011
	(Dollars in millions)			
Benefit obligation	$ (14,881)	(13,596)	(4,075)	(3,930)
Fair value of plan assets	12,321	11,814	626	693
Unfunded status	(2,560)	(1,782)	(3,449)	(3,237)
Current portion of unfunded status	$ (6)	—	(160)	(164)
Non-current portion of unfunded status	$ (2,554)	(1,782)	(3,289)	(3,073)

The current portion of our post-retirement benefit obligations is recorded on our consolidated balance sheets in accrued expenses and other current liabilities—salaries and benefits.

Accumulated Other Comprehensive (Loss) Income—Recognition and Deferrals

The following tables present cumulative items not recognized as a component of net periodic benefits expense as of December 31, 2011, items recognized as a component of net periodic benefits expense in 2012, additional items deferred during 2012 and cumulative items not recognized as a component of net periodic benefits expense as of December 31, 2012. The items not recognized as a component of net periodic benefits expense have been recorded on our consolidated balance sheets in accumulated other comprehensive loss:

	As of and for the Years Ended December 31,				
	2011	Recognition of Net Periodic Benefits Expense	Deferrals	Net Change in AOCI	2012
	(Dollars in millions)				
Accumulated other comprehensive (loss) income:					
Pension plans:					
Net actuarial (loss) gain	$ (1,335)	35	(936)	(901)	(2,236)
Prior service (cost) benefit	(29)	4	(13)	(9)	(38)
Deferred income tax benefit (expense)	526	(15)	364	349	875
Total pension plans	(838)	24	(585)	(561)	(1,399)
Post-retirement benefit plans:					
Net actuarial loss	(221)	—	(225)	(225)	(446)
Prior service (cost) benefit	(21)	—	(1)	(1)	(22)
Deferred income tax benefit	92	—	87	87	179
Total post-retirement benefit plans	(150)	—	(139)	(139)	(289)
Total accumulated other comprehensive (loss) income	$ (988)	24	(724)	(700)	(1,688)

The following table presents estimated items to be recognized in 2013 as a component of net periodic benefit expense of the pension, non-qualified pension and post-retirement benefit plans:

	Pension Plans	Post-Retirement Plans
	(Dollars in millions)	
Estimated recognition of net periodic benefit expense in 2013:		
Net actuarial loss	$ (81)	(4)
Prior service cost	(5)	—
Deferred income tax benefit	33	2
Estimated net periodic benefit expense to be recorded in 2013 as a component of other comprehensive income (loss)	$ (53)	(2)

Medicare Prescription Drug, Improvement and Modernization Act of 2003

We sponsor post-retirement health care plans with several benefit options that provide prescription drug benefits that we deem actuarially equivalent to or exceeding Medicare Part D. We recognize the impact of the federal subsidy received under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 in the calculation of our post-retirement benefit obligation and net periodic post-retirement benefit expense.

Other Benefit Plans

Health Care and Life Insurance

We provide health care and life insurance benefits to essentially all of our active employees. We are largely self-funded for the cost of the health care plan. Our health care benefit expenses for current employees were $360 million, $377 million and $190 million for the years ended December 31, 2012, 2011 and 2010, respectively. Union-represented employee benefits are based on negotiated collective bargaining agreements. Employees contributed $113 million, $90 million and $47 million for the years ended December 31, 2012, 2011 and 2010, respectively. Our group life insurance plans are fully insured and the premiums are paid by us.

401(k) Plan

We sponsor qualified defined contribution benefit plans covering substantially all of our employees. Under these plans, employees may contribute a percentage of their annual compensation up to certain maximums, as defined by the plans and by the Internal Revenue Service ("IRS"). Currently, we match a percentage of employee contributions in cash. At December 31, 2012 and December 31, 2011, the assets of the plans included approximately 10 million and 9 million shares of our common stock, respectively, as a result of the combination of previous employer match and participant directed contributions. We recognized expenses related to these plans of $76 million, $70 million and $17 million and for the years ended December 31, 2012, 2011 and 2010, respectively.

Deferred Compensation Plans

We sponsored non-qualified unfunded deferred compensation plans for various groups that included certain of our current and former highly compensated employees. The plans have been frozen, and the participants are no longer allowed to defer compensation into the plans. The value of assets and liabilities related to these plans was not significant.

(9) Share-based Compensation

We maintain equity programs that allow our Board of Directors (through its Compensation Committee or our Chief Executive Officer as its delegate) to grant incentives to certain employees and our outside directors in any one or a combination of several forms, including incentive and non-qualified stock options, stock appreciation rights, restricted stock awards, restricted stock units and market and performance shares. Stock options generally expire ten years from the date of grant. We also offer an ESPP, which allows eligible employees to purchase our common stock at a 15% discount based on the lower of the beginning or ending stock price during recurring six month offering periods.

Acquisitions

Upon the July 15, 2011, closing of our acquisition of Savvis, and pursuant to the terms of the acquisition agreement, we assumed certain obligations under Savvis' share-based compensation arrangements. Specifically:

- all Savvis stock options outstanding immediately prior to the acquisition were vested in full and were converted into 2,420,532 fully vested CenturyLink stock options, and
- all non-vested Savvis restricted stock units outstanding immediately prior to the acquisition converted into an aggregate 1,080,070 non-vested CenturyLink awards.

We estimate the aggregate fair value of the assumed Savvis share-based compensation arrangements was $123 million, of which $98 million was attributable to services performed prior to the acquisition date and was included in the cost of the acquisition. The fair value of CenturyLink shares was determined based on the $38.54 closing price of our common stock on July 14, 2011. The remaining $25 million of the aggregate fair value of the assumed Savvis awards was attributable to post-acquisition services and was recognized as compensation expense, net of forfeitures, over the remaining 1.5 year vesting period.

Upon the April 1, 2011, closing of our acquisition of Qwest, pursuant to the terms of the acquisition agreement, we assumed certain obligations under Qwest's pre-existing share-based compensation arrangements. Specifically:

- all Qwest non-qualified stock options outstanding immediately prior to the acquisition converted into an aggregate of 7,198,331 CenturyLink non-qualified stock options (including 5,562,198 fully vested options),
- all non-vested shares of Qwest restricted stock outstanding immediately prior to the acquisition converted into an aggregate of 780,455 non-vested shares of CenturyLink restricted stock, and
- all Qwest market-based awards outstanding immediately prior to the acquisition vested in full and were paid out by us through the issuance of an aggregate of 563,269 shares of CenturyLink common stock in April 2011.

The aggregate fair value of the assumed Qwest awards was $114 million, of which $85 million was attributable to services performed prior to the acquisition date and was included in the cost of the acquisition. The fair value of CenturyLink shares was determined based on the $41.55 closing price of our common stock on March 31, 2011. We determined the fair value of Qwest's non-qualified stock options, using the Black-Scholes option-pricing model, reflecting a risk-free interest rate ranging from 0% to 2.13% (depending on the expected life of the option), an expected dividend yield of 6.98%, an expected term ranging from 0.1 to 4.8 years (depending on the option's remaining contractual term and exercise price and on historical experience), and expected volatility ranging from 11.1% to 35.3% (based on the expected term and historical experience). The remaining $29 million of the aggregate fair value of the assumed Qwest awards was attributable to the post-acquisition period and was included in the cost of the acquisition, which is being recognized as compensation expense, net of estimated forfeitures, over the remaining vesting periods from 0.1 years to 3.0 years.

Stock Options

The following table summarizes activity involving stock option awards for the year ended December 31, 2012:

	Number of Options	Weighted-Average Exercise Price
	(in thousands)	
Outstanding at December 31, 2011	10,389	$ 31.05
Exercised	(3,155)	$ 24.21
Forfeited/Expired	(501)	$ 31.31
Outstanding at December 31, 2012	6,733	$ 34.23
Exercisable at December 31, 2012	6,264	$ 34.70

The aggregate intrinsic value of our options outstanding and exercisable at December 31, 2012 was $51 million and $46 million, respectively. The weighted average remaining contractual term for such options was 4.0 years and 3.8 years, respectively.

During 2012, we received net cash proceeds of $76 million in connection with our option exercises. The tax benefit realized from these exercises was $20 million. The total intrinsic value of options exercised for the years ended December 31, 2012, 2011 and 2010 was $49 million, $47 million and $28 million, respectively.

Restricted Stock

For awards that contain only service conditions for vesting, we calculate its fair value based on the closing stock price on the date of grant. For restricted stock units that contain market conditions, the award fair value is calculated through Monte-Carlo simulations.

During the first quarter of 2012, we granted approximately 402,000 shares of restricted stock to certain executive-level employees as part of our long-term incentive program, of which approximately 201,000 contained only service conditions and will vest on a straight-line basis on February 20, 2013, 2014 and 2015. The remaining awards contain market and service conditions and will vest on February 20, 2015. These shares represent only the target for the award as each recipient has the opportunity to ultimately receive between 0% and 200% of the target restricted stock award depending on our total shareholder return for 2012, 2013 and 2014 in relation to that of the S&P 500 Index.

In addition, during the first quarter of 2012, we granted restricted stock to certain key employees as part of our annual equity compensation program. These awards contained only service conditions. Approximately 519,000 of awards will vest on a straight-line basis on January 9, 2013, 2014 and 2015. Approximately 873,000 of awards will vest on a straight-line basis on March 15, 2013, 2014 and 2015. The remaining awards granted throughout the year to certain other key employees and our outside directors were made as part of our equity compensation and retention programs. These awards require only service conditions for vesting and typically vest over a three year period.

During the second and third quarter of 2011, we granted approximately 624,000 shares of restricted stock to certain executive-level employees as part of our long-term incentive program, of which approximately 474,000 contained only service conditions and will vest on a straight-line basis on May 31, 2012, 2013 and 2014. The remaining awards contain market conditions and will vest on May 31, 2014. These shares represent only the target for the award as each recipient has the opportunity to ultimately receive between 0% and 200% of the target restricted stock award depending on our total shareholder return for 2011, 2012 and 2013 in relation to that of the S&P 500 Index.

In addition to these awards, during 2011 we granted approximately 689,000 shares of restricted stock awards to certain other key employees and our outside directors as part of our equity compensation and retention programs. These awards require only service conditions for vesting.

During the first quarter of 2010, we granted approximately 397,000 shares of restricted stock to certain executive-level employees as part of our long-term incentive program, of which approximately 198,000 contained only service conditions and will vest on a straight-line basis on March 15, 2011, 2012 and 2013. The remaining awards contain service and market conditions. One half of these awards will vest on March 15, 2012 based on our two-year total shareholder return for 2010 and 2011 as measured against the total shareholder return of the companies comprising the S&P 500 Index. The other half will vest on March 15, 2013 based on our three-year total shareholder return for 2010, 2011 and 2012 as measured against the total shareholder return of the companies comprising the S&P 500 Index. These shares represent only the target for the award as each recipient has the opportunity to ultimately receive between 0% and 200% of the target restricted stock award depending on our total shareholder return in relation to that of the S&P 500 Index.

In addition to these awards, during 2010 we granted approximately 600,000 shares of restricted stock awards to certain other key employees and our outside directors as part of our equity compensation and retention programs. These awards require only service conditions for vesting.

In anticipation of our acquisition of Qwest, during the third quarter of 2010, we granted 407,000 shares of restricted stock to certain executive officers and other key employees as part of a retention program. The shares of restricted stock contain only service conditions and will vest in equal installments on the first, second and third anniversaries of the April 1, 2011 closing date of the acquisition. As this retention program was contingent upon the consummation of the Qwest acquisition, we did not begin expensing these awards until the closing of the acquisition on April 1, 2011.

The following table summarizes activity involving restricted stock and restricted stock unit awards for the year ended December 31, 2012:

	Number of Shares	Weighted-Average Grant Date Fair Value
	(in thousands)	
Non-vested at December 31, 2011	4,208	$ 36.78
Granted	2,139	$ 39.13
Vested	(2,603)	$ 36.33
Forfeited	(216)	$ 39.13
Non-vested at December 31, 2012	3,528	$ 38.43

During 2011, we granted 1.3 million shares of restricted stock at a weighted-average price of $36.15, excluding the 1.9 million shares issued in connection with our acquisitions of Qwest and Savvis. During 2010, we granted 1.4 million shares of restricted stock at a weighted-average price of $36.56. The total fair value of restricted stock that vested during 2012, 2011 and 2010 was $102 million, $72 million and $48 million, respectively.

Compensation Expense and Tax Benefit

We recognize compensation expense related to our share-based awards with graded vesting that only have a service condition on a straight-line basis over the requisite service period for the entire award. Total compensation expense for all share-based payment arrangements for the years ended December 31, 2012, 2011 and 2010 was $78 million, $65 million and $38 million, respectively. These amounts included $12 million in compensation expense recognized in 2011 for the acceleration of certain awards resulting from the consummation of the Qwest acquisition. Our tax benefit recognized in the income statements for our share-based payment arrangements for the years ended December 31, 2012, 2011 and 2010 was $31 million, $25 million and $14 million, respectively. At December 31, 2012, there was $92 million of total unrecognized compensation expense related to our share-based payment arrangements, which we expect to recognize over a weighted-average period of 1.9 years.

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(10) Earnings Per Common Share

Basic and diluted earnings per common share for the years ended December 31, 2012, 2011 and 2010 were calculated as follows:

	Years Ended December 31,		
	2012	2011	2010
	(Dollars in millions, except per share amounts, shares in thousands)		
Income (Numerator):			
Net income	$ 777	573	948
Earnings applicable to non-vested restricted stock	(1)	(2)	(6)
Net income applicable to common stock for computing basic earnings per common share	776	571	942
Net income as adjusted for purposes of computing diluted earnings per common share	$ 776	571	942
Shares (Denominator):			
Weighted average number of shares:			
Outstanding during period	622,139	534,320	301,428
Non-vested restricted stock	(2,796)	(2,209)	(1,756)
Non-vested restricted stock units	862	669	947
Weighted average shares outstanding for computing basic earnings per common share	620,205	532,780	300,619
Incremental common shares attributable to dilutive securities:			
Shares issuable under convertible securities	12	13	13
Shares issuable under incentive compensation plans	2,068	1,328	665
Number of shares as adjusted for purposes of computing diluted earnings per common share	622,285	534,121	301,297
Basic earnings per common share	$ 1.25	1.07	3.13
Diluted earnings per common share	$ 1.25	1.07	3.13

Our calculations of diluted earnings per common share exclude shares of common stock that are issuable upon exercise of stock options when the exercise price is greater than the average market price of our common stock during the period. Such potentially issuable shares totaled 2.2 million, 2.4 million and 2.9 million for 2012, 2011 and 2010, respectively.

(11) Fair Value Disclosure

Our financial instruments consist of cash and cash equivalents, accounts receivable, investments, accounts payable and long-term debt, excluding capital lease obligations. Due to their short-term nature, the carrying amounts of our cash and cash equivalents, accounts receivable and accounts payable approximate their fair values.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent and knowledgeable parties who are willing and able to transact for an asset or liability at the measurement date. We use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs when determining fair value and then we rank the estimated values based on the reliability of the inputs used following the fair value hierarchy set forth by the Financial Accounting Standards Board ("FASB").

We determined the fair values of our long-term notes, including the current portion, based on quoted market prices where available or, if not available, based on discounted future cash flows using current market interest rates.

The three input levels in the hierarchy of fair value measurements are defined by the FASB generally as follows:

Input Level	Description of Input
Level 1	Observable inputs such as quoted market prices in active markets.
Level 2	Inputs other than quoted prices in active markets that are either directly or indirectly observable.
Level 3	Unobservable inputs in which little or no market data exists.

The following table presents the carrying amounts and estimated fair values of our investment securities, which are reported in noncurrent other assets, and long-term debt, excluding capital lease obligations, as well as the input levels used to determine the fair values:

		December 31, 2012		December 31, 2011	
	Input Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(Dollars in millions)			
Assets—Investments securities	3	$ —	—	73	73
Liabilities—Long-term debt excluding capital lease obligations	2	$ 19,871	21,457	21,124	22,052

In connection with the acquisition of Qwest on April 1, 2011, we acquired auction rate securities that were not actively traded in liquid markets. We designated these securities as available for sale and, accordingly, we reported them on our balance sheet under our "goodwill and other assets—other" line item at fair value on December 31, 2011. During 2012, we sold these securities in increments of $17 million, $39 million and $19 million for a gain of $14 million. In connection with auction rate securities sales, temporary losses of approximately $3 million, net of tax, were reclassified into income from other comprehensive income and recognized in our consolidated statement of operations for 2012. During 2012, we recognized an unrealized temporary holding gain on these securities in the amount of $2 million, net of tax in other comprehensive income. At December 31, 2011, we estimated the fair value of these securities using a probability-weighted cash flow model that considered the coupon rate for the securities, probabilities of default and liquidation prior to maturity, and a discount rate commensurate with the creditworthiness of the issuer.

(12) Income Taxes

	Years Ended December 31,		
	2012	2011	2010
	(Dollars in millions)		
Income tax expense was as follows:			
Federal			
Current	$ 57	(49)	384
Deferred	361	401	145
State			
Current	15	25	67
Deferred	33	(6)	(13)
Foreign			
Current	7	4	—
Deferred	—	—	—
Total income tax expense	$ 473	375	583

	Years Ended December 31,		
	2012	2011	2010
	(Dollars in millions)		
Income tax expense was allocated as follows:			
Income tax expense in the consolidated statements of income:			
Attributable to income	$ 473	375	583
Stockholders' equity:			
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(18)	(13)	(12)
Tax effect of the change in accumulated other comprehensive loss	(434)	(535)	(34)

The following is a reconciliation from the statutory federal income tax rate to our effective income tax rate:

	Years Ended December 31,		
	2012	2011	2010
	(Percentage of pre-tax income)		
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	2.5%	1.3%	1.9%
Change in tax treatment of Medicare subsidy	—	—	0.3%
Nondeductible acquisition related costs	—	0.9%	0.2%
Nondeductible compensation pursuant to executive compensation limitations	0.5%	0.4%	0.2%
Reversal of valuation allowance on auction rate securities	(1.2)%	—	—
Foreign income taxes	0.3%	0.4%	—
Foreign valuation allowance	—	0.8%	—
Other, net	0.7%	0.8%	0.5%
Effective income tax rate	37.8%	39.6%	38.1%

Included in income tax expense for the years ended December 31, 2011 and 2010 is $24 million and $4 million, respectively, which is related to a portion of our transaction costs associated with our recent acquisitions. The transaction costs were primarily related to the acquisition of Qwest. These costs are considered non-deductible for income tax purposes. We did not incur non-deductible transaction costs in 2012.

The 2012 effective tax rate is 37.8% compared to 39.6% for 2011. The 2012 rate reflects the $16 million reversal of a valuation allowance related to the auction rate securities we sold in 2012, a $12 million benefit related to state NOLs net of valuation allowance, and an expense of $6 million associated with reversing a receivable related to periods that have been effectively settled with the IRS. The 2011 rate increase was due in part to $24 million of non-deductible transaction costs and an $8 million valuation allowance recorded on deferred tax assets that require future income of a special character to realize the benefits. Because we are not currently forecasting income of an appropriate character for these benefits to be realized, we will continue to maintain a valuation allowance equal to the amount we do not believe is more likely than not to be realized. This 2011 increase was partially offset by a $16 million reduction in valuation allowances related to state NOLs due primarily to the effects of a tax law change in one of the states in which we operate.

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2012 and 2011 were as follows:

	Years Ended December 31, 2012	2011
	(Dollars in millions)	
Deferred tax assets		
Post-retirement and pension benefit costs	$ 2,327	2,040
Net operating loss carryforwards	1,764	2,492
Other employee benefits	193	122
Other	754	802
Gross deferred tax assets	5,038	5,456
Less valuation allowance	(281)	(293)
Net deferred tax assets	4,757	5,163
Deferred tax liabilities		
Property, plant and equipment, primarily due to depreciation differences	(3,983)	(3,638)
Goodwill and other intangible assets	(3,316)	(4,144)
Other	(211)	(162)
Gross deferred tax liabilities	(7,510)	(7,944)
Net deferred tax liability	$ (2,753)	(2,781)

Of the $2.753 billion and $2.781 billion net deferred tax liability at December 31, 2012 and 2011, respectively, $3.644 billion and $3.800 billion is reflected as a long-term liability and $891 million and $1.019 billion is reflected as a net current deferred tax asset at December 31, 2012 and December 31, 2011, respectively.

In connection with our acquisitions of Savvis on July 15, 2011 and Qwest on April 1, 2011, we recognized net noncurrent deferred tax liabilities of approximately $320 million and $595 million, respectively, which reflects the expected future tax effects of certain differences between the financial reporting carrying amounts and tax bases of Savvis' and Qwest's assets and liabilities. In addition, due to the Qwest acquisition, we recognized a net current deferred tax asset of $271 million, which relates primarily to certain accrued liabilities that are expected to result in future tax deductions. These primary differences involve Qwest's pension and other post-retirement benefit obligations as well as tax effects for acquired intangible assets, property, plant and equipment and long-term debt, including the effects of acquisition date valuation adjustments, for both entities. The net deferred tax liability is partially offset by a deferred tax asset for expected future tax deductions relating to Savvis' and Qwest's net operating loss carryforwards.

At December 31, 2012, we had federal NOLs of $4.7 billion and state NOLS of $7 billion. If unused, the NOLs will expire between 2015 and 2032; however, no significant amounts expire until 2020. At December 31, 2012, we had $72 million ($47 million net of federal income tax) of state investment tax credit carryforwards that will expire between 2013 and 2024 if not utilized. In addition, at December 31, 2012 we had $62 million of alternative minimum tax, or AMT, credits. Our acquisitions of Qwest and Savvis caused "ownership changes" within the meaning of Section 382 of the Internal Revenue Code ("Section 382"). As a result, our ability to use these NOLs is subject to annual limits imposed by Section 382. Despite this, we expect to use substantially all of these NOLs as an offset against our future taxable income, although the timing of that use will depend upon our future earnings and future tax circumstances.

We establish valuation allowances when necessary to reduce the deferred tax assets to amounts we expect to realize. As of December 31, 2012, a valuation allowance of $281 million was established as it is more likely than not that this amount of net operating loss and tax credit carryforwards will not be utilized prior to expiration. Our valuation allowance at December 31, 2012 and 2011 is primarily related to state NOL carryforwards. This valuation allowance decreased by $12 million during 2012.

We recorded valuation allowances of $10 million and $248 million related to the Savvis and Qwest acquisitions, respectively, for the portion of the acquired net deferred tax assets that we did not believe is more likely than not to be realized. Our acquisition date assignment of deferred income taxes and the related valuation allowance was completed in 2012 as discussed in Note 2—Acquisitions.

A reconciliation of the change in our gross unrecognized tax benefits (excluding both interest and any related federal benefit) from January 1 to December 31 for 2012 and 2011 is as follows:

	2012	2011
	(Dollars in millions)	
Unrecognized tax benefits at beginning of year	$ 111	311
Assumed in Qwest and Savvis acquisitions	—	206
Increase in tax positions taken in the current year	3	—
Decrease due to the reversal of tax positions taken in a prior year	(34)	(13)
Decrease from the lapse of statute of limitations	(2)	(1)
Settlements	—	(392)
Unrecognized tax benefits at end of year	$ 78	111

Upon the dismissal of our refund appeal in October 2011, we recorded a $242 million settlement related to the treatment of universal service fund receipts of certain subsidiaries acquired in our Embarq acquisition, effectively settling the issue for the 1990 through 1994 years. We dismissed our 2004-2006 Tax Court proceedings due to an agreement in place with the IRS Chief Counsel's office. Dismissal of the Tax Court proceedings will result in an agreed tax deficiency amount for each period. Since the Tax Court proceedings involved years that Embarq was owned by Sprint, Sprint will receive the deficiency and the payment to the IRS will trigger a settlement obligation under the Tax Sharing agreement with Sprint. During 2011, Qwest also withdrew their claims associated with the treatment of universal services fund receipts resulting in a $141 million settlement decrease in our unrecognized tax benefits. Due to Qwest's NOL carryforward, the settlement of the position resulted in a reduction in our unrecognized tax benefit but no cash payment is required.

During 2012, we entered into negotiations with the IRS to resolve a claim that was filed by Qwest for 1999. Based on the status of those negotiations at year end, we have partially reversed an unrecognized tax benefit that was assumed as part of the Qwest acquisition, which decreased our total unrecognized tax benefits.

The total amount of unrecognized tax benefits that, if recognized, would impact the effective income tax rate was $52 million at December 31, 2012 and $118 million at December 31, 2011.

Our policy is to reflect interest expense associated with unrecognized tax benefits in income tax expense. We had accrued interest (presented before related tax benefits) of approximately $33 million at December 31, 2012 and December 31, 2011.

We file income tax returns, including returns for our subsidiaries, with federal, state and local jurisdictions. Our uncertain income tax positions are related to tax years that are currently under or remain subject to examination by the relevant taxing authorities.

Beginning with the 2010 tax year, our federal consolidated returns are subject to annual examination by the IRS. Qwest's federal consolidated returns for the 2009, 2010 and pre-merger 2011 tax years are open to examination by the IRS. Federal consolidated returns for Savvis for tax years 2010 and pre-merger 2011 are under examination by the IRS.

In years prior to 2011, Qwest filed amended federal income tax returns for 2002-2007 to make protective claims with respect to items reserved in their audit settlements and to correct items not addressed in prior audits. The examination of those amended federal income tax returns by the IRS was completed in 2012. In 2012, Qwest filed an amended 2008 federal income tax return primarily to report the carryforward impact of prior year settlements. Such amended filing is subject to adjustment by the IRS. At the same time, Qwest also filed an amended return for 1999 for its predecessor U S WEST, Inc. to make certain refund claims. An agreed resolution of those claims is pending conditioned upon Congressional Joint Committee Approval.

Our open income tax years by major jurisdiction are as follows at December 31, 2012:

Jurisdiction	Open Tax Years
Federal	2008—current
State	
Florida	2006—current
Louisiana	2009—current
Minnesota	1996—1999 and 2002—current
New York	2001—2006 and 2009—current
North Carolina	2004—2006 and 2009—current
Oregon	2002—2003 and 2009—current
Texas	2008—current
Other states	2006—current

Since the period for assessing additional liability typically begins upon the filing of a return, it is possible that certain jurisdictions could assess tax for years prior to the open tax years disclosed above. Additionally, it is possible that certain jurisdictions in which we do not believe we have an income tax filing responsibility, and accordingly did not file a return, may attempt to assess a liability, or that other jurisdictions to which we pay taxes may attempt to assert that we owe additional taxes.

Based on our current assessment of various factors, including (i) the potential outcomes of these ongoing examinations, (ii) the expiration of statute of limitations for specific jurisdictions, (iii) the negotiated settlement of certain disputed issues, and (iv) the administrative practices of applicable taxing jurisdictions, it is reasonably possible that the related unrecognized tax benefits for uncertain tax positions previously taken may decrease by up to $32 million within the next 12 months. The actual amount of such decrease, if any, will depend on several future developments and events, many of which are outside our control.

(13) Segment Information

For several years prior to 2011, we reported our operations as a single segment. However, in 2011, after our acquisitions of Qwest on April 1, 2011 and Savvis on July 15, 2011, we reorganized our business into the following operating segments:

- *Regional markets.* Consisted generally of providing strategic and legacy products and services to residential consumers, small to medium-sized businesses and regional enterprise customers. Our strategic products and services offered to these customers include our private line, broadband, Multi-Protocol Label Switching ("MPLS"), hosting and video services. Our legacy services offered to these customers include local and long-distance service;

- *Business markets.* Consisted generally of providing strategic and legacy products and services to enterprise and government customers. Our strategic products and services offered to these customers include our private line, broadband, MPLS, hosting and video services. Our legacy services offered to these customers include local and long-distance service;

- *Wholesale markets.* Consisted generally of providing strategic and legacy products and services to other communications providers. Our strategic products and services offered to these customers are mainly private line (including special access) and MPLS. Our legacy services offered to these customers include unbundled network elements ("UNEs") which allow our wholesale customers the use of our network or a combination of our network and their own networks to provide voice and data services to their customers, long-distance and switched access services; and

- *Savvis operations.* Consisted of the entire centrally-managed operations of our Savvis subsidiaries, which provides hosting and network services primarily to business customers when provided by Legacy Savvis.

Effective April 1, 2012, in order to more effectively leverage the strategic assets from our acquisitions of Qwest and Savvis and to better serve our business and government customers, we restructured our business into the following operating segments:

- *Regional markets.* Consists generally of providing strategic and legacy products and services to residential consumers, state and local governments, small to medium-sized businesses and enterprise customers that in each case are located mainly within one of our six regions. Our strategic products and services offered to these customers include our private line, broadband, MPLS, hosting, video and wireless services. Our legacy services offered to these customers include local and long-distance service;

- *Wholesale markets.* Consists generally of providing strategic and legacy products and services to other domestic and international communications providers. Our strategic products and services offered to these customers are mainly private line (including special access) and MPLS. Our legacy services offered to these customers include UNEs which allow our wholesale customers the use of our network or a combination of our network and their own networks to provide voice and data services to their customers, long-distance and switched access services;

- *Enterprise markets—network.* Consists generally of providing strategic and legacy network communications products and services to national and international enterprise and government customers. Our strategic products and services offered to these customers include our private line, broadband, MPLS and hosting services. Our legacy services offered to these customers include local and long-distance services;

- *Enterprise markets—data hosting.* Consists generally of providing colocation, managed hosting and cloud hosting services to national and international enterprise and government customers.

On January 3, 2013, we announced a reorganization of our operating segments. Consequently, beginning with the first quarter of 2013, we will report the following four segments in our consolidated financial statements: consumer, business, wholesale and data hosting. The primary purpose of the reorganization is to strengthen our focus on the enterprise business market while continuing our commitment to our hosting and consumer customers. The reorganization combines business sales and operations functions that resided in the enterprise markets—network segment and the regional markets segment into the new business segment. The remaining customers serviced by the regional markets segment will become the new consumer segment. Our wholesale markets and enterprises markets—data hosting segments will not be impacted by this reorganization.

We have restated previously reported segment results for the year ended December 31, 2011 due to the above-described restructuring of our business on April 1, 2012. The following table summarizes our segment results for 2012 and 2011 based on the segment categorization we were operating under on December 31, 2012.

	Years Ended December 31,	
	2012	2011
	(Dollars in millions)	
Total segment revenues	$ 17,320	14,471
Total segment expenses	8,094	6,513
Total segment income	$ 9,226	7,958
Total margin percentage	53%	55%
Regional markets:		
Revenues	$ 9,876	8,743
Expenses	4,218	3,673
Income	$ 5,658	5,070
Margin percentage	57%	58%
Wholesale markets:		
Revenues	$ 3,721	3,305
Expenses	1,117	1,021
Income	$ 2,604	2,284
Margin percentage	70%	69%
Enterprise markets—network:		
Revenues	$ 2,609	1,933
Expenses	1,891	1,450
Income	$ 718	483
Margin percentage	28%	25%
Enterprise markets—data hosting:		
Revenues	$ 1,114	490
Expenses	868	369
Income	$ 246	121
Margin percentage	22%	25%

Due to system limitations, we have determined that is impracticable to restate 2010's reportable segments to conform to our current segment categorization. For comparability purposes, we have included our segment information for the years ended December 31, 2011 and 2010 based on the segment categorization we were operating under on December 31, 2011:

	Years Ended December 31,	
	2011	2010
	(Dollars in millions)	
Total segment revenues	$ 14,471	6,495
Total segment expenses	6,535	2,403
Total segment income	$ 7,936	4,092
Total margin percentage	55%	63%
Regional markets:		
Revenues	$ 7,832	4,640
Expenses	3,398	1,783
Income	$ 4,434	2,857
Margin percentage	57%	62%
Business markets:		
Revenues	$ 2,861	266
Expenses	1,736	120
Income	$ 1,125	146
Margin percentage	39%	55%
Wholesale markets:		
Revenues	$ 3,295	1,589
Expenses	1,021	500
Income	$ 2,274	1,089
Margin percentage	69%	69%
Savvis operations:		
Revenues	$ 483	—
Expenses	380	—
Income	$ 103	—
Margin percentage	21%	—

We categorize our products and services related to revenues into the following four categories:

- *Strategic services*, which include primarily broadband, private line (including special access which we market to wholesale and business customers), MPLS (which is a data networking technology that can deliver the quality of service required to support real-time voice and video), hosting (including cloud hosting and managed hosting), colocation, Ethernet, video (including resold satellite and our facilities-based video services), voice over Internet Protocol ("VoIP") and Verizon Wireless services;

- *Legacy services*, which include primarily local, long-distance, switched access, public access, integrated services digital network ("ISDN") (which uses regular telephone lines to support voice, video and data applications), and traditional wide area network ("WAN") services (which allows a local communications network to link to networks in remote locations);

- *Data integration*, which includes the sale of telecommunications equipment located on customers' premises and related professional services, such as network management, installation and maintenance of data equipment and building of proprietary fiber-optic networks for our government and business customers; and

- *Other revenues*, which consists primarily of USF revenue and surcharges. Unlike the first three revenue categories, other revenues are not included in our segment revenues.

Our operating revenues for our products and services consisted of the following categories for the years ended December 31, 2012 and 2011:

	Years Ended December 31,	
	2012	2011
	(Dollars in millions)	
Strategic services	$ 8,361	6,262
Legacy services	8,287	7,672
Data integration	672	537
Other	1,056	880
Total operating revenues	$ 18,376	15,351

During 2012, operating revenues attributable to certain products and services were reclassified from legacy services to strategic services. Due to system limitations, we have determined that is impracticable to restate 2010's operating revenues to conform to our current revenue categorization. For comparability purposes, we have included our operating revenues for the years ended December 31, 2011 and 2010 under our prior revenue categorization:

	Years Ended December 31,	
	2011	2010
	(Dollars in millions)	
Strategic services	$ 6,254	2,049
Legacy services	7,680	4,288
Data integration	537	158
Other	880	547
Total operating revenues	$ 15,351	7,042

Other operating revenues include revenue from universal service funds, which allows us to recover a portion of our costs under federal and state cost recovery mechanisms, and certain surcharges to our customers, including billings for our required contributions to several USF programs. These surcharge billings to our customers are reflected on a gross basis in our statements of operations (included in both operating revenues and expenses) and aggregated approximately $531 million, $392 million and $115 million for the years ended December 31, 2012, 2011 and 2010, respectively. We also generate other operating revenues from leasing and subleasing of space in our office buildings, warehouses and other properties. We centrally-manage the activities that generate these other operating revenues and consequently these revenues are not included in any of our four segments presented above.

Our segment revenues include all revenues from our strategic, legacy and data integration as described in more detail above. Segment revenues are based upon each customer's classification to an individual segment. We report our segment revenues based upon all services provided to that segment's customers. We report our segment expenses for our four segments as follows:

- *Direct expenses*, which primarily are specific expenses incurred as a direct result of providing services and products to segment customers, along with selling, general and administrative expenses that are directly associated with specific segment customers or activities; and

- *Allocated expenses*, which include network expenses, facilities expenses and other expenses such as fleet and real estate expenses.

During the first quarter of 2012, as we transitioned certain of Qwest's legacy systems to our historical company systems, we updated our methodologies for reporting our direct expenses and for allocating our expenses to our segments. Specifically, we no longer include certain fleet expenses for our regional markets segment in direct expenses; they are now expenses allocated to our segments, with the exception of enterprise markets—data hosting. In addition, we now more fully allocate network building rent and power expenses to our regional markets, wholesale markets and enterprise markets—network segments. We determined that it was impracticable to recast our segment results for the prior period to reflect these changes in methodology.

During the second quarter of 2012, as we reorganized our business into our four segments as indicated above, we further revised our methodology for how we allocate our expenses to our segments to better align segment expenses with related revenues. Under our revised methodology, we no longer allocate certain product development costs to our segments, but we do now allocate certain expenses from our enterprise markets—data hosting segment to our other three segments. We have restated prior periods to reflect these changes in our methodology.

We do not assign depreciation and amortization expense to our segments, as the related assets and capital expenditures are centrally managed. Similarly, severance expenses, restructuring expenses and, subject to an exception for our enterprise markets—data hosting segment, certain centrally managed administrative functions (such as finance, information technology, legal and human resources) are not assigned to our segments. Interest expense is also excluded from segment results because we manage our financing on a total company basis and have not allocated assets or debt to specific segments. In addition, other income (expense) does not relate to our segment operations and is therefore excluded from our segment results.

The following table reconciles segment income to net income for the years ended December 31, 2012, 2011 and 2010:

	Years Ended December 31,		
	2012	**2011**	**2010**
	(Dollars in millions)		
Total segment income	$ 9,226	7,958	4,092
Other operating revenues	1,056	880	547
Depreciation and amortization	(4,780)	(4,026)	(1,434)
Other unassigned operating expenses	(2,789)	(2,787)	(1,145)
Other income (expense), net	(1,463)	(1,077)	(529)
Income tax expense	(473)	(375)	(583)
Net income	$ 777	573	948

We do not have any single customer that provides more than 10% of our total operating revenues. Substantially all of our revenues come from customers located in the United States.

(14) Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(Dollars in millions, except per share amounts)				
2012					
Operating revenues	$ 4,610	4,612	4,571	4,583	18,376
Operating income	654	657	736	666	2,713
Net income	200	74	270	233	777
Basic earnings per common share	.32	.12	.43	.37	1.25
Diluted earnings per common share	.32	.12	.43	.37	1.25
2011					
Operating revenues	$ 1,696	4,406	4,596	4,653	15,351
Operating income	464	480	548	533	2,025
Net income	211	115	138	109	573
Basic earnings per common share	.69	.19	.22	.18	1.07
Diluted earnings per common share	.69	.19	.22	.18	1.07

These results include Savvis operations for periods beginning July 15, 2011 and Qwest operations for periods beginning April 1, 2011. See Note 2—Acquisitions for additional information. During the third quarter of 2012, we discovered and corrected an error that resulted in an overstatement of depreciation expense in the amount of $30 million in 2011 and $15 million in the first six months of 2012. The total reduction in depreciation expense of $45 million was recognized in the third quarter of 2012.

(15) Commitments and Contingencies

In this section, when we refer to a class action as "putative" it is because a class has been alleged, but not certified in that matter. Until and unless a class has been certified by the court, it has not been established that the named plaintiffs represent the class of plaintiffs they purport to represent.

We have established accrued liabilities for the matters described below where losses are deemed probable and reasonably estimable.

We are vigorously defending against all of the matters described below. As a matter of course, we are prepared both to litigate the matters to judgment, as well as to evaluate and consider all settlement opportunities.

Litigation Matters Relating to CenturyLink and Embarq

In December 2009, subsidiaries of CenturyLink filed two lawsuits against subsidiaries of Sprint Nextel to recover terminating access charges for VoIP traffic owed under various interconnection agreements and tariffs which presently approximate $34 million. The lawsuits allege that Sprint Nextel has breached contracts, violated tariffs, and violated the Federal Communications Act by failing to pay these charges. One lawsuit, filed on behalf of all legacy Embarq operating entities, was tried in federal court in Virginia in August 2010 and, in March 2011, a ruling was issued in our favor and against Sprint Nextel. In the first quarter of 2012, Sprint Nextel filed an appeal of this decision. The other lawsuit, filed on behalf of all Legacy CenturyLink operating entities, is pending in federal court in

Louisiana. In that case, in early 2011 the Court dismissed certain of CenturyLink's claims, referred other claims to the FCC, and stayed the litigation. In April 2012, Sprint Nextel filed a petition with the FCC, seeking a declaratory ruling that CenturyLink's access charges do not apply to VoIP originated calls. We have not deferred revenue related to these matters as an adverse outcome is not probable based upon current circumstances.

In *William Douglas Fulghum, et al. v. Embarq Corporation, et al.*, filed on December 28, 2007 in the United States District Court for the District of Kansas, a group of retirees filed a putative class action lawsuit challenging the decision to make certain modifications in retiree benefits programs relating to life insurance, medical insurance and prescription drug benefits, generally effective January 1, 2006 and January 1, 2008 (which, at the time of the modifications, was expected to reduce estimated future expenses for the subject benefits by more than $300 million). Defendants include Embarq, certain of its benefit plans, its Employee Benefits Committee and the individual plan administrator of certain of its benefits plans. Additional defendants include Sprint Nextel and certain of its benefit plans. The Court certified a class on certain of plaintiffs' claims, but rejected class certification as to other claims. Embarq and other defendants continue to vigorously contest these claims and charges. On October 14, 2011, the *Fulghum* lawyers filed a new, related lawsuit, *Abbott et al. v. Sprint Nextel et al.* CenturyLink/Embarq is not named a defendant in the lawsuit. In *Abbott,* approximately 1,500 plaintiffs allege breach of fiduciary duty in connection with the changes in retiree benefits that also are at issue in the *Fulghum* case. The *Abbott* plaintiffs are all members of the class that was certified in *Fulghum* on claims for allegedly vested benefits (Counts I and III), and the *Abbott* claims are similar to the *Fulghum* breach of fiduciary duty claim (Count II), on which the *Fulghum* court denied class certification. The Court has stayed proceedings in *Abbott* indefinitely. On February 14, 2013, the *Fulghum* court dismissed the majority of the plaintiffs' claims in that case. Embarq and the other defendants will continue to vigorously contest any remaining claims in *Fulghum* and seek to have the claims in the *Abbott* case dismissed on similar grounds. We have not accrued a liability for these matters as it is premature (i) to determine whether an accrual is warranted and, (ii) if so, a reasonable estimate of probable liability.

Litigation Matters Relating to Qwest

The terms and conditions of applicable bylaws, certificates or articles of incorporation, agreements or applicable law may obligate Qwest to indemnify its former directors, officers or employees with respect to certain of the matters described below, and Qwest has been advancing legal fees and costs to certain former directors, officers or employees in connection with certain matters described below.

On September 29, 2010, the trustees in the Dutch bankruptcy proceeding for KPNQwest, N.V. (of which Qwest was a major shareholder) filed a lawsuit in the District Court of Haarlem, the Netherlands, alleging tort and mismanagement claims under Dutch law. Qwest and Koninklijke KPN N.V. ("KPN") are defendants in this lawsuit along with a number of former KPNQwest supervisory board members and a former officer of KPNQwest, some of whom were formerly affiliated with Qwest. Plaintiffs allege, among other things, that defendants' actions were a cause of the bankruptcy of KPNQwest, and they seek damages for the bankruptcy deficit of KPNQwest, which is claimed to be approximately €4.200 billion (or approximately $5.6 billion based on the exchange rate on December 31, 2012), plus statutory interest. Two lawsuits asserting similar claims were previously filed against Qwest and others in federal courts in New Jersey in 2004 and Colorado in 2009; those courts dismissed the lawsuits without prejudice on the grounds that the claims should not be litigated in the United States.

On September 13, 2006, Cargill Financial Markets, Plc and Citibank, N.A. filed a lawsuit in the District Court of Amsterdam, the Netherlands, against Qwest, KPN, KPN Telecom B.V., and other former officers, employees or supervisory board members of KPNQwest, some of whom were formerly affiliated with Qwest. The lawsuit alleges that defendants misrepresented KPNQwest's financial and business condition in connection with the origination of a credit facility and wrongfully allowed

KPNQwest to borrow funds under that facility. Plaintiffs allege damages of approximately €219 million (or approximately $289 million based on the exchange rate on December 31, 2012). On April 25, 2012, the court issued its judgment denying the claims asserted by Cargill and Citibank in their lawsuit. Cargill and Citibank are appealing that decision.

We have not accrued a liability for the above matters. Regarding the 2010 proceeding, we believe it is premature to determine whether an accrual is warranted and, if so, a reasonable estimate of our probable liability. Regarding the 2006 suit, we do not believe that liability is probable. We will continue to defend against both KPNQwest litigation matters vigorously.

Several putative class actions relating to the installation of fiber optic cable in certain rights-of-way were filed against Qwest on behalf of landowners on various dates and in courts located in 34 states in which Qwest has such cable (Alabama, Arizona, California, Colorado, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, and Wisconsin.) For the most part, the complaints challenge our right to install our fiber optic cable in railroad rights-of-way. The complaints allege that the railroads own the right-of-way as an easement that did not include the right to permit us to install our cable in the right-of-way without the Plaintiffs' consent. Most of the currently pending actions purport to be brought on behalf of state-wide classes in the named Plaintiffs' respective states, although one action pending before the Illinois Court of Appeals purports to be brought on behalf of landowners in Illinois, Iowa, Kentucky, Michigan, Minnesota, Nebraska, Ohio and Wisconsin. In general, the complaints seek damages on theories of trespass and unjust enrichment, as well as punitive damages. After previous attempts to enter into a single nationwide settlement in a single court proved unsuccessful, the parties proceeded to seek court approval of settlements on a state-by-state basis. To date, the parties have received final approval of such settlements in 22 states (Alabama, Colorado, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, New York, North Carolina, Oklahoma, Tennessee, Virginia and Wisconsin), have received preliminary approval of the settlements in eight states (California, Kentucky, Nevada, Ohio, Oregon, Pennsylvania, South Carolina and Utah), and have not yet received either preliminary or final approval in four states (Arizona, Massachusetts, New Mexico and Texas). We have accrued an amount that we believe is probable for these matters; however, the amount is not material to our consolidated financial statements.

Other Matters

From time to time, we are involved in other proceedings incidental to our business, including patent infringement allegations, administrative hearings of state public utility commissions relating primarily to rate making, actions relating to employee claims, various tax issues, environmental law issues, grievance hearings before labor regulatory agencies, and miscellaneous third party tort actions. The outcome of these other proceedings is not predictable. However, based on current circumstances we do not believe that the ultimate resolution of these other proceedings, after considering available defenses and insurance coverage, will have a material adverse effect on our financial position, results of operations or cash flows.

Capital Leases

We lease certain facilities and equipment under various capital lease arrangements. Depreciation of assets under capital leases is included in depreciation and amortization expense. Payments on capital leases are included in repayments of long-term debt, including current maturities in the consolidated statements of cash flows.

The tables below summarize our capital lease activity:

	Years Ended December 31, 2012	Years Ended December 31, 2011
	(Dollars in millions)	
Assets acquired through capital leases	$ 209	696
Depreciation expense	150	89
Cash payments towards capital leases	113	76

	December 31, 2012	December 31, 2011
	(Dollars in millions)	
Assets included in property, plant and equipment	$ 893	698
Accumulated depreciation	229	91

The future annual minimum payments under capital lease arrangements as of December 31, 2012 were as follows:

	Future Minimum Payments
	(Dollars in millions)
Capital lease obligations:	
2013	$ 155
2014	143
2015	107
2016	72
2017	68
2018 and thereafter	381
Total minimum payments	926
Less: amount representing interest and executory costs	(245)
Present value of minimum payments	681
Less: current portion	(117)
Long-term portion	$ 564

Operating Leases

CenturyLink leases various equipment, office facilities, retail outlets, switching facilities, and other network sites. These leases, with few exceptions, provide for renewal options and escalations that are either fixed or based on the consumer price index. Any rent abatements, along with rent escalations, are included in the computation of rent expense calculated on a straight-line basis over the lease term. The lease term for most leases includes the initial non-cancelable term plus any term under renewal options that are reasonably assured. For the years ended December 31, 2012, 2011 and 2010, our gross rental expense was $445 million, $401 million and $174 million, respectively. We also received sublease rental income for the years ended December 31, 2012 and 2011 of $18 million and $17 million, respectively. We did not have any material sublease rental income for the year ended December 31, 2010.

At December 31, 2012, our future rental commitments for operating leases were as follows:

	Future Minimum Payments (Dollars in millions)
2013	$ 297
2014	252
2015	219
2016	183
2017	156
2018 and thereafter	964
Total future minimum payments[1]	$ 2,071

(1) Minimum payments have not been reduced by minimum sublease rentals of $115 million due in the future under non-cancelable subleases.

Purchase Obligations

We have several commitments primarily for marketing activities and support services from a variety of vendors to be used in the ordinary course of business totaling $524 million at December 31, 2012. Of this amount, we expect to purchase $213 million in 2013, $129 million in 2014 through 2015, $86 million in 2016 through 2017 and $96 million in 2018 and thereafter. These amounts do not represent our entire anticipated purchases in the future, but represent only those items for which we are contractually committed.

(16) Other Financial Information

Other Current Assets

The following table presents details of our other current assets:

	December 31, 2012	December 31, 2011
	(Dollars in millions)	
Prepaid expenses	$ 257	240
Materials, supplies and inventory	125	107
Assets held for sale	96	—
Deferred activation and installation charges	53	25
Other	21	21
Total other current assets	$ 552	393

During the second quarter of 2012, we reclassified $154 million related to our wireless spectrum assets from "Other intangible assets, net" to "current assets—other" in the consolidated balance sheet. We sold $58 million of our wireless spectrum assets during the fourth quarter of 2012, and we sold another $43 million of our wireless spectrum assets in January 2013. In the aggregate, these transactions resulted in a gain of $32 million. We expect to reach agreements with various other purchasers for the remaining spectrum, and the consummation of which will be subject to regulatory approval.

Selected Current Liabilities

Current liabilities reflected in our balance sheets include accounts payable and other current liabilities as follows:

	December 31	
	2012	2011
	(Dollars in millions)	
Accounts payable	$ 1,207	1,400
Other current liabilities:		
Accrued rent	$ 48	44
Legal reserves	39	44
Other	147	167
Total other current liabilities	$ 234	255

Included in accounts payable at December 31, 2012 and December 31, 2011 were $132 million and $61 million, respectively, representing book overdrafts.

(17) Labor Union Contracts

Over 38% of our employees are members of various bargaining units represented by the Communications Workers of America and the International Brotherhood of Electrical Workers. Approximately 12,000, or 26%, of our employees are subject to collective bargaining agreements that expired October 6, 2012. We are currently negotiating the terms of new agreements. In the meantime, the predecessor agreements have been extended, and the applicable unions have agreed to provide us with at least twenty-four hour advance notice before terminating those predecessor agreements. Any strikes or other changes in our labor relations could have a significant impact on our business. If we fail to extend or renegotiate our collective bargaining agreements with our labor unions as they expire from time to time, or if our unionized employees were to engage in a strike or other work stoppage, our business and operating results could be materially harmed. To help mitigate this potential risk, we have established contingency plans in which we would assign trained, non-represented employees to cover jobs for represented employees in the event of a work stoppage to provide continuity for our customers.

(18) Dividends

Our Board of Directors declared the following dividends payable in 2012 and 2011:

Date Declared	Record Date	Dividend Per Share	Total Amount (in millions)	Payment Date
November 13, 2012	December 11, 2012	.725	$ 454	December 21, 2012
August 21, 2012	September 11, 2012	.725	$ 452	September 21, 2012
May 24, 2012	June 5, 2012	.725	$ 453	June 15, 2012
February 12, 2012	March 6, 2012	.725	$ 452	March 16, 2012
November 15, 2011	December 6, 2011	.725	$ 449	December 16, 2011
August 23, 2011	September 6, 2011	.725	$ 449	September 16, 2011
May 18, 2011	June 6, 2011	.725	$ 436	June 16, 2011
January 24, 2011	February 18, 2011	.725	$ 222	February 25, 2011

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

The effectiveness of our or any system of disclosure controls and procedures is subject to certain limitations, including the exercise of judgment in designing, implementing and evaluating the controls and procedures, the assumptions used in identifying the likelihood of future events and the inability to eliminate misconduct completely. As a result, there can be no assurance that our disclosure controls and procedures will detect all errors or fraud. By their nature, our or any system of disclosure controls and procedures can provide only reasonable assurance regarding management's control objectives.

Our Chief Executive Officer, Glen F. Post, III, and our Chief Financial Officer, R. Stewart Ewing, Jr., have evaluated the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the "Exchange Act") at December 31, 2012. Based on the evaluation, Messrs. Post and Ewing concluded that our disclosure controls and procedures are designed, and are effective, to provide reasonable assurance that the information required to be disclosed by us in the reports that we file under the Exchange Act is timely recorded, processed, summarized and reported and to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including Messrs. Post and Ewing, in a manner that allows timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during 2012 that materially affected, or that we believe are reasonably likely to materially affect, our internal control over financial reporting.

See Management's Report on Internal Control over Financial Reporting and the Report of Independent Registered Public Accounting Firm on our internal control over financial reporting in Item 8, which are incorporated herein by reference.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 is incorporated by reference to the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated by reference to the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

The following table provides information as of December 31, 2012 about our equity compensation plans under which Common Shares are authorized for issuance:

	Number of securities to be issued upon exercise of outstanding options and rights [1] (a)	Weighted-average exercise price of outstanding options and rights [2] (b)	Number of securities remaining available for future issuance under plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by shareholders	4,256,501[1]	$ 42.28	29,507,231[3]
Equity compensation plans not approved by shareholders[4]	6,423,214[5]	32.55	—
Totals	10,679,715	$ 34.23	29,507,231

(1) The total includes 323,749 potentially issuable restricted stock units, which contain market provisions and have a maximum payout of 200%. This payout could be reduced to zero if specified total shareholder return targets as compared to the S&P 500 are not met over a specified period.

(2) The total number of securities issued and outstanding includes restricted stock units, which do not have an exercise price. Consequently, these awards were excluded from the computation of weighted-average exercise price of outstanding options and rights.

(3) This amount includes 2,605,468 shares remaining to be granted under our shareholder-approved employee stock purchase plan.

(4) These amounts represent common shares to be issued upon exercise of options or vesting of restricted stock approved under our required company equity incentive plans. See Note 2—Acquisitions to the Consolidated Financial Statements in Item 8 of this report.

(5) The total includes 94,774 potentially issuable restricted stock units, which contain market provisions and have a maximum payout of 200%. This payout could be reduced to zero if specified total shareholder return targets as compared to the S&P 500 are not met over a specified period.

The balance of the information required by Item 12 is incorporated by reference to the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by Item 13 is incorporated by reference to the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is incorporated by reference to the Proxy Statement.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibits identified in parentheses below are on file with the SEC and are incorporated herein by reference. All other exhibits are provided as part of this electronic submission.

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of October 26, 2008, by and among CenturyLink, Inc., Embarq Corporation and Cajun Acquisition Company (incorporated by reference to Exhibit 99.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on October 30, 2008).
2.2	Agreement and Plan of Merger, dated as of April 21, 2010, by and among CenturyLink, Inc., its subsidiary SB44 Acquisition Company, and Qwest Communications International Inc. (incorporated by reference to Exhibit 2.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on April 27, 2010).
2.3	Agreement and Plan of Merger, dated as of April 26, 2011, by and among CenturyLink, Inc., SAVVIS, Inc. and Mimi Acquisition Company (incorporated by reference to Exhibit 2.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on April 27, 2011).
3.1	Amended and Restated Articles of Incorporation of CenturyLink, Inc., as amended through May 23, 2012 (incorporated by reference to Exhibit 3.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on May 30, 2012).
3.2	Bylaws of CenturyLink, Inc., as amended and restated through November 4, 2010 (incorporated by reference to Exhibit 3.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on November 5, 2010).
4.1	Form of common stock certificate (incorporated by reference to Exhibit 4.10 of CenturyLink, Inc.'s Registration Statement on Form S-3 filed with the Securities and Exchange Commission on March 2, 2012 (Registration No. 333-179888)).
4.2	Instruments relating to CenturyLink, Inc.'s Revolving Credit Facility.
	a. Amended and Restated Credit Agreement, dated as of April 6, 2012, by and among CenturyLink, Inc. and the lenders and agents named therein (incorporated by reference to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on April 11, 2012).
	b. Guarantee Agreement, dated as of April 6, 2012, by and among the guarantors named therein (incorporated by reference to Exhibit 4.2 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on April 11, 2012).
4.3	Instruments relating to CenturyLink, Inc.'s Term Loan.
	a. Credit Agreement, dated as of April 18, 2012, by and among CenturyLink, Inc., the several banks and other financial institutions or entities from time to time parties thereto, and CoBank, ACB, as administrative agent (incorporated by reference to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on April 20, 2012).
	b. Guarantee Agreement, dated as of April 18, 2012, by and among the guarantors named therein (incorporated by reference to Exhibit 4.2 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on April 20, 2012).

4.4 Instruments relating to CenturyLink's public senior debt.[1]

a. Form of Indenture, by and between Century Telephone Enterprises, Inc. (currently named CenturyLink, Inc.) and First American Bank & Trust of Louisiana, as Trustee (incorporated by reference to Exhibit 4.1 of CenturyLink, Inc.'s Registration Statement on Form S-3 (File No. No. 33-52915) filed with the Securities and Exchange Commission on March 31, 1994).

(i). Form of 7.2% Senior Notes, Series D, due 2025 (incorporated by reference to Exhibit 4.27 of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1995 (File No. 001-07784) filed with the Securities and Exchange Commission on March 18, 1996).

(ii). Form of 6.875% Debentures, Series G, due 2028, (incorporated by reference to Exhibit 4.9 of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 001-07784) filed with the Securities and Exchange Commission on March 16, 1998).

b. Third Supplemental Indenture, dated as of February 14, 2005, by and between CenturyTel, Inc. (currently named CenturyLink, Inc.) and Regions Bank, as Trustee, designating and outlining the terms and conditions of CenturyLink's 5% Senior Notes, Series M, due 2015 (incorporated by reference to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 000-50260) filed with the Securities and Exchange Commission on February 15, 2005).

(i). Form of 5% Senior Notes, Series M, due 2015 (incorporated by reference to Exhibit A to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 000-50260) filed with the Securities and Exchange Commission on February 15, 2005).

c. Fourth Supplemental Indenture, dated as of March 26, 2007, by and between CenturyTel, Inc. (currently named CenturyLink, Inc.) and Regions Bank, as Trustee, designating and outlining the terms and conditions of CenturyLink's 6.0% Senior Notes, Series N, due 2017 and 5.5% Senior Notes, Series O, due 2013 (incorporated by reference to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on March 29, 2007).

(i). Form of 6.0% Senior Notes, Series N, due 2017 and 5.5% Senior Notes, Series O, due 2013 (incorporated by reference to Exhibit A to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on March 29, 2007).

d. Fifth Supplemental Indenture, dated as of September 21, 2009, by and between CenturyTel, Inc. (currently named CenturyLink, Inc.) and Regions Bank, as Trustee, designating and outlining the terms and conditions of CenturyLink's 7.60% Senior Notes, Series P, due 2039 and 6.15% Senior Notes, Series Q, due 2019 (incorporated by reference to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on September 22, 2009).

(i). Form of 7.60% Senior Notes, Series P, due 2039 and 6.15% Senior Notes, Series Q, due 2019 (incorporated by reference to Exhibit A to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on September 22, 2009).

e. Sixth Supplemental Indenture, dated as of June 16, 2011, by and between CenturyLink, Inc. and Regions Bank, as Trustee, designating and outlining the terms and conditions of CenturyLink's 5.15% Senior Notes, Series R, due 2017 and 6.45% Senior Notes, Series S, due 2021 (incorporated by reference to Exhibit 4.2 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on June 16, 2011).

(i). Form of 5.15% Senior Notes, Series R, due 2017 and 6.45% Senior Notes, Series S, due 2021 (incorporated by reference to Exhibit A to Exhibit 4.2 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on June 16, 2011).

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1 Certain of the items in Sections 4.4, 4.5 and 4.6 (i) omit supplemental indentures or other instruments governing debt that has been retired, or (ii) refer to trustees who may have been replaced, acquired or affected by similar changes. In accordance with Item 601(b) (4) (iii) (A) of Regulation S-K, copies of certain instruments defining the rights of holders of certain of our long-term debt are not filed herewith. Pursuant to this regulation, we hereby agree to furnish a copy of any such instrument to the SEC upon request.

f. Seventh Supplemental Indenture, dated as of March 12, 2012, by and between CenturyLink, Inc. and Regions Bank, as Trustee, designating and outlining the terms and conditions of CenturyLink's 5.80% Senior Notes, Series T, due 2022 and 7.65% Senior Notes, Series U, due 2042 (incorporated by reference to Exhibit 4.1 of CenturyLink's Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on March 12, 2012).

(i) Form of 5.80% Senior Notes, Series T, due 2022 and 7.65% Senior Notes, Series U, due 2042 (incorporated by reference to Exhibit A to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on March 12, 2012).

4.5 Instruments relating to indebtedness of Qwest Communications International, Inc. and its subsidiaries.

a. Indenture, dated as of April 15, 1990, by and between The Mountain States Telephone and Telegraph Company (currently named Qwest Corporation) and The First National Bank of Chicago (incorporated by reference to Exhibit 4.2 of Qwest Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-03040) filed with the Securities and Exchange Commission on January 13, 2004).

(i). First Supplemental Indenture, dated as of April 16, 1991, by and between U S WEST Communications, Inc. (currently named Qwest Corporation) and The First National Bank of Chicago (incorporated by reference to Exhibit 4.3 of Qwest Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-03040) filed with the Securities and Exchange Commission on January 13, 2004).

b. Indenture, dated as of April 15, 1990, by and between Northwestern Bell Telephone Company (predecessor to Qwest Corporation) and The First National Bank of Chicago (incorporated by reference to Exhibit 4.5(b) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2012 (File No. 001-07784) filed with the Securities and Exchange Commission on May 10, 2012).

(i). First Supplemental Indenture, dated as of April 16, 1991, by and between U S WEST Communications, Inc. (currently named Qwest Corporation) and The First National Bank of Chicago (incorporated by reference to Exhibit 4.3 of Qwest Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-03040) filed with the Securities and Exchange Commission on January 13, 2004).

c. Indenture, dated as of June 29, 1998, by and among U S WEST Capital Funding, Inc. (currently named Qwest Capital Funding, Inc.), U S WEST, Inc. (predecessor to Qwest Communications International Inc.) and The First National Bank of Chicago, as trustee (incorporated by reference to Exhibit 4(a) of U S WEST, Inc.'s Current Report on Form 8-K (File No. 001-14087) filed with the Securities and Exchange Commission on November 18, 1998).

(i). First Supplemental Indenture, dated as of June 30, 2000, by and among U S WEST Capital Funding, Inc. (currently named Qwest Capital Funding, Inc.), U S WEST, Inc. (predecessor to Qwest Communications International Inc.) and Bank One Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.10 of Qwest Communications International Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2000 (File No. 001-15577) filed with the Securities and Exchange Commission on August 11, 2000).

d. Indenture, dated as of November 4, 1998, by and between Qwest Communications International Inc. and Bankers Trust Company (incorporated by reference to Exhibit 4.1(e) of Qwest Communications International Inc.'s Registration Statement on Form S-4 (File No. 333-71603) filed with the Securities and Exchange Commission on February 2, 1999).

e. Indenture, dated as of November 27, 1998, by and between Qwest Communications International Inc. and Bankers Trust Company (incorporated by reference to Exhibit 4.1(d) of Qwest Communications International Inc.'s Registration Statement on Form S-4 (File No. 333-71603) filed with the Securities and Exchange Commission on February 2, 1999).

f. Indenture, dated as of October 15, 1999, by and between US West Communications, Inc. (currently named Qwest Corporation) and Bank One Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4(b) of Qwest Corporation's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-03040) filed with the Securities and Exchange Commission on March 3, 2000).

(i). First Supplemental Indenture, dated as of August 19, 2004, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Exhibit 4.22 of Qwest Communications International Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2004 (File No. 001-15577) filed with the Securities and Exchange Commission on November 5, 2004).

(ii). Third Supplemental Indenture, dated as of June 17, 2005, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Exhibit 4.2 of Qwest Communications International Inc.'s Current Report on Form 8-K (File No. 001-15577) filed with the Securities and Exchange Commission on June 23, 2005).

(iii). Fourth Supplemental Indenture, dated as of August 8, 2006, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 of Qwest Communications International Inc.'s Current Report on Form 8-K (File No. 001-15577) filed with the Securities and Exchange Commission on August 8, 2006).

(iv). Fifth Supplemental Indenture, dated as of May 16, 2007, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 of Qwest Communications International Inc.'s Current Report on Form 8-K (File No. 001-15577) filed with the Securities and Exchange Commission on May 18, 2007).

(v). Sixth Supplemental Indenture, dated as of April 13, 2009, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 of Qwest Communications International Inc.'s Current Report on Form 8-K (File No. 001-15577) filed with the Securities and Exchange Commission on April 13, 2009).

(vi). Seventh Supplemental Indenture, dated as of June 8, 2011, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Exhibit 4.8 of Qwest Corporation's Form 8-A (File No. 001-03040) filed with the Securities and Exchange Commission on June 7, 2011).

(vii). Eighth Supplemental Indenture, dated as of September 21, 2011, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Exhibit 4.9 of Qwest Corporation's Form 8-A (File No. 001-03040) filed with the Securities and Exchange Commission on September 20, 2011).

(viii). Ninth Supplemental Indenture, dated as of October 4, 2011, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 of Qwest Corporation's Current Report on Form 8-K (File No. 001-03040) filed with the Securities and Exchange Commission on October 4, 2011).

(ix) Tenth Supplemental Indenture, dated as of April 2, 2012, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Qwest Corporation's Form 8-A (File No. 001-03040) filed with the Securities and Exchange Commission on March 30, 2012).

(x) Eleventh Supplemental Indenture, dated as of June 25, 2012, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Exhibit 4.12 of Qwest Corporation's Form 8-A (File No. 001-03040) filed with the Securities and Exchange Commission on June 22, 2012).

g. Indenture, dated as of February 5, 2004, by and among Qwest Communications International Inc., Qwest Services Corporation, Qwest Capital Funding, Inc. and J.P. Morgan Trust Company, National Association (incorporated by reference to 4.17 of Qwest Communications International Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-15577) filed with the Securities and Exchange Commission on March 11, 2004).

(i). First Supplemental Indenture, dated as of June 17, 2005, by and among Qwest Communications International Inc., Qwest Services Corporation, Qwest Capital Funding, Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 of Qwest Communications International Inc.'s Current Report on Form 8-K (File No. 001-15577) filed with the Securities and Exchange Commission on June 3, 2005).

(ii). Third Supplemental Indenture, dated as of September 17, 2009, by and among Qwest Communications International Inc., Qwest Services Corporation, Qwest Capital Funding, Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 of Qwest Communications International Inc.'s Current Report on Form 8-K (File No. 001-15577) filed with the Securities and Exchange Commission on September 21, 2009).

(iii). Fourth Supplemental Indenture, dated as of January 12, 2010, by and among Qwest Communications International Inc., Qwest Services Corporation, Qwest Capital Funding, Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 of Qwest Communications International Inc.'s Current Report on Form 8-K (File No. 001-15577) filed with the Securities and Exchange Commission on January 13, 2010).

4.6 Instruments relating to indebtedness of Embarq Corporation.

a. Indenture, dated as of May 17, 2006, by and between Embarq Corporation and J.P. Morgan Trust Company, National Association, a national banking association, as trustee (incorporated by reference to Exhibit 4.1 of Embarq Corporation's Current Report on Form 8-K (File No. 001-32732) filed with the Securities and Exchange Commission on May 18, 2006).

b. 7.082% Global Note due 2016 of Embarq Corporation (incorporated by reference to Exhibit 4.3 to Embarq Corporation's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-32372) filed with the Securities and Exchange Commission on March 9, 2007).

4.7 Intercompany debt instruments.

a. Revolving Promissory Note, dated as of April 2, 2012 pursuant to which Embarq Corporation may borrow from an affiliate of CenturyLink, Inc. up to $2.5 billion on a revolving basis (incorporated by reference to Exhibit 4.7(a) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2012 (File No. 001-07784) filed with the Securities and Exchange Commission on November 8, 2012).

b. Revolving Promissory Note, dated as of April 18, 2012, pursuant to which Qwest Corporation may borrow from an affiliate of CenturyLink, Inc. up to $1.0 billion on a revolving basis (incorporated by reference to Exhibit 4.7(b) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2012 (File No. 001-07784) filed with the Securities and Exchange Commission on November 8, 2012).

c. Revolving Promissory Note, dated as of September 27, 2012, pursuant to which Qwest Communications International, Inc. may borrow from an affiliate of CenturyLink, Inc. up to $3.0 billion on a revolving basis, included herein.

10.1 Qualified Employee Benefit Plans of CenturyLink, Inc. (excluding several narrow-based qualified plans that cover union employees or other limited groups of employees).

a. CenturyLink Dollars & Sense 401(k) Plan and Trust, as amended and restated through December 31, 2006 (incorporated by reference to Exhibit 10.1(a) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2007), as amended by the First Amendment and the Second Amendment thereto, each dated as of December 31, 2007 (incorporated by reference to Exhibit 10.1(a) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 001-07784) filed with the Securities and Exchange Commission on February 29, 2008), as amended by the Third Amendment thereto dated as of November 20, 2008 (incorporated by reference to Exhibit 10.1(a) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on February 27, 2009), as amended by the Fourth Amendment thereto dated as of June 30, 2009 (incorporated by reference to Exhibit 10.1(a) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on August 7, 2009), as amended by the Fifth Amendment thereto dated as of September 15, 2009 (incorporated by reference to Exhibit 10.1(a) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2010), as amended by the Sixth Amendment thereto, dated as of December 30, 2009 (incorporated by reference to Exhibit 10.1(a) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2010), as amended by the Seventh Amendment thereto, effective May 20, 2010 (incorporated by reference to Exhibit 10.1 (a) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on November 5, 2010) and as amended by the Eighth Amendment thereto, effective January 1, 2011 (incorporated by reference to Exhibit 10.1(a) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2011).

b. CenturyLink Union 401(k) Plan and Trust, as amended and restated through December 31, 2006 (incorporated by reference to Exhibit 10.1(b) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2007), as amended by the First Amendment thereto dated as of May 29, 2007 (incorporated by reference to Exhibit 10.1(b) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on May 7, 2008), as amended by the Second Amendment thereto dated as of December 31, 2007 (incorporated by reference to Exhibit 10.1(b) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 001-07784) filed with the Securities and Exchange Commission on February 29, 2008), as amended by the Third Amendment thereto dated as of November 20, 2008 (incorporated by reference to Exhibit 10.1(b) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on February 27, 2009), as amended by the Fourth Amendment thereto dated as of June 30, 2009 (incorporated by reference to Exhibit 10.1(b) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on August 7, 2009), as amended by the Fifth Amendment thereto dated as of September 15, 2009 (incorporated by reference to Exhibit 10.1(b) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2010), as amended by the Sixth Amendment thereto, dated as of December 30, 2009 (incorporated by reference to Exhibit 10.1(b) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2010), as amended by the Seventh Amendment thereto, effective May 20, 2010 (incorporated by reference to Exhibit 10.1(b) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on November 5, 2010) and as amended by the Eighth Amendment thereto, effective January 1, 2011 (incorporated by reference to Exhibit 10.1(b) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2011).

c. CenturyLink Retirement Plan, as amended and restated through December 31, 2006 (incorporated by reference to Exhibit 10.1(c) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2007), as amended by Amendment No. 1 thereto dated as of April 2, 2007 (incorporated by reference to Exhibit 10.1(c) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on May 7, 2008), as amended by Amendment No. 2 thereto dated as of December 31, 2007 (incorporated by reference to Exhibit 10.1(c) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 001-07784) filed with the Securities and Exchange Commission on February 29, 2008), as amended by Amendment No. 3 thereto dated as of October 24, 2008 (incorporated by reference to Exhibit 10.1(c) CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on February 27, 2009), as amended by Amendment No. 4 dated as of June 30, 2009 (incorporated by reference to Exhibit 10.1(c) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on August 7, 2009), as amended by Amendment No. 5 thereto dated as of September 15, 2009 (incorporated by reference to Exhibit 10.1(c) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2010), as amended by Amendment No. 6 thereto, dated as of December 30, 2009 (incorporated by reference to Exhibit 10.1(c) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2010), as amended by Amendment No. 7 thereto, effective at various dates during 2010 (incorporated by reference to Exhibit 10.1(c) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on November 5, 2010) and as amended by Amendment No. 8 thereto, effective January 1, 2011 (incorporated by reference to Exhibit 10.1(c) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2011).

10.2 Stock-based Incentive Plans and Agreements of CenturyLink

a. Amended and Restated 1983 Restricted Stock Plan, as amended and restated through February 23, 2010 (incorporated by reference to Exhibit 10.2(a) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2010).

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b. Amended and Restated 2000 Incentive Compensation Plan, as amended through May 23, 2000 (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2000 (File No. 001-07784) filed with the Securities and Exchange Commission on August 11, 2000) and amendment thereto dated as of May 29, 2003 (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2003 (File No. 001-7784) filed with the Securities and Exchange Commission on August 14, 2003).

(i) Form of Stock Option Agreement, pursuant to the 2000 Incentive Compensation Plan and dated as of May 21, 2001, entered into between CenturyLink, Inc. and its officers (incorporated by reference to Exhibit 10.2(e) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-07784) filed with the Securities and Exchange Commission on March 15, 2002).

(ii) Form of Stock Option Agreement, pursuant to the 2000 Incentive Compensation Plan and dated as of February 25, 2002, entered into between CenturyLink, Inc. and its officers (incorporated by reference to Exhibit 10.2(d) (ii) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-07784) filed with the Securities and Exchange Commission on March 27, 2003).

c. Amended and Restated 2002 Directors Stock Option Plan, dated as of February 25, 2004 (incorporated by reference to Exhibit 10.2(e) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-07784) filed with the Securities and Exchange Commission on March 12, 2004) and amendment thereto dated as of October 24, 2008 (incorporated by reference to Exhibit 10.2(d) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on February 27, 2009).

(i) Form of Stock Option Agreement, pursuant to the foregoing plan, entered into between CenturyLink, Inc. in connection with options granted to the outside directors as of May 10, 2002 (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2002 (File No. 001-07784) filed with the Securities and Exchange Commission on November 14, 2002).

(ii) Form of Stock Option Agreement, pursuant to the foregoing plan, entered into between CenturyLink, Inc. in connection with options granted to the outside directors as of May 9, 2003 (incorporated by reference to Exhibit 10.2(e) (ii) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-07784) filed with the Securities and Exchange Commission on March 12, 2004).

(iii) Form of Stock Option Agreement, pursuant to the foregoing plan, entered into between CenturyLink, Inc. in connection with options granted to the outside directors as of May 7, 2004 (incorporated by reference to Exhibit 10.2(d) (iii) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 001-07784) filed with the Securities and Exchange Commission on March 16, 2006).

d. Amended and Restated 2002 Management Incentive Compensation Plan, dated as of February 25, 2004 (incorporated by reference to Exhibit 10.2(f) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-07784) filed with the Securities and Exchange Commission on March 12, 2004) and amendment thereto dated as of October 24, 2008 (incorporated by reference to Exhibit 10.2(e) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on February 27, 2009).

(i) Form of Stock Option Agreement, pursuant to the foregoing plan, entered into between CenturyLink, Inc. and certain of its officers and key employees at various dates during 2002 following May 9, 2002 (incorporated by reference to Exhibit 10.4 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2002 (File No. 001-07784) filed with the Securities and Exchange Commission on November 14, 2002).

(ii) Form of Stock Option Agreement, pursuant to foregoing plan and dated as of February 24, 2003, entered into between CenturyLink, Inc. and its officers (incorporated by reference to Exhibit 10.2(f) (ii) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-07784) filed with the Securities and Exchange Commission on March 27, 2003).

(iii) Form of Stock Option Agreement, pursuant to foregoing plan and dated as of February 25, 2004, entered into between CenturyLink, Inc. and its officers (incorporated by reference to Exhibit 10.2(f) (iii) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-07784) filed with the Securities and Exchange Commission on March 12, 2004).

(iv) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 24, 2003, entered into between CenturyLink, Inc. and its executive officers (incorporated by reference to Exhibit 10.1 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 001-07784) filed with the Securities and Exchange Commission on May 14, 2003).

(v) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 25, 2004, entered into between CenturyLink, Inc. and its executive officers (incorporated by reference to Exhibit 10.2(f) (v) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2004 (File No. 000-50260) filed with the Securities and Exchange Commission on May 7, 2004).

(vi) Form of Stock Option Agreement, pursuant to foregoing plan and dated as of February 17, 2005, entered into between CenturyLink, Inc. and its executive officers (incorporated by reference to Exhibit 10.2 (e) (v) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 000-50260) filed with the Securities and Exchange Commission on March 16, 2005).

(vii) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 17, 2005, entered into between CenturyLink, Inc. and its executive officers (incorporated by reference to Exhibit 10.2 (e) (vi) of CenturyLink, Inc.'s Annual Report on Form 10-K for the period ended December 31, 2004 (File No. 000-50260) filed with the Securities and Exchange Commission on March 16, 2005).

e. Amended and Restated 2005 Directors Stock Plan, as amended and restated through February 23, 2010 (incorporated by reference to Exhibit 10.2(f) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2010).

(i) Form of Restricted Stock Agreement, pursuant to the foregoing plan, entered into between CenturyLink, Inc. and each of its outside directors as of May 13, 2005 (incorporated by reference to Exhibit 10.4 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 000-50260) filed with the Securities and Exchange Commission on May 13, 2005).

(ii) Form of Restricted Stock Agreement, pursuant to the foregoing plan, entered into between CenturyLink, Inc. and each of its outside directors as of May 12, 2006 (incorporated by reference to Exhibit 10.1 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2006 (File No. 001-07784) filed with the Securities and Exchange Commission on August 3, 2006).

(iii) Form of Restricted Stock Agreement, pursuant to the foregoing plan, entered into between CenturyLink, Inc. and each of its outside directors as of May 11, 2007 (incorporated by reference to Exhibit 10.2 (f) (iii) of CenturyLink, Inc.'s Annual Report on Form 10-K for the period ended December 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on February 27, 2009).

(iv) Form of Restricted Stock Agreement, pursuant to the foregoing plan, entered into between CenturyLink, Inc. and each of its outside directors as of May 9, 2008 (incorporated by reference to Exhibit 10.2 (f) (iv) of CenturyLink, Inc.'s Annual Report on Form 10-K for the period ended December 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on February 27, 2009).

(v) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of May 8, 2009, entered into between CenturyLink, Inc. and each of its outside directors on such date who remained on the Board following July 1, 2009 (incorporated by reference to Exhibit 10.2(b) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on August 7, 2009).

(vi) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of May 8, 2009, entered into between CenturyLink, Inc. and each of its outside directors who retired on July 1, 2009 (incorporated by reference to Exhibit 10.2(c) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on August 7, 2009).

(vii) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of July 2, 2009, entered into between CenturyLink, Inc. and each of its outside directors named to the Board on July 1, 2009 (incorporated by reference to Exhibit 10.1(d) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on August 7, 2009).

(viii) Restricted Stock Agreement, pursuant to the foregoing plan and dated as of July 2, 2009, entered into between CenturyLink, Inc. and William A. Owens in payment of Mr. Owens' 2009 supplemental chairman's fees (incorporated by reference to Exhibit 10.2(e) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on August 7, 2009).

(ix) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of May 21, 2010, entered into between CenturyLink, Inc. and seven of its outside directors on such date (incorporated by reference to Exhibit 10.1 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on August 6, 2010).

f. Amended and Restated 2005 Management Incentive Compensation Plan, as amended and restated through February 23, 2010 (incorporated by reference to Exhibit 10.2(g) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2010).

(i) Form of Stock Option Agreement, pursuant to the foregoing plan, entered into between CenturyLink, Inc. and certain officers and key employees at various dates since May 12, 2005 (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2005 (File No. 001-07784) filed with the Securities and Exchange Commission on November 9, 2005).

(ii) Form of Restricted Stock Agreement, pursuant to the foregoing plan, entered into between CenturyLink, Inc. and certain officers and key employees at various dates since May 12, 2005 (incorporated by reference to Exhibit 10.3 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2005 (File No. 001-07784) filed with the Securities and Exchange Commission on November 9, 2005).

(iii) Form of Stock Option Agreement, pursuant to the foregoing plan and dated as of February 21, 2006, entered into between CenturyLink, Inc. and its executive officers (incorporated by reference to Exhibit 10.2(g) (iii) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 001-07784) filed with the Securities and Exchange Commission on March 16, 2006).

(iv) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 21, 2006, entered into between CenturyLink, Inc. and its executive officers (incorporated by reference to Exhibit 10.2 (g) (iv) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 001-07784) filed with the Securities and Exchange Commission on March 16, 2006).

(v) Form of Stock Option Agreement, pursuant to the foregoing plan and dated as of February 26, 2007, entered into between CenturyLink, Inc. and its executive officers (incorporated by reference to Exhibit 10.1 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2007 (File No. 001-07784) filed with the Securities and Exchange Commission on May 9, 2007).

(vi) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 26, 2007, entered into between CenturyLink, Inc. and its executive officers (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2007 (File No. 001-07784) filed with the Securities and Exchange Commission on May 9, 2007).

(vii) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 21, 2008, entered into between CenturyLink, Inc. and its executive officers (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on May 7, 2008).

(viii) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 26, 2009 (incorporated by reference to Exhibit 10.2(g) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on May 1, 2009).

(ix) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of March 8, 2010 (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on May 7, 2010).

g. Amended and Restated CenturyLink Legacy Embarq 2008 Equity Incentive Plan, as amended and restated through February 23, 2010 (incorporated by reference to Exhibit 10.2(h) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2010).

(i) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of May 21, 2010, entered into between CenturyLink, Inc. and four of its outside directors as of such date (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on August 6, 2010).

(ii) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of May 21, 2010, entered into between CenturyLink, Inc. and William A. Owens in payment of Mr. Owens' 2010 supplemental chairman's fees (incorporated by reference to Exhibit 10.3 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on August 6, 2010).

(iii) Form of Restricted Stock Agreement, dated as of September 7, 2010, entered into between CenturyLink, Inc. and Dennis G. Huber (incorporated by reference to Exhibit 10.16 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on November 5, 2010).

h. Form of Retention Award Agreement, pursuant to the equity incentive plans of CenturyLink or Embarq and dated as of August 23, 2010, entered into between CenturyLink, Inc. and certain officers and key employees as of such date (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on November 5, 2010).

i. CenturyLink 2011 Equity Incentive Plan (incorporated by reference to Appendix B of CenturyLink, Inc.'s Proxy Statement for its 2011 Annual Meeting of Shareholders (File No. 001-07784) filed with the Securities and Exchange Commission on April 6, 2011).

(i) Form of Restricted Stock Agreement for executive officers (incorporated by reference to Exhibit 10.2(a) (i) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2011 (File No. 001-07784) filed with the Securities and Exchange Commission on August 9, 2011).

(ii) Form of Restricted Stock Agreement for non-management directors (incorporated by reference to Exhibit 10.2(a) (ii) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2011 (File No. 001-07784) filed with the Securities and Exchange Commission on August 9, 2011).

10.3 Key Employee Incentive Compensation Plan, dated as of January 1, 1984, as amended and restated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(f) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1995 (File No. 001-07784) filed with the Securities and Exchange Commission on March 18, 1996) and amendment thereto dated as of November 21, 1996 (incorporated by reference to Exhibit 10.1(f) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 001-07784) filed with the Securities and Exchange Commission on March 17, 1997), amendment thereto dated as of February 25, 1997 (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 1997 (File No. 001-07784) filed with the Securities and Exchange Commission on May 8, 1997), amendment thereto dated as of April 25, 2001 (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2001 (File No. 001-07784) filed with the Securities and Exchange Commission on May 15, 2001), amendment thereto dated as of April 17, 2000 (incorporated by reference to Exhibit 10.3(a) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-07784) filed with the Securities and Exchange Commission on March 15, 2002) and amendment thereto dated as of February 27, 2007 (incorporated by reference to Exhibit 10.1 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2007 (File No. 001-07784) filed with the Securities and Exchange Commission on August 8, 2007).

10.4 Supplemental Dollars & Sense Plan, 2008 Restatement, effective January 1, 2008, (incorporated by reference to Exhibit 10.3 (c) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 001-07784) filed with the Securities and Exchange Commission on February 29, 2009) and amendment thereto dated as of October 24, 2008 (incorporated by reference to Exhibit 10.3(c) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on March 27, 2009) and amendment thereto dated as of December 27, 2010 (incorporated by reference to Exhibit 10.4 of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2011).

10.5 Supplemental Defined Benefit Pension Plan, effective as of January 1, 2012 (incorporated by reference to Exhibit 10.5 of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 (File No. 001-07784) filed with the Securities and Exchange Commission on February 28, 2012).

10.6 Amended and Restated Salary Continuation (Disability) Plan for Officers, dated as of November 26, 1991 (incorporated by reference to Exhibit 10.16 of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1991).

10.7 2010 Executive Officer Short-Term Incentive Program (incorporated by reference to Appendix B of CenturyLink, Inc.'s 2010 Proxy Statement on Form 14A (File No. 001-07784) filed with the Securities and Exchange Commission on April 7, 2010).

10.8 Amended and Restated CenturyLink 2001 Employee Stock Purchase Plan, dated as of June 30, 2009 (incorporated by reference to Exhibit 10.3 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on August 7, 2009).

10.9 Form of Indemnification Agreement entered into between CenturyLink, Inc. and each of its directors as of July 1, 2009 (incorporated by reference to Exhibit 99.3 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) with the Securities and Exchange Commission on July 1, 2009).

10.10 Form of Indemnification Agreement entered into between CenturyLink, Inc. and each of its officers as of July 1, 2009 (incorporated by reference to Exhibit 10.5 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on August 7, 2009).

10.11 Change of Control Agreement, effective January 1, 2011, by and between Glen F. Post, III and CenturyLink, Inc. (incorporated by reference to Exhibit 10.11 of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2011).

10.12 Form of Change of Control Agreement, effective January 1, 2011 between CenturyLink, Inc. and each of its other executive officers (incorporated by reference to Exhibit 10.12 of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2011).

10.13 Amended and Restated CenturyLink, Inc. Bonus Life Insurance Plan for Executive Officers, dated as of April 3, 2008 (incorporated by reference to Exhibit 10.4 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on May 7, 2008) and First Amendment thereto (incorporated by reference to Exhibit 10.13 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on November 5, 2010).

10.14 Certain Material Agreements and Plans of Embarq Corporation.

a. Embarq Corporation 2006 Equity Incentive Plan, as amended and restated (incorporated by reference to Exhibit 99.1 of the Registration Statement on Form S-8 filed by CenturyLink, Inc. (File No. 001-07784) with the Securities and Exchange Commission on July 1, 2009).

b. Form of 2007 Award Agreement for executive officers of Embarq Corporation (incorporated by reference to Exhibit 10.1 of Embarq Corporation's Current Report on Form 8-K (File No. 001-32372) filed with the Securities and Exchange Commission on February 27, 2007).

c. Form of 2008 Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 of Embarq Corporation's Current Report on Form 8-K (File No. 001-32372) filed with the Securities and Exchange Commission on March 4, 2008).

d. Form of 2009 Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 of Embarq Corporation's Current Report on Form 8-K (File No. 001-32732) filed with the Securities and Exchange Commission on March 5, 2009).

e. Form of Stock Option Award Agreement (incorporated by reference to Exhibit 10.3 of Embarq Corporation's Current Report on Form 8-K (File No. 001-32372) filed with the Securities and Exchange Commission on March 4, 2008).

f. Amendment to Outstanding RSUs granted in 2007 and 2008 under the Embarq Corporation 2006 Equity Incentive Plan (incorporated by reference to Exhibit 10.16 of Embarq Corporation's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-32372) filed with the Securities and Exchange Commission on February 13, 2009).

g. Form of 2006 Award Agreement, entered into between Embarq Corporation and Richard A. Gephardt (incorporated by reference to Exhibit 10.3 of Embarq Corporation's Current Report on Form 8-K (File No. 001-32372) filed with the Securities and Exchange Commission on August 1, 2006), as amended by the amendment thereto dated as of June 26, 2009 (incorporated by reference to Exhibit 10.6 (m) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on August 7, 2009).

h. Amended and Restated Executive Severance Plan, including Form of Participation Agreement entered into between Embarq Corporation and William E. Cheek (incorporated by reference to Exhibit 10.4 of Embarq Corporation's Quarterly Report on Form 10-Q for the period ended September 30, 2008 (File No. 001-32372) filed with the Securities and Exchange Commission on October 30, 2008).

i. Embarq Supplemental Executive Retirement Plan, as amended and restated as of January 1, 2009 (incorporated by reference to Exhibit 10.27 of Embarq Corporation's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-32372) filed with the Securities and Exchange Commission on February 13, 2009), amendment thereto dated as of December 27, 2010 (incorporated by reference to Exhibit 10.14(o) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2011) and second amendment thereto as of dated as of November 15, 2011 (incorporated by reference to Exhibit 10.14(k) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 (File No. 001-07784) filed with the Securities and Exchange Commission on February 28, 2012).

10.15 Certain Material Agreements and Plans of Qwest Communications International Inc.

a. Equity Incentive Plan, as amended and restated (incorporated by reference to Annex A of Qwest Communications International Inc.'s Proxy Statement for the 2007 Annual Meeting of Stockholders (File No. 001-15577) filed with the Securities and Exchange Commission on March 29, 2007).

b. Forms of restricted stock, performance share and option agreements used under Equity Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.2 of Qwest Communications International Inc.'s Current Report on Form 8-K (File No. 001-15577) filed with the Securities and Exchange Commission on October 24, 2005; Exhibit 10.2 of Qwest Communication International Inc.'s Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 001-15577) filed with the Securities and Exchange Commission on February 16, 2006; Exhibit 10.2 of Qwest Communication International Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2006 (File No. 001-15577) filed with the Securities and Exchange Commission on May 3, 2006; Exhibit 10.2 of Qwest Communication International Inc.'s Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-15577) filed with the Securities and Exchange Commission on February 8, 2007; Exhibit 10.3 of Qwest Communication International Inc.'s Current Report on Form 8-K (File No. 001-15577) filed with the Securities and Exchange Commission on September 15, 2008; Exhibit 10.2 of Qwest Communication International Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2009 (File No. 001-15577) filed with the Securities and Exchange Commission on April 30, 2009; and Exhibit 10.2 of Qwest Communication International Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-15577) filed with the Securities and Exchange Commission on February 15, 2011).

c. Deferred Compensation Plan for Nonemployee Directors, as amended and restated, Amendment to Deferred Compensation Plan for Nonemployee Directors (incorporated by reference to Exhibit 10.2 of Qwest Communications International Inc.'s Current Report on Form 8-K (File No. 001-15577) filed with the Securities and Exchange Commission on December 16, 2005 and Exhibit 10.8 to Qwest Communication International Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2008 (File No. 001-15577) filed with the Securities and Exchange Commission on October 29, 2008) and Amendment No. 2011-1 to Deferred Compensation Plan for Nonemployee Directors (incorporated by reference to Exhibit 10.15(c) of CenturyLink, Inc.'s Annual Report for the year ended December 31, 2011 (File No. 001-07784) filed with the Securities and Exchange Commission on February 28, 2012).

d. Qwest Nonqualified Pension Plan (incorporated by reference to Exhibit 10.9 of Qwest Communications International Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-15577) filed with the Securities and Exchange Commission on February 16, 2010).

10.16 Certain Material Agreements and Plans of Savvis, Inc.

a. SAVVIS, Inc. Amended and Restated 2003 Incentive Compensation Plan (incorporated by reference to Exhibit 10.4 of SAVVIS, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2006 (File No. 000-29375) filed with the Securities and Exchange Commission on May 5, 2006), as amended by Amendment No. 1 (incorporated by reference to Exhibit 10.6 of SAVVIS, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 000-29375) filed with the Securities and Exchange Commission on February 26, 2007); Amendment No. 2 (incorporated by reference to Exhibit 10.1 of SAVVIS, Inc.'s Current Report on Form 8-K (File No. 000-29375) filed with the Securities and Exchange Commission on May 15, 2007); Amendment No. 3 (incorporated by reference to Exhibit 10.3 of SAVVIS, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2007 (File No. 000-29375) filed with the Securities and Exchange Commission on July 31, 2007); Amendment No. 4 (incorporated by reference to Exhibit 10.2 of SAVVIS, Inc.'s Current Report on Form 8-K (File No. 000-29375) filed with the Securities and Exchange Commission on May 22, 2009); and Amendment No. 5 (incorporated by reference to Exhibit 10.2 of SAVVIS, Inc.'s Current Report on Form 8-K (File No. 000-29375) filed with the Securities and Exchange Commission on May 22, 2009).

b. Form agreements under Amended and Restated 2003 Incentive Compensation Plan applicable to awards held by James E. Ousley: Form of Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.1 of SAVVIS, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2003 (File No. 000-29375) filed with the Securities and Exchange Commission on October 30, 2003); and Form of Stock Unit Agreement (incorporated by reference to Exhibit 10.1 of SAVVIS, Inc.'s Current Report on Form 8-K (File No. 000-29375) filed with the Securities and Exchange Commission on August 23, 2005).

c. Form of Indemnification Agreement between SAVVIS, Inc. and James E. Ousley (incorporated by reference to Exhibit 10.4 of SAVVIS, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2010 (File No. 000-29375) filed with the Securities and Exchange Commission on November 5, 2010).

10.17 Amended and Restated Employment Agreement, Confidentiality, Severance and Non-Competition Agreement, dated as of September 2, 2011, by and among James E. Ousley, SAVVIS, Inc. and CenturyLink, Inc. (incorporated by reference to Exhibit 10.1 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2011 (File No. 001-07784) filed with the Securities and Exchange Commission on November 7, 2011).

10.18 Form of Restricted Stock Agreement, dated as of October 7, 2011, by and between CenturyLink, Inc. and James E. Ousley (incorporated by reference to Exhibit 10.18 of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 (File No. 001-07784) filed with the Securities and Exchange Commission on February 28, 2012).

10.19 Employment, Confidentiality, Severance and Non-Competition Agreement, dated as of January 8, 2013, by and among James E. Ousley, Savvis, Inc. and CenturyLink, Inc.

12* Ratio of Earnings to Fixed Charges.

21* Subsidiaries of CenturyLink, Inc.

23* Independent Registered Public Accounting Firm Consent.

31.1* Certification of the Chief Executive Officer of CenturyLink, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2* Certification of the Chief Financial Officer of CenturyLink, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32* Certification of the Chief Executive Officer and Chief Financial Officer of CenturyLink, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101*	Financial statements from the Annual Report on Form 10-K of CenturyLink, Inc. for the period ended December 31, 2012, formatted in XBRL: (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Stockholders' Equity and (vi) the Notes to the Consolidated Financial Statements.

* Exhibit filed herewith.

Note: Our Corporate Governance Guidelines and Charters of our Board of Director Committees are located on our website at www.centurylink.com.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CenturyLink, Inc.

Date: March 1, 2013	By:	/s/ David D. Cole
		David D. Cole
		Senior Vice President, Controller and Operations Support (Chief Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

/s/ Glen F. Post, III Glen F. Post, III	Chief Executive Officer, President and Director	March 1, 2013
/s/ William A. Owens William A. Owens	Chairman of the Board	March 1, 2013
/s/ R. Stewart Ewing, Jr. R. Stewart Ewing, Jr.	Executive Vice President, Chief Financial Officer and Assistant Secretary	March 1, 2013
/s/ David D. Cole David D. Cole	Senior Vice President, Controller and Operations Support	March 1, 2013
/s/ Virginia Boulet Virginia Boulet	Director	March 1, 2013
/s/ Peter C. Brown Peter C. Brown	Director	March 1, 2013
/s/ Richard A. Gephardt Richard A. Gephardt	Director	March 1, 2013
/s/ W. Bruce Hanks W. Bruce Hanks	Director	March 1, 2013
/s/ Gregory J. McCray Gregory J. McCray	Director	March 1, 2013

/s/ C. G. Melville, Jr. C. G. Melville, Jr.	Director	March 1, 2013
/s/ Fred R. Nichols Fred R. Nichols	Director	March 1, 2013
/s/ Harvey P. Perry Harvey P. Perry	Director	March 1, 2013
/s/ Michael J. Roberts Michael J. Roberts	Director	March 1, 2013
/s/ Laurie A. Siegel Laurie A. Siegel	Director	March 1, 2013
/s/ Joseph R. Zimmel Joseph R. Zimmel	Director	March 1, 2013

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Exhibit 10.19

EMPLOYMENT, CONFIDENTIALITY,
SEVERANCE AND NON-COMPETITION AGREEMENT

THIS EMPLOYMENT, CONFIDENTIALITY, SEVERANCE AND NON-COMPETITION AGREEMENT (this "Agreement") is entered into as of January 8, 2013 by and among James E. Ousley (the "Executive"), Savvis, Inc., a Delaware corporation, ("Savvis") and all its subsidiaries (collectively referred to as the "Company") and CenturyLink, Inc., a Louisiana corporation ("Parent"), and is effective as of the Effective Date. Capitalized terms used but not defined herein have the respective meanings ascribed to such terms in Section 7 of this Agreement.

WHEREAS, Parent acquired the Company on July 15, 2011 (the "Closing") via a merger described in the Agreement and Plan of Merger, dated as of April 26, 2011, among Savvis, Inc., Parent and Mimi Acquisition Company, as amended from time to time (the "Merger Agreement");

WHEREAS, the Executive is currently serving as Chief Executive Officer of the Company and President of the Enterprise Markets Group ("EMG") for the Parent;

WHEREAS, Executive, Company and Parent previously entered into the Amended and Restated Employment, Confidentiality, Severance and Non-Competition Agreement (the "Prior Agreement");

WHEREAS, although the Prior Agreement will expire and terminate by its own terms on December 31, 2012, unless earlier terminated as provided therein, the Parent and the Company desire to continue the employment of the Executive without interruption or termination, and the Executive is willing to continue his employment with Parent and its Affiliates from and after the date hereof, on the terms and conditions herein provided;

WHEREAS, the Executive acknowledges that:

- Parent and its Affiliates are and will be engaged in a number of highly competitive lines of business;
- Parent and its Affiliates conduct business throughout the United States and in numerous foreign countries;
- Parent and its Affiliates possess Confidential Information and customer goodwill that provide Parent and its Affiliates with a significant competitive advantage; and
- Parent's and its Affiliates' success depends to a substantial extent upon the protection of its Confidential Information (which includes trade secrets and customer lists) and customer goodwill by all of their employees;
- The Executive has and will continue to have possession of Confidential Information; and

WHEREAS, if the Executive were to leave Parent and its Affiliates, Parent and its Affiliates would in all fairness need certain protections to prevent competitors from gaining an unfair competitive advantage over them.

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter set forth, the parties agree as follows:

1. **Term of Agreement**. The term of employment (the "Term") hereunder shall commence on January 1, 2013 (the "Effective Date") and end on December 31, 2013, subject to earlier termination of the Executive's employment as provided under Section 4 hereof. The following provisions shall survive termination or expiration of this Agreement for any reason, to the extent applicable and in accordance with their terms: Sections 4, 5, 6, 7 and 8. Executive's employment is "at-will," and nothing contained herein shall be deemed a guarantee of employment with Company or Parent for any period of time.

2. **Capacity and Performance**.

(a) During the Term, the Executive shall serve Savvis in the position of Chief Executive Officer, Savvis and serve Parent as President of Enterprise Markets Group or in such other position to which Executive may be appointed from time to time. During the Term, the Executive will be employed by Company or Parent on a full-time basis and shall perform the duties and responsibilities of his position and such other duties and responsibilities on behalf of the Company and its Affiliates, reasonably related to that position, as may be designated from time to time by Parent. For the avoidance of doubt, by entering into this Agreement, Executive agrees that the consummation of the transaction described in the Merger Agreement shall not, by itself, constitute an event of Good Reason pursuant to clause (i) of the definition of Good Reason in the Employment, Confidentiality, Severance and Non-Competition Agreement by and between the Company and Executive, effective as of August 31, 2010 and, as a result, the Executive waives any right that he may have to terminate his employment with Good Reason due to any such event solely on account of the consummation of the transaction described in the Merger Agreement.

(b) During the Term, the Executive shall devote his full business time and his best efforts, business judgment, skill and knowledge to the advancement of the business and interests of Parent, Company and their respective Affiliates and to the discharge of his duties and responsibilities hereunder. Except for corporate or non-profit board positions that Executive currently holds, the Executive shall not engage in any other business activity or serve in any industry, trade, professional, governmental or academic position during the term of this Agreement, except as may otherwise be expressly approved in advance by the Chief Executive Officer of Parent or his designee in writing, and such approval shall not be unreasonably withheld.

3. **Compensation and Benefits**. As compensation for all services performed by the Executive during the Term, and subject to performance of the Executive's duties and the fulfillment of the obligations of the Executive to Company, Parent and their respective Affiliates, pursuant to this Agreement or otherwise:

(a) Base Salary. During the Term, Parent shall pay the Executive a base salary, which as of the Effective Date is set at the rate of five hundred fifty thousand dollars ($550,000) per annum, payable in accordance with the regular payroll practices of Parent for its executives subject to adjustment from time to time by Parent, in its sole discretion. Such base salary, as from time to time adjusted, is hereafter referred to as the "Base Salary".

(b) Bonus Compensation. Commencing on January 1, 2013 and through the end of the Term, the Executive shall be entitled to an annual bonus, with a target bonus opportunity of 110% of Base Salary, on terms to be determined annually by Parent prior to the commencement of each fiscal year. The incentive payment to the Executive, if any, shall be made at the same time as incentive payments are made to similarly situated employees of Parent, but in no event later than March 15th of the year following

the year in which the services were performed. Any annual bonus compensation paid to the Executive pursuant to this paragraph shall be in addition to the Base Salary. Except as otherwise expressly provided under the terms of this Agreement, Executive shall not be entitled to earn bonus or other compensation for services rendered to Parent.

(c) Equity Awards. Any equity awards granted to the Executive by Parent or the Company shall vest and be paid in accordance with the terms of the applicable equity award agreement and, as to equity awards granted prior to January 1, 2013, in accordance with the Prior Agreement.

Subject to and conditioned upon (i) Executive's continued employment with the Company through the normal grant date for 2013 Long Term Incentive ("LTI") grants, and (ii) the approval of the Compensation Committee of the Board of Directors, Executive will be eligible for a grant of shares of restricted stock under Parent's 2011 Equity Incentive Plan (the "Equity Plan") in connection with Parent's 2013 LTI grants to executives. The Compensation Committee will determine the terms of any such 2013 LTI grant to Executive, including the aggregate grant date value of it. Those terms will be reflected in an award agreement with Executive and the Equity Plan. The Parent will recommend to the Compensation Committee that it award a 2013 LTI grant to the Executive.

(d) Living Expenses. The Executive shall continue to receive reimbursements, consistent with the letter agreement between the Company and the Executive dated March 10, 2010, for reasonable and necessary expenses for a furnished apartment, travel expenses to and from his home to his primary work city, and local transportation in his primary work city. Pursuant to such letter agreement, to the extent the benefits provided under this Section 3(d) are taxable to the Executive, the Executive will receive an additional amount (the "gross-up payment") that, after reduction for all taxes with respect to such gross-up payment, equals the additional taxes due with respect to such benefits. Any gross-up payment required to be paid under this Section 3(d) will be paid to the Executive not later than five business days after the Executive remits the related taxes.

(e) Amounts due Under the Prior Agreement. Pursuant and subject to the Prior Agreement, Executive is entitled to certain payments, such as those provided in Paragraphs 3(c)(i), 3(c)(ii) and 3(d), which are due on a specified date even without termination of his employment. This Agreement does not extinguish, enlarge, amend or modify Executive's rights with respect to such payments under the Prior Agreement. The Executive, however, is not entitled to any payments under the Prior Agreement to the extent such payments are conditioned upon a termination of employment.

4. **Termination of Employment**.

(a) The Executive's employment with Parent or its Affiliates, as applicable, may be terminated as follows:

(i) by Parent or its Affiliates with Cause;
(ii) by Parent or its Affiliates without Cause;
(iii) upon the Executive's death or Disability;
(iv) by the Executive with Good Reason; or
(v) by the Executive without Good Reason.

(b) Upon termination of the Executive's employment for any reason (including those specified in Paragraph 4(a)) before the end of the Term, all rights and obligations under this Agreement shall cease, except as referred to in Section 1 and except that the Executive shall be entitled to (i) payment of his Base Salary through the effective date of the termination of employment, plus (ii) payment of any other amounts owed but not yet paid to the Executive as of the effective date of termination of

employment (such as reimbursement for Living Expenses and business expenses incurred prior to termination of employment and for accrued but unused vacation, in accordance with this Agreement and Parent's expense, reimbursement and Paid Time Off policies), plus (iii) payment of his Converted RSUs with payment within 30 days after termination of employment, plus (iv) any other benefits to which the Executive may be entitled which provide for payment or other benefits following termination of employment.

(c) Severance Benefits.

(i) If the Executive is subject to termination of employment pursuant to an Involuntary Termination, then in addition to any amounts and/or benefits owed under Section 4(b), the Company shall pay the Executive: (x) an amount equal to 100% of his then-current annual Base Salary for 18 months (the "Severance Payment") at the time and in the manner described in Section 4(d); (y) any equity awards granted to the Executive by Parent or the Company shall vest and be paid in accordance with the terms of the applicable equity award agreement and, as to equity awards granted prior to January 1, 2013, in accordance with the Prior Agreement; and (z) a pro-rated portion of the annual bonus that the Executive would have been entitled to receive for the fiscal year in which the termination occurs, paid at the time and in the manner described in Section 4(d). The pro-rated annual bonus will be calculated by extrapolating the anticipated full year performance of Parent and/or the affiliated business unit, as applicable, based on the current year performance to the termination date and then multiplying the resulting full year extrapolation by a fraction the numerator of which is the number of days during the calendar year the Executive worked in the year of Involuntary Termination up to the termination date and the denominator of which is 365. In addition, if the Executive is subject to an Involuntary Termination following the end of a fiscal year but before payment of his annual bonus in respect of such fiscal year, then the Executive will also be entitled to payment of such annual bonus as he would otherwise have been entitled to receive had he remained employed on the regular payment date of such annual bonus. Any such annual bonus in respect of the fiscal year preceding the termination date shall be paid at the time bonuses are paid to other senior employees of Parent in respect of such fiscal year, but not later than the end of the year during which the Involuntary Termination occurred.

(ii) If any portion of the payments or benefits to or for the benefit of the Executive (including, but not limited to, payments and benefits under this Agreement but determined without regard to this Section 4(c)(ii)) (collectively, the "Total Payments") in connection with a Change in Control occurring after December 31, 2011 constitute Excess Parachute Payments, then Parent shall have no obligation to pay any gross-up payment and instead the Total Payments shall be reduced to the greatest amount that can be paid that would not result in the imposition of the Excise Tax (the "Reduced Amount"), but such reduction shall be made only if the Net After Tax Receipt from the Reduced Amount would be greater than the Net After-Tax Receipt from the Total Payments if the Total Payments are not reduced. "Net After-Tax Receipt" shall mean the present value (as determined in accordance with Sections 280G(b)(2)(A)(ii) and 280G(d)(4) of the Code) of a payment (or payments) net of all taxes imposed on the Executive with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws. If the Net After-Tax Receipt from the Reduced Amount is not greater than the Net After-Tax Receipt from the Total Payments if the Total Payments are not reduced, no reduction shall be made to the Total Payments. If any reduction of the Total Payments is required pursuant to the preceding provisions of this Section 4(c)(ii), such reduction shall be made in the following order: (A) the payment provided for by Section 4(e); (B) the Severance Payment; (C) the annual bonus provided under Section 3(b); (D) payments and benefits (other than the accelerated vesting of equity-based or other compensation awards) that are not subject to Section 409A of the Code and are not described in the preceding clauses (A) through (C); (E) payments and benefits (other than the accelerated vesting of equity-based awards or other consideration awards) that are subject to Section 409A of the Code and are not described in the preceding clauses (A) through (D), in reverse order of payment; and (F) the

accelerated vesting of equity-based awards or other compensation awards, with cancellation of accelerated vesting applying first to the latest dates of scheduled vesting to which the acceleration applies.

(d) Timing of and Conditions to Payment. The Severance Payment due under clause (x) of Section 4(c)(i) shall be paid bi-weekly, in accordance with Parent's standard payroll procedures, for the eighteen (18) month period following the effective date of Involuntary Termination. Subject to Section 4(g), installments of such Severance Payment, as well as any amount due under clause (z) of Section 4(c)(i), will commence on the first payroll date following the 60th day after the effective date of the Involuntary Termination with the first installment including all installment payments that otherwise would have been made during such 60-day period. Each installment is a separate payment. The Severance Payment is, and shall be treated as, a series of separate payments. Subject to Section 4(g), all other severance benefits, other than stock options, shall be paid in a single lump sum payment on the 60th day following the effective date of the Involuntary Termination.

Executive's right to Severance Benefits hereunder is contingent upon and subject to each of the following having occurred:

(i) within such 60 day period, the Executive has executed and delivered to Parent a general release (in a form prescribed by Parent and acceptable to the Executive) of all known and unknown claims that he may then have against Parent, Company or their respective Affiliates and has agreed not to prosecute any legal action or other proceeding based upon any of such claims (the "General Release"), and any rescission or revocation period applicable to such General Release has expired;

(ii) the Executive has, no later than the effective date of termination, delivered to Parent a resignation from all offices, directorships and fiduciary positions with Parent and its affiliates;

(iii) the effective date of the Executive's Involuntary Termination; and

(iv) the Executive is and continues to be in compliance with all of his obligations under this Agreement, including, without limitation, Sections 5 and 6, and under the agreements and other documents referred to or incorporated by reference herein.

For purposes of Section 409A of the Code, an installment Severance Payment shall be deemed to be made as of the scheduled bi-weekly payroll date following the Executive's effective date of termination if made by the 15th day of the third calendar month following such payroll date.

(e) Health Care Benefit. Following an Involuntary Termination, Parent shall pay to the Executive a monthly taxable cash payment in an amount equal (on an after tax basis, taking into account federal, state, local and foreign taxes) to the monthly COBRA (Consolidated Omnibus Budget Reconciliation Act) premium(s) in effect as of immediately prior to the Executive's Involuntary Termination for the most expensive level of coverage under the group health plan(s) applicable to the Executive at the time of the Executive's Involuntary Termination. The monthly payments will commence with the first month following the Executive's Involuntary Termination and will terminate upon the earlier of (i) the Executive having received eighteen monthly payments and (ii) the Executive becoming re-employed and entitled to coverage under the new employer's group health plan. The Executive agrees to notify Parent in writing immediately upon becoming re-employed and entitled to coverage under a new employer's group health plan.

(f) Withholding Taxes. All payments made under this Agreement shall be subject to reduction to reflect taxes or other charges required to be withheld by law.

(g) Section 409A Savings Clause. This Agreement is intended to comply with the requirements of section 409A of the Code (including the exceptions thereto) to the extent applicable, and the Agreement shall be interpreted in a manner consistent with such requirements. Notwithstanding any other provision hereof, if any provision of the Agreement conflicts with the requirements of Section 409A of the Code (or an exception hereto), such provision shall be deemed reformed so as to comply with the requirements of Section 409A of the Code (or an exception thereto) and shall be interpreted and applied accordingly.

Severance Benefits shall be due to Executive under this Agreement only if and to the extent Executive's termination of employment constitutes a "separation from service" within the meaning of 26 C.F.R. § 1.409A-1(h). Amounts payable other than those expressly payable on a deferred or installment basis, will be paid as promptly as practical and, in any event, within 2 ½ months after the end of the year in which such amount was earned. Executive is not permitted to designate the taxable year of any payment hereunder. If any Severance Payment subject to Section 409A could be made in either one of two tax years, payment will be made in the later year.

Any amount that the Executive is entitled to be reimbursed will be reimbursed as promptly as practical in accordance with Parent's applicable policies and practices, and in any event not later than the last day of the calendar year after the calendar year in which the expenses are incurred, and the amount of the expenses eligible for reimbursement during any calendar year will not affect the amount of expenses eligible for reimbursement in any other calendar year. Living Expenses under Section 3(d) are not Severance Benefits or deferred compensation and shall be reimbursed in accordance with the letter agreement between the Company and the Executive dated March 10, 2010 and/or the parties' past practice.

If at the time of separation from service (i) the Executive is a specified employee (within the meaning of Section 409A and using the identification methodology selected by Parent from time to time), and (ii) Parent makes a good faith determination that an amount payable by Parent to the Executive constitutes deferred compensation (within the meaning of Section 409A) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or penalties under Section 409A, then Parent will not pay such amount on the otherwise scheduled payment date but will instead pay it in a lump sum on the first business day after such six-month period together with interest for the period of delay, compounded annually, equal to the prime rate (as published in the Wall Street Journal) in effect as of the dates the payments should otherwise have been provided. All payments that constitute nonqualified deferred compensation under Section 409A that are to be made upon a termination of employment under this Agreement may only be made upon a "separation from service" under Section 409A of the Code.

5. **Confidential Information**.

(a) The Executive acknowledges that Parent and its Affiliates (including the Company) continually develop Confidential Information, that the Executive may develop Confidential Information for Parent or its Affiliates and that the Executive will have possession of and access to Confidential Information during the course of employment. The Executive will comply with the policies and procedures of Parent and its Affiliates for protecting Confidential Information, and shall not disclose to any Person or use, other than as required by applicable law or for the proper performance of his duties and responsibilities to Parent and its Affiliates, any Confidential Information obtained by the Executive incident to his employment or other association with Parent or any of its Affiliates. The Executive understands that this restriction shall continue to apply after his employment terminates, regardless of the reason for such termination. The confidentiality obligation under this Section 5 shall not apply to information which is generally known or readily available to the public at the time of disclosure or

becomes generally known through no wrongful act on the part of the Executive or any other Person having an obligation of confidentiality to Parent or any of its Affiliates.

(b) All documents, records, tapes and other media of every kind and description relating to the business, present or otherwise, of Parent or its Affiliates and any copies, in whole or in part, thereof (the "Documents"), whether or not prepared by the Executive, shall be the sole and exclusive property of Parent and its Affiliates. The Executive shall safeguard all Documents and shall surrender to Parent at the time that his employment terminates, or at such earlier time or times as the Board or its designee may specify, all Documents then in the Executive's possession or control.

(c) In the event that Executive is requested or becomes legally compelled (by oral questions, interrogatories, requests for information or documents; deposition, subpoena, civil investigative demand or similar process) to disclose any of the Confidential Information, the Executive shall, where permitted under applicable law, rule or regulation, provide written notice to Parent promptly after such request so that Parent may, at its expense, seek a protective order or other appropriate remedy (the Executive agrees to reasonably cooperate with Parent in connection with seeking such order or other remedy). In the event that such protective order or other remedy is not obtained, the Executive shall furnish only that portion of the Confidential Information that the Executive is advised by Parent's counsel is required, and shall exercise reasonable efforts to obtain assurance that confidential treatment will be accorded such Confidential Information. In addition, the Executive may disclose Confidential Information in the course of inspections, examinations or inquiries by federal or state regulatory agencies and self regulatory organizations that have requested or required the inspection of records that contain the Confidential Information provided that the Executive exercises reasonable efforts to obtain reliable assurances that confidential treatment will be accorded to such Confidential Information. To the extent such information is required to be disclosed and is not accorded confidential treatment as described in the immediately preceding sentence, it shall not constitute "Confidential Information" under this Agreement.

6. **Certain Covenants**.

(a) The Executive agrees that, during his employment with Parent, he will not undertake any outside activity, whether or not competitive with the business of Savvis that could reasonably give rise to a conflict of interest or otherwise materially interfere with his duties and obligations to Savvis.

(b) During the term of Executive's employment and for twelve (12) months following termination of his employment for any reason (the "Restricted Period"), the Executive shall not, directly or indirectly, whether as owner, partner, investor, consultant, agent, employee, co-venturer or otherwise:

(i) compete with Savvis or Parent's EMG within the geographic area in which Savvis or Parent's EMG does business or undertake any planning for any business competitive with Savvis or Parent's EMG. Specifically, but without limiting the foregoing, the Executive agrees not to engage in any manner in any activity that is directly or indirectly competitive with the business of Savvis or Parent's EMG as conducted or under consideration at any time during the Executive's employment, and further agrees not to work or provide services, in any capacity, whether as an employee, independent contractor or otherwise, whether with or without compensation, to any Person who is engaged in any business that is competitive with the business of Savvis or Parent's EMG for which the Executive has provided services. The foregoing, however, shall not prevent the Executive's passive ownership of two percent (2%) or less of the equity securities of any publicly traded company; or

(ii) solicit or encourage any customer of Savvis or Parent's EMG to

terminate or diminish its relationship with Savvis; or

(iii) seek to persuade any such customer of Savvis or Parent's EMG to conduct with anyone else any business or activity which such customer conducts with Savvis or Parent's EMG; provided that these restrictions shall apply only if the Executive has performed work for or on behalf of such Person during his employment with Company or Parent or has been introduced to, or otherwise had contact with, such Person as a result of his employment or other associations with Company or Parent or has had access to Confidential Information which would assist in the Executive's solicitation of such Person.

(iv) solicit for hiring any employee or independent contractor of Savvis or Parent's EMG, or seek to persuade any employee or independent contractor of Savvis or Parent's EMG to discontinue or diminish such employee or independent contractor's relationship with Savvis.

(c) Cooperation and Non-Disparagement. The Executive agrees that, during the Restricted Period, he shall cooperate with Parent in every reasonable respect and shall use his best efforts to assist Parent with the transition of the Executive's duties to his successor. The Executive further agrees that, during the Restricted Period, he shall not in any way or by any means disparage Parent, the members of Parent's Board or Parent's officers and employees.

(d) Assignment of Inventions. The Executive shall promptly and fully disclose all Work Product to Parent, the Executive hereby assigns to Parent all of the Executive's rights, title, and interest (including but not limited to all patent, trademark, copyright and trade secret rights) in and to all work product prepared by the Executive, made or conceived in whole or in part by the Executive within the scope of the Executive's employment by Parent or within six (6) months thereafter, or that relate directly to or involve the use of Confidential Information ("Work Product"). The Executive further acknowledges and agrees that all copyrightable Work Product prepared by the Executive within the scope of the Executive's employment with Parent are "works made for hire" and, consequently, that Parent owns all copyrights thereto. The Executive agrees to execute any and all applications for domestic and foreign patents, copyrights or other proprietary rights and to do such other acts (including without limitation the execution and delivery of instruments of further assurance or confirmation) requested by Parent to assign the Work Product to Parent and to permit Parent to enforce any patents, copyrights or other proprietary rights to the Work Product. The Executive will not charge Parent for time spent in complying with these obligations. Notwithstanding the foregoing, any provision in this Agreement which provides that the Executive shall assign, offer to assign, any of his rights in an invention to Parent shall not apply to an invention that the Executive developed entirely on his own time without using Parent's equipment, supplies, facilities, or trade secret information except for those inventions that either:

(i) relate at the time of conception or reduction to practice of the invention to Parent's or the Company's business or actual demonstrably anticipated research or development of Parent, the Company or any of their respective Affiliates; or

(ii) result from any work performed by the Executive for Parent, the Company or any of their respective Affiliates.

(e) Acknowledgement Regarding Restrictions. Parent and the Company have expended a great deal of time, money and effort to develop and maintain its confidential business information which, if misused or disclosed, could be very harmful to its business and could cause Parent to be at a competitive disadvantage in the marketplace. Parent and the Company would not be willing to proceed with the execution of this Agreement but for the Executive's signing and agreeing to abide by the terms of this Agreement. The Executive recognizes and acknowledges that he has and will have access to

Confidential Information of Parent, and that Parent, in all fairness, needs certain protection in order to ensure that the Executive does not misappropriate or misuse any trade secret or other Confidential Information or take any other action which could result in a loss of the goodwill of Parent and, more generally, to prevent the Executive from having or providing others with an unfair competitive advantage over Parent. To that end, Parent acknowledges that the foregoing restrictions, both separately and in total, are reasonable and enforceable in view of Parent's legitimate interests in protecting the goodwill, confidential information and customer loyalty of its business. To the extent that any provision of this Agreement is adjudicated to be invalid or unenforceable because it is somehow overbroad or otherwise unreasonable, that provision shall not be void but rather shall be limited only to the extent required by applicable law and enforced as so limited to the greatest extent allowed by law, and the validity or enforceability of the remaining provisions of this Agreement shall be unaffected and such adjudication shall not affect the validity or enforceability of such remaining provisions.

(f) Right to Injunctive Relief. The Executive further agrees that in the event of any breach hereof the harm to Parent and its Affiliates will be irreparable and without adequate remedy at law and, therefore, that injunctive relief with respect thereto will be appropriate. In the event of a breach or threatened breach of any of the Executive's obligations under the terms of Sections 5 or 6 hereof, Parent shall be entitled, in addition to any other legal or equitable remedies it may have in connection therewith (including any right to damages that it may suffer), to temporary, preliminary and permanent injunctive relief restraining such breach or threatened breach (without the obligation to post bond), together with reasonable attorney's fees incurred in preliminarily enforcing its rights hereunder. The Executive specifically agrees that if there is a question as to the enforceability of any of the provisions of Sections 5 or 6 hereof, the Executive will not engage in any conduct inconsistent with or contrary to the applicable Section until after the question has been resolved by a final judgement of a court of competent jurisdiction.

7. **Definitions**.

(a) "Affiliate." As used in this Agreement, "Affiliate" shall mean, with respect to any Person, all Persons directly or indirectly controlling, controlled by or under common control with such Person, where control may be by either management authority, contract or equity interest. As used in this definition, "control" and correlative terms have the meanings ascribed to such words in Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). For example, Savvis is an "Affiliate" of Parent.

(b) "Cause." As used in this Agreement, "Cause" shall mean any of the following (i) the Executive's willful and continued failure to perform substantially the duties of his responsibilities (other than due to physical or mental incapacity) , (ii) the Executive's unauthorized use or disclosure of trade secrets which causes substantial harm to Parent or any of its Affiliates; (iii) the Executive's engaging in illegal conduct that is likely to be injurious to Parent or any of its Affiliates; (iv) the Executive's acts of fraud, dishonesty, or gross misconduct, or gross negligence in connection with the business of Parent or any of its Affiliates; (v) the Executive's conviction of a felony; (vi) the Executive's engaging in any act of moral turpitude reasonably likely to substantially and adversely affect Parent or its business or the business of any of Parent's Affiliates; (vii) the Executive engaging in the illegal use of a controlled substance or using prescription medications unlawfully; (viii) the Executive's abuse of alcohol; or (ix) the breach by the Executive of a material term of this Agreement, including, without limitation, his obligations under Sections 5 or 6.

(c) "Change in Control." As used in this Agreement, "Change in Control" means the occurrence of any of the following subsequent to the Effective Date hereof:

(A) any Person (as defined herein) becomes the beneficial owner directly or indirectly (within the meaning of Rule 13d-3 under the Exchange Act) of more than 50% of Parent' s then outstanding voting securities (measured on the basis of voting power); or

(B) Individuals who, as of the date hereof, constitute the Parent Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Parent Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by Parent' s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Parent Board; or

(C) the closing of an agreement of merger or consolidation with any other corporation or business entity, other than

(x) a merger or consolidation which would result in the voting securities of Parent outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of Parent, at least 50% of the combined voting power of the voting securities of Parent or such surviving entity outstanding immediately after such merger or consolidation, or (y) a merger or consolidation effected to implement a recapitalization of Parent (or similar transaction) in which no Person acquires more than 50% of the combined voting power of Parent's then outstanding securities;

(D) the liquidation or dissolution of Parent or the closing of a sale or disposition by Parent of all or substantially all of its assets.

For purposes of this paragraph, "*Person*" means any individual, entity or group within the meaning of Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof; however, a Person shall not include (aa) Parent or any of its subsidiaries, (bb) a trustee or other fiduciary holding securities under an employee benefit plan of Parent, (cc) an underwriter temporarily holding securities pursuant to an offering of such securities, (dd) a corporation owned, directly or indirectly, by the shareholders of Parent in substantially the same proportions as their ownership of Parent common stock, or (ee) any person or entity or group acquiring securities of Parent pursuant to an issuance of securities approved by the Board.

(d) "Code." As used in this Agreement, "Code" shall mean the Internal Revenue Code of 1986, as amended.

(e) "Confidential Information." As used in this Agreement, "Confidential Information" shall mean any and all information of Parent, the Company and any of their respective Affiliates that is not generally known by others with whom they compete or do business, or with whom any of them plans to compete or do business and any and all information, publicly known in part or not, which, if disclosed by Parent, the Company or their respective Affiliates would assist in competition against them. Confidential Information includes without limitation such information relating to (i) trade secrets, the development, research, testing, manufacturing, marketing and financial activities of Parent, the Company and their respective Affiliates, (ii) the Products, (iii) the costs, sources of supply, financial performance and strategic plans of Parent, the Company and their respective Affiliates, (iv) the identity and special needs of the customers of Parent, the Company and their respective Affiliates and (v) client lists and the people and organizations with whom Parent, the Company and their respective Affiliates have business relationships and the substance of those relationships. Confidential information also

includes any information that Parent, the Company or any of their respective Affiliates have received, or may receive hereafter, belonging to customers or others with any understanding, express or implied, that the information would not be disclosed.

(f) "Disability." As used in this Agreement, "Disability" shall mean the Executive becoming disabled during his employment hereunder through any illness, injury, accident or condition of either a physical or psychological nature and, as a result, is unable to perform substantially all of his duties and responsibilities hereunder, notwithstanding the provision of any reasonable accommodation, for one hundred and eighty (180) days during any period of three hundred and sixty-five (365) consecutive calendar days.

(g) "Good Reason." As used in this Agreement, "Good Reason" shall mean the occurrence of any of the following events following the Effective Date: (i) a change in the Executive's position that materially reduces his authority and level of responsibility, as compared to his authority and level responsibility as of the Effective Date, as an executive of Parent or Company, (ii) a material reduction in his level of compensation (including base salary and target bonus) , as compared to his level of compensation as of the Effective Date, or (iii) relocation of his employment more than fifty (50) miles from the metropolitan area in which the Executive's office is located at the Effective Date; provided, however, that in the case of the preceding clauses (i), (ii) and (iii), Good Reason shall only exist if effected without the Executive's consent. Notwithstanding the foregoing, Good Reason shall only exist if (A) the Executive provides written notice to Parent within ninety (90) days of the occurrence of the event or condition constituting Good Reason, (B) Parent is provided a period of thirty (30) days to cure the event or condition giving rise to Good Reason (the "Cure Period") and fails to do so prior to the end of the Cure Period, and (C) the Executive terminates employment within thirty (30) days after the end of the Cure Period.

(h) "Intellectual Property." As used in this Agreement, "Intellectual Property" shall mean inventions, discoveries, developments, methods, processes, compositions, works, concepts and ideas (whether or not patentable or copyrightable or constituting trade secrets) conceived, made, created, developed or reduced to practice by the Executive (whether alone or with others, whether or not during normal business hours or on or off Parent premises) during the Executive's employment and during the period of six (6) months immediately following termination of his employment that relate to either the Products or any prospective activity of Parent, the Company or any of their respective Affiliates or that make use of Confidential Information or any of the equipment or facilities of Parent, the Company or any of their respective Affiliates.

(i) "Involuntary Termination." As used in this Agreement, "Involuntary Termination" shall mean termination of employment under Section 4(a)(ii) or Section 4(a)(iv).

(j) "Parent's EMG." As used in this Agreement, "Parent's EMG" shall mean the Enterprise Markets Group of the Parent, including all business activities and functions performed by that Group as of the date this Agreement is entered into. "Parent's EMG" shall include any successor business group(s) of Parent.

(k) "Person." As used in this Agreement, "Person" shall mean an individual, a corporation, a limited liability company, an association, a partnership, an estate, a trust and any other entity or organization.

(l) "Products." As used in this Agreement, "Products" shall mean all products planned, researched, developed, tested, manufactured, sold, licensed, leased or otherwise distributed or put into use by Parent, the Company or any of their respective Affiliates, together with all services

provided or planned by Parent, the Company or any of their respective Affiliates, during the Executive's employment.

8. **Miscellaneous Provisions**.

(a) Conflicts. If any provision of this Agreement conflicts with any other agreement, policy, plan, practice or other Company or Parent document, then the provisions of this Agreement will control. When it becomes effective, this Agreement will supersede any prior agreement between the Executive and Parent or the Company with respect to the subject matters contained herein, including without limitation the Prior Agreement, and may be amended only by a writing signed by an officer of Parent (other than the Executive).

(b) Notice. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid or deposited with an overnight courier, with shipping charges prepared. In the case of the Executive, mailed notices shall be addressed to him or her at the home address which he most recently communicated to Parent in writing. In the case of Parent or the Company, mailed notices shall be addressed to Parent's corporate headquarters, and all notices shall be directed to the attention of Parent's Senior Vice President and General Counsel.

(c) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Executive and by an authorized officer of Parent (other than the Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(d) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(e) No Retention Rights. Nothing in this Agreement shall confer upon the Executive any right to continue in service for any period of specific duration or to interfere with or otherwise restrict in any way the rights of Parent or any subsidiary of Parent or of the Executive, which rights are hereby expressly reserved by each, to terminate his service at any time and for any reason, with or without Cause and with or without notice.

(f) Governing Law. This Agreement shall be construed and enforced in accordance with and governed by the internal laws of the State of Missouri without regard to principles of conflict of laws.

(g) Attorney's Fees. In the event of any action by either party to enforce or interpret the terms of this Agreement, the prevailing party with respect to any particular claim shall (in addition to other relief to which it or he may be awarded) be entitled to recover his or its attorney's fees in a reasonable amount incurred in connection with such claim.

(h) Successors. This Agreement and all rights of the parties hereunder shall inure to the benefit of, and be enforceable by, such parties' personal or legal representatives, executors, administrators, successors, heirs and assigns, as applicable.

(i) Entire Agreement. This Agreement, together with the other agreements and any documents, instruments and certificates referred to herein, constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes any and all prior discussions, negotiations, proposals, undertakings, understandings and agreements, whether written or oral, with respect to the subject matter contained herein.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of Parent and the Company, by their respective duly authorized officers, as of the day and year first above written.

PARENT

By: /s/ Stacey W. Goff
Stacey W. Goff
Executive Vice President

EXECUTIVE

By: /s/ James E. Ousley
James E. Ousley

COMPANY

By: /s/ Stacey W. Goff
Stacey W. Goff
Executive Vice President

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Section 3: EX-12 (EX-12)

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Exhibit 12

CENTURYLINK, INC.

CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES
(UNAUDITED)

	Years Ended December 31,				
	2012	**2011**	**2010**	**2009**	**2008**
	(Dollars in millions)				
Income before income tax expense	$ 1,250	948	1,531	813	561
Less: Income from equity investee	(15)	(13)	(16)	(19)	(13)
Add: estimated fixed charges	1,504	1,223	615	418	229
Add: estimated amortization of capitalized interest	15	12	2	2	1
Add: distributed income of equity investee	12	14	16	20	16
Less: interest capitalized	(43)	(25)	(13)	(3)	(2)
Total earnings available for fixed charges	$ 2,723	2,159	2,135	1,231	792
Estimate of interest factor on rentals	142	126	57	48	27
Interest expense, including amortization of premiums, discounts and debt issuance costs	1,319	1,072	545	367	200
Interest capitalized	43	25	13	3	2
Total fixed charges	$ 1,504	1,223	615	418	229
Ratio of earnings to fixed charges	1.81	1.77	3.47	2.94	3.46

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[CENTURYLINK, INC. CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES (UNAUDITED)](#)
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Section 4: EX-21 (EX-21)

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Exhibit 21

CENTURYLINK, INC.
SUBSIDIARIES OF THE REGISTRANT
AS OF DECEMBER 31, 2012

Subsidiary	State of incorporation or formation
Actel, LLC	Delaware
Bloomingdale Telephone Company, Inc. (20%)	Michigan
Century Cellunet International, Inc.	Louisiana
Cellunet of India Limited	Mauritius
Century Interactive Fax, Inc.	Louisiana
Century Telephone of West Virginia, Inc.	West Virginia
CenturyLink—Clarke M. Williams Foundation	Colorado
CenturyTel Acquisition LLC	Louisiana
CenturyTel of Adamsville, Inc.	Tennessee
CenturyTel of Arkansas, Inc.	Arkansas
CenturyTel Broadband Services, LLC	Louisiana
CenturyTel TeleVideo, Inc.	Wisconsin
CenturyTel/Teleview of Wisconsin, Inc.	Wisconsin
Qwest Broadband Services, Inc.	Delaware
CenturyTel Broadband Wireless, LLC	Louisiana
CenturyTel of Central Indiana, Inc.	Indiana
CenturyTel of Central Louisiana, LLC	Louisiana
CenturyTel of Chatham, LLC	Louisiana
CenturyTel of Chester, Inc.	Iowa
CenturyTel of Claiborne, Inc.	Tennessee
CenturyTel of East Louisiana, LLC	Louisiana
CenturyTel of Evangeline, LLC	Louisiana
CenturyTel Fiber Company II, LLC	Louisiana
CenturyTel Holdings, Inc.	Louisiana
Century Marketing Solutions, LLC	Louisiana
CenturyTel Arkansas Holdings, Inc.	Arkansas
CenturyTel of Central Arkansas, LLC	Louisiana
CenturyTel of Northwest Arkansas, LLC	Louisiana
CenturyTel Holdings Alabama, Inc.	Alabama
CenturyTel of Alabama, LLC	Louisiana
CenturyTel Holdings Missouri, Inc.	Missouri
CenturyTel of Missouri, LLC	Louisiana
CenturyTel Investments of Texas, Inc.	Delaware
CenturyTel of the Northwest, Inc.	Washington
Brown Equipment Corp.	Nevada
Carter Company, Inc.	Hawaii
Honomach PR, Inc.	Puerto Rico
Cascade Autovon Company	Washington
CenturyTel/Cable Layers, Inc.	Wisconsin
CenturyTel of Central Wisconsin, LLC	Delaware

CenturyTel of Colorado, Inc.	Colorado
CenturyTel of Eagle, Inc.	Colorado
CenturyTel of Eastern Oregon, Inc.	Oregon
CenturyTel Entertainment, Inc.	Washington
CenturyTel of Fairwater-Brandon-Alto, LLC	Delaware

Subsidiary	State of incorporation or formation
CenturyTel of Forestville, LLC	Delaware
CenturyTel of the Gem State, Inc. (97%)	Idaho
CenturyTel of Inter Island, Inc.	Washington
CenturyTel of Larsen-Readfield, LLC	Delaware
CenturyTel of the Midwest-Kendall, LLC	Delaware
CenturyTel of the Midwest-Wisconsin, LLC	Delaware
CenturyTel of Minnesota, Inc.	Minnesota
CenturyTel of Monroe County, LLC	Delaware
CenturyTel of Montana, Inc. (99%)	Oregon
CenturyTel of Northern Wisconsin, LLC	Delaware
CenturyTel of Northwest Wisconsin, LLC	Delaware
CenturyTel of Oregon, Inc.	Oregon
CenturyTel of Paradise, Inc.	Washington
CenturyTel of Cowiche, Inc.	Washington
CenturyTel of Postville, Inc.	Iowa
CenturyTel of Southern Wisconsin, LLC	Delaware
CenturyTel of the Southwest, Inc.	New Mexico
CenturyTel Telecom Service, Inc.	Washington
CenturyTel Telephone Utilities, Inc.	Washington
CenturyTel of Upper Michigan, Inc.	Michigan
CenturyTel of Washington, Inc.	Washington
CenturyTel/WORLDVOX, Inc.	Oregon
CenturyTel of Wyoming, Inc.	Wyoming
Eagle Valley Communications Corporation	Colorado
International Communications Holdings, Inc.	Delaware
Pacific Telecom, Inc. (Shell)	Oregon
PTI Communications of Ketchikan, Inc.	Alaska
PTI Communications of Minnesota, Inc.	Minnesota
PTI Transponders, Inc.	Oregon
Universal Manufacturing Corp.	Wisconsin
CenturyTel of Idaho, Inc.	Delaware
CenturyTel Interactive Company	Louisiana
CenturyTel Internet Holdings, Inc.	Louisiana
centurytel.com, LLC	Louisiana
CenturyTel Investments, LLC	Louisiana
CenturyTel Long Distance, LLC	Louisiana
CenturyTel of Michigan, Inc.	Michigan
CenturyTel Midwest—Michigan, Inc.	Michigan
CenturyTel Mobile Communications, Inc.	Louisiana
CenturyTel of Mountain Home, Inc.	Arkansas
CenturyTel of North Louisiana, LLC	Louisiana
CenturyTel of North Mississippi, Inc.	Mississippi
CenturyTel of Northern Michigan, Inc.	Michigan
CenturyTel of Northwest Louisiana, Inc.	Louisiana
CenturyTel of Odon, Inc.	Indiana
CenturyTel of Ohio, Inc.	Ohio
CenturyTel of Ooltewah-Collegedale, Inc.	Tennessee
CenturyTel of Port Aransas, Inc.	Texas
CenturyTel of Redfield, Inc.	Arkansas
CenturyTel of Ringgold, LLC	Louisiana
CenturyTel SM Telecorp, Inc.	Texas

Subsidiary	State of incorporation or formation
CenturyTel Telecommunications, Inc.	Texas
CenturyTel of San Marcos, Inc.	Texas
CenturyTel San Marcos Investments, LLC	Delaware
CenturyTel Security Systems, Inc.	Louisiana
CenturyTel Service Group, LLC	Louisiana
CenturyTel Solutions, LLC	Louisiana
CenturyTel of South Arkansas, Inc.	Arkansas
CenturyTel of Southeast Louisiana, LLC	Louisiana
CenturyTel of Southwest Louisiana, LLC	Louisiana
CenturyTel Supply Group, Inc.	Louisiana
CenturyTel/Tele-Max, Inc.	Texas
CenturyTel of Lake Dallas, Inc.	Texas
CenturyTel Web Solutions, LLC	Louisiana
CenturyTel of Wisconsin, LLC	Louisiana
Embarq Corporation	Delaware
Carolina Telephone and Telegraph Company LLC	North Carolina
NOCUTS, Inc.	Pennsylvania
SC One Company	Kansas
Centel Corporation	Kansas
Centel Capital Corporation	Delaware
Centel-Texas, Inc.	Texas
Central Telephone Company of Texas	Texas
EQ Central Texas Equipment LLC	Texas
Central Telephone Company	Delaware
Central Telephone Company of Virginia	Virginia
Embarq Florida, Inc.	Florida
The Winter Park Telephone Company	Florida
CenturyLink Sales Solutions, Inc.	Delaware
Embarq, Inc.	Kansas
Embarq Capital Corporation	Delaware
SC Seven Company	Kansas
Embarq Communications, Inc.	Delaware
Embarq Communications of Virginia, Inc.	Virginia
CenturyLink Intellectual Property LLC	Delaware
Embarq Directory Trademark Company, LLC	Delaware
Embarq Interactive Holdings LLC	Delaware
Embarq Interactive Markets LLC	Delaware
Embarq Management Company	Delaware
EQ Management Equipment LP	Nevada
Embarq Mid-Atlantic Management Services Company	North Carolina
Embarq Minnesota, Inc.	Minnesota
Embarq Missouri, Inc.	Missouri
SC Eight Company	Kansas
Embarq Network Company LLC	Delaware
Embarq Payphone Services, Inc.	Florida
EQ Equipment Leasing, Inc.	Delaware
United Telephone Company of the Carolinas LLC	South Carolina
SC Two Company	Kansas
United Telephone Company of Eastern Kansas	Delaware
United Telephone Company of Florida	Florida
Vista-United Telecommunications (49%)	Florida

Subsidiary	State of incorporation or formation
United Telephone Company of Indiana, Inc.	Indiana
SC Four Company	Kansas
United Telephone Company of Kansas	Kansas
Embarq Midwest Management Services Company	Kansas
United Teleservices, Inc.	Kansas
United Telephone Company of New Jersey, Inc.	New Jersey
United Telephone Company of the Northwest	Oregon
United Telephone Company of Ohio	Ohio
SC Five Company	Kansas
United Telephone Company of Pennsylvania LLC, The	Pennsylvania
SC Six Company	Kansas
Valley Network Partnership (40% aggregate)	Virginia
United Telephone Company of Southcentral Kansas	Arkansas
United Telephone Company of Texas, Inc.	Texas
EQ United Texas Equipment LLC	Texas
United Telephone Company of the West	Delaware
United Telephone Southeast LLC	Virginia
SC Three Company	Kansas
Hillsboro Telephone Company, Inc. (20%)	Wisconsin
Lafayette MSA Limited Partnership (49%)	Delaware
Madison River Communications Corp.	Delaware
Gallatin River Holdings L.L.C.	Delaware
Gallatin River Communications L.L.C.	Delaware
Madison River Communications, LLC	Delaware
Gulf Communications, LLC	Delaware
Savannah River Communications, LLC	Delaware
Madison River Finance Corp.	Delaware
Madison River Holdings LLC	Delaware
Madison River LTD Funding LLC	Delaware
Coastal Communications, Inc.	Delaware
Coastal Utilities, Inc.	Georgia
Coastal Long Distance Services LLC	Georgia
Gulf Coast Services, Inc.	Alabama
Gulf Long Distance LLC	Alabama
Gulf Telephone Company	Alabama
Madison River Management LLC	Delaware
Mebtel, Inc.	North Carolina
Pacific Telecom Cellular of Alaska RSA #1, Inc.	Alaska
Qwest Communications International, Inc.	Delaware
EUnet International Limited	United Kingdom
EUnet International B.V.	Netherlands
Qwest B.V.	Netherlands
KPNQwest N.V. (44.34%)	Netherlands
Qwest Capital Funding, Inc.	Colorado
Qwest Europe LLC	Delaware
Qwest Services Corporation	Colorado
CenturyLink Investment Management Company	Colorado
Qwest Communications Company, LLC	Delaware
Qwest Communications Corporation of Virginia	Virginia
Qwest International Services Corporation	Delaware
Qwest N Limited Partnership (98.5%)	Delaware

Subsidiary	State of incorporation or formation
Qwest Transoceanic, Inc.	Delaware
Qwest Communications International Ltd.	United Kingdom
Qwest Holdings, BV	Netherlands
Qwest France SAS	France
Qwest Germany GmbH	Germany
Qwest Netherlands BV	Netherlands
Qwest Peru S.R.L.	Peru
Qwest Telecommunications Asia, Limited	Hong Kong
Qwest Australia Pty Limited	Australia
Qwest Communications Japan Corporation	Japan
Qwest Communications Korea, Limited	Korea
Qwest Hong Kong Telecommunications, Limited	Hong Kong
Qwest Singapore Pte Ltd.	Singapore
Qwest Taiwan Telecommunications, Limited	Taiwan
Qwest Corporation	Colorado
1200 Landmark Center Condominium Association, Inc.	Nebraska
Block 142 Parking Garage Association	Colorado
Qwest Database Services, Inc.	Colorado
SMS/800, Inc. (33.3%)	District of Columbia
Qwest India Holdings, LLC	Delaware
CenturyLink Technologies India Private Limited	India
The El Paso County Telephone Company	Colorado
MoveARoo, LLC (33.3%)	Delaware
Qwest Dex Holdings, Inc.	Delaware
Qwest Government Services, Inc.	Colorado
Qwest LD Corp.	Delaware
Qwest Wireless, L.L.C.	Delaware
SAVVIS, Inc.	Delaware
SAVVIS Argentina S.A.	Argentina
SAVVIS Asia Holdings Singapore Pte.	Singapore
Digital Savvis HK JV	British VI
Digital Savvis HK Holding 1 Limited	British VI
Digital Savvis Investment Management HK Limited	Hong Kong
Digital Savvis Management Subsidiary Limited	Hong Kong
SAVVIS Australia Pty. Ltd.	Australia
SAVVIS Canada, Inc.	Delaware
SAVVIS Communications Canada, Inc.	Canada
SAVVIS Communications Chile, S.A.	Chile
SAVVIS Communications Corporation	Missouri
SAVVIS Federal Systems, Inc.	Delaware
SAVVIS Communications International, Inc.	Delaware
SAVVIS Communications Private Limited	India
SAVVIS Korea Limited	Korea
SAVVIS Communications K.K.	Japan
SAVVIS do Brasil Ltda.	Brazil
SAVVIS Telecommunicacões Ltda.	Brazil
SAVVIS do Brasil Participacoes Ltda.	Brazil
SAVVIS Comunicacoes Ltda.	Brazil
SAVVIS Europe B.V.	Netherlands
SAVVIS Europe BV Sucursal en España	Spain
SAVVIS Europe B.V., The Netherlands, filial Sweden	Sweden

Subsidiary	State of incorporation or formation
SAVVIS France S.A.S.	France
SAVVIS Germany GmbH	Germany
SAVVIS Hong Kong Ltd.	Hong Kong
SAVVIS Hungary Telecommunications KFT	Hungary
SAVVIS Italia S.r.l.	Italy
SAVVIS Malaysia Sd. Ltd.	Malaysia
SAVVIS Mexico, S.A. de C.V.	Mexico
SAVVIS New Zealand Limited	New Zealand
SAVVIS Philippines, Inc.	Philippines
SAVVIS Poland Sp Zo.o.	Poland
SAVVIS Singapore Company Pte. Ltd.	Singapore
SAVVIS Switzerland A.G.	Switzerland
SAVVIS Taiwan Limited	Taiwan
SAVVIS (Thailand) Limited	Thailand
SAVVIS U.K. Limited	United Kingdom
SkyComm Technologies Corporation (50.0%)	Delaware
Spectra Communications Group, LLC	Delaware
TelUSA Holdings, LLC (89%)	Delaware
Telephone USA of Wisconsin, LLC	Delaware
Western Re, Inc.	Vermont

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Section 5: EX-23 (EX-23)

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Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
CenturyLink, Inc.:

We consent to the incorporation by reference in the Registration Statements (No. 333-165607 and 333-179888) on Form S-3, the Registration Statements (No. 33-60061, No. 333-160391, No. 333-37148, No. 333-60806, No. 333-150157, No. 333-124854, No. 333-150188, and No. 333-174571) on Form S-8, and the Registration Statements (No. 33-48956, No. 333-17015, No. 333-167339, No. 333-174291, and No. 333-155521) on Form S-4 of CenturyLink, Inc. of our reports dated March 1, 2013, with respect to the consolidated balance sheets of CenturyLink, Inc. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income (loss), cash flows, and stockholders' equity for each of the years in the three-year period ended December 31, 2012, and the effectiveness of internal control over financial reporting as of December 31, 2012, which reports appear in the December 31, 2012 annual report on Form 10-K of CenturyLink, Inc.

/s/ KPMG LLP

Shreveport, Louisiana
March 1, 2013

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Exhibit 23

Consent of Independent Registered Public Accounting Firm
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Section 6: EX-31.1 (EX-31.1)

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Exhibit 31.1

CERTIFICATION

I, Glen F. Post, III, Chief Executive Officer and President, certify that:

1. I have reviewed this annual report on Form 10-K of CenturyLink, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2013	/s/ Glen F. Post, III
	Glen F. Post, III

Chief Executive Officer and President

Section 7: EX-31.2 (EX-31.2)

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Exhibit 31.2

CERTIFICATION

I, R. Stewart Ewing, Jr., Executive Vice President, Chief Financial Officer and Assistant Secretary, certify that:

1. I have reviewed this annual report on Form 10-K of CenturyLink, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2013	/s/ R. Stewart Ewing, Jr.
	R. Stewart Ewing, Jr.

Executive Vice President, Chief
Financial Officer and Assistant
Secretary

Section 8: EX-32 (EX-32)

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Exhibit 32

Chief Executive Officer and Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Each of the undersigned, acting in his capacity as the Chief Executive Officer or Chief Financial Officer of CenturyLink, Inc. ("CenturyLink"), certifies that, to his knowledge, the Annual Report on Form 10-K for the year ended December 31, 2012 of CenturyLink fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of CenturyLink as of the dates and for the periods covered by such report.

A signed original of this statement has been provided to CenturyLink and will be retained by CenturyLink and furnished to the Securities and Exchange Commission or its staff upon request.

Date: March 1, 2013

/s/ Glen F. Post, III	/s/ R. Stewart Ewing, Jr.
Glen F. Post, III	R. Stewart Ewing, Jr.
Chief Executive Officer and President	Executive Vice President, Chief Financial Officer and Assistant Secretary

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Section 1: 10-K (10-K)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2013
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission File No. 001-7784

CENTURYLINK, 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 CenturyLink Drive, Monroe, Louisiana **(Address of principal executive offices)**	**71203** **(Zip Code)**

(318) 388-9000
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $1.00	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: Stock Options

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

On February 18, 2014, 577,955,329 shares of common stock were outstanding. The aggregate market value of the voting stock held by non-affiliates as of June 30, 2013 was $21.3 billion.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's Proxy Statement to be furnished in connection with the 2014 annual meeting of shareholders are incorporated by reference in Part III of this Annual Report.

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Unless the context requires otherwise, references in this annual report to "CenturyLink," "we," "us" and "our" refer to CenturyLink, Inc. and its consolidated subsidiaries, including SAVVIS, Inc. and its consolidated subsidiaries (referred to as "Savvis") for periods on or after July 15, 2011 and Qwest Communications International Inc. and its consolidated subsidiaries (referred to as "Qwest") for periods on or after April 1, 2011.

PART I

ITEM 1. BUSINESS

Overview

We are an integrated communications company engaged primarily in providing an array of communications services to our residential, business, governmental and wholesale customers. Our communications services include local and long-distance, broadband, private line (including special access), Multi-Protocol Label Switching ("MPLS"), data integration, managed hosting (including cloud hosting), colocation, Ethernet, network access, public access, wireless, video services and other ancillary services. We strive to maintain our customer relationships by, among other things, bundling our service offerings to provide our customers with a complete offering of integrated communications services.

Based on our approximately 13.0 million total access lines at December 31, 2013, we believe we are the third largest wireline telecommunications company in the United States. We operate almost 75% of our total access lines in portions of Colorado, Arizona, Washington, Florida, Minnesota, North Carolina, Oregon, Utah, Iowa, New Mexico, Missouri, and Nevada. We also provide local service in portions of Idaho, Ohio, Wisconsin, Virginia, Texas, Pennsylvania, Alabama, Montana, Nebraska, Indiana, Arkansas, Tennessee, Wyoming, New Jersey, South Dakota, North Dakota, Kansas, Louisiana, Michigan, South Carolina, Illinois, Georgia, Mississippi, Oklahoma, and California. In the portion of these 37 states where we have access lines, which we refer to as our local service area, we are the incumbent local telephone company.

At December 31, 2013 we served approximately 6.0 million broadband subscribers. We also operate 55 data centers throughout North America, Europe and Asia. We define a data center as any facility where we market, sell and deliver either colocation services, multi-tenant managed services, or both.

We were incorporated under the laws of the State of Louisiana in 1968. Our principal executive offices are located at 100 CenturyLink Drive, Monroe, Louisiana 71203 and our telephone number is (318) 388-9000.

For a discussion of certain risks applicable to our business, see "Risk Factors" in Item 1A of this annual report. The summary financial information in this section should be read in conjunction with, and is qualified by reference to, our consolidated financial statements and notes thereto in Item 8 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this annual report.

Acquisitions

Acquisition of Savvis

On July 15, 2011, we acquired all of the outstanding common stock of Savvis, a provider of cloud hosting, managed hosting, colocation and network services in domestic and international markets. We believe this acquisition enhanced our ability to provide information technology services to our existing business customers and strengthened our ability to attract new business customers. The aggregate consideration paid for Savvis was $2.382 billion (determined in the manner described in Note 2—Acquisitions to our consolidated financial statements in Item 8 of this annual report), which consisted of converting each share of Savvis common stock outstanding immediately prior to the acquisition into $30 per share in cash and 0.2479 shares of CenturyLink common stock. Upon completing the acquisition, we also paid $547 million to retire certain pre-existing Savvis debt and accrued interest.

Acquisition of Qwest

On April 1, 2011, we acquired all of the outstanding common stock of Qwest, a provider of data, broadband, video and voice services nationwide and globally. We entered into this acquisition, among other things, to realize certain strategic benefits, including enhanced financial and operational scale, market diversification and leveraged combined networks. As of the acquisition date, Qwest served approximately 9.0 million access lines and approximately 3.0 million broadband subscribers across 14 states. The aggregate consideration paid for Qwest was $12.273 billion (determined in the manner described in Note 2—Acquisitions to our consolidated financial statements in Item 8 of this annual report), which consisted of converting each share of Qwest common stock outstanding immediately prior to the acquisition into 0.1664 shares of CenturyLink common stock, with cash paid in lieu of fractional shares. We assumed approximately $12.7 billion of long-term debt in connection with our acquisition of Qwest.

Other Acquisitions

During 2013, we acquired two technology companies for $160 million in cash to expand and strengthen the product offerings of our data hosting operations. For additional information, see Note 2—Acquisitions to our consolidated financial statements in Item 8 of this annual report.

Impact of Recent Acquisitions

Prior to our acquisition of Embarq Corporation ("Embarq") in 2009, we provided traditional voice and Internet services mainly to residential customers in predominantly rural areas and small to mid-size cities in 25 states. As a result of our 2009 Embarq acquisition and 2011 Qwest and Savvis acquisitions, we now (i) serve residential and business customers in several major U.S. cities, including Denver, Colorado, Phoenix, Arizona, Minneapolis - St. Paul, Minnesota, Seattle, Washington, Portland, Oregon, Las Vegas, Nevada and Salt Lake City, Utah and (ii) conduct international operations in several locations throughout Europe, Asia and Canada. Although almost a quarter of the total square miles located within the local service area of our U.S. wireline operations is rural, over 95% of our residential customers live in urban areas. In addition, the portion of our aggregate revenues derived from business, governmental and wholesale consumers has increased substantially since 2009. For more information, see "Risk Factors—Risks Relating to our Recent Acquisitions" in Item 1A of this annual report.

Potential Acquisitions

We regularly evaluate the possibility of acquiring additional assets in exchange for cash, securities or other properties, and at any given time may be engaged in discussions or negotiations regarding additional acquisitions. We generally do not announce our acquisitions or dispositions until we have entered into a preliminary or definitive agreement.

References to Acquired Businesses

In the discussion that follows, we refer to the incremental business activities that we now operate as a result of the Savvis acquisition and the Qwest acquisition as "Legacy Savvis" and "Legacy Qwest", respectively. References to "Legacy CenturyLink", when used in reference to a comparison of our consolidated results for the year ended December 31, 2011, mean the business we operated prior to the Qwest and Savvis acquisitions.

Financial and Operational Highlights

The following table summarizes the results of our consolidated operations. Our operating results include the operations of Savvis for periods after July 15, 2011 and Qwest for periods after April 1, 2011.

	Years Ended December 31,		
	2013	2012	2011
	(Dollars in millions)		
Statements of operations summary data:			
Operating revenues	$ 18,095	18,376	15,351
Operating expenses	16,642	15,663	13,326
Operating income	$ 1,453	2,713	2,025
Net (loss) income	$ (239)	777	573

The following table summarizes certain selected financial information from our consolidated balance sheets:

	December 31,	
	2013	2012
	(Dollars in millions)	
Balance sheets summary data:		
Total assets	$ 51,787	53,940
Total long-term debt [1]	20,966	20,605
Total stockholders' equity	17,191	19,289

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(1) Total long-term debt is the sum of current maturities of long-term debt and long-term debt on our consolidated balance sheets. For total obligations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Future Contractual Obligations" in Item 7 of this annual report.

The following table summarizes certain of our operational metrics:

	As of December 31,		
	2013	2012 [2]	2011 [2]
	(in thousands except for data centers, which are actuals)		
Operational metrics:			
Total broadband subscribers [1]	5,991	5,851	5,655
Total access lines [1]	13,002	13,751	14,587
Total data centers [3]	55	54	51

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(1) Broadband subscribers are customers that purchase high-speed Internet connection service through their existing telephone lines and fiber-optic cables, and access lines are lines reaching from the customers' premises to a connection with the public network.

(2) The prior year numbers have been adjusted to include the operational metrics of our wholly owned subsidiary, El Paso County Telephone Company, which had been previously excluded. The increase (in thousands) related to including El Paso County Telephone Company's broadband subscribers and access lines, in the table above, is approximately 3 and 3, respectively.

(3) Data centers are located throughout North America, Europe and Asia.

Substantially all of our long-lived assets are located in the United States and substantially all of our revenues are from customers located in the United States. We estimate that less than 2% of our consolidated revenue is derived from providing telecommunications and data hosting services outside the United States.

Operations

Segments

During the first quarter of 2013, we announced a reorganization of our operating segments. Consequently, we now report the following four segments in our consolidated financial statements:

- *Consumer.* Consists generally of providing strategic and legacy products and services to residential consumers. Our strategic products and services offered to these customers include our broadband, wireless and video services, including our Prism TV services. Our legacy services offered to these customers include local and long-distance service;

- *Business.* Consists generally of providing strategic and legacy products and services to commercial, enterprise, global and governmental customers. Our strategic products and services offered to these customers include our private line, broadband, Ethernet, MPLS, Voice over Internet Protocol ("VoIP"), and network management services. Our legacy services offered to these customers include local and long-distance service;

- *Wholesale.* Consists generally of providing strategic and legacy products and services to other communications providers. Our strategic products and services offered to these customers are mainly private line (including special access), dedicated internet access, digital subscriber line ("DSL") and MPLS. Our legacy services offered to these customers include the resale of our services, the sale of unbundled network elements ("UNEs") which allow our wholesale customers to use our network or a combination of our network and their own networks to provide voice and data services to their customers, long-distance and switched access services and other services, including billing and collection, pole rental, floor space and database services; and

- *Data hosting.* Consists primarily of providing colocation, managed hosting and cloud hosting services to commercial, enterprise, global and governmental customers.

The following tables shows the composition of our revenues by segment under our current segment categorization as of December 31, 2013, 2012 and 2011.

	Years Ended December 31,			Percent Change	
	2013	**2012**	**2011**	**2013 vs 2012**	**2012 vs 2011**
Percentage of revenue:					
Consumer	33%	34%	35%	(1)%	(1)%
Business	34%	33%	34%	1 %	(1)%
Wholesale	20%	20%	22%	— %	(2)%
Data hosting	7%	7%	4%	— %	3 %
Other operating revenues	6%	6%	5%	— %	1 %
Total	100%	100%	100%		

For additional information on our segment data, including information on our certain centrally-managed assets and expenses not reflected in our segment reports, see Note 13—Segment Information to our consolidated financial statements in Item 8 of this annual report and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this annual report.

Products and Services

Our products and services include local and long-distance, broadband, private line (including special access, which we market to wholesale and business customers), MLPS, data integration, managed hosting (including cloud hosting), colocation, Ethernet, network access, public access, wireless, video services and other ancillary services.

We offer our customers the ability to bundle together several products and services. For example, we offer integrated and unlimited local and long-distance services. Our customers can also bundle two or more services such as broadband, video (including DIRECTV through our strategic partnership), voice and Verizon Wireless (through our strategic partnership) services. We believe our customers value the convenience and price discounts associated with receiving multiple services through a single company.

Most of our products and services are provided using our telecommunications network, which consists of voice and data switches, copper cables, fiber-optic cables and other equipment. Our network serves approximately 13.0 million access lines and forms a portion of the public switched telephone network, or PSTN. For more information on our network, see “Business—Network Architecture” below.

Described below are our key products and services.

Strategic Services

We primarily focus our marketing and sales efforts on our “strategic” services, which are those services for which demand remains strong and that we believe are most important to our future performance. Generally speaking, our strategic services enable our customers to access the Internet, connect to private networks and transmit data, and enhance the security, reliability and efficiency of our customers’ communications. Our strategic services are comprised of the following:

- *Broadband.* Our broadband services allow customers to connect to the Internet through their existing telephone lines and fiber-optic cables at high speeds. Substantially all of our broadband subscribers are located within the local service area of our wireline telephone operations;

- *Private line.* Private line (including special access, which we market to wholesale and business customers) is a direct circuit or channel specifically dedicated for the purpose of directly connecting two or more sites. Private line offers a high-speed, secure solution for frequent transmission of large amounts of data between sites. We also provide private line transmission services to wireless service providers that use our fiber-optic cables connected to their towers, commonly referred to as fiber to the tower or wireless backhaul services, to support their next generation wireless networks;
- *MPLS.* Multi-Protocol Label Switching is standards-approved data networking technology that we provide to support real-time voice and video. This technology allows network operators flexibility to divert and route traffic around link failures, congestion and bottlenecks;
- *Managed Hosting.* Managed hosting includes provision of centralized information technology ("IT") infrastructure and a variety of managed services including cloud and traditional computing, application management, back-up, storage, and advanced services including planning, design, implementation and support services;
- *Colocation.* Colocation services enable our customers to install their own IT equipment in our state-of-the art facilities through our centralized IT infrastructure;
- *Ethernet.* Ethernet services include point-to-point and multi-point configurations that facilitate data transmissions across metropolitan areas and wide area networks. Ethernet services are also used to provide transmission services to wireless service providers that use our fiber-optic cables connected to their towers;
- *Video.* Our video services include our facilities-based video, marketed as CenturyLink™ Prism™, which is a premium entertainment service that allows our customers to watch hundreds of television or cable channels and record up to four shows on one home digital video recorder. We also offer satellite digital television under an arrangement with DIRECTV that allows us to market, sell and bill for its services under its brand name;
- *VoIP.* Voice over Internet Protocol, or VoIP, is a real-time, two-way voice communication service (similar to our traditional voice services) that originates over a broadband connection and often terminates on the PSTN;
- *Managed Services.* Managed services represents a blend of network, hosting, cloud, and IT solutions, typically combined with customer premise equipment. These services include development of solutions to customers' communications requirements, end to end deployment and the ongoing operation and proactive management of the solution for the customer. Managed services may also include extensive consulting and complex software development; and
- *Wireless Services.* Our wireless services are offered under an agency arrangement with Verizon Wireless that allows us to market, sell and bill for its services under its brand name, primarily to our residential customers who buy these services as part of a bundle with one or more of our other products and services. This arrangement allows us to sell the full complement of Verizon Wireless services. Our current five-year arrangement with Verizon Wireless runs through 2015 and is terminable by either party thereafter.

Legacy Services

Our "legacy" services represent our traditional voice, data and network services, which include the following:

- *Local.* We offer local calling services for our residential and business customers within the local service area of our wireline markets, generally for a fixed monthly charge. These services include a number of enhanced calling features and other services, such as call forwarding, caller identification, conference calling, voice mail, selective call ringing and call waiting, for which we generally charge an additional monthly fee. We also generate revenues from non-recurring services, such as inside wire installation, maintenance services, service activation and reactivation. For our wholesale customers, our local calling service offerings include primarily the resale of our voice services and the sale of UNEs, which allow our wholesale customers to use our network or a combination of our network and their own networks to provide voice and data services to their customers. Local calling services provided to our wholesale customers allow other telecommunications companies the ability to originate or terminate telecommunications services on our network;
- *Long-distance.* We offer our residential, business and wholesale customers domestic and international long-distance services and toll-free services. Our international long-distance services include voice calls that either terminate or originate with our customers in the United States;
- *ISDN.* We offer integrated services digital network ("ISDN") services, which uses regular telephone lines to support voice, video and data applications;

- *WAN.* We offer wide area network ("WAN") services, which allow a local communications network to link to networks in remote locations; and
- *Switched access services.* As a part of our wholesale segment operations, we provide various forms of switched access services to wireline and wireless service providers for the use of our facilities to originate and terminate their interstate and intrastate voice transmissions.

Data Integration

Data integration includes the sale of telecommunications equipment located on customers' premises and related professional services. These services include network management, installation and maintenance of data equipment and the building of proprietary fiber-optic broadband networks for our governmental and business customers.

Other Revenues

We also generate other operating revenues from Universal Service Fund ("USF") revenues and surcharges and the leasing and subleasing of space in our office buildings, warehouses and other properties. The majority of our real estate properties are located in the local service area of our wireline operations.

Additional Information

From time to time, we also make investments in other communications or technology companies.

For further information on regulatory, technological and competitive changes that could impact our revenues, see "Regulation" and "Competition" under this Item 1 below and "Risk Factors" under Item 1A below. For more information on the financial contributions of our various services, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this annual report.

Patents, Trade Names, Trademarks and Copyrights

Either directly or through our subsidiaries, we have rights in various patents, trade names, trademarks, copyrights and other intellectual property necessary to conduct our business, such as our CenturyLink™ and Prism™ brand names. Our services often use the intellectual property of others, including licensed software. We also occasionally license our intellectual property to others.

We periodically receive offers from third parties to purchase or obtain licenses for patents and other intellectual property rights in exchange for royalties or other payments. We also periodically receive notices, or are named in lawsuits, alleging that our products or services infringe on patents or other intellectual property rights of third parties. In certain instances, these matters can potentially adversely impact our operations, operating results or financial position. For additional information, see “Risk Factors—Risks Impacting our Business” in Item 1A of this annual report, and “Legal Proceedings—Other Matters” in Item 3 of this annual report.

Sales and Marketing

We maintain local offices in most of the larger population centers within our local service area. These offices provide sales and customer support services in the community. We also rely on our call center personnel to promote sales of services that meet the needs of our customers. Our strategy is to enhance our communications services by offering a comprehensive bundle of services and deploying new technologies to further enhance customer loyalty.

We conduct most of our operations under the brand name "CenturyLink." Our satellite television service is offered on a co-branded basis under the "DIRECTV" name. Our switched digital television service offering is branded under the name "Prism™." The wireless service that we offer under our agency agreement with Verizon Wireless is marketed under the "Verizon Wireless" brand name. Since January 2014, we have marketed certain data hosting, IT and other services furnished through our data hosting operations under the “CenturyLink Technology Solutions” brand name.

Our approach to our residential customers emphasizes customer-oriented sales, marketing and service with a local presence. We market our products and services primarily through direct sales representatives, inbound call centers, local retail stores, telemarketing and third parties. We support our distribution with direct mail, bill inserts, newspaper and television advertising, website promotions, public relations activities and sponsorship of community events and sports venues.

Our approach to our business and governmental customers includes a commitment to deliver communications and network products and services that meet existing and future business needs through bundles of services and integrated service offerings. Our focus is to be a comprehensive communications solution for our small office, mid-sized and select enterprise business and governmental customers. We market our products and services primarily through direct sales representatives, inbound call centers, telemarketing and third parties. We support our distribution with direct mail, bill inserts, newspaper and television advertising, website promotions, telemarketing and third parties.

Our approach to our wholesale customers includes a commitment to deliver communications solutions that meet existing and future needs of national network telecommunications providers through bandwidth growth and quality of services.

Our data hosting operations utilize a solution-based selling approach. By working directly with potential and existing clients, we are able to understand our clients' IT infrastructure and long-term goals. We also market through indirect channels, including collaborations with existing clients and technology providers, telecommunications companies and system integrators.

Network Architecture

Most of our products and services are provided using our telecommunications network, which consists of voice and data switches, copper cables, fiber-optic cables and other equipment. Our local exchange carrier networks also include central offices and remote sites, all with advanced digital switches and operating with licensed software. Our fiber-optic cable is the primary transport technology between our central offices and interconnection points with other incumbent carriers. As of December 31, 2013, we maintained over 1.03 million miles of copper plant and approximately 168 thousand miles of fiber-optic plant in our local exchange networks.

Most of our long distance service is provided directly through CenturyLink's own switches and network equipment, with the balance being provided through reselling arrangements with other long distance carriers. All of our satellite television and wireless voice service is provided by other carriers under agency agreements.

We continue to enhance and expand our network by deploying broadband-enabled technologies to provide additional capacity to our customers. Rapid and significant changes in technology are expected to continue in the telecommunications industry. Our future success will depend, in part, on our ability to anticipate and adapt to changes in customer demands and technology. In particular, we anticipate that continued increases in broadband usage by our customers will require us to make significant capital expenditures to increase network capacity or to implement network management practices to alleviate network capacity shortages, either of which could adversely impact our results of operation and financial condition. For additional information, see "Risk Factors", generally, in Item 1A of this annual report, and, in particular, "Risk Factors—Risks Affecting Our Business—Increases in broadband usage may cause network capacity limitations, resulting in service disruptions, reduced capacity or slower transmission speeds for our customers."

Similarly, we continue to take steps to simplify and modernize our network, which is comprised of our legacy network combined with the network of several companies we have acquired in the past. To attain our objectives, we plan to continue to undertake several complex projects that we expect will be costly and take several years to complete.

For more information on our properties, see Item 2 of this annual report.

Regulation

We are subject to significant regulation by the Federal Communications Commission ("FCC"), which regulates interstate communications, and state utility commissions, which regulate intrastate communications. These agencies (i) issue rules to protect consumers and promote competition, (ii) set the rates that telecommunication companies charge each other for exchanging traffic, and (iii) have traditionally established USF to support the provision of services to high-cost areas. In most states, local voice service, switched and special access services and interconnection services are subject to price regulation, although the extent of regulation varies by type of service and geographic region. In addition, we are required to maintain licenses with the FCC and with state utility commissions. Laws and regulations in many states restrict the manner in which a licensed entity can interact with affiliates, transfer assets, issue debt and engage in other business activities, and many acquisitions and divestitures require approval by the FCC and some state commissions.

Our telephone operating companies are considered incumbent local exchange carriers ("ILECs"). Historically, ILECs, like our traditional telephone operating companies, operated as regulated monopolies having the exclusive right and responsibility to provide local telephone services in their franchised service territories. As we discuss in greater detail below, passage of the Telecommunications Act of 1996, coupled with state legislative and regulatory initiatives and technological change, fundamentally altered the telephone industry by generally reducing the regulation of ILECs and creating a substantial increase in the number of competitors. The following description discusses some of the major industry regulations that affect our traditional telephone operations, but numerous other regulations not discussed below could also impact us. Some legislation and regulations are currently the subject of judicial, legislative and administrative proceedings which could substantially change the manner in which the telecommunications industry operates and the amount of revenues we receive for our services. Neither the outcome of these proceedings, nor their potential impact on us, can be predicted at this time. For additional information, see "Risk Factors" in Item 1A of this annual report.

Federal Regulation

General

We are required to comply with the Communications Act of 1934, which requires us to offer services at just and reasonable rates and on non-discriminatory terms, as well as the Telecommunications Act of 1996, which amended the Communications Act of 1934 primarily to promote competition.

The FCC regulates interstate services we provide, including the special access charges we bill for wholesale network transmission and the interstate access charges that we bill to long-distance companies and other communications companies in connection with the origination and termination of interstate phone calls. Additionally, the FCC regulates a number of aspects of our business related to privacy, homeland security and network infrastructure, including access to and use of local telephone numbers. The FCC has responsibility for maintaining and administering the federal USF, which provides substantial support for maintaining networks in high-cost areas, as well as supporting service to low-income households, schools and libraries, and rural health care providers. Like other communications network operators, ILECs must obtain FCC approval to use certain radio frequencies, or to transfer control of any such licenses. The FCC retains the right to revoke these licenses if a carrier materially violates relevant legal requirements.

In recent years, our operations and those of other telecommunications carriers have been further impacted by legislation and regulation imposing additional obligations on us, particularly with regards to providing broadband service, bolstering homeland security, increasing disaster recovery requirements, minimizing environmental impacts and enhancing privacy. These laws include the Communications Assistance for Law Enforcement Act, and laws governing local telephone number portability and customer proprietary network information requirements. These laws and regulations may cause us to incur additional costs and could impact our ability to compete effectively.

In December 2012, the FCC initiated a special access proceeding and has requested data, information and documents to allow it to conduct a comprehensive evaluation of competition in the special access market. The ultimate impact of this proceeding on the Company is currently unknown. However, if the FCC were to adopt significant changes in regulations affecting special access services, this could adversely impact our operations or financial results.

Intercarrier Compensation

For decades, the FCC has regularly (i) considered various intercarrier compensation reforms, generally with a goal to create a uniform mechanism to be used by the entire telecommunications industry for payments between carriers originating, terminating, or carrying telecommunications traffic, and (ii) administrated the federal USF.

In October 2011, the FCC adopted the Connect America and Intercarrier Compensation Reform order ("CAF order"), intended to reform the existing regulatory regime to recognize ongoing shifts to new technologies, including VoIP, and gradually re-direct universal service funding to foster nationwide broadband coverage. The CAF order provides for a multi-year transition over the next decade as terminating intercarrier compensation charges are reduced, universal service funding is explicitly targeted to broadband deployment, and line charges paid by end user customers are gradually increased. We anticipate that these changes will substantially increase the pace of reductions in the amount of switched access revenues in our wholesale segment, while creating opportunities for increases in federal USF and retail revenue streams.

In late 2011, numerous parties filed a petition for reconsideration with the FCC seeking numerous revisions to the order. In January 2012, we joined more than two dozen parties in challenging certain aspects of the order by filing a separate appeal that was heard by the United States Tenth Circuit Court of Appeals in November 2013, and we are awaiting the Court's decision. Future judicial challenges to the CAF order are also possible, which could alter or delay the FCC's proposed changes. In addition, based on the outcome of the FCC proceedings, various state commissions may consider changes to their universal service funds or intrastate access rates. Moreover, rulemaking designed to implement the order is not complete, and several FCC proceedings relating to the order remain pending. For these and other reasons, we cannot predict the ultimate impact of these proceedings at this time.

We received approximately $534 million, $543 million and $510 million of revenue from federal and state universal service programs for the years ended December 31, 2013, 2012 and 2011, respectively. Such amounts represented approximately 3.0%, 3.0% and 3.3% of our 2013, 2012 and 2011 total operating revenues, respectively.

Broadband Deployment

The American Recovery and Reinvestment Act of 2009 (the "Recovery Act") includes certain broadband initiatives that are intended to accelerate broadband deployment across the United States. The Recovery Act approved $7.2 billion in funding for broadband stimulus projects across the United States to be administered by two governmental agencies. The programs provide grants and loans to applicants for construction of certain broadband infrastructure, provision of certain broadband services, and support of certain broadband adoption initiatives. This program has attracted a wide range of applicants including states, municipalities, start-up companies and consortiums. The participation of other parties in these programs has increased competition in selected areas, which may increase our marketing costs and decrease our revenues in those areas. This trend may intensify if program participation increases.

State Regulation

In recent years, most states have reduced their regulation of ILECs. Nonetheless, state regulatory commissions generally continue to regulate local service rates, intrastate access charges, state universal service funds and in some cases service quality. While several state commissions continue to regulate pricing through "rate of return" regulation that focused on authorized levels of earnings by ILECs, we are generally regulated under various forms of alternative regulation that typically limit our ability to increase rates for basic local voice service, but relieve us from the requirement to meet certain earnings tests. In a few states, we have recently gained pricing freedom for the majority of retail services other than stand-alone basic consumer voice service. In most of the states in which we operate, we have gained pricing flexibility for certain enhanced calling services, such as caller identification and for bundled services that also include local voice service.

Under state law, our telephone operating subsidiaries are typically governed by laws and regulations that (i) regulate the purchase and sale of ILECs, (ii) prescribe certain reporting requirements, (iii) require ILECs to provide service under publicly-filed tariffs setting forth the terms, conditions and prices of regulated services, (iv) limit ILECs' ability to borrow and pledge their assets, (v) regulate transactions between ILECs and their affiliates and (vi) impose various other service standards.

Unlike many of our competitors, as an ILEC we generally face "carrier of last resort" obligations which include an ongoing requirement to provide service to all prospective and current customers in our service area who request service and are willing to pay rates prescribed in our tariffs. In certain situations, this may constitute a competitive disadvantage to us if competitors can choose to focus on low-cost profitable customers and withhold service from high-cost unprofitable customers. In addition, strict adherence to carrier of last resort requirements may force us to construct facilities with a low likelihood of positive economic return.

We operate in states where traditional cost recovery mechanisms, including rate structures, are under evaluation or have been modified. As laws and regulations change, there can be no assurance that these mechanisms will continue to provide us with any cost recovery.

For several years, we have faced various carrier complaints, legislation or other investigations regarding our intrastate switched access rates in several of our states. On October 27, 2011, the FCC adopted an order that, among other things, preempted state regulatory commissions' jurisdiction over all terminating access charges, including intrastate access charges that have historically been subject to exclusive state jurisdiction. Excluding the rate implications contemplated on a prospective basis by this FCC order, we will continue to vigorously defend and seek to collect our intrastate switched access revenue subject to outstanding disputes. The outcomes of these disputes cannot be determined at this time. If we are required to reduce our intrastate switched access rates as a result of any of these disputes or state initiatives, we will seek to recover displaced switched access revenues from state universal service funds or other services. However, the amount of such recovery, particularly from residential customers, is not assured.

Other Regulations

Certain of our telecommunications and data hosting services conducted in foreign countries are or may become subject to various foreign laws, including those regulating the protection and retention of data. Some of the legal requirements governing our foreign operations conflict with those governing our domestic operations, which raises our compliance costs and regulatory risks. For additional information, see “Risk Factors—Risks Relating to Recent Acquisitions—Our acquisitions of Qwest and Savvis have increased our exposure to the risks of operating internationally.”

Competition

General

We compete in a rapidly evolving and highly competitive market and we expect intense competition to continue. We compete with cable and satellite companies, wireless providers, national telecommunications providers (such as AT&T, Inc. and Verizon Communications Inc.) and a variety of other competitors. Technological advances and regulatory and legislative changes have increased opportunities for a wide range of alternative communications service providers, which in turn have increased competitive pressures on our business. These alternate providers often face fewer regulations and have lower cost structures than we do. In addition, the telecommunications industry has experienced substantial consolidation over the past decade and some of our competitors in one or more lines of our business are generally larger, have stronger brand names, have more financial and business resources and have broader service offerings than we currently do.

Over the past decade, fundamental technological, regulatory and legislative changes have significantly impacted the communications industry, and we expect these changes will continue. Primarily as a result of regulatory and technological changes, competition has been introduced and encouraged in each sector of the communications industry in recent years. As a result, we increasingly face competition from other communication service providers, as further described below.

Wireless telephone services increasingly constitute a significant source of competition with our ILEC services. As a result, some customers have chosen to completely forego use of traditional wireline phone service and instead rely solely on wireless service for voice services. We anticipate this trend will continue, particularly as wireless service providers continue to expand their coverage areas, improve the quality of their services and offer enhanced new services. Substantially all of our access line customers are currently capable of receiving wireless services from at least one competitive service provider. Technological and regulatory developments in wireless services, personal communications services, digital microwave, satellite, coaxial cable, fiber-optics, local multipoint distribution services, WiFi, and other wired and wireless technologies are expected to further permit the development of alternatives to traditional landline voice services. Moreover, the growing prevalence of electronic mail, text messaging, social networking and similar digital non-voice communications services continues to reduce the demand for traditional landline voice services.

The Telecommunications Act of 1996, which obligates ILECs to permit competitors to interconnect their facilities to the ILEC's network and to take various other steps that are designed to promote competition, imposes several duties on an ILEC if it receives a specific request from another entity which seeks to connect with or provide services using the ILEC's network. In addition, each ILEC is obligated to (i) negotiate interconnection agreements in good faith, (ii) provide nondiscriminatory "unbundled" access to all aspects of the ILEC's network, (iii) offer resale of its telecommunications services at wholesale rates and (iv) permit competitors, on terms and conditions (including rates) that are just, reasonable and nondiscriminatory, to colocate their physical plant on the ILEC's property, or provide virtual colocation if physical colocation is not practicable. Current FCC rules require ILECs to lease a network element only in those situations where competing carriers genuinely would be impaired without access to such network elements, and where the unbundling would not interfere with the development of facilities-based competition.

As a result of these regulatory, consumer and technological developments, ILECs also face competition from competitive local exchange carriers, or CLECs, particularly in densely populated areas. CLECs provide competing services through reselling the ILECs' local services, through use of the ILECs' unbundled network elements or through their own facilities.

Technological developments have led to the development of new products and services that have reduced the demand for our traditional services, as noted above, or that compete with traditional ILEC services. Technological improvements have enabled cable television companies to provide traditional circuit-switched telephone service over their cable networks, and several national cable companies have aggressively pursued this opportunity. Similarly, companies providing VoIP services provide voice communication services over the Internet which compete with our traditional telephone service and our own VoIP services. In addition, demand for our broadband services could be adversely affected by advanced wireless data transmission technologies being developed by wireless providers and by certain technologies permitting cable companies and other competitors to deliver faster broadband speeds than ours. Rapid changes in technology are also increasing the competiveness of the information technology services industry.

Similar to us, many cable, technology or other communications companies that previously offered a limited range of services are now offering diversified bundles of services, either through their own networks, reselling arrangements or joint ventures. As such, a growing number of companies are competing to serve the communications needs of the same customer base. Such activities will continue to place downward pressure on the demand for our access lines and the pricing of our services.

As both residential and business customers increasingly demand high-speed connections for entertainment, communications and productivity, we expect the demands on our network will continue to increase over the next several years. To succeed, we and other network-based providers must ensure that our networks can deliver services that meet these increasing bandwidth and speed requirements. We plan to continue to invest in our network to be able to meet this future demand. In addition, network reliability and security are increasingly important competitive factors in the enterprise business.

In addition to facing direct competition from those providers described above, ILECs increasingly face competition from alternate communication systems constructed by long distance carriers, large customers or alternative access vendors. These systems are capable of originating or terminating calls without use of the ILECs' networks or switching services. Other potential sources of competition include non-carrier systems that are capable of bypassing ILECs' local networks, either partially or completely, through various means, including the provision of special access or independent switching services and the concentration of telecommunications traffic on a few of the ILECs' access lines. We anticipate that all these trends will continue and lead to decreased use of our networks.

Additional information about competitive pressures is located (i) under the heading "Risk Factors—Risks Affecting Our Business" in Item 1A of this annual report and (ii) in the discussion immediately below, which contains more specific information on how these trends in competition have impacted our segments.

Consumer

Strategic Services

With respect to our strategic services, competition is based on price, bandwidth, quality and speed of service, promotions and bundled offerings. Wireless carriers' fourth generation, or 4G, services are allowing them to more directly compete with our strategic services. In providing broadband services, we compete primarily with cable companies, wireless providers and other broadband service providers. In reselling DIRECTV video services, we compete primarily with cable and other satellite companies as well as other sales agents and resellers. Our Prism™ residential video service faces substantial competition from a variety of competitors, including well-established cable companies, satellite companies and several national companies that deliver content over the Internet and on mobile devices at little or no cost to their customers. Many of our competitors for these strategic services are not subject to the same regulatory requirements as we are, and therefore are able to avoid significant regulatory costs and obligations.

Our strategy for maintaining and increasing our base of broadband customers is based on pricing, packaging of services and features, quality of service and meeting customer care needs. In order to remain competitive, we believe continually increasing connection speeds is important. As a result, we continue to invest in our network, which allows for the delivery of higher speed broadband services. While traditional ATM-based broadband services are declining, they have been more than offset by growth in fiber-based broadband services. We also continue to expand our product offerings including facilities-based video services and enhance our marketing efforts as we compete in a maturing market in which a significant portion of consumers already have broadband services.

Legacy Services

Although our status as an ILEC continues to provide us advantages in providing local services in our local service area, as noted above we increasingly face significant competition as an increasing number of consumers are willing to substitute cable, wireless and electronic communications for traditional voice telecommunications services. This has led to an increase in the number and type of competitors within our industry, price compression and a decrease in our market share. As a result of this product substitution, we face greater competition in providing local and long distance services from wireless providers, resellers and sales agents (including ourselves), social media hosts and broadband service providers, including cable companies. We also continue to compete with traditional telecommunications providers, such as national carriers, smaller regional providers, CLECs and independent telephone companies.

Our strategy to reduce access line loss is based primarily on our pricing, packaging of services and features, quality of service and meeting customer care needs. While bundle price discounts have resulted in lower average revenues for our individual services, we believe service bundles continue to positively impact our customer retention. In addition to our bundle discounts, we also offer limited time promotions on our broadband service for prospective customers who want our broadband service in their bundle, which further aids our ability to attract and retain customers and increase usage of our services.

Business

Strategic Services

In connection with providing strategic services, we compete against other telecommunication providers, cable companies, CLECs and other enterprises, some of whom are substantially larger than us. Competition is based on price, bandwidth, service, promotions and bundled offerings. Private line services also compete on network reach and reliability, while broadband services compete on a bandwidth and quality of service. In providing broadband services, we compete with cable companies, wireless providers and other broadband service providers.

Our competitors for integrated data, Internet, voice services and other IT services range from mid-sized businesses to large enterprises. Due to the size and capacity of some of these companies, they may be able to offer more inexpensive solutions to our customers. To compete, we focus on providing complex, secure and performance-driven services to our business customers through our global infrastructure. Our network services continue to see pricing pressures on virtual private network and bandwidth services offset by increases in network services that support our colocation and managed hosting service offerings.

The number of companies providing business services has grown and increased competition for these services, particularly with respect to smaller business customers. Many of our competitors for strategic services are not subject to the same regulatory requirements as we are and therefore they are able to avoid significant regulatory costs and obligations. Our keys to growth include targeting the right clients, offering targeted business solutions to solve specific client needs and delivering compelling and comprehensive technical capabilities.

Legacy Services

For all the reasons noted in "Business—Competition—Consumer—Legacy Services" we face intense competition with respect to our legacy services and continue to see customers migrating away from these services and into strategic services. In addition, our legacy services revenues have been, and we expect they will continue to be, adversely affected by access line losses and price competition.

Data Integration

In providing data integration to our customers, we compete primarily with large integrators, equipment providers and national telecommunication providers. Competition is based on package offerings and as such we focus on providing these customers individualized and customizable packages. Our strategy is to provide our data integration through packages that include other strategic and legacy services. As such, in providing data integration we often face many of the same competitive pressures as we face in providing strategic and legacy services, as discussed above.

We expect data integration to continue to fluctuate from quarter to quarter as this offering tends to be more sensitive than others to changes in the economy and in spending trends of our governmental customers. We further expect the profit margins on our data integration offerings to continue to be lower than those of our strategic and legacy services.

Wholesale

Strategic Services

In providing private line (including special access) services to our wholesale markets customers, we compete with cable companies, as well as other regional and national carriers, other fiber providers and CLECs. Demand for our private line services continues to increase, despite our customers' optimization of their networks, industry consolidation and technological migration. While we expect that these factors will continue to impact our wholesale markets segment, we believe the forecasted growth in fiber-based special access provided to wireless carriers for backhaul will, over time, ultimately offset the decline in copper-based special access provided to wireless carriers as they migrate to Ethernet services, although the timing and magnitude of this technological migration is uncertain.

Legacy Services

For the same reasons noted above, the provision of our legacy services to other communications providers is highly competitive, and has been and will continue to be adversely affected by product substitution, technological migration, industry consolidation and mandated rate reductions. We face significant competition for access services from CLECs, cable companies, resellers and wireless service providers as well as some of our own wholesale markets customers, which are deploying their own networks to provide customers with local services. By doing so, these competitors reduce traffic on our network.

Data Hosting

Strategic Services

Our competitors for cloud, hosting, colocation and other IT services include telecommunications companies, hardware manufacturers and system integrators that support the in-house IT operations for a business or offer outsourcing solutions. Due to the size and capacity of some of these companies, they may be able to offer more inexpensive solutions to our customers. To compete, we focus on providing complex, secure and performance-driven services to our business customers through our global infrastructure platforms (virtual, dedicated and collocated) on the same terms outlined above under the heading "Business—Operations—Products and Services" in Item I of this annual report.

For our colocation services, we continue to see pricing pressures with respect to these services as low-cost wholesale colocation providers continue to enter our market, and we expect this trend to continue. Our services can be purchased individually or as part of a total outsourcing arrangement.

Environmental Compliance

From time to time we may incur environmental compliance and remediation expenses, mainly resulting from owning or operating prior industrial sites or operating vehicle fleets or power supplies for our communications equipment. Although we cannot assess with certainty the impact of any future compliance and remediation obligations or provide you with any assurances regarding the ultimate impact thereof, we do not currently believe that future environmental compliance and remediation expenditures will have a material adverse effect on our financial condition or results of operations.

Seasonality

Overall, our business is not significantly impacted by seasonality. From time to time weather related problems have resulted in increased costs to repair our network and respond to service calls in some of our markets. The amount and timing of these costs are subject to the weather patterns of any given year, but have generally been highest during the third quarter and have been related to damage from severe storms, including hurricanes, tropical storms and tornadoes in our markets along the lower Atlantic and Gulf of Mexico coastlines.

Employees

At December 31, 2013, we had approximately 47,000 employees, of which approximately 17,000 are members of either the International Brotherhood of Electrical Workers ("IBEW") or the Communications Workers of America ("CWA"). See the discussion of risks relating to our labor relations in "Risk Factors—Risks Affecting Our Business" in Item 1A of this annual report.

Over the past couple of years, we have reduced our workforce primarily due to (i) integration efforts from our acquisitions, (ii) increased competitive pressures, and (iii) the loss of access lines.

Website Access and Important Investor Information

Our website is *www.centurylink.com*. The information contained on, or that may be accessed through, our website is not part of this annual report. You may obtain free electronic copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports in the "Investor Relations" section of our website (*ir.centurylink.com*) under the heading "SEC Filings." These reports are available on our website as soon as reasonably practicable after we electronically file them with the Securities and Exchange Commission, or SEC.

We have adopted written codes of conduct that serve as the code of ethics applicable to our directors, officers and employees, in accordance with applicable laws and rules promulgated by the SEC and the New York Stock Exchange. In the event that we make any changes (other than by a technical, administrative or non-substantive amendment) to, or provide any waivers from, the provisions of our code of conduct applicable to our directors or executive officers, we intend to disclose these events on our website or in a report on Form 8-K filed with the SEC. These codes of conduct, as well as copies of our guidelines on significant governance issues and the charters of our audit committee, compensation committee, nominating and corporate governance committee and risk evaluation committee, are also available in the "Corporate Governance" section of our website at *www.centurylink.com/Pages/AboutUs/Governance/* or in print to any shareholder who requests them by sending a written request to our Corporate Secretary at CenturyLink, Inc., 100 CenturyLink Drive, Monroe, Louisiana, 71203.

Investors may also read and copy any materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. For information on the operation of the Public Reference Room, you are encouraged to call the SEC at 1-800-SEC-0330. For all of our electronic filings, the SEC maintains a website at *www.sec.gov* that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

In connection with filing this annual report, our chief executive officer and chief financial officer made the certifications regarding our financial disclosures required under the Sarbanes-Oxley Act of 2002, and its related regulations. In addition, during 2013, our chief executive officer certified to the New York Stock Exchange that he was unaware of any violations by us of the New York Stock Exchange's corporate governance listing standards.

Special Note Regarding Forward-Looking Statements and Related Matters

This annual report and other documents filed by us under the federal securities law include, and future oral or written statements or press releases by us and our management may include, forward-looking statements about our business, financial condition, operating results and prospects. These statements include, among others:

- statements concerning the benefits that we expect will result from our operations, investments, transactions and other activities, such as increased revenue or decreased expenditures;
- statements about our anticipated future operating and financial performance, financial position and liquidity, tax position, contingent liabilities, growth opportunities and growth rates, acquisition and divestiture opportunities, business prospects, regulatory and competitive outlook, investment and expenditure plans, dividend and stock repurchase plans, capital allocation plans, investment results, financing alternatives and sources, and pricing plans; and
- other similar statements of our expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts, many of which are highlighted by words such as “may,” “would,” “could,” “should,” “plan,” “believes,” “expects,” “anticipates,” “estimates,” “projects,” “intends,” “likely,” “seeks,” “hopes,” or variations or similar expressions.

These forward-looking statements are based upon our judgment and assumptions as of the date such statements are made concerning future developments and events, many of which are beyond our control. These forward-looking statements, and the assumptions upon which they are based, are inherently speculative and are subject to a number of risks and uncertainties. Actual events and results may differ materially from those anticipated, estimated, projected or implied by us in those statements if one or more of these risks or uncertainties materialize, or if our underlying assumptions prove incorrect. Factors that could affect actual results include but are not limited to:

- the timing, success and overall effects of competition from a wide variety of competitive providers;
- the risks inherent in rapid technological change, including product displacement;
- the effects of ongoing changes in the regulation of the communications industry, including the outcome of regulatory or judicial proceedings relating to intercarrier compensation, access charges, universal service, broadband deployment, data protection and net neutrality;
- our ability to effectively adjust to changes in the communications industry, and changes in our markets, product mix and network caused by our recent acquisitions;
- our ability to successfully integrate recently-acquired operations into our incumbent operations, including the possibility that the anticipated benefits from our recent acquisitions cannot be fully realized in a timely manner or at all;
- our ability to effectively manage our expansion opportunities, including retaining and hiring key personnel;
- possible changes in the demand for, or pricing of, our products and services, including our ability to effectively respond to increased demand for high-speed broadband service;
- our ability to successfully introduce new product or service offerings on a timely and cost-effective basis;
- the adverse impact on our business and network from possible equipment failures, security breaches or similar attacks on our network;
- our ability to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages;
- our ability to use our net operating loss carryforwards in projected amounts;
- our continued access to credit markets on favorable terms;

- our ability to collect our receivables from financially troubled communications companies;

- our ability to maintain favorable relations with our key business partners, suppliers, vendors, landlords and financial institutions;
- any adverse developments in legal or regulatory proceedings involving us;
- changes in our operating plans, corporate strategies, dividend payment plans or other capital allocation plans, including those caused by changes in our cash requirements, capital expenditure needs, debt obligations, pension funding requirements, cash flows, or financial position, or other similar changes;
- the effects of adverse weather;
- other risks referenced in this annual report or other of our filings with the SEC; and
- the effects of more general factors such as changes in interest rates, in tax laws, in accounting policies or practices, in operating, medical, pension or administrative costs, in general market, labor or economic conditions, or in legislation, regulation or public policy.

These and other uncertainties related to our business and our recent acquisitions are described in greater detail in Item 1A of this annual report, which is subject to updating and supplementing by our subsequent SEC reports.

These factors should be considered in connection with any written or oral forward-looking statements that we or persons acting on our behalf may issue. Additional factors or risks that we currently deem immaterial or that are not presently known to us could also cause our actual results to differ materially from our expected results. Given these uncertainties, we caution investors not to unduly rely on our forward-looking statements. We undertake no obligation to update or revise any forward-looking statements for any reason, whether as a result of new information, future events or developments, changed circumstances, or otherwise. Furthermore, any information about our intentions contained in any of our forward-looking statements reflects our intentions as of the date of such forward-looking statement, and is based upon, among other things, the existing regulatory and technological environment, industry and competitive conditions, and economic and market conditions, and our assumptions as of such date. We may change our intentions, strategies or plans (including our dividend or stock repurchase plans) at any time and without notice, based upon any changes in such factors, in our assumptions or otherwise.

Investors should also be aware that while we do, at various times, communicate with securities analysts, it is against our policy to disclose to them selectively any material non-public information or other confidential information. Accordingly, investors should not assume that we agree with any statement or report issued by an analyst irrespective of the content of the statement or report. To the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

Unless otherwise indicated, information contained in this annual report and other documents filed by us under the federal securities laws concerning our views and expectations regarding the communications industry are based on estimates made by us using data from industry sources, and on assumptions made by us based on our management’s knowledge and experience in the markets in which we operate and the communications industry generally. You should be aware that we have not independently verified data from industry or other third-party sources and cannot guarantee its accuracy or completeness.

ITEM 1A. RISK FACTORS

The following discussion of “risk factors” identifies the most significant risks or uncertainties that could (i) materially and adversely affect our business, financial condition, results of operations, liquidity or prospects or (ii) cause our actual results to differ materially from our anticipated results or other expectations. The following information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this annual report. Please note that the following discussion is not intended to comprehensively list all risks or uncertainties faced by us. Our operations or actual results could also be similarly impacted by additional risks and uncertainties that are not currently known to us, that we currently deem to be immaterial or that are not specific to us, such as general economic conditions.

Risks Affecting Our Business

Increasing competition, including product substitution, continues to cause us to lose access lines, which has adversely affected and is expected to continue to adversely affect our operating results and financial condition.

Regulatory and other developments over the past several years have caused us to continue to lose access lines and to experience increased competitive pressures impacting each of our business segments, and we expect these trends will continue. In addition to competition from larger national telecommunications providers, we are facing increasing competition from a variety of other sources, including cable and satellite companies, wireless providers, information technology companies, broadband providers, device providers, resellers, sales agents and facilities-based providers using their own networks as well as those leasing parts of our network.

Some of our current and potential competitors (i) offer products or services that are substitutes for our traditional voice services, including wireless voice and non-voice communication services, (ii) offer a more comprehensive range of communications products and services, (iii) have market presence, engineering and technical capabilities, and financial and other resources greater than ours, (iv) own larger or more diverse networks with greater transmission capacity or other advantages, (v) conduct operations or raise capital at a lower cost than us, (vi) are subject to less regulation, (vii) offer services nationally or internationally to a larger geographic area or larger base of customers, (viii) offer greater online content or (ix) have substantially stronger brand names. Consequently, these competitors may be better equipped to provide more attractive offerings, to charge lower prices for their products and services, to develop and expand their communications and network infrastructures more quickly, to adapt more swiftly to new or emerging technologies and changes in customer requirements, to devote greater resources to the marketing and sale of their products and services, or to provide more comprehensive customer service.

Competition could adversely impact us in several ways, including (i) the loss of customers and market share, (ii) the possibility of customers reducing their usage of our services or shifting to less profitable services, (iii) reduced traffic on our networks, (iv) our need to expend substantial time or money on new capital improvement projects, (v) our need to lower prices or increase marketing expenses to remain competitive and (vi) our inability to diversify by successfully offering new products or services.

We are continually taking steps to respond to these competitive pressures, but these efforts may not be successful. Our operating results and financial condition would be adversely affected if these initiatives are unsuccessful or insufficient and if we otherwise are unable to sufficiently stem or offset our continuing access line losses and our revenue declines without corresponding cost reductions. If this occurred, our ability to service debt and pay other obligations would also be adversely affected.

Rapid technological changes could require substantial expenditure of financial and other resources in excess of contemplated levels, and any inability to respond to those changes could reduce our market share and adversely affect our operating results and financial condition.

The communications industry is experiencing significant technological changes, which in general are enhancing non-voice communications and enabling a broader array of companies to offer services competitive with ours. Many of those technological changes are (i) displacing or reducing demand for our traditional voice services, (ii) enabling the development of competitive products or services, or (iii) enabling our current customers to reduce or bypass use of our networks. Similarly, demand for our broadband services could be adversely affected by advanced wireless data transmission technologies being developed by wireless providers and by certain technologies permitting cable companies and other competitors to deliver faster broadband speeds than ours. Rapid changes in technology are also increasing the competitiveness of the information technology services industry.

We may not be able to accurately predict technological trends or the success of newly-offered services. Further technological change could require us to expend capital or other resources in excess of currently contemplated levels, or to forego the development or provision of products or services that others can provide more efficiently. If we are not able to develop new products and services to keep pace with technological advances, or if those products and services are not widely accepted by customers, our ability to compete could be adversely affected and our market share could decline. Any inability to effectively respond to technological changes could also adversely affect our operating results and financial condition, as well as our ability to service debt and pay other obligations.

In addition to introducing new technologies and offerings, we may need, from time to time, to phase out outdated and unprofitable technologies and services. If we are unable to do so on a cost-effective basis, we could experience reduced profits.

For additional information on the risks of increased expenditures, see "Risk Factors—Risks Affecting our Liquidity and Capital Resources—Our business requires us to incur substantial capital and operating expenses, which reduces our available free cash flow."

Our legacy services continue to experience declining revenues, and our efforts to offset these declines may not be successful.

In recent years, the telephone industry has experienced a decline in access lines, long distance revenues and network access revenues, which, coupled with the other changes resulting from competitive, technological and regulatory developments, continue to place downward pressure on the revenues we generate from our legacy services.

We have taken a variety of steps to counter these declines, including:

- an increased focus on selling a broader range of higher-growth strategic services, which are described in detail elsewhere in this annual report;
- an increased focus on serving a broader range of business, governmental and wholesale customers;
- greater use of service bundles; and
- acquisitions to increase our scale and strengthen our product offerings, including new products and services provided by our data hosting segment.

However, some of these strategic services generate lower profit margins than our traditional services, and some can be expected to experience slowing growth as increasing numbers of our existing or potential customers subscribe to these newer products. Moreover, we cannot assure you that the revenues generated from our new offerings will offset revenue losses associated from reduced sales of our legacy products. Similarly, we cannot assure you that our new service offerings will be as successful as anticipated, or that we will be able to continue to grow through acquisitions. In addition, our reliance on third parties to provide certain of these strategic services could constrain our flexibility, as described further below.

Our future results will suffer if we do not effectively adjust to changes in our business, and will further suffer if we do not effectively manage our expanded operations.

The above-described changes in our industry have placed a higher premium on technological, engineering, marketing and provisioning skills. Our recent acquisitions also significantly changed the composition of our markets and product mix. Our future success depends, in part, on our ability to retrain our staff to acquire or strengthen skills necessary to address these changes, and, where necessary, to attract and retain new personnel that possess these skills. Given the current competitive market for personnel with these skills, we cannot assure you that these recruitment efforts will be successful.

Unfavorable general economic conditions could negatively impact our operating results and financial condition.

Unfavorable general economic conditions, including the unstable economy and credit market, could negatively affect our business. Worldwide economic growth has been sluggish since 2008, and many experts believe that a confluence of factors in the United States, Europe, Asia and developing countries may result in a prolonged period of economic stagnation, slow growth or economic uncertainty. While it is difficult to predict the ultimate impact of these general economic conditions, they could adversely affect demand for some of our products and services and could cause customers to shift to lower priced products and services or to delay or forego purchases of our products and services. These conditions impact, in particular, our ability to sell discretionary products or services to business customers that are under pressure to reduce costs or to governmental customers that have recently suffered substantial budget cuts with the prospect of additional future budget cuts. Any one or more of these circumstances could cause our revenues to continue declining. Also, our customers may encounter financial hardships or may not be able to obtain adequate access to credit, which could negatively impact their ability to make timely payments to us. In addition, as discussed further below, unstable economic and credit markets may preclude us from refinancing maturing debt at terms that are as favorable as those from which we previously benefited, at terms that are acceptable to us, or at all. For these reasons, among others, if current economic conditions persist or decline, our operating results, financial condition, and liquidity could be adversely affected.

We could be harmed by security breaches, damages or other significant disruptions or failures of our networks, information technology infrastructure or related systems, or of those we operate for certain of our customers.

To be successful, we will need to continue providing our customers with a high-capacity, reliable and secure network. We face the risk, as does any company, of a security breach or significant disruption of our information technology infrastructure and related systems (including our billing systems). As a communications and information technology company, we face an added risk that a security breach or other significant disruption of our public networks or information technology infrastructure and related systems that we develop, install, operate and maintain for certain of our business and governmental customers could lead to material interruptions or curtailments of service. Moreover, due to the nature of our customers and services, we face a heightened risk that a security breach or disruption could result in unauthorized access to our customers' proprietary or classified information on our public networks or internal systems or the systems that we operate and maintain for certain of our customers.

We make significant efforts to maintain the security and integrity of these types of information and systems and maintain contingency plans in the event of security breaches or other system disruptions. Nonetheless, we cannot assure you that our security efforts and measures will prevent unauthorized access to our systems, loss or destruction of data (including confidential client information), account takeovers, unavailability of service, computer viruses, malware, or other forms of cyber attacks or similar events. These threats may derive from human error, fraud, malice or sabotage on the part of employees, third parties or other nations, or could result from accidental technological failure. Similar to other large telecommunications companies, we have been subject to a variety of security breaches and cyber attacks, although to date none of these have resulted in a material adverse effect on our operating results or financial condition. We cannot assure you, however, that future security breaches or disruptions would not be successful or damaging, especially in light of the growing frequency, scope and sophistication of cyber attacks and intrusions. We may be unable to anticipate all potential types of attacks or intrusions or to implement adequate security barriers or other preventative measures, and any resulting damages could be material.

Additional risks to our network and infrastructure include:

- power losses or physical damage, whether caused by fire, adverse weather conditions, terrorism or otherwise;
- capacity or system configurance limitations;
- software and hardware obsolescence, defects or malfunctions;
- programming, processing and other human error; and
- other disruptions that are beyond our control.

Network disruptions, security breaches and other significant failures of the above-described systems could:

- disrupt the proper functioning of these networks and systems and therefore our operations or those of certain of our customers;
- result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of ours, our customers or our customers' end users, including trade secrets, which others could use for competitive, disruptive, destructive or otherwise harmful purposes and outcomes;
- require significant management attention or financial resources to remedy the damages that result or to change our systems, including expenses to repair systems, add new personnel or develop additional protective systems;
- require us to offer expensive incentives to retain existing customers or subject us to claims for contract breach, damages, credits, fines, penalties, termination or other remedies, particularly with respect to service standards set by state regulatory commissions; or
- result in a loss of business, damage our reputation among our customers and the public generally, subject us to additional regulatory scrutiny or expose us to litigation.

Likewise, our ability to expand and update our information technology infrastructure in response to our growth and changing needs is important to the continued implementation of our new service offering initiatives. Our failure to expand or upgrade our technology infrastructure could have adverse consequences, which could include the delayed implementation of new service offerings, decreased competitiveness of existing service offerings, increased acquisition integration costs, service or billing interruptions, and the diversion of development resources.

Any or all of the foregoing developments could have a negative impact on our results of operations, financial condition and cash flows.

Increases in broadband usage may cause network capacity limitations, resulting in service disruptions, reduced capacity or slower transmission speeds for our customers.

Video streaming services and peer-to-peer file sharing applications use significantly more bandwidth than traditional Internet activity such as web browsing and email. As use of these newer services continues to grow, our high-speed Internet customers will likely use much more bandwidth than in the past. If this occurs, we could be required to make significant capital expenditures to increase network capacity in order to avoid service disruptions, service degradation or slower transmission speeds for our customers. Alternatively, we could choose to implement network management practices to reduce the network capacity available to bandwidth-intensive activities during certain times in market areas experiencing congestion, which could negatively affect our ability to retain and attract customers in affected markets. While we believe demand for these services may drive high-speed Internet customers to pay for faster broadband speeds, we may not be able to recover the costs of the necessary network investments. This could result in an adverse impact to our operating margins, results of operations and financial condition.

We may need to defend ourselves against claims that we infringe upon others' intellectual property rights, or we may need to seek third-party licenses to expand our product offerings.

From time to time, we receive notices from third parties or are named in lawsuits filed by third parties claiming we have infringed or are infringing upon their intellectual property rights. We are currently responding to several of these notices and claims. Like other communications companies, we have received an increasing number of these notices and claims in the past several years, and expect this industry-wide trend will continue. Responding to these claims may require us to expend significant time and money defending our use of the applicable technology, and divert management's time and resources away from other business. In certain instances, we may be required to enter into licensing agreements requiring royalty payments or, in the case of litigation, to pay damages. If we are required to take one or more of these actions, our profit margins may decline. In addition, in responding to these claims, we may be required to stop selling or redesign one or more of our products or services, which could significantly and adversely affect our business practices, results of operations, and financial condition.

Similarly, from time to time, we may need to obtain the right to use certain patents or other intellectual property from third parties to be able to offer new products and services. If we cannot license or otherwise obtain rights to use any required technology from a third party on reasonable terms, our ability to offer new products and services may be prohibited, restricted, made more costly or delayed.

Our operations, financial performance and liquidity are materially reliant on various third parties.

Reliance on other communications providers. We rely on reseller and sales agency arrangements with other communications companies to provide some of the services that we sell to our customers, including video services and wireless products and services. If we fail to extend or renegotiate these arrangements as they expire from time to time or if these other companies fail to fulfill their contractual obligations to us or our customers, we may have difficulty finding alternative arrangements and our customers may experience disruptions to their services. In addition, as a reseller or sales agent, we do not control the availability, retail price, design, function, quality, reliability, customer service or branding of these products and services, nor do we directly control all of the marketing and promotion of these products and services. To the extent that these other companies make decisions that negatively impact our ability to market and sell their products and services, our business plans and goals and our reputation could be negatively impacted. If these reseller and sales agency arrangements are unsuccessful due to one or more of these risks, our business and operating results may be adversely affected.

To offer voice or data services in certain of our markets, we must either lease network capacity from, or interconnect our network with the infrastructure of, other communications companies who typically compete against us in those markets. Similar to the risks summarized in the prior paragraph, our reliance on these lease or interconnection arrangements limits our control over the quality of our services and exposes us to the risk that the other carrier may be unwilling to continue or renew these arrangements in the future on terms favorable to us, or at all.

Conversely, certain of our operations carry a significant amount of voice or data traffic for other communications providers. Their reliance on our services exposes us to the risk that they may transfer all or a portion of this traffic from our network to networks built, owned or leased by them, thereby reducing our revenues.

Our operations and financial performance could be adversely affected if our relationships with any of these other communications companies are disrupted or terminated for any other reason, including if such other companies:

- go bankrupt or experience substantial financial difficulties;

- suffer work stoppages or other labor strife;
- challenge our right to receive payments or services under applicable regulations or the terms of our existing contract arrangements; or
- are otherwise unable or unwilling to make payments or provide services to us.

Reliance on other key suppliers, vendors and landlords. We depend on a limited number of suppliers and vendors for equipment and services relating to our network infrastructure. Our local exchange carrier networks consist of central office and remote sites, all with advanced digital switches. If any of these suppliers experience interruptions or other problems delivering or servicing these network components on a timely basis, our operations could suffer significantly. To the extent that proprietary technology of a supplier is an integral component of our network, we may have limited flexibility to purchase key network components from alternative suppliers and may be adversely affected if third parties assert patent infringement claims against our suppliers or us. Similarly, our data center operations are materially reliant on leasing significant amounts of space from landlords and substantial amounts of power from utility companies, and being able to renew these arrangements from time to time on favorable terms. In addition, we rely on a limited number of software vendors to support our business management systems. In the event it becomes necessary to seek alternative suppliers and vendors, we may be unable to obtain satisfactory replacement supplies, services, space or utilities on economically attractive terms, on a timely basis, or at all, which could increase costs or cause disruptions in our services.

Reliance on governmental payments. We receive a material amount of revenue or government subsidies under various government programs or our service contracts with federal, state and local agencies. Governmental agencies frequently reserve the right to terminate their contacts for convenience, or to suspend or debar companies from receiving future subsidies or contracts under certain circumstances. If our governmental contacts are terminated for any reason, or if we are suspended or debarred from governmental programs or contacts, our results of operations and financial condition could be materially adversely affected.

Reliance on financial institutions. We rely on 18 financial institutions to provide us with short-term liquidity under our credit facility. If one or more of these lenders default on their funding commitments, our access to revolving credit could be adversely affected.

Consolidation among other participants in the communications industry may allow our competitors to compete more effectively against us, which could adversely affect our operating results and financial condition.

The telecommunications and cable industries have experienced substantial consolidation over the last couple of decades, and some of our competitors have combined with other communications providers, resulting in larger competitors that have greater financial and business resources and broader service offerings. Further consolidation could increase competitive pressures, and could adversely affect our operating results and financial condition, as well as our ability to service debt and pay other obligations.

If we fail to extend or renegotiate our collective bargaining agreements with our labor unions as they expire from time to time, or if our unionized employees were to engage in a strike or other work stoppage, our business and operating results could be materially harmed.

Approximately 36% of our employees are members of various bargaining units represented by the Communications Workers of America or the International Brotherhood of Electrical Workers. From time to time, our labor agreements with unions expire and we typically negotiate the terms of new bargaining agreements. We may be unable to reach new agreements, and union employees may engage in strikes, work slowdowns or other labor actions, which could materially disrupt our ability to provide services and result in increased cost to us. In addition, new labor agreements may impose significant new costs on us, which could impair our financial condition or results of operations in the future. To the extent they contain benefit provisions, these agreements may also limit our flexibility to change benefits in response to industry or competitive changes. In particular, the post-employment benefits provided under these agreements could cause us to incur costs not faced by many of our competitors, which could ultimately hinder our competitive position.

We have a significant amount of goodwill and other intangible assets on our balance sheet. If our goodwill or other intangible assets become impaired, we may be required to record a significant charge to earnings and reduce our stockholders' equity.

Over 55% of our total consolidated assets reflected on the balance sheet included in this annual report consist of goodwill or other intangible assets. Under generally accepted accounting principles, most of these intangible assets must be tested for impairment on an annual basis or more frequently whenever events or circumstances indicate that their carrying value may not be recoverable. From time to time (most recently for the third quarter of 2013), we or our predecessors have recorded large non-cash charges to earnings in connection with required reductions of the value of our intangible assets. If our intangible assets are determined to be impaired in the future, we may be required to record additional significant, non-cash charges to earnings during the period in which the impairment is determined.

We cannot assure you that we will be able to continue paying dividends at the current rate.

Decisions on whether, when and in which amounts to make any future dividend distributions will remain at all times entirely at the discretion of our Board of Directors, which reserves the right to change or terminate our dividend practices at any time and for any reason. Based on current circumstances, we plan to continue our current dividend practices. However, you should be aware that these practices are reviewed periodically and are subject to change for reasons that may include any of the following factors:

- we may not have enough cash to pay such dividends due to changes in our cash requirements, capital spending plans, stock repurchase plans, cash flows or financial position;
- the effects of regulatory reform, including any changes to intercarrier compensation, Universal Service Fund or special access rules;
- our desire to maintain or improve the credit ratings on our debt;
- the amount of dividends that we may distribute to our shareholders is subject to restrictions under Louisiana law and is limited by restricted payment and leverage covenants in our credit facilities and, potentially, the terms of any future indebtedness that we may incur; and
- the amount of dividends that our subsidiaries may distribute to us is subject to restrictions imposed by state law, restrictions that have been or may be imposed by state regulators in connection with obtaining necessary approvals for our acquisitions, and restrictions imposed by the terms of credit facilities applicable to certain subsidiaries and, potentially, the terms of any future indebtedness that these subsidiaries may incur.

Our Board of Directors is free to change or suspend our dividend practices at any time. Our common shareholders should be aware that they have no contractual or other legal right to dividends.

Our current dividend practices could limit our ability to deploy cash for other beneficial purposes.

The current practice of our Board of Directors to pay common share dividends reflects an intention to distribute to our shareholders a substantial portion of our cash flow. As a result, we may not retain a sufficient amount of cash to apply to other transactions that could be beneficial to our shareholders or debtholders, including stock buybacks, debt prepayments or capital expenditures that strengthen our business. In addition, our ability to pursue any material expansion of our business through acquisitions or increased capital spending will depend more than it otherwise would on our ability to obtain third party financing. We cannot assure you that such financing will be available to us at terms that are as favorable as those from which we previously benefited, at terms that are acceptable to us, or at all.

Portions of our property, plant and equipment are located on property owned by third parties.

Over the past few years, certain utilities, cooperatives and municipalities in certain of the states in which we operate have requested significant rate increases for attaching our plant to their facilities. To the extent that these entities are successful in increasing the amount we pay for these attachments, our future operating costs will increase.

In addition, we rely on rights-of-way, colocation agreements and other authorizations granted by governmental bodies and other third parties to locate our cable, conduit and other network equipment on their respective properties. If any of these authorizations terminate or lapse, our operations could be adversely affected.

We depend on key members of our senior management team.

Our success depends largely on the skills, experience and performance of a limited number of senior officers. Competition for senior management in our industry is intense and we may have difficulty retaining our current senior officers or attracting new ones in the event of terminations or resignations. For a discussion of similar retention concerns relating to our recent acquisitions, please see the risks described below under the heading "Risk Factors—Risks Relating to our Recent Acquisitions."

As a holding company, we rely on payments from our operating companies to meet our obligations.

As a holding company, substantially all of our income and operating cash flow is dependent upon the earnings of our subsidiaries and their distribution of those earnings to us in the form of dividends, loans or other payments. As a result, we rely upon our subsidiaries to generate the funds necessary to meet our obligations, including the payment of amounts owed under our long-term debt. Our subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts owed by us or, subject to limited exceptions for tax-sharing or cash management purposes, to make any funds available to us to repay our obligations, whether by dividends, loans or other payments. State law applicable to each of our subsidiaries restricts the amount of dividends that they may pay. Restrictions that have been or may be imposed by state regulators (either in connection with obtaining necessary approvals for our acquisitions or in connection with our regulated operations), and restrictions imposed by credit agreements applicable to certain of our subsidiaries may limit the amount of funds that our subsidiaries are permitted to transfer to us, including the amount of dividends that may be paid to us. Moreover, our rights to receive assets of any subsidiary upon its liquidation or reorganization will be effectively subordinated to the claims of creditors of that subsidiary, including trade creditors. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" included elsewhere in this annual report for further discussion of these matters.

Risks Relating to our Recent Acquisitions

We may be unable to integrate successfully our recently-acquired operations and realize the anticipated benefits of our recent acquisitions.

We acquired Embarq, Qwest and Savvis during a roughly 24-month period between mid-2009 to mid-2011. These acquisitions involved the combination of companies which previously operated as independent public companies. We have devoted, and will continue to devote, significant management attention and resources to integrating the business practices and operations of Legacy CenturyLink and the acquired companies. We may encounter difficulties in the integration process, including the following:

- the inability to successfully combine our businesses in a manner that permits the combined company to achieve the cost savings and operating synergies anticipated to result from the acquisitions, either due to technological challenges, personnel shortages, strikes or otherwise, any of which would result in the anticipated benefits of the acquisitions not being realized partly or wholly in the time frame anticipated or at all;
- delays or limitations in connection with offering new products or providing current ones arising out of the multiplicity of different legacy systems, network and processes used by each of the companies;
- the complexities associated with managing the combined businesses out of several different locations and integrating personnel from multiple companies, while at the same time attempting to provide consistent, high-quality products and services under a unified culture;
- the difficulties of producing combined financial information using dispersed personnel with different past practices, including the attendant risk of errors;
- the complexities of combining companies with different histories, regulatory restrictions, cost structures, products, sales forces, markets, marketing strategies, and customer bases;
- the failure to retain key employees, some of whom could be critical to integrating, operating or expanding the companies;
- potential unknown liabilities and unforeseen increased expenses or regulatory conditions associated with the acquisitions; and
- performance shortfalls at one or all of the companies as a result of the diversion of management's attention caused by integrating the companies' operations.

In the last couple of years we have purchased several other businesses to augment our data hosting segment. Integrating these newly-acquired businesses into our data hosting operations will give rise to similar challenges and risks.

As discussed further under “Business—Network Architecture,” we are currently undertaking several complex, costly and time-consuming projects to simplify and modernize our network, which is an amalgam of our legacy network and the networks of companies we have acquired in the past.

For all these reasons, you should be aware that our remaining efforts to integrate these companies and businesses could distract our management, disrupt our ongoing business or create inconsistencies in our products, services, standards, controls, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers, vendors and employees or to achieve the anticipated benefits of our recent acquisitions, or could otherwise adversely affect our business and financial results.

We may be unable to successfully adjust to the substantial change in our markets and operations caused by our recent acquisitions.

Prior to our acquisition of Embarq, we provided principally local exchange and internet services to consumers in predominantly rural areas and small to mid-sized cities in 25 states. As a result of our recent acquisitions, we now provide a diversified array of communications services to residential, business, governmental and wholesale customers in a wide range of markets throughout the United States and internationally. While we believe we have adequately adjusted our strategies, management, operating models and organizational structures to address these changes, we cannot assure you that further adjustments will not be required in the future.

Our acquisitions of Qwest and Savvis have increased our exposure to the risks of operating internationally.

Prior to 2011, substantially all of our operations were historically conducted within the continental United States. Our acquisitions of Qwest and Savvis in 2011 increased the importance of international operations to our future operations, growth and prospects.

Our foreign operations are subject to varying degrees of regulation in each of the foreign jurisdictions in which we provide services. Local laws and regulations, and their interpretation and enforcement, differ significantly among those jurisdictions, and can change significantly over time. Future regulatory, judicial and legislative changes or interpretations may have a material adverse effect on our ability to deliver services within various foreign jurisdictions. Many of these foreign laws and regulations relating to communications services are more restrictive than U.S. laws and regulations, particularly those relating to content distributed over the Internet. For example, the European Union has enacted a data retention system that, once implemented by individual member states, will involve requirements to retain certain Internet protocol, or IP, data that could have an impact on our operations in Europe. Moreover, national regulatory frameworks that are consistent with the policies and requirements of the World Trade Organization have only recently been, or are still being, enacted in many countries. Accordingly, many countries are still in the early stages of providing for and adapting to a liberalized telecommunications market. As a result, in these markets we may encounter more protracted and difficult procedures to obtain licenses necessary to provide the full set of products we offer.

In addition to these international regulatory risks, some of the other risks inherent in conducting business internationally include:

- tax, licensing, currency, political or other business restrictions or requirements;
- import and export restrictions;
- longer payment cycles and problems collecting accounts receivable;
- additional U.S. and other regulation of non-domestic operations, including regulation under the Foreign Corrupt Practices Act, or FCPA, as well as other anti-corruption laws;
- economic, social and political instability, with the attendant risks of terrorism, kidnapping, extortion, civic unrest and potential seizure or nationalization of assets;
- fluctuations in currency exchange rates;
- the ability to secure and maintain the necessary physical and telecommunications infrastructure;
- the inability to enforce contract rights either due to underdeveloped legal systems or government actions that result in a deprivation of contract rights;
- laws, policies or practices that limit the scope of operations that can legally or practicably be conducted within any particular country; and

- challenges in staffing and managing foreign operations.

Any one or more of these factors could adversely affect our international operations.

Moreover, in order to effectively compete in certain foreign jurisdictions, it is frequently necessary or required to establish joint ventures, strategic alliances or marketing arrangements with local operators, partners or agents. Reliance on local operators, partners or agents could expose us to the risk of being unable to control the scope or quality of our overseas services or products, or being held liable under the FCPA or other anti-corruption laws for actions taken by our strategic or local partners or agents even though these partners or agents may not themselves be subject to the FCPA or other applicable anti-corruption laws. Any determination that we have violated the FCPA or other anti-corruption laws could have a material adverse effect on our business, results of operations, reputation or prospects.

We expect to incur substantial expenses related to the completion of the integration of Qwest.

We have incurred, and expect to continue to incur, substantial expenses in connection with the integration of Qwest's business, operations, networks, systems, technologies, policies and procedures with our own. We have integrated a number of our systems, and we continue to work towards completing the planned integration of our remaining systems. Until this integration is completed, we cannot accurately predict the total amount or the timing of our integration expenses.

Our acquisitions have increased our exposure to the risks of fluctuations in energy costs, power outages and availability of electrical resources.

Through the acquisitions of Qwest and Savvis, we have added a significant number of data center facilities, which are susceptible to regional costs and supply of power and electrical power outages. In addition, our energy costs can fluctuate significantly or increase for a variety of reasons, including changes in legislation and regulation. Several pending proposals designed to reduce greenhouse emissions could substantially increase our energy costs. As energy costs increase, we may not always be able to pass on the increased costs of energy to our clients, which could harm our business. Our clients' demand for power may also exceed the power capacity in older data centers, which may limit our ability to fully utilize these data centers. Moreover, the increasing power demands of today's servers may cause our demand for power in certain of our data centers to exceed the supply available from third parties. Any one or more of these developments could adversely affect our relationships with our clients and hinder our ability to run our data centers, which could harm our business.

Our inability to renew data center leases, on favorable terms or at all, could have a negative impact on our financial results.

A significant majority of the data centers we acquired in the Qwest and Savvis acquisitions are leased and have lease terms that expire between 2013 and 2031. The majority of these leases provide us with the opportunity to renew the lease at our option for periods generally ranging from five to ten years. Many of these renewal options, however, provide that rent for the renewal period will be equal to the fair market rental rate at the time of renewal. If the fair market rental rates are significantly higher than our current rental rates, we may be unable to offset these costs by charging more for our services, which could have a negative impact on our financial results. Also, it is possible that a landlord may insist on other financially unfavorable renewal terms or, where no further option to renew exists, elect not to renew altogether.

Any additional future acquisitions by us would subject us to additional business, operating and financial risks, the impact of which cannot presently be evaluated, and could adversely impact our capital structure or financial position.

From time to time in the future we may pursue other acquisition opportunities. To the extent we acquire a business that is highly leveraged or is otherwise subject to a high level of risk, we may be affected by the currently unascertainable risks of that business. In addition, the financing of any future acquisition completed by us could adversely impact our capital structure or financial position, as any such financing would likely include the issuance of additional securities or the borrowing of additional funds. Except as required by law or applicable securities exchange listing standards, we do not expect to ask our shareholders to vote on any proposed acquisition. Moreover, we generally do not announce our acquisitions until we have entered into a preliminary or definitive agreement.

Risks Relating to Legal and Regulatory Matters

Any adverse outcome of the KPNQwest litigation, or other material litigation of Qwest, Savvis or CenturyLink, could have a material adverse impact on our financial condition and operating results, on the trading price of our securities and on our ability to access the capital markets.

As described in Note 15—Commitments and Contingencies to our consolidated financial statements included elsewhere in this annual report, the KPNQwest lawsuit brought against us by Cargill Financial Markets, Plc and Citibank, N.A. presents significant risk to us. The plaintiffs seek hundreds of millions of dollars in damages. We continue to vigorously defend the company in that lawsuit.

We are currently unable to provide an estimate as to the timing of the resolution of this matter. We can give no assurance as to the impacts on our financial results or financial condition that may ultimately result from the Cargill/Citibank lawsuit. The ultimate outcome remains uncertain, and a substantial settlement or judgment in this matter could have a significant impact on us. The magnitude of such a settlement or judgment could materially and adversely affect our financial condition and ability to meet our debt obligations, potentially impacting our credit ratings, our ability to access capital markets and our compliance with debt covenants. In addition, the magnitude of a settlement or judgment may cause us to draw down significantly on our cash balances, which might force us to obtain additional financing or explore other methods to generate cash. Such methods could include issuing additional debt securities or selling assets.

There are other material proceedings pending against us, as described in the above-referenced Note 15. Depending on their outcome, any of these matters could have a material adverse effect on our financial position or operating results. We can give you no assurances as to the impact of these matters on our operating results or financial condition.

We operate in a highly regulated industry and are therefore exposed to restrictions on our operations and a variety of claims relating to such regulation.

General. We are subject to significant regulation by (i) the Federal Communications Commission ("FCC"), which regulates interstate communications, (ii) state utility commissions, which regulate intrastate communications, and (iii) various foreign governments and international bodies, which regulate our international operations. Generally, we must obtain and maintain certificates of authority or licenses from these bodies in most territories where we offer regulated services. We cannot assure you that we will be successful in obtaining or retaining all licenses necessary to carry out our business plan, and, even if we are, the prescribed service standards and conditions imposed on us in connection with obtaining or acquiring control of these licenses may impose on us substantial costs and limitations. We are also subject to numerous requirements and interpretations under various international, federal, state and local laws, rules and regulations, which are often quite detailed and occasionally in conflict with each other. Accordingly, we cannot ensure that we are always considered to be in compliance with all these requirements at any single point in time. The agencies responsible for the enforcement of these laws, rules and regulations may initiate inquiries or actions based on customer complaints or on their own initiative.

Regulation of the telecommunications industry continues to change rapidly, and the regulatory environment varies substantially from jurisdiction to jurisdiction. Notwithstanding a recent movement towards alternative regulation, a substantial portion of our local voice services revenue remains subject to FCC and state utility commission pricing regulation, which periodically exposes us to pricing or earnings disputes and could expose us to unanticipated price declines. Interexchange carriers have filed complaints in various forums requesting reductions in our access rates. In addition, several long distance providers are disputing or refusing to pay amounts owed to us for carrying Voice over Internet Protocol ("VoIP") traffic, or traffic they claim to be VoIP traffic. There can be no assurance that future regulatory, judicial or legislative activities will not have a material adverse effect on our operations, or that regulators or third parties will not raise material issues with regard to our compliance or noncompliance with applicable regulations.

Risks associated with recent changes in federal regulation. On October 27, 2011, the FCC adopted the Connect America and Intercarrier Compensation Reform order ("CAF order") intended to reform the existing regulatory regime to recognize ongoing shifts to new technologies, including VoIP, and gradually re-direct federal universal service funding to foster nationwide broadband coverage. This initial ruling provides for a multi-year transition over the next decade as intercarrier compensation charges are reduced, federal universal service funding is explicitly targeted to broadband deployment, and subscriber line charges paid by end-user customers are gradually increased. We expect these changes will substantially increase the pace of reductions in the amount of switched access revenues we receive in our wholesale business, while creating opportunities for increases in federal Universal Service Fund ("USF") and retail revenue streams. Several judicial challenges to the CAF order are pending and additional future challenges are possible, any of which could alter or delay the FCC's proposed changes. In addition, based on the outcome of the FCC proceedings, various state commissions may consider changes to their universal service funds or intrastate access rates. Moreover, rulemaking designed to implement the CAF order is not complete, and several FCC proceedings relating to the order remain pending. For these and other reasons, we cannot predict the ultimate impact of these proceedings at this time.

In addition, during the last few years Congress or the FCC has initiated various other changes, including (i) broadband stimulus projects, support funds and similar plans and (ii) new "network neutrality" rules. The FCC is also considering changes in the regulation of special access services. Any of these recent or pending initiatives could adversely affect our operations or financial results. Moreover, many of the FCC's regulations adopted in recent years remain subject to judicial review and additional rulemakings, thus increasing the difficulty of determining the ultimate impact of these changes on us and our competitors.

Risks of higher costs. Regulations continue to create significant costs for us. Challenges to our tariffs by regulators or third parties or delays in obtaining certifications and regulatory approvals could cause us to incur substantial legal and administrative expenses, and, if successful, such challenges could adversely affect the rates that we are able to charge our customers.

Our business also may be impacted by legislation and regulation imposing new or greater obligations related to regulations or laws related to broadband deployment, bolstering homeland security or cyber security, increasing disaster recovery requirements, minimizing environmental impacts, enhancing privacy, protecting intellectual property rights of third parties, or addressing other issues that impact our business, including the Communications Assistance for Law Enforcement Act (which requires communications carriers to ensure that their equipment, facilities, and services are able to facilitate authorized electronic surveillance), and laws governing local number portability and customer proprietary network information requirements. We expect our compliance costs to increase if future laws or regulations continue to increase our obligations to assist other governmental agencies.

In addition, increased regulation of our suppliers could increase our costs. For instance, if enhanced regulation of greenhouse gas emissions increase our energy costs, the profitability of our data hosting and other operations could be adversely affected.

Risks of reduced flexibility. As a diversified full service incumbent local exchange carrier in most of our key markets, we have traditionally been subject to significant regulation that does not apply to many of our competitors. This regulation in many instances restricts our ability to change rates, to compete and to respond rapidly to changing industry conditions. As our business becomes increasingly competitive, regulatory disparities between us and our competitors could impede our ability to compete.

Risks posed by other regulations. All of our operations are also subject to a variety of environmental, safety, health and other governmental regulations. We monitor our compliance with federal, state and local regulations governing the management, discharge and disposal of hazardous and environmentally sensitive materials. Although we believe that we are in compliance with these regulations, our management, discharge or disposal of hazardous and environmentally sensitive materials might expose us to claims or actions that could have a material adverse effect on our business, financial condition and operating results.

"Net neutrality" legislation or regulation could limit our ability to operate our high-speed data business profitably and to manage our broadband facilities efficiently.

In order to continue to provide quality high-speed data service at attractive prices, we believe we need the continued flexibility to respond to changing consumer demands, to manage bandwidth usage efficiently and to invest in our networks. In 2010, the FCC adopted "net neutrality" regulations that curtailed our operational flexibility. Although a federal appeals court vacated these rules in January 2014, the FCC or Congress could adopt similar measures in the future. Any such measures could adversely impact our ability to operate our high-speed data network profitably and to implement the upgrades and network management practices that may be needed to continue to provide high quality high-speed data services, and could therefore negatively impact our ability to compete effectively.

We may be liable for the material that content providers distribute over our network.

Although we believe our liability for third party information carried on, stored or disseminated through our networks is limited, the law relating to the liability of private network operators, such as us, is not entirely clear. As such, we could be exposed to legal claims relating to third party content disseminated on our networks. Claims could challenge the accuracy of materials on our network, or could involve matters such as defamation, invasion of privacy or copyright infringement. If we need to take costly measures to reduce our exposure to these risks, or are required to defend ourselves against such claims, our financial results could be negatively affected.

We are subject to franchising requirements that could impede our expansion opportunities.

We may be required to obtain from municipal authorities operating franchises to install or expand facilities. Some of these franchises may require us to pay franchise fees. These franchising requirements generally apply to our fiber transport and competitive local exchange carrier operations, and to our facilities-based video services. These requirements could delay us in expanding our operations or increase the costs of providing these services.

We are exposed to risks arising out of recent legislation affecting U.S. public companies.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, and related regulations implemented thereunder, are increasing legal and financial compliance costs and making some activities more time consuming. Any failure to successfully or timely complete annual assessments of our internal controls required by Section 404 of the Sarbanes-Oxley Act could subject us to sanctions or investigation by regulatory authorities. Any such action could adversely affect our financial results or our reputation with investors, lenders or others.

For a more thorough discussion of the regulatory issues that may affect our business, see “Regulation” in Item 1 of Part I of this annual report.

Risks Affecting our Liquidity and Capital Resources

Our high debt levels pose risks to our viability and may make us more vulnerable to adverse economic and competitive conditions, as well as other adverse developments.

We continue to carry significant debt. As of December 31, 2013, our consolidated debt was approximately $21.0 billion. Approximately $2.6 billion of our consolidated debt securities come due over the 36 months following the date of this annual report.

Our significant levels of debt can adversely affect us in several other respects, including:

- limiting the ability of CenturyLink and its subsidiaries to access the capital markets;
- exposing CenturyLink and its subsidiaries to the risk of credit rating downgrades, as described further below;
- hindering our flexibility to plan for or react to changing market, industry or economic conditions;
- limiting the amount of cash flow available for future operations, acquisitions, dividends, stock repurchases or other uses;
- making us more vulnerable to economic or industry downturns, including interest rate increases;
- placing us at a competitive disadvantage compared to less leveraged competitors;
- increasing the risk that we will need to sell securities or assets, possibly on unfavorable terms, or reduce or terminate our dividend payments, to meet payment obligations; or
- increasing the risk that we may not meet the financial covenants contained in our debt agreements or timely make all required debt payments.

The effects of each of these factors could be intensified if we increase our borrowings.

Any failure to make required debt payments could, among other things, adversely affect our ability to conduct operations or raise capital.

We expect to periodically require financing, and we cannot assure you that we will be able to obtain such financing on terms that are acceptable to us, or at all.

We have a significant amount of indebtedness that we intend to refinance over the next several years, principally through the issuance of debt securities of CenturyLink, Qwest Corporation or both. Our ability to arrange additional financing will depend on, among other factors, our financial position, performance, and credit ratings, as well as prevailing market conditions and other factors beyond our control. Prevailing market conditions could be adversely affected by disruptions in domestic or overseas sovereign debt markets, contractions or limited growth in the economy or other similar adverse economic developments in the U.S. or abroad. Instability in the global financial markets has from time to time resulted in periodic volatility in the capital markets. This volatility could limit our access to the credit markets, leading to higher borrowing costs or, in some cases, the inability to obtain financing on terms that are as favorable as those from which we previously benefitted, on terms that are acceptable to us, or at all. Any such failure to obtain additional financing could jeopardize our ability to repay, refinance or reduce our debt obligations.

We may also need to obtain additional financing under a variety of other circumstances, including if:

- revenues and cash provided by operations decline;
- economic conditions weaken, competitive pressures increase or regulatory requirements change;

- we engage in any acquisitions or undertake substantial capital projects or other initiatives that increase our cash requirements;
- we are required to contribute a material amount of cash to our pension plans;
- we are required to begin to pay other post-retirement benefits earlier than anticipated;
- our payments of federal taxes increase faster or in greater amounts than currently anticipated; or
- we become subject to significant judgments or settlements in one or more of the matters discussed in Note 15—Commitments and Contingencies to our consolidated financial statements included elsewhere in this annual report.

For all the reasons mentioned in the prior paragraph, we can give no assurance that additional financing for any of these purposes will be available on terms that are acceptable to us or at all.

In addition, our ability to borrow funds in the future will depend in part on the satisfaction of the covenants in our credit facilities and other debt agreements. If we are unable to satisfy the financial covenants contained in those agreements, or are unable to generate cash sufficient to make required debt payments, the parties to whom we are indebted could accelerate the maturity of some or all of our outstanding indebtedness. Certain of our debt instruments have cross payment default or cross acceleration provisions. When present, these provisions could have a wider impact on liquidity than might otherwise arise from a default or acceleration of a single debt instrument. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” elsewhere in this annual report for additional information about our credit facility.

If we are unable to make required debt payments or refinance our debt, we would likely have to consider other options, such as selling assets, issuing additional securities, reducing or terminating our dividend payments, cutting costs or otherwise reducing our cash requirements, or negotiating with our lenders to restructure the applicable debt. Our credit agreement and the indentures governing our senior notes may restrict, or market or business conditions may limit, our ability to do some of these things on favorable terms or at all.

Any downgrade in the credit ratings of us or our affiliates could limit our ability to obtain future financing, increase our borrowing costs and adversely affect the market price of our existing debt securities or otherwise impair our business, financial condition and results of operations.

Nationally recognized credit rating organizations have issued credit ratings relating to our long-term debt and the long-term debt of several of our subsidiaries that are below “investment grade.” There can be no assurance that any rating assigned to any of these debt securities will remain in effect for any given period of time or that any such ratings will not be lowered, suspended or withdrawn entirely by a rating agency if, in that rating agency’s judgment, circumstances so warrant.

A downgrade of any of these credit ratings could:

- adversely affect the market price of some or all of our outstanding debt or equity securities;
- limit our access to the capital markets or otherwise adversely affect the availability of other new financing on favorable terms, if at all;
- trigger the application of restrictive covenants in certain of our debt agreements or result in new or more restrictive covenants in agreements governing the terms of any future indebtedness that we may incur;
- increase our cost of borrowing; and
- impair our business, financial condition and results of operations.

Under certain circumstances upon a change of control, we will be obligated to offer to repurchase certain of our outstanding debt securities, which could have certain adverse ramifications.

If the credit ratings relating to certain of our long-term debt securities are downgraded in the manner specified thereunder in connection with a “change of control” of CenturyLink, then we will be required to offer to repurchase such debt securities. If, due to lack of cash, legal or contractual impediments, or otherwise, we fail to offer to repurchase such debt securities, such failure could constitute an event of default under such debt securities, which could in turn constitute a default under other of our agreements relating to our indebtedness outstanding at that time. Moreover, the existence of these repurchase covenants may in certain circumstances make it more difficult or discourage a sale or takeover of us, or the removal of our incumbent directors.

Our debt agreements and the debt agreements of our subsidiaries allow us to incur significantly more debt, which could exacerbate the other risks described in this annual report.

The terms of our debt instruments and the debt instruments of our subsidiaries permit additional indebtedness. Additional debt may be necessary for many reasons, including those discussed above. Incremental borrowings that impose additional financial risks could exacerbate the other risks described in this annual report.

Our business requires us to incur substantial capital and operating expenses, which reduce our available free cash flow.

Our business is capital intensive, and we anticipate that our capital requirements will continue to be significant in the coming years. As discussed further under "Risk Factors—Risks Affecting Our Business—Increases in broadband usage may cause network capacity limitations, resulting in service disruptions, reduced capacity or slower transmission speeds for our customers," increased bandwidth consumption by consumers and businesses have placed increased demands on the transmission capacity of our networks. If we determine that our networks must be expanded to handle these increased demands, we may be required to make substantial capital expenditures, even though there is no assurance that the return on our investment will be satisfactory. In addition, many of our growth and modernization initiatives are capital intensive and changes in technology could require further spending. In addition to investing in expanded networks, new products or new technologies, we must from time to time replace some of the equipment that supports our traditional services as that equipment ages, even though the revenue base from those services is not growing. While we believe that our planned level of capital expenditures will meet both our maintenance and core growth requirements, this may not be the case if demands on our network continue to accelerate or other circumstances underlying our expectations change. Increased spending could, among other things, adversely affect our operating margins, cash flows, results of operations and financial position. Similarly, we continue to anticipate incurring substantial operating expenses to support our incumbent services and growth initiatives.

We cannot assure you whether, when or in what amounts we will be able to use our net operating losses, or when they will be depleted.

At December 31, 2013, we had approximately $2.9 billion of federal net operating losses, or NOLs, which relate primarily to pre-acquisition losses of Qwest. Under certain circumstances, these NOLs can be used to offset our future federal and certain taxable income.

The acquisitions of Qwest and Savvis caused "ownership changes" under federal tax laws relating to the use of NOLs. As a result, these laws could limit our ability to use these NOLs and certain other deferred tax attributes. Further limitations could apply if we are deemed to undergo an ownership change in the future. Despite this, we expect to use substantially all of these NOLs and certain other deferred tax attributes as an offset to our federal future taxable income by 2015, although the timing of that use will depend upon the consolidated group's future earnings and future tax circumstances. If and when our NOLs are fully utilized, we expect that the amount of our cash flow dedicated to the payment of federal taxes will increase substantially.

Increases in costs for pension and healthcare benefits for our active and retired employees may reduce our profitability and increase our funding commitments.

With approximately 47,000 current employees, and approximately 66,000 pension retirees and approximately 35,000 former employees with vested benefits as of December 31, 2013 participating in our benefit plans, the costs of pension and healthcare benefits for our active and retired employees have a significant impact on our profitability. Our costs of maintaining our pension and healthcare plans, and the future funding requirements for these plans, are affected by several factors, most of which are outside our control, including:

- decreases in investment returns on funds held by our pension and other benefit plan trusts;
- changes in prevailing interest rates and the discount rate used to calculate pension and other post-retirement expenses;
- increases in healthcare costs generally or claims submitted under our healthcare plans specifically;
- the continuing implementation of the Patient Protection and Affordable Care Act, and the related reconciliation act and regulations promulgated thereunder;
- increases in the number of retirees who elect to receive lump sum benefit payments;
- changes in plan benefits; and
- changes in funding laws or regulations.

Increased costs under these plans could reduce our profitability and increase our funding commitments to our pension plans. Any future material cash contributions could have a negative impact on our liquidity by reducing our cash flows.

As of December 31, 2013, our pension plans and our other post-retirement benefit plans were substantially underfunded from an accounting standpoint. See Note 8—Employee Benefits to our consolidated financial statements included elsewhere in this annual report. For more information on our obligations under our defined benefit pension plans and other post-retirement benefit plans, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Pension and Post-retirement Benefit Obligations” included elsewhere in this annual report.

Other Risks

If conditions or assumptions differ from the judgments, assumptions or estimates used in our critical accounting policies, our consolidated financial statements and related disclosures could be materially affected.

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires management to make judgments, assumptions and estimates that affect the amounts reported in such financial statements and accompanying notes. Our critical accounting policies, which are described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” in Item 7 of Part II of this Annual Report on Form 10-K, describe those significant accounting policies and methods used in the preparation of our consolidated financial statements that are considered “critical” because they require judgments, assumptions and estimates that materially impact our consolidated financial statements and related disclosures. As a result, if future events or assumptions differ significantly from the judgments, assumptions and estimates in our critical accounting policies, these events or assumptions could have a material impact on our consolidated financial statements and related disclosures.

We face hurricane and other natural disaster risks, which can disrupt our operations and cause us to incur substantial additional capital and operating costs.

A substantial number of our facilities are located in Florida, Alabama, Louisiana, Texas, North Carolina, South Carolina and other coastal states, which subjects them to the risks associated with severe tropical storms, hurricanes and tornadoes, including downed telephone lines, flooded facilities, power outages, fuel shortages, damaged or destroyed property and equipment, and work interruptions. Although we maintain property and casualty insurance on our plant (excluding our outside plant) and may under certain circumstances be able to seek recovery of some additional costs through increased rates, only a portion of our additional costs directly related to such hurricanes and natural disasters have historically been recoverable. We cannot predict whether we will continue to be able to obtain insurance for hazard-related damages or, if obtainable and carried, whether this insurance will be adequate to cover our losses. In addition, we expect any insurance of this nature to be subject to substantial deductibles and to provide for premium adjustments based on claims. Any future hazard-related costs and work interruptions could adversely affect our operations and our financial condition.

Tax audits or changes in tax laws could adversely affect us.

Like all large businesses, we are subject to frequent and regular audits by the Internal Revenue Service as well as state and local tax authorities. These audits could subject us to tax liabilities if adverse positions are taken by these tax authorities.

We believe that we have adequately provided for tax contingencies. However, our tax audits and examinations may result in tax liabilities that differ materially from those that we have recognized in our consolidated financial statements. Because the ultimate outcomes of all of these matters are uncertain, we can give no assurance as to whether an adverse result from one or more of them will have a material effect on our financial results.

Effective for tax years beginning after 2012, The Taxpayer Relief Act of 2012 results in certain high-income taxpayers being subject to increased tax rates on dividends and capital gains. Additionally, these high-income taxpayers are also subject to a 3.8% Medicare tax on net investment income. These or other potential increases in tax rates could reduce demand for our stock, which could potentially depress its trading price.

Our agreements and organizational documents and applicable law could limit another party’s ability to acquire us.

A number of provisions in our agreements and organizational documents and various provisions of applicable law may delay, defer or prevent a future takeover of CenturyLink unless the takeover is approved by our Board of Directors. For additional information, please see our Registration Statement on Form 8-A/A filed with the SEC July 1, 2009. This could deprive our shareholders of any related takeover premium.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our property, plant and equipment consists principally of telephone lines, cable, central office equipment, land and buildings related to our operations. Our gross property, plant and equipment consisted of the following components as of the following dates:

	December 31,	
	2013	2012
Land	2%	2%
Fiber, conduit and other outside plant [(1)]	41%	40%
Central office and other network electronics [(2)]	35%	35%
Support assets [(3)]	19%	20%
Construction in progress [(4)]	3%	3%
Gross property, plant and equipment	100%	100%

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(1) Fiber, conduit and other outside plant consists of fiber and metallic cable, conduit, poles and other supporting structures.

(2) Central office and other network electronics consists of circuit and packet switches, routers, transmission electronics and electronics providing service to customers.

(3) Support assets consist of buildings, computers and other administrative and support equipment.

(4) Construction in progress includes inventory held for construction and property of the aforementioned categories that has not been placed in service as it is still under construction.

We own substantially all of our telecommunications equipment required for our business. However, we lease certain facilities, plant, equipment and software under various capital lease arrangements when the leasing arrangements are more favorable to us than purchasing the assets.

We also own and lease administrative offices in major metropolitan locations both in the United States and internationally. Substantially all of our network electronics equipment is located in buildings or on land that we own or lease within our local service area. Outside of our local service area, our assets are generally located on real property pursuant to an agreement with the property owner or another person with rights to the property. It is possible that we may lose our rights under one or more of these agreements, due to their termination or expiration.

With the acquisitions of Qwest in April 2011 and Savvis in July 2011, we expanded our property to include data center assets, and the related facilities and communications equipment. The facilities that house Qwest's and Savvis' warehouses, network equipment and data centers are leased.

We have reclassified certain prior year balance sheet amounts presented in our Annual Report on Form 10-K for the year ended December 31, 2012 to conform to the current period presentation. Specifically, we have reclassified $123 million in software development costs, net of $30 million in accumulated amortization, from property, plant and equipment to other intangible assets on our consolidated balance sheet as of December 31, 2012.

Some of our property, plant and equipment is pledged to secure the long-term debt of subsidiaries. Our net property, plant and equipment was $18.6 billion and $18.9 billion at December 31, 2013 and 2012, respectively.

Several putative class actions have been filed against us disputing our use of certain rights-of-way as described in "Legal Proceedings—Litigation Matters Relating to Qwest" in Item 3 of this annual report. If we lose any of these rights-of-way or are unable to renew them, we may find it necessary to move or replace the affected portions of our network. However, we do not currently expect any material adverse impacts as a result of the loss of any of these rights.

ITEM 3. LEGAL PROCEEDINGS

We are vigorously defending against all of the matters described below. As a matter of course, we are prepared both to litigate the matters to judgment, as well as to evaluate and consider all settlement opportunities. In this section, when we refer to a class action as "putative" it is because a class has been alleged, but not certified in that matter. We have established accrued liabilities for the matters described below where losses are deemed probable and reasonably estimable.

Litigation Matters Relating to CenturyLink and Embarq

In *William Douglas Fulghum, et al. v. Embarq Corporation, et al.*, filed on December 28, 2007 in the United States District Court for the District of Kansas, a group of retirees filed a putative class action lawsuit challenging the decision to make certain modifications in retiree benefits programs relating to life insurance, medical insurance and prescription drug benefits, generally effective January 1, 2006 and January 1, 2008 (which, at the time of the modifications, was expected to reduce estimated future expenses for the subject benefits by more than $300 million). Defendants include Embarq, certain of its benefit plans, its Employee Benefits Committee and the individual plan administrator of certain of its benefits plans. Additional defendants include Sprint Nextel and certain of its benefit plans. The Court certified a class on certain of plaintiffs' claims, but rejected class certification as to other claims. On October 14, 2011, the *Fulghum* lawyers filed a new, related lawsuit, *Abbott et al. v. Sprint Nextel et al.* CenturyLink/Embarq is not named a defendant in the lawsuit. In *Abbott,* approximately 1,500 plaintiffs allege breach of fiduciary duty in connection with the changes in retiree benefits that also are at issue in the *Fulghum* case. The *Abbott* plaintiffs are all members of the class that was certified in *Fulghum* on claims for allegedly vested benefits (Counts I and III), and the *Abbott* claims are similar to the *Fulghum* breach of fiduciary duty claim (Count II), on which the *Fulghum* court denied class certification. The Court has stayed proceedings in *Abbott* indefinitely. On February 14, 2013, the *Fulghum* court dismissed the majority of the plaintiffs' claims in that case. On July 16, 2013, the *Fulghum* court granted plaintiffs' request to seek interlocutory review by the United States Court of Appeals for the Tenth Circuit. Embarq and the other defendants will defend the appeal, continue to vigorously contest any remaining claims in *Fulghum* and seek to have the claims in the *Abbott* case dismissed on similar grounds. We have not accrued a liability for these matters because we believe it is premature (i) to determine whether an accrual is warranted and, (ii) if so, to determine a reasonable estimate of probable liability.

In December 2009, subsidiaries of CenturyLink filed two lawsuits against subsidiaries of Sprint Nextel to recover terminating access charges for VoIP traffic owed under various interconnection agreements and tariffs which originally approximated $34 million in the aggregate. In connection with the first lawsuit, a federal court in Virginia issued a ruling in our favor, which resulted in Sprint paying us approximately $24 million. The other lawsuit is pending in federal court in Louisiana. In that case, in early 2011 the Court dismissed certain of CenturyLink's claims, referred other claims to the FCC, and stayed the litigation. In April 2012, Sprint Nextel filed a petition with the FCC, seeking a declaratory ruling that CenturyLink's access charges do not apply to VoIP originated calls. We have not deferred any revenue recognition related to these matters.

Litigation Matters Relating to Qwest

On July 16, 2013, Comcast MO Group, Inc. ("Comcast") filed a lawsuit in Colorado state court against Qwest Communications International, Inc. ("Qwest"). Comcast alleges Qwest breached the parties' 1998 tax sharing agreement ("TSA") when it refused to partially indemnify Comcast for a tax liability settlement Comcast reached with the Commonwealth of Massachusetts in a dispute to which we were not a party. Comcast seeks approximately $80 million in damages, excluding interest. Qwest and Comcast are parties to the TSA in their capacities as successors to the TSA's original parties, U S WEST, Inc., a telecommunications company, and MediaOne Group, Inc., a cable television company, respectively. We have not accrued a liability for this matter because we do not believe that liability is probable.

On September 29, 2010, the trustees in the Dutch bankruptcy proceeding for KPNQwest, N.V. (of which Qwest was a major shareholder) filed a lawsuit in the District Court of Haarlem, the Netherlands, alleging tort and mismanagement claims under Dutch law. Qwest and Koninklijke KPN N.V. ("KPN") are defendants in this lawsuit along with a number of former KPNQwest supervisory board members and a former officer of KPNQwest, some of whom were formerly affiliated with Qwest. Plaintiffs allege, among other things, that defendants' actions were a cause of the bankruptcy of KPNQwest, and they seek damages for the bankruptcy deficit of KPNQwest, which is claimed to be approximately €4.2 billion (or approximately $5.8 billion based on the exchange rate on December 31, 2013), plus statutory interest. Two lawsuits asserting similar claims were previously filed against Qwest and others in federal courts in New Jersey in 2004 and Colorado in 2009; those courts dismissed the lawsuits without prejudice on the grounds that the claims should not be litigated in the United States.

In February 2014, Qwest, KPN, the individual defendants and the trustees reached a definitive agreement, settling the litigation. The settlement terms include Qwest's payment of approximately €171 million (or approximately $235 million based on the exchange rate on December 31, 2013) to the KPNQwest bankruptcy estate pursuant to its indemnification obligations, discussed in Note 16—Commitments and Contingencies to our consolidated financial statements in Item 8 of this annual report.

On September 13, 2006, Cargill Financial Markets, Plc and Citibank, N.A. filed a lawsuit in the District Court of Amsterdam, the Netherlands, against Qwest, KPN, KPN Telecom B.V., and other former officers, employees or supervisory board members of KPNQwest, some of whom were formerly affiliated with Qwest. The lawsuit alleges that defendants misrepresented KPNQwest's financial and business condition in connection with the origination of a credit facility and wrongfully allowed KPNQwest to borrow funds under that facility. Plaintiffs allege damages of approximately €219 million (or approximately $301 million based on the exchange rate on December 31, 2013). The value of this claim will be reduced to the degree plaintiffs receive recovery from the tentative trustee settlement described above. While we expect the plaintiffs would receive proceeds from any such trustee settlement, the amounts of such expected recovery are not yet known. On April 25, 2012, the court issued its judgment denying the claims asserted by Cargill and Citibank in their lawsuit. Cargill and Citibank are appealing that decision.

Regarding the 2010 proceeding filed by the trustees, we accrued a liability in 2013 in the pre-tax amount of €171 million (or approximately $235 million reflected in our accompanying consolidated financial statements based on the exchange rate on December 31, 2013) which represents our best estimate of Qwest's contribution under the terms of the then-tentative settlement. Regarding the 2006 suit brought by Cargill Financial Markets, Plc and Citibank. N.A., we do not believe that liability is probable and will continue to defend against the matter vigorously.

The terms and conditions of applicable bylaws, certificates or articles of incorporation, agreements or applicable law may obligate Qwest to indemnify its former directors, officers or employees with respect to certain of the matters described above, and Qwest has been advancing legal fees and costs to certain former directors, officers or employees in connection with certain matters described above.

Several putative class actions relating to the installation of fiber optic cable in certain rights-of-way were filed against Qwest on behalf of landowners on various dates and in courts located in 34 states in which Qwest has such cable (Alabama, Arizona, California, Colorado, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, and Wisconsin.) For the most part, the complaints challenge our right to install our fiber optic cable in railroad rights-of-way. The complaints allege that the railroads own the right-of-way as an easement that did not include the right to permit us to install our cable in the right-of-way without the plaintiffs' consent. Most of the currently pending actions purport to be brought on behalf of state-wide classes in the named plaintiffs' respective states, although one action pending before the Illinois Court of Appeals purports to be brought on behalf of landowners in Illinois, Iowa, Kentucky, Michigan, Minnesota, Nebraska, Ohio and Wisconsin. In general, the complaints seek damages on theories of trespass and unjust enrichment, as well as punitive damages. After previous attempts to enter into a single nationwide settlement in a single court proved unsuccessful, the parties proceeded to seek court approval of settlements on a state-by-state basis. To date, the parties have received final approval of such settlements in 30 states (Alabama, California, Colorado, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Utah, Virginia and Wisconsin) and have not yet received either preliminary or final approval in one state where an action is pending (Texas) and three states where actions were at one time, but are not currently, pending (Arizona, Massachusetts, and New Mexico). We have accrued an amount that we believe is probable for these matters; however, the amount is not material to our consolidated financial statements.

Securities Actions

CenturyLink and certain of its affiliates are defendants in one consolidated securities and four shareholder derivative actions. The securities action is pending in federal court in the Southern District of New York and the derivative actions are pending in federal court in the Eastern and Western Districts of Louisiana. Plaintiffs in these actions have variously alleged, among other things, that CenturyLink and certain of its current and former officers and directors violated federal securities laws and/or breached fiduciary duties owed to the Company and its shareholders. Plaintiffs' complaints focus on alleged material misstatements or omissions concerning CenturyLink's financial condition and changes in CenturyLink's capital allocation strategy in early 2013.

The matters are in preliminary phases and the Company intends to defend against the filed actions vigorously. We have not accrued a liability for these matters as it is premature (i) to determine whether an accrual is warranted and (ii) if so, to determine a reasonable estimate of probable liability.

Other Matters

From time to time, we are involved in other proceedings incidental to our business, including patent infringement allegations, administrative hearings of state public utility commissions relating primarily to rate making, actions relating to employee claims, various tax issues, environmental law issues, grievance hearings before labor regulatory agencies, and miscellaneous third party tort actions. The outcome of these other proceedings is not predictable. However, based on current circumstances we do not believe that the ultimate resolution of these other proceedings, after considering available defenses and any insurance coverage or indemnification rights, will have a material adverse effect on our financial position, results of operations or cash flows.

We are currently defending several patent infringement lawsuits asserted against us by non-practicing entities. These cases have progressed to various stages and one or more may go to trial in the coming 24 months if they are not otherwise resolved. Where applicable, we are seeking full or partial indemnification from our vendors and suppliers. As with all litigation, we are vigorously defending these actions and, as a matter of course, are prepared both to litigate the matters to judgment, as well as to evaluate and consider all settlement opportunities.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the New York Stock Exchange ("NYSE") and the Berlin Stock Exchange and is traded under the symbol CTL and CYT, respectively. The following table sets forth the high and low reported sales prices on the NYSE along with the quarterly dividends, for each of the quarters indicated.

	Sales Price		Dividend per Common Share
	High	Low	
2013			
First quarter	$ 42.01	32.05	0.540
Second quarter	38.40	33.83	0.540
Third quarter	36.49	31.21	0.540
Fourth quarter	34.18	29.93	0.540
2012			
First quarter	$ 40.54	36.25	0.725
Second quarter	39.89	36.91	0.725
Third quarter	43.43	38.96	0.725
Fourth quarter	40.49	36.52	0.725

Common stock dividends during 2013 and 2012 were paid each quarter. On February 24, 2014, our Board of Directors declared a common stock dividend of $0.54 per share.

As described in greater detail in Item 1A of this Annual Report on Form 10-K, the declaration and payment of dividends is at the discretion of our Board of Directors, and will depend upon our financial results, cash requirements, future prospects and other factors deemed relevant by our Board of Directors.

At February 18, 2014, there were approximately 161,000 stockholders of record although there were significantly more beneficial holders of our common stock. At February 18, 2014, the closing stock price of our common stock was $30.95.

Issuer Purchases of Equity Securities

In February 2013, our Board of Directors authorized the repurchase of up to an aggregate of $2 billion of our outstanding common shares. This repurchase program terminates on February 13, 2015. During the three months ended December 31, 2013, we repurchased approximately 10.5 million shares of our outstanding common stock in the open market. These shares were repurchased for an aggregate market price of $331 million or an average purchase price of $31.49 per share. The common stock repurchased has been retired.

The following table contains information about shares of our previously-issued common stock that were repurchased under our Stock Repurchase Program:

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
Period				
October 2013	2,408,671	$ 32.34	2,408,671	$ 686,036,210
November 2013	1,532,500	32.21	1,532,500	636,682,039
December 2013	6,567,188	31.01	6,567,188	433,043,700
Total	10,508,359	31.49	10,508,359	

The following table contains information about shares of our previously-issued common stock that we withheld from delivering during the fourth quarter of 2013 to employees to satisfy their tax obligations related to stock-based awards:

Period	Total Number of Shares Withheld for Taxes	Average Price Paid Per Share
October 2013	31,695	$ 31.40
November 2013	19,190	32.10
December 2013	7,245	32.00
Total	58,130	

ITEM 6. SELECTED FINANCIAL DATA

The following tables of selected consolidated financial data should be read in conjunction with, and are qualified by reference to, our consolidated financial statements and notes thereto in Item 8 of this annual report and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this annual report.

The tables of selected financial data shown below are derived from our audited consolidated financial statements. These historical results are not necessarily indicative of results that you can expect for any future period.

The results of operations include Savvis for periods after July 15, 2011, Qwest for periods after April 1, 2011 and Embarq for periods after July 1, 2009.

Selected financial information from the consolidated statements of operations data is as follows:

	Years Ended December 31,(1)				
	2013 (2)	2012	2011	2010	2009
	(Dollars in millions, except per share amounts and shares in thousands)				
Operating revenues	$ 18,095	18,376	15,351	7,042	4,974
Operating expenses	16,642	15,663	13,326	4,982	3,741
Operating income	$ 1,453	2,713	2,025	2,060	1,233
Income before income tax expense	224	1,250	948	1,531	813
Net (loss) income	(239)	777	573	948	647
Basic (loss) earnings per common share	(0.40)	1.25	1.07	3.13	3.23
Diluted (loss) earnings per common share	(0.40)	1.25	1.07	3.13	3.23
Dividends declared per common share	2.16	2.90	2.90	2.90	2.80
Weighted average basic common shares outstanding	600,892	620,205	532,780	300,619	198,813
Weighted average diluted common shares outstanding	600,892	622,285	534,121	301,297	199,057

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(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations" in Item 7 of this annual report for a discussion of unusual items affecting the results for the years ended December 31, 2013, 2012 and 2011.

(2) We recorded a non-cash, non-tax-deductible goodwill impairment charge of $1.092 billion for goodwill attributed to our data hosting segment and a litigation settlement charge of $235 million recorded in 2013.

Selected financial information from the consolidated balance sheets is as follows:

	Years Ended December 31,				
	2013	2012	2011	2010	2009
	(Dollars in millions)				
Net property, plant and equipment (1)	$ 18,646	18,909	19,361	8,754	9,097
Goodwill (2) (3)	20,674	21,627	21,627	10,261	10,252
Total assets	51,787	53,940	55,964	22,038	22,563
Total long-term debt (4)	20,966	20,605	21,836	7,328	7,754
Total stockholders' equity (2)	17,191	19,289	20,827	9,647	9,467

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(1) We have reclassified certain prior year balance sheet amounts presented in our Annual Report on Form 10-K for the year ended December 31, 2012 and 2011 to conform to the current period presentation. Specifically, we have reclassified $123 million and $83 million in software development costs, net of $30 million and $8 million in accumulated amortization, from property, plant and equipment to other intangible assets on our consolidated balance sheet as of December 31, 2012,and 2011, respectively. We have also reclassified $28 million and $8 million from depreciation expense to amortization expense in our statements of operations for the years ended December 31, 2012 and 2011, respectively. The correction of the error did not have an effect on our consolidated statements of operations or our consolidated statements of cash flows for the years ended December 31, 2012 and 2011.

(2) We recorded a non-cash, non-tax-deductible goodwill impairment charge of $1.092 billion during 2013 for goodwill attributed to our data hosting segment.

(3) During the year ended December 31, 2013, we recorded a correction of an error related to an overstatement of our net deferred tax liability recorded in connection with the purchase accounting of Savvis and Qwest in 2011. Therefore, we recognized a $105 million decrease in our net deferred tax liability and a $105 million reduction to goodwill on our consolidated balance sheets as of December 31, 2012 and 2011. The correction of the error did not have an effect on our consolidated statements of operations or our consolidated statements of cash flows for the years ended December 31, 2012 and 2011.

(4) Total long-term debt is the sum of current maturities of long-term debt and long-term debt on our consolidated balance sheets. For total obligations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Future Contractual Obligations" in Item 7 of this annual report.

Selected financial information from the consolidated statements of cash flows is as follows:

	Years Ended December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
			(Dollars in millions)		
Net cash provided by operating activities	$ 5,559	6,065	4,201	2,045	1,574
Net cash used in investing activities	(3,148)	(2,690)	(3,647)	(859)	(679)
Net cash used in financing activities	(2,454)	(3,295)	(577)	(1,175)	(976)
Payments for property, plant and equipment and capitalized software	(3,048)	(2,919)	(2,411)	(864)	(755)

The following table presents certain selected consolidated operating data as of the following dates:

	Years Ended December 31,				
	2013	**2012 (2)**	**2011 (2)**	**2010**	**2009**
	(in thousands except for data centers, which are actuals)				
Total broadband subscribers (1)	5,991	5,851	5,655	2,349	2,186
Total access lines (1)	13,002	13,751	14,587	6,489	7,025
Total data centers (3)	55	54	51	—	—

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(1) Broadband subscribers are customers that purchase high-speed Internet connection service through their existing telephone lines and fiber-optic cables, and access lines are lines reaching from the customers' premises to a connection with the public network.

(2) The prior year numbers have been adjusted to include the operational metrics of our wholly owned subsidiary, El Paso County Telephone Company, which had been previously excluded. The increase (in thousands) related to including El Paso County Telephone Company's broadband subscribers and access lines, in the table above, is approximately 3 and 3, respectively.

(3) Data centers are located throughout North America, Europe and Asia.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

All references to "Notes" in this Item 7 refer to the Notes to Consolidated Financial Statements included in Item 8 of this annual report. Certain statements in this annual report constitute forward-looking statements. See "Special Note Regarding Forward-Looking Statements and Related Matters" in Item 1 of this annual report for factors relating to these statements and "Risk Factors" in Item 1A of this annual report for a discussion of certain risk factors applicable to our business, financial condition and results of operations.

Overview

We are an integrated communications company engaged primarily in providing an array of communications services to our residential, business, governmental and wholesale customers. Our communications services include local and long-distance, broadband, private line (including special access), Multi-Protocol Label Switching ("MLPS"), data integration, managed hosting (including cloud hosting), colocation, Ethernet, network access, public access, wireless, video services and other ancillary services. We strive to maintain our customer relationships by, among other things, bundling our service offerings to provide our customers with a complete offering of integrated communications services.

At December 31, 2013, we operated approximately 13.0 million access lines in 37 states, served approximately 6.0 million broadband subscribers, and operated 55 data centers throughout North America, Europe and Asia. Our methodology for counting access lines may not be comparable to those of other companies.

Our consolidated financial statements include the accounts of CenturyLink, Inc. ("CenturyLink") and its majority-owned subsidiaries. These subsidiaries include SAVVIS, Inc. ("Savvis") since July 15, 2011 and Qwest Communications International Inc. ("Qwest") since April 1, 2011. See Note 2—Acquisitions to our consolidated financial statements in Item 8 of this annual report. We discuss below, under "Results of Operations—Segment Results", certain trends that we believe are significant, even if they are not necessarily material to the combined company.

In the discussion that follows, we refer to the incremental business activities that we now operate as a result of the Savvis acquisition and the Qwest acquisition as "Legacy Savvis" and "Legacy Qwest", respectively. References to "Legacy CenturyLink", when used in reference to a comparison of our consolidated results for the years ended December 31, 2011, mean the business we operated prior to the Qwest and Savvis acquisitions. Due to the magnitude of our recent acquisitions in relation to Legacy CenturyLink operations, in the combined company variance discussions below for 2012 and 2011 we have separately reflected the impacts of both the Legacy Qwest and Legacy Savvis operations for enhanced visibility, although we actively manage the combined company through our four segments, as discussed further below.

We have incurred certain non-recurring operating expenses related to our acquisitions of Savvis in July 2011, Qwest in April 2011 and Embarq in July 2009. These expenses are reflected in cost of services and products and selling, general and administrative expenses in our consolidated statements of operations, as summarized below.

	Years Ended December 31,		
	2013	2012	2011
	(Dollars in millions)		
Cost of services and products:			
Integration and other expenses associated with acquisitions	$ 15	22	43
Severance expenses, accelerated recognition of share-based awards and retention compensation associated with acquisitions	—	—	24
Total	$ 15	22	67
Selling, general and administrative:			
Expenses incurred to effect acquisitions	$ —	—	79
Integration and other expenses associated with acquisitions	28	25	172
Severance expenses, accelerated recognition of share-based awards and retention compensation associated with acquisitions	10	36	149
Total	$ 38	61	400

This table does not include costs incurred by Qwest or Savvis prior to being acquired by us. Based on current plans and information, we estimate, in relation to our Qwest acquisition, total integration, severance and retention expenses to be between $630 million to $654 million (which includes approximately $511 million of cumulative expenses incurred through December 31, 2013) and our capital expenditures associated with integration activities will approximate $200 million (which includes approximately $110 million of cumulative capital expenditures incurred through December 31, 2013). We anticipate that the amount of our integration costs in future years will vary substantially based on integration activities conducted during those periods and could in certain cases be higher than those incurred by us during the year ended December 31, 2013.

During the first quarter of 2013, we announced a reorganization of our operating segments. Consequently we now report the following four segments in our consolidated financial statements: consumer, business, wholesale and data hosting. The primary purpose of the reorganization was to strengthen our focus on the business market while continuing our commitment to our wholesale, hosting and consumer customers. The reorganization combined business sales and operations functions that formerly resided in the enterprise markets-network segment and the regional markets segment into the new unified business segment. The remaining customers formerly serviced by the regional markets segment became the new consumer segment. Each of the current segments are described further below:

- *Consumer.* Consists generally of providing strategic and legacy products and services to residential consumers. Our strategic products and services offered to these customers include our broadband, wireless and video services, including our Prism TV services. Our legacy services offered to these customers include local and long-distance service.

- *Business.* Consists generally of providing strategic and legacy products and services to commercial, enterprise, global and governmental customers. Our strategic products and services offered to these customers include our private line, broadband, Ethernet, Multiprotocol Label Switching ("MPLS"), Voice over Internet Protocol ("VoIP"), and network management services. Our legacy services offered to these customers include local and long-distance service.

- *Wholesale.* Consists generally of providing strategic and legacy products and services to other communications providers. Our strategic products and services offered to these customers are mainly private line (including special access), dedicated internet access, digital subscriber line ("DSL") and MPLS. Our legacy services offered to these customers include the resale of our services, the sale of unbundled network elements ("UNEs") which allow our wholesale customers to use our network or a combination of our network and their own networks to provide voice and data services to their customers, long-distance and switched access services and other services, including billing and collection, pole rental, floor space and database services.

- *Data hosting.* Consists primarily of providing colocation, managed hosting and cloud hosting services to commercial, enterprise, global and governmental customers.

Results of Operations

The following table summarizes the results of our consolidated operations for the years ended December 31, 2013, 2012 and 2011. Our operating results include operations of Savvis for periods after July 15, 2011 and Qwest for periods after April 1, 2011.

	Years Ended December 31,		
	2013	2012	2011
	(Dollars in millions except per share amounts)		
Operating revenues	$ 18,095	18,376	15,351
Operating expenses	16,642	15,663	13,326
Operating income	1,453	2,713	2,025
Other income (expense)	(1,229)	(1,463)	(1,077)
Income tax expense	463	473	375
Net (loss) income	$ (239)	777	573
Basic (loss) earnings per common share	$ (0.40)	1.25	1.07
Diluted (loss) earnings per common share	$ (0.40)	1.25	1.07

Due to our acquisitions of Qwest on April 1, 2011 and Savvis on July 15, 2011, our 2013 and 2012 operating results reflect a full year of Qwest's and Savvis' results, as compared to our 2011 operating results, which reflect only nine months of Qwest's operating results and five and a half months of Savvis' operating results.

The change from net income of $777 million in 2012 to a net loss of $239 million in 2013 is primarily due to a goodwill impairment charge of $1.092 billion and a charge of $235 million in connection with a litigation settlement recorded in 2013. The increase in net income of $204 million in 2012 was primarily due to the 2012 period containing a full year of Qwest's operating results compared to the 2011 period only containing nine months and a significant decrease from 2011 in the amount of acquisition, severance and integration expenses resulting from our recent acquisitions, as presented in the table under the "Overview" section above. The post-acquisition operations of Legacy Savvis and Legacy Qwest, which included substantial severance and integration expenses and significant acquisition accounting adjustments to depreciation and amortization expense, did not contribute significantly to our consolidated net income in 2011. See Note 2—Acquisitions and Note 3—Goodwill, Customer Relationships and Other Intangible Assets to our consolidated financial statements in Item 8 of this annual report. In addition to these factors, growth in strategic services revenues (which we describe further below) over the past couple of years did not fully offset lower revenues from other services and products, which placed downward pressures on our revenues.

Diluted (loss) earnings per common share in 2013 was lower than 2012 primarily due to the above-described goodwill impairment charge of $1.092 billion and a litigation settlement charge of $235 million recorded in 2013. Diluted earnings per common share in 2012 was higher than 2011 as a result of increased net income for 2012.

The following table summarizes our broadband subscribers, access lines, data centers and number of employees:

	As of December 31,		
	2013	**2012 (2)**	**2011 (2)**
	(in thousands except for data centers, which are actuals)		
Operational metrics:			
Total broadband subscribers (1)	5,991	5,851	5,655
Total access lines (1)	13,002	13,751	14,587
Total data centers (3)	55	54	51
Total employees	46.6	47.0	49.2

(1) Broadband subscribers are customers that purchase high-speed Internet connection service through their existing telephone lines and fiber-optic cables, and access lines are lines reaching from the customers' premises to a connection with the public network.

(2) The prior year numbers have been adjusted to include the operational metrics of our wholly owned subsidiary, El Paso County Telephone Company, which had been previously excluded. The increase (in thousands) related to including El Paso County Telephone Company's broadband subscribers and access lines, in the table above, is approximately 3 and 3, respectively.

(3) Data centers are located throughout North America, Europe and Asia.

During the last several years, we have experienced revenue decline (excluding the impact of acquisitions) primarily due to declines in access lines, intrastate access rates and minutes of use. To mitigate these declines, we remain focused on efforts to, among other things:

- promote long-term relationships with our customers through bundling of integrated services;
- provide new services, such as video, cloud hosting, managed hosting, colocation and other additional services that may become available in the future due to, among other things, advances in technology or improvements in our infrastructure;
- provide our broadband and premium services to a higher percentage of our customers;
- pursue acquisitions of additional assets if available at attractive prices;
- increase usage of our networks; and
- market our products and services to new customers.

Operating Revenues

We currently categorize our products, services and revenues among the following four categories:

- *Strategic services*, which include primarily broadband, private line (including special access, which we market to wholesale and business customers), MPLS (which is a data networking technology that can deliver the quality of service required to support real-time voice and video), hosting (including cloud hosting and managed hosting), colocation, Ethernet, video (including our facilities-based video services, which we now offer in twelve markets, and our resold satellite service), VoIP and Verizon Wireless services;

- *Legacy services*, which include primarily local, long-distance, switched access, Integrated Services Digital Network ("ISDN") (which uses regular telephone lines to support voice, video and data applications), and traditional wide area network ("WAN") services (which allows a local communications network to link to networks in remote locations);

- *Data integration*, which includes the sale of telecommunications equipment located on customers' premises and related professional services, such as network management, installation and maintenance of data equipment and building of proprietary fiber-optic broadband networks for our governmental and business customers; and

- *Other revenues*, which consists primarily of USF revenue and surcharges. Unlike the first three revenue categories, other revenues are not included in our segment revenues.

The following table summarizes our operating revenues under our current revenue categorization:

	Years Ended December 31,			
	2013	2012	Increase / (Decrease)	% Change
	(Dollars in millions)			
Strategic services	$ 8,822	8,427	395	5 %
Legacy services	7,617	8,221	(604)	(7)%
Data integration	656	672	(16)	(2)%
Other	1,000	1,056	(56)	(5)%
Total operating revenues	$ 18,095	18,376	(281)	(2)%

The following table summarizes our operating revenues under our current revenue categorization, which is presented in a manner that we believe is useful for understanding the impact of the Qwest and Savvis acquisitions:

	Years Ended December 31,		Increase / (Decrease)			
	2012	2011	CenturyLink	Qwest	Savvis	Total
	(Dollars in millions)					
Strategic services	$ 8,427	6,313	322	1,207	585	2,114
Legacy services	8,221	7,621	(648)	1,248	—	600
Data integration	672	537	19	116	—	135
Other	1,056	880	44	132	—	176
Total operating revenues	$ 18,376	15,351	(263)	2,703	585	3,025

Operating revenues attributable to certain bundled services were revised from legacy services to strategic services. Specifically, the revision resulted in a reduction of revenues from legacy services of $104 million and $51 million and a corresponding increase in revenues from strategic services for the periods ended December 31, 2012 and 2011, respectively. The revision was in response to over-allocating discounts to broadband services revenues and under-allocating discounts to local and long-distance services revenues under bundled services arrangements, which resulted in strategic services revenues being understated and legacy services revenues being overstated.

Operating revenues attributable to certain CLEC services were revised from strategic services to legacy services. Specifically, the revision resulted in a reduction of revenue from strategic services of $38 million and a corresponding increase in revenue from legacy services for the period ended December 31, 2012. The revision was in response to recording certain legacy services revenues generated through CLEC services arrangements as strategic services revenues, which resulted in strategic services revenues being overstated and legacy services revenues being understated. Due to system limitations, we have determined that it is impracticable to revise 2011 operating revenues attributable to certain CLEC services to conform to our current revenue categorization.

Our operating revenues decreased by $281 million, or approximately 2%, during the year ended December 31, 2013 as compared to the year ended December 31, 2012. The decrease in revenues is primarily due to declines to legacy services revenues, which decreased by $604 million, or 7%, and which reflect the continuing loss of access lines and loss of access revenues associated with internet and wireless substitution in our markets. At December 31, 2013, we had approximately 13.0 million access lines, (about 59% of which are located in Legacy Qwest's markets), or approximately 5.4% less than the number of access lines we operated at December 31, 2012. We believe the decline in the number of access lines was primarily due to the displacement of traditional wireline telephone services by other competitive products and services. We estimate that our access lines loss will be between 5.2% and 5.7% in 2014. Strategic services revenues increased by $395 million, or 5%, for the year ended December 31, 2013 as compared to the year ended December 31, 2012 primarily from increased demand for our MPLS, Ethernet, broadband, facilities-based video and data hosting services, which were partially offset by a decline in private lines services. Data integration decreased by $16 million, or 2%, for the year ended December 31, 2013 as compared to the year ended December 31, 2012 primarily due to declines in governmental sales and professional services, which were partially offset by a increase in maintenance services. Other revenue decreased by $56 million, or 5%, for the year ended December 31, 2013 as compared to the year ended December 31, 2012 primarily due to rate reductions on the federal universal service charges.

Our operating revenues increased by $3.025 billion, or 20%, during the year ended December 31, 2012 as compared to the year ended December 31, 2011. The increase in revenues is primarily due to our acquisitions of Qwest on April 1, 2011 and Savvis on July 15, 2011. As reflected in the table above, our acquisitions of Qwest and Savvis contributed incremental operating revenues (net of intercompany eliminations) of $2.7 billion and $585 million, respectively, to our 2012 revenues. Legacy CenturyLink operating revenues decreased $263 million, in 2012. This decrease was primarily attributable to a decline in legacy services revenues, which reflected the continuing loss of access lines in our markets. At December 31, 2012, we had 13.751 million access lines, of which 8.058 million were in Legacy Qwest's markets. Access lines in our Legacy CenturyLink markets declined to 5.693 million at December 31, 2012 from 6.051 million at December 31, 2011, a decrease of 5.9% during 2012. We believe the decline in the number of access lines was primarily due to the displacement of traditional wireline telephone services by other competitive products and services. Our legacy services revenues were also negatively impacted in 2012 by the continued reduction in access revenues and continued migration of customers to bundled service offerings at lower effective rates. The decrease in our legacy services revenues was partially offset by higher revenues from strategic services revenues. Ethernet, MPLS, Internet Protocol Television ("IPTV"), VoIP and broadband services accounted for a majority of the growth in strategic services revenues.

We are aggressively marketing our strategic services (including our data hosting services) to offset the continuing declines in our legacy services revenues. We believe our recent acquisitions since 2011 will strengthen our ability to achieve this goal.

Further analysis of our operating revenues by segment is provided below in "Segment Results."

Operating Expenses

Our current definitions of operating expenses are as follows:

- *Cost of services and products (exclusive of depreciation and amortization)* are expenses incurred in providing products and services to our customers. These expenses include: employee-related expenses directly attributable to operating and maintaining our network (such as salaries, wages, benefits and professional fees); facilities expenses (which include third-party telecommunications expenses we incur for using other carriers' networks to provide services to our customers); rents and utilities expenses; equipment sales expenses (such as data integration and modem expenses); costs for universal service funds ("USF") (which are federal and state funds that are established to promote the availability of telecommunications services to all consumers at reasonable and affordable rates, among other things, and to which we are often required to contribute); litigation expenses associated with our operations; and other expenses directly related to our network and hosting operations.

- *Selling, general and administrative expenses* are corporate overhead and other operating expenses. These expenses include: employee-related expenses (such as salaries, wages, internal commissions, benefits and professional fees) directly attributable to selling products or services and employee-related expenses for administrative functions; marketing and advertising; property and other operating taxes and fees; external commissions; litigation expenses associated with general matters; bad debt expense; and other selling, general and administrative expenses.

These expense classifications may not be comparable to those of other companies.

Total operating expenses increased by $979 million, or 6%, for the year ended December 31, 2013 as compared to the year ended December 31, 2012 and operating expenses increased by $2.337 billion, or 18%, for the year ended December 31, 2012 as compared to the year ended December 31, 2011.

The following tables summarize our operating expenses:

	Years Ended December 31,			
	2013	2012	Increase / (Decrease)	% Change
	(Dollars in millions)			
Cost of services and products (exclusive of depreciation and amortization)	$ 7,507	7,639	(132)	(2)%
Selling, general and administrative	3,502	3,244	258	8 %
Depreciation and amortization	4,541	4,780	(239)	(5)%
Impairment of goodwill	1,092	—	1,092	100 %
Total operating expenses	$ 16,642	15,663	979	6 %

	Years Ended December 31,		Increase / (Decrease)			
	2012	2011	CenturyLink	Qwest	Savvis	Total
	(Dollars in millions)					
Cost of services and products (exclusive of depreciation and amortization)	$ 7,639	6,325	(73)	1,082	305	1,314
Selling, general and administrative	3,244	2,975	(367)	483	153	269
Depreciation and amortization	4,780	4,026	(149)	741	162	754
Total operating expenses	$ 15,663	13,326	(589)	2,306	620	2,337

The increase in total operating expenses of $979 million for fiscal 2013 over fiscal 2012 was substantially impacted by a goodwill impairment charge of $1.092 billion and a charge of $235 million in connection with a litigation settlement recorded in 2013. Excluding the effects of the goodwill impairment charge and litigation charge, total operating expenses for the year ended December 31, 2013 decreased by $348 million, or 2%, as compared to the year ended December 31, 2012. The decrease was primarily attributable to lower depreciation and amortization expense and lower employee related costs, bad debt expense and customer premise equipment installation and maintenance costs, which were partially offset by increases in facility costs, network expense and real estate and power costs.

The acquisitions of Qwest and Savvis largely contributed to the increase in total operating expenses of $2.337 billion in 2012. Excluding the effects of Legacy Qwest and Legacy Savvis expenses, total operating expenses for the year ended December 31, 2012 decreased $589 million, due primarily to decreases in employee-related expenses, severance and integration expenses relating to our recent acquisitions and depreciation and amortization expense. As discussed in the "Overview" section, our operating expenses for 2013, 2012, and 2011 included substantial severance and integration costs related to the Qwest, Savvis and Embarq acquisitions as well as significant acquisition accounting adjustments to depreciation and amortization expense. See Note 2—Acquisitions and Note 3—Goodwill, Customer Relationships and Other Intangible Assets to our consolidated financial statements in Item 8 of this annual report.

Cost of services and products (exclusive of depreciation and amortization) decreased by $132 million, or 2%, for the year ended December 31, 2013 as compared to the year ended December 31, 2012 primarily due to decreases in professional fees, customer premise equipment installation and maintenance costs and employee related costs. These decreases were partially offset by increases in facility costs, network expenses and real estate and power. Cost of services and products (exclusive of depreciation and amortization) increased by $1.314 billion, or 21%, for the year months ended December 31, 2012 as compared to the year ended December 31, 2011 primarily due to the acquisitions of Qwest and Savvis. For the year ended December 31, 2012, Legacy CenturyLink's cost of services and products (exclusive of depreciation and amortization) were slightly lower as compared to 2011. During 2012, we experienced decreases in severance, salaries and wages and related benefits, which were partially offset by increases in customer premise equipment and maintenance costs, network expense, and contractor costs.

Selling, general and administrative expenses increased by $258 million, or 8%, for the year ended December 31, 2013 as compared to the year ended December 31, 2012 primarily due to a charge of $235 million in connection with a litigation settlement. The increase was also attributed to increases in employee related costs, professional fees and external commissions, which were partially offset by a decrease in bad debt expense. Selling, general and administrative expenses increased by $269 million, or 9%, for the year ended December 31, 2012 as compared to the year ended December 31, 2011 primarily due to the acquisition of Qwest and Savvis. Legacy CenturyLink selling, general and administrative expenses decreased $367 million, for the year ended December 31, 2012 as compared to the year ended December 31, 2011. The decrease in 2012 was primarily due to a decrease in severance and integration expenses relating to our recent acquisitions, as well as a decrease in salaries, wages, and employee benefits due to a reduction in headcount. For all periods presented, our expenses include the transaction, severance and integration expenses related to the Qwest, Savvis and Embarq acquisitions (summarized in the table in "Overview" above).

Depreciation and amortization expenses decreased by $239 million or 5%, for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This decrease in depreciation expense is primarily due to depreciation rate changes of certain telecommunications equipment. The rate changes were the result of our aged investment in plant becoming fully depreciated or retired at a faster rate than the addition of new plant. The decrease in amortization expense is primarily due to the use of accelerated amortization for a portion of the customer relationship assets and due to our software investments becoming fully amortized faster than new software was acquired.

Depreciation and amortization increased by $754 million, or 19%, for the year ended December 31, 2012 as compared to the year ended December 31, 2011 primarily due to the acquisition of Qwest and Savvis. Excluding the effects of the acquisitions of Qwest and Savvis, depreciation and amortization expense for Legacy CenturyLink decreased $149 million, or 4%, due to annual updates of our depreciation rates for capitalized assets and an out-of-period accounting adjustment related to an overstatement of depreciation expense in prior years, partially offset by net growth in capital assets. See Note 1—Basis of Presentation and Summary of Significant Accounting Policies to our consolidated financial statements in Item 8 of this annual report for additional information on the out-of-period accounting adjustment.

Effective January 1, 2012, we changed our rates of capitalized labor as we transitioned certain of Qwest's legacy systems to our historical company systems. This transition resulted in an estimated $40 million to $55 million increase in the amount of labor capitalized as an asset compared to the amount that would have been capitalized if Qwest had continued to use its legacy systems and a corresponding estimated $40 million to $55 million decrease in operating expenses for the year ended December 31, 2012. The reduction in expenses described above, net of tax, increased net income approximately $25 million to $34 million, or $0.04 to $0.05 per basic and diluted common share, for the year ended December 31, 2012.

Further analysis of our operating expenses by segment is provided below in "Segment Results."

Goodwill Impairment

As of September 30, 2013, we assessed our reporting units, which are our four operating segments (consumer, business, wholesale and data hosting). Based on our assessment performed, we concluded that our goodwill for the consumer, wholesale and business segments was not impaired as of that date, but that our goodwill for the data hosting segment was impaired as of September 30, 2013. The data hosting segment is experiencing slower than previously-projected revenue and margin growth and greater than anticipated competitive pressures. As a result of this data hosting impairment, we recorded during 2013 a non-cash, non-tax-deductible goodwill impairment charge of $1.092 billion for goodwill assigned to our data hosting segment.

As of September 30, 2013, based on our assessment performed with respect to our four reporting units, the estimated fair value of our equity exceeded our carrying value of equity for our consumer, business and wholesale segments by 8%, 18% and 150%, respectively. After the impairment charge described above, the estimated fair value of our equity equals the carrying value of equity for our data hosting segment.

During the fourth quarter of 2013, we elected to change the date of our annual assessment of goodwill impairment from September 30 to October 31. This is a change in method of applying an accounting principle which management believes is a preferable alternative as the new date of the assessment is more closely aligned with our strategic planning process. The change in the assessment date did not delay, accelerate or avoid a potential impairment charge in 2013. We performed our annual goodwill impairment assessment at September 30, 2013, prior to the change in our annual assessment date. We then performed a qualitative assessment of our goodwill as of October 31 and concluded that our goodwill for consumer, wholesale and business reporting units was not impaired and our goodwill for data hosting reporting unit was not further impaired as of that date.

We may be required to assess our goodwill for impairment before our next required testing date of October 31, 2014 under certain circumstances, including any failure to meet our forecasted future operating results or any significant increases in our weighted average cost of capital. In addition, we cannot assure that adverse conditions will not trigger future goodwill impairment testing or an impairment charge. A number of factors, many of which we have no ability to control, could affect our financial condition, operating results and business prospects and could cause our actual results to differ from the estimates and assumptions we employed in our goodwill impairment assessment. These factors include, but are not limited to, (i) further weakening in the overall economy; (ii) a significant decline in our stock price and resulting market capitalization; (iii) changes in the discount rate we use in our testing; (iv) successful efforts by our competitors to gain market share in our markets; (v) adverse changes as a result of regulatory or legislative actions; (vi) a significant adverse change in legal factors or in the overall business climate; and (vii) recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of our segments. For additional information on the change to our goodwill impairment assessment date and the risk associated with intangible assets, see "Critical Accounting Policies and Estimates—Goodwill, Customer Relationships and Other Intangibles Assets" below and "Risk Factors" in Item 1A of Part II of this annual report. We will continue to monitor certain events that impact our operations to determine if an interim assessment of goodwill impairment should be performed prior to the next required assessment date of October 31, 2014.

Further analysis of our operating expenses by segment is provided below in "Segment Results."

Other Consolidated Results

The following tables summarize our total other income (expense) and income tax expense:

	Years Ended December 31,			
	2013	**2012**	**Increase / (Decrease)**	**% Change**
	(Dollars in millions)			
Interest expense	$ (1,298)	(1,319)	(21)	(2)%
Net gain (loss) on early retirement of debt	10	(179)	189	106 %
Other income (expense)	59	35	24	69 %
Total other income (expense)	$ (1,229)	(1,463)	(234)	(16)%
Income tax expense	$ 463	473	(10)	(2)%

	Years Ended December 31,		Increase / (Decrease)			
	2012	**2011**	**CenturyLink**	**Qwest**	**Savvis**	**Total**
	(Dollars in millions)					
Interest expense	$ (1,319)	(1,072)	62	169	16	247
Net loss on early retirement of debt	(179)	(8)	179	(8)	—	171
Other income (expense)	35	3	32	(1)	1	32
Total other income (expense)	$ (1,463)	(1,077)	273	160	17	386
Income tax expense	$ 473	375	nm	nm	nm	98

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nm-Attributing changes in income tax expense to the acquisitions of Savvis and Qwest is considered not meaningful.

Interest Expense

Interest expense decreased $21 million, or 2%, for the year ended December 31, 2013 as compared to the year ended December 31, 2012 primarily due to a lower amount of average debt outstanding along with lower interest rates, which were partially offset by a reduction in the amortization of debt premiums. Interest expense increased by $247 million, or 23%, for the year ended December 31, 2012 as compared to the year ended December 31, 2011 primarily due to the 2012 period containing a full year of Qwest interest expense compared to the 2011 period containing only nine months. Interest expense for Legacy CenturyLink increased $62 million, for the year ended December 31, 2012 as compared to the year ended December 31, 2011. The increase in 2012 is substantially due to interest on our $2 billion aggregate principal amount of senior notes issued in June 2011 to finance the Savvis acquisition. The 2012 increase is due to those notes being outstanding for a full year versus only a portion of 2011. See Note 4—Long-term Debt and Credit Facilities to our consolidated financial statements in Item 8 of this annual report and "Liquidity and Capital Resources" below for additional information about those transactions.

Net Gain or Loss on Early Retirement of Debt

In the fourth quarter of 2013, QCII (Qwest Communications International Inc. on a stand-alone basis) redeemed their outstanding debt securities, which resulted in a gain of $10 million.

In the second quarter of 2012, our subsidiaries Embarq and QC completed premium-priced cash tender offers for the purchase of certain of their respective outstanding debt securities, resulting in an aggregate loss of $190 million. Also in the second quarter of 2012, our subsidiaries Embarq and QCII redeemed certain of their respective outstanding debt securities which resulted in a net loss of $9 million.

During 2012, QCII and QC redeemed certain of their outstanding debt securities, which resulted in an aggregate gain of $20 million.

In the fourth quarter and second quarter of 2011, QC redeemed certain of its outstanding debt securities which resulted in a total net loss of $8 million.

Other Income (Expense)

Other income (expense) reflects certain items not directly related to our core operations, including our share of income from our 49% interest in a cellular partnership, interest income, gains and losses from non-operating asset dispositions and foreign currency gains and losses. Other income was greater for the year ended December 31, 2013 as compared to 2012 primarily due to a $32 million gain on the sale of wireless spectrum in January 2013, which was larger than the gain on sale of auction rate securities recognized in 2012. Other income for Legacy CenturyLink was greater for the year ended December 31, 2012 as compared to 2011 due to gains on the sales of our auction rate securities and the recognition in 2011 of $16 million in transaction expenses incurred in connection with terminating an unused bridge loan financing commitment related to the Savvis acquisition. See Note 2—Acquisitions to our consolidated financial statements in Item 8 of this annual report.

Income Tax Expense

Income tax expense decreased by $10 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. Our income tax expense for the year ended December 31, 2012 increased $98 million from the amounts for the comparable prior year. Our increase in 2012 was primarily due to a $302 million, or 32%, increase in income before income tax expense as compared to 2011. For the years ended December 31, 2013, 2012 and 2011, our effective income tax rate was 206.7%, 37.8% and 39.6%, respectively. The 2013 effective tax rate reflects the net impacts of the $1.092 billion non-deductible goodwill impairment and of an unfavorable accounting adjustment of $17 million related to non-deductible life insurance costs. The 2013 tax expense also includes the impacts of a favorable settlement with the Internal Revenue Service of $33 million and a favorable adjustment of $22 million related to the reversal of liabilities for uncertain tax positions. The 2012 effective tax rate reflects the $16 million reversal of a valuation allowance related to the auction rate securities we sold in 2012, a $12 million benefit related to state NOLs net of valuation allowance, and a $6 million expense associated with reversing a receivable related to periods that have been effectively settled with the IRS. See Note 12—Income Taxes to our consolidated financial statements in Item 8 of this annual report and "Income Taxes" below for additional information.

Segment Results

As described further above under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview," we revised our segment structure in 2013 and restated previously reported segment results for the years ended December 31, 2012 and 2011 to conform to our 2013 segment presentation. The following table summarizes our segment results for the years ended December 31, 2013, 2012 and 2011 under our segment categorization at December 31, 2013.

	Years Ended December 31,		
	2013	2012	2011
	(Dollars in millions)		
Total segment revenues	$ 17,095	17,320	14,471
Total segment expenses	8,249	8,244	6,623
Total segment income	$ 8,846	9,076	7,848
Total margin percentage	52%	52%	54%
Consumer:			
Revenues	$ 6,004	6,162	5,384
Expenses	2,231	2,291	1,972
Income	$ 3,773	3,871	3,412
Margin percentage	63%	63%	63%
Business:			
Revenues	$ 6,136	6,133	5,150
Expenses	3,769	3,743	3,068
Income	$ 2,367	2,390	2,082
Margin percentage	39%	39%	40%
Wholesale:			
Revenues	$ 3,579	3,725	3,314
Expenses	1,158	1,230	1,137
Income	$ 2,421	2,495	2,177
Margin percentage	68%	67%	66%
Data hosting:			
Revenues	$ 1,376	1,300	623
Expenses	1,091	980	446
Income	$ 285	320	177
Margin percentage	21%	25%	28%

The following table reconciles our total segment revenues and total segment income presented above to operating revenues and operating income reported in our consolidated statements of operations.

	Years Ended December 31,		
	2013	2012	2011
	(Dollars in millions)		
Total segment revenues	$ 17,095	17,320	14,471
Other operating revenues	1,000	1,056	880
Operating revenues reported in our consolidated statements of operations	$ 18,095	18,376	15,351
Total segment income	$ 8,846	9,076	7,848
Other operating revenues	1,000	1,056	880
Depreciation and amortization	(4,541)	(4,780)	(4,026)
Impairment of goodwill (Note 3)	(1,092)	—	—
Other unassigned operating expenses	(2,760)	(2,639)	(2,677)
Operating income reported in our consolidated statement of operations	$ 1,453	2,713	2,025

Our segment revenues include all revenues from our strategic and legacy services and data integration as described in more detail above. Segment revenues are based upon each customer's classification to an individual segment. We report our segment revenues based upon all services provided to that segment's customers. We report our segment expenses for our four segments as follows:

- *Direct expenses*, which primarily are specific expenses incurred as a direct result of providing services and products to segment customers, along with selling, general and administrative expenses that are directly associated with specific segment customers or activities; and
- *Allocated expenses*, which include network expenses, facilities expenses and other expenses such as fleet and real estate expenses.

We do not assign depreciation and amortization expense or impairments to our segments, as the related assets and capital expenditures are centrally managed and are not monitored by or reported to the chief operating decision maker ("CODM") by segment. Similarly, severance expenses, restructuring expenses and, subject to an exception for our data hosting segment, certain centrally managed administrative functions (such as finance, information technology, legal and human resources) are not assigned to our segments. Interest expense is also excluded from segment results because we manage our financing on a total company basis and have not allocated assets or debt to specific segments. Other income (expense) is not monitored as a part of our segment operations and is therefore excluded from our segment results. For additional information about our segments, see Note 13—Segment Information to our consolidated financial statements in Item 8 of this annual report.

Consumer

The operations of our consumer segment have been impacted by several significant trends, including those described below:

- *Strategic services.* In order to remain competitive and attract additional residential broadband subscribers, we believe it is important to continually increase our broadband network's scope and connection speeds. As a result, we continue to invest in our broadband network, which allows for the delivery of higher speed broadband services to a greater number of customers. We compete in a maturing broadband market in which most consumers already have broadband services and growth rates in new subscribers have slowed. Moreover, as described further in Items 1 and 1A of this annual report, demand for our broadband services could be adversely affected by competitors providing services at higher broadband speed than ours or using advanced wireless data technologies. We also continue to expand our strategic product offerings, including facilities-based video services. The expansion of our facilities-based video service infrastructure requires us to incur start-up expenses in advance of the revenue that this service is expected to generate. Although, over time, we expect that our revenue for facilities-based video services will offset the expenses incurred, the timing of this revenue growth is uncertain. We believe these efforts will improve our ability to compete and increase our strategic revenues;

- *Legacy services.* Our voice revenues have been, and we expect they will continue to be, adversely affected by access line losses. Intense competition and product substitution continue to drive our access line losses. For example, many consumers are substituting cable and wireless voice services and electronic mail, texting and social networking non-voice services for traditional voice telecommunications services. We expect that these factors will continue to negatively impact our business. As a result of the expected loss of revenues associated with access lines, we continue to offer our customers service bundling and other product promotions to help mitigate this trend, as described below;
- *Service bundling and product promotions.* We offer our customers the ability to bundle multiple products and services. These customers can bundle local services with other services such as broadband, video, long-distance and wireless. While we believe our bundled service offerings can help retain customers, they also tend to lower our profit margins in the consumer segment; and
- *Operating efficiencies.* We continue to evaluate our operating structure and focus. This involves balancing our segment workforce in response to our workload requirements, productivity improvements and changes in industry, competitive, technological and regulatory conditions.

The following tables summarize the results of operations from our consumer segment:

	Consumer Segment			
	Years Ended December 31,		Increase /	
	2013	2012	(Decrease)	% Change
	(Dollars in millions)			
Segment revenues:				
Strategic services	$ 2,650	2,474	176	7 %
Legacy services	3,349	3,681	(332)	(9)%
Data integration	5	7	(2)	(29)%
Total revenues	6,004	6,162	(158)	(3)%
Segment expenses:				
Direct	1,758	1,796	(38)	(2)%
Allocated	473	495	(22)	(4)%
Total expenses	2,231	2,291	(60)	(3)%
Segment income	$ 3,773	3,871	(98)	(3)%
Segment margin percentage	63%	63%		

	Consumer Segment				
	Years Ended December 31,		Increase / (Decrease)		
	2012	2011	CenturyLink	Qwest	Total
	(Dollars in millions)				
Segment revenues:					
Strategic services	$ 2,474	1,928	190	356	546
Legacy services	3,681	3,449	(253)	485	232
Data integration	7	7	—	—	—
Total revenues	6,162	5,384	(63)	841	778
Segment expenses:					
Direct	1,796	1,542	25	229	254
Allocated	495	430	(12)	77	65
Total expenses	2,291	1,972	13	306	319
Segment income	$ 3,871	3,412	(76)	535	459
Segment margin percentage	63%	63%			

Segment Revenues

Consumer revenues decreased $158 million, or 3%, for year ended December 31, 2013 as compared to the year ended December 31, 2012. Growth in strategic services revenues were more than offset by the decline in legacy services revenues. The increase in strategic services revenues is due primarily to volume increases in our facilities-based video services and increases in the number of broadband subscribers, as well as from price increases on various services. Legacy services revenues decreased primarily due to declines in local and long-distance services associated with access line losses resulting from the competitive and technological changes described above. Consumer revenues increased by $778 million, or 15%, for the year ended December 31, 2012 as compared to the year ended December 31, 2011. The increase in revenue is primarily due to our acquisition of Qwest, which contributed $841 million in revenue. Legacy CenturyLink's revenue decreased by $63 million primarily due to a decline in legacy revenues, partially offset by growth in strategic services revenues. Legacy services revenues decreased primarily due to declines in local and long distance services associated with access line losses resulting from the competitive pressures and product substitution previously described. Growth in strategic services revenues was primarily due to an increase in the number of broadband subscribers.

Segment Expenses

Consumer expenses decreased by $60 million, or 3%, for the year ended December 31, 2013 as compared to the year ended December 31, 2012 primarily due to decreases in bad debt expense, salaries and wages, facility costs and allocated expenses, partially offset by increases in professional fees and external commissions. The decrease in allocated expenses for the year ended December 31, 2013 as compared to the year ended December 31, 2012 was primarily due to reductions in network salaries and wages and professional fees. Consumer expenses increased by $319 million, or 16%, for the year ended December 31, 2012 as compared to the year ended December 31, 2011 primarily due to the acquisition of Qwest, which contributed $306 million in total expenses. Legacy CenturyLink's segment expenses increased by $13 million during the same period primarily due to increases in external commissions, maintenance costs and marketing and advertising costs.

Segment Income

Consumer income decreased by $98 million, or 3%, for the year ended December 31, 2013 as compared to the year ended December 31, 2012 primarily due to a decline in total revenue. Consumer income increased by $459 million, or 13%, for the year ended December 31, 2012 as compared to the year ended December 31, 2011 primarily due to the acquisition of Qwest, which contributed $535 million in segment income. Legacy CenturyLink's segment income decreased $76 million for the same period primarily due to a decline in total revenue, as discussed above.

Business

The operations of our business segment have been impacted by several significant trends, including those described below:

- *Strategic services.* Our mix of total segment revenues continues to migrate from legacy services to strategic services as our commercial, enterprise, global and governmental customers increasingly demand customized and integrated data, Internet and voice services. We offer diverse combinations of emerging technology products and services such as private line, MPLS, and VoIP services. We believe these services afford our customers more flexibility in managing their communications needs and improve the effectiveness and efficiency of their operations. Although we are experiencing price compression on our strategic services due to competition, we expect strategic revenues from these services to continue to grow during 2013;

- *Legacy services.* We face intense competition with respect to our legacy services and continue to see customers migrating away from these services and into strategic services. In addition, our legacy services revenues have been, and we expect they will continue to be, adversely affected by access line losses and price compression;

- *Data integration.* We expect both data integration revenue and the related costs will fluctuate from quarter to quarter as this offering tends to be more sensitive than others to changes in the economy and in spending trends of our federal, state and local governmental customers, many of whom have recently experienced substantial budget cuts with the possibility of additional future budget cuts; and

- *Operating efficiencies.* We continue to evaluate our operating structure and focus. This involves balancing our segment workforce in response to our workload requirements, productivity improvements and changes in industry, competitive, technological and regulatory conditions, while achieving operational efficiencies and improving our processes through automation. We also expect our business segment to benefit indirectly from efficiencies in our company-wide network operations.

The following tables summarize the results of operations from our business segment:

	Business Segment			
	Years Ended December 31,		Increase /	
	2013	2012	(Decrease)	% Change
	(Dollars in millions)			
Segment revenues:				
Strategic services	$ 2,509	2,356	153	6 %
Legacy services	2,976	3,112	(136)	(4)%
Data integration	651	665	(14)	(2)%
Total revenues	6,136	6,133	3	— %
Segment expenses:				
Direct	3,329	3,285	44	1 %
Allocated	440	458	(18)	(4)%
Total expenses	3,769	3,743	26	1 %
Segment income	$ 2,367	2,390	(23)	(1)%
Segment margin percentage	39%	39%		

	Business Segment					
	Years Ended December 31,		Increase / (Decrease)			
	2012	2011	CenturyLink	Qwest	Savvis	Total
	(Dollars in millions)					
Segment revenues:						
Strategic services	$ 2,356	1,842	44	459	11	514
Legacy services	3,112	2,779	(181)	514	—	333
Data integration	665	529	20	116	—	136
Total revenues	6,133	5,150	(117)	1,089	11	983
Segment expenses:						
Direct	3,285	2,751	(77)	611	—	534
Allocated	458	317	62	75	4	141
Total expenses	3,743	3,068	(15)	686	4	675
Segment income	$ 2,390	2,082	(102)	403	7	308
Segment margin percentage	39%	40%				

Segment Revenues

Business revenues increased by $3 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. Strategic services revenues increased $153 million, but was substantially offset by a decline in legacy services revenue of $136 million and a decline of $14 million in data integration service revenue. The increase in strategic services revenue came from increases in MPLS, VoIP, and Ethernet services., which were partially offset by declines in private line services. Business revenues increased by $983 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011. The increase in business revenue is primarily due to the acquisition of Qwest, which contributed $1.089 billion in revenue. Legacy CenturyLink's segment revenue declined by $117 million primarily due to a decline in legacy services revenue, partially offset by growth in strategic services revenue. Legacy services revenues decreased primarily due to declines in local and long-distance services associated principally with access line loss resulting from competitive pressures and product substitution. Growth in strategic services revenues was primarily due to increases in VoIP, Ethernet and MPLS services.

Segment Expenses

Business expenses increased by $26 million, or 1%, for the year ended December 31, 2013 as compared to the year ended December 31, 2012 primarily due to increases in salaries and wages, professional fees and facility costs, partially offset by decreases in equipment and maintenance costs and allocated expenses. Allocated expenses decreased for the year ended December 31, 2013 as compared to the year ended December 31, 2012 primarily due to decreases in network salaries and wages and professional fees, which were partially offset by an increase in real estate and power costs. Business expenses increased for the year ended December 31, 2012 as compared to the year ended December 31, 2011 primarily due to the acquisition of Qwest, which contributed $686 million in segment expenses. Legacy CenturyLink's expenses decreased by $15 million during the same period primarily due to decreases in direct expense, partially offset by increase in allocated expenses. Direct expenses decreased due to decreases in employee related expenses and marketing costs, which were partially offset by increases in customer premise equipment maintenance and installation costs and facility costs. Allocated expense increased primarily due to more fully allocating network and building rent and related power expenses.

Segment Income

Business income decreased by $23 million, or 1%, for the year ended December 31, 2013 as compared to the year ended December 31, 2012 primarily due to an increase in direct expenses. Business income increased by $308 million, or 15%, for the year ended December 31, 2012 as compared to the year ended December 31, 2011 primarily due to the acquisition of Qwest, which contributed $403 million in segment income. Legacy CenturyLink's segment income decreased by $102 million for the same period primarily due to a decline in total revenue, as discussed above.

Wholesale

The operations of our wholesale segment have been impacted by several significant trends, including those described below:

- *Strategic services.* Demand for our private line services (including special access) has begun to decline due to our customers' optimization of their networks, industry consolidation and technological migration. While we expect that these factors will continue to negatively impact our wholesale segment, we believe the demand for our fiber-based special access services provided to wireless carriers for backhaul will partially offset the decline in copper-based special access services provided to wireless carriers as they migrate to Ethernet services, although the timing and magnitude of this technological migration is uncertain;

- *Legacy services.* Our access, local services and long-distance revenues have been and we expect will continue to be adversely affected by customer migration to more technologically advanced services, declining demand for traditional voice services, industry consolidation and price compression caused by regulation and rate reductions. For example, wholesale consumers are substituting cable, wireless and VoIP services for traditional voice telecommunications services, resulting in continued access revenue loss. Our switched access revenues have been and will continue to be impacted by changes related to the Connect America and Intercarrier Compensation Reform order ("CAF order") adopted by the Federal Communications Commission ("FCC") on October 27, 2011 that we believe will substantially increase the pace of reductions in the amount of switched access revenues we receive in our wholesale segment. Conversely, the FCC instituted an access recovery charge that we believe will allow us to recover the majority of these lost revenues directly from end users in our consumer and business segments. We expect these factors will continue to adversely impact our wholesale segment; and

- *Operating efficiencies.* We continue to evaluate our operating structure and focus. This involves balancing our segment workforce in response to our workload requirements, productivity improvements and changes in industry, competitive, technological and regulatory conditions. We also expect our wholesale segment to benefit indirectly from enhanced efficiencies in our company-wide network operations.

The following tables summarize the results of operations from our wholesale segment:

	Wholesale Segment			
	Years Ended December 31,		Increase /	
	2013	2012	(Decrease)	% Change
	(Dollars in millions)			
Segment revenues:				
Strategic services	$ 2,287	2,297	(10)	— %
Legacy services	1,292	1,428	(136)	(10)%
Total revenues	3,579	3,725	(146)	(4)%
Segment expenses:				
Direct	169	169	—	— %
Allocated	989	1,061	(72)	(7)%
Total expenses	1,158	1,230	(72)	(6)%
Segment income	$ 2,421	2,495	(74)	(3)%
Segment margin percentage	68%	67%		

	Wholesale Segment					
	Years Ended December 31,		Increase / (Decrease)			
	2012	2011	CenturyLink	Qwest	Savvis	Total
	(Dollars in millions)					
Segment revenues:						
Strategic services	$ 2,297	1,920	32	341	4	377
Legacy services	1,428	1,393	(214)	249	—	35
Data integration	—	1	(1)	—	—	(1)
Total revenues	3,725	3,314	(183)	590	4	411
Segment expenses:						
Direct	169	174	(18)	13	—	(5)
Allocated	1,061	963	(77)	175	—	98
Total expenses	1,230	1,137	(95)	188	—	93
Segment income	$ 2,495	2,177	(88)	402	4	318
Segment margin percentage	67%	66%				

Segment Revenues

Wholesale revenues decreased by $146 million, or 4%, for the year ended December 31, 2013 as compared to the year ended December 31, 2012. These decreases reflect lower revenues from both legacy and strategic services. The decrease in legacy services revenues reflects a continuing declines in access, long-distance and local services volumes and revenues due to the substitution of cable, wireless and VoIP services for traditional voice telecommunications services. The decline in strategic services revenues was due to decreases in our private line and special access services revenues, partially offset by an increase in Ethernet revenues. Wholesale revenues increased by $411 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011 primarily due to the Qwest acquisition, which contributed $590 million to total revenue. Legacy CenturyLink's revenue declined by $183 million during this same period primarily due to declines in legacy services, partially offset by growth in revenue from strategic services. Strategic services revenues increased primarily due to growth in Ethernet and broadband services. The decrease in legacy services revenues was driven by continuing declines in access, long-distance and local services volumes, and the implementation of the CAF order, as well as the substitution of cable, wireless, VoIP and other services for traditional voice telecommunication services.

Segment Expenses

Wholesale expenses decreased by $72 million, or 6%, for the year ended December 31, 2013 as compared to the year ended December 31, 2012 primarily due to a decrease in allocated expenses. Total direct expenses remained relatively unchanged from 2012 to 2013. Allocated expenses for the year ended December 31, 2013 as compared to the year ended December 31, 2012 decreased primarily due to decreases in salaries and wages and facility costs. Wholesale expenses increased by $93 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011 primarily due to the acquisition of Qwest, which contributed $188 million in segment expenses. Legacy Centurylink's expenses declined by $95 million during this same period primarily due to lower allocation of fleet and network real estate expenses and to reduction in employee related expenses.

Segment Income

Declines in both strategic and legacy services revenues largely contributed to a decrease in our wholesale segment income for the year ended December 31, 2013 as compared to the year ended December 31, 2012. Decreases in segment expenses in each period did not fully offset the declines in segment revenues. Wholesale segment income increased by $318 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011 primarily due to the Qwest acquisition. Segment income for our Legacy CenturyLink operations decreased by $88 million for the same period primarily due to a decline in total revenue, as discussed above.

Data Hosting

The operations of our data hosting segment have been impacted by several significant trends, including those described below:

- *Colocation.* Colocation is designed for clients seeking data center space and power for their server and networking equipment needs. Our data centers provide our clients around the world with a secure, high-powered, purpose-built location for their IT equipment. We anticipate continued pricing pressure for these services as wholesale vendors continue to expand their enterprise colocation operations; however, we believe that our data center expansion strategy may help mitigate these pricing challenges;

- *Managed hosting.* Managed hosting services provide a fully managed solution for a customer's IT infrastructure and network needs, and include dedicated and cloud hosting services, utility and computing storage, consulting and managed security services. We believe that competitive cloud computing offerings have led to increased pricing pressure and increased service disconnections by our customers, and expect those trends to continue. However, we remain focused on expanding our managed hosting business, specifically in our cloud service offerings, which we believe is a key to growth. We believe that we have continued to strengthen our cloud offering by adding differentiating features to our cloud products;

- *Network services.* Network services are comprised of our hosting area network products supporting colocation and managed hosting service offerings. Network services also include managed VPN and bandwidth services. Segment income for these services has been relatively flat due to pricing pressures on VPN and bandwidth services, offset by increases in hosting area network services; and

- *Operating efficiencies.* We continue to evaluate our operating structure and focus. This involves balancing our segment workforce in response to our workload requirements, productivity improvements and changes in industry, competitive, technological and regulatory conditions.

The following tables summarize the results of operations from our data hosting segment, which are all categorized as strategic services:

	Data Hosting Segment			
	Years Ended December 31,		Increase /	
	2013	2012	(Decrease)	% Change
	(Dollars in millions)			
Segment revenues:	$ 1,376	1,300	76	6 %
Segment expenses:	1,091	980	111	11 %
Segment income	$ 285	320	(35)	(11)%
Segment margin percentage	21%	25%		

	Data Hosting Segment					
	Years Ended December 31,		Increase / (Decrease)			
	2012	2011	CenturyLink	Qwest	Savvis	Total
	(Dollars in millions)					
Segment revenues:	$ 1,300	623	56	51	570	677
Segment expenses:	980	446	57	23	454	534
Segment income	$ 320	$ 177	(1)	28	116	143
Segment margin percentage	25%	28%				

Segment Revenues

Data hosting revenues increased by $76 million, or 6%, for the year ended December 31, 2013 as compared to the year ended December 31, 2012 primarily due to the impact of revenues contributed from the recent acquisitions, as well as increases in colocation and managed hosting revenues. These increases were partially offset by a decline in data hosting network revenues. Segment revenue increased by $677 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011 primarily due to the Savvis and Qwest acquisitions, which contributed segment revenue of $570 million and $51 million, respectively.

Segment Expenses

Data hosting expenses increased by $111 million, or 11%, for the year ended December 31, 2013 as compared to the year ended December 31, 2012 primarily due to increases in employee related costs resulting from our recent acquisitions and added headcount, professional fees, network expenses, real estate and power costs and marketing and advertising, which were partially offset by a decrease in external commissions. Segment expenses increased by $534 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011 primarily due to the Savvis and Qwest acquisitions, which contributed segment expenses of $454 million and $23 million, respectively.

Segment Income

Segment income decreased by $35 million, or 11%, for the year ended December 31, 2013 as compared to the year ended December 31, 2012. The decline in segment income was primarily due to revenues growing at a slower rate than expenses. The revenues generated from the recent acquisitions in 2012 and 2013 were substantially offset by their respective expenses. Segment income increased by $143 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011 primarily due to the Savvis and Qwest acquisitions, which contributed segment income of $116 million and $28 million respectively.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles that are generally accepted in the United States. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. We have identified certain policies and estimates as critical to our business operations and the understanding of our past or present results of operations related to (i) business combinations; (ii) goodwill, customer relationships and other intangible assets; (iii) property, plant and equipment; (iv) pension and post-retirement benefits; (v) loss contingencies and litigation reserves; and (vi) income taxes. These policies and estimates are considered critical because they had a material impact, or they have the potential to have a material impact, on our consolidated financial statements and because they require significant judgments, assumptions or estimates. We believe that the estimates, judgments and assumptions made when accounting for the items described below are reasonable, based on information available at the time they are made. However, there can be no assurance that actual results will not differ from those estimates.

Business Combinations

We have accounted for our recent acquisitions, including our acquisition of Qwest on April 1, 2011 and Savvis on July 15, 2011, under the acquisition method of accounting, whereby the tangible and separately identifiable intangible assets acquired and liabilities assumed are recognized at their estimated fair values at the acquisition date. The portion of the purchase price in excess of the estimated fair value of the net tangible and separately identifiable intangible assets acquired represents goodwill. The estimates of fair value and resulting assignment of the purchase price related to our acquisitions of Qwest and Savvis involved significant estimates and judgments by our management. In arriving at the fair values of assets acquired and liabilities assumed, we considered the following generally accepted valuation approaches: the cost approach, income approach and market approach. Our estimates also included assumptions about projected growth rates, cost of capital, effective tax rates, tax amortization periods, technology life cycles, the regulatory and legal environment and industry and economic trends.

Goodwill, Customer Relationships and Other Intangible Assets

We amortize customer relationships primarily over an estimated life of 10 years to 15 years, using either the sum-of-the-years-digits or the straight-line methods, depending on the type of customer. We amortize capitalized software using the straight-line method over estimated lives ranging up to seven years, except for approximately $237 million of our capitalized software costs, which represents costs to develop an integrated billing and customer care system which is amortized using the straight-line method over a 20 year period. We annually review the estimated lives and methods used to amortize our other intangible assets. The amount of future amortization expense may differ materially from current amounts, depending on the results of our annual reviews.

Our goodwill was derived from numerous acquisitions where the purchase price exceeded the fair value of the net assets acquired. For more information on our recent acquisitions and resulting fair values, see Note 2—Acquisitions to our consolidated financial statements in Item 8 of this annual report.

We are required to reassign goodwill to reporting units each time we reorganize our internal reporting structure which causes a change in our operating segments. Goodwill is reassigned to the reporting units using a relative fair value approach. We utilize the trailing twelve months earnings before interest, tax and depreciation as our allocation methodology as it represents a reasonable proxy for the fair value of the operations being reorganized. The use of other fair value assignment methods could result in materially different results. For additional information on the first quarter 2013 reorganization of our segments, see Note 8—Segment Information to our consolidated financial statements in Item 8 of this annual report.

We have assigned our goodwill balance to our segments at December 31, 2013 as follows:

	(Dollars in millions)
Consumer	$ 10,348
Business	6,363
Wholesale	3,274
Data hosting	689
Total goodwill	$ 20,674

We are required to assess goodwill for impairment at least annually, or more frequently if events or a change in circumstances indicate that an impairment may have occurred. We are required to write-down the value of goodwill in periods in which the recorded amount of goodwill exceeds the implied fair value of goodwill. Our reporting units, which we refer to as our segments, are not discrete legal entities with discrete financial statements. Our assets and liabilities are employed in and relate to the operations of multiple reporting units. Therefore, the equity carrying value and future cash flows must be estimated each time a goodwill impairment analysis is performed on a reporting unit. As a result, our assets, liabilities and cash flows are assigned to reporting units using reasonable and consistent allocation methodologies. Certain estimates, judgments and assumptions are required to perform these assignments. We believe these estimates, judgments and assumptions to be reasonable, but changes in many of these can significantly affect each reporting unit's equity carrying value and future cash flows utilized for our goodwill impairment test. Our annual assessment date for testing goodwill impairment was September 30.

During the fourth quarter of 2013, we elected to change the date of our annual assessment of goodwill impairment from September 30 to October 31. This is a change in method of applying an accounting principle which management believes is a preferable alternative as the new date of the assessment is more closely aligned with our strategic planning process. The change in the assessment date did not delay, accelerate or avoid a potential impairment charge in 2013. We performed our annual goodwill impairment assessment at September 30, 2013, prior to the change in our annual assessment date. We then performed a qualitative assessment of our goodwill as of October 31 and concluded that our goodwill for consumer, wholesale and business reporting units was not impaired and our goodwill for data hosting reporting unit was not further impaired as of that date.

Property, Plant and Equipment

Property, plant and equipment acquired in connection with our acquisitions was recorded based on its estimated fair value as of its acquisition date. Purchased and constructed property, plant and equipment is recorded at cost, plus the estimated value of any associated legally or contractually required asset retirement obligation. Renewals and betterments of plant and equipment are capitalized while repairs, as well as renewals of minor items, are charged to operating expense. Depreciation of property, plant and equipment is provided on the straight-line method using class or overall group rates. The group method provides for the recognition of the remaining net investment, less anticipated net salvage value, over the remaining useful life of the assets. This method requires the periodic revision of depreciation rates.

Normal retirements of property, plant and equipment are charged against accumulated depreciation, with no gain or loss recognized. Other types of property, plant and equipment are stated at cost and, when sold or retired, a gain or loss is recognized. We depreciate such property on the straight-line method over estimated service lives ranging from 3 to 45 years.

We perform annual internal reviews to evaluate the reasonableness of the depreciable lives for our property, plant and equipment. Our reviews utilize models that take into account actual usage, physical wear and tear, replacement history, assumptions about technology evolution and, in certain instances, actuarially determined probabilities to estimate the remaining life of our asset base.

Due to rapid changes in technology and the competitive environment, determining the estimated economic life of telecommunications plant, equipment and software requires a significant amount of judgment. We regularly review data on utilization of equipment, asset retirements and salvage values to determine adjustments to our depreciation rates. The effect of a hypothetical one year increase or decrease in the estimated remaining useful lives of our property, plant and equipment would have decreased depreciation by approximately $430 million or increased depreciation by approximately $610 million, respectively.

Pension and Post-retirement Benefits

We sponsor several noncontributory defined benefit pension plans (referred to as our pension plans) for a substantial portion of our employees. In addition to these tax qualified pension plans, we also maintain several non-qualified pension plans for certain eligible highly compensated employees. We also maintain post-retirement benefit plans that provide health care and life insurance benefits for certain eligible retirees.

In 2013 approximately 33% of the January 1, 2013 pension plans' net actuarial loss balance of $2.236 billion was subject to amortization as a component of net periodic expense over the average remaining service period of participating employees expected to receive benefits, which ranges from 8 to 12 years for the plans. The other 67% of the beginning pension plans' net actuarial loss balance was treated as indefinitely deferred during 2013. The entire beginning net actuarial loss of $446 million for the post-retirement benefit plans was treated as indefinitely deferred during 2013.

In computing the pension and post-retirement health care and life insurance benefits obligations, the most significant assumption we make is the discount rate. In computing the periodic pension and post-retirement benefits expense, the most significant assumptions we make are the discount rate and the expected rate of return on plan assets.

The discount rate is the rate at which we believe we could effectively settle the benefit obligations as of the end of the year. We selected the discount rate based on a cash flow matching analysis using hypothetical yield curves from U.S. corporate bonds rated high quality and projections of the future benefit payments that constitute the projected benefit obligation for the plans. This process establishes the uniform discount rate that produces the same present value of the estimated future benefit payments as is generated by discounting each year's benefit payments by a spot rate applicable to that year. The spot rates used in this process are derived from a yield curve created from yields on the 60th to 90th percentile of U.S. high quality bonds.

The expected rate of return on plan assets is the long-term rate of return we expect to earn on the plans' assets in the future. The rate of return is determined by the strategic allocation of plan assets and the long-term risk and return forecast for each asset class. The forecasts for each asset class are generated primarily from an analysis of the long-term expectations of various third party investment management organizations. The expected rate of return on plan assets is reviewed annually and revised, as necessary, to reflect changes in the financial markets and our investment strategy.

To compute the expected return on pension and post-retirement benefit plan assets, we apply an expected rate of return to the fair value of the pension plan assets and to the fair value of the post-retirement benefit plan assets adjusted for contribution timing and for projected benefit payments to be made from the plan assets. Annual market volatility for these assets is reflected in the net actuarial losses.

Changes in any of the above factors could significantly impact operating expenses in the consolidated statements of operations and other comprehensive income (loss) in the consolidated statements of comprehensive income (loss) as well as the value of the liability and accumulated other comprehensive loss of stockholders' equity on our consolidated balance sheets. The expected return on plan assets is reflected as a reduction to our pension and post-retirement benefit expense. If our assumed expected rates of return for 2013 were 100 basis points lower, our qualified pension and post-retirement benefit expenses would have increased by $124 million. If our assumed discount rates for 2013 were 100 basis points lower, our qualified pension and post-retirement benefit expenses would have decreased by $24 million and our projected benefit obligation would have increased by approximately $1.8 billion.

Loss Contingencies and Litigation Reserves

We are involved in several material legal proceedings, as described in more detail in "Legal Proceedings" in Item 3 of this annual report. We assess potential losses in relation to these and other pending or threatened tax and legal matters. For matters not related to income taxes, if a loss is considered probable and the amount can be reasonably estimated, we recognize an expense for the estimated loss. To the extent these estimates are more or less than the actual liability resulting from the resolution of these matters, our earnings will be increased or decreased accordingly. If the differences are material, our consolidated financial statements could be materially impacted.

For matters related to income taxes, if we determine that the impact of an uncertain tax position is more likely than not to be sustained upon audit by the relevant taxing authority, then we recognize in our financial statements a benefit for the largest amount that is more likely than not to be sustained. No portion of an uncertain tax position will be recognized if the position has less than a 50% likelihood of being sustained. Though the validity of any tax position is a matter of tax law, the body of statutory, regulatory and interpretive guidance on the application of the law is complex and often ambiguous. Because of this, whether a tax position will ultimately be sustained may be uncertain. The overall tax liability recorded for uncertain tax positions as of the successor dates of December 31, 2013, 2012 and 2011, considers the anticipated utilization of any applicable tax credits and net operating losses ("NOLs").

Income Taxes

Our provision for income taxes includes amounts for tax consequences deferred to future periods. We record deferred income tax assets and liabilities reflecting future tax consequences attributable to tax net operating losses, or NOLs, tax credit carryforwards and differences between the financial statement carrying value of assets and liabilities and the tax bases of those assets and liabilities. Deferred taxes are computed using enacted tax rates expected to apply in the year in which the differences are expected to affect taxable income. The effect on deferred income tax assets and liabilities of a change in tax rate is recognized in earnings in the period that includes the enactment date.

The measurement of deferred taxes often involves the exercise of considerable judgment related to the realization of tax basis. Our deferred tax assets and liabilities reflect our assessment that tax positions taken in filed tax returns and the resulting tax basis, are more likely than not to be sustained if they are audited by taxing authorities. Also, assessing tax rates that we expect to apply and determining the years when the temporary differences are expected to affect taxable income requires judgment about the future apportionment of our income among the states in which we operate. Any changes in our practices or judgments involved in the measurement of deferred tax assets and liabilities could materially impact our financial condition or results of operations.

We record deferred income tax assets and liabilities as described above. Valuation allowances are established when necessary to reduce deferred income tax assets to amounts that we believe are more likely than not to be recovered. We evaluate our deferred tax assets quarterly to determine whether adjustments to our valuation allowance are appropriate in light of changes in facts or circumstances, such as changes in tax law, interactions with taxing authorities and developments in case law. In making this evaluation, we rely on our recent history of pre-tax earnings, estimated timing of future deductions and benefits represented by the deferred tax assets and our forecasts of future earnings, the latter two of which involve the exercise of significant judgment. At December 31, 2013, we established a valuation allowance of $435 million, primarily related to state NOLs, as it is more likely than not that this amount will not be utilized prior to expiration. If forecasts of future earnings and the nature and estimated timing of future deductions and benefits change in the future, we may determine that a valuation allowance for certain deferred tax assets is appropriate, which could materially impact our financial condition or results of operations. See Note 12—Income Taxes to our consolidated financial statements in Item 8 of this annual report for additional information.

Liquidity and Capital Resources

Overview

At December 31, 2013, we held cash and cash equivalents of $168 million and we had $1.275 billion available under our $2.0 billion revolving credit facility (referred to as our "Credit Facility", which is described further below). At December 31, 2013, cash and cash equivalents of $95 million were held in foreign bank accounts for the purpose of funding our foreign operations. Due to various factors, our access to foreign cash is generally much more restricted than our access to domestic cash.

We and our Board of Directors monitor our use of cash throughout the year, but with enhanced scrutiny early each year in connection with the review of annual budgets. In connection with our budgeting process in early 2013, our executive officers and our Board of Directors reviewed our sources and potential uses of cash over the next several years and elected to reduce our quarterly dividend rate beginning in 2013 and to implement a share repurchase program. In connection with our budgeting process in early 2014, our executive officers and our Board of Directors reviewed our sources and potential uses of cash over the next several years, including among other things the previously-disclosed effect of the anticipated depletion of our federal net operating loss carryforwards by 2015.

Based on the current capital allocation objectives, during 2014 we anticipate expending approximately $3.0 billion of cash for capital investment in property, plant and equipment and up to $1.26 billion for dividends on our common stock, based on the current annual common stock dividend rate of $2.16 and the current number of outstanding common shares. We have debt maturities of approximately $630 million, scheduled debt principal payments of $22 million, and scheduled capital lease and other obligation payments of $133 million due during 2014. We also anticipate expending cash for repurchasing common stock, but the amount will largely depend on market conditions.

We will continue to monitor our future sources and uses of cash, and anticipate that we will make adjustments to our capital allocation strategies when, as and if determined by our Board of Directors. We may also draw on our revolving credit facility as a source of liquidity for operating activities and to give us additional flexibility to finance, among other things, our capital investments, repayments of debt, pension contributions, dividends, litigation settlement payments, or stock repurchases.

We currently expect to continue our current practice of paying quarterly cash dividends in respect of our common stock, subject to our board's discretion to modify or terminate this practice at any time and for any reason.

Capital Expenditures

We incur capital expenditures on an ongoing basis in order to enhance and modernize our networks, compete effectively in our markets and expand our service offerings. We evaluate capital expenditure projects based on a variety of factors, including expected strategic impacts (such as forecasted impacts on revenue growth, productivity, expenses, service levels and customer retention) and our expected return on investment. The amount of capital investment is influenced by, among other things, demand for our services and products, cash flow generated by operating activities, cash required for other purposes and regulatory considerations. We estimate our total 2014 capital expenditures to be approximately $3.0 billion.

Our capital expenditures continue to be focused on our strategic services such as video, broadband and managed hosting services. In particular, we expect to continue to focus on software development and expanding our fiber infrastructure, including installations of "fiber to the tower," which is a type of telecommunications network consisting of fiber-optic cables that run from a wireless carrier's mobile telephone switching office to cellular towers to enable the delivery of higher bandwidth services supporting mobile technologies than would otherwise generally be available through a more traditional copper-based telecommunications network. For more information on capital spending, see Items 1 and 1A of this annual report.

In 2012 and early 2013, we accepted approximately $35 million from Round 1 of Phase 1 of the FCC's Connect America Fund ("CAF") established by Congress to help telecommunications carriers defray the cost of providing broadband access to remote customers. We intend to use the funds to deploy broadband service for up to 45,000 homes in unserved rural areas principally in Colorado, Minnesota, New Mexico, Virginia and Washington. In 2013, the FCC announced another round of CAF funding and we initially agreed to accept approximately $54 million from Round 2 of Phase 1 of the FCC's CAF to bring broadband services to more than 92,000 rural homes and businesses in unserved high-cost areas. Due to challenges from other competing telecommunications carriers on the unserved rural areas, the final amount offered to us by the FCC, which we accepted in late 2013, was approximately $40 million.

Debt and Other Financing Arrangements

Approximately $30 million of Embarq 7.46% notes will mature on April 1, 2014 and $600 million of our QC 7.50% senior notes will mature on October 1, 2014. Subject to market conditions, we expect to continue to issue debt securities from time to time in the future to refinance a substantial portion of our maturing debt, including issuing QC debt securities to refinance its maturing debt. The availability, interest rate and other terms of any new borrowings will depend on the ratings assigned to us and QC by credit rating agencies, among other factors.

As of the date of this annual report, the credit ratings for the senior unsecured debt of CenturyLink, Inc. and Qwest Corporation were as follows:

Agency	CenturyLink, Inc.	Qwest Corporation
Standard & Poor's	BB	BBB-
Moody's Investors Service, Inc.	Ba2	Baa3
Fitch Ratings	BB+	BBB-

In early 2013, CenturyLink's senior unsecured debt ratings were downgraded from "investment grade" to "non-investment grade" by two of the rating agencies, which we believe increased our borrowing costs. Any additional downgrades of CenturyLink's senior unsecured debt ratings could under certain circumstances incrementally increase the cost of our borrowing under the Credit Facility. In addition, any additional downgrades of CenturyLink's or QC's senior unsecured debt ratings could impact our access to debt capital or further raise our borrowing costs. See "Risk Factors—Risks Affecting our Liquidity and Capital Resources" in Item 1A of this annual report.

Dividends

We currently expect to continue our current practice of paying quarterly cash dividends in respect of our common stock subject to our Board of Director's discretion to modify or terminate this practice at any time and for any reason. In early 2013, our Board of Directors approved a 25.5% reduction in our quarterly common stock dividend rate to $0.54 per share, which we believe resulted in a dividend payout rate that is more sustainable over the long-term, and thereby increased our flexibility to balance our multiple objectives of managing our business, paying our fixed commitments and returning cash to our shareholders. Assuming continued payment at this rate of $0.54 per share, our total dividends paid each quarter would be approximately $315 million based on our current number of outstanding shares (which does not reflect shares that we might repurchase or issue in future periods). See "Risk Factors—Risks Affecting Our Business" in Item 1A of Part II of this annual report and the discussion of our stock repurchase program below.

Stock Repurchase Program

In February 2013, our Board of Directors authorized us to repurchase up to $2 billion of our outstanding common stock. As of December 31, 2013, we had approximately $433 million in stock remaining available for repurchase under the Stock Repurchase Program (includes common shares that, as of December 31, 2013, we had agreed to purchase under the program for $29 million in transactions that settled early in the first quarter of 2014). As of December 31, 2013, we had repurchased 45.7 million common shares for an aggregate market price of $1.567 billion and an average purchase price of $34.26 per share. The repurchased common stock has been retired. As of February 20, 2014, we had repurchased 51.8 million shares for $1.75 billion, or an average purchase price of $33.78 per share. We expect to continue executing this share repurchase program primarily in open market transactions, subject to market conditions and other factors. For additional information on repurchases made during the quarter ended December 31, 2013, see Item 5 of Part II of this annual report.

In late February 2014, our board authorized a 24-month program to repurchase up to an aggregate of $1.0 billion of our outstanding common stock. This new program will take effect immediately upon the completion of our current repurchase program, which we expect to deplete during the second quarter of 2014 based on current market conditions. We expect to execute this share repurchase program in open market transactions, subject to market conditions and other factors, and expect to complete the new program within 18 to 24 months from its effective date.

Settlement Payment

In February 2014, Qwest, KPN, the individual defendants and the trustees reached a definitive agreement, settling the litigation. The settlement terms include Qwest's payment, which was made in February 2014, of approximately €171 million (or approximately $235 million based on the exchange rate on December 31, 2013) to the KPNQwest bankruptcy estate pursuant to its indemnification obligations, discussed in Note 16—Commitments and Contingencies to our consolidated financial statements in Item 8 of this annual report.

Credit Facilities

We have access to up to $2 billion aggregate principal amount of revolving credit under an amended and restated revolving credit facility that matures in April 2017. The Credit Facility (the "Credit Facility") has 18 lenders, with commitments ranging from $2.5 million to $181 million and allows us to obtain revolving loans and to issue up to $400 million of letters of credit, which upon issuance reduce the amount available for other extensions of credit. Interest is assessed on borrowings using either the LIBOR or the base rate (each as defined in the Credit Facility) plus an applicable margin between 1.25% and 2.25% per annum for LIBOR loans and 0.25% and 1.25% per annum for base rate loans depending on our then current senior unsecured long-term debt rating. Our obligations under the Credit Facility are guaranteed by three of our wholly-owned subsidiaries, Embarq, QCII and Savvis, Inc., one of QCII's wholly-owned subsidiaries and one of Savvis, Inc.'s wholly-owned subsidiaries. At December 31, 2013, we had $725 million in borrowings and no amounts of letters of credit outstanding under the Credit Facility.

Under the Credit Facility, we, and our indirect subsidiary, Qwest Corporation, must maintain a debt to EBITDA (earnings before interest, taxes, depreciation and amortization, as defined in our Credit Facility) ratio of not more than 4.0:1.0 and 2.85:1.0, respectively, as of the last day of each fiscal quarter for the four quarters then ended. The Credit Facility also contains a negative pledge covenant, which generally requires us to secure equally and ratably any advances under the Credit Facility if we pledge assets or permit liens on our property for the benefit of other debtholders. The Credit Facility also has a cross payment default provision, and the Credit Facility and certain of our debt securities also have cross acceleration provisions. When present, these provisions could have a wider impact on liquidity than might otherwise arise from a default or acceleration of a single debt instrument. To the extent that our EBITDA (as defined in our Credit Facility) is reduced by cash settlements or judgments, including in respect of any of the matters discussed in Note 15—Commitments and Contingencies to our consolidated financial statements in Item 8 of this annual report, our debt to EBITDA ratios under certain debt agreements will be adversely affected. This could reduce our financing flexibility due to potential restrictions on incurring additional debt under certain provisions of our debt agreements or, in certain circumstances, could result in a default under certain provisions of such agreements.

In April 2011, we entered into a $160 million uncommitted revolving letter of credit facility which enables us to provide letters of credit under terms that may be more favorable than those under the Credit Facility. At December 31, 2013 and 2012, our outstanding letters of credit totaled $132 million and $120 million, respectively, under this facility.

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Future Contractual Obligations

The following table summarizes our estimated future contractual obligations as of December 31, 2013:

	2014	2015	2016	2017	2018	2019 and thereafter	Total
				(Dollars in millions)			
Long-term debt, including current maturities and capital lease obligations (excluding unamortized premiums, discounts and other, net.)	$ 785	565	1,493	2,219	246	15,736	21,044
Interest on long-term debt and capital leases (1)	1,373	1,316	1,244	1,131	1,088	15,404	21,556
Operating leases	297	274	252	232	209	1,391	2,655
Purchase commitments (2)	221	162	86	58	22	79	628
Post-retirement benefit obligation (3)	73	72	70	68	111	992	1,386
Non-qualified pension obligations (3)	5	5	5	5	5	21	46
Unrecognized tax benefits (4)	—	—	—	—	—	44	44
Other	7	7	7	11	7	125	164
Total future contractual obligations (5)	$ 2,761	2,401	3,157	3,724	1,688	33,792	47,523

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(1) Actual principal and interest paid in all years may differ due to future refinancing of attributing debt or issuance of new debt. Interest on our floating rate debt was calculated for all years using the rates effective at December 31, 2013.

(2) We have various long-term, non-cancelable purchase commitments for advertising and promotion services, including advertising and marketing at sports arenas and other venues and events. We also have service related commitments with various vendors for data processing, technical and software support services. Future payments under certain service contracts will vary depending on our actual usage. In the table above we estimated payments for these service contracts based on the level of services we expect to receive.

(3) Reflects only the portion of total obligation that is contractual in nature; see Note 5 below

(4) Represents the amount of tax and interest we would pay for our unrecognized tax benefits. The $44 million is composed of unrecognized tax benefits of $14 million and related estimated interest and penalties of $30 million, which would result in future cash payments if our tax positions were not upheld. See Note 12—Income Taxes to our consolidated financial statements in Item 8 of this annual report for additional information. The timing of any payments for our unrecognized tax benefits cannot be predicted with certainty; therefore, such amount is reflected in the "2019 and thereafter" column in the above table.

(5) The table is limited to contractual obligations only and does not include:

- contingent liabilities;
- our open purchase orders as of December 31, 2013. These purchase orders are generally issued at fair value, and are generally cancelable without penalty;
- other long-term liabilities, such as accruals for legal matters and other taxes that are not contractual obligations by nature. We cannot determine with any degree of reliability the years in which these liabilities might ultimately settle;
- cash funding requirements for qualified pension benefits payable to certain eligible current and future retirees. Benefits paid by our qualified pension plans are paid through trusts. Cash funding requirements for these trusts are not included in this table as we are not able to reliably estimate required contributions to the trusts. Our funding projections are discussed further below;
- certain post-retirement benefits payable to certain eligible current and future retirees. Not all of our post-retirement benefit obligation amount is a contractual obligation and only the portion that we believe is a contractual obligation is reported in the table. See additional information on our benefits plans in Note 8—Employee Benefits to our consolidated financial statements in Item 8 of this annual report;
- contract termination fees. These fees are non-recurring payments, the timing and payment of which, if any, is uncertain. In the ordinary course of business and to optimize our cost structure, we enter into contracts with terms greater than one year to use the network facilities of other carriers and to purchase other goods and services. Our contracts to use other carriers' network facilities generally have no minimum volume requirements and are based on an interrelationship of volumes and discounted rates. Assuming we terminate these contracts in 2014, the contract termination fees would be approximately $170 million. Under the same assumption, termination fees for these contracts to purchase goods and services would be $166 million. In the normal course of business, we do not believe payment of these fees is likely; and
- potential indemnification obligations to counterparties in certain agreements entered into in the normal course of business. The nature and terms of these arrangements vary. Historically, we have not incurred significant costs related to performance under these types of arrangements.

Pension and Post-retirement Benefit Obligations

We are subject to material obligations under our existing defined benefit pension plans and other post-retirement benefit plans. The accounting unfunded status as of December 31, 2013 of our defined benefit pension plans and other post-retirement benefit obligations were $1.055 billion and $3.153 billion, respectively. See Note 8—Employee Benefits to our consolidated financial statements in Item 8 of this annual report for additional information about our pension and other post-retirement benefit arrangements.

Benefits paid by our qualified pension plans are paid through a trust that holds all plan assets. We made cash contributions of approximately $146 million in 2013 to our qualified pension plans. Based on current laws and circumstances, we expect that our required contributions to these plans for 2014 will be $123 million.

Certain of our post-retirement health care and life insurance benefits plans are unfunded. Several trusts hold assets that are used to help cover the health care costs of certain retirees. As of December 31, 2013, the fair value of these trust assets was $535 million; however, a portion of these assets is comprised of investments with restricted liquidity. We estimate that the more liquid assets in the trust will be adequate to provide continuing reimbursements for covered post-retirement health care costs for approximately three years. Thereafter, covered benefits will be paid either directly by us or from the trusts as the remaining assets become liquid. This projected three year period could be substantially shorter or longer depending on returns on plan assets, the timing of maturities of illiquid plan assets and future changes in benefits.

Our estimated annual long-term rate of return on the pension plans trust assets is 7.5% and for the post-retirement plans trust assets is 7.3% based on the assets currently held; however, actual returns could vary widely in any given year.

For additional information on factors that could influence our funding commitments under these and other plans, see "Critical Accounting Policies and Estimates—Pension and Post-Retirement Benefits" in this Item 7 and "Risk Factors—Risks Affecting our Liquidity and Capital Resources—Increases in costs for pension and healthcare benefits for our active and retired employee may reduce our profitability and increase our funding commitments" in Item 1A of this annual report.

Net Operating Loss Carryforwards

We are currently using federal NOLs to offset a portion of our federal taxable income. We expect to deplete a significant portion of these NOLs and certain other deferred tax attributes by the end of 2014, and substantially all of these tax benefits by 2015. Once our NOLs are fully utilized, we expect that the amounts of our cash flows dedicated to the payment of federal taxes will increase substantially. The amounts of those payments will depend upon many factors, including future earnings, tax law changes and future tax circumstances. For additional information, see "Risk Factors—Risks Affecting our Liquidity and Capital Resources" in Item 1A of Part II of this annual report.

Historical Information

The following table summarizes our consolidated cash flow activities (which include cash flows from Savvis and Qwest after their respective acquisition dates):

	Years Ended December 31,		Increase / (Decrease)
	2013	2012	
	(Dollars in millions)		
Net cash provided by operating activities	$ 5,559	$ 6,065	(506)
Net cash used in investing activities	(3,148)	(2,690)	458
Net cash used in financing activities	(2,454)	(3,295)	(841)

	Years Ended December 31,		Increase / (Decrease)
	2012	2011	
	(Dollars in millions)		
Net cash provided by operating activities	$ 6,065	$ 4,201	1,864
Net cash used in investing activities	(2,690)	(3,647)	(957)
Net cash used in financing activities	(3,295)	(577)	2,718

Net cash provided by operating activities decreased by $506 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012 primarily due to a decrease in net (loss) income adjusted for non-cash items, a decrease in the loss on early retirement of debt, a decrease in the change in the retirement benefits and a decrease in the change in other noncurrent assets and liabilities, which were partially offset by an increase in the change in other current assets and other current liabilities, net. Net cash provided by operating activities increased by $1.864 billion for the year ended December 31, 2012 as compared to the year ended December 31, 2011 primarily attributable to the acquisitions of Qwest and Savvis, which contributed net cash provided by operating activities of approximately $3.4 billion in 2012 and $2.2 billion in 2011. Our consolidated financial statements in Item 8 of this annual report provide information about the components of net income and differences between net income and net cash provided by operating activities. For additional information about our operating results, see "Results of Operations" above.

Net cash used in investing activities increased by $458 million for the year end December 31, 2013 as compared to the year ended December 31, 2012 primarily due to amounts paid for acquisitions in 2013, increased payments for purchases of property, plant and equipment and less proceeds from the sale of property and intangible assets. Net cash used in investing decreased by $957 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011 primarily due to less net cash used for acquisitions and an increase in proceeds from sale of property and intangible assets, which were partially offset by an increase in payments for purchases of property, plant and equipment. Activities in 2012 included payments for purchases of property, plant and equipment and capitalized software of $2.9 billion, including $1.9 billion for Qwest and Savvis' capital expenditures.

Net cash used in financing activities decreased by $841 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012 primarily due to a significant change from net debt paydowns (including early retirement costs) in 2012 to net proceeds in 2013. Additionally, there was a decrease in dividends paid due to our recently announced reduction in our per share common stock dividend rate. These items were partially offset by a significant increase in stock repurchases (due to our buyback program announced in February 2013). Net cash used in financing activities increased by $2.718 billion for the year ended December 31, 2012 as compared to the year ended December 31, 2011 primarily due to net debt paydowns in 2012 versus net debt issuances in 2011. This difference was primarily due to the $2 billion senior notes issued in June 2011 to finance the Savvis acquisition. Also contributing was a $255 million increase in dividends paid attributable to an increase in the average number of shares outstanding.

On December 27, 2013, QCII redeemed $186 million of its 7.125% Notes due 2018 for $196 million including premium, fees and accrued interest, which resulted in a $3 million gain.

On November 27, 2013, QCII completed a cash tender offer with respect to its $800 million of 7.125% Notes due 2018. QCII received and accepted tenders of approximately $614 million aggregate principal amount of these notes, or 77%, for $646 million including premium, fees and accrued interest, which resulted in a $7 million gain.

On November 27, 2013, CenturyLink issued $750 million aggregate principal amount of 6.75% Notes due 2023, in exchange for net proceeds, after deducting underwriting discounts and expenses, of approximately $742 million. The Notes are unsecured obligations and may be redeemed, in whole or in part, at any time at a redemption price equal to the greater of par or a "make-whole" rate specified in the Notes, plus accrued and unpaid interest to the redemption date. In addition, at any time on or prior to December 1, 2016, we may redeem up to 35% of the principal amount of the Notes at a redemption price equal to 106.75% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of certain equity offerings. Under certain circumstances, we will be required to make an offer to repurchase the Notes at a price of 101% of their aggregate principal amount plus accrued and unpaid interest to the repurchase date.

On August 15, 2013, a subsidiary of Embarq Corporation ("Embarq") paid at maturity the $50 million principal amount of its 6.75% Notes.

On July 15, 2013, a subsidiary of Embarq paid at maturity the $59 million principal amount of its 6.875% Notes.

On June 17, 2013, QC paid at maturity the $750 million principal amount of its floating rate Notes.

On May 23, 2013, QC issued $775 million aggregate principal amount of 6.125% Notes due 2053, including $25 million principal amount that was sold pursuant to an over-allotment option granted to the underwriters for the offering, in exchange for net proceeds, after deducting underwriting discounts and expenses, of $752 million. The Notes are unsecured obligations and may be redeemed, in whole or in part, on or after June 1, 2018 at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date.

On April 1, 2013, CenturyLink, Inc. paid at maturity the $176 million principal amount of its 5.50% Notes.

On March 21, 2013, CenturyLink, Inc. issued $1 billion aggregate principal amount of 5.625% Notes due 2020 in exchange for net proceeds, after deducting underwriting discounts and expenses, of approximately $988 million. The Notes are unsecured obligations and may be redeemed, in whole or in part, at any time at a redemption price equal to the greater of par or a "make-whole" rate specified in the Notes, plus accrued and unpaid interest to the redemption date. In addition, at any time on or prior to April 1, 2016, we may redeem up to 35% of the principal amount of the Notes at a redemption price equal to 105.625% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of certain equity offerings. Under certain circumstances, we will be required to make an offer to repurchase the Notes at a price of 101% of their aggregate principal amount plus accrued and unpaid interest to the repurchase date.

During the year ended December 31, 2013, we repurchased 45.7 million shares of the company's outstanding common stock in the open market. These shares were repurchased for an aggregate market price of $1.567 billion, or an average purchase price of $34.26 per share. The repurchased common stock has been retired. For additional information, see "Liquidity and Capital Resources—Stock Repurchase Program" above.

Certain Matters Related to Acquisitions

Qwest's post-closing debt obligations consisted primarily of debt securities issued by QCII and two of its subsidiaries while Savvis' post-closing long-term debt obligations consisted primarily of capital leases, the remaining amounts of which are now included in our consolidated debt balances. The indentures governing Qwest's remaining debt securities contain customary covenants that restrict the ability of Qwest or its subsidiaries from making certain payments and investments, granting liens and selling or transferring assets. Based on current circumstances, we do not anticipate that these covenants will significantly restrict our ability to manage cash balances or transfer cash between entities within our consolidated group of companies as needed.

In accounting for the Qwest acquisition, we recorded Qwest's debt securities at their estimated fair values, which totaled $12.292 billion as of April 1, 2011. Our acquisition date fair value estimates were based primarily on quoted market prices in active markets and other observable inputs where quoted market prices were not available. The fair value of Qwest's debt securities exceeded their stated principal balances on the acquisition date by $693 million, which we recorded as a premium.

The table below summarizes the portions of this premium recognized as a reduction to interest expense or extinguished during the periods indicated:

	Years Ended December 31,			Total Since Acquisition
	2013	2012	2011	
	(Dollars in millions)			
Amortized	$ 62	86	154	302
Extinguished [(1)]	41	177	58	276
Total premiums recognized	$ 103	263	212	578

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(1) See "Debt and Other Financing Arrangements" for more information

The remaining premium of $115 million as of December 31, 2013 will reduce interest expense in future periods, unless otherwise extinguished.

Other Matters

CenturyLink has cash management arrangements with certain of its principal subsidiaries, in which substantial portions of the subsidiaries' cash is regularly advanced to CenturyLink. In accordance with generally accepted accounting principles, these advances are eliminated as intercompany transactions. Although CenturyLink periodically repays these advances to fund the subsidiaries' cash requirements throughout the year, at any given point in time we may owe a substantial sum to our subsidiaries under these advances, which are eliminated in consolidation and therefore not recognized on our consolidated balance sheets.

We also are involved in various legal proceedings that could have a material adverse effect on our financial position. See Note 15—Commitment and Contingencies to our consolidated financial statements in Item 8 of this annual report for the current status of such legal proceedings.

Market Risk

We are exposed to market risk from changes in interest rates on our variable rate long-term debt obligations and fluctuations in certain foreign currencies. We seek to maintain a favorable mix of fixed and variable rate debt in an effort to limit interest costs and cash flow volatility resulting from changes in rates.

Management periodically reviews our exposure to interest rate fluctuations and periodically implements strategies to manage the exposure. From time to time, we have used derivative instruments to (i) lock-in or swap our exposure to changing or variable interest rates for fixed interest rates or (ii) to swap obligations to pay fixed interest rates for variable interest rates. As of December 31, 2013, we had no such instruments outstanding. We have established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative instrument activities. We do not hold or issue derivative financial instruments for trading or speculative purposes.

We do not believe that there were any material changes to market risks arising from changes in interest rates for the year ended December 31, 2013 when compared to the disclosures provided in our Annual Report on Form 10-K for the year ended December 31, 2012.

At December 31, 2013, we had approximately $20.3 billion (excluding capital lease and other obligations with a carrying amount of $619 million) of long-term debt outstanding, 94.0% of which bears interest at fixed rates and is therefore not exposed to interest rate risk. At December 31, 2013 we had $1.1 billion floating rate debt exposed to changes in the London InterBank Offered Rate (LIBOR). A hypothetical increase of 100 basis points in LIBOR relative to this debt would decrease our annual pre-tax earnings by $11 million.

With our acquisition of Savvis in July 2011, we have become exposed to the risk of fluctuations in the foreign currencies in which its international operations are denominated, primarily the Euro, the British Pound, the Canadian Dollar, the Japanese Yen and the Singapore Dollar. The percentages of our consolidated revenues and costs that are denominated in these currencies are immaterial. We use a sensitivity analysis to estimate our exposure to this foreign currency risk, measuring the change in financial position arising from hypothetical 10% change in the exchange rates of these currencies, relative to the U.S. Dollar with all other variables held constant. The aggregate potential change in the fair value of financial assets resulting from a hypothetical 10% change in these exchange rates was $24 million at December 31, 2013.

Certain shortcomings are inherent in the method of analysis presented in the computation of exposures to market risks. Actual values may differ materially from those presented above if market conditions vary from the assumptions used in the analyses performed. These analyses only incorporate the risk exposures that existed at December 31, 2013.

Off-Balance Sheet Arrangements

We have no special purpose or limited purpose entities that provide off-balance sheet financing, liquidity, or market or credit risk support and we do not engage in leasing, hedging, or other similar activities that expose us to any significant liabilities that are not (i) reflected on the face of the consolidated financial statements, (ii) disclosed in Note 15—Commitments and Contingencies to our consolidated financial statements in Item 8 of this annual report, or in the Future Contractual Obligations table included in this Item 7 above or (iii) discussed under the heading "Market Risk" above.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Risk" in Item 7 of this annual report is incorporated herein by reference.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Management

The Shareholders
CenturyLink, Inc.:

Management has prepared and is responsible for the integrity and objectivity of our consolidated financial statements. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts determined using our best judgments and estimates.

Our consolidated financial statements have been audited by KPMG LLP, an independent registered public accounting firm, who have expressed their opinion with respect to the fairness of the consolidated financial statements. Their audit was conducted in accordance with standards of the Public Company Accounting Oversight Board (United States).

Management is responsible for establishing and maintaining adequate internal control over financial reporting, a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our evaluation under the framework of COSO, management concluded that our internal control over financial reporting was effective at December 31, 2013. The effectiveness of our internal control over financial reporting at December 31, 2013 has been audited by KPMG LLP, as stated in their report which is included herein.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Audit Committee of the Board of Directors is composed of independent directors who are not officers or employees. The Committee meets periodically with the external auditors, internal auditors and management. The Committee considers the independence of the external auditors and the audit scope and discusses internal control, financial and reporting matters. Both the external and internal auditors have free access to the Committee.

/s/ R. Stewart Ewing, Jr.

R. Stewart Ewing, Jr.
Executive Vice President, Chief Financial Officer and
Assistant Secretary

February 27, 2014

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
CenturyLink, Inc.:

We have audited the accompanying consolidated balance sheets of CenturyLink, Inc. and subsidiaries (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), cash flows, and stockholders' equity for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2014 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Shreveport, Louisiana
February 27, 2014

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
CenturyLink, Inc.:

We have audited CenturyLink, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Report of Management*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), cash flows, and stockholders' equity for each of the years in the three-year period ended December 31, 2013, and our report dated February 27, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Shreveport, Louisiana
February 27, 2014

CENTURYLINK, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	2013	2012	2011
	(Dollars in millions, except per share amounts and shares in thousands)		
OPERATING REVENUES	$ 18,095	18,376	15,351
OPERATING EXPENSES			
Cost of services and products (exclusive of depreciation and amortization)	7,507	7,639	6,325
Selling, general and administrative	3,502	3,244	2,975
Depreciation and amortization	4,541	4,780	4,026
Impairment of goodwill (Note 3)	1,092	—	—
Total operating expenses	16,642	15,663	13,326
OPERATING INCOME	1,453	2,713	2,025
OTHER INCOME (EXPENSE)			
Interest expense	(1,298)	(1,319)	(1,072)
Net gain (loss) on early retirement of debt	10	(179)	(8)
Other income	59	35	3
Total other income (expense)	(1,229)	(1,463)	(1,077)
INCOME BEFORE INCOME TAX EXPENSE	224	1,250	948
Income tax expense	463	473	375
NET (LOSS) INCOME	$ (239)	777	573
BASIC AND DILUTED (LOSS) EARNINGS PER COMMON SHARE			
BASIC	$ (0.40)	1.25	1.07
DILUTED	$ (0.40)	1.25	1.07
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
BASIC	600,892	620,205	532,780
DILUTED	600,892	622,285	534,121

See accompanying notes to consolidated financial statements.

CENTURYLINK, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years Ended December 31,		
	2013	**2012**	**2011**
	(Dollars in millions)		
NET (LOSS) INCOME	$ (239)	777	573
OTHER COMPREHENSIVE INCOME (LOSS):			
Items related to employee benefit plans:			
Change in net actuarial gain (loss), net of $(606), $432 and $508 tax	981	(694)	(812)
Change in net prior service credit, net of $52, $4 and $23 tax	(84)	(6)	(37)
Auction rate securities marked to market, net of $—, $(1) and $2 tax	—	2	(4)
Auction rate securities settlements reclassified to net income, net of $—, $(1) and $— tax	—	3	—
Foreign currency translation adjustment and other, net of $—, $— and $2 tax	2	6	(18)
Other comprehensive income (loss)	899	(689)	(871)
COMPREHENSIVE INCOME (LOSS)	$ 660	88	(298)

See accompanying notes to consolidated financial statements.

CENTURYLINK, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2013	December 31, 2012
	(Dollars in millions and shares in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 168	211
Accounts receivable, less allowance of $155 and $158	1,977	1,917
Income tax receivable	—	42
Deferred income taxes, net	1,165	916
Other	597	552
Total current assets	3,907	3,638
NET PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	34,307	31,933
Accumulated depreciation	(15,661)	(13,024)
Net property, plant and equipment	18,646	18,909
GOODWILL AND OTHER ASSETS		
Goodwill	20,674	21,627
Customer relationships, net	5,935	7,052
Other intangible assets, net	1,802	1,918
Other, net	823	796
Total goodwill and other assets	29,234	31,393
TOTAL ASSETS	$ 51,787	53,940
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 785	1,205
Accounts payable	1,111	1,207
Accrued expenses and other liabilities		
Salaries and benefits	650	683
Income and other taxes	339	356
Interest	273	268
Other	514	234
Advance billings and customer deposits	737	642
Total current liabilities	4,409	4,595
LONG-TERM DEBT	20,181	19,400
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred income taxes, net	4,753	3,564
Benefit plan obligations, net	4,049	5,844
Other	1,204	1,248
Total deferred credits and other liabilities	10,006	10,656
COMMITMENTS AND CONTINGENCIES (Note 15)		
STOCKHOLDERS' EQUITY		
Preferred stock — non-redeemable, $25.00 par value, authorized 2,000 shares, issued and outstanding 7 and 7 shares	—	—
Common stock, $1.00 par value, authorized 1,600,000 and 1,600,000 shares, issued and outstanding 583,637 and 625,658 shares	584	626
Additional paid-in capital	17,343	19,079
Accumulated other comprehensive loss	(802)	(1,701)

Retained earnings	66	1,285
Total stockholders' equity	17,191	19,289
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 51,787	53,940

See accompanying notes to consolidated financial statements.

CENTURYLINK, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2013	**2012**	**2011**
	(Dollars in millions)		
OPERATING ACTIVITIES			
Net (loss) income	$ (239)	777	573
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	4,541	4,780	4,026
Impairment of goodwill (Note 3)	1,092	—	—
Deferred income taxes	391	394	395
Provision for uncollectible accounts	152	187	153
Gain on sale of intangible assets	(32)	—	—
Long-term debt (premium) discount amortization	(57)	(88)	(148)
Net (gain) loss on early retirement of debt	(10)	179	8
Changes in current assets and current liabilities:			
Accounts receivable	(212)	(154)	(102)
Accounts payable	(76)	(72)	(58)
Accrued income and other taxes	28	(14)	31
Other current assets and other current liabilities, net	263	16	(76)
Retirement benefits	(342)	(169)	(688)
Changes in other noncurrent assets and liabilities	19	161	(6)
Other, net	41	68	93
Net cash provided by operating activities	5,559	6,065	4,201
INVESTING ACTIVITIES			
Payments for property, plant and equipment and capitalized software	(3,048)	(2,919)	(2,411)
Cash paid for Savvis acquisition, net of $61 cash acquired	—	—	(1,671)
Cash acquired in Qwest acquisition, net of $5 cash paid	—	—	419
Cash paid for other acquisitions	(160)	—	—
Proceeds from sale of property and intangible assets	80	191	—
Other, net	(20)	38	16
Net cash used in investing activities	(3,148)	(2,690)	(3,647)
FINANCING ACTIVITIES			
Net proceeds from issuance of long-term debt	2,481	3,362	4,102
Payments of long-term debt	(2,010)	(5,118)	(2,984)
Net (payments) borrowings on credit facility	(95)	543	(88)
Early retirement of debt costs	(31)	(346)	(114)
Dividends paid	(1,301)	(1,811)	(1,556)
Net proceeds from issuance of common stock	73	110	103
Repurchase of common stock	(1,586)	(37)	(31)
Other, net	15	2	(9)
Net cash used in financing activities	(2,454)	(3,295)	(577)
Effect of exchange rate changes on cash and cash equivalents	—	3	(22)
Net (decrease) increase in cash and cash equivalents	(43)	83	(45)
Cash and cash equivalents at beginning of period	211	128	173
Cash and cash equivalents at end of period	$ 168	$ 211	$ 128
Supplemental cash flow information:			
Income taxes (paid) refunded, net	$ (48)	$ (82)	118
Interest (paid) (net of capitalized interest of $41, $43 and $25)	$ (1,333)	$ (1,405)	(1,225)

See accompanying notes to consolidated financial statements.

CENTURYLINK, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Years Ended December 31,		
	2013	2012	2011
	(Dollars in millions)		
COMMON STOCK (represents dollars and shares)			
Balance at beginning of period	$ 626	619	305
Issuance of common stock to acquire Qwest, including shares issued in connection with share-based compensation awards	—	—	294
Issuance of common stock to acquire Savvis, including shares issued in connection with share-based compensation awards	—	—	14
Issuance of common stock through dividend reinvestment, incentive and benefit plans	4	8	6
Repurchase of common stock	(46)	—	—
Shares withheld to satisfy tax withholdings	—	(1)	—
Balance at end of period	584	626	619
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of period	19,079	18,901	6,181
Issuance of common stock to acquire Qwest, including assumption of share-based compensation awards	—	—	11,974
Issuance of common stock to acquire Savvis, including assumption of share-based compensation awards	—	—	601
Issuance of common stock through dividend reinvestment, incentive and benefit plans	69	102	97
Repurchase of common stock	(1,551)	—	—
Shares withheld to satisfy tax withholdings	(18)	(34)	(30)
Share-based compensation and other, net	85	110	78
Dividends Declared	(321)	—	—
Balance at end of period	17,343	19,079	18,901
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Balance at beginning of period	(1,701)	(1,012)	(141)
Other comprehensive income (loss)	899	(689)	(871)
Balance at end of period	(802)	(1,701)	(1,012)
RETAINED EARNINGS			
Balance at beginning of period	1,285	2,319	3,302
Net (loss) income	(239)	777	573
Dividends declared	(980)	(1,811)	(1,556)
Balance at end of period	66	1,285	2,319
TOTAL STOCKHOLDERS' EQUITY	$ 17,191	19,289	20,827

See accompanying notes to consolidated financial statements.

CENTURYLINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unless the context requires otherwise, references in this annual report to "CenturyLink," "we," "us" and "our" refer to CenturyLink, Inc. and its consolidated subsidiaries, including SAVVIS, Inc. and its consolidated subsidiaries (referred to as "Savvis") for periods on or after July 15, 2011 and Qwest Communications International Inc. and its consolidated subsidiaries (referred to as "Qwest") for periods on or after April 1, 2011.

(1) Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

We are an integrated communications company engaged primarily in providing an array of communications services to our residential, business, governmental and wholesale customers. Our communications services include local and long-distance, broadband, private line (including special access), MPLS, broadband, data integration, managed hosting (including cloud hosting), colocation, Ethernet, network access, public access, wireless, video services and other ancillary services.

The accompanying consolidated financial statements include our accounts and the accounts of our subsidiaries over which we exercise control. These subsidiaries include our acquisition of SAVVIS, Inc. and its consolidated subsidiaries ("Savvis") on July 15, 2011 and Qwest Communications International Inc. and its consolidated subsidiaries ("Qwest") on April 1, 2011. See Note 2—Acquisitions for additional information. All intercompany amounts and transactions with our consolidated subsidiaries have been eliminated.

During the year ended December 31, 2013, we recorded a correction of an error related to an overstatement of our net deferred tax liability recorded in connection with the purchase accounting of Savvis and Qwest in 2011. Therefore, we recognized a $105 million decrease in our net deferred tax liability and a $105 million reduction to goodwill on our consolidated balance sheet as of December 31, 2012. The correction of the error did not have an effect on our consolidated statements of operations or our consolidated statements of cash flows for the years ended December 31, 2012 and 2011.

We reclassified certain prior year balance sheet amounts presented in our annual report on Form 10-K for the year ended December 31, 2012 and 2011 to conform to the current period presentation. Specifically, we reclassified $123 million and $83 million in software development costs, net of $30 million and $8 million in accumulated amortization, from property, plant and equipment to other intangible assets on our consolidated balance sheets as of December 31, 2012 and 2011, respectively. We also reclassified $28 million and $8 million from depreciation expense to amortization expense in our statements of operations for the years ended December 31, 2012, and 2011, respectively. The correction of the error did not have an effect on our consolidated statements of operations or our consolidated statements of cash flows for the years ended December 31, 2012 and 2011.

In January 2013, we sold $43 million of our wireless spectrum assets held for sale. The sale resulted in a gain of $32 million, which is recorded as other income on our consolidated statements of operations. During the quarter ended June 30, 2013, we reclassified our remaining $53 million of wireless spectrum assets from held for sale to other intangible assets on our consolidated balance sheet. Although we continue to pursue selling our remaining spectrum assets, we no longer expect to reach agreements with purchasers within the coming twelve months.

Effective January 1, 2012, we changed our rates of capitalized labor as we transitioned certain of Qwest's legacy systems to our historical company systems. This transition resulted in an estimated $40 million to $55 million increase in the amount of labor capitalized as an asset compared to the amount that would have been capitalized if Qwest had continued to use its legacy systems and a corresponding estimated $40 million to $55 million decrease in operating expenses for the year ended December 31, 2012. The reduction in expenses described above, net of tax, increased net income approximately $25 million to $34 million, or $0.04 to $0.05 per basic and diluted common share, for the year ended December 31, 2012.

Effective January 1, 2012, we changed our estimates of the remaining useful lives and net salvage value for certain telecommunications equipment. These changes resulted in additional depreciation expense of approximately $26 million for the year ended December 31, 2012. This additional depreciation expense, net of tax, reduced net income by approximately $16 million, or $0.03 per basic and diluted common share, for the year ended December 31, 2012.

Effective January 2014, we will change the estimates of the remaining economic lives of certain switch and circuit network equipment. We estimate this will result in a net increase in depreciation expense in our consolidated statements of operations of $78 million for the year ended December 31, 2014.

To simplify the overall presentation of our consolidated financial statements, we report immaterial amounts attributable to noncontrolling interests in certain of our subsidiaries as follows: (i) income attributable to noncontrolling interests in other income (expense), (ii) equity attributable to noncontrolling interests in additional paid-in capital and (iii) cash flows attributable to noncontrolling interests in other, net financing activities.

We also reclassified certain other prior period amounts to conform to the current period presentation, including the categorization of our revenues and our segment reporting. See Note 13—Segment Information for additional information. These changes had no impact on total revenues, total operating expenses or net income for any period.

Summary of Significant Accounting Policies

Use of Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles. These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions we make when accounting for items and matters such as, but not limited to, investments, long-term contracts, customer retention patterns, allowance for doubtful accounts, depreciation, amortization, asset valuations, internal labor capitalization rates, recoverability of assets (including deferred tax assets), impairment assessments, pension, post-retirement and other post-employment benefits, taxes, certain liabilities and other provisions and contingencies are reasonable, based on information available at the time they were made. These estimates, judgments and assumptions can affect the reported amounts of assets, liabilities and components of stockholders' equity as of the dates of the consolidated balance sheets, as well as the reported amounts of revenue, expenses and components of cash flows during the periods presented in our consolidated statements of operations, our consolidated statements of comprehensive income (loss) and our consolidated statements of cash flows. We also make estimates in our assessments of potential losses in relation to threatened or pending tax and legal matters. See Note 12—Income Taxes and Note 15—Commitments and Contingencies for additional information.

For matters not related to income taxes, if a loss is considered probable and the amount can be reasonably estimated, we recognize an expense for the estimated loss. If we have the potential to recover a portion of the estimated loss from a third party, we make a separate assessment of recoverability and reduce the estimated loss if recovery is also deemed probable.

For matters related to income taxes, if the impact of an uncertain tax position is more likely than not to be sustained upon audit by the relevant taxing authority, then we recognize a benefit for the largest amount that is more likely than not to be sustained. No portion of an uncertain tax position will be recognized if the position has less than a 50% likelihood of being sustained. Interest is recognized on the amount of unrecognized benefit from uncertain tax positions.

For all of these and other matters, actual results could differ from our estimates.

Revenue Recognition

We recognize revenue for services when the related services are provided. Recognition of certain payments received in advance of services being provided is deferred until the service is provided. These advance payments include activation and installation charges, which we recognize as revenue over the expected customer relationship period, which ranges from eighteen months to over ten years depending on the service. We also defer costs for customer activations and installations. The deferral of customer activation and installation costs is limited to the amount of revenue deferred on advance payments. Costs in excess of advance payments are recorded as expense in the period such costs are incurred. Expected customer relationship periods are estimated using historical experience. Termination fees or other fees on existing contracts that are negotiated in conjunction with new contracts are deferred and recognized over the new contract term.

We offer bundle discounts to our customers who receive certain groupings of services. These bundle discounts are recognized concurrently with the associated revenues and are allocated to the various services in the bundled offering based on the estimated selling price of services included in each bundled combination.

Customer arrangements that include both equipment and services are evaluated to determine whether the elements are separable. If the elements are deemed separable and separate earnings processes exist, the revenue associated with the customer arrangement is allocated to each element based on the relative estimated selling price of the separate elements. We have estimated the selling prices of each element by reference to vendor-specific objective evidence of selling prices when the elements are sold separately. The revenue associated with each element is then recognized as earned. For example, if we receive an advance payment when we sell equipment and continuing service together, we immediately recognize as revenue the amount allocated to the equipment as long as all the conditions for revenue recognition have been satisfied. The portion of the advance payment allocated to the service based upon its relative selling price is recognized ratably over the longer of the contractual period or the expected customer relationship period.

We periodically transfer optical capacity assets on our network to other telecommunications service carriers. These transactions are structured as indefeasible rights of use, commonly referred to as IRUs, which are the exclusive right to use a specified amount of capacity or fiber for a specified term, typically 20 years. We account for the cash consideration received on transfers of optical capacity assets and on all of the other elements deliverable under an IRU, as revenue ratably over the term of the agreement. We have not recognized revenue on any contemporaneous exchanges of our optical capacity assets for other optical capacity assets.

In connection with offering products and services provided by third-party vendors, we review the relationship between us, the vendor and the end customer to assess whether revenue should be reported on a gross or net basis. In assessing whether revenue should be reported on a gross or net basis, we consider whether we act as a principal in the transaction, take title to the products, have risk and rewards of ownership or act as an agent or broker. Based on our agreements with DIRECTV and Verizon Wireless, we offer these services through sales agency relationships which are reported on a net basis.

For our data hosting operations, we have service level commitments pursuant to contracts with certain of our clients. To the extent that such service levels are not achieved or are otherwise disputed due to performance or service issues or other service interruptions or conditions, we will estimate the amount of credits to be issued and record a reduction to revenue, with a corresponding increase in the credit reserve.

USF, Gross Receipts Taxes and Other Surcharges

In determining whether to include in our revenue and expenses the taxes and surcharges collected from customers and remitted to government authorities, including USF charges, sales, use, value added and some excise taxes, we assess, among other things, whether we are the primary obligor or principal taxpayer for the taxes assessed in each jurisdiction where we do business. In jurisdictions where we determine that we are the principal taxpayer, we record the surcharges on a gross basis and include them in our revenue and costs of services and products. In jurisdictions where we determine that we are merely a collection agent for the government authority, we record the taxes on a net basis and do not include them in our revenue and costs of services and products.

Advertising Costs

Costs related to advertising are expensed as incurred and included in selling, general and administrative expenses in our consolidated statements of operations. For the years ended December 31, 2013, 2012 and 2011, our advertising expense was $210 million, $189 million and $275 million, respectively.

Legal Costs

In the normal course of our business, we incur costs to hire and retain external legal counsel to advise us on regulatory, litigation and other matters. We expense these costs as the related services are received.

Income Taxes

We file a consolidated federal income tax return with our eligible subsidiaries. The provision for income taxes consists of an amount for taxes currently payable, an amount for tax consequences deferred to future periods, adjustments to our liabilities for uncertain tax positions and amortization of investment tax credits. We record deferred income tax assets and liabilities reflecting future tax consequences attributable to tax net operating losses ("NOLs"), tax credit carryforwards and differences between the financial statement carrying value of assets and liabilities and the tax bases of those assets and liabilities. Deferred taxes are computed using enacted tax rates expected to apply in the year in which the differences are expected to affect taxable income. The effect on deferred income tax assets and liabilities of a change in tax rate is recognized in earnings in the period that includes the enactment date.

We establish valuation allowances when necessary to reduce deferred income tax assets to the amounts that we believe are more likely than not to be recovered. A significant portion of our net deferred tax assets relate to tax benefits attributable to NOLs. Each quarter we evaluate the need to retain all or a portion of the valuation allowance on our deferred tax assets. See Note 12—Income Taxes for additional information.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments that are readily convertible into cash and are not subject to significant risk from fluctuations in interest rates. As a result, the value at which cash and cash equivalents are reported in our consolidated financial statements approximates their fair value. In evaluating investments for classification as cash equivalents, we require that individual securities have original maturities of ninety days or less and that individual investment funds have dollar-weighted average maturities of ninety days or less. To preserve capital and maintain liquidity, we invest with financial institutions we deem to be of sound financial condition and in high quality and relatively risk-free investment products. Our cash investment policy limits the concentration of investments with specific financial institutions or among certain products and includes criteria related to credit worthiness of any particular financial institution.

Book overdrafts occur when checks have been issued but have not been presented to our controlled disbursement bank accounts for payment. Disbursement bank accounts allow us to delay funding of issued checks until the checks are presented for payment. Until the issued checks are presented for payment, the book overdrafts are included in accounts payable on our consolidated balance sheet. This activity is included in the operating activities section in our consolidated statements of cash flows.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recognized based upon the amount due from customers for the services provided or at cost for purchased and other receivables less an allowance for doubtful accounts. The allowance for doubtful accounts receivable reflects our best estimate of probable losses inherent in our receivable portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available evidence. We generally consider our accounts past due if they are outstanding over 30 days. Our collection process varies by the customer segment, amount of the receivable, and our evaluation of the customer's credit risk. Our past due accounts are written off against our allowance for doubtful accounts when collection is considered to be not probable. Any recoveries of accounts previously written off are generally recognized as a reduction in bad debt expense in the period received. The carrying value of accounts receivable net of the allowance for doubtful accounts approximates fair value.

Property, Plant and Equipment

Property, plant and equipment acquired in connection with our acquisitions was recorded based on its estimated fair value as of its acquisition date plus the estimated value of any associated legally or contractually required retirement obligations. Purchased and constructed property, plant and equipment is recorded at cost, plus the estimated value of any associated legally or contractually required retirement obligations. Property, plant and equipment is depreciated primarily using the straight-line group method. Under the straight-line group method, assets dedicated to providing telecommunications services (which comprise the majority of our property, plant and equipment) that have similar physical characteristics, use and expected useful lives are categorized in the year acquired on the basis of equal life groups for purposes of depreciation and tracking. Generally, under the straight-line group method, when an asset is sold or retired in the course of normal business activities, the cost is deducted from property, plant and equipment and charged to accumulated depreciation without recognition of a gain or loss. A gain or loss is recognized in our consolidated statements of operations only if a disposal is abnormal or unusual. Leasehold improvements are amortized over the shorter of the useful lives of the assets or the expected lease term. Expenditures for maintenance and repairs are expensed as incurred. Interest is capitalized during the construction phase of network and other internal-use capital projects. Employee-related costs for construction of network and other internal use assets are also capitalized during the construction phase. Property, plant and equipment supplies used internally are carried at average cost, except for significant individual items for which cost is based on specific identification.

We perform annual internal reviews to evaluate the reasonableness of the depreciable lives for our property, plant and equipment. Our reviews utilize models that take into account actual usage, physical wear and tear, replacement history, assumptions about technology evolution and, in certain instances, actuarially determined probabilities to estimate the remaining life of our asset base.

We have asset retirement obligations associated with the legally or contractually required removal of a limited group of property, plant and equipment assets from leased properties and the disposal of certain hazardous materials present in our owned properties. When an asset retirement obligation is identified, usually in association with the acquisition of the asset, we record the fair value of the obligation as a liability. The fair value of the obligation is also capitalized as property, plant and equipment and then amortized over the estimated remaining useful life of the associated asset. Where the removal obligation is not legally binding, the net cost to remove assets is expensed in the period in which the costs are actually incurred.

We review long-lived tangible assets for impairment whenever facts and circumstances indicate that the carrying amounts of the assets may not be recoverable. For assessment purposes, long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities, absent a material change in operations. An impairment loss is recognized only if the carrying amount of the asset group is not recoverable and exceeds its fair value. Recoverability of the asset group to be held and used is assessed by comparing the carrying amount of the asset group to the estimated undiscounted future net cash flows expected to be generated by the asset group. If the asset group's carrying value is not recoverable, an impairment charge is recognized for the amount by which the carrying amount of the asset group exceeds its fair value. We determine fair values by using a combination of comparable market values and discounted cash flows, as appropriate.

Goodwill, Customer Relationships and Other Intangible Assets

Intangible assets arising from business combinations, such as goodwill, customer relationships, capitalized software, trademarks and trade names, are initially recorded at estimated fair value. We amortize customer relationships primarily over an estimated life of 10 years to 15, using either the sum-of-the-years-digits or the straight-line methods, depending on the type of customer. We amortize capitalized software using the straight-line method over estimated lives ranging up to seven years, except for approximately $237 million of our capitalized software costs, which represents costs to develop an integrated billing and customer care system which is amortized using the straight-line method over a 20 year period. We amortize our other intangible assets predominantly using the sum-of-the-years-digits method over an estimated life of four years. Other intangible assets not arising from business combinations are initially recorded at cost. Where there are no legal, regulatory, contractual or other factors that would reasonably limit the useful life of an intangible asset, we classify the intangible asset as indefinite-lived and such intangible assets are not amortized.

Internally used software, whether purchased or developed by us, is capitalized and amortized using the straight-line method over its estimated useful life. We have capitalized certain costs associated with software such as costs of employees devoting time to the projects and external direct costs for materials and services. Costs associated with software to be used for internal purposes are expensed until the point at which the project has reached the development stage. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance, data conversion and training costs are expensed in the period in which they are incurred. We review the remaining economic lives of our capitalized software annually. Capitalized software is included in other intangible assets, net, in our consolidated balance sheets.

Our long-lived intangible assets, other than goodwill, with indefinite lives are assessed for impairment annually, or, under certain circumstances, more frequently, such as when events or circumstances indicate there may be an impairment. These assets are carried at the estimated fair value at the time of acquisition and assets not acquired in acquisitions are recorded at historical cost. However, if their estimated fair value is less than the carrying amount, other indefinite-lived intangible assets are reduced to their estimated fair value through an impairment charge to our consolidated statements of operations.

We annually review the estimated lives and methods used to amortize our other intangible assets. The actual amounts of amortization expense may differ materially from our estimates, depending on the results of our annual review.

We are required to assess goodwill for impairment at least annually, or more frequently if events or a change in circumstances indicate that an impairment may have occurred. We are required to write-down the value of goodwill in periods in which the recorded amount of goodwill exceeds the implied fair value of goodwill. Our reporting units, which we refer to as our segments, are not discrete legal entities with discrete financial statements. Our assets and liabilities are employed in and relate to the operations of multiple reporting units. Therefore, the equity carrying value and future cash flows must be estimated each time a goodwill impairment assessment is performed on a reporting unit. As a result, our assets, liabilities and cash flows are assigned to reporting units using reasonable and consistent allocation methodologies. Certain estimates, judgments and assumptions are required to perform these assignments. We believe these estimates, judgments and assumptions to be reasonable, but changes in many of these can significantly affect each reporting unit's equity carrying value and future cash flows utilized for our goodwill impairment assessment. As of September 30, 2013, our annual assessment date, we assessed goodwill for impairment of our reporting units, which are our four operating segments (consumer, business, wholesale and data hosting) and we recorded a non-cash, non-tax-deductible goodwill impairment charge of $1.092 billion for goodwill assigned to our data hosting segment.

During the fourth quarter of 2013, we elected to change the date of our annual assessment of goodwill impairment from September 30 to October 31. This is a change in method of applying an accounting principle which management believes is a preferable alternative as the new date of the assessment is more closely aligned with our strategic planning process. The change in the assessment date did not delay, accelerate or avoid a potential impairment charge in 2013. We performed our annual goodwill impairment assessment at September 30, 2013, prior to the change in our annual assessment date. We then performed a qualitative assessment of our goodwill as of October 31 and concluded that our goodwill for consumer, wholesale and business reporting units was not impaired and our goodwill for data hosting reporting unit was not further impaired as of that date.

We are required to reassign goodwill to reporting units each time we reorganize our internal reporting structure which causes a change in our operating segments. Goodwill is reassigned to the reporting units using a relative fair value approach. We utilize the earnings before interest, tax and depreciation as our allocation methodology as it represents a reasonable proxy for the fair value of the operations being reorganized.

See Note 3—Goodwill, Customer Relationships and Other Intangible Assets for additional information.

Pension and Post-Retirement Benefits

We recognize the underfunded status of our defined benefit and post-retirement plans as an asset or a liability on our balance sheet. Each year's actuarial gains or losses are a component of our other comprehensive income (loss), which is then included in our accumulated other comprehensive loss. Pension and post-retirement benefit expenses are recognized over the period in which the employee renders service and becomes eligible to receive benefits. We make significant assumptions (including the discount rate, expected rate of return on plan assets and health care trend rates) in computing the pension and post-retirement benefits expense and obligations. See Note 8—Employee Benefits for additional information.

Foreign Currency

Our results of operations include foreign subsidiaries, which are translated from the applicable functional currency to the United States Dollar using the average exchange rates during the reporting period, while assets and liabilities are translated at the reporting date. Resulting gains or losses from translating foreign currency are a component of our other comprehensive income (loss), which is then included in our accumulated other comprehensive loss.

Common Stock

At December 31, 2013, we had unissued shares of CenturyLink common stock reserved of 31 million shares for incentive compensation, 4 million shares for acquisitions, 1 million shares for our dividend reinvestment plan and 1 million shares for our employee stock purchase plan ("ESPP").

Preferred stock

Holders of outstanding CenturyLink preferred stock are entitled to receive cumulative dividends, receive preferential distributions equal to $25 per share plus unpaid dividends upon CenturyLink's liquidation and vote as a single class with the holders of common stock.

Out-of-Period Adjustments

During the year ended December 31, 2012, we discovered and corrected an error that resulted in an overstatement of depreciation expense in 2011. We evaluated the error considering both quantitative and qualitative factors and concluded that the error was immaterial to our previously issued and current period consolidated financial statements. Therefore, we recognized a $30 million reduction in depreciation expense during the year ended December 31, 2012. The correction of the error resulted in an increase in net income of $19 million, or approximately $0.03 per basic and diluted common share, for the year ended December 31, 2012.

(2) Acquisitions

Acquisition of Savvis

On July 15, 2011, we acquired all of the outstanding common stock of Savvis, a provider of cloud hosting, managed hosting, colocation and network services in domestic and foreign markets. We believe this acquisition enhances our ability to be an information technology partner with our existing business customers and strengthens our opportunities to attract new business customers in the future. Each share of Savvis common stock outstanding immediately prior to the acquisition converted into the right to receive $30 per share in cash and 0.2479 shares of CenturyLink common stock. The aggregate consideration of $2.382 billion consisted of:

- cash payments of $1.732 billion;
- the 14.313 million shares of CenturyLink common stock issued to consummate the acquisition,
- the closing stock price of CenturyLink common stock at July 14, 2011 of $38.54; and
- the estimated net value of the pre-combination portion of certain share-based compensation awards assumed by CenturyLink of $98 million, of which $33 million was paid in cash.

Upon completing the acquisition, we also paid $547 million to retire certain pre-existing Savvis debt and accrued interest, and paid related transaction expenses totaling $15 million. The cash payments required on or about the closing date were funded using existing cash balances, which included the net proceeds from the June 2011 issuance of senior notes with an aggregate principal amount of $2 billion. See Note 4—Long-term Debt and Credit Facilities, for additional information about our senior notes.

The aggregate consideration paid by us exceeded the aggregate estimated fair value of the assets acquired and liabilities assumed by $1.335 billion, which we recognized as goodwill. This goodwill is attributable to strategic benefits, including enhanced financial and operational scale, and product and market diversification that we expect to realize. None of the goodwill associated with this acquisition is deductible for income tax purposes.

The following was our assignment of the aggregate consideration:

	July 15, 2011 (Dollars in millions)
Cash, accounts receivable and other current assets*	$ 214
Property, plant and equipment	1,367
Identifiable intangible assets	
Customer relationships	739
Other	51
Other noncurrent assets	27
Current liabilities, excluding current maturities of long-term debt	(129)
Current maturities of long-term debt	(38)
Long-term debt	(840)
Deferred credits and other liabilities	(344)
Goodwill	1,335
Aggregate consideration	$ 2,382

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* Includes estimated fair value of $90 million for accounts receivable which had gross contractual value of $101 million on July 15, 2011. The $11 million difference between the gross contractual value and the estimated fair value assigned represents our best estimate as of July 15, 2011 of contractual cash flows that would not be collected.

Acquisition of Qwest

On April 1, 2011, we acquired all of the outstanding common stock of Qwest, a provider of data, Internet, video and voice services nationwide and globally. We entered into this acquisition, among other things, to realize certain strategic benefits, including enhanced financial and operational scale, market diversification and leveraged combined networks. As of the acquisition date, Qwest served approximately 9.0 million access lines and approximately 3.0 million broadband subscribers across 14 states. Each share of Qwest common stock outstanding immediately prior to the acquisition converted into the right to receive 0.1664 shares of CenturyLink common stock, with cash paid in lieu of fractional shares. The aggregate consideration was $12.273 billion based on:

- the 294 million shares of CenturyLink common stock issued to consummate the acquisition;
- the closing stock price of CenturyLink common stock at March 31, 2011 of $41.55;
- the estimated net value of the pre-combination portion of share-based compensation awards assumed by CenturyLink of $52 million (excluding the value of restricted stock included in the number of issued shares specified above); and
- cash paid in lieu of the issuance of fractional shares of $5 million.

We assumed approximately $12.7 billion of long-term debt in connection with our acquisition of Qwest.

The aggregate consideration exceeded the aggregate estimated fair value of the assets acquired and liabilities assumed by $10.032 billion, which we recognized as goodwill. This goodwill is attributable to strategic benefits, including enhanced financial and operational scale, market diversification and leveraged combined networks that we expect to realize. None of the goodwill associated with this acquisition is deductible for income tax purposes.

The following was our assignment of the aggregate consideration:

	April 1, 2011
	(Dollars in millions)
Cash, accounts receivable and other current assets*	$ 2,121
Property, plant and equipment	9,529
Identifiable intangible assets	
Customer relationships	7,558
Capitalized software	1,702
Other	189
Other noncurrent assets	390
Current liabilities, excluding current maturities of long-term debt	(2,426)
Current maturities of long-term debt	(2,422)
Long-term debt	(10,253)
Deferred credits and other liabilities	(4,147)
Goodwill	10,032
Aggregate consideration	$ 12,273

* Includes estimated fair value of $1.194 billion for accounts receivable which had gross contractual value of $1.274 billion on April 1, 2011. The $80 million difference between the gross contractual value and the estimated fair value assigned represents our best estimate as of April 1, 2011 of contractual cash flows that would not be collected.

On the acquisition date, we assumed Qwest's contingencies. For more information on our contingencies, see Note 15—Commitments and Contingencies.

Other Acquisitions

During the year ended December 31, 2013, we acquired all of the outstanding stock of two companies for total cash consideration of $160 million, of which $139 million was attributed to goodwill and the remainder to various other assets and liabilities. The valuation for one of the acquisitions is still preliminary and subject to change during the measurement period, which ends in November of 2014. The acquisitions were consummated to expand the product offerings of our data hosting segment and therefore the goodwill has been assigned to that segment. The goodwill is primarily attributable to expected future increases in data hosting segment revenue from the sale of new products to existing customers as well as the acquisition of new customers due to the products acquired. The goodwill is not deductible for tax purposes.

The acquisitions did not materially impact the 2013 consolidated results of operations from the dates of the acquisitions and would not materially impact pro forma results of operations.

Acquisition-Related Expenses

We have incurred operating expenses related to our acquisition of Savvis in July 2011, Qwest in April 2011 and Embarq in July 2009. The table below summarizes our expenses related to our acquisitions, which consist primarily of integration and severance expenses:

	Years Ended December 31,		
	2013	2012	2011
	(Dollars in millions)		
Acquisition-related expenses	$ 53	83	467

The total amounts of these expenses are recognized in our cost of services and products and selling, general and administrative expenses. In addition to these acquisition-related operating expenses for the year ended December 31, 2011, transaction expenses in the amount of $16 million were incurred in connection with terminating an unused loan financing commitment related to our Savvis acquisition. This amount was not considered an operating activity and therefore not included as an operating expense.

At December 31, 2013, we had incurred cumulative acquisition related expenses, consisting primarily of integration and severance related expenses, of $62 million for Savvis and $511 million for Qwest.

Qwest incurred cumulative pre-acquisition related expenses of $71 million, including $36 million in periods prior to being acquired and $35 million on the date of acquisition. Savvis incurred cumulative pre-acquisition related expenses of $22 million, including $3 million in periods prior to being acquired and $19 million on the date of acquisition. These amounts are not included in our results of operations.

References to Acquired Businesses

In the discussion that follows, we refer to the incremental business activities that we now operate as a result of the Savvis acquisition and the Qwest acquisition as "Legacy Savvis" and "Legacy Qwest", respectively. References to "Legacy CenturyLink", when used to a comparison of our consolidated results for the years ended December 31, 2012 and 2011, mean the business we operated prior to the Qwest and Savvis acquisitions.

Combined Pro Forma Operating Results (Unaudited)

The following unaudited pro forma financial information presents the combined results of CenturyLink as if the Qwest and Savvis acquisitions had been consummated as of January 1, 2011.

	Year Ended December 31, 2011
	(Dollars in millions)
Operating revenues	$ 18,692
Net income	601
Basic earnings per common share	0.97
Diluted earnings per common share	0.97

This pro forma information reflects certain adjustments to previously reported operating results, consisting of primarily:

- decreased operating revenues and expenses due to the elimination of deferred revenues and deferred expenses associated with installation activities and capacity leases that were assigned no value at the acquisition date and the elimination of transactions among CenturyLink, Qwest and Savvis that are now subject to intercompany elimination;
- increased amortization expense related to identifiable intangible assets, net of decreased depreciation expense to reflect the fair value of property, plant and equipment;
- decreased recognition of retiree benefit expenses for Qwest due to the elimination of unrecognized actuarial losses;
- decreased interest expense primarily due to the amortization of an adjustment to reflect the increased fair value of long-term debt of Qwest recognized on the acquisition date; and
- the related income tax effects.

The pro forma information does not necessarily reflect the actual results of operations had the Qwest and Savvis acquisitions been consummated at January 1, 2011, nor is it necessarily indicative of future operating results. The pro forma information does not adjust for integration costs incurred by us, Qwest and Savvis during 2011 (which are further described above in this note) or integration costs incurred by us in future periods. In addition, the pro forma information does not give effect to any potential revenue enhancements, cost synergies or other operating efficiencies that could result from the acquisitions (other than those realized in our historical consolidated financial statements after the respective acquisition dates).

(3) Goodwill, Customer Relationships and Other Intangible Assets

Goodwill, customer relationships and other intangible assets consisted of the following:

	December 31, 2013	December 31, 2012
	(Dollars in millions)	
Goodwill	$ 20,674	21,627
Customer relationships, less accumulated amortization of $3,641 and $2,524	5,935	7,052
Indefinite-life intangible assets	321	268
Other intangible assets subject to amortization		
Capitalized software, less accumulated amortization of $1,193 and $844	1,415	1,522
Trade names and patents, less accumulated amortization of $208 and $142	66	128
Total other intangible assets, net	$ 1,802	1,918

Total amortization expense for intangible assets for the years ended December 31, 2013, 2012 and 2011 was $1.589 billion, $1.710 billion and $1.433 billion, respectively.

We estimate that total amortization expense for intangible assets for the years ending December 31, 2014 through 2018 will be as follows:

	(Dollars in millions)
2014	$ 1,390
2015	1,249
2016	1,139
2017	1,027
2018	904

Our goodwill was derived from numerous acquisitions where the purchase price exceeded the fair value of the net assets acquired. For more information on our recent acquisitions and resulting fair values, see Note 2—Acquisitions.

During the first quarter of 2013, we reorganized our operating segments to support our new operating structure. As a result, we reassigned goodwill to our segments using a relative fair value allocation approach. As of January 3, 2013, we assigned our aggregate goodwill balance to our four segments as follows.

	As of January 3, 2013
	(Dollars in millions)
Consumer	$ 10,348
Business	6,363
Wholesale	3,274
Data hosting	1,642
Total goodwill	$ 21,627

We assess our goodwill and other indefinite-lived intangible assets for impairment annually, or, under certain circumstances, more frequently, such as when events or circumstances indicate there may be impairment. We are required to write down the value of goodwill only when our assessment determines the recorded amount of goodwill exceeds the fair value. Our annual goodwill impairment assessment date was September 30, at which date we assessed our reporting units, which are our four operating segments (consumer, business, wholesale and data hosting). See Note 1—Basis of Presentation and Summary of Significant Accounting Policies, for information about the change in our goodwill impairment assessment date. Our annual impairment assessment date for indefinite-lived intangible assets other than goodwill is December 31.

Our reporting units, which we refer to as our segments, are not discrete legal entities with discrete financial statements. Our assets and liabilities are employed in and relate to the operations of multiple reporting units. For each segment, we compare its estimated fair value of equity to its carrying value of equity that we assign to the segment. If the estimated fair value of the segment is greater than the carrying value, we conclude that no impairment exists. If the estimated fair value of the segment is less than the carrying value, a second calculation is required in which the implied fair value of goodwill is compared to the carrying value of goodwill that we assigned to the segment. If the implied fair value of goodwill is less than its carrying value, goodwill must be written down to its implied fair value.

At September 30, 2013, as a result of the January 2013 internal reorganization of our four segments, we did not have a baseline valuation upon which to perform a qualitative assessment. Additionally, our stock price and total company forecasted cash flows declined since our previous quantitative assessment. Therefore, we estimated the fair value of our consumer, business and wholesale segments by considering both a market approach and a discounted cash flow method and our data hosting segment by considering only a discounted cash flow method, which resulted in a level 3 fair value measurement. The market approach method includes the use of comparable multiples of publicly traded companies whose services are comparable to ours. The discounted cash flow method is based on the present value of projected cash flows and a terminal value, which represents the expected normalized cash flows of the segments beyond the cash flows from the discrete projection period. We discounted the estimated cash flows for our consumer, wholesale and business segments using a rate that represents our weighted average cost of capital, which we determined to be approximately 6.0% as of the assessment date (which was comprised of an after-tax cost of debt of 3.4% and a cost of equity of 8.3%). We discounted the estimated cash flows of our data hosting segment using a rate that represents its estimated weighted average cost of capital, which we determined to be approximately 11.0% as of the measurement date (which was comprised of an after-tax cost of debt of 3.4% and a cost of equity of 11.9%). We also reconciled the estimated fair values of the segments to our market capitalization as of September 30, 2013 and concluded that the indicated implied control premium of approximately 18.4% was reasonable based on recent transactions in the market place.

As of September 30, 2013, based on our assessment performed with respect to these segments as described above, we concluded that our goodwill for consumer, wholesale and business segments was not impaired as of that date, but that our goodwill for the data hosting segment was impaired as of September 30, 2013. The data hosting segment is experiencing slower than previously projected revenue and margin growth and greater than anticipated competitive pressures. At the time we issued our third quarter 2013 Form 10-Q, we had not finalized our impairment estimate for the data hosting segment due to the limited time period from the assessment date to the filing date for our report, as well as the time required to finalize our strategic planning process and estimate the fair values of certain assets and liabilities for this segment. Although our assessment was incomplete, we recorded our best estimate of a non-cash, non-tax-deductible goodwill impairment charge of $1.1 billion during the third quarter of 2013 for goodwill assigned to our data hosting segment. We completed our goodwill impairment assessment during the fourth quarter of 2013 and recorded an adjustment to decrease the estimated goodwill impairment charge by $8 million, which resulted in a net non-cash, non-tax-deductible goodwill impairment charge of $1.092 billion for goodwill assigned to our data hosting segment.

The following table shows the rollforward of goodwill assigned to our operating segments from the January 3, 2013 reorganization through December 31, 2013.

	As of January 3, 2013	Acquisitions	Impairment	As of December 31, 2013
		(Dollars in millions)		
Consumer	$ 10,348	—	—	10,348
Business	6,363	—	—	6,363
Wholesale	3,274	—	—	3,274
Data hosting	1,642	139	(1,092)	689
Total goodwill	$ 21,627	$ 139	(1,092)	20,674

For additional information on the reorganization of our segments, acquisitions and correction of an error see Note 13—Segment Information, Note 2—Acquisitions and Note 1—Basis of Presentation and Summary of Significant Accounting Policies, respectively.

We completed our qualitative assessment of our indefinite-lived intangible assets other than goodwill as of December 31, 2013 and concluded it is not more likely than not that our indefinite-lived intangible assets are impaired; thus, no impairment charge was recorded in 2013.

(4) Long-Term Debt and Credit Facilities

Long-term debt, including unamortized discounts and premiums, at December 31, 2013 and 2012 consisted of borrowings by CenturyLink, Inc. and certain of its subsidiaries, including Qwest and Embarq Corporation ("Embarq"), as follows:

	Interest Rates	Maturities	December 31, 2013	December 31, 2012
			(Dollars in millions)	
CenturyLink, Inc.				
Senior notes	5.000% - 7.650%	2015 - 2042	$ 7,825	6,250
Credit facility [(1)]	2.179% - 4.250%	2017	725	820
Term loan	2.420%	2019	402	424
Subsidiaries				
Qwest				
Senior notes	6.125% - 8.375%	2014 - 2053	8,392	9,168
Embarq				
Senior notes	7.082% - 7.995%	2016 - 2036	2,669	2,669
First mortgage bonds	7.125% - 8.770%	2014 - 2025	262	322
Other	9.000%	2019	150	200
Capital lease and other obligations	Various	Various	619	734
Unamortized (discounts) premiums and other, net			(78)	18
Total long-term debt			20,966	20,605
Less current maturities			(785)	(1,205)
Long-term debt, excluding current maturities			$ 20,181	19,400

(1) The outstanding amounts of our Credit Facility borrowings at December 31, 2013 and 2012 were $725 million and $820 million, respectively, with weighted average interest rates of 2.176% and 2.450%, respectively. These amounts change on a regular basis.

New Issuances

2013

On November 27, 2013, CenturyLink, Inc. issued $750 million aggregate principal amount of 6.75% Notes due 2023, in exchange for net proceeds, after deducting underwriting discounts and expenses, of approximately $742 million. The Notes are unsecured obligations and may be redeemed, in whole or in part, at any time at a redemption price equal to the greater of par or a "make-whole" rate specified in the Notes, plus accrued and unpaid interest to the redemption date. In addition, at any time on or prior to December 1, 2016, we may redeem up to 35% of the principal amount of the Notes at a redemption price equal to 106.75% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of certain equity offerings. Under certain circumstances, we will be required to make an offer to repurchase the Notes at a price of 101% of their aggregate principal amount plus accrued and unpaid interest to the repurchase date.

On May 23, 2013, Qwest Corporation ("QC") issued $775 million aggregate principal amount of 6.125% Notes due 2053, including $25 million principal amount that was sold pursuant to an over-allotment option granted to the underwriters for the offering, in exchange for net proceeds, after deducting underwriting discounts and expenses, of approximately $752 million. The Notes are unsecured obligations and may be redeemed, in whole or in part, on or after June 1, 2018 at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date.

On March 21, 2013, CenturyLink, Inc. issued $1 billion aggregate principal amount of 5.625% Notes due 2020 in exchange for net proceeds, after deducting underwriting discounts and expenses, of approximately $988 million. The Notes are unsecured obligations and may be redeemed, in whole or in part, at any time at a redemption price equal to the greater of par or a "make-whole" rate specified in the Notes, plus accrued and unpaid interest to the redemption date. In addition, at any time on or prior to April 1, 2016, we may redeem up to 35% of the principal amount of the Notes at a redemption price equal to 105.625% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of certain equity offerings. Under certain circumstances, we will be required to make an offer to repurchase the Notes at a price of 101% of their aggregate principal amount plus accrued and unpaid interest to the repurchase date.

2012

On June 25, 2012, QC issued $400 million aggregate principal amount of 7.00% Notes due 2052 in exchange for net proceeds, after deducting underwriting discounts and expenses, of $387 million. The Notes are unsecured obligations and may be redeemed, in whole or in part, on or after July 1, 2017 at a redemption price equal to 100% of the principal amount redeemed plus accrued interest.

On April 18, 2012, CenturyLink, Inc. entered into a term loan in the amount of $440 million with CoBank and several other Farm Credit System banks. This term loan is payable in 29 consecutive quarterly installments of $5.5 million in principal plus interest through April 18, 2019, when the balance will be due. We have the option of paying monthly interest based upon either London Interbank Offered Rate ("LIBOR") or the base rate (as defined in the credit agreement) plus an applicable margin between 1.5% to 2.50% per annum for LIBOR loans and 0.5% to 1.50% per annum for base rate loans depending on our then current senior unsecured long-term debt rating. Our term loan is guaranteed by three of our wholly-owned subsidiaries, Embarq, QCII (Qwest Communications International Inc. on a stand-alone basis) and Savvis, Inc. (on a stand-alone basis), one of QCII's wholly-owned subsidiaries and one of Savvis, Inc.'s wholly owned subsidiaries. The remaining terms and conditions of our term loan are substantially similar to those set forth in our Credit Facility, described in this Note below under "Credit Facilities."

On April 2, 2012, QC issued $525 million aggregate principal amount of 7.00% Notes due 2052 in exchange for net proceeds, after deducting underwriting discounts and expenses, of $508 million. The Notes are unsecured obligations and may be redeemed, in whole or in part, on or after April 1, 2017 at a redemption price equal to 100% of the principal amount redeemed plus accrued interest.

On March 12, 2012, CenturyLink, Inc. issued (i) $650 million aggregate principal amount of 7.65% Senior Notes due 2042 in exchange for net proceeds, after deducting underwriting discounts, of approximately $644 million and (ii) $1.4 billion aggregate principal amount of 5.80% Senior Notes due 2022 in exchange for net proceeds, after deducting underwriting discounts, of approximately $1.389 billion. The Notes are unsecured obligations and may be redeemed at any time on the terms and conditions specified therein.

Repayments

2013

On December 27, 2013, QCII redeemed $186 million of its 7.125% Notes due 2018 for $196 million including premium, fees and accrued interest, which resulted in a $3 million gain.

On November 27, 2013, QCII completed a cash tender offer with respect to its $800 million of 7.125% Notes due 2018. QCII received and accepted tenders of approximately $614 million aggregate principal amount of these notes, or 77%, for $646 million including premium, fees and accrued interest, which resulted in a $7 million gain.

On August 15, 2013, a subsidiary of Embarq paid at maturity the $50 million principal amount of its 6.75% Notes.

On July 15, 2013, a subsidiary of Embarq paid at maturity the $59 million principal amount of its 6.875% Notes.

On June 17, 2013, QC paid at maturity the $750 million principal amount of its floating rate Notes.

On April 1, 2013, CenturyLink, Inc. paid at maturity the $176 million principal amount of its 5.50% Notes.

2012

On October 26, 2012, QCII redeemed all $550 million of its 8.00% Notes due 2015, which resulted in a gain of $15 million.

On August 29, 2012, certain subsidiaries of CenturyLink paid $29 million and $30 million, respectively, to retire its outstanding Rural Utilities Service and Rural Telephone Bank debt.

On August 15, 2012, CenturyLink paid at maturity the $318 million principal amount of its 7.875% Notes.

On July 20, 2012, QC redeemed all $484 million of its 7.50% Notes due 2023, which resulted in an immaterial loss.

On May 17, 2012, QCII redeemed $500 million of its 7.50% Notes due 2014, which resulted in an immaterial gain.

On April 23, 2012, Embarq redeemed the remaining $200 million of its 6.738% Notes due 2013, which resulted in an immaterial loss.

On April 18, 2012, QC completed a cash tender offer to purchase a portion of its $811 million of 8.375% Notes due 2016 and its $400 million of 7.625% Notes due 2015. With respect to its 8.375% Notes due 2016, QC received and accepted tenders of approximately $575 million aggregate principal amount of these notes, or 71%, for $722 million including a premium, fees and accrued interest. With respect to its 7.625% Notes due 2015, QC received and accepted tenders of approximately $308 million aggregate principal amount of these notes, or 77%, for $369 million including a premium, fees and accrued interest. The completion of this tender offer resulted in a loss of $46 million.

On April 2, 2012, Embarq completed a cash tender offer to purchase a portion of its $528 million of 6.738% Notes due 2013 and its $2.0 billion of 7.082% Notes due 2016. With respect to its 6.738% Notes due 2013, Embarq received and accepted tenders of approximately $328 million aggregate principal amount of these notes, or 62%, for $360 million including a premium, fees and accrued interest. With respect to its 7.082% Notes due 2016, Embarq received and accepted tenders of approximately $816 million aggregate principal amount of these notes, or 41%, for $944 million including a premium, fees and accrued interest. The completion of these tender offers resulted in a loss of $144 million.

On March 1, 2012, QCII redeemed $800 million of its 7.50% Notes due 2014, which resulted in an immaterial gain.

Credit Facilities

We have access to up to $2 billion aggregate principal amount of revolving credit under an amended and restated revolving credit facility that matures in April 2017. The Credit Facility (the "Credit Facility") has 18 lenders, with commitments ranging from $2.5 million to $181 million and allows us to obtain revolving loans and to issue up to $400 million of letters of credit, which upon issuance reduce the amount available for other extensions of credit. Interest is assessed on borrowings using either the LIBOR or the base rate (each as defined in the Credit Facility) plus an applicable margin between 1.25% and 2.25% per annum for LIBOR loans and 0.25% and 1.25% per annum for base rate loans depending on our then current senior unsecured long-term debt rating. Our obligations under the Credit Facility are guaranteed by three of our wholly-owned subsidiaries, Embarq, QCII and Savvis, Inc., one of QCII's wholly-owned subsidiaries and one of Savvis, Inc.'s wholly-owned subsidiaries.

In April 2011, we entered into a $160 million uncommitted revolving letter of credit facility which enables us to provide letters of credit under terms that may be more favorable than those under the Credit Facility. At December 31, 2013 and 2012, our outstanding letters of credit totaled $132 million and $120 million, respectively, under this facility.

Aggregate Maturities of Long-Term Debt

Aggregate maturities of our long-term debt (excluding unamortized premiums, discounts and other, net):

	(Dollars in millions) [1]
2014	$ 785
2015	565
2016	1,493
2017	2,219
2018	246
2019 and thereafter	15,736
Total long-term debt	$ 21,044

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(1) Actual principal paid in all years may differ due to the possible future refinancing of outstanding debt or the issuance of new debt.

Interest Expense

Interest expense includes interest on long-term debt. The following table presents the amount of gross interest expense, net of capitalized interest:

	Years Ended December 31,		
	2013	2012	2011
	(Dollars in millions)		
Interest expense:			
Gross interest expense	$ 1,339	1,362	1,097
Capitalized interest	(41)	(43)	(25)
Total interest expense	$ 1,298	1,319	1,072

Covenants

Certain of our loan agreements contain various restrictions, as described more fully below. We believe the covenants currently in place result in no significant restriction to the transfer of funds from our consolidated subsidiaries to CenturyLink.

The senior notes of CenturyLink were issued under an indenture dated March 31, 1994. This indenture does not contain any financial covenants, but does include restrictions that limit our ability to (i) incur, issue or create liens upon our property and (ii) consolidate with or merge into, or transfer or lease all or substantially all of our assets to any other party. The indenture does not contain any provisions that are impacted by our credit ratings or that restrict the issuance of new securities in the event of a material adverse change to us.

Embarq's senior notes were issued pursuant to an indenture dated as of May 17, 2006. While Embarq is generally prohibited from creating liens on its property unless its senior notes are secured equally and ratably, Embarq can create liens on its property without equally and ratably securing its senior notes so long as the sum of all indebtedness so secured does not exceed 15% of Embarq's consolidated net tangible assets. The indenture contains customary events of default, none of which are impacted by Embarq's credit rating. The indenture does not contain any financial covenants or restrictions on the ability to issue new securities in accordance with the terms of the indenture.

Several of our Embarq subsidiaries have outstanding first mortgage bonds. Each issue of these first mortgage bonds is secured by substantially all of the property, plant and equipment of the issuing subsidiary. Approximately 12% of our net property, plant and equipment is pledged to secure the long-term debt of subsidiaries.

Under the Credit Facility, we, and our indirect subsidiary, Qwest Corporation, must maintain a debt to EBITDA (earnings before interest, taxes, depreciation and amortization, as defined in our Credit Facility) ratio of not more than 4.0:1.0 and 2.85:1.0, respectively, as of the last day of each fiscal quarter for the four quarters then ended. The Credit Facility also contains a negative pledge covenant, which generally requires us to secure equally and ratably any advances under the Credit Facility if we pledge assets or permit liens on our property for the benefit of other debtholders. The Credit Facility also has a cross payment default provision, and the Credit Facility and certain of our debt securities also have cross acceleration provisions. When present, these provisions could have a wider impact on liquidity than might otherwise arise from a default or acceleration of a single debt instrument. To the extent that our EBITDA (as defined in our Credit Facility) is reduced by cash settlements or judgments, including in respect of any of the matters discussed in Note 15—Commitments and Contingencies, our debt to EBITDA ratios under certain debt agreements will be adversely affected. This could reduce our financing flexibility due to potential restrictions on incurring additional debt under certain provisions of our debt agreements or, in certain circumstances, could result in a default under certain provisions of such agreements.

At December 31, 2013, we believe were in compliance with all of the provisions and covenants contained in our Credit Facility and other debt agreements.

(5) Accounts Receivable

The following table presents details of our accounts receivable balances:

	December 31, 2013	December 31, 2012
	(Dollars in millions)	
Trade and purchased receivables	$ 1,862	1,782
Earned and unbilled receivables	252	274
Other	18	19
Total accounts receivable	2,132	2,075
Less: allowance for doubtful accounts	(155)	(158)
Accounts receivable, less allowance	$ 1,977	1,917

We are exposed to concentrations of credit risk from residential and business customers within our local service area, business customers outside of our local service area and from other telecommunications service providers. We generally do not require collateral to secure our receivable balances. We have agreements with other telecommunications service providers whereby we agree to bill and collect on their behalf for services rendered by those providers to our customers within our local service area. We purchase accounts receivable from other telecommunications service providers primarily on a recourse basis and include these amounts in our accounts receivable balance. We have not experienced any significant loss associated with these purchased receivables.

The following table presents details of our allowance for doubtful accounts:

	Beginning Balance	Additions	Deductions	Ending Balance
	(Dollars in millions)			
2013	$ 158	152	(155)	155
2012	$ 145	187	(174)	158
2011	$ 60	153	(68)	145

(6) Property, Plant and Equipment

Net property, plant and equipment is composed of the following:

	Depreciable Lives	December 31, 2013	December 31, 2012
		(Dollars in millions)	
Land	N/A	$ 585	579
Fiber, conduit and other outside plant (1)	15-45	14,187	13,030
Central office and other network electronics (2)	3-10	12,178	11,242
Support assets (3)	3-30	6,420	6,235
Construction in progress (4)	N/A	937	847
Gross property, plant and equipment		34,307	31,933
Accumulated depreciation		(15,661)	(13,024)
Net property, plant and equipment		$ 18,646	18,909

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(1) Fiber, conduit and other outside plant consists of fiber and metallic cable, conduit, poles and other supporting structures.

(2) Central office and other network electronics consists of circuit and packet switches, routers, transmission electronics and electronics providing service to customers.

(3) Support assets consist of buildings, computers and other administrative and support equipment.

(4) Construction in progress includes inventory held for construction and property of the aforementioned categories that has not been placed in service as it is still under construction.

We recorded depreciation expense of $2.952 billion, $3.070 billion and $2.593 billion for the years ended December 31, 2013, 2012 and 2011, respectively.

On April 2, 2012, our subsidiary, Qwest Corporation ("QC"), sold an office building for net proceeds of $133 million. As part of the transaction, QC agreed to lease a portion of the building from the new owner. As a result, the $16 million gain from the sale was deferred and will be recognized as a reduction to rent expense over the 10 year lease term.

Asset Retirement Obligations

At December 31, 2013, our asset retirement obligations balance was primarily related to estimated future costs of removing equipment from leased properties and estimated future costs of properly disposing of asbestos and other hazardous materials upon remodeling or demolishing buildings. Asset retirement obligations are included in other long-term liabilities on our consolidated balance sheets.

The following table provides asset retirement obligation activity:

	Years Ended December 31, 2013	2012	2011
		(Dollars in millions)	
Balance at beginning of year	$ 106	109	41
Accretion expense	7	7	9
Liabilities incurred	—	1	—
Liabilities assumed in Qwest and Savvis acquisitions	—	—	124
Liabilities settled and other	(4)	(1)	(3)
Change in estimate	(3)	(10)	(62)
Balance at end of year	$ 106	106	109

During 2013, 2012 and 2011 we revised our estimates for the cost of removal of network equipment, asbestos remediation, and other obligations by $3 million, $10 million and $62 million, respectively. These revisions resulted in a reduction of the asset retirement obligation and offsetting reduction to gross property, plant and equipment.

(7) Severance and Leased Real Estate

Periodically, we have reductions in our workforce and have accrued liabilities for related severance costs. These workforce reductions resulted primarily from the progression or completion of our integration plans, increased competitive pressures and reduced workload demands due to the loss of access lines.

We report severance liabilities within accrued expenses and other liabilities-salaries and benefits in our consolidated balance sheets and report severance expenses in cost of services and products and selling, general and administrative expenses in our consolidated statements of operations. We have not allocated any severance expense to our consumer, business and wholesale markets segments.

In periods prior to our acquisition of Qwest, Qwest had ceased using certain real estate that it was leasing under long-term operating leases. As of the April 1, 2011 acquisition date, we recognized liabilities to reflect our estimates of the fair values of the existing lease obligations for real estate for which we had ceased using, net of estimated sublease rentals. Our fair value estimates were determined using discounted cash flow methods. We recognize expense to reflect accretion of the discounted liabilities and periodically, we adjust the expense when our actual experience differs from our initial estimates. We report the current portion of liabilities for ceased-use real estate leases in accrued expenses and other liabilities-other and report the noncurrent portion in deferred credits and other liabilities in our consolidated balance sheets. We report the related expenses in selling, general and administrative expenses in our consolidated statements of operations. At December 31, 2013, the current and noncurrent portions of our leased real estate accrual were $17 million and $96 million, respectively. The remaining lease terms range from 0.1 to 12 years, with a weighted average of 9 years.

Changes in our accrued liabilities for severance expenses and leased real estate were as follows:

	Severance	Real Estate
	(Dollars in millions)	
Balance at December 31, 2011	$ 37	153
Accrued to expense	96	2
Payments, net	(113)	(24)
Reversals and adjustments	(3)	—
Balance at December 31, 2012	17	131
Accrued to expense	31	—
Payments, net	(31)	(16)
Reversals and adjustments	—	(2)
Balance at December 31, 2013	$ 17	113

(8) Employee Benefits

Pension, Post-Retirement and Other Post-Employment Benefits

We sponsor several defined benefit pension plans, which in the aggregate cover a substantial portion of our employees including separate plans for Legacy CenturyLink, Legacy Qwest and Legacy Embarq employees. Until such time as we elect to integrate the Qwest and Embarq benefit plans with ours, we plan to continue to operate these plans independently. Pension benefits for participants of these plans who are represented by a collective bargaining agreement are based on negotiated schedules. All other participants' pension benefits are based on each individual participant's years of service and compensation. We use a December 31 measurement date for all our plans. In addition to these tax qualified pension plans, we also maintain non-qualified pension plans for certain current and former highly compensated employees. We maintain post-retirement benefit plans that provide health care and life insurance benefits for certain eligible retirees. We also provide other post-employment benefits for eligible former employees.

Pension Benefits

In connection with the acquisition of Qwest on April 1, 2011, we assumed defined benefit pension plans sponsored by Qwest for its employees. Based on a valuation analysis, we recognized a $490 million net liability at April 1, 2011 for the unfunded status of the Qwest pension plans, reflecting projected benefit obligations of $8.3 billion in excess of the $7.8 billion fair value of plan assets.

Current funding laws require a company with a plan shortfall to fund the annual cost of benefits earned in addition to a seven-year amortization of the shortfall. Our funding policy for the pension plans is to make contributions with the objective of accumulating sufficient assets to pay all qualified pension benefits when due under the terms of the plans. The accounting unfunded status of our qualified pension plans was $995 million as of December 31, 2013.

In 2013, we made cash contributions of approximately $146 million in to our qualified pension plans and paid approximately $5 million of benefits directly to participants of our non-qualified pension plans. Based on current laws and circumstances, our required contributions to our qualified pension plans for 2014 is $123 million, and we estimate that we will pay approximately $5 million of benefits to participants of our non-qualified pension plans.

Post-Retirement Benefits

Our post-retirement health care plans provide post-retirement benefits to qualified retirees. The post-retirement health care plans we assumed as part of our acquisitions of Qwest and Embarq provide post-retirement benefits to qualified retirees and allow (i) eligible employees retiring before certain dates to receive benefits at no or reduced cost and (ii) eligible employees retiring after certain dates to receive benefits on a shared cost basis. The post-retirement health care plans are primarily funded by us and we expect to continue funding these post-retirement obligations as benefits are paid.

In connection with the acquisition of Qwest on April 1, 2011, we assumed post-retirement benefit plans sponsored by Qwest for certain of its employees. At April 1, 2011, we recognized a $2.5 billion liability for the unfunded status of Qwest's post-retirement benefit plans, reflecting estimated accumulated post-retirement benefit obligations of $3.3 billion in excess of the $762 million fair value of the plan assets.

No contributions were made to the post-retirement trusts in 2013, and we do not expect to make a contribution in 2014. However, in 2013 we paid approximately $157 million of benefits (net of participant contributions and direct subsidies) that were not payable by the trusts, and we estimate that in 2014 we will pay approximately $182 million of benefits (net of participant contributions and direct subsidies) that are not payable by the trusts.

A change of 100 basis points in the assumed initial health care cost trend rate would have had the following effects in 2013:

	100 Basis Points Change	
	Increase	**(Decrease)**
	(Dollars in millions)	
Effect on the aggregate of the service and interest cost components of net periodic post-retirement benefit expense (consolidated statement of operations)	$ 3	(3)
Effect on benefit obligation (consolidated balance sheet)	87	(80)

We expect our health care cost trend rate to decrease by 0.25% per year from 6.50% in 2014 to an ultimate rate of 4.50% in 2022. Our post-retirement health care expense, for certain eligible Legacy Qwest retirees and certain eligible Legacy CenturyLink retirees, is capped at a set dollar amount. Therefore, those health care benefit obligations are not subject to increasing health care trends after the effective date of the caps.

Expected Cash Flows

The qualified pension, non-qualified pension and post-retirement health care benefit payments and premiums and life insurance premium payments are paid by us or distributed from plan assets. The estimated benefit payments provided below are based on actuarial assumptions using the demographics of the employee and retiree populations and have been reduced by estimated participant contributions.

	Pension Plans	Post-Retirement Benefit Plans	Medicare Part D Subsidy Receipts
		(Dollars in millions)	
Estimated future benefit payments:			
2014	$ 1,036	352	(13)
2015	1,002	341	(10)
2016	990	329	(10)
2017	977	319	(10)
2018	962	308	(10)
2019 - 2023	4,559	1,369	(40)

Net Periodic Benefit Expense

The actuarial assumptions used to compute the net periodic benefit expense for our qualified pension, non-qualified pension and post-retirement benefit plans are based upon information available as of the beginning of the year, as presented in the following table.

	Pension Plans			Post-Retirement Benefit Plans		
	2013	2012	2011(1)	2013	2012	2011(2)
Actuarial assumptions at beginning of year:						
Discount rate	3.50% - 4.20%	4.25% - 5.10%	5.00% - 5.50%	3.60%	4.60% - 4.80%	5.30%
Rate of compensation increase	3.25%	3.25%	3.25%	N/A	N/A	N/A
Expected long-term rate of return on plan assets	7.50%	7.50%	7.50% - 8.00%	7.30%	6.00% - 7.50%	7.25%
Initial health care cost trend rate	N/A	N/A	N/A	6.50% - 7.00%	8.00%	8.50%
Ultimate health care cost trend rate	N/A	N/A	N/A	4.50%	5.00%	5.00%
Year ultimate trend rate is reached	N/A	N/A	N/A	2022	2018	2018

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N/A-Not applicable

(1) This column does not consider Qwest's actuarial assumptions for its pension plan as of the beginning of the year due to the acquisition date of April 1, 2011. Qwest had the following actuarial assumptions as of April 1, 2011: discount rate of 5.40%; expected long-term rate of return on plan assets 7.50%; and a rate of compensation increase of 3.50%.

(2) This column does not consider Qwest's actuarial assumptions for its post-retirement benefit plan as of the beginning of the year due to the acquisition date of April 1, 2011. Qwest had the following actuarial assumptions as of April 1, 2011: discount rate of 5.30%; expected long-term rate of return on plan assets of 7.50%; initial health care cost trend rate of 7.50% and ultimate health care trend rate of 5.00% to be reached in 2016.

Net periodic pension benefit (income) expense, which includes the effects of the Qwest acquisition subsequent to April 1, 2011, included the following components:

	Pension Plans Years Ended December 31,		
	2013	2012	2011 (1)
	(Dollars in millions)		
Service cost	$ 91	87	70
Interest cost	544	625	560
Expected return on plan assets	(896)	(847)	(709)
Settlements	—	—	1
Amortization of unrecognized prior service cost	5	4	2
Amortization of unrecognized actuarial loss	84	35	13
Net periodic pension benefit (income) expense	$ (172)	(96)	(63)

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(1) Includes $58 million of income related to the Qwest plans subsequent to the April 1, 2011 acquisition date.

Net periodic post-retirement benefit expense (income), which includes the effects of the Qwest acquisition subsequent to April 1, 2011, included the following components:

	Post-Retirement Plans Years Ended December 31,		
	2013	2012	2011 (1)
	(Dollars in millions)		
Service cost	$ 24	22	18
Interest cost	140	173	152
Expected return on plan assets	(39)	(45)	(41)
Amortization of unrecognized prior service cost	—	—	(2)
Amortization of unrecognized actuarial loss	4	—	—
Net periodic post-retirement benefit expense (income)	$ 129	150	127

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(1) Includes $92 million related to the Qwest plans subsequent to the April 1, 2011 acquisition date.

Benefit Obligations

The actuarial assumptions used to compute the funded status for the plans are based upon information available as of December 31, 2013 and 2012 and are as follows:

	Pension Plans		Post-Retirement Benefit Plans	
	December 31,		December 31,	
	2013	2012	2013	2012
Actuarial assumptions at end of year:				
Discount rate	4.20% - 5.10%	3.25% - 4.20%	4.50%	3.60%
Rate of compensation increase	3.25%	3.25%	N/A	N/A
Initial health care cost trend rate	N/A	N/A	6.50% / 7.00%	6.75% / 7.50%
Ultimate health care cost trend rate	N/A	N/A	4.50%	4.50%
Year ultimate trend rate is reached	N/A	N/A	2022 / 2024	2022 / 2024

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N/A-Not applicable

The following table summarizes the change in the benefit obligations for the pension and post-retirement benefit plans:

	Pension Plans Years Ended December 31,		
	2013	2012	2011
	(Dollars in millions)		
Change in benefit obligation			
Benefit obligation at beginning of year	$ 14,881	13,596	4,534
Service cost	91	87	70
Interest cost	544	625	560
Plan amendments	—	14	12
Acquisitions	—	—	8,267
Actuarial (gain) loss	(1,179)	1,565	930
Benefits paid by company	(5)	(5)	(16)
Benefits paid from plan assets	(931)	(1,001)	(761)
Benefit obligation at end of year	$ 13,401	14,881	13,596

	Post-Retirement Benefit Plans Years Ended December 31,		
	2013	2012	2011
	(Dollars in millions)		
Change in benefit obligation			
Benefit obligation at beginning of year	$ 4,075	3,930	558
Service cost	24	22	18
Interest cost	140	173	152
Participant contributions	96	86	64
Plan amendments	141	—	31
Acquisitions	—	—	3,284
Direct subsidy receipts	13	19	22
Actuarial (gain) loss	(399)	260	153
Benefits paid by company	(266)	(268)	(219)
Benefits paid from plan assets	(136)	(147)	(133)
Benefit obligation at end of year	$ 3,688	4,075	3,930

Our aggregate benefit obligation as of December 31, 2013, 2012 and 2011 was $17.089 billion, $18.956 billion and $17.499 billion, respectively.

Plan Assets

We maintain plan assets for our qualified pension plans and certain post-retirement benefit plans. The qualified pension plan assets are used for the payment of pension benefits and certain eligible plan expenses. The post-retirement benefit plan's assets are used to pay health care benefits and premiums on behalf of eligible retirees and to pay certain eligible plan expenses. The expected rate of return on plan assets is the long-term rate of return we expect to earn on the plans' assets. The rate of return is determined by the strategic allocation of plan assets and the long-term risk and return forecast for each asset class. The forecasts for each asset class are generated primarily from an analysis of the long-term expectations of various third party investment management organizations. The expected rate of return on plan assets is reviewed annually and revised, as necessary, to reflect changes in the financial markets and our investment strategy. The following tables summarize the change in the fair value of plan assets for the pension and post-retirement benefit plans:

	Pension Plans Years Ended December 31,		
	2013	**2012**	**2011**
	(Dollars in millions)		
Change in plan assets			
Fair value of plan assets at beginning of year	$ 12,321	11,814	3,732
Return on plan assets	810	1,476	479
Acquisitions	—	—	7,777
Employer contributions	146	32	587
Benefits paid from plan assets	(931)	(1,001)	(761)
Fair value of plan assets at end of year	$ 12,346	12,321	11,814

	Post-Retirement Benefit Plans Years Ended December 31,		
	2013	**2012**	**2011**
	(Dollars in millions)		
Change in plan assets			
Fair value of plan assets at beginning of year	$ 626	693	54
Actual gain on plan assets	45	80	4
Acquisitions	—	—	768
Benefits paid from plan assets	(136)	(147)	(133)
Fair value of plan assets at end of year	$ 535	626	693

Pension Plans: Our investment objective for the pension plan assets is to achieve an attractive risk-adjusted return over time that will provide for the payment of benefits and minimize the risk of large losses. Our pension plan investment strategy is designed to meet this objective by broadly diversifying plan assets across numerous strategies with differing expected returns, volatilities and correlations. The pension plan assets have target allocations of 55.5% to interest rate sensitive investments and 44.5% to investments designed to provide higher expected returns than the interest rate sensitive investments. Interest rate sensitive investments include 36% of plan assets targeted primarily to long-duration investment grade bonds, 13.5% targeted to high yield, emerging market bonds and convertible bonds and 6% targeted to diversified strategies, which primarily have exposures to global government, corporate and inflation-linked bonds, as well as some exposures to global stocks and commodities. Assets expected to provide higher returns than the interest rate sensitive assets include broadly diversified equity investments with targets of approximately 14% to U.S. stocks and 14% to developed and emerging market non-U.S. stocks. Approximately 11.5% is allocated to other private markets investments including funds primarily invested in private equity, private debt and hedge funds. Real estate investments are targeted at 5% of plan assets. At the beginning of 2014, our expected annual long-term rate of return on pension assets is assumed to be 7.5%.

Post-Retirement Benefit Plans: Our investment objective for the post-retirement benefit plan assets is to achieve an attractive risk-adjusted return and minimize the risk of large losses over the expected life of the assets. Investment risk is managed by broadly diversifying assets across numerous strategies with differing expected returns, volatilities and correlations. Our investment strategy is designed to be consistent with the investment objective, with particular focus on providing liquidity for the reimbursement of our union-represented employees post-retirement health care costs. The post-retirement benefit plan assets have target allocations of 37% to equities and 63% to non-equity investments. Specific target allocations within these broad categories are allowed to vary to provide liquidity in order to meet reimbursement requirements. Equity investments are broadly diversified with exposure to publicly traded U.S., non-U.S. and emerging market stocks and private equity. While no new private equity investments have been made in recent years, the percent allocation to existing private equity investments is expected to increase as liquid, publicly traded stocks are drawn down for the reimbursement of health care costs. The 63% non-equity allocation includes investment grade bonds, high yield bonds, convertible bonds, emerging market debt, real estate, hedge funds, private debt and diversified strategies. At the beginning of 2014, our expected annual long-term rate of return on post-retirement benefit plan assets is assumed to be 7.3%.

Permitted investments: Plan assets are managed consistent with the restrictions set forth by the Employee Retirement Income Security Act of 1974, as amended, which requires diversification of assets and also generally prohibits defined benefit and welfare plans from investing more than 10% of their assets in securities issued by the sponsor company. At December 31, 2013 and 2012, the pension and post-retirement benefit plans did not directly own any shares of our common stock or any of our debt.

Derivative instruments: Derivative instruments are used to reduce risk as well as provide return. The pension and post-retirement benefit plans use exchange traded futures to gain exposure to equity and Treasury markets consistent with target asset allocations. Interest rate swaps are used in the pension plans to reduce risk relative to measurement of the benefit obligation, which is sensitive to interest rate changes. Foreign exchange forward contracts are used to manage currency exposures. Credit default swaps are used to manage credit risk exposures in a cost effective and targeted manner relative to transacting with physical corporate fixed income securities. Options are currently used to manage interest rate exposure taking into account the implied volatility and current pricing of the specific underlying market instrument. Some derivative instruments subject the plans to counterparty risk. The external investment managers, along with Plan Management, monitor counterparty exposure and mitigate this risk by diversifying the exposure among multiple high credit quality counterparties, requiring collateral and limiting exposure by periodically settling contracts.

The gross notional exposure of the derivative instruments directly held by the plans is shown below. The notional amount of the derivatives corresponds to market exposure but does not represent an actual cash investment.

	Gross Notional Exposure			
	Pension Plans		Post-Retirement Benefit Plans	
	Years Ended December 31,			
	2013	2012	2013	2012
	(Dollars in millions)			
Derivative instruments:				
Exchange-traded U.S. equity futures	$ 95	302	16	30
Exchange-traded non-U.S. equity futures	—	1	—	—
Exchange-traded Treasury futures	3,011	1,763	—	—
Interest rate swaps	556	1,471	—	—
Credit default swaps	253	495	—	—
Foreign exchange forwards	938	726	29	21
Options	261	768	—	—

Fair Value Measurements: Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent and knowledgeable parties who are willing and able to transact for an asset or liability at the measurement date. We use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs when determining fair value and then we rank the estimated values based on the reliability of the inputs used following the fair value hierarchy set forth by the FASB. For additional information on the fair value hierarchy, see Note 11—Fair Value Disclosure.

At December 31, 2013, we used the following valuation techniques to measure fair value for assets. There were no changes to these methodologies during 2013:

- Level 1—Assets were valued using the closing price reported in the active market in which the individual security was traded.
- Level 2—Assets were valued using quoted prices in markets that are not active, broker dealer quotations, net asset value of shares held by the plans and other methods by which all significant input were observable at the measurement date.
- Level 3—Assets were valued using unobservable inputs in which little or no market data exists as reported by the respective institutions at the measurement date.

The tables below presents the fair value of plan assets by category and the input levels used to determine those fair values at December 31, 2013. It is important to note that the asset allocations do not include market exposures that are gained with derivatives.

	Fair Value of Pension Plan Assets at December 31, 2013			
	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Investment grade bonds (a)	$ 813	1,504	—	$ 2,317
High yield bonds (b)	—	1,265	26	1,291
Emerging market bonds (c)	196	367	—	563
Convertible bonds (d)	—	389	—	389
Diversified strategies (e)	—	723	—	723
U.S. stocks (f)	1,408	92	—	1,500
Non-U.S. stocks (g)	1,159	299	—	1,458
Emerging market stocks (h)	—	110	—	110
Private equity (i)	—	—	721	721
Private debt (j)	—	—	436	436
Market neutral hedge funds (k)	—	867	99	966
Directional hedge funds (k)	—	582	32	614
Real estate (l)	—	306	265	571
Derivatives (m)	—	(34)	—	(34)
Cash equivalents and short-term investments (n)	—	721	—	721
Total investments	$ 3,576	7,191	1,579	12,346
Accrued expenses				—
Total pension plan assets				$ 12,346

	Fair Value of Post-Retirement Plan Assets at December 31, 2013			
	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Investment grade bonds (a)	$ 21	56	—	$ 77
High yield bonds (b)	—	56	—	56
Emerging market bonds (c)	—	37	—	37
Diversified strategies (e)	—	86	—	86
U.S. stocks (f)	56	—	—	56
Non-U.S. stocks (g)	58	—	—	58
Emerging market stocks (h)	—	12	—	12
Private equity (i)	—	—	40	40
Private debt (j)	—	—	5	5
Market neutral hedge funds (k)	—	35	—	35
Directional hedge funds (k)	—	14	—	14
Real estate (l)	—	22	12	34
Cash equivalents and short-term investments (n)	—	24	—	24
Total investments	$ 135	342	57	534
Contribution Receivable				1
Total post-retirement plan assets				$ 535

The tables below presents the fair value of plan assets by category and the input levels used to determine those fair values at December 31, 2012. It is important to note that the asset allocations do not include market exposures that are gained with derivatives. Investments include dividend and interest receivable, pending trades, trades payable and accrued expenses.

	Fair Value of Pension Plan Assets at December 31, 2012			
	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Investment grade bonds (a)	$ 830	1,555	—	$ 2,385
High yield bonds (b)	—	1,303	59	1,362
Emerging market bonds (c)	199	396	—	595
Convertible bonds (d)	—	374	—	374
Diversified strategies (e)	—	655	—	655
U.S. stocks (f)	1,225	119	—	1,344
Non-U.S. stocks (g)	1,212	178	—	1,390
Emerging market stocks (h)	111	193	—	304
Private equity (i)	—	—	711	711
Private debt (j)	—	—	465	465
Market neutral hedge funds (k)	—	906	—	906
Directional hedge funds (k)	—	340	194	534
Real estate (l)	—	223	337	560
Derivatives (m)	(5)	3	—	(2)
Cash equivalents and short-term investments (n)	—	750	—	750
Total investments	$ 3,572	6,995	1,766	12,333
Accrued expenses				(12)
Total pension plan assets				$ 12,321

	Fair Value of Post-Retirement Plan Assets at December 31, 2012			
	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Investment grade bonds (a)	$ 22	86	—	$ 108
High yield bonds (b)	—	90	—	90
Emerging market bonds (c)	—	40	—	40
Convertible bonds (d)	—	2	—	2
Diversified strategies (e)	—	72	—	72
U.S. stocks (f)	55	—	—	55
Non-U.S. stocks (g)	58	1	—	59
Emerging market stocks (h)	—	20	—	20
Private equity (i)	—	—	45	45
Private debt (j)	—	—	6	6
Market neutral hedge funds (k)	—	41	—	41
Directional hedge funds (k)	—	24	—	24
Real estate (l)	—	21	28	49
Cash equivalents and short-term investments (n)	5	21	—	26
Total investments	$ 140	418	79	637
Accrued expenses				(1)
Reimbursement accrual				(10)
Total post-retirement plan assets				$ 626

The plans' assets are invested in various asset categories utilizing multiple strategies and investment managers. For several of the investments in the tables above and discussed below, the plans own units in commingled funds and limited partnerships that invest in various types of assets. Interests in commingled funds are valued using the net asset value ("NAV") per unit of each fund. The NAV reported by the fund manager is based on the market value of the underlying investments owned by each fund, minus its liabilities, divided by the number of shares outstanding. Commingled funds held by the plans that can be redeemed at NAV within a year of the financial statement date are generally classified as Level 2. Investments in limited partnerships represent long-term commitments with a fixed maturity date, typically ten years. Valuation inputs for these limited partnership interests are generally based on assumptions and other information not observable in the market and are classified as Level 3 investments. The assumptions and valuation methodologies of the pricing vendors, account managers, fund managers and partnerships are monitored and evaluated for reasonableness. Below is an overview of the asset categories, the underlying strategies and valuation inputs used to value the assets in the preceding tables:

(a) *Investment grade bonds* represent investments in fixed income securities as well as commingled bond funds comprised of U.S. Treasury securities, agencies, corporate bonds, mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities. Treasury securities are valued at the bid price reported in the active market in which the security is traded and are classified as Level 1. The valuation inputs of other investment grade bonds primarily utilize observable market information and are based on a spread to U.S. Treasury securities and consider yields available on comparable securities of issuers with similar credit ratings. The primary observable inputs include references to the new issue market for similar securities, the secondary trading markets and dealer quotes. Option adjusted spread models are utilized to evaluate securities such as asset backed securities that have early redemption features. These securities are classified as Level 2. The commingled funds are valued at NAV based on the market value of the underlying fixed income securities using the same valuation inputs described above. The commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

(b) *High yield bonds* represent investments in below investment grade fixed income securities as well as commingled high yield bond funds. The valuation inputs for the securities primarily utilize observable market information and are based on a spread to U.S. Treasury securities and consider yields available on comparable securities of issuers with similar credit ratings. These securities are classified as Level 2. The commingled funds are valued at NAV based on the market value of the underlying high yield instruments using the same valuation inputs described above. Commingled funds that can be redeemed at NAV within a year of the financial statement date are classified as Level 2. Commingled funds that cannot be redeemed at NAV or that cannot be redeemed at NAV within a year of the financial statement date are classified as Level 3.

(c) *Emerging market bonds* represent investments in securities issued by governments and other entities located in developing countries as well as registered mutual funds and commingled emerging market bond funds. The valuation inputs for the securities utilize observable market information and are primarily based on dealer quotes or a spread relative to the local government bonds. These securities are classified as Level 2. The commingled funds are valued at NAV based on the market value of the underlying emerging market bonds using the same valuation inputs described above. The commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2. The registered mutual funds trade at the daily NAV, as determined by the market value of the underlying investments, and are classified as Level 1.

(d) *Convertible bonds* primarily represent investments in corporate debt securities that have features that allow the debt to be converted into equity securities under certain circumstances. The valuation inputs for the individual convertible bonds primarily utilize observable market information including a spread to U.S. Treasuries and the value and volatility of the underlying equity security. Convertible bonds are classified as Level 2.

(e) *Diversified strategies* represent an investment in a commingled fund that primarily has exposures to global government, corporate and inflation linked bonds, global stocks and commodities. The commingled fund is valued at NAV based on the market value of the underlying investments. The valuation inputs utilize observable market information including published prices for exchange traded securities, bid prices for government bonds, and spreads and yields available for comparable fixed income securities with similar credit ratings. This fund can be redeemed at NAV within a year of the financial statement date and is classified as Level 2.

(f) *U.S. stocks* represent investments in stocks of U.S. based companies as well as commingled U.S. stock funds. The valuation inputs for U.S. stocks are based on the last published price reported on the major stock market on which the securities are traded and are classified as Level 1. The commingled funds are valued at NAV based on the market value of the underlying investments using the same valuation inputs described above. These commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

(g) *Non-U.S. stocks* represent investments in stocks of companies based in developed countries outside the U.S. as well as commingled funds. The valuation inputs for non-U.S. stocks are based on the last published price reported on the major stock market on which the securities are traded and are classified as Level 1. The commingled funds are valued at NAV based on the market value of the underlying investments using the same valuation inputs described above. These commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

(h) *Emerging market stocks* represent investments in a registered mutual fund and commingled funds comprised of stocks of companies located in developing markets. Registered mutual funds trade at the daily NAV, as determined by the market value of the underlying investments, and are classified as Level 1. The commingled funds are valued at NAV based on the market value of the underlying investments using the same valuation inputs described previously for individual stocks. These commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

(i) *Private equity* represents non-public investments in domestic and foreign buy out and venture capital funds. Private equity funds are structured as limited partnerships and are valued according to the valuation policy of each partnership, subject to prevailing accounting and other regulatory guidelines. The partnerships use valuation methodologies that give consideration to a range of factors, including but not limited to the price at which investments were acquired, the nature of the investments, market conditions, trading values on comparable public securities, current and projected operating performance, and financing transactions subsequent to the acquisition of the investments. These valuation methodologies involve a significant degree of judgment. Private equity investments are classified as Level 3.

(j) *Private debt* represents non-public investments in distressed or mezzanine debt funds. Mezzanine debt instruments are debt instruments that are subordinated to other debt issues and may include embedded equity instruments such as warrants. Private debt funds are structured as limited partnerships and are valued according to the valuation policy of each partnership, subject to prevailing accounting and other regulatory guidelines. The valuation of underlying fund investments are based on factors including the issuer's current and projected credit worthiness, the security's terms, reference to the securities of comparable companies, and other market factors. These valuation methodologies involve a significant degree of judgment. Private debt investments are classified as Level 3.

(k) *Market neutral hedge funds* hold investments in a diversified mix of instruments that are intended in combination to exhibit low correlations to market fluctuations. These investments are typically combined with futures to achieve uncorrelated excess returns over various markets. *Directional hedge funds*—This asset category represents investments that may exhibit somewhat higher correlations to market fluctuations than the market neutral hedge funds. Investments in hedge funds include both direct investments and investments in diversified funds of funds. Hedge Funds are valued at NAV based on the market value of the underlying investments which include publicly traded equity and fixed income securities and privately negotiated debt securities. The hedge funds are valued by third party administrators using the same valuation inputs previously described. Hedge funds that can be redeemed at NAV within a year of the financial statement date are classified as Level 2. Hedge fund investments that cannot be redeemed at NAV or that cannot be redeemed at NAV within a year of the financial statement date are classified as Level 3.

(l) *Real estate* represents investments in commingled funds and limited partnerships that invest in a diversified portfolio of real estate properties. These investments are valued at NAV according to the valuation policy of each fund or partnership, subject to prevailing accounting and other regulatory guidelines. The valuation inputs of the underlying properties are generally based on third-party appraisals that use comparable sales or a projection of future cash flows to determine fair value. Real estate investments that can be redeemed at NAV within a year of the financial statement date are classified as Level 2. Real estate investments that cannot be redeemed at NAV or that cannot be redeemed at NAV within a year of the financial statement date are classified as Level 3.

(m) *Derivatives* include the market value of exchange traded futures contracts which are classified as Level 1, as well as privately negotiated over-the-counter swaps and options that are valued based on the change in interest rates or a specific market index and classified as Level 2. The market values represent gains or losses that occur due to fluctuations in interest rates, foreign currency exchange rates, security prices, or other factors.

(n) *Cash equivalents and short-term investments* represent investments that are used in conjunction with derivatives positions or are used to provide liquidity for the payment of benefits or other purposes. U.S. Treasury Bills are valued at the bid price reported in the active market in which the security is traded and are classified as Level 1. The valuation inputs of other securities are based on a spread to U.S. Treasury Bills, the Federal Funds Rate, or London Interbank Offered Rate and consider yields available on comparable securities of issuers with similar credit ratings and are classified as Level 2. The commingled funds are valued at NAV based on the market value of the underlying investments using the same valuation inputs described above. These commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

Concentrations of Risk: Investments, in general, are exposed to various risks, such as significant world events, interest rate, credit, foreign currency and overall market volatility risk. These risks are managed by broadly diversifying assets across numerous asset classes and strategies with differing expected returns, volatilities and correlations. Risk is also broadly diversified across numerous market sectors and individual companies. Financial instruments that potentially subject the plans to concentrations of counterparty risk consist principally of investment contracts with high quality financial institutions. These investment contracts are typically collateralized obligations and/or are actively managed, limiting the amount of counterparty exposure to any one financial institution. Although the investments are well diversified, the value of plan assets could change materially depending upon the overall market volatility, which could affect the funded status of the plans.

The table below presents a rollforward of the pension plan assets valued using Level 3 inputs:

	Pension Plan Assets Valued Using Level 3 Inputs						
	High Yield Bonds	Private Equity	Private Debt	Market Neutral Hedge Fund	Directional Hedge Funds	Real Estate	Total
	(Dollars in millions)						
Balance at December 31, 2011	$ 79	791	461	188	183	535	2,237
Net transfers	(12)	—	—	(188)	—	(105)	(305)
Acquisitions	1	70	120	—	—	18	209
Dispositions	(11)	(109)	(102)	—	—	(121)	(343)
Actual return on plan assets:							
Gains relating to assets sold during the year	—	3	1	—	—	—	4
Gains (losses) relating to assets still held at year-end	2	(44)	(15)	—	11	10	(36)
Balance at December 31, 2012	59	711	465	—	194	337	1,766
Net transfers	—	—	—	—	(165)	—	(165)
Acquisitions	5	82	71	100	—	9	267
Dispositions	(43)	(179)	(144)	—	(1)	(97)	(464)
Actual return on plan assets:							
Gains relating to assets sold during the year	12	68	18	—	—	11	109
(Losses) gains relating to assets still held at year-end	(7)	39	26	(1)	4	5	66
Balance at December 31, 2013	$ 26	721	436	99	32	265	1,579

The table below presents a rollforward of the post-retirement plan assets valued using Level 3 inputs:

	Post-Retirement Plan Assets Valued Using Level 3 Inputs			
	Private Equity	Private Debt	Real Estate	Total
	(Dollars in millions)			
Balance at December 31, 2011	$ 60	8	26	94
Acquisitions	1	—	—	1
Dispositions	(15)	(3)	(1)	(19)
Actual return on plan assets:				
Gains (losses) relating to assets sold during the year	4	2	(1)	5
(Losses) gains relating to assets still held at year-end	(5)	(1)	4	(2)
Balance at December 31, 2012	45	6	28	79
Acquisitions	1	—	—	1
Dispositions	(11)	(1)	(18)	(30)
Actual return on plan assets:				
Gains (losses) relating to assets sold during the year	4	—	(1)	3
Gains relating to assets still held at year-end	1	—	3	4
Balance at December 31, 2013	$ 40	5	12	57

Certain gains and losses are allocated between assets sold during the year and assets still held at year-end based on transactions and changes in valuations that occurred during the year. These allocations also impact our calculation of net acquisitions and dispositions.

For the year ended December 31, 2013, the investment program produced actual gains on qualified pension and post-retirement plan assets of $855 million as compared to the expected returns of $935 million for a difference of $80 million. For the year ended December 31, 2012, the investment program produced actual gains on pension and post-retirement plan assets of $1.556 billion as compared to the expected returns of $892 million for a difference of $664 million. The short-term annual returns on plan assets will almost always be different from the expected long-term returns and the plans could experience net gains or losses, due primarily to the volatility occurring in the financial markets during any given year.

Unfunded Status

The following table presents the unfunded status of the pensions and post-retirement benefit plans:

	Pension Plans		Post-Retirement Benefit Plans	
	Years Ended December 31,		Years Ended December 31,	
	2013	2012	2013	2012
	(Dollars in millions)			
Benefit obligation	$ (13,401)	(14,881)	(3,688)	(4,075)
Fair value of plan assets	12,346	12,321	535	626
Unfunded status	(1,055)	(2,560)	(3,153)	(3,449)
Current portion of unfunded status	$ (5)	(6)	(154)	(160)
Non-current portion of unfunded status	$ (1,050)	(2,554)	(2,999)	(3,289)

The current portion of our post-retirement benefit obligations is recorded on our consolidated balance sheets in accrued expenses and other current liabilities-salaries and benefits.

Accumulated Other Comprehensive Loss-Recognition and Deferrals

The following tables present cumulative items not recognized as a component of net periodic benefits expense as of December 31, 2012, items recognized as a component of net periodic benefits expense in 2013, additional items deferred during 2013 and cumulative items not recognized as a component of net periodic benefits expense as of December 31, 2013. The items not recognized as a component of net periodic benefits expense have been recorded on our consolidated balance sheets in accumulated other comprehensive loss:

	As of and for the Years Ended December 31,				
	2012	Recognition of Net Periodic Benefits Expense	Deferrals	Net Change in AOCI	2013
	(Dollars in millions)				
Accumulated other comprehensive loss:					
Pension plans:					
Net actuarial (loss) gain	$ (2,236)	84	1,094	1,178	(1,058)
Prior service (cost) benefit	(38)	5	—	5	(33)
Deferred income tax benefit (expense)	875	(34)	(419)	(453)	422
Total pension plans	(1,399)	55	675	730	(669)
Post-retirement benefit plans:					
Net actuarial (loss) gain	(446)	4	405	409	(37)
Prior service (cost) benefit	(22)	—	(141)	(141)	(163)
Deferred income tax benefit (expense)	179	(1)	(100)	(101)	78
Total post-retirement benefit plans	(289)	3	164	167	(122)
Total accumulated other comprehensive loss	$ (1,688)	58	839	897	(791)

The following table presents estimated items to be recognized in 2014 as a component of net periodic benefit expense of the pension, non-qualified pension and post-retirement benefit plans:

	Pension Plans	Post-Retirement Plans
	(Dollars in millions)	
Estimated recognition of net periodic benefit expense in 2014:		
Net actuarial loss	$ (17)	—
Prior service cost	(5)	(17)
Deferred income tax benefit	8	6
Estimated net periodic benefit expense to be recorded in 2014 as a component of other comprehensive income (loss)	$ (14)	(11)

Medicare Prescription Drug, Improvement and Modernization Act of 2003

We sponsor post-retirement health care plans with several benefit options that provide prescription drug benefits that we deem actuarially equivalent to or exceeding Medicare Part D. We recognize the impact of the federal subsidy received under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 in the calculation of our post-retirement benefit obligation and net periodic post-retirement benefit expense.

Other Benefit Plans

Health Care and Life Insurance

We provide health care and life insurance benefits to essentially all of our active employees. We are largely self-funded for the cost of the health care plan. Our health care benefit expenses for current employees was $362 million, $360 million and $377 million for the years ended December 31, 2013, 2012 and 2011, respectively. Union-represented employee benefits are based on negotiated collective bargaining agreements. Employees contributed $117 million, $113 million and $90 million for the years ended December 31, 2013, 2012 and 2011, respectively. Our group life insurance plans are fully insured and the premiums are paid by us.

401(k) Plan

We sponsor qualified defined contribution benefit plans covering substantially all of our employees. Under these plans, employees may contribute a percentage of their annual compensation up to certain maximums, as defined by the plans and by the Internal Revenue Service ("IRS"). Currently, we match a percentage of employee contributions in cash. At December 31, 2013 and December 31, 2012, the assets of the plans included approximately 9 million and 10 million shares of our common stock, respectively, as a result of the combination of previous employer match and participant directed contributions. We recognized expenses related to these plans of $89 million, $76 million and $70 million and for the years ended December 31, 2013, 2012 and 2011, respectively.

Deferred Compensation Plans

We sponsored non-qualified unfunded deferred compensation plans for various groups that included certain of our current and former highly compensated employees. The value of assets and liabilities related to these plans was not significant.

(9) Share-based Compensation

We maintain equity programs that allow our Board of Directors (through its Compensation Committee or our Chief Executive Officer as its delegate) to grant incentives to certain employees and our outside directors in any one or a combination of several forms, including incentive and non-qualified stock options, stock appreciation rights, restricted stock awards, restricted stock units and market and performance shares. Stock options generally expire ten years from the date of grant. We also offer an ESPP, which allows eligible employees to purchase our common stock at a 15% discount based on the lower of the beginning or ending stock price during recurring six month offering periods.

Stock Options

The following table summarizes activity involving stock option awards for the year ended December 31, 2013:

	Number of Options	Weighted-Average Exercise Price
	(in thousands)	
Outstanding at December 31, 2012	6,733	$ 34.23
Exercised	(1,142)	$ 27.07
Forfeited/Expired	(266)	$ 30.51
Outstanding at December 31, 2013	5,325	$ 35.95
Exercisable at December 31, 2013	5,325	$ 35.95

The aggregate intrinsic value of our options outstanding and exercisable at December 31, 2013 was $14 million. The weighted average remaining contractual term for such options was 3.5 years.

During 2013, we received net cash proceeds of $31 million in connection with our option exercises. The tax benefit realized from these exercises was $4 million. The total intrinsic value of options exercised for the years ended December 31, 2013, 2012 and 2011 was $11 million, $49 million and $47 million, respectively.

Restricted Stock Awards

For awards that contain only service conditions for vesting, we calculate the award fair value based on the closing stock price on the accounting grant date. For restricted stock awards that contain market conditions, the award fair value is calculated through Monte-Carlo simulations.

During the second quarter of 2013, we granted approximately 335 thousand shares of restricted stock to certain executive-level employees as part of our long-term incentive program, of which approximately 223 thousand contained only service conditions and will vest on a straight-line basis on May 23, 2014, 2015 and 2016. The remaining awards contain market and service conditions and will vest on May 23, 2016. These shares, with market and service conditions, represent only the target for the award as each recipient has the opportunity to ultimately receive between 0% and 200% of the target restricted stock award depending on, our total shareholder return versus that of selected peer companies for 2013, 2014 and 2015.

In addition, during the first and second quarter of 2013, we granted approximately 1.2 million shares to certain key employees as part of our annual equity compensation program. The remaining awards granted throughout the year to certain other key employees and our outside directors were made as part of our equity compensation and retention programs. These awards require only service conditions for vesting and typically vest equally over a three year period.

During the first quarter of 2012, we granted approximately 402 thousand shares of restricted stock to certain executive-level employees as part of our long-term incentive program, of which approximately 201 thousand contained only service conditions and will vest on a straight-line basis on February 20, 2013, 2014 and 2015. The remaining awards contain market and service conditions and will vest on February 20, 2015. These shares, with market and service conditions, represent only the target for the award as each recipient has the opportunity to ultimately receive between 0% and 200% of the target restricted stock award depending on our total shareholder return for 2012, 2013 and 2014 in relation to that of the S&P 500 Index.

In addition, during the first quarter of 2012, we granted restricted stock to certain key employees as part of our annual equity compensation program. These awards contained only service conditions. Approximately 519 thousand shares of awards will vest on a straight-line basis on January 9, 2013, 2014 and 2015. Approximately 873 thousand shares of awards will vest on a straight-line basis on March 15, 2013, 2014 and 2015. The remaining awards granted throughout the year to certain other key employees and our outside directors were made as part of our equity compensation and retention programs. These awards require only service conditions for vesting and typically vest an equal portion annually over a three year period.

The following table summarizes activity involving restricted stock and restricted stock unit awards for the year ended December 31, 2013:

	Number of Shares	Weighted-Average Grant Date Fair Value
	(in thousands)	
Non-vested at December 31, 2012	3,528	$ 38.43
Granted	1,886	$ 35.63
Vested	(1,493)	$ 37.08
Forfeited	(296)	$ 36.26
Non-vested at December 31, 2013	3,625	$ 37.33

During 2012, we granted 2.1 million shares of restricted stock at a weighted-average price of $39.13. During 2011, we granted 1.3 million shares of restricted stock at a weighted-average price of $36.15, excluding the 1.9 million shares issued in connection with our acquisitions of Qwest and Savvis. The total fair value of restricted stock that vested during 2013, 2012 and 2011 was $52 million, $102 million and $72 million, respectively.

Compensation Expense and Tax Benefit

We recognize compensation expense related to our market and performance share-based awards with graded vesting that only have a service condition on a straight-line basis over the requisite service period for the entire award. Total compensation expense for all share-based payment arrangements for the years ended December 31, 2013, 2012 and 2011 was $63 million, $78 million and $65 million, respectively. These amounts included $12 million in compensation expense recognized in 2011 for the acceleration of certain awards resulting from the consummation of the Qwest acquisition. Our tax benefit recognized in the income statements for our share-based payment arrangements for the years ended December 31, 2013, 2012 and 2011 was $25 million, $31 million and $25 million, respectively. At December 31, 2013, there was $89 million of total unrecognized compensation expense related to our share-based payment arrangements, which we expect to recognize over a weighted-average period of 1.7 years.

(10) (Loss) Earnings Per Common Share

Basic and diluted (loss) earnings per common share for the years ended December 31, 2013, 2012 and 2011 were calculated as follows:

	Years Ended December 31,		
	2013	2012	2011
	(Dollars in millions, except per share amounts, shares in thousands)		
(Loss) Income (Numerator):			
Net (loss) income	$ (239)	777	573
Earnings applicable to non-vested restricted stock	—	(1)	(2)
Net (loss) income applicable to common stock for computing basic earnings per common share	(239)	776	571
Net (loss) income as adjusted for purposes of computing diluted earnings per common share	$ (239)	776	571
Shares (Denominator):			
Weighted average number of shares:			
Outstanding during period	604,404	622,139	534,320
Non-vested restricted stock	(3,512)	(2,796)	(2,209)
Non-vested restricted stock units	—	862	669
Weighted average shares outstanding for computing basic (loss) earnings per common share	600,892	620,205	532,780
Incremental common shares attributable to dilutive securities:			
Shares issuable under convertible securities	—	12	13
Shares issuable under incentive compensation plans	—	2,068	1,328
Number of shares as adjusted for purposes of computing diluted earnings per common share	600,892	622,285	534,121
Basic (loss) earnings per common share	$ (0.40)	$ 1.25	$ 1.07
Diluted (loss) earnings per common share(1)	$ (0.40)	$ 1.25	$ 1.07

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(1) For the year ended December 31, 2013, we excluded from the calculation of diluted loss per share 1.3 million shares potentially issuable under incentive compensation plans or convertible securities, as their effect, if included, would have been anti-dilutive.

Our calculations of diluted earnings per common share exclude shares of common stock that are issuable upon exercise of stock options when the exercise price is greater than the average market price of our common stock during the period. Such potentially issuable shares totaled 2.7 million, 2.2 million and 2.4 million for 2013, 2012 and 2011, respectively.

(11) Fair Value Disclosure

Our financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and long-term debt, excluding capital lease obligations. Due to their short-term nature, the carrying amounts of our cash and cash equivalents, accounts receivable and accounts payable approximate their fair values.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent and knowledgeable parties who are willing and able to transact for an asset or liability at the measurement date. We use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs when determining fair value and then we rank the estimated values based on the reliability of the inputs used following the fair value hierarchy set forth by the Financial Accounting Standards Board ("FASB").

We determined the fair values of our long-term debt, including the current portion, based on quoted market prices where available or, if not available, based on discounted future cash flows using current market interest rates.

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The three input levels in the hierarchy of fair value measurements are defined by the FASB generally as follows:

Input Level	Description of Input
Level 1	Observable inputs such as quoted market prices in active markets.
Level 2	Inputs other than quoted prices in active markets that are either directly or indirectly observable.
Level 3	Unobservable inputs in which little or no market data exists.

The following table presents the carrying amounts and estimated fair values of our investment securities, which are reported in noncurrent other assets, and long-term debt, excluding capital lease obligations, as well as the input levels used to determine the fair values:

		December 31, 2013		December 31, 2012	
	Input Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(Dollars in millions)			
Liabilities-Long-term debt excluding capital lease obligations	2	$ 20,347	20,413	19,871	21,457

(12) Income Taxes

	Years Ended December 31,		
	2013	2012	2011
	(Dollars in millions)		
Income tax expense was as follows:			
Federal			
Current	$ 1	57	(49)
Deferred	403	361	401
State			
Current	62	15	25
Deferred	(8)	33	(6)
Foreign			
Current	9	7	4
Deferred	(4)	—	—
Total income tax expense	$ 463	473	375

	Years Ended December 31,		
	2013	2012	2011
	(Dollars in millions)		
Income tax expense was allocated as follows:			
Income tax expense in the consolidated statements of operations:			
Attributable to income	$ 463	473	375
Stockholders' equity:			
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(14)	(18)	(13)
Tax effect of the change in accumulated other comprehensive loss	554	(434)	(535)

The following is a reconciliation from the statutory federal income tax rate to our effective income tax rate:

	Years Ended December 31,		
	2013	2012	2011
	(Percentage of pre-tax income)		
Statutory federal income tax rate	35.0 %	35.0%	35.0%
State income taxes, net of federal income tax benefit	2.8 %	2.5%	1.3%
Impairment of goodwill	188.5 %	—%	—%
Reversal of liability for unrecognized tax position	(24.5)%	—%	—%
Foreign income taxes	2.7 %	0.3%	0.4%
Nondeductible accounting adjustment for life insurance	3.1 %	—%	—%
Release state valuation allowance	(2.3)%	—%	—%
Other, net	1.4 %	—%	2.9%
Effective income tax rate	206.7 %	37.8%	39.6%

The 2013 effective tax rate is 206.7% compared to 37.8% for 2012. The 2013 rate reflects the tax effect of a $1.092 billion non-deductible goodwill impairment charge, a favorable settlement with the Internal Revenue Service of $33 million, a $22 million reduction due to the reversal of an uncertain tax position and the tax effect of a $17 million unfavorable accounting adjustment for non-deductible life insurance costs. For 2013, the tax rate was decreased by a $5 million reduction to the valuation allowance due to the estimated ability to utilize more state NOLs than previously expected. The 2012 rate reflects the $16 million reversal of a valuation allowance related to the auction rate securities we sold in 2012. The 2011 rate was decreased by $12 million due to a $16 million decrease to the valuation allowance related to state NOLs due primarily to the effects of a tax law change in one of the states in which we operate, which is partially offset by an $8 million valuation allowance recorded on deferred tax assets that require future income of a special character to realize the benefits.

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2013 and 2012 were as follows:

	Years Ended December 31,	
	2013	2012
	(Dollars in millions)	
Deferred tax assets		
Post-retirement and pension benefit costs	$ 1,618	2,311
Net operating loss carryforwards	1,532	2,176
Other employee benefits	182	184
Other	782	789
Gross deferred tax assets	4,114	5,460
Less valuation allowance	(435)	(444)
Net deferred tax assets	3,679	5,016
Deferred tax liabilities		
Property, plant and equipment, primarily due to depreciation differences	(3,904)	(3,784)
Goodwill and other intangible assets	(3,226)	(3,688)
Other	(137)	(192)
Gross deferred tax liabilities	(7,267)	(7,664)
Net deferred tax liability	$ (3,588)	(2,648)

Of the $3.588 billion and $2.648 billion net deferred tax liability at December 31, 2013 and 2012, respectively, $4.753 billion and $3.564 billion is reflected as a long-term liability and $1.165 billion and $916 million is reflected as a net current deferred tax asset at December 31, 2013 and December 31, 2012, respectively.

In connection with our acquisitions of Savvis on July 15, 2011 and Qwest on April 1, 2011, we recognized net noncurrent deferred tax liabilities of approximately $279 million and $533 million, respectively, which reflects the expected future tax effects of certain differences between the financial reporting carrying amounts and tax bases of Savvis' and Qwest's assets and liabilities. In addition, due to the Qwest acquisition, we recognized a net current deferred tax asset of $289 million, which relates primarily to certain accrued liabilities that are expected to result in future tax deductions. These primary differences involve Qwest's pension and other post-retirement benefit obligations as well as tax effects for acquired intangible assets, property, plant and equipment and long-term debt, including the effects of acquisition date valuation adjustments, for both entities. The net deferred tax liability is partially offset by a deferred tax asset for expected future tax deductions relating to Savvis' and Qwest's net operating loss carryforwards.

At December 31, 2013, we had federal NOLs of $2.9 billion and state NOLS of $12.4 billion. If unused, the NOLs will expire between 2015 and 2032; however, no significant amounts expire until 2020. At December 31, 2013, we had $50 million ($33 million net of federal income tax) of state investment tax credit carryforwards that will expire between 2014 and 2024 if not utilized. In addition, at December 31, 2013 we had $91 million of alternative minimum tax, or AMT, credits. Our acquisitions of Qwest and Savvis caused "ownership changes" within the meaning of Section 382 of the Internal Revenue Code ("Section 382"). As a result, our ability to use these NOLs is subject to annual limits imposed by Section 382. Despite this, we expect to use substantially all of these NOLs as an offset against our future taxable income, although the timing of that use will depend upon our future earnings and future tax circumstances.

We establish valuation allowances when necessary to reduce the deferred tax assets to amounts we expect to realize. As of December 31, 2013, a valuation allowance of $435 million was established as it is more likely than not that this amount of net operating loss and tax credit carryforwards will not be utilized prior to expiration. Our valuation allowance at December 31, 2013 and 2012 is primarily related to state NOL carryforwards. This valuation allowance decreased by $9 million during 2013.

We recorded valuation allowances of $18 million and $403 million related to the Savvis and Qwest acquisitions, respectively, for the portion of the acquired net deferred tax assets that we did not believe is more likely than not to be realized. Our acquisition date assignment of deferred income taxes and the related valuation allowance was completed in 2012 as discussed in Note 2—Acquisitions.

A reconciliation of the change in our gross unrecognized tax benefits (excluding both interest and any related federal benefit) from January 1 to December 31 for 2013 and 2012 is as follows:

	2013	2012
	(Dollars in millions)	
Unrecognized tax benefits at beginning of year	$ 78	111
Increase in tax positions taken in the current year	—	3
Decrease due to the reversal of tax positions taken in a prior year	—	(34)
Decrease from the lapse of statute of limitations	(36)	(2)
Settlements	(28)	—
Unrecognized tax benefits at end of year	$ 14	78

During 2012, we entered into negotiations with the IRS to resolve a claim that was filed by Qwest for 1999. Based on the status of the negotiations at year end 2012, we partially reversed an unrecognized tax benefit that was assumed as part of the Qwest acquisition. The negotiations were settled in 2013 and we fully reversed the amount of the unrecognized tax position. A receivable was recorded for the refund that is expected to be received in 2014.

The total amount of unrecognized tax benefits that, if recognized, would impact the effective income tax rate was $29 million and $52 million at December 31, 2013 and 2012, respectively.

Our policy is to reflect interest expense associated with unrecognized tax benefits in income tax expense. We had accrued interest (presented before related tax benefits) of approximately $30 million and $33 million at December 31, 2013 and 2012, respectively.

We file income tax returns, including returns for our subsidiaries, with federal, state and local jurisdictions. Our uncertain income tax positions are related to tax years that are currently under or remain subject to examination by the relevant taxing authorities.

In 2012 Qwest filed an amended 2008 federal income tax return primarily to report the carryforward impact of prior year settlements. A refund was received for the amended 2008 federal income tax return in 2013. In 2013, Qwest filed an amended 2009 federal income tax return primarily to report the carryforward impact of prior year settlements. Such amended filing is subject to adjustments by the IRS.

Beginning with the 2010 tax year, our federal consolidated returns are subject to annual examination by the IRS. Qwest's federal consolidated returns for the 2010 and pre-merger 2011 tax years are open to examination by the IRS. Federal consolidated returns for Savvis for tax years 2010 and pre-merger 2011 are under examination by the IRS.

In years prior to 2011, Qwest filed amended federal income tax returns for 2002-2007 to make protective claims with respect to items reserved in their audit settlements and to correct items not addressed in prior audits. The examination of those amended federal income tax returns by the IRS was completed in 2012.

Our open income tax years by major jurisdiction are as follows at December 31, 2013:

Jurisdiction	Open Tax Years
Federal	2009—current
State	
Florida	2006—2008 and 2010—current
Minnesota	1999 and 2010—current
Oregon	2009—current
Other states	2009—current

Since the period for assessing additional liability typically begins upon the filing of a return, it is possible that certain jurisdictions could assess tax for years prior to the open tax years disclosed above. Additionally, it is possible that certain jurisdictions in which we do not believe we have an income tax filing responsibility, and accordingly did not file a return, may attempt to assess a liability, or that other jurisdictions to which we pay taxes may attempt to assert that we owe additional taxes.

Based on our current assessment of various factors, including (i) the potential outcomes of these ongoing examinations, (ii) the expiration of statute of limitations for specific jurisdictions, (iii) the negotiated settlement of certain disputed issues, and (iv) the administrative practices of applicable taxing jurisdictions, it is reasonably possible that the related unrecognized tax benefits for uncertain tax positions previously taken may decrease by up to $8 million within the next 12 months. The actual amount of such decrease, if any, will depend on several future developments and events, many of which are outside our control.

(13) Segment Information

During the first quarter of 2013, we announced a reorganization of our operating segments. Consequently, we now report the following four segments in our consolidated financial statements: consumer, business, wholesale and data hosting. The primary purpose of the reorganization was to strengthen our focus on the business market while continuing our commitment to our wholesale, hosting and consumer customers. The reorganization combined business sales and operations functions that formerly resided in the enterprise markets-network segment and the regional markets segment into the new unified business segment. The remaining customers formerly serviced by the regional markets segment became the new consumer segment. Each of the current segments are described further below:

- *Consumer.* Consists generally of providing strategic and legacy products and services to residential consumers. Our strategic products and services offered to these customers include our broadband, wireless and video services, including our Prism TV services. Our legacy services offered to these customers include local and long-distance service.

- *Business.* Consists generally of providing strategic and legacy products and services to commercial, enterprise, global and governmental customers. Our strategic products and services offered to these customers include our private line, broadband, Ethernet, Multiprotocol Label Switching ("MPLS"), Voice over Internet Protocol ("VoIP"), and network management services. Our legacy services offered to these customers include local and long-distance service.

- *Wholesale.* Consists generally of providing strategic and legacy products and services to other communications providers. Our strategic products and services offered to these customers are mainly private line (including special access), dedicated internet access, digital subscriber line ("DSL") and MPLS. Our legacy services offered to these customers include resale of our services, the sale of unbundled network elements ("UNEs") which allow our wholesale customers the use of our network or a combination of our network and their own networks to provide voice and data services to their customers, long-distance and switched access services and other services, including billing and collection, pole rental, floor space and database services.

- *Data hosting.* Consists primarily of providing colocation, managed hosting and cloud hosting services to commercial, enterprise, global and governmental customers.

We have restated previously reported segment results for the years ended December 31, 2012 and 2011 due to the above-described restructuring of our business on January 3, 2013. The following table summarizes our segment results for 2013, 2012 and 2011 based on the segment categorization we were operating under on December 31, 2013.

	Years Ended December 31,		
	2013	2012	2011
	(Dollars in millions)		
Total segment revenues	$ 17,095	$ 17,320	14,471
Total segment expenses	8,249	8,244	6,623
Total segment income	$ 8,846	$ 9,076	7,848
Total margin percentage	52%	52%	54%
Consumer:			
Revenues	$ 6,004	$ 6,162	5,384
Expenses	2,231	2,291	1,972
Income	$ 3,773	$ 3,871	3,412
Margin percentage	63%	63%	63%
Business:			
Revenues	$ 6,136	$ 6,133	5,150
Expenses	3,769	3,743	3,068
Income	$ 2,367	$ 2,390	2,082
Margin percentage	39%	39%	40%
Wholesale:			
Revenues	$ 3,579	$ 3,725	3,314
Expenses	1,158	1,230	1,137
Income	$ 2,421	$ 2,495	2,177
Margin percentage	68%	67%	66%
Data hosting:			
Revenues	$ 1,376	$ 1,300	623
Expenses	1,091	980	446
Income	$ 285	$ 320	177
Margin percentage	21%	25%	28%

We categorize our products and services related to revenues into the following four categories:

- *Strategic services*, which include primarily broadband, private line (including special access which we market to wholesale and business customers), MPLS (which is a data networking technology that can deliver the quality of service required to support real-time voice and video), hosting (including cloud hosting and managed hosting), colocation, Ethernet, video (including resold satellite and our facilities-based video services), VoIP and Verizon Wireless services;
- *Legacy services*, which include primarily local, long-distance, switched access, Integrated Services Digital Network ("ISDN") (which uses regular telephone lines to support voice, video and data applications), and traditional wide area network ("WAN") services (which allows a local communications network to link to networks in remote locations);

- *Data integration*, which includes the sale of telecommunications equipment located on customers' premises and related professional services, such as network management, installation and maintenance of data equipment and building of proprietary fiber-optic broadband networks for our governmental and business customers; and

- *Other revenues*, which consist primarily of Universal Service Fund ("USF") revenue and surcharges. Unlike the first three revenue categories, other revenues are not included in our segment revenues.

Our operating revenues for our products and services consisted of the following categories for the years ended December 31, 2013, 2012 and 2011:

	Years Ended December 31,		
	2013	2012	2011
	(Dollars in millions)		
Strategic services	$ 8,822	$ 8,427	6,313
Legacy services	7,617	8,221	7,621
Data integration	656	672	537
Other	1,000	1,056	880
Total operating revenues	$ 18,095	$ 18,376	15,351

Operating revenues attributable to certain bundled services were revised from legacy services to strategic services. Specifically, the revision resulted in a reduction of revenues from legacy services of $104 million and $51 million and a corresponding increase in revenues from strategic services for the periods ended December 31, 2012 and 2011, respectively. The revision was in response to over-allocating discounts to broadband services revenues and under-allocating discounts to local and long-distance services revenues under bundled services arrangements, which resulted in strategic services revenues being understated and legacy services revenues being overstated.

Operating revenues attributable to certain CLEC services were revised from strategic services to legacy services. Specifically, the revision resulted in a reduction of revenue from strategic services of $38 million and a corresponding increase in revenue from legacy services for the period ended December 31, 2012. The revision was in response to recording certain legacy services revenues generated through CLEC services arrangements as strategic services revenues, which resulted in strategic services revenues being overstated and legacy services revenues being understated. Due to system limitations, we have determined that it is impracticable to revise 2011 operating revenues attributable to certain CLEC services to conform to our current revenue categorization.

Other operating revenues include revenue from universal service funds, which allows us to recover a portion of our costs under federal and state cost recovery mechanisms, and certain surcharges to our customers, including billings for our required contributions to several USF programs. These surcharge billings to our customers are reflected on a gross basis in our statements of operations (included in both operating revenues and expenses) and aggregated approximately $489 million, $531 million and $392 million for the years ended December 31, 2013, 2012 and 2011, respectively. We also generate other operating revenues from leasing and subleasing of space in our office buildings, warehouses and other properties. We centrally-manage the activities that generate these other operating revenues and consequently these revenues are not included in any of our four segments presented above.

Our segment revenues include all revenues from our strategic, legacy and data integration operations as described in more detail above. Segment revenues are based upon each customer's classification to an individual segment. We report our segment revenues based upon all services provided to that segment's customers, with the exception of data hosting revenue generated from business and wholesale customers, which is reported as data hosting segment revenues. We report our segment expenses for our four segments as follows:

- *Direct expenses*, which primarily are specific expenses incurred as a direct result of providing services and products to segment customers, along with selling, general and administrative expenses that are directly associated with specific segment customers or activities; and

- *Allocated expenses*, which include network expenses, facilities expenses and other expenses such as fleet and real estate expenses.

We do not assign depreciation and amortization expense or impairments to our segments, as the related assets and capital expenditures are centrally managed and are not monitored by or reported to the chief operating decision maker ("CODM") by segment. Similarly, severance expenses, restructuring expenses and, subject to an exception for our data hosting segment, certain centrally managed administrative functions (such as finance, information technology, legal and human resources) are not assigned to our segments. Interest expense is also excluded from segment results because we manage our financing on a total company basis and have not allocated assets or debt to specific segments. Other income (expense) is not monitored as a part of our segment operations and is therefore excluded from our segment results.

The following table reconciles segment income to net income for the years ended December 31, 2013, 2012 and 2011:

	Years Ended December 31,		
	2013	2012	2011
	(Dollars in millions)		
Total segment income	$ 8,846	$ 9,076	7,848
Other operating revenues	1,000	1,056	880
Depreciation and amortization	(4,541)	(4,780)	(4,026)
Impairment of goodwill	(1,092)	—	—
Other unassigned operating expenses	(2,760)	(2,639)	(2,677)
Other income (expense), net	(1,229)	(1,463)	(1,077)
Income tax expense	(463)	(473)	(375)
Net (loss) income	$ (239)	777	573

We do not have any single customer that provides more than 10% of our total operating revenues. Substantially all of our revenues come from customers located in the United States.

(14) Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(Dollars in millions, except per share amounts)				
2013					
Operating revenues	$ 4,513	4,525	4,515	4,542	18,095
Operating income (loss)	782	715	(685)	641	1,453
Net income (loss)	298	269	(1,045)	239	(239)
Basic earnings (loss) per common share	0.48	0.45	(1.76)	0.41	(0.40)
Diluted earnings (loss) per common share	0.48	0.44	(1.76)	0.41	(0.40)
2012					
Operating revenues	$ 4,610	4,612	4,571	4,583	18,376
Operating income	654	657	736	666	2,713
Net income	200	74	270	233	777
Basic earnings per common share	0.32	0.12	0.43	0.37	1.25
Diluted earnings per common share	0.32	0.12	0.43	0.37	1.25

During the third quarter of 2012, we discovered and corrected an error that resulted in an overstatement of depreciation expense in the amount of $30 million in 2011 and $15 million in the first six months of 2012. The total reduction in depreciation expense of $45 million was recognized in the third quarter of 2012.

The net loss of $1.045 billion in the third quarter of 2013 is primarily due to a goodwill impairment charge of $1.1 billion and a charge of $233 million in connection with a tentative settlement in a litigation matter.

(15) Commitments and Contingencies

We are vigorously defending against all of the matters described below. As a matter of course, we are prepared both to litigate the matters to judgment, as well as to evaluate and consider all settlement opportunities. In this Note, when we refer to a class action as "putative" it is because a class has been alleged, but not certified in that matter. We have established accrued liabilities for the matters described below where losses are deemed probable and reasonably estimable.

Litigation Matters Relating to CenturyLink and Embarq

In *William Douglas Fulghum, et al. v. Embarq Corporation, et al.*, filed on December 28, 2007 in the United States District Court for the District of Kansas, a group of retirees filed a putative class action lawsuit challenging the decision to make certain modifications in retiree benefits programs relating to life insurance, medical insurance and prescription drug benefits, generally effective January 1, 2006 and January 1, 2008 (which, at the time of the modifications, was expected to reduce estimated future expenses for the subject benefits by more than $300 million). Defendants include Embarq, certain of its benefit plans, its Employee Benefits Committee and the individual plan administrator of certain of its benefits plans. Additional defendants include Sprint Nextel and certain of its benefit plans. The Court certified a class on certain of plaintiffs' claims, but rejected class certification as to other claims. On October 14, 2011, the *Fulghum* lawyers filed a new, related lawsuit, *Abbott et al. v. Sprint Nextel et al.* CenturyLink/Embarq is not named a defendant in the lawsuit. In *Abbott,* approximately 1,500 plaintiffs allege breach of fiduciary duty in connection with the changes in retiree benefits that also are at issue in the *Fulghum* case. The *Abbott* plaintiffs are all members of the class that was certified in *Fulghum* on claims for allegedly vested benefits (Counts I and III), and the *Abbott* claims are similar to the *Fulghum* breach of fiduciary duty claim (Count II), on which the *Fulghum* court denied class certification. The Court has stayed proceedings in *Abbott* indefinitely. On February 14, 2013, the *Fulghum* court dismissed the majority of the plaintiffs' claims in that case. On July 16, 2013, the *Fulghum* court granted plaintiffs' request to seek interlocutory review by the United States Court of Appeals for the Tenth Circuit. Embarq and the other defendants will defend the appeal, continue to vigorously contest any remaining claims in *Fulghum* and seek to have the claims in the *Abbott* case dismissed on similar grounds. We have not accrued a liability for these matters because we believe it is premature (i) to determine whether an accrual is warranted and, (ii) if so, to determine a reasonable estimate of probable liability.

In December 2009, subsidiaries of CenturyLink filed two lawsuits against subsidiaries of Sprint Nextel to recover terminating access charges for VoIP traffic owed under various interconnection agreements and tariffs which originally approximated $34 million in the aggregate. In connection with the first lawsuit, a federal court in Virginia issued a ruling in our favor, which resulted in Sprint paying us approximately $24 million. The other lawsuit is pending in federal court in Louisiana. In that case, in early 2011 the Court dismissed certain of CenturyLink's claims, referred other claims to the FCC, and stayed the litigation. In April 2012, Sprint Nextel filed a petition with the FCC, seeking a declaratory ruling that CenturyLink's access charges do not apply to VoIP originated calls. We have not deferred any revenue recognition related to these matters.

Litigation Matters Relating to Qwest

On July 16, 2013, Comcast MO Group, Inc. ("Comcast") filed a lawsuit in Colorado state court against Qwest Communications International, Inc. ("Qwest"). Comcast alleges Qwest breached the parties' 1998 tax sharing agreement ("TSA") when it refused to partially indemnify Comcast for a tax liability settlement Comcast reached with the Commonwealth of Massachusetts in a dispute to which we were not a party. Comcast seeks approximately $80 million in damages, excluding interest. Qwest and Comcast are parties to the TSA in their capacities as successors to the TSA's original parties, U S WEST, Inc., a telecommunications company, and MediaOne Group, Inc., a cable television company, respectively. We have not accrued a liability for this matter because we do not believe that liability is probable.

On September 29, 2010, the trustees in the Dutch bankruptcy proceeding for KPNQwest, N.V. (of which Qwest was a major shareholder) filed a lawsuit in the District Court of Haarlem, the Netherlands, alleging tort and mismanagement claims under Dutch law. Qwest and Koninklijke KPN N.V. ("KPN") are defendants in this lawsuit along with a number of former KPNQwest supervisory board members and a former officer of KPNQwest, some of whom were formerly affiliated with Qwest. Plaintiffs allege, among other things, that defendants' actions were a cause of the bankruptcy of KPNQwest, and they seek damages for the bankruptcy deficit of KPNQwest, which is claimed to be approximately €4.2 billion (or approximately $5.8 billion based on the exchange rate on December 31, 2013), plus statutory interest. Two lawsuits asserting similar claims were previously filed against Qwest and others in federal courts in New Jersey in 2004 and Colorado in 2009; those courts dismissed the lawsuits without prejudice on the grounds that the claims should not be litigated in the United States.

In February 2014, Qwest, KPN, the individual defendants and the trustees reached a definitive agreement, settling the litigation. The settlement terms include Qwest's payment of approximately €171 million (or approximately $235 million based on the exchange rate on December 31, 2013) to the KPNQwest bankruptcy estate pursuant to its indemnification obligations, discussed below.

On September 13, 2006, Cargill Financial Markets, Plc and Citibank, N.A. filed a lawsuit in the District Court of Amsterdam, the Netherlands, against Qwest, KPN, KPN Telecom B.V., and other former officers, employees or supervisory board members of KPNQwest, some of whom were formerly affiliated with Qwest. The lawsuit alleges that defendants misrepresented KPNQwest's financial and business condition in connection with the origination of a credit facility and wrongfully allowed KPNQwest to borrow funds under that facility. Plaintiffs allege damages of approximately €219 million (or approximately $301 million based on the exchange rate on December 31, 2013). The value of this claim will be reduced to the degree plaintiffs receive recovery from the tentative trustee settlement described above. While we expect the plaintiffs would receive proceeds from any such trustee settlement, the amounts of such expected recovery are not yet known. On April 25, 2012, the court issued its judgment denying the claims asserted by Cargill and Citibank in their lawsuit. Cargill and Citibank are appealing that decision.

Regarding the 2010 proceeding filed by the trustees, we accrued a liability in 2013 in the pre-tax amount of €171 million (or approximately $235 million reflected in our accompanying consolidated financial statements based on the exchange rate on December 31, 2013) which represents our best estimate of Qwest's contribution under the terms of the then-tentative settlement. Regarding the 2006 suit brought by Cargill Financial Markets, Plc and Citibank. N.A., we do not believe that liability is probable and will continue to defend against the matter vigorously.

The terms and conditions of applicable bylaws, certificates or articles of incorporation, agreements or applicable law may obligate Qwest to indemnify its former directors, officers or employees with respect to certain of the matters described above, and Qwest has been advancing legal fees and costs to certain former directors, officers or employees in connection with certain matters described above.

Several putative class actions relating to the installation of fiber optic cable in certain rights-of-way were filed against Qwest on behalf of landowners on various dates and in courts located in 34 states in which Qwest has such cable (Alabama, Arizona, California, Colorado, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, and Wisconsin.) For the most part, the complaints challenge our right to install our fiber optic cable in railroad rights-of-way. The complaints allege that the railroads own the right-of-way as an easement that did not include the right to permit us to install our cable in the right-of-way without the plaintiffs' consent. Most of the currently pending actions purport to be brought on behalf of state-wide classes in the named plaintiffs' respective states, although one action pending before the Illinois Court of Appeals purports to be brought on behalf of landowners in Illinois, Iowa, Kentucky, Michigan, Minnesota, Nebraska, Ohio and Wisconsin. In general, the complaints seek damages on theories of trespass and unjust enrichment, as well as punitive damages. After previous attempts to enter into a single nationwide settlement in a single court proved unsuccessful, the parties proceeded to seek court approval of settlements on a state-by-state basis. To date, the parties have received final approval of such settlements in 30 states (Alabama, California, Colorado, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Utah, Virginia and Wisconsin) and have not yet received either preliminary or final approval in one state where an action is pending (Texas) and three states where actions were at one time, but are not currently, pending (Arizona, Massachusetts, and New Mexico). We have accrued an amount that we believe is probable for these matters; however, the amount is not material to our consolidated financial statements.

Securities Actions

CenturyLink and certain of its affiliates are defendants in one consolidated securities and four shareholder derivative actions. The securities action is pending in federal court in the Southern District of New York and the derivative actions are pending in federal court in the Eastern and Western Districts of Louisiana. Plaintiffs in these actions have variously alleged, among other things, that CenturyLink and certain of its current and former officers and directors violated federal securities laws and/or breached fiduciary duties owed to the Company and its shareholders. Plaintiffs' complaints focus on alleged material misstatements or omissions concerning CenturyLink's financial condition and changes in CenturyLink's capital allocation strategy in early 2013.

The matters are in preliminary phases and the Company intends to defend against the filed actions vigorously. We have not accrued a liability for these matters as it is premature (i) to determine whether an accrual is warranted and (ii) if so, to determine a reasonable estimate of probable liability.

Other Matters

From time to time, we are involved in other proceedings incidental to our business, including patent infringement allegations, administrative hearings of state public utility commissions relating primarily to rate making, actions relating to employee claims, various tax issues, environmental law issues, grievance hearings before labor regulatory agencies, and miscellaneous third party tort actions. The outcome of these other proceedings is not predictable. However, based on current circumstances we do not believe that the ultimate resolution of these other proceedings, after considering available defenses and any insurance coverage or indemnification rights, will have a material adverse effect on our financial position, results of operations or cash flows.

We are currently defending several patent infringement lawsuits asserted against us by non-practicing entities. These cases have progressed to various stages and one or more may go to trial in the coming 24 months if they are not otherwise resolved. Where applicable, we are seeking full or partial indemnification from our vendors and suppliers. As with all litigation, we are vigorously defending these actions and, as a matter of course, are prepared both to litigate the matters to judgment, as well as to evaluate and consider all settlement opportunities.

Capital Leases

We lease certain facilities and equipment under various capital lease arrangements. Depreciation of assets under capital leases is included in depreciation and amortization expense in our consolidated statements of operations. Payments on capital leases are included in repayments of long-term debt, including current maturities in the consolidated statements of cash flows.

The tables below summarize our capital lease activity:

	Years Ended December 31,	
	2013	2012
	(Dollars in millions)	
Assets acquired through capital leases	$ 12	209
Depreciation expense	136	150
Cash payments towards capital leases	119	113

	December 31,	
	2013	2012
	(Dollars in millions)	
Assets included in property, plant and equipment	$ 877	$ 893
Accumulated depreciation	338	229

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The future annual minimum payments under capital lease arrangements as of December 31, 2013 were as follows:

		Future Minimum Payments (Dollars in millions)
Capital lease obligations:		
2014	$	144
2015		111
2016		75
2017		70
2018		68
2019 and thereafter		308
Total minimum payments		776
Less: amount representing interest and executory costs		(206)
Present value of minimum payments		570
Less: current portion		(109)
Long-term portion	$	461

Operating Leases

CenturyLink leases various equipment, office facilities, retail outlets, switching facilities, and other network sites. These leases, with few exceptions, provide for renewal options and escalations that are either fixed or based on the consumer price index. Any rent abatements, along with rent escalations, are included in the computation of rent expense calculated on a straight-line basis over the lease term. The lease term for most leases includes the initial non-cancelable term plus any term under renewal options that are reasonably assured. For the years ended December 31, 2013, 2012 and 2011, our gross rental expense was $455 million, $445 million and $401 million, respectively. We also received sublease rental income for the years ended December 31, 2013, 2012 and 2011 of $16 million, $18 million and $17 million, respectively.

At December 31, 2013, our future rental commitments for operating leases were as follows:

		Future Minimum Payments (Dollars in millions)
2014	$	297
2015		274
2016		252
2017		232
2018		209
2019 and thereafter		1,391
Total future minimum payments [(1)]	$	2,655

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(1) Minimum payments have not been reduced by minimum sublease rentals of $104 million due in the future under non-cancelable subleases.

Purchase Obligations

We have several commitments primarily for marketing activities and support services from a variety of vendors to be used in the ordinary course of business totaling $628 million at December 31, 2013. Of this amount, we expect to purchase $221 million in 2014, $248 million in 2015 through 2016, $80 million in 2017 through 2018 and $79 million in 2019 and thereafter. These amounts do not represent our entire anticipated purchases in the future, but represent only those items for which we are contractually committed.

(16) Other Financial Information

Other Current Assets

The following table presents details of our other current assets in our consolidated balance sheets:

	December 31,	
	2013	2012
	(Dollars in millions)	
Prepaid expenses	$ 266	257
Materials, supplies and inventory	167	125
Assets held for sale	26	96
Deferred activation and installation charges	94	53
Other	44	21
Total other current assets	$ 597	552

Assets held for sale includes several properties that we expect to sell within the next twelve months.

Selected Current Liabilities

Current liabilities reflected in our consolidated balance sheets include accounts payable and other current liabilities as follows:

	December 31	
	2013	2012
	(Dollars in millions)	
Accounts payable	$ 1,111	1,207
Other current liabilities:		
Accrued rent	$ 52	48
Legal reserves	273	39
Other	189	147
Total other current liabilities	$ 514	234

Included in accounts payable at December 31, 2013 and 2012 were $88 million and $132 million, respectively, representing book overdrafts and $140 million and $170 million, respectively, associated with capital expenditures. Included in legal reserves at December 31, 2013 was $235 million related to the settlement agreement with the trustees in the KPNQwest Dutch bankruptcy proceeding. See Note15—Commitment and Contingencies for additional information on legal matters.

(17) Labor Union Contracts

Approximately 36% of our employees are members of various bargaining units represented by the Communications Workers of America ("CWA") or the International Brotherhood of Electrical Workers ("IBEW"). Approximately 12,000, or 26%, of our employees are subject to collective bargaining agreements that expired October 6, 2012, and an additional 1,600 or 3% of our employees are subject to additional collective bargaining agreement that have expired since then. Since the expirations, we have been negotiating the terms of new agreements. Recently, we reached conditional agreements with CWA District 7 and IBEW Local 206 for a four-year collective bargaining agreement covering approximately 12,000 of our employees. After rejecting the initial agreements, the CWA and IBEW members approved the second agreements, and they became effective on October 25, 2013. The new agreements will expire on October 7, 2017.

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(18) Repurchase of CenturyLink Common Stock

In February 2013, our Board of Directors authorized us to repurchase up to $2 billion of our outstanding common stock. During the twelve months ended December 31, 2013, we repurchased 45.7 million shares of our outstanding common stock in the open market. These shares were repurchased for an aggregate market price of $1.57 billion, or an average purchase price of $34.26 per share. The repurchased common stock has been retired. As of December 31, 2013, we had approximately $433 million in stock remaining available for repurchase under the Stock Repurchase Program. The repurchased shares set forth above exclude shares that, as of December 31, 2013, we had agreed to purchase under the program for $29 million, or an average purchase price of $31.90 per share, in transactions that settled early in the first quarter of 2014. As of February 20, 2014, we had repurchased 51.8 million shares for $1.75 billion, or an average purchase price of $33.78 per share.

(19) Other Comprehensive Earnings

The table below summarize changes in our accumulated other comprehensive loss recorded on our consolidated balance sheet by component for the year ending December 31, 2013:

	Pension Plans	Post-Retirement Benefit Plans	Foreign Currency Translation Adjustment and Other	Total
		(Dollars in millions)		
Balance at December 31, 2012	$ (1,399)	(289)	(13)	(1,701)
Other comprehensive income (loss) before reclassifications	675	164	1	840
Amounts reclassified from accumulated other comprehensive income	55	3	1	59
Net current-period other comprehensive income (loss)	730	167	2	899
Balance at December 31, 2013	$ (669)	(122)	(11)	(802)

The table below present information about our reclassifications out of accumulated other comprehensive loss by component for the year ending December 31, 2013:

Year Ended December 31, 2013	Decrease (Increase) in Net Loss	Affected Line Item in Consolidated Statement of Operations or Footnote Where Additional Information is Presented If The Amount is not Recognized in Net Income in Total
	(Dollars in millions)	
Amortization of pension & post-retirement plans		
Net actuarial loss	$ (88)	See Note 8—Employee Benefits
Prior service cost	(5)	See Note 8—Employee Benefits
Total before tax	(93)	
Income tax expense (benefit)	35	Income tax expense
Insignificant items	(1)	
Net of tax	$ (59)	

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(20) Dividends

Our Board of Directors declared the following dividends payable in 2013 and 2012:

Date Declared	Record Date	Dividend Per Share	Total Amount (in millions)	Payment Date
November 12, 2013	11/25/2013	0.540	$ 321	12/6/2013
August 27, 2013	9/6/2013	0.540	$ 321	9/19/2013
May 22, 2013	6/3/2013	0.540	$ 320	6/14/2013
February 27, 2013	3/11/2013	0.540	$ 339	3/22/2013
November 13, 2012	12/11/2012	0.725	$ 454	12/21/2012
August 21, 2012	9/11/2012	0.725	$ 452	9/21/2012
May 24, 2012	6/5/2012	0.725	$ 453	6/15/2012
February 12, 2012	3/6/2012	0.725	$ 452	3/16/2012

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

The effectiveness of our or any system of disclosure controls and procedures is subject to certain limitations, including the exercise of judgment in designing, implementing and evaluating the controls and procedures, the assumptions used in identifying the likelihood of future events and the inability to eliminate misconduct completely. As a result, there can be no assurance that our disclosure controls and procedures will detect all errors or fraud. By their nature, our or any system of disclosure controls and procedures can provide only reasonable assurance regarding management's control objectives.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15 (f) under the Exchange Act). Management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control - Integrated Framework *(1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, management has concluded that its internal control over financial reporting was effective as of December 31, 2013 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with General Accepted Accounting Principles.

Our Chief Executive Officer, Glen F. Post, III, and our Chief Financial Officer, R. Stewart Ewing, Jr., have evaluated the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the "Exchange Act") at December 31, 2013. Based on the evaluation, Messrs. Post and Ewing concluded that our disclosure controls and procedures are designed, and are effective, to provide reasonable assurance that the information required to be disclosed by us in the reports that we file under the Exchange Act is timely recorded, processed, summarized and reported and to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including Messrs. Post and Ewing, in a manner that allows timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during 2013 that materially affected, or that we believe are reasonably likely to materially affect, our internal control over financial reporting.

See Management's Report on Internal Control over Financial Reporting and the Report of Independent Registered Public Accounting Firm on our internal control over financial reporting in Item 8, which are incorporated herein by reference.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 is incorporated by reference to the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated by reference to the Proxy Statement.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

The following table provides information as of December 31, 2013 about our equity compensation plans under which Common Shares are authorized for issuance:

	Number of securities to be issued upon exercise of outstanding options and rights (a)	Weighted-average exercise price of outstanding options and rights (b)	Number of securities remaining available for future issuance under plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by shareholders	1,074,746 (1)	$ 42.87	26,883,539 (1)
Equity compensation plans not approved by shareholders (2)	4,250,543	34.20	—
Totals	5,325,289	$ 35.95	26,883,539

(1) This amount includes 1,472,131 shares remaining to be granted under our shareholder-approved employee stock purchase plan.

(2) These amounts represent common shares to be issued upon exercise of options or vesting of restricted stock units that were assumed in connection with certain acquisitions approved under our required company equity incentive plans. See Note 2—Acquisitions to the Consolidated Financial Statements in Item 8 of this annual report.

The balance of the information required by Item 12 is incorporated by reference to the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by Item 13 is incorporated by reference to the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is incorporated by reference to the Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibits identified in parentheses below are on file with the SEC and are incorporated herein by reference. All other exhibits are provided as part of this electronic submission.

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of October 26, 2008, by and among CenturyLink, Inc., Embarq Corporation and Cajun Acquisition Company (incorporated by reference to Exhibit 99.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on October 30, 2008).
2.2	Agreement and Plan of Merger, dated as of April 21, 2010, by and among CenturyLink, Inc., its subsidiary SB44 Acquisition Company, and Qwest Communications International Inc. (incorporated by reference to Exhibit 2.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on April 27, 2010).
2.3	Agreement and Plan of Merger, dated as of April 26, 2011, by and among CenturyLink, Inc., SAVVIS, Inc. and Mimi Acquisition Company (incorporated by reference to Exhibit 2.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on April 27, 2011).
3.1	Amended and Restated Articles of Incorporation of CenturyLink, Inc., as amended through May 23, 2012 (incorporated by reference to Exhibit 3.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on May 30, 2012).
3.2	Bylaws of CenturyLink, Inc., as amended and restated through November 4, 2010 (incorporated by reference to Exhibit 3.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on November 5, 2010).
4.1	Form of common stock certificate (incorporated by reference to Exhibit 4.10 of CenturyLink, Inc.'s Registration Statement on Form S-3 filed with the Securities and Exchange Commission on March 2, 2012 (Registration No. 333-179888)).
4.2	Instruments relating to CenturyLink, Inc.'s Revolving Credit Facility.
	a. Amended and Restated Credit Agreement, dated as of April 6, 2012, by and among CenturyLink, Inc. and the lenders and agents named therein (incorporated by reference to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on April 11, 2012).
	b. Guarantee Agreement, dated as of April 6, 2012, by and among the original guarantors named therein (incorporated by reference to Exhibit 4.2 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on April 11, 2012), as assumed by two additional guarantors under an assumption agreement, dated as of May 23, 2013 (incorporated by reference to Exhibit 4.2(b) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2013 (File No. 001-07784) filed with the Securities and Exchange Commission on August 8, 2013).
4.3	Instruments relating to CenturyLink, Inc.'s Term Loan.
	a. Credit Agreement, dated as of April 18, 2012, by and among CenturyLink, Inc., the several banks and other financial institutions or entities from time to time parties thereto, and CoBank, ACB, as administrative agent (incorporated by reference to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on April 20, 2012).
	b. Guarantee Agreement, dated as of April 18, 2012, by and among the original guarantors named therein (incorporated by reference to Exhibit 4.2 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on April 20, 2012), as assumed by two additional guarantors under an assumption agreement, dated as of May 23, 2013 (incorporated by reference to Exhibit 4.3(b) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2013 (File No. 001-07784) filed with the Securities and Exchange Commission on August 8, 2013).
4.4	Instruments relating to CenturyLink, Inc.'s public senior debt.(1)
	a. Form of Indenture, by and between Century Telephone Enterprises, Inc. (currently named CenturyLink, Inc.) and First American Bank & Trust of Louisiana, as Trustee (incorporated by reference to Exhibit 4.1 of CenturyLink, Inc.'s Registration Statement on Form S-3 (File No. No. 33-52915) filed with the Securities and Exchange Commission on March 31, 1994).

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(1) Certain of the items in Sections 4.4, 4.5 and 4.6 (i) omit supplemental indentures or other instruments governing debt that has been retired, or (ii) refer to trustees who may have been replaced, acquired or affected by similar changes. In accordance with Item 601(b) (4) (iii) (A) of Regulation S-K, copies of certain instruments defining the rights of holders of certain of our long-term debt are not filed herewith. Pursuant to this regulation, we hereby agree to furnish a copy of any such instrument to the SEC upon request.

Exhibit Number	Description
	(i). Form of 7.2% Senior Notes, Series D, due 2025 (incorporated by reference to Exhibit 4.27 of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1995 (File No. 001-07784) filed with the Securities and Exchange Commission on March 18, 1996).
	(ii). Form of 6.875% Debentures, Series G, due 2028, (incorporated by reference to Exhibit 4.9 of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 001-07784) filed with the Securities and Exchange Commission on March 16, 1998).
	b. Third Supplemental Indenture, dated as of February 14, 2005, by and between CenturyTel, Inc. (currently named CenturyLink, Inc.) and Regions Bank, as Trustee, designating and outlining the terms and conditions of CenturyLink's 5% Senior Notes, Series M, due 2015 (incorporated by reference to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 000-50260) filed with the Securities and Exchange Commission on February 15, 2005).
	(i). Form of 5% Senior Notes, Series M, due 2015 (incorporated by reference to Exhibit A to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 000-50260) filed with the Securities and Exchange Commission on February 15, 2005).
	c. Fourth Supplemental Indenture, dated as of March 26, 2007, by and between CenturyTel, Inc. (currently named CenturyLink, Inc.) and Regions Bank, as Trustee, designating and outlining the terms and conditions of CenturyLink's 6.0% Senior Notes, Series N, due 2017 and 5.5% Senior Notes, Series O, due 2013 (incorporated by reference to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on March 29, 2007).
	(i). Form of 6.0% Senior Notes, Series N, due 2017 and 5.5% Senior Notes, Series O, due 2013 (incorporated by reference to Exhibit A to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on March 29, 2007).
	d. Fifth Supplemental Indenture, dated as of September 21, 2009, by and between CenturyTel, Inc. (currently named CenturyLink, Inc.) and Regions Bank, as Trustee, designating and outlining the terms and conditions of CenturyLink's 7.60% Senior Notes, Series P, due 2039 and 6.15% Senior Notes, Series Q, due 2019 (incorporated by reference to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on September 22, 2009).
	(i). Form of 7.60% Senior Notes, Series P, due 2039 and 6.15% Senior Notes, Series Q, due 2019 (incorporated by reference to Exhibit A to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on September 22, 2009).
	e. Sixth Supplemental Indenture, dated as of June 16, 2011, by and between CenturyLink, Inc. and Regions Bank, as Trustee, designating and outlining the terms and conditions of CenturyLink's 5.15% Senior Notes, Series R, due 2017 and 6.45% Senior Notes, Series S, due 2021 (incorporated by reference to Exhibit 4.2 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on June 16, 2011).
	(i). Form of 5.15% Senior Notes, Series R, due 2017 and 6.45% Senior Notes, Series S, due 2021 (incorporated by reference to Exhibit A to Exhibit 4.2 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on June 16, 2011).
	f. Seventh Supplemental Indenture, dated as of March 12, 2012, by and between CenturyLink, Inc. and Regions Bank, as Trustee, designating and outlining the terms and conditions of CenturyLink's 5.80% Senior Notes, Series T, due 2022 and 7.65% Senior Notes, Series U, due 2042 (incorporated by reference to Exhibit 4.1 of CenturyLink's Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on March 12, 2012).
	(i). Form of 5.80% Senior Notes, Series T, due 2022 and 7.65% Senior Notes, Series U, due 2042 (incorporated by reference to Exhibit A to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on March 12, 2012).
	g. Eighth Supplemental Indenture, dated as of March 21, 2013, by and between CenturyLink, Inc. and Regions Bank, as Trustee, designating and outlining the terms and conditions of CenturyLink's 5.625% Senior Notes, Series V, due 2020 (incorporated by reference to Exhibit 4.1 of CenturyLink's Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on March 21, 2013).

Exhibit Number	Description
	(i). Form of 5.625% Senior Notes, Series V, due 2020 (incorporated by reference to Exhibit A to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on March 21, 2013).
	h. Ninth Supplemental Indenture, dated as of November 27, 2013, by and between CenturyLink, Inc. and Regions Bank, as Trustee, designating and outlining the terms and conditions of CenturyLink's 6.75% Senior Notes, Series W, due 2023 (incorporated by reference to Exhibit 4.1 of CenturyLink's Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on November 27, 2013).
	(i) Form of 6.75% Senior Notes, Series W, due 2023 (incorporated by reference to Exhibit A to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on November 27, 2013).
4.5	Instruments relating to indebtedness of Qwest Communications International, Inc. and its subsidiaries.(1)
	a. Indenture, dated as of April 15, 1990, by and between The Mountain States Telephone and Telegraph Company (currently named Qwest Corporation) and The First National Bank of Chicago (incorporated by reference to Exhibit 4.2 of Qwest Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-03040) filed with the Securities and Exchange Commission on January 13, 2004).
	(i). First Supplemental Indenture, dated as of April 16, 1991, by and between U S WEST Communications, Inc. (currently named Qwest Corporation) and The First National Bank of Chicago (incorporated by reference to Exhibit 4.3 of Qwest Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-03040) filed with the Securities and Exchange Commission on January 13, 2004).
	b. Indenture, dated as of April 15, 1990, by and between Northwestern Bell Telephone Company (predecessor to Qwest Corporation) and The First National Bank of Chicago (incorporated by reference to Exhibit 4.5(b) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2012 (File No. 001-07784) filed with the Securities and Exchange Commission on May 10, 2012).
	(i). First Supplemental Indenture, dated as of April 16, 1991, by and between U S WEST Communications, Inc. (currently named Qwest Corporation) and The First National Bank of Chicago (incorporated by reference to Exhibit 4.3 of Qwest Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-03040) filed with the Securities and Exchange Commission on January 13, 2004).
	c. Indenture, dated as of June 29, 1998, by and among U S WEST Capital Funding, Inc. (currently named Qwest Capital Funding, Inc.), U S WEST, Inc. (predecessor to Qwest Communications International Inc.) and The First National Bank of Chicago, as trustee (incorporated by reference to Exhibit 4(a) of U S WEST, Inc.'s Current Report on Form 8-K (File No. 001-14087) filed with the Securities and Exchange Commission on November 18, 1998).
	(i). First Supplemental Indenture, dated as of June 30, 2000, by and among U S WEST Capital Funding, Inc. (currently named Qwest Capital Funding, Inc.), U S WEST, Inc. (predecessor to Qwest Communications International Inc.) and Bank One Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.10 of Qwest Communications International Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2000 (File No. 001-15577) filed with the Securities and Exchange Commission on August 11, 2000).
	d. Indenture, dated as of October 15, 1999, by and between US West Communications, Inc. (currently named Qwest Corporation) and Bank One Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4(b) of Qwest Corporation's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 001-03040) filed with the Securities and Exchange Commission on March 3, 2000).
	(i). First Supplemental Indenture, dated as of August 19, 2004, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Exhibit 4.22 of Qwest Communications International Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2004 (File No. 001-15577) filed with the Securities and Exchange Commission on November 5, 2004).
	(ii). Third Supplemental Indenture, dated as of June 17, 2005, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Exhibit 4.2 of Qwest Communications International Inc.'s Current Report on Form 8-K (File No. 001-15577) filed with the Securities and Exchange Commission on June 23, 2005).

Exhibit Number	Description		
		(iii).	Fourth Supplemental Indenture, dated as of August 8, 2006, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 of Qwest Communications International Inc.'s Current Report on Form 8-K (File No. 001-15577) filed with the Securities and Exchange Commission on August 8, 2006).
		(iv).	Fifth Supplemental Indenture, dated as of May 16, 2007, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 of Qwest Communications International Inc.'s Current Report on Form 8-K (File No. 001-15577) filed with the Securities and Exchange Commission on May 18, 2007).
		(v).	Sixth Supplemental Indenture, dated as of April 13, 2009, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 of Qwest Communications International Inc.'s Current Report on Form 8-K (File No. 001-15577) filed with the Securities and Exchange Commission on April 13, 2009).
		(vi).	Seventh Supplemental Indenture, dated as of June 8, 2011, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Exhibit 4.8 of Qwest Corporation's Form 8-A (File No. 001-03040) filed with the Securities and Exchange Commission on June 7, 2011).
		(vii).	Eighth Supplemental Indenture, dated as of September 21, 2011, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Exhibit 4.9 of Qwest Corporation's Form 8-A (File No. 001-03040) filed with the Securities and Exchange Commission on September 20, 2011).
		(viii).	Ninth Supplemental Indenture, dated as of October 4, 2011, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 of Qwest Corporation's Current Report on Form 8-K (File No. 001-03040) filed with the Securities and Exchange Commission on October 4, 2011).
		(ix)	Tenth Supplemental Indenture, dated as of April 2, 2012, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Qwest Corporation's Form 8-A (File No. 001-03040) filed with the Securities and Exchange Commission on March 30, 2012).
		(x)	Eleventh Supplemental Indenture, dated as of June 25, 2012, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Exhibit 4.12 of Qwest Corporation's Form 8-A (File No. 001-03040) filed with the Securities and Exchange Commission on June 22, 2012).
		(xi)	Twelfth Supplemental Indenture, dated as of May 23, 2013, by and between Qwest Corporation and U.S. Bank National Association (incorporated by reference to Qwest Corporation's Form 8-A (File No. 001-03040) filed with the Securities and Exchange Commission on May 22, 2013).
4.6	Instruments relating to indebtedness of Embarq Corporation.[1]		
	a.	Indenture, dated as of May 17, 2006, by and between Embarq Corporation and J.P. Morgan Trust Company, National Association, a national banking association, as trustee (incorporated by reference to Exhibit 4.1 of Embarq Corporation's Current Report on Form 8-K (File No. 001-32732) filed with the Securities and Exchange Commission on May 18, 2006).	
	b.	7.082% Global Note due 2016 of Embarq Corporation (incorporated by reference to Exhibit 4.3 to Embarq Corporation's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-32372) filed with the Securities and Exchange Commission on March 9, 2007).	
	c.	7.995% Global Note due 2036 of Embarq Corporation (incorporated by reference to Exhibit 4.4 to Embarq Corporation's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-32372) filed with the Securities and Exchange Commission on March 9, 2007).	
4.7	Intercompany debt instruments.		
	a.	Revolving Promissory Note, dated as of April 2, 2012 pursuant to which Embarq Corporation may borrow from an affiliate of CenturyLink, Inc. up to $2.5 billion on a revolving basis (incorporated by reference to Exhibit 4.7(a) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2012 (File No. 001-07784) filed with the Securities and Exchange Commission on November 8, 2012).	
	b.	Revolving Promissory Note, dated as of April 18, 2012, pursuant to which Qwest Corporation may borrow from an affiliate of CenturyLink, Inc. up to $1.0 billion on a revolving basis (incorporated by reference to Exhibit 4.7(b) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2012 (File No. 001-07784) filed with the Securities and Exchange Commission on November 8, 2012).	

Exhibit Number	Description	
	c.	Revolving Promissory Note, dated as of September 27, 2012, pursuant to which Qwest Communications International, Inc. may borrow from an affiliate of CenturyLink, Inc. up to $3.0 billion on a revolving basis (incorporated by reference to Exhibit 4.7(c) of CenturyLink Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 001-07844) filed with the Securities and Exchange Commission on March 1, 2013).
10.1	Qualified Employee Benefit Plans of CenturyLink, Inc. (excluding several narrow-based qualified plans that cover union employees or other limited groups of employees).	
	a.	CenturyLink Dollars & Sense 401(k) Plan and Trust, as amended and restated through December 31, 2006 (incorporated by reference to Exhibit 10.1(a) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2007), as amended by the First Amendment and the Second Amendment thereto, each dated as of December 31, 2007 (incorporated by reference to Exhibit 10.1(a) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 001-07784) filed with the Securities and Exchange Commission on February 29, 2008), as amended by the Third Amendment thereto dated as of November 20, 2008 (incorporated by reference to Exhibit 10.1 (a) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on February 27, 2009), as amended by the Fourth Amendment thereto dated as of June 30, 2009 (incorporated by reference to Exhibit 10.1(a) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on August 7, 2009), as amended by the Fifth Amendment thereto dated as of September 15, 2009 (incorporated by reference to Exhibit 10.1(a) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2010), as amended by the Sixth Amendment thereto, dated as of December 30, 2009 (incorporated by reference to Exhibit 10.1(a) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2010), as amended by the Seventh Amendment thereto, effective May 20, 2010 (incorporated by reference to Exhibit 10.1(a) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on November 5, 2010) and as amended by the Eighth Amendment thereto, effective January 1, 2011 (incorporated by reference to Exhibit 10.1(a) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2011).
	b.	CenturyLink Union 401(k) Plan and Trust, as amended and restated through December 31, 2006 (incorporated by reference to Exhibit 10.1(b) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2007), as amended by the First Amendment thereto dated as of May 29, 2007 (incorporated by reference to Exhibit 10.1(b) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on May 7, 2008), as amended by the Second Amendment thereto dated as of December 31, 2007 (incorporated by reference to Exhibit 10.1(b) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 001-07784) filed with the Securities and Exchange Commission on February 29, 2008), as amended by the Third Amendment thereto dated as of November 20, 2008 (incorporated by reference to Exhibit 10.1(b) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on February 27, 2009), as amended by the Fourth Amendment thereto dated as of June 30, 2009 (incorporated by reference to Exhibit 10.1(b) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on August 7, 2009), as amended by the Fifth Amendment thereto dated as of September 15, 2009 (incorporated by reference to Exhibit 10.1(b) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2010), as amended by the Sixth Amendment thereto, dated as of December 30, 2009 (incorporated by reference to Exhibit 10.1(b) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2010), as amended by the Seventh Amendment thereto, effective May 20, 2010 (incorporated by reference to Exhibit 10.1(b) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on November 5, 2010) and as amended by the Eighth Amendment thereto, effective January 1, 2011 (incorporated by reference to Exhibit 10.1(b) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2011).

Exhibit Number	Description
	c. CenturyLink Retirement Plan, as amended and restated through December 31, 2006 (incorporated by reference to Exhibit 10.1(c) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2007), as amended by Amendment No. 1 thereto dated as of April 2, 2007 (incorporated by reference to Exhibit 10.1(c) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on May 7, 2008), as amended by Amendment No. 2 thereto dated as of December 31, 2007 (incorporated by reference to Exhibit 10.1(c) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 001-07784) filed with the Securities and Exchange Commission on February 29, 2008), as amended by Amendment No. 3 thereto dated as of October 24, 2008 (incorporated by reference to Exhibit 10.1(c) CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on February 27, 2009), as amended by Amendment No. 4 dated as of June 30, 2009 (incorporated by reference to Exhibit 10.1(c) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on August 7, 2009), as amended by Amendment No. 5 thereto dated as of September 15, 2009 (incorporated by reference to Exhibit 10.1(c) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2010), as amended by Amendment No. 6 thereto, dated as of December 30, 2009 (incorporated by reference to Exhibit 10.1(c) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2010), as amended by Amendment No. 7 thereto, effective at various dates during 2010 (incorporated by reference to Exhibit 10.1(c) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on November 5, 2010) and as amended by Amendment No. 8 thereto, effective January 1, 2011 (incorporated by reference to Exhibit 10.1(c) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2011).
10.2	Stock-based Incentive Plans and Agreements of CenturyLink
	a. Amended and Restated 1983 Restricted Stock Plan, as amended and restated through February 23, 2010 (incorporated by reference to Exhibit 10.2(a) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2010).
	b. Amended and Restated 2000 Incentive Compensation Plan, as amended through May 23, 2000 (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2000 (File No. 001-07784) filed with the Securities and Exchange Commission on August 11, 2000) and amendment thereto dated as of May 29, 2003 (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2003 (File No. 001-7784) filed with the Securities and Exchange Commission on August 14, 2003).
	(i) Form of Stock Option Agreement, pursuant to the 2000 Incentive Compensation Plan and dated as of May 21, 2001, entered into between CenturyLink, Inc. and its officers (incorporated by reference to Exhibit 10.2(e) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-07784) filed with the Securities and Exchange Commission on March 15, 2002).
	(ii) Form of Stock Option Agreement, pursuant to the 2000 Incentive Compensation Plan and dated as of February 25, 2002, entered into between CenturyLink, Inc. and its officers (incorporated by reference to Exhibit 10.2(d) (ii) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-07784) filed with the Securities and Exchange Commission on March 27, 2003).
	c. Amended and Restated 2002 Directors Stock Option Plan, dated as of February 25, 2004 (incorporated by reference to Exhibit 10.2(e) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-07784) filed with the Securities and Exchange Commission on March 12, 2004) and amendment thereto dated as of October 24, 2008 (incorporated by reference to Exhibit 10.2(d) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on February 27, 2009).

Exhibit Number	Description		
		(i)	Form of Stock Option Agreement, pursuant to the foregoing plan, entered into between CenturyLink, Inc. in connection with options granted to the outside directors as of May 10, 2002 (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2002 (File No. 001-07784) filed with the Securities and Exchange Commission on November 14, 2002).
		(ii)	Form of Stock Option Agreement, pursuant to the foregoing plan, entered into between CenturyLink, Inc. in connection with options granted to the outside directors as of May 9, 2003 (incorporated by reference to Exhibit 10.2(e) (ii) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-07784) filed with the Securities and Exchange Commission on March 12, 2004).
		(iii)	Form of Stock Option Agreement, pursuant to the foregoing plan, entered into between CenturyLink, Inc. in connection with options granted to the outside directors as of May 7, 2004 (incorporated by reference to Exhibit 10.2(d) (iii) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 001-07784) filed with the Securities and Exchange Commission on March 16, 2006).
	d.	Amended and Restated 2002 Management Incentive Compensation Plan, dated as of February 25, 2004 (incorporated by reference to Exhibit 10.2(f) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-07784) filed with the Securities and Exchange Commission on March 12, 2004) and amendment thereto dated as of October 24, 2008 (incorporated by reference to Exhibit 10.2(e) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on February 27, 2009).	
		(i)	Form of Stock Option Agreement, pursuant to the foregoing plan, entered into between CenturyLink, Inc. and certain of its officers and key employees at various dates during 2002 following May 9, 2002 (incorporated by reference to Exhibit 10.4 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2002 (File No. 001-07784) filed with the Securities and Exchange Commission on November 14, 2002).
		(ii)	Form of Stock Option Agreement, pursuant to foregoing plan and dated as of February 24, 2003, entered into between CenturyLink, Inc. and its officers (incorporated by reference to Exhibit 10.2(f) (ii) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-07784) filed with the Securities and Exchange Commission on March 27, 2003).
		(iii)	Form of Stock Option Agreement, pursuant to foregoing plan and dated as of February 25, 2004, entered into between CenturyLink, Inc. and its officers (incorporated by reference to Exhibit 10.2(f) (iii) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 001-07784) filed with the Securities and Exchange Commission on March 12, 2004).
		(iv)	Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 24, 2003, entered into between CenturyLink, Inc. and its executive officers (incorporated by reference to Exhibit 10.1 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 001-07784) filed with the Securities and Exchange Commission on May 14, 2003).
		(v)	Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 25, 2004, entered into between CenturyLink, Inc. and its executive officers (incorporated by reference to Exhibit 10.2 (f) (v) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2004 (File No. 000-50260) filed with the Securities and Exchange Commission on May 7, 2004).
		(vi)	Form of Stock Option Agreement, pursuant to foregoing plan and dated as of February 17, 2005, entered into between CenturyLink, Inc. and its executive officers (incorporated by reference to Exhibit 10.2(e) (v) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 000-50260) filed with the Securities and Exchange Commission on March 16, 2005).
		(vii)	Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 17, 2005, entered into between CenturyLink, Inc. and its executive officers (incorporated by reference to Exhibit 10.2 (e) (vi) of CenturyLink, Inc.'s Annual Report on Form 10-K for the period ended December 31, 2004 (File No. 000-50260) filed with the Securities and Exchange Commission on March 16, 2005).

Exhibit Number	Description		
	e.	Amended and Restated 2005 Directors Stock Plan, as amended and restated through February 23, 2010 (incorporated by reference to Exhibit 10.2(f) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2010).	
		(i)	Form of Restricted Stock Agreement, pursuant to the foregoing plan, entered into between CenturyLink, Inc. and each of its outside directors as of May 13, 2005 (incorporated by reference to Exhibit 10.4 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 000-50260) filed with the Securities and Exchange Commission on May 13, 2005).
		(ii)	Form of Restricted Stock Agreement, pursuant to the foregoing plan, entered into between CenturyLink, Inc. and each of its outside directors as of May 12, 2006 (incorporated by reference to Exhibit 10.1 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2006 (File No. 001-07784) filed with the Securities and Exchange Commission on August 3, 2006).
		(iii)	Form of Restricted Stock Agreement, pursuant to the foregoing plan, entered into between CenturyLink, Inc. and each of its outside directors as of May 11, 2007 (incorporated by reference to Exhibit 10.2(f) (iii) of CenturyLink, Inc.'s Annual Report on Form 10-K for the period ended December 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on February 27, 2009).
		(iv)	Form of Restricted Stock Agreement, pursuant to the foregoing plan, entered into between CenturyLink, Inc. and each of its outside directors as of May 9, 2008 (incorporated by reference to Exhibit 10.2 (f) (iv) of CenturyLink, Inc.'s Annual Report on Form 10-K for the period ended December 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on February 27, 2009).
		(v)	Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of May 8, 2009, entered into between CenturyLink, Inc. and each of its outside directors on such date who remained on the Board following July 1, 2009 (incorporated by reference to Exhibit 10.2(b) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on August 7, 2009).
		(vi)	Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of May 8, 2009, entered into between CenturyLink, Inc. and each of its outside directors who retired on July 1, 2009 (incorporated by reference to Exhibit 10.2(c) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on August 7, 2009).
		(vii)	Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of July 2, 2009, entered into between CenturyLink, Inc. and each of its outside directors named to the Board on July 1, 2009 (incorporated by reference to Exhibit 10.1(d) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on August 7, 2009).
		(viii)	Restricted Stock Agreement, pursuant to the foregoing plan and dated as of July 2, 2009, entered into between CenturyLink, Inc. and William A. Owens in payment of Mr. Owens' 2009 supplemental chairman's fees (incorporated by reference to Exhibit 10.2(e) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on August 7, 2009).
		(ix)	Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of May 21, 2010, entered into between CenturyLink, Inc. and seven of its outside directors on such date (incorporated by reference to Exhibit 10.1 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on August 6, 2010).
	f.	Amended and Restated 2005 Management Incentive Compensation Plan, as amended and restated through February 23, 2010 (incorporated by reference to Exhibit 10.2(g) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2010).	
		(i)	Form of Stock Option Agreement, pursuant to the foregoing plan, entered into between CenturyLink, Inc. and certain officers and key employees at various dates since May 12, 2005 (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2005 (File No. 001-07784) filed with the Securities and Exchange Commission on November 9, 2005).

Exhibit Number	Description		
		(ii)	Form of Restricted Stock Agreement, pursuant to the foregoing plan, entered into between CenturyLink, Inc. and certain officers and key employees at various dates since May 12, 2005 (incorporated by reference to Exhibit 10.3 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2005 (File No. 001-07784) filed with the Securities and Exchange Commission on November 9, 2005).
		(iii)	Form of Stock Option Agreement, pursuant to the foregoing plan and dated as of February 21, 2006, entered into between CenturyLink, Inc. and its executive officers (incorporated by reference to Exhibit 10.2 (g) (iii) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 001-07784) filed with the Securities and Exchange Commission on March 16, 2006).
		(iv)	Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 21, 2006, entered into between CenturyLink, Inc. and its executive officers (incorporated by reference to Exhibit 10.2 (g) (iv) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 001-07784) filed with the Securities and Exchange Commission on March 16, 2006).
		(v)	Form of Stock Option Agreement, pursuant to the foregoing plan and dated as of February 26, 2007, entered into between CenturyLink, Inc. and its executive officers (incorporated by reference to Exhibit 10.1 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2007 (File No. 001-07784) filed with the Securities and Exchange Commission on May 9, 2007).
		(vi)	Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 26, 2007, entered into between CenturyLink, Inc. and its executive officers (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2007 (File No. 001-07784) filed with the Securities and Exchange Commission on May 9, 2007).
		(vii)	Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 21, 2008, entered into between CenturyLink, Inc. and its executive officers (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on May 7, 2008).
		(viii)	Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 26, 2009 (incorporated by reference to Exhibit 10.2(g) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on May 1, 2009).
		(ix)	Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of March 8, 2010 (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on May 7, 2010).
	g.	Amended and Restated CenturyLink Legacy Embarq 2008 Equity Incentive Plan, as amended and restated through February 23, 2010 (incorporated by reference to Exhibit 10.2(h) of CenturyLink, Inc.’s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2010).	
		(i)	Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of May 21, 2010, entered into between CenturyLink, Inc. and four of its outside directors as of such date (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on August 6, 2010).
		(ii)	Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of May 21, 2010, entered into between CenturyLink, Inc. and William A. Owens in payment of Mr. Owens' 2010 supplemental chairman's fees (incorporated by reference to Exhibit 10.3 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on August 6, 2010).
		(iii)	Form of Restricted Stock Agreement, dated as of September 7, 2010, entered into between CenturyLink, Inc. and Dennis G. Huber (incorporated by reference to Exhibit 10.16 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on November 5, 2010).

Exhibit Number	Description
	h. Form of Retention Award Agreement, pursuant to the equity incentive plans of CenturyLink or Embarq and dated as of August 23, 2010, entered into between CenturyLink, Inc. and certain officers and key employees as of such date (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on November 5, 2010).
	i. CenturyLink 2011 Equity Incentive Plan (incorporated by reference to Appendix B of CenturyLink, Inc.'s Proxy Statement for its 2011 Annual Meeting of Shareholders (File No. 001-07784) filed with the Securities and Exchange Commission on April 6, 2011).
	(i) Form of Restricted Stock Agreement for executive officers used in 2011 and 2012 (incorporated by reference to Exhibit 10.2(a) (i) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2011 (File No. 001-07784) filed with the Securities and Exchange Commission on August 9, 2011).
	(ii) Form of Restricted Stock Agreement for non-management directors used since 2011 (incorporated by reference to Exhibit 10.2(a) (ii) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2011 (File No. 001-07784) filed with the Securities and Exchange Commission on August 9, 2011).
	(iii) Form of Restricted Stock Agreement for executive officers used since May 2013.
10.3	Key Employee Incentive Compensation Plan, dated as of January 1, 1984, as amended and restated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(f) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1995 (File No. 001-07784) filed with the Securities and Exchange Commission on March 18, 1996) and amendment thereto dated as of November 21, 1996 (incorporated by reference to Exhibit 10.1(f) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 001-07784) filed with the Securities and Exchange Commission on March 17, 1997), amendment thereto dated as of February 25, 1997 (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 1997 (File No. 001-07784) filed with the Securities and Exchange Commission on May 8, 1997), amendment thereto dated as of April 25, 2001 (incorporated by reference to Exhibit 10.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2001 (File No. 001-07784) filed with the Securities and Exchange Commission on May 15, 2001), amendment thereto dated as of April 17, 2000 (incorporated by reference to Exhibit 10.3(a) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-07784) filed with the Securities and Exchange Commission on March 15, 2002) and amendment thereto dated as of February 27, 2007 (incorporated by reference to Exhibit 10.1 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2007 (File No. 001-07784) filed with the Securities and Exchange Commission on August 8, 2007).
10.4	Supplemental Dollars & Sense Plan, 2008 Restatement, effective January 1, 2008, (incorporated by reference to Exhibit 10.3(c) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 001-07784) filed with the Securities and Exchange Commission on February 29, 2009) and amendment thereto dated as of October 24, 2008 (incorporated by reference to Exhibit 10.3(c) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on March 27, 2009) and amendment thereto dated as of December 27, 2010 (incorporated by reference to Exhibit 10.4 of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2011).
10.5	Supplemental Defined Benefit Pension Plan, effective as of January 1, 2012 (incorporated by reference to Exhibit 10.5 of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 (File No. 001-07784) filed with the Securities and Exchange Commission on February 28, 2012).
10.6	Amended and Restated Salary Continuation (Disability) Plan for Officers, dated as of November 26, 1991 (incorporated by reference to Exhibit 10.16 of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1991).
10.7	2010 Executive Officer Short-Term Incentive Program (incorporated by reference to Appendix B of CenturyLink, Inc.'s 2010 Proxy Statement on Form 14A (File No. 001-07784) filed with the Securities and Exchange Commission on April 7, 2010).
10.8	Amended and Restated CenturyLink 2001 Employee Stock Purchase Plan, dated as of June 30, 2009 (incorporated by reference to Exhibit 10.3 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on August 7, 2009).
10.9	Form of Indemnification Agreement entered into between CenturyLink, Inc. and each of its directors as of July 1, 2009 (incorporated by reference to Exhibit 99.3 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) with the Securities and Exchange Commission on July 1, 2009).

Exhibit Number	Description
10.10	Form of Indemnification Agreement entered into between CenturyLink, Inc. and each of its officers as of July 1, 2009 (incorporated by reference to Exhibit 10.5 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on August 7, 2009).
10.11	Change of Control Agreement, effective January 1, 2011, by and between Glen F. Post, III and CenturyLink, Inc. (incorporated by reference to Exhibit 10.11 of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2011).
10.12	Form of Change of Control Agreement, effective January 1, 2011 between CenturyLink, Inc. and each of its other executive officers (incorporated by reference to Exhibit 10.12 of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2011).
10.13	Amended and Restated CenturyLink, Inc. Bonus Life Insurance Plan for Executive Officers, dated as of April 3, 2008 (incorporated by reference to Exhibit 10.4 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2008 (File No. 001-07784) filed with the Securities and Exchange Commission on May 7, 2008) and First Amendment thereto (incorporated by reference to Exhibit 10.13 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on November 5, 2010).
10.14	Certain Material Agreements and Plans of Embarq Corporation.
	a. Embarq Corporation 2006 Equity Incentive Plan, as amended and restated (incorporated by reference to Exhibit 99.1 of the Registration Statement on Form S-8 filed by CenturyLink, Inc. (File No. 001-07784) with the Securities and Exchange Commission on July 1, 2009).
	b. Form of 2007 Award Agreement for executive officers of Embarq Corporation (incorporated by reference to Exhibit 10.1 of Embarq Corporation's Current Report on Form 8-K (File No. 001-32372) filed with the Securities and Exchange Commission on February 27, 2007).
	c. Form of 2008 Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 of Embarq Corporation's Current Report on Form 8-K (File No. 001-32372) filed with the Securities and Exchange Commission on March 4, 2008).
	d. Form of 2009 Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 of Embarq Corporation's Current Report on Form 8-K (File No. 001-32732) filed with the Securities and Exchange Commission on March 5, 2009).
	e. Form of Stock Option Award Agreement (incorporated by reference to Exhibit 10.3 of Embarq Corporation's Current Report on Form 8-K (File No. 001-32372) filed with the Securities and Exchange Commission on March 4, 2008).
	f. Amendment to Outstanding RSUs granted in 2007 and 2008 under the Embarq Corporation 2006 Equity Incentive Plan (incorporated by reference to Exhibit 10.16 of Embarq Corporation's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-32372) filed with the Securities and Exchange Commission on February 13, 2009).
	g. Form of 2006 Award Agreement, entered into between Embarq Corporation and Richard A. Gephardt (incorporated by reference to Exhibit 10.3 of Embarq Corporation's Current Report on Form 8-K (File No. 001-32372) filed with the Securities and Exchange Commission on August 1, 2006), as amended by the amendment thereto dated as of June 26, 2009 (incorporated by reference to Exhibit 10.6 (m) of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2009 (File No. 001-07784) filed with the Securities and Exchange Commission on August 7, 2009).
	h. Amended and Restated Executive Severance Plan, including Form of Participation Agreement entered into between Embarq Corporation and William E. Cheek (incorporated by reference to Exhibit 10.4 of Embarq Corporation's Quarterly Report on Form 10-Q for the period ended September 30, 2008 (File No. 001-32372) filed with the Securities and Exchange Commission on October 30, 2008).
	i. Embarq Supplemental Executive Retirement Plan, as amended and restated as of January 1, 2009 (incorporated by reference to Exhibit 10.27 of Embarq Corporation's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-32372) filed with the Securities and Exchange Commission on February 13, 2009), amendment thereto dated as of December 27, 2010 (incorporated by reference to Exhibit 10.14(o) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on March 1, 2011) and second amendment thereto as of dated as of November 15, 2011 (incorporated by reference to Exhibit 10.14(k) of CenturyLink, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 (File No. 001-07784) filed with the Securities and Exchange Commission on February 28, 2012).

Exhibit Number	Description
10.15	Certain Material Agreements and Plans of Qwest Communications International Inc. or Savvis, Inc.
	a. Equity Incentive Plan, as amended and restated (incorporated by reference to Annex A of Qwest Communications International Inc.'s Proxy Statement for the 2007 Annual Meeting of Stockholders (File No. 001-15577) filed with the Securities and Exchange Commission on March 29, 2007).
	b. Forms of restricted stock, performance share and option agreements used under Equity Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.2 of Qwest Communications International Inc.'s Current Report on Form 8-K (File No. 001-15577) filed with the Securities and Exchange Commission on October 24, 2005; Exhibit 10.2 of Qwest Communication International Inc.'s Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 001-15577) filed with the Securities and Exchange Commission on February 16, 2006; Exhibit 10.2 of Qwest Communication International Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2006 (File No. 001-15577) filed with the Securities and Exchange Commission on May 3, 2006; Exhibit 10.2 of Qwest Communication International Inc.'s Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-15577) filed with the Securities and Exchange Commission on February 8, 2007; Exhibit 10.3 of Qwest Communication International Inc.'s Current Report on Form 8-K (File No. 001-15577) filed with the Securities and Exchange Commission on September 15, 2008; Exhibit 10.2 of Qwest Communication International Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2009 (File No. 001-15577) filed with the Securities and Exchange Commission on April 30, 2009; and Exhibit 10.2 of Qwest Communication International Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-15577) filed with the Securities and Exchange Commission on February 15, 2011).
	c. Deferred Compensation Plan for Nonemployee Directors, as amended and restated, Amendment to Deferred Compensation Plan for Nonemployee Directors (incorporated by reference to Exhibit 10.2 of Qwest Communications International Inc.'s Current Report on Form 8-K (File No. 001-15577) filed with the Securities and Exchange Commission on December 16, 2005 and Exhibit 10.8 to Qwest Communication International Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2008 (File No. 001-15577) filed with the Securities and Exchange Commission on October 29, 2008) and Amendment No. 2011-1 to Deferred Compensation Plan for Nonemployee Directors (incorporated by reference to Exhibit 10.15(c) of CenturyLink, Inc.'s Annual Report for the year ended December 31, 2011 (File No. 001-07784) filed with the Securities and Exchange Commission on February 28, 2012).
	d. Qwest Nonqualified Pension Plan (incorporated by reference to Exhibit 10.9 of Qwest Communications International Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-15577) filed with the Securities and Exchange Commission on February 16, 2010).
	e. SAVVIS, Inc. Amended and Restated 2003 Incentive Compensation Plan (incorporated by reference to Exhibit 10.4 of SAVVIS, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2006 (File No. 000-29375) filed with the Securities and Exchange Commission on May 5, 2006), as amended by Amendment No. 1 (incorporated by reference to Exhibit 10.6 of SAVVIS, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 000-29375) filed with the Securities and Exchange Commission on February 26, 2007); Amendment No. 2 (incorporated by reference to Exhibit 10.1 of SAVVIS, Inc.'s Current Report on Form 8-K (File No. 000-29375) filed with the Securities and Exchange Commission on May 15, 2007); Amendment No. 3 (incorporated by reference to Exhibit 10.3 of SAVVIS, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2007 (File No. 000-29375) filed with the Securities and Exchange Commission on July 31, 2007); Amendment No. 4 (incorporated by reference to Exhibit 10.2 of SAVVIS, Inc.'s Current Report on Form 8-K (File No. 000-29375) filed with the Securities and Exchange Commission on May 22, 2009); and Amendment No. 5 (incorporated by reference to Exhibit 10.2 of SAVVIS, Inc.'s Current Report on Form 8-K (File No. 000-29375) filed with the Securities and Exchange Commission on May 22, 2009).
12*	Ratio of Earnings to Fixed Charges
18*	Preferability Letter of Independent Registered Public Accounting Firm.
21*	Subsidiaries of CenturyLink, Inc.
23*	Independent Registered Public Accounting Firm Consent.
31.1*	Certification of the Chief Executive Officer of CenturyLink, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer of CenturyLink, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32*	Certification of the Chief Executive Officer and Chief Financial Officer of CenturyLink, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit Number	Description
101*	Financial statements from the Annual Report on Form 10-K of CenturyLink, Inc. for the period ended December 31, 2013, formatted in XBRL: (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive (Loss) Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Stockholders' Equity and (vi) the Notes to our Consolidated Financial Statements.

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*	Exhibit filed herewith.
Note:	Our Corporate Governance Guidelines and Charters of our Board of Director Committees are located on our website at www.centurylink.com.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

		CenturyLink, Inc.
Date: February 27, 2014	By:	/s/ David D. Cole
		David D. Cole
		Executive Vice President, Controller and Operations Support (Chief Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

/s/ Glen F. Post, III Glen F. Post, III	Chief Executive Officer, President and Director	February 27, 2014
/s/ William A. Owens William A. Owens	Chairman of the Board	February 27, 2014
/s/ R. Stewart Ewing, Jr. R. Stewart Ewing, Jr.	Executive Vice President, Chief Financial Officer and Assistant Secretary	February 27, 2014
/s/ David D. Cole David D. Cole	Executive Vice President, Controller and Operations Support	February 27, 2014
/s/ Virginia Boulet Virginia Boulet	Director	February 27, 2014
/s/ Peter C. Brown Peter C. Brown	Director	February 27, 2014
/s/ Richard A. Gephardt Richard A. Gephardt	Director	February 27, 2014
/s/ W. Bruce Hanks W. Bruce Hanks	Director	February 27, 2014
/s/ Gregory J. McCray Gregory J. McCray	Director	February 27, 2014
/s/ C. G. Melville, Jr. C. G. Melville, Jr.	Director	February 27, 2014

/s/ Fred R. Nichols Fred R. Nichols	Director	February 27, 2014
/s/ Harvey P. Perry Harvey P. Perry	Director	February 27, 2014
/s/ Michael J. Roberts Michael J. Roberts	Director	February 27, 2014
/s/ Laurie A. Siegel Laurie A. Siegel	Director	February 27, 2014
/s/ Joseph R. Zimmel Joseph R. Zimmel	Director	February 27, 2014

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Section 2: EX-12 (EXHIBIT 12)

Exhibit 12

CENTURYLINK, INC.

CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES

(UNAUDITED)

	Years Ended December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
	(Dollars in Millions)				
Income before income taxes and cumulative effect of change in accounting principle	$ 224	1,250	948	1,531	813
Less: income from equity investee	(24)	(15)	(13)	(16)	(19)
Add: estimated fixed charges	1,486	1,504	1,223	615	418
Add: estimated amortization of capitalized interest	16	15	12	2	2
Add: distributed income of equity investee	14	12	14	16	20
Less: interest capitalized	(41)	(43)	(25)	(13)	(3)
Total earnings available for fixed charges	$ 1,675	2,723	2,159	2,135	1,231
Estimate of interest factor on rentals	$ 147	142	126	57	48
Interest expense, including amortization of premiums, discounts and debt issuance costs	1,298	1,319	1,072	545	367
Interest capitalized	41	43	25	13	3
Total fixed charges	$ 1,486	1,504	1,223	615	418
Ratio of earnings to fixed charges	1.13	1.81	1.77	3.47	2.94

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Section 3: EX-18 (EXHIBIT 18)

Exhibit 18

February 27, 2014

CenturyLink, Inc.
100 CenturyLink Drive
Monroe, Louisiana 71203

Ladies and Gentlemen:

We have audited the consolidated balance sheets of CenturyLink, Inc. (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of operations, stockholders' equity, cash flows, and comprehensive income (loss) for each of the years in the three-year period ended December 31, 2013, and have reported thereon under date of February 27, 2014. The aforementioned consolidated financial statements and our audit report thereon are included in the Company's annual report on Form 10-K for the year ended December 31, 2013. As stated in note 1 to those financial statements, the Company changed the date of its annual assessment of goodwill impairment from September 30 to October 31, and states that the newly adopted accounting principle is a preferable alternative as the new date of the assessment is more closely aligned with the Company's strategic planning process. In accordance with your request, we have reviewed and discussed with Company officials the circumstances and business judgment and planning upon which the decision to make this change in the method of accounting was based.

With regard to the aforementioned accounting change, authoritative criteria have not been established for evaluating the preferability of one acceptable method of accounting over another acceptable method. However, for purposes of the Company's compliance with the requirements of the Securities and Exchange Commission, we are furnishing this letter.

Based on our review and discussion, with reliance on management's business judgment and planning, we concur that the newly adopted method of accounting is preferable in the Company's circumstances.

Very truly yours,

/s/ KPMG LLP

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Section 4: EX-21 (EXHIBIT 21)

Exhibit 21

CENTURYLINK, INC.
SUBSIDIARIES OF THE REGISTRANT
AS OF DECEMBER 31, 2013

Subsidiary	**State of incorporation or formation**
Actel, LLC	Delaware
Bloomingdale Telephone Company, Inc. (20%)	Michigan
Century Cellunet International, Inc.	Louisiana
Cellunet of India Limited	Mauritius
Century Interactive Fax, Inc.	Louisiana
Century Telephone of West Virginia, Inc.	West Virginia
CenturyLink—Clarke M. Williams Foundation	Colorado
CenturyTel Acquisition LLC	Louisiana
CenturyTel of Adamsville, Inc.	Tennessee
CenturyTel of Arkansas, Inc.	Arkansas
CenturyTel Broadband Services, LLC	Louisiana
CenturyTel TeleVideo, Inc.	Wisconsin
CenturyTel/Teleview of Wisconsin, Inc.	Wisconsin

Qwest Broadband Services, Inc.	Delaware
CenturyTel Broadband Wireless, LLC	Louisiana
CenturyTel of Central Indiana, Inc.	Indiana
CenturyTel of Central Louisiana, LLC	Louisiana
CenturyTel of Chatham, LLC	Louisiana
CenturyTel of Chester, Inc.	Iowa
CenturyTel of Claiborne, Inc.	Tennessee
CenturyTel of East Louisiana, LLC	Louisiana
CenturyTel of Evangeline, LLC	Louisiana
CenturyTel Fiber Company II, LLC	Louisiana
CenturyTel Holdings, Inc.	Louisiana
Century Marketing Solutions, LLC	Louisiana
CenturyTel Arkansas Holdings, Inc.	Arkansas
CenturyTel of Central Arkansas, LLC	Louisiana
CenturyTel of Northwest Arkansas, LLC	Louisiana
CenturyTel Holdings Alabama, Inc.	Alabama
CenturyTel of Alabama, LLC	Louisiana
CenturyTel Holdings Missouri, Inc.	Missouri
CenturyTel of Missouri, LLC	Louisiana
CenturyTel Investments of Texas, Inc.	Delaware
CenturyTel of the Northwest, Inc.	Washington
Brown Equipment Corp.	Nevada
Carter Company, Inc.	Hawaii
Honomach PR, Inc.	Puerto Rico
Cascade Autovon Company	Washington
CenturyTel/Cable Layers, Inc.	Wisconsin

Subsidiary	State of incorporation or formation
CenturyTel of Central Wisconsin, LLC	Delaware
CenturyTel of Colorado, Inc.	Colorado
CenturyTel of Eagle, Inc.	Colorado
CenturyTel of Eastern Oregon, Inc.	Oregon
CenturyTel Entertainment, Inc.	Washington
CenturyTel of Fairwater-Brandon-Alto, LLC	Delaware
CenturyTel of Forestville, LLC	Delaware
CenturyTel of the Gem State, Inc. (97%)	Idaho
CenturyTel of Inter Island, Inc.	Washington
CenturyTel of Larsen-Readfield, LLC	Delaware
CenturyTel of the Midwest-Kendall, LLC	Delaware
CenturyTel of the Midwest-Wisconsin, LLC	Delaware
CenturyTel of Minnesota, Inc.	Minnesota
CenturyTel of Monroe County, LLC	Delaware
CenturyTel of Montana, Inc. (99%)	Oregon
CenturyTel of Northern Wisconsin, LLC	Delaware
CenturyTel of Northwest Wisconsin, LLC	Delaware
CenturyTel of Oregon, Inc.	Oregon
CenturyTel of Paradise, Inc.	Washington
CenturyTel of Cowiche, Inc.	Washington
CenturyTel of Postville, Inc.	Iowa
CenturyTel of Southern Wisconsin, LLC	Delaware
CenturyTel of the Southwest, Inc.	New Mexico
CenturyTel Telecom Service, Inc.	Washington
CenturyTel Telephone Utilities, Inc.	Washington
CenturyTel of Upper Michigan, Inc.	Michigan
CenturyTel of Washington, Inc.	Washington
CenturyTel/WORLDVOX, Inc.	Oregon
CenturyTel of Wyoming, Inc.	Wyoming
Eagle Valley Communications Corporation	Colorado
International Communications Holdings, Inc.	Delaware
Pacific Telecom, Inc. (Shell)	Oregon
PTI Communications of Ketchikan, Inc.	Alaska
PTI Communications of Minnesota, Inc.	Minnesota
PTI Transponders, Inc.	Oregon
Universal Manufacturing Corp.	Wisconsin
CenturyTel of Idaho, Inc.	Delaware
CenturyTel Interactive Company	Louisiana
CenturyTel Internet Holdings, Inc.	Louisiana
centurytel.com, LLC	Louisiana
CenturyTel Investments, LLC	Louisiana
CenturyTel Long Distance, LLC	Louisiana
CenturyTel of Michigan, Inc.	Michigan
CenturyTel Midwest—Michigan, Inc.	Michigan

Subsidiary	State of incorporation or formation
CenturyTel Mobile Communications, Inc.	Louisiana
CenturyTel of Mountain Home, Inc.	Arkansas
CenturyTel of North Louisiana, LLC	Louisiana
CenturyTel of North Mississippi, Inc.	Mississippi
CenturyTel of Northern Michigan, Inc.	Michigan
CenturyTel of Northwest Louisiana, Inc.	Louisiana
CenturyTel of Odon, Inc.	Indiana
CenturyTel of Ohio, Inc.	Ohio
CenturyTel of Ooltewah-Collegedale, Inc.	Tennessee
CenturyTel of Port Aransas, Inc.	Texas
CenturyTel of Redfield, Inc.	Arkansas
CenturyTel of Ringgold, LLC	Louisiana
CenturyTel SM Telecorp, Inc.	Texas
CenturyTel Telecommunications, Inc.	Texas
CenturyTel of San Marcos, Inc.	Texas
CenturyTel San Marcos Investments, LLC	Delaware
CenturyTel Security Systems, Inc.	Louisiana
CenturyTel Service Group, LLC	Louisiana
CenturyTel Solutions, LLC	Louisiana
CenturyTel of South Arkansas, Inc.	Arkansas
CenturyTel of Southeast Louisiana, LLC	Louisiana
CenturyTel of Southwest Louisiana, LLC	Louisiana
CenturyTel Supply Group, Inc.	Louisiana
CenturyTel/Tele-Max, Inc.	Texas
CenturyTel of Lake Dallas, Inc.	Texas
CenturyTel Web Solutions, LLC	Louisiana
CenturyTel of Wisconsin, LLC	Louisiana
Embarq Corporation	Delaware
Carolina Telephone and Telegraph Company LLC	North Carolina
NOCUTS, Inc.	Pennsylvania
SC One Company	Kansas
Centel Corporation	Kansas
Centel Capital Corporation	Delaware
Centel-Texas, Inc.	Texas
Central Telephone Company of Texas	Texas
EQ Central Texas Equipment LLC	Texas
Central Telephone Company	Delaware
Central Telephone Company of Virginia	Virginia
Embarq Florida, Inc.	Florida
The Winter Park Telephone Company	Florida
CenturyLink Public Communications, Inc.	Florida
EQ Equipment Leasing, Inc.	Delaware
CenturyLink Sales Solutions, Inc.	Delaware
Embarq, Inc.	Kansas

Subsidiary	State of incorporation or formation
Embarq Capital Corporation	Delaware
SC Seven Company	Kansas
Embarq Communications, Inc.	Delaware
Embarq Communications of Virginia, Inc.	Virginia
CenturyLink Intellectual Property LLC	Delaware
Embarq Directory Trademark Company, LLC	Delaware
Embarq Interactive Holdings LLC	Delaware
Embarq Interactive Markets LLC	Delaware
Embarq Management Company	Delaware
EQ Management Equipment LP	Nevada
Embarq Mid-Atlantic Management Services Company	North Carolina
Embarq Minnesota, Inc.	Minnesota
Embarq Missouri, Inc.	Missouri
SC Eight Company	Kansas
Embarq Network Company LLC	Delaware
United Telephone Company of the Carolinas LLC	South Carolina
SC Two Company	Kansas
United Telephone Company of Eastern Kansas	Delaware
United Telephone Company of Florida	Florida
Vista-United Telecommunications (49%)	Florida
United Telephone Company of Indiana, Inc.	Indiana
SC Four Company	Kansas
United Telephone Company of Kansas	Kansas
Embarq Midwest Management Services Company	Kansas
United Teleservices, Inc.	Kansas
United Telephone Company of New Jersey, Inc.	New Jersey
United Telephone Company of the Northwest	Oregon
United Telephone Company of Ohio	Ohio
SC Five Company	Kansas
United Telephone Company of Pennsylvania LLC, The	Pennsylvania
SC Six Company	Kansas
Valley Network Partnership (40% aggregate)	Virginia
United Telephone Company of Southcentral Kansas	Arkansas
United Telephone Company of Texas, Inc.	Texas
EQ United Texas Equipment LLC	Texas
United Telephone Company of the West	Delaware
United Telephone Southeast LLC	Virginia
SC Three Company	Kansas
Hillsboro Telephone Company, Inc. (20%)	Wisconsin
Lafayette MSA Limited Partnership (49%)	Delaware
Madison River Communications Corp.	Delaware
Gallatin River Holdings L.L.C.	Delaware
Gallatin River Communications L.L.C.	Delaware
Madison River Communications, LLC	Delaware

Subsidiary	**State of incorporation or formation**
Gulf Communications, LLC	Delaware
Savannah River Communications, LLC	Delaware
Madison River Finance Corp.	Delaware
Madison River Holdings LLC	Delaware
Madison River LTD Funding LLC	Delaware
Coastal Communications, Inc.	Delaware
Coastal Utilities, Inc.	Georgia
Coastal Long Distance Services LLC	Georgia
Gulf Coast Services, Inc.	Alabama
Gulf Long Distance LLC	Alabama
Gulf Telephone Company	Alabama
Madison River Management LLC	Delaware
Mebtel, Inc.	North Carolina
Pacific Telecom Cellular of Alaska RSA #1, Inc.	Alaska
Qwest Communications International, Inc.	Delaware
EUnet International Limited	United Kingdom
EUnet International B.V.	Netherlands
Qwest B.V.	Netherlands
KPNQwest N.V. (44.34%)	Netherlands
Qwest Capital Funding, Inc.	Colorado
Qwest Europe LLC	Delaware
Qwest Services Corporation	Colorado
CenturyLink Investment Management Company	Colorado
Qwest Communications Company, LLC	Delaware
Qwest Communications Corporation of Virginia	Virginia
Qwest International Services Corporation	Delaware
Qwest N Limited Partnership (98.5%)	Delaware
Qwest Transoceanic, Inc.	Delaware
Qwest Communications International Ltd.	United Kingdom
Qwest Holdings, BV	Netherlands
Qwest France SAS	France
Qwest Germany GmbH	Germany
Qwest Netherlands BV	Netherlands
Qwest Peru S.R.L.	Peru
Qwest Telecommunications Asia, Limited	Hong Kong
Qwest Australia Pty Limited	Australia
Qwest Communications Japan Corporation	Japan
Qwest Communications Korea, Limited	Korea
Qwest Hong Kong Telecommunications, Limited	Hong Kong
Qwest Singapore Pte Ltd.	Singapore
Qwest Taiwan Telecommunications, Limited	Taiwan
Qwest Corporation	Colorado
1200 Landmark Center Condominium Association, Inc.	Nebraska
Block 142 Parking Garage Association	Colorado

Subsidiary	State of incorporation or formation
Qwest Database Services, Inc.	Colorado
SMS/800, Inc. (33.3%)	District of Columbia
Qwest India Holdings, LLC	Delaware
CenturyLink Technologies India Private Limited	India
The El Paso County Telephone Company	Colorado
MoveARoo, LLC (33.3%)	Delaware
Qwest Dex Holdings, Inc.	Delaware
Qwest Government Services, Inc.	Colorado
Qwest LD Corp.	Delaware
Qwest Wireless, L.L.C.	Delaware
SAVVIS, Inc.	Delaware
AppFog, Inc.	Delaware
SAVVIS Argentina S.A.	Argentina
SAVVIS Asia Holdings Singapore Pte.	Singapore
Digital Savvis HK JV	British VI
Digital Savvis HK Holding 1 Limited	British VI
Digital Savvis Investment Management HK Limited	Hong Kong
Digital Savvis Management Subsidiary Limited	Hong Kong
SAVVIS Australia Pty. Ltd.	Australia
SAVVIS Canada, Inc.	Delaware
SAVVIS Communications Canada, Inc.	Canada
SAVVIS Communications Chile, S.A.	Chile
SAVVIS Communications Corporation	Missouri
SAVVIS Federal Systems, Inc.	Delaware
SAVVIS Communications International, Inc.	Delaware
SAVVIS Communications Private Limited	India
SAVVIS Korea Limited	Korea
SAVVIS Communications K.K.	Japan
SAVVIS do Brasil Ltda.	Brazil
SAVVIS Telecommunicacões Ltda.	Brazil
SAVVIS do Brasil Participacoes Ltda.	Brazil
SAVVIS Comunicacoes Ltda.	Brazil
SAVVIS Europe B.V.	Netherlands
SAVVIS Europe BV Sucursal en España	Spain
SAVVIS Europe B.V., The Netherlands, filial Sweden	Sweden
SAVVIS France S.A.S.	France
SAVVIS Germany GmbH	Germany
SAVVIS Hong Kong Ltd.	Hong Kong
SAVVIS Hungary Telecommunications KFT	Hungary
SAVVIS Italia S.r.l.	Italy
SAVVIS Malaysia Sd. Ltd.	Malaysia
SAVVIS Mexico, S.A. de C.V.	Mexico
SAVVIS New Zealand Limited	New Zealand
SAVVIS Philippines, Inc.	Philippines

Subsidiary	State of incorporation or formation
SAVVIS Poland Sp Zo.o.	Poland
SAVVIS Singapore Company Pte. Ltd.	Singapore
SAVVIS Switzerland A.G.	Switzerland
SAVVIS Taiwan Limited	Taiwan
SAVVIS (Thailand) Limited	Thailand
SAVVIS U.K. Limited	United Kingdom
SkyComm Technologies Corporation (50.0%)	Delaware
Spectra Communications Group, LLC	Delaware
TelUSA Holdings, LLC (89%)	Delaware
Telephone USA of Wisconsin, LLC	Delaware
Western Re, Inc.	Vermont

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Section 5: EX-23 (EXHIBIT 23)

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
CenturyLink, Inc.:

We consent to the incorporation by reference in the Registration Statements (No. 333-187366 and No. 333-179888) on Form S-3, the Registration Statements (No. 33-60061, No. 333-160391, No. 333-37148, No. 333-60806, No. 333-150157, No. 333-124854, No. 333-150188, and No. 333-174571) on Form S-8, and the Registration Statements (No. 33-48956, No. 333-17015, No. 333-167339, No. 333-174291, and No. 333-155521) on Form S-4 of CenturyLink, Inc. of our reports dated February 27, 2014, with respect to the consolidated balance sheets of CenturyLink, Inc. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), cash flows, and stockholders' equity for each of the years in the three-year period ended December 31, 2013, and the effectiveness of internal control over financial reporting as of December 31, 2013, which reports appear in the December 31, 2013 annual report on Form 10-K of CenturyLink, Inc.

/s/ KPMG LLP

Shreveport, Louisiana
February 27, 2014

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Section 6: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATION

I, Glen F. Post, III, Chief Executive Officer and President, certify that:

1. I have reviewed this annual report on Form 10-K of CenturyLink, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:
    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2014

/s/ Glen F. Post, III

Glen F. Post, III

Chief Executive Officer and President

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Section 7: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATION

I, R. Stewart Ewing, Jr., Executive Vice President, Chief Financial Officer and Assistant Secretary, certify that:

1. I have reviewed this annual report on Form 10-K of CenturyLink, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2014

/s/ R. Stewart Ewing, Jr.

R. Stewart Ewing, Jr.
Executive Vice President, Chief Financial Officer and Assistant Secretary

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Section 8: EX-32 (EXHIBIT 32)

Exhibit 32

Chief Executive Officer and Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Each of the undersigned, acting in his capacity as the Chief Executive Officer or Chief Financial Officer of CenturyLink, Inc. ("CenturyLink"), certifies that, to his knowledge, the Annual Report on Form 10-K for the year ended December 31, 2013 of CenturyLink fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of CenturyLink as of the dates and for the periods covered by such report.

A signed original of this statement has been provided to CenturyLink and will be retained by CenturyLink and furnished to the Securities and Exchange Commission or its staff upon request.

Date: February 27, 2014

/s/ Glen F. Post, III	/s/ R. Stewart Ewing, Jr.
Glen F. Post, III	R. Stewart Ewing, Jr.
Chief Executive Officer and President	Executive Vice President, Chief Financial Officer and Assistant Secretary

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Bill Date:		11/25/2013
Account Number:		801-531-7500
Invoice Number:		11252013801531700 0
Previous Balance:	$	198.36
Payment Received	$	198.36
Balance Forward:	$	-
Itemized Charges:	$	131.84
Discounts\Credits	$	-
Tax & Gov. Fees	$	6.16
USF Fee	$	0.36
Total Amount Due:	$	138.36
Due By:		12/15/2013

To: John J Smith
215 W South Temple
Salt Lake City, UT 84101

Dear Customer,

Please pay this bill on time. Failure to do so will require you to establish a Prepay account in order to receive additional call services.
To make payment by phone, please call 1-800-464-8957

Itemized Charges

Item	Tax	Call Date	Time	Call From #	Description	Call To #	Minutes	Charge
1	Y	11/1/2013	10:09A	801-851-4210	Utah County Jail	801-531-7500	9	$ 3.88
2	Y	11/1/2013	06:09P	801-851-4210	Utah County Jail	801-531-7500	10	$ 4.00
3	Y	11/2/2013	10:09A	801-851-4210	Utah County Jail	801-531-7500	11	$ 4.12
4	Y	11/2/2013	06:09P	801-851-4210	Utah County Jail	801-531-7500	12	$ 4.24
5	N	11/2/2013	09:06P	172.15.200.235	Remote Video	POD A Right	30	$ 20.00
6	Y	11/3/2013	04:25P	801-851-4210	Utah County Jail	801-531-7500	11	$ 4.12
7	Y	11/4/2013	07:25P	801-851-4210	Utah County Jail	801-531-7500	12	$ 4.24
8	Y	11/5/2013	06:09P	801-851-4210	Utah County Jail	801-531-7500	14	$ 4.48
9	Y	11/6/2013	10:09A	801-851-4210	Utah County Jail	801-531-7500	15	$ 4.60
10	Y	11/6/2013	07:15P	801-851-4210	Utah County Jail	801-531-7500	12	$ 4.24
11	Y	11/6/2013	10:30A	801-851-4210	Utah County Jail	801-531-7500	9	$ 3.88
12	Y	11/7/2013	04:25P	801-851-4210	Utah County Jail	801-531-7500	10	$ 4.00
13	Y	11/8/2013	10:09A	801-851-4210	Utah County Jail	801-531-7500	11	$ 4.12
14	Y	11/8/2013	06:09P	801-851-4210	Utah County Jail	801-531-7500	12	$ 4.24
15	Y	11/8/2013	09:06P	801-851-4210	Utah County Jail	801-531-7500	10	$ 4.00
16	Y	11/9/2013	04:25P	801-851-4210	Utah County Jail	801-531-7500	11	$ 4.12
17	N	11/9/2013	08:45P	172.15.200.235	Remote Video	POD A Right	30	$ 20.00
18	Y	11/10/2013	06:09P	801-851-4210	Utah County Jail	801-531-7500	12	$ 4.48
19	Y	11/11/2013	09:06P	801-851-4210	Utah County Jail	801-531-7500	12	$ 4.60
20	Y	11/12/2013	04:25P	801-851-4210	Utah County Jail	801-531-7500	14	$ 4.24
21	Y	11/13/2013	08:45P	801-851-4210	Utah County Jail	801-531-7500	15	$ 3.88
22	Y	11/14/2013	10:09A	801-851-4210	Utah County Jail	801-531-7500	12	$ 4.00
23	Y	11/15/2013	04:25P	801-851-4210	Utah County Jail	801-531-7500	9	$ 4.12
24	Y	11/15/2013	08:45P	801-851-4210	Utah County Jail	801-531-7500	10	$ 4.24

PAYMENT STUB

From: John J Smith
215 W South Temple
Salt Lake City, UT 84101

Bill Date:		11/25/2013
Account Number:		801-531-7500
Invoice Number:		112520138015317000
Total Amont Due:	$	138.36
Due By:		12/15/2013

To: ICSolutions
2200 Danbury Street
San Antonio, TX 78217

You can make payment over the phone by calling 1-800-464-8957
When mailing in payment, write the account number on the check and make check payable to ICSolutions

The ENFORCER® Sample Reports

Admin Setup Only Report

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ICSolutions

Admin Setup Only Numbers
Site: Newport DOC
Start_Time = 01/28/2011 00:00 End_Time = 02/02/2011 23:59

Inmate Id	Inmate Name	Facility	Number	Call Start Time
	N		16038328467	01/31/11 20:42
	N		16037381462	01/31/11 21:23
	IEGORY		16037757194	01/29/11 16:16
	UA		16039881260	01/31/11 15:05
	CROSDEN		16033186124	01/28/11 14:37
	IS		16033934872	01/30/11 18:39
	ISTOPHER		16033482558	02/01/11 18:23
	ANIEL		16033483211	02/01/11 13:24
	IUAN		17872563506	01/28/11 17:51
			16035228470	01/28/11 10:13
	IAEL		16038417194	02/01/11 08:48
	LAN		17819019406	01/30/11 08:42
	MATTHEW		16039698862	01/28/11 18:42
	MATTHEW		16032053495	01/31/11 15:32
	MATTHEW		16037171878	02/01/11 17:34
	GUEL		19783198359	01/28/11 14:20
	GUEL		19783050404	02/01/11 09:44
	CHARD		18023452091	01/29/11 21:28
	N		16038335384	02/02/11 11:37
	. ROBERT		16173663370	01/31/11 10:57
	ROY		16032383067	01/28/11 13:32
	TTHEW		16037182039	01/29/11 19:18

Attorney Registration Status Report

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ICSolutions

Attorney Registration Report
Site: Newport DOC
Start_time = 11/29/2010 08:27 End_time = 02/03/2011 08:27

Description	Num	Total	PCT
Approved	29	235	12
Pending Approval	34	235	14
Rejected	172	235	73
Total			99

Attorney Registration Rejects Report

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ICSolutions

Attorney Registration Rejects
Site: Newport DOC
Start_Time = 11/29/2010 00:00 End_Time = 02/03/2011 23:59

Inmate ID	Name	Site	Number	Req Date	User
	.	NVESP01	17027718502	2010-11-29	ghill
	AS	NVSDC01	17024201551	2010-11-30	ghill
	AYMOND	NVHDP01	17028795038	2010-11-30	ghill
	AYMOND	NVHDP01	17024555697	2010-11-30	ghill
	NDEN	NVESP01	17024554099	2010-11-30	ghill
	NDEN	NVESP01	17026713478	2010-11-30	ghill
	OHNATHAN	NVLCC01	17752198342	2010-11-30	ghill
	REJONIQUE	NVFMW01	17026460625	2010-11-30	ghill
	). GABRIELLE	NVFMW01	17023490407	2010-11-30	ghill
	JAVOHN	NVHDP01	17022925204	2010-12-01	dshell
	ONITA	NVFMW01	17758277200	2010-12-01	ghill
	E	NVHDP01	17753040314	2010-12-01	ghill
	NTHIA	NVFMW01	18006971234	2010-12-02	ghill
	NTHIA	NVFMW01	17752478868	2010-12-02	dshell
	RAUL	NVHDP01	18885060466	2010-12-02	ghill
	RDO	NVESP01	17028799126	2010-12-03	ghill
	COB	NVHDP01	15596842850	2010-12-04	ghill

Call Detail Report

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ICSolutions

Call Detail Report
Site: Newport DOC
1296680502

Report Parameters	
Phone_Number	ALL
Inmate_ID	ALL
Choose_Call_Connected	Connected Only
Choose_Completion_Code	All
Choose_Tariff_Type	All
Choose_3Way_Events	No Filter
Choose_Call_Type	All
Choose_Alerts	No Filter
Start_Time	01/17/2011 00:00
End_Time	02/02/2011 23:59

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ICSolutions

Call Detail Report
Site: Newport DOC
1296680502

Call Start	Dialed Number	Completion Code	Rec	Alert	Call Type	Tariff Type	Talk Seconds	Billed Time	Cost	Inmate ID	Last Name
2011-02-02 16:00:11-05	1-603-504-8	Normal	YES	NO	Debit	Intra LATA	47	1	0.15		
2011-02-02 15:56:28-05	1-978-663-2	Normal	YES	NO	Debit	Interstate	95	2	0.30		
2011-02-02 15:56:02-05	1-603-866-9	Normal	YES	NO	Prepaid collect	Intra LATA	139	3	0.45		
2011-02-02 15:56:01-05	1-603-225-6	Normal	YES	NO	Prepaid collect	Local	46	1	0.50		
2011-02-02 15:55:25-05	1-603-542-1	Normal	YES	NO	Debit	Intra LATA	268	5	0.75		
2011-02-02 15:54:59-05	1-603-631-5	Normal	YES	NO	Debit	Intra LATA	270	5	0.75		
2011-02-02 15:54:21-05	1-603-860-5	Normal	YES	NO	Debit	Intra LATA	417	7	1.05		
2011-02-02 15:53:19-05	1-918-269-1	Normal	YES	NO	Prepaid collect	Interstate	231	4	0.60		
2011-02-02 15:52:45-05	1-802-674-2	Normal	YES	NO	Debit	Interstate	62	2	0.30		
2011-02-02 15:52:02-05	1-603-942-1	Normal	YES	NO	Debit	Intra Cell	382	7	0.70		
2011-02-02 15:51:31-05	1-603-984-6	Normal	YES	NO	Debit	Intra LATA	74	2	0.30		

Call Record Statistics Report

ICSolutions

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Call Record Statistics
Site: Newport DOC
Start_Time = 01/31/2011 00:00 End_Time = 02/02/2011 23:59

Site Name	Call Type	Completion Code	Call Count
	Admin Low Bal	All Trunks Busy	29
	Admin Low Bal	CP to Cust Service	70
	Admin Low Bal	Hangup	152
	Admin Low Bal	Max ring time	2
	Admin Low Bal	Preanswer Hangup	51
	Admin Low Bal	Refused	6
	Admin Setup	All Trunks Busy	13
	Admin Setup	Hangup	79
	Admin Setup	Max Accept Time	2
	Admin Setup	Max ring time	3
	Admin Setup	Normal	6
	Admin Setup	Preanswer Hangup	49
	Admin Setup	Refused	8
	Admin Setup	Time limit	18
	Admin Zero Bal	All Trunks Busy	28
	Admin Zero Bal	CP to Cust Service	100
	Admin Zero Bal	Hangup	159
	Admin Zero Bal	Max Accept Time	3
	Admin Zero Bal	Max ring time	5
	Admin Zero Bal	Preanswer Hangup	99
	Admin Zero Bal	Refused	11
	Balance Check	Digit Timeout	1

Debit Balance Report

ICSolutions

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Debit Balance
Site: Newport DOC
Choose_Status = All Inmates Choose_Balances = All Choose_Account_Sort = Inmate ID

Site Name	Inmate ID	Name	Acct Num	Call Number	Status	Balance
		Not Delete	14772	Open	Active	0.00
		:s	15251	Open	Inactive	0.00
		irk	15100	Open	Inactive	0.00
		:n	18805	Open	Inactive	0.00
		liam	22304	Open	Inactive	0.00
		iael	21772	Open	Inactive	0.00
		'd	17302	Open	Inactive	0.00
		d	19916	Open	Inactive	0.00
		ce	20772	Open	Inactive	0.00
		thony	22174	Open	Inactive	0.00
		even	20400	Open	Inactive	0.00
		rge	14073	Open	Inactive	0.00
		iryl	21927	Open	Inactive	0.00
			20563	Open	Inactive	0.00
		uel	22386	Open	Inactive	0.00
		1	19894	Open	Inactive	0.00
		ali	20821	Open	Inactive	0.00
		tor	16461	Open	Inactive	0.00
		art	20589	Open	Inactive	0.00
		ie	21102	Open	Inactive	0.00
		Jason	22417	Open	Inactive	0.00
		lathan	19958	Open	Inactive	0.00
		ıul	19821	Open	Inactive	0.00
		chael	15243	Open	Inactive	0.00
		hn Henry	18063	Open	Active	0.00

Debit Statement Report

ICSolutions

Debit Statement
Site: Newport DOC
Start_Time = 12/27/2010 00:00 End_Time = 02/02/2011 23:59 Inmate_ID = Called_Number = ALL

Debit Account Number	Transaction Type	Description	Date/Time	Duration	Billed Duration	Previous Balance	Deposits	Debits	New Balance
Unrestricted	Call Center Debit		2011-01-01 22:00:24			$0.00	$25.00		$25.00
	Debit	1-301	2011-01-01 22:32:2?	00:00:00	00:00:00	$25.00		$0.00	$25.00
	Debit	1-301	2011-01-02 16:13:52	00:29:36	00:29:25	$25.00		$4.50	$20.50
	Debit	1-603	2011-01-03 16:27:34	00:00:00	00:00:00	$20.50		$0.00	$20.50
	Debit	1-603	2011-01-03 18:38:23	00:00:14	00:00:00	$20.50		$0.00	$20.50
	Debit	1-603	2011-01-03 18:3?:34	[illegible]	00:00:00	$20.50		$0.00	$20.50
	Call Center PMT Debit	[illegible]	2011-01-03 18:37:35			$20.50	$15.00		$35.50
	Debit	1-603	2011-01-03 18:41:2?	00:59:37	00:59:?2	$35.50		$9.00	$26.50
	Debit	1-603	2011-01-03 19:42:16	00:41:0?	00:41:??	$26.50		$6.15	$20.35
	Debit	1-603	2011-01-03 20:33:17	00:09:28	00:09:45	$20.35		$1.50	$18.85
	Debit	1-603	2011-01-03 20:44:12	00:00:00	00:00:00	$18.85		$0.00	$18.85
	Debit	1-603	2011-01-03 20:45:?5	00:00:00	00:00:00	$18.85		$0.00	$18.85
	Debit	1-603	2011-01-03 20:46:52	00:00:00	00:00:00	$18.85		$0.00	$18.85
	Debit	1-603	2011-01-03 20:47:43	00:00:00	00:00:00	$18.85		$0.00	$18.85
	Debit	1-603	2011-01-03 20:48:45	00:00:00	00:00:00	$18.85		$0.00	$18.85
	Debit	1-603	2011-01-03 22:13:?1	00:00:0?	00:00:00	$18.85		$0.00	$18.85
	Debit	1-603	2011-01-03 22:15:0?	00:00:00	00:00:00	$18.85		$0.00	$18.85
	Debit	1-603	2011-01-04 1?:??:?4	00:00:00	00:00:00	$18.85		$0.00	$18.85
	Debit	1-603	2011-01-04 1?:05:40	00:00:00	00:00:00	$18.85		$0.00	$18.85
	Debit	1-603	2011-01-04 17:41:4?	00:00:00	00:00:00	$18.85		$0.00	$18.85
	Debit	1-603	2011-01-04 17:22:3?	00:00:00	00:00:00	$18.85		$0.00	$18.85
	Debit	1-603	2011-01-04 17:23:5?	00:00:00	00:00:00	$18.85		$0.00	$18.85

Debit Activity Report

ICSolutions 23:59

Debit Activity
Site: Newport DOC
Inmate_ID = ALL First_Name = ALL Middle_Name = ALL Last_Name = ALL Start_Time = 01/25/2011 00:00 End_Time = 02/03/2011

Inmate ID	Last Name	First Name	Middle Name	Debit Account Number	Number Called	Total Duration	Total Debits	Number of Calls
	SUMMA	GINA	STEPHANY	5359	1-603	00:00:00	0.00	6
					1-?35	01:07:21	8.20	[illegible]
					1-?47	00:21:50	3.45	4
					1-?47	00:02:0?	0.45	1
					1-751-	00:00:00	0.00	1
Subtotal							12.10	21
	STEPHENSON	JASON	JOSHUA	[illegible]	1-603-	00:00:00	0.00	1
Subtotal							0.00	1
	POLOSKI	JASON	JON	9587	1-603-	01:?7:0?	16.05	22
					1-?0?	00:24:52	3.?0	4
Subtotal							19.?5	26
	[illegible]	ROBERT	W	10?336	1-603-	00:47:20	7.?8	17
					1-?03-	00:04:24	0.75	2
					1-?03-	00:0?:16	0.75	2
					1-?03-	00:00:00	0.00	2
Subtotal							9.45	23
	PERKINS	LONNIE	ALLEN	965352	1-603-	00:00:00	0.00	1
					1-?03-	01:?6:13	10.65	10
					1-603-	00:57:13	8.0?	8
					1-603-	00:20:57	3.30	4
Subtotal							22.05	23
	WATSON	TAHKON	A	96?757	1-501-	00:00:00	0.00	1
					1-?03-	01:59:0?	17.55	25
					1-?03-	00:00:00	0.00	1
					1-?03-	00:01:13	3.00	1
Subtotal							17.55	27

Debit Transaction Report

02/03/2011 [illegible] - Page 1

ICSolutions

Debit Transaction Report
Site: Newport DOC
Start_Time = 02/02/2011 00:00 End_Time = 02/03/2011 23:59 Inmate_ID = ALL

Inmate	Name	Date/Time	Amount	Trans. Type	User	Description
		2011-02-03 07:10	50.00	Call Center Debit	[illegible]	PMT 3382811, online(TERM=72.71.243.143); credit_card
	[illegible]ES	2011-02-02 17:33	70.00	Call Center Debit	[illegible]	PMT 3379[illegible]; agent; credit_card
	[illegible]N	2011-02-02 15:1[illegible]	20.00	Call Center Debit	[illegible]	PMT 3378937, online(TERM=72.70.125.87); credit_card
		2011-02-02 [illegible]	25.00	Call Center Debit	[illegible]	PMT 337[illegible]57, online(TERM=72.70.125.87); credit_card
		2011-02-02 2[illegible]	3.00	Call Center Debit	[illegible]	PMT 3371535, online(TERM=75.69.212.58); credit_card
		2011-02-03 0[illegible]	5.00	Call Center Debit	[illegible]	PMT 33[illegible]5, online(TERM=[illegible].220.239.119); credit_card
		2011-02-02 19:52	7.00	Call Center Debit	[illegible]	PMT 33[illegible]; online(TERM=75.68.120.115); credit_card
		2011-02-03 0[illegible]	50.00	Call Center Debit	[illegible]	PMT 3382857; agent; credit_card
		2011-02-02 11:57	100.00	Call Center Debit	[illegible]	PMT 337871[illegible]; agent; credit_card
	[illegible]ANCISCO	2011-02-02 2[illegible]:17	10.00	Call Center Debit	[illegible]	PMT 33[illegible]76, online(TERM=[illegible].61.95.15[illegible]); credit_card
		2011-02-02 14:4[illegible]	15.00	Call Center Debit	[illegible]	PMT 33[illegible]46; online(TERM=[illegible].147.174.2[illegible]); credit_card
		2011-02-02 17:17	15.00	Call Center Debit	[illegible]	PMT 337[illegible]13; online(TERM=71.232.225.121); credit_card
		2011-02-02 1[illegible]:52	15.00	Call Center Debit	[illegible]	PMT 33[illegible]12; agent; credit_card
	[illegible]S	2011-02-02 1[illegible]:12	5.00	Call Center Debit	[illegible]	PMT 337[illegible]24, online(TERM=71.181.[illegible]); credit_card
		2011-02-03 07:52	3.00	Call Center Debit	[illegible]	PMT 3352842; online(TERM=24.91.7[illegible].127); credit_card
	[illegible]D	2011-02-02 17:37	50.00	Call Center Debit	[illegible]	PMT 3379[illegible]27; agent; credit_card
	[illegible]LLIAM	2011-02-02 22:34	4.00	Call Center Debit	[illegible]	PMT 33[illegible]2450; online(TERM=75.19[illegible].12.156); credit_card
	[illegible]THEW	2011-02-03 0[illegible]	50.00	Call Center Debit	[illegible]	PMT 33[illegible]; agent; credit_card
		2011-02-02 15:[illegible]	50.00	Call Center Debit	[illegible]	PMT 337[illegible]5, online(TERM=75.194.98.9[illegible]); credit_card
	[illegible]THAN	2011-02-02 2[illegible]	30.00	Call Center Debit	[illegible]	PMT 3351322, online(TERM=[illegible].217.214.172); credit_card
	[illegible]D	2011-02-02 15:5[illegible]	60.00	Call Center Debit	[illegible]	PMT 3379003; agent; credit_card
		2011-02-02 12:43	50.00	Call Center Debit	[illegible]	PMT 3377782; agent; credit_card
	[illegible]LAS	2011-02-02 14:27	20.00	Call Center Debit	[illegible]	PMT 3376571; online(TERM=75.68.3.72); credit_card

Frequently Used PANs Summary Report

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ICSolutions

Frequently Used Pans Summary
Site: Newport DOC
Min_PAN_Count = ALL

Phone Num	Called Party	Num Instances	Num Sites
603		911	5
603		450	4
603		383	5
603		362	3
603-		263	4
603-		252	5
603-		251	4
603-		235	5
603-		201	3
603-		169	3
603-		142	3
603-		138	4
207-		131	3
603-		121	3
603-		103	3
603-		99	3
603-		94	4
603-		92	3
603-		77	3
603-		76	3
603-		74	5
603-		67	4
603-		66	4
603-		64	4

Frequently Used PANs Detail Report

ICSolutions

Frequently Used Pans
Site: Newport DOC
Min_PAN_Count = 10

02/02/2011 20:16 - Page 1

Phone Num	Called Party	Inmate	Name	Site
207-			TAHRON	
			I. BRIAN	
			ED	
			EPH	
			AYMOND	
			K, KELLY	
			NDRE	
			NTHONY	
			UCE	
			JUEL	
			RREY	
			OHN	
207			OBERT	
			ON, ANTHONY	
			AN	
			NNIS	
			EITH	
			VIS	
			. TIMOTHY	
			KEVIN	
			N, JUAN	
			REGORY	
			U, MICHAEL	
			ONALD	

Frequently Called Numbers Report

ICSolutions ALL

Frequently Called Numbers Report
Site: Newport DOC
Start_Time = 01/02/2011 00:00 End_Time = 02/02/2011 23:59 Choose_Threshold_Basis = Calls Threshold =

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Site Name	Phone Number	Name	Number of Calls	Minutes
	1-603-		843	
	1-802-		696	
	1-978-		692	
	1-603-		570	
	1-207-		556	
	1-603-		511	
	1-603-		476	
	1-603-		474	
	1-603-		464	
	1-603-		399	
	1-603-		394	
	1-603-		393	
	1-603-		391	
	1-207-		386	
	1-978-		383	
	1-603-		381	
	1-603-		379	
	1-603-		377	
	1-603-		371	
	1-603-		363	
	1-603-		361	
	1-603-		358	

Global Number Report

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eSolutions

Global Number
Site: Newport DOC
Choose_Search_Type = Phone Number Search_Text = ALL Choose_Block = All Choose_DNR = All
Choose_Privileged = All Choose_Free_Call = All Choose_Passive_Accept = All Choose_Ignore_Silence = All Choose_Ignore_DTMF = All Choose_Any_Alert = All Choose_Email_Alert = All Choose_Pager_Alert = All Choose_Monitor_Alert = All

Phone Number	Spd	Name	Blk	Dnr	Prv	Call Types	Pav	Alrt	Max Dur	Ign Dig	Ign Sil	Notes	Updated	By
011-397-237-5121						All			60				09-07-28 12:20	[illegible]
0117-701-280-8888						All			60				10-08-11 05:25	[illegible]
02-272-4974		N				All			60				09-06-04 11:25	enf
02-624-5352		ITA				All			60				09-06-04 11:25	enf
03		ONI				All			60				09-06-04 11:25	enf
03115-228-991-0802		I				All			60				09-06-04 11:25	enf
03-280-7902						All			60				09-06-04 11:25	enf
03-303-4152		E				All			60				09-06-04 11:25	enf
03-320-2202		VEN				All			60				09-06-04 11:25	enf
03-336-7570						All			60				09-06-04 11:25	enf
03-355-4430		S				All			60				09-06-04 11:25	enf
03-356-5849						All			60				09-06-04 11:25	enf
03-435-7247						All			60				09-06-04 11:25	enf
03-437-5127		RLENE				All			60				09-06-04 11:25	enf
03-464-2296		ROBERT				All			60				09-06-04 11:25	enf
03-470-3759		LYNN				All			60				09-06-04 11:25	enf
03-512-5546		DROTHY				All			60				09-06-04 11:25	enf
03-522-5856		HN				All			60				09-06-04 11:25	enf
03-528-6667		IQUE				All			60				09-06-04 11:25	enf
03-528-9314		TH				All			60				09-06-04 11:25	enf
03-536-7752		BARBARA				All			60				09-06-04 11:25	enf
03-556-7982						All			60				09-06-04 11:25	enf
03-598-4440		I				All			60				09-06-04 11:25	enf
03-623-1716		NS				All			60				09-06-04 11:25	enf
03-624-0759		RD				All			60				09-06-04 11:25	enf
03-624-1812		INA				All			60				09-06-04 11:25	enf
03-627-2378		MACY				All			60				09-06-04 11:25	enf
03-627-2782		NIE				All			60				09-06-04 11:25	enf
03-629-6105		NELL				All			60				09-06-04 11:25	enf
03-635-2450	..	MARTHA				All			60				09-06-04 11:25	enf

Global Number History Report

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eSolutions

Number History Report
Site: Newport DOC
Phone_Number = ALL Start_Time = 01/17/2011 00:00 End_Time = 02/02/2011 23:59

Phone Number	Spd Dial	Name	Blk	DNR	Priv	Call Types	Pass Accept	Alert	Max Dur	Ign Dtmf	Ign Sil	Greet Off	Act.	TmStmp Updt	User Updt
1-530-		ORTON LAW	NO	YES	YES	All	NO	NO	Dflt	NO	NO	NO	INS	110201 08:08	mhas
1-603-			YES	NO	NO	All	NO	NO	Dflt	NO	NO	NO	INS	110128 12:44	cp
1-603-			YES	NO	NO	All	NO	NO	Dflt	NO	NO	NO	INS	110122 19:10	cp
1-603-			YES	NO	NO	All	NO	NO	Dflt	NO	NO	NO	INS	110126 21:10	cp
1-603-			YES	NO	NO	All	NO	NO	Dflt	NO	NO	NO	INS	110128 14:04	srichards
1-603-			YES	NO	NO	All	NO	NO	Dflt	NO	NO	NO	INS	110202 14:07	cp
1-603-		NICOLE	YES	NO	NO	All	NO	NO	Dflt	NO	NO	NO	UPD	110121 21:31	cp
1-603-		RRY	YES	NO	NO	All	NO	NO	Dflt	NO	NO	NO	UPD	110124 10:13	mglove
1-603-			YES	NO	NO	All	NO	NO	Dflt	NO	NO	NO	UPD	110121 18:14	cp
1-603-			NO	NO	NO	All	NO	NO	Dflt	NO	NO	NO	UPD	110120 17:46	srichards
1-603-			YES	NO	NO	All	NO	NO	Dflt	NO	NO	NO	INS	110201 08:51	mhas
1-603-			YES	NO	NO	All	NO	NO	Dflt	NO	NO	NO	INS	110125 15:02	cp
1-603-		BRINA	YES	NO	NO	All	NO	NO	Dflt	NO	NO	NO	UPD	110117 09:54	srichards
1-603-			YES	NO	NO	All	NO	NO	Dflt	NO	NO	NO	INS	110122 20:08	cp
1-603-		SHERWIN	NO	NO	NO	All	NO	NO	Dflt	NO	NO	NO	UPD	110201 07:34	mhas
1-603-		SHERWIN	YES	NO	NO	All	NO	NO	Dflt	NO	NO	NO	INS	110125 08:57	mhas
1-603-		ault & Thomas	NO	NO	NO	All	NO	NO	Dflt	NO	NO	NO	UPD	110125 11:17	pclask
1-603-			YES	NO	NO	All	NO	NO	Dflt	NO	NO	NO	INS	110201 08:50	mhas
1-603-			YES	NO	NO	All	NO	NO	Dflt	NO	NO	NO	INS	110120 21:41	cp

Inmate Alerts Report

ICSolutions

Inmate Alerts
Site: Newport DOC

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Site Name	Inmate ID	Last	First	Middle	Alert	Monitor	Pager	E-Mail
			JEROD		YES			
			KIRK	M	YES			
			BRENTON	E	YES			
			ERIC	JOSEPH	YES			
			MICHAEL	LANE	YES			
			CHRISTOPHER	MICHAEL	YES			
			COREY	JOSEPH	YES			
			james		YES			
			LUKE	CLAUDE	YES			
			MATTHEW	R.	YES			
			JASON	C.	YES			
			JOSEPH	WILLIAM HENR	YES			dhamm@ mm.state.com
			GREG	CARL	YES			
			RAMON		YES			
			JEFF		YES			
			DALE	JOSEPH	YES			
			CHRISTOPHER	WILLIAM	YES			
			ASHLEY	M	YES			
			SANDRA	LEIGH	YES			
			KENDRICK	C	YES			
			STEVEN	THOMAS	YES			
			CHRISTOPHER	STEPHEN	YES			
			WILLIAM	WARNER JR	YES			
			MICHAEL	ANTHONY	YES			
			ROSE	MARIE	YES			
			SETH	MICHAEL	YES			

Inmate PANs Report

ICSolutions

Inmate Calling List
Site: Newport DOC

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Inmate_ID = ALL Choose_Status = Active Inmates First_Name = ALL Middle_Name = ALL Last_Name = ALL CP_Name = ALL CP_Phone = ALL Choose_Block = All

Inmate ID	Inmate Name	Phone Number	CP Name	Relationship	Blck	Description	Site
	DEAN	1-423-.	UMMEL	GIRLFRIEND	NO		
		1-423-:	RPHY	FRIEND	NO		
		1-423-:	EY	MOM	NO		
		1-802-:	RRINGTON		NO		
	ALL	1-978-5	RGEON	SON	NO		
		1-603-7	ER	BROTHER	NO		
		1-207-7	VEZ	FIANCE	NO		
		1-603-3	DESKI		NO		
	AMES	1-802-3		GRANDMA	NO		
		1-802-3		FRIEND	NO		
		1-802-3		MOM	NO		
		1-603-8		FRIEND	NO		
		1-978-4			NO		
		1-802-3			NO		
		1-802-7		FRIEND	NO		
		1-802-4		AUNT	NO		
		1-802-3		FRIEND	NO		
		1-802-4		DAD	NO		
		1-802-3		FRIEND	NO		
		1-802-2		FRIEND	NO		
		1-978-7			NO		

Inmate Status Report

ICSolutions ID

Inmate Status Listing
Site: Newport DOC
Inmate_ID = ALL First_Name = ALL Middle_Name = ALL Last_Name = ALL Choose_Status = All Inmates Choose_Inmate_Sort = Inmate

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Inmate ID	Passcode	Name	Site	Location	Status	No. PANs	Notes
	6971	IO NOT DELETE			Allow	0	
	3115	MES			Inactive	1	
	3866	ARK		R and D I WEST 07 07B	Inactive	2	
	4008	ON			Inactive	1	
	2849	ILLIAM			Inactive	1	
	9995	IAEL			Inactive	10	
	5883	RD			Inactive	4	
	1757	)			Inactive	2	
	2287	E			Inactive	2	
	1164	THONY			Inactive	4	
	6152	VEN			Inactive	4	
	5156	GE			Inactive	2	
	9787	RRYL			Inactive	6	
	2674				Inactive	7	
	0784	EL			Inactive	3	
	4422				Inactive	3	
	6553	LL			Inactive	9	
	1088	OR			Inactive	5	
	2182	T			Inactive	4	
	6586				Inactive	3	
	8738	JASON			Inactive	4	
	3282	THAN			Inactive	5	
	8724	L			Inactive	4	
	5461	IAEL			Inactive	6	
	9910	N HENRY		DORMS (AB) A DORM 17 17B	Allow	4	

Number Alerts Report

ICSolutions

Phone Number Alerts
Site: Newport DOC

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Site Name	Phone Number	Name	Alert	Monitor	Pager	E-Mail
All Sites	1-603-2		YES			
All Sites	1-603-		YES			
All Sites	1-603-		YES			
All Sites	1-603-		YES			
All Sites	1-603-		YES			
All Sites	1-603-		YES			
All Sites	1-603-		YES			
All Sites	1-603-		YES			
All Sites	1-603-		YES			
All Sites	1-603-		YES			

PIN Fraud Report

ICSolutions

02/07/2011 09:40 - Page 1

Pin Fraud
Site: Newport DOC
Start_Time = 11/29/2010 00:00 End_Time = 02/03/2011 23:59

Site	CSN	Ph ID	PH Name	Inmate	Inmate ID	Pass Code	CDR Pin	Pin ID	Extra Digits
	24472290	2210	R7D INTAKE	MMANEL			[illegible]1210	06596	1210
	24260814	2313	MCS-LEVEL-I-RIGHT	[illegible]OTT		5553	55384112	55[illegible]4	[illegible]12
	23997581	232[illegible]	SPL-I-LEFT	[illegible]N		0215	663525203	60345	25203
	24104293	6416	MSU DORM 1	[illegible]N		[illegible]218	605455	60345	5
	24226455	6457	MSU DORM 3	REGORY		55[illegible]	6218455580	62[illegible]	5580
	24411246	3322	R+D-3-EAST	HAEL		[illegible]450	635555	63555	5
	24412404	3322	R+D-3-EAST	HAEL		9450	635559450	63555	9450
	24411278	3322	R+D-3-EAST	HAEL		[illegible]450	635559450	63555	9450
	24411273	3322	R+D-3-EAST	HAEL		9450	635559450	63555	9450
	23[illegible]42110	2300	R+D-2-EAST	HOLAS		1935	661151234	66[illegible]5	1234
	23961198	4207	A Tier Right	HELLE		3583	[illegible]23458	60274	3[illegible]
	23996152	3313	CCU-A-LEFT	RLES		5[illegible]	717635619	71763	5619
	24420194	63[illegible]	D-TIER-2			6110	7700[illegible]110	77008	[illegible]10
	23[illegible]	23[illegible]	H-BLDG-F-5	[illegible]ARON		4200	[illegible]38220	63684	220

Prepaid Summary Report

Prepaid Summary

A bill-like summary of a prepaid account

Prepaid Summary

Phone Number: 2606020016 *Numbers Only*

Start Date: 01/01/2007

End Date: 02/08/2011

Output: PDF

☐ Show zero values

Generate

ICSolutions
Inmate PAN List
ICS Confidential

[First Name] [Last Name]
[Address]
[City], [State] [Zip]
1-260-602-0016

Prepaid Account Statement for the period: 03/01/2008 - 02/08/2011

Date / Time	Type	Duration	Amount	Balance
2010-09-28 16:44	Adjustment		($0.55)	$9.00
2010-09-28 16:42	Adjustment		$0.05	$9.55
2010-09-28 16:02	Account Refund		($2.50)	$9.50
2010-09-28 16:01	Adjustment		$2.00	$12.00
2010-09-28 15:58	Adjustment		($0.50)	$10.00
2010-09-28 14:51	Adjustment		$1.50	$10.50
2010-09-28 14:50	Adjustment		($1.00)	$9.00
2010-09-23 09:16	Adjustment		($4.00)	$10.00
2010-08-30 08:29	Account setup		$14.00	$14.00
2009-01-20 15:27	Funds Transfer		($21.28)	$0.00
2009-01-20 15:26	Adjustment		$6.28	$21.28
2009-01-14 17:15	Cash		$15.00	$15.00
2008-12-02 17:13	Admin Fee		($6.28)	$0.00
2008-03-26 20:19	Call	00:14:47	($4.72)	$6.28
2008-03-25 20:52	Call	00:14:39	($4.72)	$11.00
2008-03-18 20:36	Call	00:15:02	($4.72)	$15.72

Recording Access Report

ICSolutions

Recording Access
Site: Newport DOC

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Pick_User = All Start_Time = 12/09/2010 00:00 End_Time = 02/02/2011 23:59 Inmate_ID = ALL Phone_Number = ALL csn = ALL

User Name	CSN	Inmate ID	Inmate Name	Called Number	Listen Date
bphilbin	24402404		IARK	1-603-	2011-01-26 17:09
cwilliams	23940738				2010-12-17 13:36
cwilliams	23940767		'HOMAS	1-802-	2010-12-17 13:39
cwilliams	24012325				2010-12-23 16:57
cwilliams	24075679		HAEL	1-978-	2010-12-28 11:01
cwilliams	24075679		HAEL	1-978-	2010-12-28 11:02
cwilliams	24091061		RK	1-603-	2010-12-29 16:53
dhammer	23932119		KELLY	1-603-	2010-12-16 16:57
dhammer	23932215		STEPHANIE	1-617-	2010-12-16 16:57
dhammer	24193518		THEW	1-603-	2011-01-07 11:53
dhammer	24391362		AUN	1-978-	011-01-25 17:13
dhammer	24391362		AUN	1-978-	2011-01-25 17:27
jcarradine	23890030		UN	1-603-	2010-12-13 09:34
tcoleman	24076544		'PHEN	1-207-	2010-12-28 16:43
isteger	23895458		BRIAN	1-603-	2010-12-13 12:14
isteger	23928969		RAMIE	1-603-	2010-12-16 12:45
isteger	23928976		ANGUS	1-603-	2010-12-16 12:45
isteger	23928999		ST. LINC		2010-12-16 12:47
mhashem	23924108		LIAM	1-706-	2010-12-16 09:40
mhashem	23961184		OHN	1-207-	2010-12-21 09:55
mhashem	24159435		KYLA	1-603-	2011-01-04 13:59
mhashem	24169711		IUA	1-603-	2011-01-05 11:04
mhashem	24169740		NDALL	1-352-	2011-01-05 11:06
mhashem	24169741		IUA	1-603-	2011-01-05 11:05
mhashem	24333744		OMAS	1-603-	2011-01-20 10:05
mhashem	24333744		OMAS	1-603-	2011-01-20 10:11
pzelaskows	23978976		JE	1-207-	2010-12-21 10:13
pzelaskows	23978976		JE	1-207-	2010-12-21 10:16
pzelaskows	23979002		JE	1-207-	2010-12-21 10:12
rzaragoza	24385141		ERT	1-603-	2011-01-24 22:12

Revenue Report

Month	MTD	NHSEA01	NNBEN01	NNGON01	NNLAN01	NNNON01
201102	PDF CSV	PDF CSV	PDF CSV	PDF CSV	PDF CSV	PDF CSV
201101	PDF CSV	PDF CSV	PDF CSV	PDF CSV	PDF CSV	PDF CSV
201012	PDF CSV	PDF CSV	PDF CSV	PDF CSV	PDF CSV	PDF CSV
201011	PDF CSV	PDF CSV	PDF CSV	PDF CSV	PDF CSV	PDF CSV
201010	PDF CSV	PDF CSV	PDF CSV	PDF CSV	PDF CSV	PDF CSV
201009	PDF CSV	PDF CSV	PDF CSV	PDF CSV	PDF CSV	PDF CSV

Solutions

Revenue Report
Site: Seaport
Start_Time = 2011-02-01 End = 2011-03-01 00:00:00

Charge Type	Tariff Type	Calls	Talk Secs	Billed Mins	Revenue	Percent
Collect	Local	0	0	0	0.00	
	Intra Cell	0	0	0	0.00	
	Intra LATA	2	1962	33	5.70	
	Intrastate	0	0	0	0.00	
	Interstate	0	0	0	0.00	
	Canadian	0	0	0	0.00	
	Caribbean	0	0	0	0.00	
	International	0	0	0	0.00	
Subtotal		2	1962	33	5.70	45.2
Prepaid collect	Local	0	0	0	0.00	
	Intra Cell	0	0	0	0.00	
	Intra LATA	4	1590	28	4.20	
	Intrastate	0	0	0	0.00	
	Interstate	0	0	0	0.00	
	Canadian	0	0	0	0.00	
	Caribbean	0	0	0	0.00	
	International	0	0	0	0.00	
Subtotal		4	1590	28	4.20	33.3
Debit	Local	0	0	0	0.00	
	Intra Cell	0	0	0	0.00	
	Intra LATA	2	1013	18	2.70	
	Intrastate	0	0	0	0.00	
	Interstate	0	0	0	0.00	
	Canadian	0	0	0	0.00	
	Caribbean	0	0	0	0.00	
	International	0	0	0	0.00	
Subtotal		2	1013	18	2.70	21.4
Debit card	Local	0	0	0	0.00	
	Intra Cell	0	0	0	0.00	
	Intra LATA	0	0	0	0.00	
	Intrastate	0	0	0	0.00	
	Interstate	0	0	0	0.00	
	Canadian	0	0	0	0.00	
	Caribbean	0	0	0	0.00	
	International	0	0	0	0.00	
Subtotal		0	0	0	0.00	0.0
Total		8	4565	79	12.60	100.0

Revenue Summary Report

ICSolutions

Revenue Summary
Site: Newport DOC
Start_Time = 01/28/2011 00:00 End_Time = 02/02/2011 23:59

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Facility Name	Attempts	Completed	Min	Percent	Revenue	MTD Att	MTD Comp	MTD Min	MTD Pct	MTD Rev
	11521	4974	51759	43.17	4514.24	67960	29018	308248	42.70	26942.31
	17618	8394	94764	47.64	7594.96	100828	48940	535321	48.54	43354.65
	2133	952	9651	44.63	985.60	11549	5037	53222	43.61	5566.00
	233	83	664	35.62	117.50	1492	592	4242	39.68	707.90
Total	31505	14403	156838		13212.30	181829	83587	901033	175	76570.86

Station Activity Report

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ICSolutions

Station Activity
Site: Newport DOC
Start_Time = 01/17/2011 00:00 End_Time = 02/02/2011 23:59

Site Name	Station Port	Station Name	Attempt Calls	Accept Calls	Accept Rev Calls	Rev Mins	Rev Amnt
	6213	F-TIER-3	995	231	211	2235	371.45
	6214	G-TIER-3	722	207	201	1174	211.45
	6215	H-TIER-4	796	207	168	1576	264.90
	6216	MSU-3	524	150	143	1703	285.85
	6217	MSU-4	634	163	149	1387	240.00
	6218	INFIRMARY	51	14	11	192	28.95
	6219	G-TIER-1	476	167	161	1862	302.85
	6220	B-TIER-3	2424	685	627	5617	960.30
	6221	C-TIER-1	195	81	77	1122	183.30
	6222	C-TIER-2	228	42	42	672	110.60
	6223	G-TIER-5	180	23	23	397	63.55
	6224	RECEPTION	446	121	93	810	140.30
	6301	A-TIER-3	1866	523	471	4416	752.22
	6302	A-TIER-2	0	0	0	0	0.00
	6303	A-TIER-1	1586	453	406	4120	684.30
	6304	B-TIER-4	1979	575	532	5330	895.40
	6305	B-TIER-5	156	0	0	0	0.00
	6306	B-TIER-6	2229	649	600	6273	1049.70
	6307	C-TIER-4	535	177	166	1439	250.20
	6308	C-TIER-5	494	138	129	1711	282.55
	6309	C-TIER-6	992	350	318	3832	625.15
	6310	D-TIER-3	1411	412	371	3368	575.75
	6311	D-TIER-2	1827	478	429	4188	716.60
	6312	D-TIER-1	918	243	233	2763	457.51
	6313	E-TIER-3	164	14	12	112	18.85

Station Group Report

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ICSolutions

Inmate Station Group Privileges
Site: Newport DOC

Site Name	Inmate ID	Last	First	Middle	Group Name
LCC, Lovel			JACK	A	LCC 1 A East
LCC, Lovel			JACK	A	LCC 1 A West
LCC, Lovel			JACK	A	LCC 1 B East
LCC, Lovel			JACK	A	LCC 1 B West
LCC, Lovel			JACK	A	LCC 2 A East
LCC, Lovel			JACK	A	LCC 2 A West
LCC, Lovel			JACK	A	LCC 2 B East
LCC, Lovel			JACK	A	LCC 2 B West
LCC, Lovel			JACK	A	LCC 3 A East
LCC, Lovel			JACK	A	LCC 3 A West
LCC, Lovel			JACK	A	LCC 3 B East
LCC, Lovel			JACK	A	LCC 3 B West
LCC, Lovel			JACK	A	LCC 5 East
LCC, Lovel			JACK	A	LCC 5 West
LCC, Lovel			JACK	A	LCC 6 East
LCC, Lovel			JACK	A	LCC 6 West
LCC, Lovel			JACK	A	LCC Phase 1 Yard
LCC, Lovel			CINQUE	Z	LCC 1 A East
LCC, Lovel			CINQUE	Z	LCC 1 A West
LCC, Lovel			CINQUE	Z	LCC 1 B East
LCC, Lovel			CINQUE	Z	LCC 1 B West

Inmate Suspensions Report

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ICSolutions

Inmate Suspensions
Site: Newport DOC

Site Name	Inmate ID	Last	First	Middle	Full	Start Time	End Time	Notes
			BRADLEY	S	NO	2009-07-13 11:05	2009-08-21 11:05	LOSS OF PHONES PER HEARINGS
			DENNIS	ALEX	NO	2010-10-05 16:23	2010-10-24 16:23	PER HEARINGS
			GARY	JOSEPH	NO	2009-12-05 09:02	2009-12-21 09:02	loss of phones per hearing
			JACK	D.	NO	2010-07-19 15:43	2010-08-07 15:13	
			ROLAND	REAL	NO	2009-09-16 08:27	2009-10-12 08:27	LOSS OF PHONES PER HEARINGS
			ROLAND	REAL	NO	2009-06-03 11:43	2009-08-26 11:42	LOSS OF PHONES PER HEARINGS
			NORMAN	R	NO	2010-06-28 [illegible]	2010-[illegible] 11:59	
			ANTHONY	THOMAS	NO	2010-03-19 07:21	2010-05-30 07:20	LOSS OF PHONES PER HEARINGS
			JASON	PHILLIP	NO	2010-04-20 07:33	2010-06-21 07:33	LOSS OF PHONES PER HEARINGS
			RICHARD	J	NO	2011-01-10 11:52	2011-01-30 11:52	
			JAMES	PATRICK	NO	2010-11-05 09:52	2010-11-22 09:52	LOSS OF PHONES PER HEARINGS
			MICHAEL	JOH	NO	2009-07-24 08:24	2009-09-17 08:23	LOSS OF PHONES PER HEARINGS
			KEVIN	J	NO	2010-01-27 08:24	2010-03-27 08:23	LOSS OF PHONES PER HEARINGS
			ALBERT	W	NO	2010-12-21 14:59	2011-01-14 [illegible]	LOSS OF PHONES PER HEARINGS
			ALBERT	W	NO	2010-11-12 09:33	2010-12-14 09:33	LOSS OF PHONES PER HEARINGS
			FRED	W	NO	2011-01-18 15:40	2011-01-23 15:40	PER HEARING'S OFFICER PAUL FORTIER
			JAMIE		NO	2007-09-21 10:01	2007-11-06 [illegible]	LOP per Sgt. Baron 09/19/07 through 11/05/07 - jcb
			JAMIE		NO	2007-09-21 10:00	2007-09-20 10:02	LOP per Sgt. Baron 09/19/07 through 11/05/07 - jcb
			JOSHUA	JOSEPH	NO	2010-03-23 14:01	2010-05-03 14:01	
			JOSHUA	JOSEPH	NO	2010-02-11 [illegible]	2010-02-23 [illegible]	
			RICHARD	N.	NO	2010-02-26 09:03	2010-05-19 [illegible]	LOSS OF PHONES PER HEARINGS
			MATTHEW	BRETT	NO	[illegible]-03-27 09:2[illegible]	2009-04-08 [illegible]	loss of phone per hearings
			JONATHAN	W	NO	2010-06-14 13:45	2010-07-22 13:45	
			JAMES	M	NO	2010-09-07 09:28	2010-10-25 09:28	
			JAMES	M	NO	2010-07-22 10:06	2010-08-11 [illegible]	
			MICHAEL		NO	2010-06-27 08:00	2010-11-22 [illegible]	LOSS OF PHONES PER HEARINGS
			TIMOTHY	D	NO	2010-06-27 08:00	2010-11-22 00:[illegible]	LOSS OF PHONES PER HEARINGS
			JEREMY	SCOTT	NO	2010-05-18 [illegible]	2010-05-2[illegible] 09:[illegible]	
			WILLIE	JAMES	NO	2010-03-05 [illegible]	2010-03-14 [illegible]	LOSS OF PHONES PER HEARINGS
			WILLIE	JAMES	YES	[illegible]-06-25 11:[illegible]	2009-06-29 12:2[illegible]	Temp. [illegible] panel per MHSP-M Investigations

Trunk Usage Report

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ICSolutions

Trunk Usage
Site: Newport DOC
Start_Time = 01/26/2011 00:00 End_Time = 02/02/2011 23:59

Site Name	Trunk	Out-dialed Calls	Accepted Calls	Percent Accepted
	6101	210	100	47.62
	6102	646	292	45.20
	6103	580	261	45.00
	6104	677	353	52.14
	6105	599	294	49.08
	6106	548	260	47.45
	6107	685	320	46.72
	6108	659	311	47.19
	6109	660	314	47.58
	6110	645	305	47.29
	6111	674	316	46.88
	6112	567	284	50.09
	6113	676	276	40.83
	6114	641	313	48.83
	6115	630	297	47.14
	6116	670	297	44.33
	6117	1422	632	44.44
	6118	639	292	45.70
	6119	557	273	49.01
	6120	635	295	46.46
	6121	622	302	48.55
	6122	666	280	42.04
	6123	686	324	47.23
	6124	658	319	48.48
	6201	0	0	0.00

Volume Users Report

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ICSolutions ALL

High Volume Users
Site: Newport DOC
Start_Time = 02/02/2011 00:00 End_Time = 02/02/2011 23:59 Choose_Threshold_Basis = Calls Threshold =

Site Name	Inmate ID	Last Name	First Name	Middle Name	Number of Calls	Minutes Count
			LOUIS	COREY	105	47
			CHRISTY	HELEN	59	0
			GREG	ANTHONY	58	204
			CLAY	BRUCE	50	4
			LEE	BRIAN	48	35
			HARRY	MATTHEW	44	97
			MICHAEL	JERAMIE	40	8
			CARL	GREG	34	23
			MICHAEL	DANIEN	33	258
			MICHAEL	ERIC	33	52
			MARIE	TINA	31	86
			RICHARD	SHANE	31	58
			FRANCIS	STEPHEN	30	31
			MATT	JOANNE	29	62
			PAUL	RYAN	27	0
			THOMAS	JASON	26	4
			N.	RICHARD	26	32
			PAUL	DANIEL	26	14
			RYAN	CLAYTON	26	36
			ROBERT	KENNETH	26	0
			JOHN	RONALD	25	10
			JAMES	WESTON	24	36
			ALLEN	RICKY	23	58

July 31, 2014

Re: RFP No. ADOC 14-00003887/14-066-24
Inmate Telephone System
Request for Clarification dated July 18, 2014

Dear Ms. Yaw:

CenturyLink thanks the State of Arizona and the Department of Corrections for the opportunity to submit these answers to the State's clarifying questions.

As part of a Local Exchange Carrier serving most of Arizona's population, we are uniquely positioned to provide the highest level of service in addition to a very competitive financial offer. In addition, we believe we are able to consistently meet or exceed all the State's requirements and desired features/services.

Please do not hesitate to contact me or Senior Account Manager Vicki Johnson at 859.734.9424 if you require any additional information.

Sincerely,

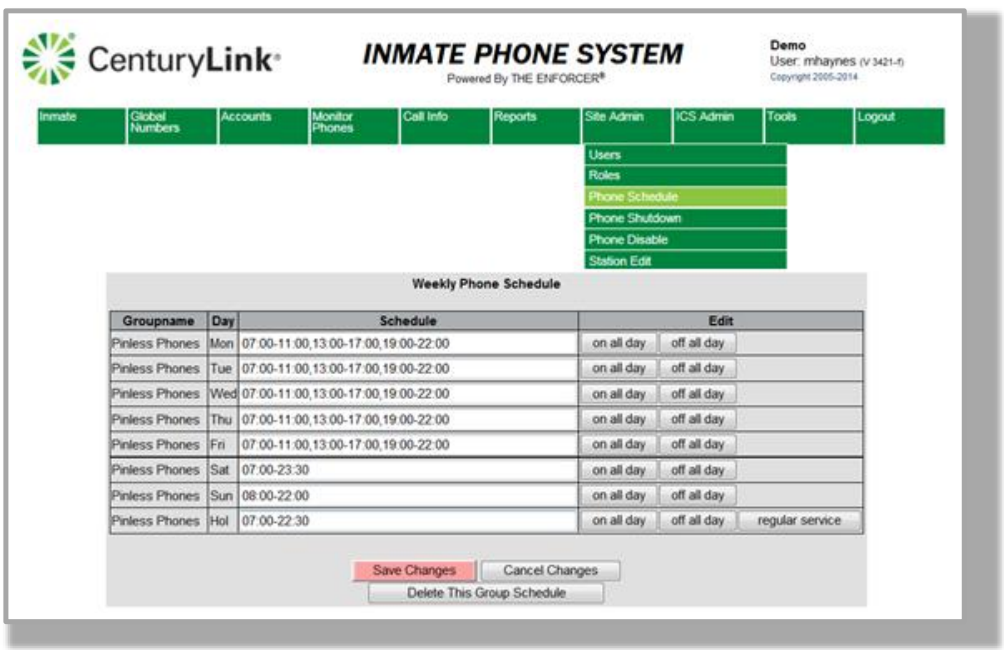
Paul Cooper, General Manager
CenturyLink Public Communications, Inc.
5454 W. 110th Street, Overland Park, KS 66211
913.345.6002
paul.n.cooper@centurylink.com

Tab 3 Scope of Work-Technical Requirements

1) Section 2.4.3.10 On the daily automatic turn on and off, does it has the ability to set for multiple time per day?

CenturyLink response: Yes. The following example illustrates a group of phones that are turned off during lunch and dinner periods (11:00 – 13:00 and 17:00 – 19:00) Monday through Friday, but are available during lunch and dinner on Saturday, Sunday, and holidays. These time blocks are simply separated by a comma in the fields within the phone schedule screen.

The “Groupname” is a specific group of inmate telephones defined by the Department. Typically a physical facility will have several groups defined, for example, Dayroom 2A, Medical, Segregation, etc. Each Department facility can have their own defined groups, and there is no limit to the number of groups that can be implemented.



Weekly Phone Schedule Screen

2) Section 2.4.3.24 Please explain the automatic deletion of numbers for family members who block future calls from the inmate (page 25 of your proposal).

CenturyLink response: When a called party answers the phone, they receive automated voice prompts that offer several options, including the options to “block all future calls from this facility” by dialing the designated single-digit code on their telephone dial pad. The called party is prompted twice to prevent accidental blocking. The voice prompts that the called party would hear are included to illustrate the “double” prompting:

Hello, you have a collect\prepaid\debit call from [*inmates name*], an inmate at [*facility name*]
To accept this call, Press 5"
To refuse this call, hang up now"
To block this call and future calls from this facility, Press 9

If called party presses 9 on keypad:
To block this call and all future calls from this inmate, Press 7
To Block this call and all future calls from this facility, Press 9

If called party presses 7 on keypad:
You have chosen to block calls from this inmate, Press 1 if this is correct. Press 3 to return to the previous menu

If called party presses 9 on keypad:
You have chosen to block calls from this facility, Press 1 if this is correct. Press 3 to return to the previous menu

If the called party selects the option to block future calls from this inmate, their telephone number is automatically blocked (placed in "keypad block" status) from future calling from that inmate, with no Department staff intervention necessary. The number is not deleted, but placed in "block" status.

If a number is blocked, the family member can simply call our call center to get their number unblocked. Information on how to get numbers unblocked is on our website, and should the Department wish, the State's website can be linked to our website.

The following screen illustrates an active number and a number that is in keypad block status. The blocked number can quickly be unblocked by selecting "Not Blocked" from the drop-down menu.

Personal Allowed/Blocked Numbers (PANs)

Edit PANs... | PAN History

Pan Num	Phone Number	Active	Speed Dial	Name	Relationship	Block	Global Entries	Call Type	Date Approved	Approved By	In Use	Address	Description
1	1-210-581-8105	☑				Not Blocked		All	07/23/2014 06:17:31	johng	1		
Inactive PANs are shown below		Hide Inactive PANs											
2	+79788074147	☐				Keypad		All	07/24/2014 09:50:04	lsteger	1		

Personal Allowed/Blocked Numbers Screen

If the Department would like to be notified of these blocking events, the IPS can be configured so that the database entry event (blocking future calls from the inmate) triggers an alert that automatically notifies designated Department staff.

Summary:

- The called party is double-prompted prior to either refusing a single call from an inmate or blocking all future calls from an inmate or facility. This reduces the probability that family members incorrectly or inadvertently block all future calls from Department facilities.
- If a called party refuses all future calls, history is preserved by placing the number into keypad block status for review by authorized staff.
- Business rules for automated blocking, notifications to designated staff, etc. can easily be configured from within the system.
- If a called party incorrectly or inadvertently blocks all future calls from an inmate or the Department, our call center or on-site administrators are always available to unblock the number in a timely fashion.

3) Is continuous voice biometric monitoring available and is it at an additional cost?

CenturyLink response: Yes, continuous voice biometric monitoring is available to the Department. Because it involves third party royalty payments, the implementation of continuous voice biometrics would impact our commission offer. "Pre-call" or "voice print" voice biometrics is also available, and at no impact to our commission offer.

With over 50,000 inmates using continuous voice biometrics on the Enforcer system, CenturyLink and ICSolutions are the most experienced implementers of this technology and have built the required server infrastructure to accommodate this resource-intensive service.

4) Section 2.4.10.1 Can CenturyLink provide a WinTel 7090SSE telephone? Is there a security reason why this phone should not be used?

CenturyLink response: Yes, the WinTel 7090SSE can be provided for Department facilities. There are no security issues with using the 7090SSE and its installation would not impact our financial offer.

5) Section 2.4.17.14 Payment options - Is this direct billing with CenturyLink or with incumbent local exchange companies (ILECs) and competitive local exchange companies (CLECs)?

CenturyLink response: These collect billing arrangements are with CenturyLink, Inc.'s traditional phone service unit *as well as* other ILECs and CLECs.

If we do not have a third-party billing arrangement for an end-user's telephone service (such as a cell phone company), the called party will be automatically routed to a call center representative who will walk the called party through the simple process for setting up a prepaid account. Per RFP requirements, there will be no setup or other transaction fees for managing collect services or prepaid accounts.

6) Would CenturyLink provide the Department a list of facilities that use the ICS platform?

CenturyLink response: The table below provides information on state DOC accounts that have the ICS Enforcer currently installed. In addition, CenturyLink is in the process installing the Enforcer platform at the Idaho Department of Correction under a five year contract. This installation will support approximately 7,300 inmates at 15 sites with 550 phones. Note that the contracts for Iowa, New Hampshire, and Wyoming are held directly by ICSolutions.

The Enforcer was also installed at the Illinois Department of Corrections under a contract with Illinois-based LEC Consolidated Communications, before the contract was lost due primarily to pricing. Illinois DOC has 30 facilities and approximately 49,000 inmates. A letter describing the Enforcer's historical performance in Illinois is attached at the end of this response.

Finally, the platform is in use at an additional 150 county facilities that house close to 100,000 inmates.

CenturyLink uses the Enforcer platform exclusively on all new business due to its proven revenue performance (due to its unique prepaid collect call routing and setup process), rich feature set, stability, and support from developer ICSolutions.

State Departments of Correction with Enforcer Inmate Telephone System			
Account	**Sites**	**Population**	**Phones**
Alabama DOC	29	25,000	1,171
Kansas DOC	13	9,500	967
Nevada DOC	18	12,800	678
Iowa DOC	9	8,500	415
New Hampshire DOC	4	2,550	246
Wyoming DOC	5	1,950	87

7) Does CenturyLink have the ability to import call data and recordings from the previous vendor for use?

CenturyLink response: Yes. This process requires only (1) a standard readable file format including historical call detail records and (2) recordings in a non-proprietary playable format from the outgoing vendor. Based on the sample file formats received, CenturyLink would translate/normalize the outgoing vendor's data format to the Department's new IPS platform. Prior to actually deploying the IPS, we will perform a robust series of tests to ensure accuracy of all data transferred.

CenturyLink would not charge the Department or the outgoing vendor for performing this work. This importing of historical data is in addition to the standard process of transferring over data such as PINs, allowed numbers (PANs), and global numbers such as attorneys from the previous provider.

Should CenturyLink be awarded this contract and subsequently lose it at a later date, we commit to work with the incoming vendor to transfer all of the State's data to the new vendor. CenturyLink would not charge the State or the incoming vendor for this service.

8) Does the Department have the ability to view commission reports online?

CenturyLink response: Yes. The Department would have the ability to view all historical commission reports online. The Department would also have access to real-time gross revenue reports throughout the month so staff could forecast commission performance using mid-month data.

9) Does CenturyLink block for uncollected calls when billed through a LEC or CLEC?

CenturyLink response: CenturyLink does not "block" calls without a customer being given an opportunity to be brought to "current" status. If a LEC/CLEC-billed call comes back to us as unpaid, we place a "soft block" on the line, so that next time the person receives an inmate call, the family member is routed into our call center to pay their bill and be brought to current status.

The bottom line is that with the Enforcer call routing engine, no customer is ever "hard blocked" – that is, blocked without being given the opportunity to bring their account to cleared/current status to continue receiving calls.

Another billing rule to note is that if the inmate is utilizing their debit account to pay for the call and the called party's account is still in bad payment status, CenturyLink will allow that call to go through. This is because the party in non-payment status is the family member, not the inmate paying for the call.

10) Please confirm in detail the assistance in repair of infrastructure of inmate telephone post installation at no additional cost to the Department.

CenturyLink response: As part of a Local Exchange Carrier (LEC) serving most of Arizona's population, CenturyLink provides a unique set of capabilities in this area.

First, CenturyLink's ADOC-dedicated service technicians are available for use by the Department in whatever capacity they are needed by the Department – including the repair of ADOC-internal telecommunications infrastructure.

Second, CenturyLink management has an expedited escalation channel within

CenturyLink, Inc.'s Arizona LEC operations should the Department experience issues with any CenturyLink, Inc. services.

Finally, as discussed in our conference call and for those facilities in CenturyLink, Inc. LEC territory, we are able to provide labor and consultation for cable maintenance issues (materials excluded, except by mutual agreement) at Department facilities. These services would be provided even if the cable is ADOC-owned, and would broadly include use of our equipment for cable location, consultation regarding splicing or routing, etc. as required by the particular situation. For contractual purposes, we request the ability to cap this assistance to no more than three (3) instances per year. However, we commit to working with the Department if further assistance is needed.

For out-of-territory facilities, CenturyLink cannot expressly commit to this type of assistance. However, we offer to assess each out-of-territory situation on a case-by-case basis with the Department. All ADOC facilities except for ASP-Apache, ASP-Ft. Grant, and the Kingman facility are in CenturyLink, Inc. LEC territory.

All services described above would be at no cost to the Department and no impact to our financial offer.

11) Please confirm there are no transaction fees, ancillary fees, billing fees, nor any other types of fees billed to the Family and Friends.

CenturyLink response: Confirmed. CenturyLink will not charge any of these fees to Family and Friends. In addition, we have successfully operated a no-fee billing program at Kansas DOC since 2007. Our compliance with this no-fee policy is tested regularly by internal and external resources, and we have never been found to be out of compliance with this requirement.

12) Does FCC allow commission to be paid on interstate calls and are they included in your offer?

CenturyLink response: Yes. Commission is allowed on all call types, including interstate, under currently implemented FCC rules. Two points comprehensively summarize this conclusion:

1. In the FCC's *Report and Order* (FCC 13-113, released September 26, 2013), the FCC's commentary expressly states that the Commission declines to prohibit commissions on any call types:

   > ***"We do not conclude that ICS [inmate calling service] providers and correctional facilities cannot have arrangements that include site commissions****. We conclude only that…such commission payments are not costs that can be recovered through interstate ICS rates."* (¶ 56) *[emphasis added]*

2. Further and very important, the *Report and Order* was appealed at the D.C. Circuit

Court of Appeals. As part of the appeal, critical components of the *Order* were stayed by the Court. In particular, the rules that ICS rates must be "cost-based" were stayed and as a result, the determination that site commissions are not recoverable costs currently has no legal effect. That is, the rules that certain providers use to claim that interstate site commissions cannot be paid are not in effect today.[1]

Finally, on July 21, 2014 the FCC reiterated its position on commissions in its brief for the Circuit Court appeal. The full document is available at: http://transition.fcc.gov/Daily_Releases/Daily_Business/2014/db0722/DOC-328365A1.pdf. See especially:

> *(p. 17) "…the Order does not bar inmate calling providers from having 'arrangements' with correctional facilities 'that include site commissions'…"*
>
> *(p. 63) "…the Order neither bars inmate calling providers from continuing to pay site commissions out of their profits, nor restricts how correctional facilities spend such payments."*

CenturyLink takes compliance with FCC rules, as well as its inmate communications contracts, very seriously and conducted lengthy and thorough analysis of the *Report and Order* and the Circuit Court's partial stay. That analysis concluded that we could not refuse to pay interstate commissions based on the portions of the FCC *Report and Order* that were allowed to go into effect. This conclusion was made despite the fact that refusing to pay interstate commissions would clearly be in CenturyLink's financial interest.

Regarding commission on interstate calls, interstate commissions were not included in our original offer in order to maximize our evaluation under the RFP's rules.

[1] Pages 1-88 of the *Report and Order* are simply commentary and explanation from the FCC regarding the actual rules to go into effect. The actual rules, six in total, are on pages 89-91 of the document - three of which were importantly stayed by the Court. The stayed rules were:

- §64.6010 ("Cost-Based Rates for Inmate Calling Services") which states rates must be based on costs "reasonably and directly related to providing ICS services";
- §64.6020 ("Interim Safe Harbor") which defines safe harbor rates at which providers are "presumptively in compliance with §64.6010"; and
- §64.6060 ("Annual Reporting and Certification Requirement") which defines annual reporting requirements as well as providers' certification that they are compliant with rules including §64.6010

See full text at https://apps.fcc.gov/edocs_public/attachmatch/FCC-13-113A1.pdf. The Circuit Court's partial stay is at https://apps.fcc.gov/edocs_public/attachmatch/DOC-325090A1.pdf.

ADDITIONAL INFORMATION

Consolidated
public services

P.O. Box 7001, Mattoon, IL 61938-7001
www.consolidated.com
Tel 800 235 4416

January 15, 2013

Re: Inmate Calling Services

Dear Procurement Officer:

Consolidated Communications Public Services, Inc. (CCPS) is the contract holder to provide inmate telecommunications services to the Illinois Department of Corrections (IDOC). This covers 46 facilities, which houses 49,000 inmates and provides services to over 2,000 inmate telephones.

CCPS searched for a business partner with an exceptional service record and advanced technology to meet the ever changing needs to the corrections market. After a thorough evaluation, ICSolutions was chosen in December of 2009. The ICSolutions ENFORCER® system was successfully implemented statewide and all site personnel trained by May of 2010.

CCPS has been very pleased with ICSolutions' service and support during the implementation and in the subsequent years of service. They continue to enhance their services by making new technologies available and tailoring them to fit our specific needs for the IDOC. Their prepay product design has increased the overall revenue stream, which results in higher commissions to the state of Illinois.

The IDOC continues to praise the ENFORCER® system for its ease of use and reliability. The investigators are extremely pleased with all the features that streamline the live monitoring and recording capture. The ability to rapidly search and download recordings has been critical to the shrinking investigative workforce in Illinois.

If you have any further questions, please do not hesitate to contact me at my office at (217) 258-2986 or via email at kelly.cole@consolidated.com.

Sincerely,

Kelly J. Cole

Kelly J. Cole
CCPS General Manager

Executive Summary

CenturyLink is pleased to submit this response for the State of Arizona Request for Proposal for an Inmate Telephone System.

Change is not always the easiest path, but often is the best. CenturyLink will provide outstanding support throughout a transition, during and after the contract.

Our response demonstrates our understanding of the requirements of the RFP, and presents solutions that go beyond the base RFP to enable the Department to meet your current and future needs. Equally as important, we base or relationships with our customers on trust and respect; **our success is built on three principles: Accountability to the Customer, Telco-grade Systems, and Consistently Better Service.**

CenturyLink Company Profile

Company Information:

- 23 years Correctional Market Experience
- Currently serve 243,000 inmates
- Third largest telecom company in United States
- 45,000 Employees
- 2012 Pro-Forma revenues of $18.7B
- 13.9 million telephone lines in 37 states
- 220,000 mile fiber optic network

Arizona Information:

- 1,230 employees
- Approximately $174 million payroll
- 1,329,000 telephone lines
- $7.4 billion plant investment

Accountability to the Customer - The CenturyLink Team's Service Approach

Service to Arizona

Our service plan for the Department is multi-faceted. By taking excellent care of inmates and their family members, complaints and overall frustration with the Inmate Telephone System (ITS) is minimized. And by meeting our commitments and maintaining flexibility throughout the contract, the Department can be assured that their cost of administering the contract will be absolutely minimized:

- Dedicated Service Team: Although we are a part of a large national corporation, our Correctional Markets Division is a standalone entity focused on managing complex inmate telephone system installations. Bottom line: Arizona can be assured of focused, quality attention and service.
- "Telco-grade" system, with no lost call records or voice recordings. Since the CenturyLink Team cut over its first ITS we have processed over 100 million call detail records (CDRs) and audio recordings. No other provider's ITS can match the redundancy, fault-tolerance, and overall performance of our system.
- Consistent history of meeting or exceeding commitments. Time after time, CenturyLink has proven its flexibility in implementing new services beyond the scope of the original RFP proposal process or contract.
- "Doing the right thing" -- Unlike some of our competitors, CenturyLink still pays commissions on Interstate calls. Our analysis of the FCC ruling and subsequent court stay of the ruling does not ban the payment of Interstate commissions.

Executive Summary

Service to Inmates

Service to inmates requires high system availability and prompt responses to inquiries and complaints, but it also means transforming the ITS from just a one-way calling system to a true administrative tool for the Department:

- System availability. Inmate perceptions of the ITS begin with exceptional system availability. With our redundant architecture, no other provider can deliver the system availability that we can.
- Timely response to inmate complaints. Unhappy inmates mean unhappy staff.
- Inmate Training. Transition planning also includes inmate training as well as day room posters.
- Ability to implement commissary ordering by phone and other automated functions.

Service to Family Members

Poor service to family members is a major problem in our industry and the reason is simple: cost. Live agents are expensive to staff and train, and most providers purposely make it difficult to reach one. The CenturyLink Team's approach is different:

- U.S.-based representatives *who answer the phone*. **Please call all vendors' customer service lines and compare**:
- Our call center can be reached at (888) 506-8407. Our average hold times are consistently under 90 seconds – less than 10 seconds during peak weekday times during which we are more heavily staffed.
- Real-time routing to customer service. When an inmate calls a number, if the called party does not have an account with us (for example, a first call to a cell phone) or has depleted the funds in their account, they are *immediately* routed to our call center and presented with options to complete the call.
- No "alternative billing programs". Many providers have implemented programs to artificially inflate commission offers. Automated payment systems that include Voice Response Systems or Enhanced Text Messages charge hefty fees – up to $15 per call – and do not obtain called party information for investigators. ***CenturyLink account setups are NEVER anonymous, ensuring family members they will never be charged $15 fees, and the Department that called party information is available to investigators.***

> The CenturyLink Team has long-established, U.S.-based call centers with consistently low hold times.
>
> **While maintaining these service levels is more expensive, it increases connections and revenue for Arizona – typically by 20% or more vs. other providers – in addition to decreasing complaints from family members.**
>
> We urge you to call our customer service line, and those of other vendors, to experience the difference.

- <u>Audits and accountability</u>. As a division of a Sarbanes-Oxley compliant company, CenturyLink completes monthly audits to verify call rating and billing accuracy.

Telco-grade Systems

Our proposal presents a state of the art ITS coupled with exceptional customer service, which we have summarized below:

State of the Art Technology

Our proposed ITS has been developed with the help of correctional industry professionals as well as experienced leaders in the telecommunications field. A few examples of the System's capabilities:

- Enhanced Reverse Lookup Capabilities
- Ability to access the system without dedicated work stations. All inmate investigation, monitoring, and administrative functions can be accessed from any computer with Internet access
- Live monitoring via workstation, telephone, or cellular phone
- On-line access to call data and recordings from any Internet-enabled computer
- Easy-to-use tools for saving, copying, or emailing recordings, reports and call detail records
- Inmate PIN integration with your existing JMS vendor
- Debit account funding from trust or commissary systems
- Commissary ordering over the phone system, including intelligent enforcement of ordering rules and inventory availability
- Inmate information services using the phone system, including release information, sick call appointments, trust account balance information, etc.
- Data exchange for automated updating of VINE data
- PREA and other "hot line" numbers are easily programmable

ITS Platform

Our platform provides exceptionally high availability, and is a browser-based application that allows control, monitoring, searching, and reporting of all inmate calls through a simple, point-and-click GUI (Graphical User Interface). All data is stored at multiple geographically diverse, highly secure and highly available data centers to provide exceptional redundancy of data.

All call detail records and call recordings are stored on-line; they are never archived. This information will be available immediately; there will be no delay waiting for archived data to be restored.

Executive Summary

Our goal is to provide a state-of-the-art ITS that not only increases the productivity and effectiveness of investigative staff, but can also be used to automate and streamline operations within the facility.

Consistently Better Service

We understand there may be concern or hesitation to change providers; we invite the Department to contact any of our state or county inmate telephone service accounts to verify our ability to successfully and seamlessly implement and administer inmate telephone services.

- CenturyLink is fully qualified, exceeds the experience requirements, and has been providing inmate telephone services to federal, state and local governments for over 22 years. We have state and county contracts providing inmate telephone services for approximately 243,000 inmates nationwide.
- Our Project Team has almost 300 years of combined telecommunications experience with inmate services, and has demonstrated the ability to understand our customer's issues and creatively adapted our approach to address their issues and meet their needs.
- During the month of March 2011, we concurrently installed Clark County, NV, (380 phones), City of Las Vegas, (110 phones), and Hillsborough County, Florida, (468 phones).
- We perform monthly audits on all call records, ensuring accurate commission payments.
-

Within the last five years, CenturyLink has seamlessly implemented systems serving over 190,000 inmates nationwide.

- CenturyLink's support staff is experienced, fully trained, and certified on the proposed ITS. This team will be led by Vicki Johnson, our Account Manager, with 27 years of inmate industry experience, and Barry Brinker, our Operations Director, who has 16 years telecommunications experience, including prime responsibility for the installation of the Texas Department of Criminal Justice Offender Telephone System, a ground-up project with 114 sites and over 5,000 telephones.

Executive Summary

- Existing local personnel. As the Local Exchange Carrier (LEC) for much of Arizona, we have field technicians and other personnel that can be called upon for additional assistance (weather-related outages, etc.) to ensure that service to Arizona is maintained at exceptionally high levels.

Summary of Key Differentiators of the CenturyLink Team

As the Department is well aware, inmate calling services are a complex IT service spanning network engineering, system integration, field operations, and called party customer care. As a result, it is difficult to fully judge a provider's capabilities – *and the true total cost of ownership to you and your citizens* – from just an offeror's carefully constructed RFP responses. Please carefully consider the following during review of the responses:

Accountability to Arizona – no one even comes close

- Ownership of the entire solution, from the ITS to the fiber the network runs on
- Millions of dollars of existing business and over 2,800 employees within Arizona
- By far the strongest provider financially, with over $3 billion in annual cash flow

Telco-grade system engineering

- Network owned and operated by CenturyLink
- Redundant facilities we own and control, resulting in 99.999% availability for both inmate calling and investigations.

Consistently better service

- Seamless transition: highly experienced install team partnering with existing providers
- Family members have simple and fast access to live U.S-based representatives, not an automated system.
- A service program that results in 20%+ more revenue than other providers – we have the data to prove it.

We believe these unique capabilities, combined with our very competitive calling rates, provide the lowest total cost of ownership and best value to Arizona We encourage you to call any of our references to verify our performance.

Executive Summary

Why Select CenturyLink for this Project?

- Our solution meets or exceeds all specifications.
- CenturyLink has provided similar inmate telephone services for numerous clients and has excellent references.
- The combination of CenturyLink's seasoned management and highly qualified service staff enable us to reliably deliver successful projects and provide exceptional ongoing support.
- A commitment to service that means more revenue and fewer complaints to the Arizona Department of Corrections

We at CenturyLink thank you for the opportunity to present this response. We are dedicated to going over and beyond your expectations, and we commit to providing the Department the best inmate telephone services experience possible.

Exhibit C

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8. **Exclusion of Damages:** YOU UNCONDITIONALLY AGREE THAT IN NO_EVENT SHALL LICENSOR, ITS MEMBERS, MANAGERS, DIRECTORS, OFFICERS, EMPLOYEES, LICENSEES, DISTRIBUTORS, OR SUPPLIERS BE LIABLE FOR INDIRECT, SPECIAL, PUNITIVE, INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING, WITHOUT LIMITATION, LOSS OF INCOME, PROFITS, DATA, USE OR INFORMATION, ARISING FROM BREACH OF WARRANTY, BREACH OF CONTRACT, NEGLIGENCE OR ANY OTHER LEGAL THEORY, EVEN IF ADVISED OF OR HAVE REASON TO KNOW OF THE POSSIBILITY OF SUCH DAMAGES.

9. **Governing Law:** The validity, construction, and performance of this Agreement shall be governed by the laws of the Commonwealth of Massachusetts, exclusive of its rules regarding conflicts of law. You unconditionally and irrevocably agree any legal action, proceeding or controversy with respect to this Agreement shall be brought in Massachusetts and such courts shall have exclusive jurisdiction and consent to personal jurisdiction exclusively in Massachusetts. English shall be the governing language of this Agreement. Section headings are intended for convenience only and shall not to be used to interpret this Agreement. Any dispute, claim or cause of action You believe You may have against Licensor must be filed in the appropriate court in Massachusetts within one (1) year of the event giving rise to any such action or You unconditionally agree You are forever barred from bring any such action. In the event You file or bring any claim against Licensor that is inconsistent or contrary to this Agreement, Licensor shall have the right to recover all attorneys fees and costs (including in-house attorneys fees). You and Licensor waive all rights to a jury trial.

10. **Voice Recordings:** You agree and acknowledge that by using the ICER Software, Licensor will have access to Your voice recordings. You own the voice recordings. You expressly and unconditionally grant Licensor a perpetual, irrevocable, royalty-free, non-exclusive right to use, install, store, load, execute, copy, non-publicly display, create derivative works, manipulate, and otherwise utilize, any and all of Your voice recordings created as a result of Your use of the ICER Software. Licensor will not copy or remove Your voice recordings from any of Your computer systems, except in the performance of services provided by Licensor to You under this Agreement without Your consent. Licensor shall have the right to utilize Your voice recording for software development, product testing, or for any other purpose as determined solely by Licensor other than product demonstrations. Some jurisdictions may provide certain privacy, confidentiality or other rights or laws regarding voice recordings and all such recordings shall remain subject to such laws. You expressly

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11. General Terms: This Agreement is the complete and exclusive agreement between You and Licensor regarding this subject matter and supersedes all prior agreements and all communications, whether written or oral, between the parties. This Agreement may only be amended, changed, or revised by a written agreement signed by a duly authorized representative of Licensor and acknowledged by You. No third party, including but not limited to, any supplier, distributor, sales representative, service provider, or government employee has the authority to modify, alter or otherwise revise this Agreement on behalf of Licensor. You agree to indemnify, defend, and hold Licensor and Supplier harmless for any and all claims and/or liabilities arising from or related to this Agreement unless You are prohibited from providing such indemnification by a pre-existing contractual obligation. Any waiver of a violation or failure to enforce any provision of this Agreement by Licensor shall not constitute a waiver of any Licensor right. All terms and conditions of this Agreement are severable. If any term or provision, or any portion thereof, of this Agreement is held to be invalid, illegal or unenforceable, the remaining portions shall not be affected. Sections 3 through 12 of this Agreement shall survive the expiration or termination of this Agreement. You agree to comply with all applicable laws and regulations. The export and re-export of the ICER Software is subject to applicable U.S. export regulations, and other applicable laws and regulations and shall be Your sole responsibility.

YOU ACKNOWLEDGE THAT YOU HAVE READ THIS AGREEMENT, UNDERSTAND IT, AND AGREE TO BE BOUND BY ITS TERMS AND CONDITIONS.

Accept		*Do not accept*

CenturyLink

Arizona Department of Corrections

Collect and Prepaid

Commission Statement
July 2014

Commission Percentage: **93.9%**
Total Commission: **$ 8,921.99**

NOTE: Numbers are illustrative only and are not intended to reflect actual volumes

				TOTAL				LOCAL				INTRALATA				INTERLATA				INTERSTATE				INTERNATIONAL			
Facility	Controller	Port	Location	Messages	Minutes	Revenue	Commission	Messages	Minutes	Revenue	Commission	Messages	Minutes	Revenue	Commission	Messages	Minutes	Revenue	Commission	Messages	Minutes	Revenue	Commission	Messages	Minutes	Revenue	Commission
Totals				**5,715**	**48,705**	**$ 13,761.84**	**$ 8,921.99**	**5,289**	**44,957**	**$ 12,587.82**	**$ 8,182.08**	**70**	**723**	**$ 202.30**	**$ 108.29**	**102**	**867**	**$ 242.76**	**$ 157.79**	**230**	**1,955**	**$ 547.40**	**$ 355.81**	**24**	**204**	**$ 181.56**	**$ 118.01**
Florence - Central	1	201	Unit 3A Pod 1	6	25	$ 28.28	$ 11.88	126	1,071	$ 299.88	$ 194.92	2	17	$ 4.76	$ 3.09	1	9	$ 2.38	$ 1.55	27	230	$ 64.26	$ 41.77	0	0	$ -	$ -
Florence - Central	1	202	Unit 3A Pod 2	120	1,029	$ 401.37	$ 168.58	154	1,309	$ 366.52	$ 238.24	1	9	$ 2.38	$ 1.55	0	0	$ -	$ -	7	60	$ 16.66	$ 10.83	0	0	$ -	$ -
Florence - Central	1	203	Unit 3A Pod 3	6	25	$ 28.28	$ 11.88	162	1,377	$ 385.56	$ 250.61	2	17	$ 4.76	$ 3.09	0	0	$ -	$ -	3	26	$ 7.14	$ 4.64	0	0	$ -	$ -
Florence - Central	1	204	Unit 3A Pod 4	120	1,029	$ 401.37	$ 168.58	174	1,479	$ 414.12	$ 269.18	3	26	$ 7.14	$ 4.64	4	34	$ 9.52	$ 6.19	7	60	$ 16.66	$ 10.83	3	26	$ 22.70	$ 14.75
Florence - Central	1	205	Unit 3A Control Point	120	1,029	$ 401.37	$ 168.58	146	1,241	$ 347.48	$ 225.86	2	17	$ 4.76	$ 3.09	2	17	$ 4.76	$ 3.09	7	60	$ 16.66	$ 10.83	0	0	$ -	$ -
Florence - Central	1	206	Unit 3B South Wall	21	192	$ 56.76	$ 23.84	161	1,369	$ 383.18	$ 249.07	1	9	$ 2.38	$ 1.55	1	9	$ 2.38	$ 1.55	0	0	$ -	$ -	0	0	$ -	$ -
Florence - Central	1	207	Unit 3B South Wall	203	2,004	$ 794.11	$ 333.53	125	1,063	$ 297.50	$ 193.38	2	17	$ 4.76	$ 3.09	4	34	$ 9.52	$ 6.19	11	94	$ 26.18	$ 17.02	0	0	$ -	$ -
Florence - Central	1	208	Unit 3B Control Point	21	192	$ 56.76	$ 23.84	141	1,199	$ 335.58	$ 218.13	2	17	$ 4.76	$ 3.09	4	34	$ 9.52	$ 6.19	0	0	$ -	$ -	0	0	$ -	$ -
Florence - Central	1	209	Unit 3B West Wall	203	2,004	$ 794.11	$ 333.53	71	604	$ 168.98	$ 109.84	1	9	$ 2.38	$ 1.55	4	34	$ 9.52	$ 6.19	11	94	$ 26.18	$ 17.02	0	0	$ -	$ -
Florence - Central	1	210	Unit 3B West Wall	203	2,004	$ 794.11	$ 333.53	125	1,063	$ 297.50	$ 193.38	1	9	$ 2.38	$ 1.55	2	17	$ 4.76	$ 3.09	11	94	$ 26.18	$ 17.02	0	0	$ -	$ -
Florence - Central	1	211	Unit 3C/D East Wall	58	772	$ 107.60	$ 45.19	132	1,122	$ 314.16	$ 204.20	2	17	$ 4.76	$ 3.09	3	26	$ 7.14	$ 4.64	0	0	$ -	$ -	0	0	$ -	$ -
Florence - Central	1	212	Unit 3C/D East Wall	93	1,042	$ 274.69	$ 115.37	66	561	$ 157.08	$ 102.10	2	17	$ 4.76	$ 3.09	1	9	$ 2.38	$ 1.55	0	0	$ -	$ -	0	0	$ -	$ -
Florence - Central	1	213	Unit 3C/D East Wall	58	772	$ 107.60	$ 45.19	135	1,148	$ 321.30	$ 208.85	1	9	$ 2.38	$ 1.55	4	34	$ 9.52	$ 6.19	0	0	$ -	$ -	1	9	$ 7.57	$ 4.92
Florence - Central	1	214	Unit 3C/D East Wall	93	1,042	$ 274.69	$ 115.37	62	527	$ 147.56	$ 95.91	3	26	$ 7.14	$ 4.64	2	17	$ 4.76	$ 3.09	0	0	$ -	$ -	0	0	$ -	$ -
Florence - Central	1	215	Unit 3C/D Control Point	93	1,042	$ 274.69	$ 115.37	55	468	$ 130.90	$ 85.09	2	17	$ 4.76	$ 3.09	4	34	$ 9.52	$ 6.19	0	0	$ -	$ -	0	0	$ -	$ -
Florence - Central	1	216	Unit 3E/F Dorm Room	1	2	$ 1.80	$ 0.76	76	646	$ 180.88	$ 117.57	3	26	$ 7.14	$ 4.64	2	17	$ 4.76	$ 3.09	0	0	$ -	$ -	0	0	$ -	$ -
Florence - Central	1	217	Unit 3E/F Dorm Room	204	2,056	$ 743.10	$ 312.10	126	1,071	$ 299.88	$ 194.92	2	17	$ 4.76	$ 3.09	1	9	$ 2.38	$ 1.55	17	145	$ 40.46	$ 26.30	0	0	$ -	$ -
Florence - Central	1	218	Unit 3E/F Dorm Room	193	1,788	$ 686.28	$ 288.24	116	986	$ 276.08	$ 179.45	2	17	$ 4.76	$ 3.09	1	9	$ 2.38	$ 1.55	10	85	$ 23.80	$ 15.47	0	0	$ -	$ -
Florence - Central	1	219	Unit 3E/F Dorm Room	19	182	$ 82.03	$ 34.45	167	1,420	$ 397.46	$ 258.35	2	17	$ 4.76	$ 3.09	0	0	$ -	$ -	2	17	$ 4.76	$ 3.09	0	0	$ -	$ -
Florence - Central	1	220	Unit 3E/F Dorm Room	19	182	$ 82.03	$ 34.45	130	1,105	$ 309.40	$ 201.11	1	9	$ 2.38	$ 1.55	2	17	$ 4.76	$ 3.09	2	17	$ 4.76	$ 3.09	0	0	$ -	$ -
Florence - Central	1	221	Dayroom West Wall	181	2,025	$ 408.85	$ 171.72	118	1,003	$ 280.84	$ 182.55	2	17	$ 4.76	$ 3.09	2	17	$ 4.76	$ 3.09	2	17	$ 4.76	$ 3.09	2	17	$ 15.13	$ 9.83
Florence - East	1	222	Dayroom West Wall	21	191	$ 65.08	$ 27.33	98	833	$ 233.24	$ 151.61	1	9	$ 2.38	$ 1.55	0	0	$ -	$ -	0	0	$ -	$ -	0	0	$ -	$ -
Florence - East	1	223	Dayroom West Wall	45	484	$ 114.64	$ 48.15	101	859	$ 240.38	$ 156.25	0	0	$ -	$ -	3	26	$ 7.14	$ 4.64	4	34	$ 9.52	$ 6.19	0	0	$ -	$ -
Florence - East	1	224	Dayroom West Wall	328	3,570	$ 788.06	$ 330.99	94	799	$ 223.72	$ 145.42	0	0	$ -	$ -	1	9	$ 2.38	$ 1.55	4	34	$ 9.52	$ 6.19	0	0	$ -	$ -
Florence - East	1	225	Dayroom North Wall	117	1,399	$ 305.08	$ 128.13	167	1,420	$ 397.46	$ 258.35	3	26	$ 7.14	$ 4.64	2	17	$ 4.76	$ 3.09	4	34	$ 9.52	$ 6.19	0	0	$ -	$ -
Florence - East	1	226	Dayroom North Wall	140	1,345	$ 537.58	$ 225.78	92	782	$ 218.96	$ 142.32	2	17	$ 4.76	$ 3.09	3	26	$ 7.14	$ 4.64	11	94	$ 26.18	$ 17.02	0	0	$ -	$ -
Florence - East	1	227	Dayroom North Wall	82	823	$ 207.47	$ 87.14	64	544	$ 152.32	$ 99.01	2	17	$ 4.76	$ 3.09	3	26	$ 7.14	$ 4.64	1	9	$ 2.38	$ 1.55	0	0	$ -	$ -
Florence - East	1	228	Dayroom North Wall	36	486	$ 95.58	$ 40.14	164	1,394	$ 390.32	$ 253.71	0	0	$ -	$ -	2	17	$ 4.76	$ 3.09	0	0	$ -	$ -	0	0	$ -	$ -
Florence - East	1	201	Unit 5A Pod 1	6	25	$ 28.28	$ 11.88	77	655	$ 183.26	$ 119.12	0	0	$ -	$ -	1	9	$ 2.38	$ 1.55	3	26	$ 7.14	$ 4.64	0	0	$ -	$ -
Florence - East	1	202	Unit 5A Pod 2	120	1,029	$ 401.37	$ 168.58	115	978	$ 273.70	$ 177.91	0	0	$ -	$ -	2	17	$ 4.76	$ 3.09	7	60	$ 16.66	$ 10.83	0	0	$ -	$ -
Florence - East	1	203	Unit 5A Pod 3	6	25	$ 28.28	$ 11.88	63	536	$ 149.94	$ 97.46	3	26	$ 7.14	$ 4.64	4	34	$ 9.52	$ 6.19	3	26	$ 7.14	$ 4.64	0	0	$ -	$ -
Florence - East	1	204	Unit 5A Pod 4	120	1,029	$ 401.37	$ 168.58	137	1,165	$ 326.06	$ 211.94	0	0	$ -	$ -	4	34	$ 9.52	$ 6.19	7	60	$ 16.66	$ 10.83	0	0	$ -	$ -
Florence - East	1	205	Unit 5A Control Point	120	1,029	$ 401.37	$ 168.58	133	1,131	$ 316.54	$ 205.75	2	17	$ 4.76	$ 3.09	1	9	$ 2.38	$ 1.55	7	60	$ 16.66	$ 10.83	3	26	$ 22.70	$ 14.75
Florence - East	1	206	Unit 5B South Wall	21	192	$ 56.76	$ 23.84	77	655	$ 183.26	$ 119.12	1	9	$ 2.38	$ 1.55	3	26	$ 7.14	$ 4.64	0	0	$ -	$ -	0	0	$ -	$ -
Florence - East	1	207	Unit 5B South Wall	203	2,004	$ 794.11	$ 333.53	170	1,445	$ 404.60	$ 262.99	1	9	$ 2.38	$ 1.55	2	17	$ 4.76	$ 3.09	11	94	$ 26.18	$ 17.02	0	0	$ -	$ -
Florence - East	1	208	Unit 5B Control Point	21	192	$ 56.76	$ 23.84	74	629	$ 176.12	$ 114.48	0	0	$ -	$ -	3	26	$ 7.14	$ 4.64	0	0	$ -	$ -	0	0	$ -	$ -
Florence - East	1	209	Unit 5B West Wall	203	2,004	$ 794.11	$ 333.53	85	723	$ 202.30	$ 131.50	0	0	$ -	$ -	4	34	$ 9.52	$ 6.19	11	94	$ 26.18	$ 17.02	0	0	$ -	$ -
Florence - East	1	210	Unit 5B West Wall	203	2,004	$ 794.11	$ 333.53	53	451	$ 126.14	$ 81.99	3	26	$ 7.14	$ 4.64	0	0	$ -	$ -	11	94	$ 26.18	$ 17.02	0	0	$ -	$ -
Florence - East	1	211	Unit 5C/D East Wall	58	772	$ 107.60	$ 45.19	159	1,352	$ 378.42	$ 245.97	0	0	$ -	$ -	1	9	$ 2.38	$ 1.55	0	0	$ -	$ -	0	0	$ -	$ -
Florence - East	1	212	Unit 5C/D East Wall	93	1,042	$ 274.69	$ 115.37	174	1,479	$ 414.12	$ 269.18	3	26	$ 7.14	$ 4.64	3	26	$ 7.14	$ 4.64	0	0	$ -	$ -	0	0	$ -	$ -
Florence - East	1	213	Unit 5C/D East Wall	58	772	$ 107.60	$ 45.19	51	434	$ 121.38	$ 78.90	2	17	$ 4.76	$ 3.09	0	0	$ -	$ -	0	0	$ -	$ -	0	0	$ -	$ -
Florence - East	1	214	Unit 5C/D East Wall	93	1,042	$ 274.69	$ 115.37	57	485	$ 135.66	$ 88.18	1	9	$ 2.38	$ 1.55	3	26	$ 7.14	$ 4.64	0	0	$ -	$ -	6	51	$ 45.39	$ 29.50
Florence - East	1	215	Unit 5C/D Control Point	93	1,042	$ 274.69	$ 115.37	90	765	$ 214.20	$ 139.23	0	0	$ -	$ -	3	26	$ 7.14	$ 4.64	0	0	$ -	$ -	0	0	$ -	$ -
Florence - East	1	216	Unit 5E/F Dorm Room	1	2	$ 1.80	$ 0.76	175	1,488	$ 416.50	$ 270.73	1	9	$ 2.38	$ 1.55	0	0	$ -	$ -	0	0	$ -	$ -	0	0	$ -	$ -
Florence - East	1	217	Unit 5E/F Dorm Room	204	2,056	$ 743.10	$ 312.10	105	893	$ 249.90	$ 162.44	2	17	$ 4.76	$ 3.09	4	34	$ 9.52	$ 6.19	17	145	$ 40.46	$ 26.30	4	34	$ 30.26	$ 19.67
Florence - East	1	218	Unit 5E/F Dorm Room	193	1,788	$ 686.28	$ 288.24	93	791	$ 221.34	$ 143.87	3	26	$ 7.14	$ 4.64	2	17	$ 4.76	$ 3.09	10	85	$ 23.80	$ 15.47	0	0	$ -	$ -
Florence - East	1	219	Unit 5E/F Dorm Room	19	182	$ 82.03	$ 34.45	53	451	$ 126.14	$ 81.99	1	9	$ 2.38	$ 1.55	4	34	$ 9.52	$ 6.19	2	17	$ 4.76	$ 3.09	5	43	$ 37.83	$ 24.59

CenturyLink

Arizona Department of Corrections
Collect and Prepaid

Commission Statement
July 2014

Commission Percentage: 93.9%
Total Commission: $ 8,921.99

NOTE: Numbers are illustrative only and are not intended to reflect actual volumes

				TOTAL				LOCAL				INTRALATA				INTERLATA				INTERSTATE				INTERNATIONAL			
Facility	Controller	Port	Location	Messages	Minutes	Revenue	Commission	Messages	Minutes	Revenue	Commission	Messages	Minutes	Revenue	Commission	Messages	Minutes	Revenue	Commission	Messages	Minutes	Revenue	Commission	Messages	Minutes	Revenue	Commission
Totals				**5,715**	**48,705**	**$ 13,761.84**	**$ 8,921.99**	**5,289**	**44,957**	**$ 12,587.82**	**$ 8,182.08**	**70**	**723**	**$ 202.30**	**$ 108.29**	**102**	**867**	**$ 242.76**	**$ 157.79**	**230**	**1,955**	**$ 547.40**	**$ 355.81**	**24**	**204**	**$ 181.56**	**$ 118.01**
Florence - Central	1	201	Unit 3A Pod 1	6	25	$ 28.28	$ 11.88	126	1,071	$ 299.88	$ 194.92	2	17	$ 4.76	$ 3.09	1	9	$ 2.38	$ 1.55	27	230	$ 64.26	$ 41.77	0	0	$ -	$ -
Florence - Central	1	202	Unit 3A Pod 2	120	1,029	$ 401.37	$ 168.58	154	1,309	$ 366.52	$ 238.24	1	9	$ 2.38	$ 1.55	0	0	$ -	$ -	7	60	$ 16.66	$ 10.83	0	0	$ -	$ -
Florence - Central	1	203	Unit 3A Pod 3	6	25	$ 28.28	$ 11.88	162	1,377	$ 385.56	$ 250.61	2	17	$ 4.76	$ 3.09	0	0	$ -	$ -	3	26	$ 7.14	$ 4.64	0	0	$ -	$ -
Florence - Central	1	204	Unit 3A Pod 4	120	1,029	$ 401.37	$ 168.58	174	1,479	$ 414.12	$ 269.18	3	26	$ 7.14	$ 4.64	4	34	$ 9.52	$ 6.19	7	60	$ 16.66	$ 10.83	3	26	$ 22.70	$ 14.75
Florence - Central	1	205	Unit 3A Control Point	120	1,029	$ 401.37	$ 168.58	146	1,241	$ 347.48	$ 225.86	2	17	$ 4.76	$ 3.09	2	17	$ 4.76	$ 3.09	7	60	$ 16.66	$ 10.83	0	0	$ -	$ -
Florence - Central	1	206	Unit 3B South Wall	21	192	$ 56.76	$ 23.84	161	1,369	$ 383.18	$ 249.07	1	9	$ 2.38	$ 1.55	1	9	$ 2.38	$ 1.55	0	0	$ -	$ -	0	0	$ -	$ -
Florence - Central	1	207	Unit 3B South Wall	203	2,004	$ 794.11	$ 333.53	125	1,063	$ 297.50	$ 193.38	2	17	$ 4.76	$ 3.09	4	34	$ 9.52	$ 6.19	11	94	$ 26.18	$ 17.02	0	0	$ -	$ -
Florence - Central	1	208	Unit 3B Control Point	21	192	$ 56.76	$ 23.84	141	1,199	$ 335.58	$ 218.13	2	17	$ 4.76	$ 3.09	4	34	$ 9.52	$ 6.19	0	0	$ -	$ -	0	0	$ -	$ -
Florence - Central	1	209	Unit 3B West Wall	203	2,004	$ 794.11	$ 333.53	71	604	$ 168.98	$ 109.84	1	9	$ 2.38	$ 1.55	4	34	$ 9.52	$ 6.19	11	94	$ 26.18	$ 17.02	0	0	$ -	$ -
Florence - Central	1	210	Unit 3B West Wall	203	2,004	$ 794.11	$ 333.53	125	1,063	$ 297.50	$ 193.38	1	9	$ 2.38	$ 1.55	2	17	$ 4.76	$ 3.09	11	94	$ 26.18	$ 17.02	0	0	$ -	$ -
Florence - Central	1	211	Unit 3C/D East Wall	58	772	$ 107.60	$ 45.19	132	1,122	$ 314.16	$ 204.20	2	17	$ 4.76	$ 3.09	3	26	$ 7.14	$ 4.64	0	0	$ -	$ -	0	0	$ -	$ -
Florence - Central	1	212	Unit 3C/D East Wall	93	1,042	$ 274.69	$ 115.37	66	561	$ 157.08	$ 102.10	2	17	$ 4.76	$ 3.09	1	9	$ 2.38	$ 1.55	0	0	$ -	$ -	0	0	$ -	$ -
Florence - Central	1	213	Unit 3C/D East Wall	58	772	$ 107.60	$ 45.19	135	1,148	$ 321.30	$ 208.85	1	9	$ 2.38	$ 1.55	4	34	$ 9.52	$ 6.19	0	0	$ -	$ -	1	9	$ 7.57	$ 4.92
Florence - Central	1	214	Unit 3C/D East Wall	93	1,042	$ 274.69	$ 115.37	62	527	$ 147.56	$ 95.91	3	26	$ 7.14	$ 4.64	2	17	$ 4.76	$ 3.09	0	0	$ -	$ -	0	0	$ -	$ -
Florence - Central	1	215	Unit 3C/D Control Point	93	1,042	$ 274.69	$ 115.37	55	468	$ 130.90	$ 85.09	2	17	$ 4.76	$ 3.09	4	34	$ 9.52	$ 6.19	0	0	$ -	$ -	0	0	$ -	$ -
Florence - Central	1	216	Unit 3E/F Dorm Room	1	2	$ 1.80	$ 0.76	76	646	$ 180.88	$ 117.57	3	26	$ 7.14	$ 4.64	2	17	$ 4.76	$ 3.09	0	0	$ -	$ -	0	0	$ -	$ -
Florence - Central	1	217	Unit 3E/F Dorm Room	204	2,056	$ 743.10	$ 312.10	126	1,071	$ 299.88	$ 194.92	2	17	$ 4.76	$ 3.09	1	9	$ 2.38	$ 1.55	17	145	$ 40.46	$ 26.30	0	0	$ -	$ -
Florence - Central	1	218	Unit 3E/F Dorm Room	193	1,788	$ 686.28	$ 288.24	116	986	$ 276.08	$ 179.45	2	17	$ 4.76	$ 3.09	1	9	$ 2.38	$ 1.55	10	85	$ 23.80	$ 15.47	0	0	$ -	$ -
Florence - Central	1	219	Unit 3E/F Dorm Room	19	182	$ 82.03	$ 34.45	167	1,420	$ 397.46	$ 258.35	2	17	$ 4.76	$ 3.09	0	0	$ -	$ -	2	17	$ 4.76	$ 3.09	0	0	$ -	$ -
Florence - Central	1	220	Unit 3E/F Dorm Room	19	182	$ 82.03	$ 34.45	130	1,105	$ 309.40	$ 201.11	1	9	$ 2.38	$ 1.55	2	17	$ 4.76	$ 3.09	2	17	$ 4.76	$ 3.09	0	0	$ -	$ -
Florence - Central	1	221	Dayroom West Wall	181	2,025	$ 408.85	$ 171.72	118	1,003	$ 280.84	$ 182.55	2	17	$ 4.76	$ 3.09	2	17	$ 4.76	$ 3.09	2	17	$ 4.76	$ 3.09	2	17	$ 15.13	$ 9.83
Florence - East	1	222	Dayroom West Wall	21	191	$ 65.08	$ 27.33	98	833	$ 233.24	$ 151.61	1	9	$ 2.38	$ 1.55	0	0	$ -	$ -	0	0	$ -	$ -	0	0	$ -	$ -
Florence - East	1	223	Dayroom West Wall	45	484	$ 114.64	$ 48.15	101	859	$ 240.38	$ 156.25	0	0	$ -	$ -	3	26	$ 7.14	$ 4.64	4	34	$ 9.52	$ 6.19	0	0	$ -	$ -
Florence - East	1	224	Dayroom West Wall	328	3,570	$ 788.06	$ 330.99	94	799	$ 223.72	$ 145.42	0	0	$ -	$ -	1	9	$ 2.38	$ 1.55	4	34	$ 9.52	$ 6.19	0	0	$ -	$ -
Florence - East	1	225	Dayroom North Wall	117	1,399	$ 305.08	$ 128.13	167	1,420	$ 397.46	$ 258.35	3	26	$ 7.14	$ 4.64	2	17	$ 4.76	$ 3.09	4	34	$ 9.52	$ 6.19	0	0	$ -	$ -
Florence - East	1	226	Dayroom North Wall	140	1,345	$ 537.58	$ 225.78	92	782	$ 218.96	$ 142.32	2	17	$ 4.76	$ 3.09	3	26	$ 7.14	$ 4.64	11	94	$ 26.18	$ 17.02	0	0	$ -	$ -
Florence - East	1	227	Dayroom North Wall	82	823	$ 207.47	$ 87.14	64	544	$ 152.32	$ 99.01	2	17	$ 4.76	$ 3.09	3	26	$ 7.14	$ 4.64	1	9	$ 2.38	$ 1.55	0	0	$ -	$ -
Florence - East	1	228	Dayroom North Wall	36	486	$ 95.58	$ 40.14	164	1,394	$ 390.32	$ 253.71	0	0	$ -	$ -	2	17	$ 4.76	$ 3.09	0	0	$ -	$ -	0	0	$ -	$ -
Florence - East	1	201	Unit 5A Pod 1	6	25	$ 28.28	$ 11.88	77	655	$ 183.26	$ 119.12	0	0	$ -	$ -	1	9	$ 2.38	$ 1.55	3	26	$ 7.14	$ 4.64	0	0	$ -	$ -
Florence - East	1	202	Unit 5A Pod 2	120	1,029	$ 401.37	$ 168.58	115	978	$ 273.70	$ 177.91	0	0	$ -	$ -	2	17	$ 4.76	$ 3.09	7	60	$ 16.66	$ 10.83	0	0	$ -	$ -
Florence - East	1	203	Unit 5A Pod 3	6	25	$ 28.28	$ 11.88	63	536	$ 149.94	$ 97.46	3	26	$ 7.14	$ 4.64	4	34	$ 9.52	$ 6.19	3	26	$ 7.14	$ 4.64	0	0	$ -	$ -
Florence - East	1	204	Unit 5A Pod 4	120	1,029	$ 401.37	$ 168.58	137	1,165	$ 326.06	$ 211.94	0	0	$ -	$ -	4	34	$ 9.52	$ 6.19	7	60	$ 16.66	$ 10.83	0	0	$ -	$ -
Florence - East	1	205	Unit 5A Control Point	120	1,029	$ 401.37	$ 168.58	133	1,131	$ 316.54	$ 205.75	2	17	$ 4.76	$ 3.09	1	9	$ 2.38	$ 1.55	7	60	$ 16.66	$ 10.83	3	26	$ 22.70	$ 14.75
Florence - East	1	206	Unit 5B South Wall	21	192	$ 56.76	$ 23.84	77	655	$ 183.26	$ 119.12	1	9	$ 2.38	$ 1.55	3	26	$ 7.14	$ 4.64	0	0	$ -	$ -	0	0	$ -	$ -
Florence - East	1	207	Unit 5B South Wall	203	2,004	$ 794.11	$ 333.53	170	1,445	$ 404.60	$ 262.99	1	9	$ 2.38	$ 1.55	2	17	$ 4.76	$ 3.09	11	94	$ 26.18	$ 17.02	0	0	$ -	$ -
Florence - East	1	208	Unit 5B Control Point	21	192	$ 56.76	$ 23.84	74	629	$ 176.12	$ 114.48	0	0	$ -	$ -	3	26	$ 7.14	$ 4.64	0	0	$ -	$ -	0	0	$ -	$ -
Florence - East	1	209	Unit 5B West Wall	203	2,004	$ 794.11	$ 333.53	85	723	$ 202.30	$ 131.50	0	0	$ -	$ -	4	34	$ 9.52	$ 6.19	11	94	$ 26.18	$ 17.02	0	0	$ -	$ -
Florence - East	1	210	Unit 5B West Wall	203	2,004	$ 794.11	$ 333.53	53	451	$ 126.14	$ 81.99	3	26	$ 7.14	$ 4.64	0	0	$ -	$ -	11	94	$ 26.18	$ 17.02	0	0	$ -	$ -
Florence - East	1	211	Unit 5C/D East Wall	58	772	$ 107.60	$ 45.19	159	1,352	$ 378.42	$ 245.97	0	0	$ -	$ -	1	9	$ 2.38	$ 1.55	0	0	$ -	$ -	0	0	$ -	$ -
Florence - East	1	212	Unit 5C/D East Wall	93	1,042	$ 274.69	$ 115.37	174	1,479	$ 414.12	$ 269.18	3	26	$ 7.14	$ 4.64	3	26	$ 7.14	$ 4.64	0	0	$ -	$ -	0	0	$ -	$ -
Florence - East	1	213	Unit 5C/D East Wall	58	772	$ 107.60	$ 45.19	51	434	$ 121.38	$ 78.90	2	17	$ 4.76	$ 3.09	0	0	$ -	$ -	0	0	$ -	$ -	0	0	$ -	$ -
Florence - East	1	214	Unit 5C/D East Wall	93	1,042	$ 274.69	$ 115.37	57	485	$ 135.66	$ 88.18	1	9	$ 2.38	$ 1.55	3	26	$ 7.14	$ 4.64	0	0	$ -	$ -	6	51	$ 45.39	$ 29.50
Florence - East	1	215	Unit 5C/D Control Point	93	1,042	$ 274.69	$ 115.37	90	765	$ 214.20	$ 139.23	0	0	$ -	$ -	3	26	$ 7.14	$ 4.64	0	0	$ -	$ -	0	0	$ -	$ -
Florence - East	1	216	Unit 5E/F Dorm Room	1	2	$ 1.80	$ 0.76	175	1,488	$ 416.50	$ 270.73	1	9	$ 2.38	$ 1.55	0	0	$ -	$ -	0	0	$ -	$ -	0	0	$ -	$ -
Florence - East	1	217	Unit 5E/F Dorm Room	204	2,056	$ 743.10	$ 312.10	105	893	$ 249.90	$ 162.44	2	17	$ 4.76	$ 3.09	4	34	$ 9.52	$ 6.19	17	145	$ 40.46	$ 26.30	4	34	$ 30.26	$ 19.67
Florence - East	1	218	Unit 5E/F Dorm Room	193	1,788	$ 686.28	$ 288.24	93	791	$ 221.34	$ 143.87	3	26	$ 7.14	$ 4.64	2	17	$ 4.76	$ 3.09	10	85	$ 23.80	$ 15.47	0	0	$ -	$ -
Florence - East	1	219	Unit 5E/F Dorm Room	19	182	$ 82.03	$ 34.45	53	451	$ 126.14	$ 81.99	1	9	$ 2.38	$ 1.55	4	34	$ 9.52	$ 6.19	2	17	$ 4.76	$ 3.09	5	43	$ 37.83	$ 24.59

CenturyLink

Arizona Department of Corrections
Monthly Rate Audit

July 2014

Contract	Facility	Bill Type	Call Type	Nbr of Calls	Total Charged	Total Amount	Rate	Surcharge	Varience
3	Florence - Central	DEBIT	INTERLATA INTERSTATE	282	$ 1,359.96	$ 1,359.96	$0.30	$ 1.28	$ -
3	Florence - Central	DEBIT	INTERLATA INTRASTATE	375	$ 1,870.61	$ 1,870.61	$0.31	$ 1.47	$ -
3	Florence - Central	DEBIT	INTRALATA INTERSTATE	2	$ 5.49	$ 5.49	$0.07	$ 1.73	$ -
3	Florence - Central	DEBIT	INTRALATA INTRASTATE	1,435	$ 4,437.93	$ 4,437.93	$0.07	$ 1.73	$ -
3	Florence - Central	DEBIT	LOCAL METERED	174	$ 341.04	$ 341.04	$0.00	$ 1.96	$ -
3	Florence - Central	DEBIT	INTRACELL	546	$ 1,070.16	$ 1,070.16	$0.00	$ 1.96	$ -
3	Florence - Central	COLLECT	INTERLATA INTERSTATE	89	$ 616.10	$ 616.10	$0.40	$ 1.70	$ -
3	Florence - Central	COLLECT	INTERLATA INTRASTATE	109	$ 972.14	$ 972.14	$0.41	$ 1.96	$ -
3	Florence - Central	COLLECT	INTRALATA INTRASTATE	306	$ 1,166.60	$ 1,166.60	$0.10	$ 2.30	$ -
3	Florence - Central	COLLECT	LOCAL METERED	9	$ 23.49	$ 23.49	$0.00	$ 2.61	$ -
3	Florence - Central	PREPAID	INTERLATA INTERSTATE	360	$ 2,328.60	$ 2,328.60	$0.35	$ 1.30	$ -
3	Florence - Central	PREPAID	INTERLATA INTRASTATE	477	$ 3,064.77	$ 3,064.77	$0.38	$ 1.27	$ -
3	Florence - Central	PREPAID	INTRALATA INTRASTATE	2,136	$ 7,792.38	$ 7,792.38	$0.09	$ 1.86	$ -
3	Florence - Central	PREPAID	LOCAL METERED	331	$ 724.89	$ 724.89	$0.00	$ 2.19	$ -
3	Florence - Central	PREPAID	INTRACELL	1,075	$ 2,354.25	$ 2,354.25	$0.00	$ 2.19	$ -
3	Florence - Central	DEBIT	INTERLATA INTERSTATE	254	$ 1,332.52	$ 1,332.52	$0.30	$ 1.28	$ -
3	Florence - Central	DEBIT	INTERLATA INTRASTATE	327	$ 1,664.89	$ 1,664.89	$0.31	$ 1.47	$ -
3	Florence - Central	DEBIT	INTERNATIONAL	21	$ 125.58	$ 125.58	$0.30	$ 1.28	$ -
3	Florence - Central	DEBIT	INTRALATA INTRASTATE	962	$ 3,220.08	$ 3,220.08	$0.07	$ 1.73	$ -
3	Florence - Central	DEBIT	LOCAL METERED	602	$ 1,179.92	$ 1,179.92	$0.00	$ 1.96	$ -
3	Florence - Central	DEBIT	INTRACELL	1,398	$ 2,740.08	$ 2,740.08	$0.00	$ 1.96	$ -
3	Florence - East	COLLECT	INTERLATA INTERSTATE	100	$ 667.60	$ 667.60	$0.40	$ 1.70	$ -
3	Florence - East	COLLECT	INTERLATA INTRASTATE	87	$ 617.01	$ 617.01	$0.41	$ 1.96	$ -
3	Florence - East	COLLECT	INTRALATA INTERSTATE	1	$ 3.50	$ 3.50	$0.10	$ 2.30	$ -
3	Florence - East	COLLECT	INTRALATA INTRASTATE	221	$ 992.30	$ 992.30	$0.10	$ 2.30	$ -
3	Florence - East	COLLECT	LOCAL METERED	12	$ 31.32	$ 31.32	$0.00	$ 2.61	$ -
3	Florence - East	PREPAID	INTERLATA INTERSTATE	153	$ 1,283.55	$ 1,283.55	$0.35	$ 1.30	$ -
3	Florence - East	PREPAID	INTERLATA INTRASTATE	314	$ 1,888.38	$ 1,888.38	$0.38	$ 1.27	$ -
3	Florence - East	PREPAID	INTRALATA INTRASTATE	987	$ 3,778.29	$ 3,778.29	$0.09	$ 1.86	$ -
3	Florence - East	PREPAID	LOCAL METERED	653	$ 1,430.07	$ 1,430.07	$0.00	$ 2.19	$ -
3	Florence - East	PREPAID	INTRACELL	667	$ 1,460.73	$ 1,460.73	$0.00	$ 2.19	$ -
3	Florence - East	DEBIT	HAWAII	1	$ 7.58	$ 7.58	$0.30	$ 1.28	$ -
3	Florence - East	DEBIT	INTERLATA INTERSTATE	604	$ 3,308.72	$ 3,308.72	$0.30	$ 1.28	$ -
3	Florence - East	DEBIT	INTERLATA INTRASTATE	530	$ 2,753.18	$ 2,753.18	$0.31	$ 1.47	$ -
3	Florence - East	DEBIT	INTERNATIONAL	45	$ 272.70	$ 272.70	$0.30	$ 1.28	$ -
3	Florence - East	DEBIT	INTRALATA INTERSTATE	22	$ 51.85	$ 51.85	$0.07	$ 1.73	$ -
3	Florence - East	DEBIT	INTRALATA INTRASTATE	2,211	$ 7,204.98	$ 7,204.98	$0.07	$ 1.73	$ -

Arizona Department of Corrections

YTD Summary Report - 2014

NOTE: Numbers are illustrative only and are not intended to reflect actual volumes

	TOTAL				LOCAL			
Month	Messages	Minutes	Revenue	Commission	Messages	Minutes	Revenue	Commission
Jan								
Feb								
Mar								
Apr								
May	10,360	88,060	$ 24,827.91	$ 16,138.14	9,320	79,220	$ 22,181.60	$ 14,418.04
June	10,671	90,702	$ 25,572.74	$ 16,622.28	9,600	81,597	$ 22,847.05	$ 14,850.58
July	11,085	94,224	$ 26,565.86	$ 17,267.81	9,972	84,765	$ 23,734.31	$ 15,427.30
Aug								
Sept								
Oct								
Nov								
Dec								
YTD TOTAL	32,116	272,986	$ 76,966.51	$ 50,028.23	28,892	245,582	$ 68,762.96	$ 44,695.92

	INTRALATA				INTERLATA			
Month	Messages	Minutes	Revenue	Commission	Messages	Minutes	Revenue	Commission
Jan								
Feb								
Mar								
Apr								
May	160	1,360	$ 380.80	$ 247.52	176	1,496	$ 418.88	$ 272.27
June	165	1,401	$ 392.22	$ 254.95	181	1,541	$ 431.45	$ 280.44
July	171	1,455	$ 407.46	$ 264.85	188	1,601	$ 448.20	$ 291.33
Aug								
Sept								
Oct								
Nov								
Dec								
YTD TOTAL	496	4,216	$ 1,180.48	$ 767.31	546	4,638	$ 1,298.53	$ 844.04

	INTERSTATE				INTERNATIONAL			
Month	Messages	Minutes	Revenue	Commission	Messages	Minutes	Revenue	Commission
Jan								
Feb								
Mar								
Apr								
May	671	5,704	$ 1,596.98	$ 1,038.04	33	281	$ 249.65	$ 162.27
June	691	5,875	$ 1,644.89	$ 1,069.18	34	289	$ 257.13	$ 167.14
July	718	6,103	$ 1,708.77	$ 1,110.70	35	300	$ 267.12	$ 173.63
Aug								
Sept								
Oct								
Nov								
Dec								
YTD TOTAL	2,080	17,681	$ 4,950.64	$ 3,217.91	102	870	$ 773.90	$ 503.03

SOLICITATION AMENDMENT

ARIZONA
DEPARTMENT OF CORRECTIONS
1601 W. JEFFERSON, MAIL CODE 55302
PROCUREMENT SERVICES
PHOENIX, ARIZONA 85007

SOLICITATION NO. ADOC14-00003887/14-066-24 **AMENDMENT NO. 1** **CONTACT: Kristine Yaw**

SOLICITATION DUE DATE: May 1, 2014

SIGNED COPY OF THIS AMENDMENT MUST BE RETURNED WITH YOUR BID SOLICITATION.

RFP NO. ADOC14-00003887/14-066-24 – Inmate Telephone System

The solicitation is amended as follows:

Attachment 7, Prison Site Visit Schedule
From:

Date/Time **April 1, 2014**	***Description***
0800-1200	Review ASPC-Florence Inmate Phone Setup
1200-1300	Lunch
1300-1500	Review ASPC-Florence Inmate Phone Setup
1500-1700	Review Florence West (Privatized) Inmate Phone Setup
1700	Suggested Overnight in Florence if applicable

To:

Date/Time **April 1, 2014**	***Description***
0800-1200	Review ASPC-Florence Inmate Phone Setup
1200-1300	Lunch
1300-1500	**Review CACF Inmate Phone Setup**
1500-1700	Review Florence West (Privatized) Inmate Phone Setup
1700	Suggested Overnight in Florence if applicable

ALL OTHER PROVISIONS OF THE SOLICITATION SHALL REMAIN IN THEIR ENTIRETY

Vendor hereby acknowledges receipt and understanding of above amendment.

5/15/2014

Signature Date

Paul Cooper, General Manager

Typed Name and Title

CenturyLink

Name of Company

The above referenced Solicitation Amendment is hereby executed this 28th day of March, 2014 at Phoenix, Arizona.

Leon George, Chief Procurement Officer

Arizona State Solicitation

ORGANIZATION

Organization	Arizona Department of Corrections
Address	1645 West Jefferson Street, Room 4401 Phoenix, AZ 85007
Purchaser	Kristine Yaw
Info Contact	kyaw@azcorrections.gov; 602.364.3785

DEPARTMENT

Department	PROCU
Bill-to-Address	Procurement Services 1645 W. Jefferson Mail Code 55302 Phoenix, AZ 85007
Ship-to-Address	1645 W. Jefferson Mail Code 55302 Phoenix, AZ 85007

BID INFORMATION

Description	Inmate Telephone System (ADC No. 14-066-24)		
Bulletin Desc.	Onsite inspections for each institutions have been scheduled from April 1, 2014 through April 23, 2014. Please see Special Terms and Conditions, paragraph 1.2 for additional details.		
Bid Number	ADOC14-00003887	Bid Opening Date	05/01/2014 3:01 PM
Bid Method	Request for Proposal	Type Code	
Bid Type	Open Market	Fiscal Year	2014
Alternate Id		Available Date	03/06/2014 7:51 AM
Pre-Bid Conference	A Pre-Proposal Conference shall be held on March 24, 2014 at 10:00 a.m. M.S.T. (Arizona Time) at the Arizona Department of Corrections, 1645 West Jefferson Street, Phoenix, Arizona 85007. All potential Offerors are encouraged to attend.		
Attachments	Payment Bond~8.pdf Performance Bond~8.pdf Pre-Proposal Meeting Attendence Report14-66-24.doc.pdf Pre-Solicitation Documents~18.pdf Solicitation Amendment No. 1~20.pdf Solicitation Attachments~7.pdf Solicitation Document~43.pdf Special Instructions to Offerors.pdf Uniform Instructions to Offerors (rev 7-2013)~8.pdf Uniform Ts and Cs rev 07.01.2013~5.pdf		

AMENDMENTS

Amendment No.	Amendment Date	Amendment Notes
1	03/27/2014 3:29 PM	Attachment Changes: Header 1. File 'Pre-Proposal Meeting Attendance Report 14-66-24': File 'Pre-Proposal Meeting Attendance Report 14-66-24' added .
2	03/28/2014 3:09 PM	Attachment Changes: Header 1. File 'Solicitation Amendment No. 1': File 'Solicitation Amendment No. 1' added .

ITEMS

Item	Description	Quantity	Unit	Unit Price	Total
1	There are mandatory attachments that must be acknowledged and/or completed. Please open and read all attachments. Please print, complete and save the required forms as attachments to your bid. Offers without these forms completed and attached may be deemed non-responsive. A signed Offer and Acceptance form must be attached to your response under the Attachments Tab in ProcureAZ.	0		$ 0.00	$ 0.00
2	Please note that if any pricing is left blank or $0.00 is left in the ProcureAZ system, you will be considered as a "No Bid". To avoid this, please put $1.00 as the Unit Cost of all line items. The contract will reflect the pricing that the vendor has indicated in the Pricing Section of the Solicitation that the vendor is to attach to their response prior to submitting their bid response.	1	EACH	$ 0.00	$ 0.00
				Total	$ 0.00

Arizona State Solicitation

ORGANIZATION

Organization	Arizona Department of Corrections
Address	1645 West Jefferson Street, Room 4401 Phoenix, AZ 85007
Purchaser	Kristine Yaw
Info Contact	kyaw@azcorrections.gov; 602.364.3765

DEPARTMENT

Department	PROCU
Bill-to-Address	Procurement Services 1645 W. Jefferson Mail Code 55302 Phoenix, AZ 85007
Ship-to-Address	1645 W. Jefferson Mail Code 55302 Phoenix, AZ 85007

BID INFORMATION

Description	Inmate Telephone System (ADC No. 14-066-24)
Bulletin Desc.	Onsite inspections for each institutions have been scheduled from April 1, 2014 through April 23, 2014. Please see Special Terms and Conditions, paragraph 1.2 for additional details.
Bid Number	ADOC14-00003887
Bid Method	Request for Proposal
Bid Type	Open Market
Alternate Id	
Bid Opening Date	05/01/2014 3:01 PM
Type Code	
Fiscal Year	2014
Available Date	03/06/2014 7:51 AM
Pre-Bid Conference	A Pre-Proposal Conference shall be held on March 24, 2014 at 10:00 a.m. M.S.T. (Arizona Time) at the Arizona Department of Corrections, 1645 West Jefferson Street, Phoenix, Arizona 85007. All potential Offerors are encouraged to attend.
Attachments	Payment Bond~8.pdf Performance Bond~8.pdf Pre-Proposal Meeting Attendance Report14-66-24.doc.pdf Pre-Solicitation Documents~18.pdf Solicitation Attachments~7.pdf Solicitation Document~43.pdf Special Instructions to Offerors.pdf Uniform Instructions to Offerors (rev 7-2013)~8.pdf Uniform Ts and Cs rev 07.01.2013~5.pdf

AMENDMENTS

Amendment No.	Amendment Date	Amendment Notes
1	03/27/2014 3:29 PM	Attachment Changes: Header 1. File 'Pre-Proposal Meeting Attendance Report 14-66-24'; File 'Pre-Proposal Meeting Attendance Report 14-66-24' added .

ITEMS

Item	Description	Quantity	Unit	Unit Price	Total
1	There are mandatory attachments that must be acknowledged and/or completed. Please open and read all attachments. Please print, complete and save the required forms as attachments to your bid. Offers without these forms completed and attached may be deemed non-responsive. A signed Offer and Acceptance form must be attached to your response under the Attachments Tab in ProcureAZ.	0		$ 0.00	$ 0.00
2	Please note that if any pricing is left blank or $0.00 is left in the ProcureAZ system, you will be considered as a "No Bid". To avoid this, please put $1.00 as the Unit Cost of all line items. The contract will reflect the pricing that the vendor has indicated in the Pricing Section of the Solicitation that the vendor is to attach to their response prior to submitting their bid response.	1	EACH	$ 0.00	$ 0.00
				Total	$ 0.00

SOLICITATION AMENDMENT

ARIZONA
DEPARTMENT OF CORRECTIONS
1601 W. JEFFERSON, MAIL CODE 55302
PROCUREMENT SERVICES
PHOENIX, ARIZONA 85007

SOLICITATION NO. ADOC14-00003887/14-066-24 **AMENDMENT NO. 2** **CONTACT: Kristine Yaw**

SOLICITATION DUE DATE: May 1, 2014

SIGNED COPY OF THIS AMENDMENT MUST BE RETURNED WITH YOUR BID SOLICITATION.

RFP NO. ADOC14-00003887/14-066-24 – Inmate Telephone System

The solicitation is amended as follows:

1. The Proposal Due Date is being extended to May 15, 2014 at 3:00 p.m., M.S.T. (Arizona Time)
2. No further questions will be accepted by the Department after May 1, 2014 at 5:00 p.m., M.S.T. (Arizona Time)
3. Questions submitted will be answered in a forthcoming amendment.

AMEND TO ADD

Section 1, subsection 1.35, Page 16, Special Terms and Conditions:

1.35 Department of Corrections Policy and Procedures

1.35.1 The Contractor shall follow all applicable Department Orders (DO's), and Director's Instructions (DI's). Department Orders and Director's Instructions are available on the following web site http://www.azcorrections.gov

ALL OTHER PROVISIONS OF THE SOLICITATION SHALL REMAIN IN THEIR ENTIRETY

Vendor hereby acknowledges receipt and understanding of above amendment.

5/15/2014

Signature Date

Paul Cooper, General Manager

Typed Name and Title

CenturyLink

Name of Company

The above referenced Solicitation Amendment is hereby executed this 22nd day of April, 2014 at Phoenix, Arizona.

Leon George, Chief Procurement Officer

SOLICITATION AMENDMENT

ARIZONA
DEPARTMENT OF CORRECTIONS
1601 W. JEFFERSON, MAIL CODE 55302
PROCUREMENT SERVICES
PHOENIX, ARIZONA 85007

SOLICITATION NO. ADOC14-00003887/ADC No. 14-066-24 AMENDMENT NO. 3 Contact: Kristine Yaw

SOLICITATION DUE DATE: May 15, 2014

SIGNED COPY OF THIS AMENDMENT MUST BE RETURNED WITH YOUR BID SOLICITATION.

RFP ADOC14-00003887/ADC No.14-066-24 – Inmate Telephone Systems

THIS SOLICITATION IS AMENDED AS FOLLOWS:

The due date for submitting questions is being extended to May 6, 2014 at 5:00 p.m., M.S.T. (Arizona Time)

CHANGES IN REQUIREMENTS THAT WILL FORMALLY CHANGE THE RFP REQUIREMENTS WILL BE SHOWN AT THE BEGINNING OF THIS AMENDMENT.

Amend to change:
Scope of Work, Page 18, Paragraph 2.4.3.6

From:
The Contractor must provide a Centralized System Database that is located at a Contractor provided site and provide full database redundancy for the System at the Central Office facility.

To:
The Contractor must provide a Centralized System Database that is located at a Contractor provided site and provide full database redundancy for the System.

Questions submitted on April 9, 2014 from CenturyLink

Question 1: Page 6 – 1.10.7.1. Hard-copies - Would the Department provide a contact telephone number for the transmittal document for overnight mail?

Answer: **Procurement Services, (602) 542-1172**

Question 2: Page 10 – 1.21 Evaluation & Page 55 – Cost and Commission Requirements - Commission offers are tied directly to calling rates and transaction fees (e.g. billing statement fees), and are often artificially inflated by charging high rates/fees at the expense of inmates and family members. In addition, transaction fees are not currently regulated by federal or state regulators. • Just to confirm, are the current calling rates stated in Attachment #6 required to be implemented by the successful bidder (absent any future change in regulation)? • If not, will the State please fix both fees and rates or provide evaluation criteria for bidders to propose both? • If yes, in order to ensure a more level playing field will the State either (1) set allowable transaction fees (e.g. at the levels of the current provider) or (2) provide evaluation criteria for and require bidders to propose transaction/ancillary fees? a) For clarity, in requiring bidders to detail additional billing fees and policies would the State consider a fee reporting response based on the following criterion: I. Amount II. Applicable to Collect, PrePaid Collect, Direct Billed and/or Debit? III. Applicable to Local, Intralat, Interlata, or Interstate for each of the following categories: i. Prepaid Account Set up Fee ii. Prepaid Account Funding Fee by Internet iii. Prepaid Account Funding Fee by Telephone iv. Prepaid Account Funding Fee by Interactive Voice Response (IVR) system v. Prepaid Account Funding Fee by Western Union, MoneyGram, or other cash method vi. Minimum Account Funding Amount vii. Refund Fee viii. Account Maintenance Fee ix. Inactive Account Fee x. Regulatory Cost Recovery Fee xi. Bill Statement Fee xii. Other. Describe any other fees that are not covered above.

Answer: **The calling rates are specified in Attachment #6. No transaction fees, ancillary fees, billing fees, nor any other types of fees are allowed. The only charges allowed are the surcharges and per minute fees listed in Attachment #6.**

Question 3: Page 17 – 2.2 – General Background - Just to confirm, will this contract include the six privatized prisons? Also, do the data in 2.2.2 and Attachment #2 include the privatized prisons?

Answer: **Yes.**

Question 4: Page 18 – 2.3 – Commission - Is the Department's current vendor paying commissions at the contracted rate on all calls, including interstate?

Answer: **Yes current contractor is paying commissions at the contract rate on all calls. Effective February 11, 2014 commissions are not being paid on Interstate calls.**

Question 5: Page 18 – 2.3 – Commission - Regarding the FCC's Recent Order 13-113 – this Order, without question, does NOT prohibit payment of commissions on interstate calls. Also, rules regarding future cost-based regulation (including consideration of commissions in rate-setting) have been stayed by the DC Circuit Court of Appeals, leaving only the "hard cap" rates in place. This is why many providers have continued to pay commissions on interstate calling in compliance with their contracts. Unfortunately, others have unilaterally declared they "can not" pay commissions on any interstate calls. If a bidder claims they can not pay commissions on interstate calls, they are able to bid higher commission percentages since (1) commissions only apply to some, not all, calls and (2) they may take additional steps to encourage called parties to use interstate phone numbers and divert calls away from commissionable revenue. This would obviously pose a major unfair advantage in the bidding. Question: To ensure a level playing field, will the State clearly state whether bidders must pay commission on interstate calling under the new contract (absent any other future changes in regulation)? Unfortunately, just taking the stance that bidders must comply with regulation will not resolve this major issue, since no current regulation addresses commissions.

Answer: **The FCC currently prohibits commissions on interstate calls. If not prohibited by FCC in the future offerors shall provide commission on all calls to include interstate calls.**

Question 6: Page 39 – 2.4.17.4 - Online chat is typically provided as a cheaper, lower-service-standard option to directly handling customer inquiries by phone. Test calls into certain providers' call centers will demonstrate their strategy of avoiding access to live representatives by phone. Question: Will ADOC allow bidders to comply with this requirement by providing access to live operators with (1) simple "press throughs" to reach a live operator and (2) committed service levels for an average speed of answer of 90 seconds or less? This would provide even better service levels to ADOC end-users.

Answer: **Yes.**

Question 7: Page 39 – 2.4.17.10 - Text payment services have hefty third party fees that are passed on to the end-user but typically not reported to the Facility. This is why most providers do not currently offer these services. a. Will ADOC consider making this provision simply a "desired" feature? b. Will ADOC ensure that any fees imposed by third parties must be disclosed by bidders and evaluated in the scoring?

Answer: **The Department will allow text payment services. No transaction or any other types of fees are allowed. The only charges allowed are the surcharges and per minute fees listed in Attachment #6.**

Question 8: Page 41 – 2.4.19 - Response to Maintenance Calls - How many site administrators and technicians does the existing vendor utilize to service the account today? Would the State also provide their home base locations?

Answer: **The current contractor has 3 administrators/technicians. They are located in Yuma, Lewis and Perryville. The offeror is responsible to provide sufficient number of administrators/technicians to provide service in a satisfactory matter.**

Question 9: Page 49 – 2.6.8.2 References and Experience - In order to provide a more full view of providers' ongoing compliance with contracts and regulatory rules, will the State also require disclosure of any instances in the past 5 years where: a. the provider has charged end-users costs (calling rates, prepaid account funding fees, account maintenance fees, regulatory "cost recovery" fees, etc.) that were not in compliance with their contract at a correctional facility? b. a served correctional facility has made a claim of breach of contract, e.g. for failure to pay commissions due? c. a regulatory agency has cited the provider or a provider's practice as being inconsistent with filed tariffs or that agency's regulatory rules – e.g. "cease and desist" letters, orders to appear in regulatory dispute hearings, etc.

Answer: **Section 2.6.8.2 References and Experience shall remain as written in the RFP.**

Question 10: Solicitation Attachments #2 and #3 – Calling Revenue and Management Criteria - In order to provide the best financial offer to the State bidders must understand the most recent calling volume as well as changes in inmates' access to telephones: a) Would ADOC please provide data in format similar to Attachment #2 for February and March 2014, so that we may understand the impact from implementation of FCC interstate rates? b) Would ADOC also please provide more detail on the Department's process of reconfiguring Security Levels and access to telephones? - Did any of these changes begin in 2013? If so how many classifications or institutions were implemented and by what dates? - What is the timeline for completing the implementation?

Answer:
a) No.
b) Security levels at each of the units can vary upon agency need. While there have been some adjustments over the last year, these are in no way completely rigid.

SIGNED COPY OF THIS AMENDMENT MUST BE RETURNED WITH YOUR BID SOLICITATION.

Question 11: P. 41 - Response to Maintenance Calls - How many site administrators and technicians does the existing vendor utilize to service the account today? Please provide the city they reside, sites they service and if they are full or part time.

Answer: **The current contractor has 3 administrators/technicians. They are located in Yuma, Lewis and Perryville. The offeror is responsible to provide sufficient number of administrators/technicians to provide service in a satisfactory matter.**

Questions submitted on April 11, 2014 from Global Tel*Link

Question 1: Page 45 #2.4.26.1 - During the pre-proposal conference a question was asked with regard to how many System Administrators were currently in place today and if that number was sufficient to complete tasks required by the DOC staff. This did not include the repair and maintenance technicians serving the facilities. "The Contractor is required to provide full time (40 hours per week minimum) System Administrators dedicated to the Department for the term of this contract. The number, location, and method of operation must be described by the Contractor". It was mentioned that there was one at Yuma, Florence and Goodyear but needed to confirm. Therefore, how many full time System Administrators are in place today, where are they located and does the DOC staff feel this is an adequate number and optimum location to provide the necessary services required by Arizona Department of Corrections?

Answer: **The current contractor has 3 administrators/technicians. They are located in Yuma, Lewis and Perryville. The offeror is responsible to provide sufficient number of administrators/technicians to provide service in a satisfactory matter.**

Question 2: Page 18 #2.4.3.6 - This requirement speaks to a "Central Office Facility". Is this a DOC site and if so where is it located and who is it staffed by? What is being provided by the current vendor to meet the "database redundancy for the system" at this location?

Answer: **Section 2.4.3.6 is changed by this amendment. Please refer to the beginning of this amendment.**

Question submitted on April 15, 2014 from Global Tel*Link

Question 1: 1.32 Bid Bond - Will the state accept a cashier's check in lieu of a bid bond? The cashier's check will be made out according to this specification.

Answer: Yes, the Department will accept a certified check or cashier's check made out to the Arizona Department of Corrections.

SOLICITATION AMENDMENT

ARIZONA
DEPARTMENT OF CORRECTIONS
1601 W. JEFFERSON, MAIL CODE 55302
PROCUREMENT SERVICES
PHOENIX, ARIZONA 85007

SOLICITATION NO. ADOC14-00003887/ADC No. 14-066-24 AMENDMENT NO. 3 Contact: Kristine Yaw

SOLICITATION DUE DATE: May 15, 2014

SIGNED COPY OF THIS AMENDMENT MUST BE RETURNED WITH YOUR BID SOLICITATION.

Questions submitted on April 16, 2014 from Inmate Calling Solutions, LLC

Question 1: Commission Rate Evaluation - p. 10, Section 1.21 Regarding section 1.21.1.1 where the 1,250 points are assigned based upon proposed commissions, the assignment of the points caps out at 70% commissions receiving 1,250 points. Thus, there is no incentive or additional points available for the respondent to bid above a 70% commission, as they cannot receive any additional points. This would seem to limit the DOC's potential revenue, especially when other DOC's are receiving commissions higher than 70%. In evaluating commissions, other DOC's use the proposed commission divided by the highest proposed commission and multiply it by the total available points. An example is as follows: Vendor A bids 85% commissions and receives the 1,250 points (85 divided by 85, times 1,250 points available). Vendor B bids 80% commissions and receives 1,176 points (80 divided by 85, times 1,250 points available). Request: Would the Department consider changing its commission evaluation, such as the above example, so that respondents desiring to propose higher than a 70% commission will receive credit for doing so?

Answer: **No, there will be no change.**

Question 2: Commission Rate Evaluation - p. 10, Section 1.21 There are numerous benefits to the DOC in receiving a Minimum Annual Guarantee (MAG) on commissions. The DOC would receive the greater of the commissions generated from the calling revenue, or the proposed MAG. In doing so, the DOC is guaranteed/assured to receive at least the MAG, irrespective of the calling revenue. If the proposed commission rate times the gross calling revenue generates a higher revenue number, the DOC receives that higher revenue number generated by the commission rate. There is no downfall to the DOC in requesting a MAG in addition to the proposed commission, as other DOC's require. Doing so reduces any risk to the DOC as it is assured of at least the MAG revenue which protects the DOC's revenue, especially for budgeting of those funds. Would the DOC consider requiring a MAG and allocating a portion of the 1,250 points toward the highest MAG? The DOC could make the commissions worth 625 points and the MAG worth another 625 points, and evaluate and assign the points consistent with the example above (i.e. proposed MAG divided by the highest proposed MAG, times 625 points).

Answer: **No, there will be no change.**

Question 3: Commission Rate Evaluation - p. 10, Section 1.21 Is the DOC currently receiving commissions on Interstate Calling? If no, then why not? If no and payment of commissions on Interstate calling is not prohibited by the FCC, the current order, or any required regulations currently in place, would that make the current service noncompliant with the current contract?

Answer: **Commissions are not being paid on Interstate calls effective February 11, 2014 due to the FCC ruling.**

Question 4: Commission Rate Evaluation - p. 10, Section 1.21 Will the awarded provider of this RFP be required to pay commissions on Interstate calling?

Answer: **The FCC currently prohibits commissions on interstate calls. If not prohibited by**

FCC in the future offerors shall provide commissions on all calls to include interstate calls.

Question 5: 3-Way Calling - p. 20, Section 2.4.3.21 This section identifies a major problem with the current IPS in preventing 3 way or conference calling, does the DOC have any estimates in terms of the number of calls currently completed through 3 way or conference calling? If not, can the DOC please elaborate on the severity of this problem?

Answer: No, the offeror shall provide their current technology on how to handle detection of 3 way calls. The Department cannot elaborate on the severity.

Question 6: 3-Way Calling - p. 20, Section 2.4.3.21 This section states that the sensitivity level of the current IPS results in "false disconnects"; does the DOC have any estimates in terms of the number of calls being falsely disconnected? If not, can the DOC please elaborate on the severity of this problem?

Answer: No, the offeror shall provide their current technology on how to handle detection of 3 way calls. The Department cannot elaborate on the severity.

Question 7: Call Forwarding - p. 20, Section 2.4.3.22 This section identifies a major problem with the current IPS with call forwarding, does the DOC have any estimates in terms of the number of calls which are call forwarding? If not, can the DOC please elaborate on the severity of this problem?

Answer: The Department does not have the number of calls forwarded. The Department cannot elaborate on the severity.

Question 8 Calls to Cell Phones - p. 20, Section 2.4.3.23 This section requests a description as to how the IPS operates when the inmate call is to a cell phone including how calls are placed and how billing of the call is processed. 1. Are there any rules which prohibit or restrict calls to cell phones? 2. Is there anything different about the call processing or billing the DOC is requiring or desiring for calls to a cellphone versus a regular land line phone? 3. Some providers offer payment methods in addition to traditional collect, prepaid, and debit calling whereas the called party is able to accept a collect call to their cellphone or is able to pay for a onetime call to their cellphone without setting up a calling account. However, these calls can charge much higher rates ($9.99 and $14.99) and pay the facility much lower commissions ($.30 or 3% commission and $1.60 or 10.7% commission). Some facilities believe these are some sort of a bonus call. However, we believe these calls are marketed with the result being a higher call price and lower commissions to the facility. 4. Please confirm these types of calls will not be allowed by the DOC under the resulting contract. 5. Please confirm that any and all calls, irrespective of payment type, will be the same rates and pay the same commissions as the required rates and commissions collect, prepaid, and debit.

Answer:

1. No.
2. No.
3. No.
4. No.
5. Rates and commissions are the same regardless of payment type.

Question 9: Call Recipient Registration - p. (none), Section (none) Is it correct that anyone who desires to receive phone calls from an inmate must first complete and pass the DOC's background form and pay a $25.00 processing fee?

Answer: Yes. The processing fee is collected by the Department.

Question 10: System Administrators - p. 45, Section 2.4.26 How many fulltime Systems Administrators does the DOC desire the Contractor to provide?

Answer: The current contractor has 3 administrators/technicians. They are located in Yuma, Lewis and Perryville. The offeror is responsible to provide sufficient number of administrators/technicians to provide service in a satisfactory matter.

Question 11: System Administrators - p. 45, Section 2.4.26 How many fulltime Systems Administrators does the current Contractor provide?

Answer: The current contractor has 3 administrators/technicians. They are located in Yuma, Lewis and Perryville. The offeror is responsible to provide sufficient number of administrators/technicians to provide service in a satisfactory matter.

Question 12: Cordless Phones - p. 33, Section 2.4.10.1.2.4 & Attachment #5 How many cordless phones are required at each site?

Answer: Please refer to Attachment #5. The Department is satisfied with the current number of cordless phones in place and has no need for additional phones at this time.

Question 13: Enrollment Phones - p. 77, Attachment #5 How many "enrollment" phones are required at each site?

Answer: Please refer to Attachment #5, under column "Other*". The Department is satisfied with the current number of enrollment phones in place and has no need for additional phones at this time.

Question 14: FEES - The RFP does not prohibit or restrict fees/charges or require disclosure in the proposal response. As such, the respondent can refrain from disclosing all such fees/charges in the proposal, and then implement them upon award without any sort of restriction. There are numerous fees which are being charged in the industry which include account setup, account funding, account maintenance, bill statement, mail in payment, refund processing, regulator recovery, wireless administration, single bill, paper statement, inactive account, account closeout, cellular telephone surcharge, account refund, etc. Request: Please clearly address fees and other charges as to whether they are allowed or prohibited. If fees and other charges are allowed, please identify exactly what fees/charges are allowed, the maximum amount allowed, and provide a clear statement that all other fees/charges will not be allowed. In doing so, the DOC will prevent consumers from being charged the numerous fees and at an unrestricted cost.

Answer: The calling rates are specified in Attachment #6. No transaction fees, ancillary fees, billing fees, nor any other types of fees are allowed. The only charges allowed are the surcharges and per minute fees listed in Attachment #6.

Question 15: FEES - The DOC should be aware that fees and other charges can actually reduce facility commissions. For example, let's say the facility is receiving a 60% commission and a consumer has $25.00 to spend on phone calls. Where fees are specifically prohibited, the facility will receive $15 in commissions when that $25.00 is spent on phone calls ($25 times 60%). However, if fees are allowed and the provider charges the consumer say $8.75 to fund the prepaid calling account, only $16.25 of the $25.00 charged to the consumer actually goes on the account for phone calls. When that $16.25 is spent on calls, the facility receives commissions of $9.75 ($16.25 time 60%), which is $5.25 less. Thus, the effective commission on what the consumer was actually charged is only 39% ($9.75 divided by $25.00), not the 60% the facility believed it was getting. This is a very realistic example and if fees are not addressed, the awarded provider could implement such fees without restriction. In another example where the RFP does not clearly prohibit or restrict fees, a respondent proposes a 90% commission. The facility believes this is a very high number. However, once the contract is awarded, the provider starts charging a $12 fee to fund the account. Thus, only $13 goes onto the account for calls. The facility gets 90% of the $13 (not the $25 the consumer paid) which is $11.70. Thus, the effective commission based upon what he consumer actually spent is only 46.8% ($11.70 divided by $25), as opposed to the 90% the facility believed it was going to receive. Request: Please clearly address fees and other charges as to whether they are allowed or prohibited. If fees and other charges are allowed, please identify exactly what fees/charges are allowed, the maximum amount allowed, and provide a clear statement that all other fees/charges will not be allowed. In doing so, the DOC will prevent consumers from being charged the numerous fees and at an unrestricted cost.

Answer: The calling rates are specified in Attachment #6. No transaction fees, ancillary fees, billing fees, nor any other types of fees are allowed. The only charges allowed are the surcharges and per minute fees listed in Attachment #6.

<u>Question submitted on April 18, 2014 from Global Tel*Link</u>

Question 1: Jail Management System Vendor - Who is your current JMS vendor and do you anticipate changing vendors during the term of this Inmate Telephone Service contract? May we have the JMS contact name and telephone number?

Answer: The Department does not have an outside Jail Management System vendor. The Department currently uses an in-house solution - Adult Inmate Management System (AIMS). The Department anticipates outsourcing the AIMS system during the term of this Inmate Telephone Service contract. An RFP has been issued for the replacement of AIMS system and is currently in evaluation.

Question 2: Solicitation Attachments - Payment & Performance Bonds - Normally these are required to be completed and submitted once a vendor receives an award. According to your checklist you are asking that they be included. Is it the intention of the state that a vendor complete these forms and include with their response? Specifically, each form states "Whereas, the Principal has entered into a certain contract with the Obligee, date the XX day of XX" which at the time of the proposal submittal is not a true statement. We would ask that the submittal of such forms with RFP response be deleted from the requirements and only be required after award.

Answer: Payment & Performance Bonds are due upon award from the selected vendor and not at the time of offeror's submission of Proposal.

Question 3: Document format - Is it possible to provide vendors with a copy of the RFP in MSWord?

Answer: No.

Question submitted on April 18, 2014 from Telmate

Question 1: Bid Bond Form - Does AZ DOC have a standard bid bond form that we are required to use? See pg. 16 of RFP. -Sec. 1.33 Bid Bond $50,000 with Submission of Proposal, due date May 1, 2014.

Answer: A sample Bid Security Form is included with this amendment.

Question submitted on April 22, 2014 from Global Tel*Link

Question 1: Bid Due Date Extension Request - Each vendor responding to this bid wishes to provide the AZDOC with a complete, comprehensive, and competitive proposal response. In order to do so, answers to questions submitted need to be received in enough time that we may digest the answers and effectively incorporate them into our bid response. With this in mind and the fact in order to meet the current due date we must ship the proposals next Tuesday or Wednesday, would the state agree to extend the due date by at least two weeks? We thank you for your consideration of this important request.

Answer: The Due date has been extended to May 15, 2014 on Solicitation Amendment 2.

Question submitted on April 25, 2014 from Global Tel*Link

Question 1: Cordless (wireless) Phones - According to your Phone Type breakdown you have the following cordless phones: ASPC-Florence 6; Globe Unit 1; ASPC-Eyman 44; ASPC-Yuma 3; ASPC-Lewis 1; ASPC-Safford 1; ASP-Ft. Grant 1; ASPC-Douglas 3; ASPC-Tucson 2; Florence West 1 and CACF Detention 1 for a total of 64. Is this number of cordless phones adequate for your sites? If not, how many more would you like per site? Are there any other sites that you feel could use some? If so what sites and how many? Could you verify how many cordless phones were replaced over the last 12 months?

Answer: a) The Department is satisfied with the current number of cordless phones in place and has no need for additional phones at this time. b) The Department does not track the number of replacement cordless phones.

SOLICITATION AMENDMENT

ARIZONA
DEPARTMENT OF CORRECTIONS
1601 W. JEFFERSON, MAIL CODE 55302
PROCUREMENT SERVICES
PHOENIX, ARIZONA 85007

SOLICITATION NO. ADOC14-00003887/ADC No. 14-066-24 AMENDMENT NO. 3 Contact: Kristine Yaw

SOLICITATION DUE DATE: May 15, 2014

SIGNED COPY OF THIS AMENDMENT MUST BE RETURNED WITH YOUR BID SOLICITATION.

Question 2: Current PhoneType - Pedestal - Who owns the pedestals currently in place? The incumbent vendor or AZ DOC? If the DOC, assumption is awarded vendor will be able to utilize the pedestals without a cost associated. Is this correct?

Answer: **The incumbent vendor, Securus Technologies Inc. owns the pedestals currently in place.**

ALL OTHER PROVISIONS OF THE SOLICITATION SHALL REMAIN IN THEIR ENTIRETY

Vendor hereby acknowledges receipt and understanding of above amendment.

Paul Cooper 5/15/2014

Signature Date

Paul Cooper, General Manager

Typed Name and Title

CenturyLink

Name of Company

LG/ky

The above referenced Solicitation Amendment is hereby executed this 1st day of May 2014 at Phoenix, Arizona.

Leon George, Chief Procurement Officer

SOLICITATION AMENDMENT

ARIZONA
DEPARTMENT OF CORRECTIONS
1601 W. JEFFERSON, MAIL CODE 55302
PROCUREMENT SERVICES
PHOENIX, ARIZONA 85007

SOLICITATION NO. ADOC14-00003887/ADC No. 14-066-24 AMENDMENT NO. 4 Contact: Kristine Yaw

SOLICITATION DUE DATE: May 15, 2014

SIGNED COPY OF THIS AMENDMENT MUST BE RETURNED WITH YOUR BID SOLICITATION.

RFP ADOC14-00003887/ADC No.14-066-24 -- Inmate Telephone Systems

The Due Date for shall remain May 15, 2014 at 3:00 p.m., M.S.T. (Arizona Time)

THIS SOLICITATION IS AMENDED AS FOLLOWS:

The following questions have been submitted for the above referenced Solicitation in which the Department has provided the following answers:

Questions submitted on May 1, 2014 from Telmate:

1. Phone commission percentage - What is the current phone commission percentage?

Answer: Please refer to RFP, Page 55, Fee Schedule, Section 3.2 Commission. Current phone commission rate is 53.7%.

2. Number of inmates booked per year - Could you please confirm the average stay for inmates or the number of inmates booked per year?

Answer: Since the Department of Corrections is a state organization we do not book inmates, as that is done at the county jail. Our monthly <u>average population increase per month</u> over the past twelve months has been 121 inmates.

3. Deductions - Does the current inmate phone provider currently take any deductions from commission revenue, if so what are the deductions and how much?

Answer: No current deduction.

4. Commission - What is the average size of a monthly commission check received by the county? Can the County provide 24, or even 12, months of commission check amounts?

Answer: Please refer to RFP, Page 55, Fee Schedule, Section 3.2 Commission. This section specifies the estimated annual commission the Department receives. Please note we are the State, not County as specified in question #4.

5. Fees – Please provide the list of current fees charged.

Answer: Below is the list of current fees charged by the current contractor. Please note, no transaction or any other types of fees are allowed under this new RFP.

Funding Method	*Minimum Funding Amount*	*Payment Processing Fee*
Web	Up to $25.00	Up to $7.95 - Visa and MasterCard
IVR	Up to $25.00	Up to $9.95 Visa and MasterCard
CSR	Up to $25.00	Up to $9.95 Visa and MasterCard
Postal Mail	None	$0
Kiosk	Varies	$4.95 cash; $7.95 credit/debit card
MoneyGram	None	$10.99 (MoneyGram fee can vary; direct customer to MoneyGram)
Western Union	None	$11.95 (WU fee can vary; direct customer to WU)

6. Call rates – What are the current call rates? By call type, Local, Intralata, Interlata and Interstate.

Answer: The calling rates for each call type are specified in the RFP, Page 55, Fee Schedule, Section 3.2 Commission and Attachment #6.

7. Call volume What is the historic call volume by month? Can the County provide 24, or even 12, months of call volume reports?

Answer: Call volume for 2013 is specified in the RFP, page 17, Scope of Work, Section 2.2 General Background.

SOLICITATION AMENDMENT

ARIZONA
DEPARTMENT OF CORRECTIONS
1601 W. JEFFERSON, MAIL CODE 55302
PROCUREMENT SERVICES
PHOENIX, ARIZONA 85007

SOLICITATION NO. ADOC14-00003887/ADC No. 14-066-24 AMENDMENT NO. 4 Contact: Kristine Yaw

SOLICITATION DUE DATE: May 15, 2014

SIGNED COPY OF THIS AMENDMENT MUST BE RETURNED WITH YOUR BID SOLICITATION.

8. Visitation - How many visits are used on an average month?

Answer: This is not applicable for this RFP.

9. Visitation - How many visits are paid-for visits in an average month?

Answer: This is not applicable for this RFP.

10. Visitation - How many tentative visits by bail bondsman and Public Defenders are expected in an average month?

Answer: This is not applicable for this RFP.

Question submitted on May 6, 2014 from CenturyLink:

1. Page 18 Section 2.3 Commission - Respectfully, a number of expert regulatory and administrative attorneys have reviewed FCC Order 13-113 and the partial stay of that Order by the D.C. Circuit Court, and have concluded that commissions are permitted on interstate phone calls. One reason this is so important is that under the Department's current rate structure for in-state vs. out-of-state calls, called parties have an incentive to acquire 'virtual' out-of-state phone numbers. Providers can also take steps to further encourage this practice and divert revenue away from commissionable in-state calls to non-commissionable out-of-state calls. This obviously unfairly skews the financial offer and evaluation. We respectfully request the Department re-consider its opinion and require that under current regulatory rules, commissions must be paid on all calls.

Answer: FCC currently prohibits commissions on interstate calls. If not prohibited by FCC in the future offerors shall provide commission on all calls to include interstate calls.

<u>ALL OTHER PROVISIONS OF THE SOLICITATION SHALL REMAIN IN THEIR ENTIRETY</u>

Vendor hereby acknowledges receipt and understanding of above amendment.

Paul Cooper 5/15/2014

Signature Date

Paul Cooper, General Manager

Typed Name and Title

CenturyLink

Name of Company

The above referenced Solicitation Amendment is hereby executed this 6th day of May 2014 at Phoenix, Arizona.

Barbara Dull for

Leon George, Chief Procurement Officer

LG/ky

SOLICITATION AMENDMENT

ARIZONA
DEPARTMENT OF CORRECTIONS
1601 W. JEFFERSON, MAIL CODE 55302
PROCUREMENT SERVICES
PHOENIX, ARIZONA 85007

SOLICITATION NO. ADOC14-00003887/ADC No. 14-066-24 AMENDMENT NO. 5 Contact: Kristine Yaw

SOLICITATION DUE DATE: May 15, 2014

SIGNED COPY OF THIS AMENDMENT MUST BE RETURNED WITH YOUR BID SOLICITATION.

RFP ADOC14-00003887/ADC No.14-066-24 – Inmate Telephone Systems

THIS SOLICITATION IS AMENDED AS FOLLOWS:

The Proposal Due Date is being extended to May 22, 2014 at 3:00 p.m., M.S.T. (Arizona Time)

Question submitted will be answered in a forthcoming amendment.

ALL OTHER PROVISIONS OF THE SOLICITATION SHALL REMAIN IN THEIR ENTIRETY

Vendor hereby acknowledges receipt and understanding of above amendment.

5/15/2014

Signature Date

Paul Cooper, General Manager

Typed Name and Title

CenturyLink

Name of Company

The above referenced Solicitation Amendment is hereby executed this 8th day of May 2014 at Phoenix, Arizona.

Leon George, Chief Procurement Officer

LG/ky

SOLICITATION AMENDMENT

ARIZONA
DEPARTMENT OF CORRECTIONS
1601 W. JEFFERSON, MAIL CODE 55302
PROCUREMENT SERVICES
PHOENIX, ARIZONA 85007

SOLICITATION NO. ADOC14-00003887/ADC No. 14-066-24 AMENDMENT NO. 6 Contact: Kristine Yaw

SOLICITATION DUE DATE: May 22, 2014

SIGNED COPY OF THIS AMENDMENT MUST BE RETURNED WITH YOUR BID SOLICITATION.

RFP ADOC14-00003887/ADC No.14-066-24 – Inmate Telephone Systems

The Proposal Due Date shall remain May 22, 2014 at 3:00 p.m., M.S.T. (Arizona Time)

THIS SOLICITATION IS AMENDED AS FOLLOWS:

Amend to change Special Terms and Conditions, Page 10, Section 1.21 as follows:

FROM:

1.21 EVALUATION:

1.21.1 In accordance with the Arizona Procurement Code §41-2534, Competitive Sealed Proposals, award shall be made to the responsible Offeror whose proposal is determined in writing to be the most advantageous to the Department based upon the evaluation criteria listed below. The evaluation factors are listed in the relative order of importance.

Exceptions to the Terms and Conditions, as stated in the Uniform Instructions Section C4, will impact an Offeror's susceptibility for award.

1.24.1.1 **Commission Rate (maximum 1250 points)** - Calculated at the rate of 5 points for every percentage up to 50 percent. (For example: 45.0 % commission rate = 45 X 5 = 225 points).
Plus 50 points for every percentage over 50 percent. (For example: 54.0 % commission rate = (50 X 5) + (4 X 50) = 450 points.

1.24.1.2 **Technical Requirements (maximum 150 points)**
1.24.1.3 **Contractor Qualification Requirements (maximum 100 points)**
1.24.1.4 **Implementation Plan (maximum 50 points)**

SOLICITATION AMENDMENT

ARIZONA
DEPARTMENT OF CORRECTIONS
1601 W. JEFFERSON, MAIL CODE 55302
PROCUREMENT SERVICES
PHOENIX, ARIZONA 85007

SOLICITATION NO. ADOC14-00003887/ADC No. 14-066-24 AMENDMENT NO. 6 Contact: Kristine Yaw

SOLICITATION DUE DATE: May 22, 2014

SIGNED COPY OF THIS AMENDMENT MUST BE RETURNED WITH YOUR BID SOLICITATION.

TO:

1.21 EVALUATION:

1.21.1 In accordance with the Arizona Procurement Code §41-2534, Competitive Sealed Proposals, award shall be made to the responsible Offeror whose proposal is determined in writing to be the most advantageous to the Department based upon the evaluation criteria listed below. The evaluation factors are listed in the relative order of importance.

Exceptions to the Terms and Conditions, as stated in the Uniform Instructions Section C4, will impact an Offeror's susceptibility for award.

1.21.1.1 **Commission Rate (maximum 1500 points) - Calculated at the rate of 15 points for every percentage of commission. (For example: 60.0 % commission rate = 60.0 X 15 = 900 points).**
1.21.1.2 **Technical Requirements (maximum 150 points)**
1.21.1.3 **Contractor Qualification Requirements (maximum 100 points)**
1.21.1.4 **Implementation Plan (maximum 50 points)**

Amend to change Scope of Work, Page 50, Section 2.7.1 as follows:

FROM:

2.7.1 One Contractor will be selected to enter into a written contract as a result of this RFP with the selected Contractor to begin providing services no later than 120 days after execution of a written contract. The proposal must include an implementation plan describing the tasks and activities to be completed and their timeframes/milestones prior to the start of services. The implementation plan is to detail how the Contractor would satisfy the RFP's requirements regarding the installation, operation and maintenance of an inmate phone system with monitoring and recording capabilities, such that each issue addressed would be complete and detailed enough to assure the Department of the Contractor's understanding and capability to perform the cited requirements, and to substantiate that the IPS will be fully operational within the timeframe stated after execution of the written contract.

2.7.1.1 Please specify Contractors timeframe for the implementation plan if less than 120 days.

TO:

2.7.1 One Contractor will be selected to enter into a written contract as a result of this RFP with the selected Contractor to begin providing services no later than 90 days after execution of a written contract. The proposal must include an implementation plan describing the tasks and activities to be completed and their timeframes/milestones prior to the start of services. The implementation plan is to detail how the Contractor would satisfy the RFP's requirements regarding the installation, operation and maintenance of an inmate phone system with monitoring and recording capabilities, such that each issue addressed would be complete and detailed enough to assure the Department of the Contractor's understanding and capability to perform the cited requirements, and to substantiate that the IPS will be fully operational within the timeframe stated after execution of the written contract.

2.7.1.1 Please specify Contractors timeframe for the implementation plan if less than 90 days.

The following questions have been submitted for the above referenced Solicitation in which the Department has provided the following answer:

<u>Question submitted on May 6, 2014 from Inmate Calling Solutions, LLC</u>

Question 1: Interstate calling commissions - The Department's answers to the questions state that commissions are not being paid on Interstate calls and that the FCC currently prohibits commissions on Interstate calls. - The current Order in place does not prohibit commissions from being paid on Interstate calling. a) Can the Department please provide information as to why it believes commissions on Interstate calling is not allowed or is prohibited by the FCC? b) Commissions seem to be the highest priority for the RFP as they are worth 1,250 of the 1,550 total points available, or over 80% of the scoring. However, the RFP gives all 1,250 points to all Offerors that propose a 70% commission and provide no additional points for proposals exceeding a 70% commission. As such, it would not seem that an Offeror would propose more than a 70% commission because no additional points would be awarded. Please confirm that a compliant proposal with a 70% commission will receive the same 1,250 points as a compliant proposal which proposes higher than 70% commissions and thus, there is no point separation for the available 1,250 points.

Answer: **a) FCC Order No. 219 has been interpreted as stating that site commission payments are not part of the cost of providing Inmate Calling Services (ICS) and therefore not compensable in interstate ICS rates. Offerors shall not be required to pay commissions on interstate calls. However, the Department reserves the right to require the payment of these commissions in the future contract should the Department receive a different legal interpretation or should the rules be modified by the FCC. Any change to interstate commissions would be subsequently amended by negotiation and mutual agreement through a contract amendment. b) Section 1.21 Evaluation is changed by this amendment. Please refer to the beginning of this amendment.**

SOLICITATION AMENDMENT

ARIZONA
DEPARTMENT OF CORRECTIONS
1601 W. JEFFERSON, MAIL CODE 55302
PROCUREMENT SERVICES
PHOENIX, ARIZONA 85007

SOLICITATION NO. ADOC14-00003887/ADC No. 14-066-24 AMENDMENT NO. 6 Contact: Kristine Yaw

SOLICITATION DUE DATE: May 22, 2014

SIGNED COPY OF THIS AMENDMENT MUST BE RETURNED WITH YOUR BID SOLICITATION.

(This page was intentionally left blank)

ALL OTHER PROVISIONS OF THE SOLICITATION SHALL REMAIN IN THEIR ENTIRETY

Vendor hereby acknowledges receipt and understanding of above amendment.

5/15/2014

Signature Date

Paul Cooper, General Manager

Typed Name and Title

CenturyLink

Name of Company

LG/ky

The above referenced Solicitation Amendment is hereby executed this 12th day of May 2014 at Phoenix, Arizona.

Barbara (N.) Duell for

Leon George, Chief Procurement Officer

RULES FOR NON-EMPLOYEES OF THE DEPARTMENT OF CORRECTIONS IN ARIZONA STATE PRISON COMPLEXES

POLICY STATEMENT:

While the institution recognizes the need of non-staff personnel to have in their possession certain personal items, limits are necessary for the security and safe operation of the institution.

PROCEDURES:

All persons entering the institution are subject to search prior to entry and while on the grounds of the institution. All non-staff personnel will, at all times, remain in their authorized area under the direction of the project coordinator.

1. Persons are allowed the materials necessary for the performance of their duties.

2. All non-staff personnel may have in their possession the following:

   A. A wallet with normal contents, e.g.,

      1) Photos and personal papers.

      2) Currency not to exceed $20.00 (Twenty Dollars). Excess will be reported to the shift commander prior to entry.

      3) No credit cards or checkbooks are allowed.

   B. Handkerchief and comb.

   C. Tobacco products and smoking apparatus for normal daily use.

   D. Keys as necessary (auto and home).

   E. Fingernail clipper.

   F. Confectionary items (gum, candy, etc.)

   G. Watch and rings.

4. All persons are prohibited from introducing medication drugs into the institution grounds unless such a medication has been properly prescribed by a licensed physician and is in the original prescription container.

A. Medications of a stimulate nature, i.e., Dexedrine, Preludins, Tenuate or any other appetite suppressant or any hypnotic-type drug, are specifically prohibited on institution property. Persons who are taking this type of medication prior to coming to the institution will report this fact to the Shift Commander, prior to reporting to their authorized area.

B. Persons taking medications of the tranquilizer class, i.e., Valium, Librium, Miltown or any of the anti-depressant class, i.e., Sinequan, Triavil, Elavil or any mood modifying drug of any type; Pain medications i.e., Percodan, Percocet, hydrocodone (Vicodin), Tylenol with codeine, propoxphene, etc., will report this fact to the Shift Commander prior to going to their authorized area. Possession of these types of drugs on prison grounds will be limited to that amount necessary during one eight hour shift.

C. Personnel taking any other class of medication i.e., antihistamines, antihypertensives, anticholingeries, etc., are limited in the introduction of only such amount of medication as will be required during the period of one eight hour shift, and this fact will be reported to the Shift Commander.

1) Any deviation from this policy must be cleared with the Warden of the unit. Persons violating this policy may subject themselves to eviction from institution property and/or prosecution.

<u>NOTE:</u> If anyone loses or has stolen any personal items in his possession, the institution will attempt to retrieve the items, but cannot guarantee the return thereof nor provide reimbursement.

The following Arizona Revised Statutes dealing with inmate and non-staff member relationships require your strict adherence at all times during your stay at the Arizona State Department of Corrections.

Interest of employee and non-employee in contracts, gifts to or for inmates: <u>penalty</u>

1. No non-staff member shall be interested in any contract or purchase made by anyone for or on behalf of the prison, or receive, directly or indirectly, compensation for his services other than prescribed by the administrator of the institution, nor shall he receive any compensation whatever for any act or services he performs for or on behalf of a contractor, or any agent or employee of a contractor.

2. No non-staff personnel, without permission of the administrator shall make a gift or present to or receive a gift from an inmate, or barter or deal with an inmate.

3. Any person violating this section shall be discharged from office or service, and every contractor, or employee or agent of a contractor, shall not be permitted to act or serve again as such contractor, agent or employee.

Unauthorized communication with inmates: <u>penalty</u>

A person not authorized by law who, without the permission of the officer in charge of the state prison, communicates with a person imprisoned or detained therein, or who takes any letter, writing, literature or reading matter to or from a person imprisoned or detained therein, is guilty of a misdemeanor.

5/15/2014	
Signature	**Date**

	Offer and Acceptance	Arizona Department of Corrections
	SOLICITATION NO.: ADOC14-00003887/14-066-24	Procurement Services 1601 W. Jefferson MC 55302 Phoenix, Arizona 85007
	OFFFEROR:	

OFFER

TO THE STATE OF ARIZONA:

The Undersigned hereby offers and agrees to furnish the material, service or construction in compliance with all terms, conditions, specifications and amendments in the Solicitation and any written exceptions in the offer. Signature also certifies Small Business status.

CenturyLink Company Name	Signature of Person Authorized to Sign Offer
5454 West 110th Street Address	Paul Cooper Printed Name
Overland Park, Kansas 66211 City State Zip	General Manager Title
	Phone: 913-345-6002
paul.n.cooper@centurylink.com Contact Email Address	Fax: 913-397-3523

By signature in the Offer section above, the Offeror certifies:

1. ıe submission of the Offer did not involve collusion or other anticompetitive practices.
2. ıne Offeror shall not discriminate against any employee or applicant for employment in violation of Federal Executive Order 11246, State Executive Order 2009-9 or A.R.S. §§ 41-1461 through 1465.
3. The Offeror has not given, offered to give, nor intends to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant in connection with the submitted offer. Failure to provide a valid signature affirming the stipulations required by this clause shall result in rejection of the offer. Signing the offer with a false statement shall void the offer, any resulting contract and may be subject to legal remedies provided by law.
4. The Offeror certifies that the above referenced organization ___ **IS/** _X_ **IS NOT** a small business with less than 100 employees or has gross revenues of $4 million or less.

ACCEPTANCE OF OFFER

The Offer is hereby accepted.

The Contractor is now bound to sell the materials or services listed by the attached contract and based upon the solicitation, including all terms, conditions, specifications, amendments, etc., and the Contractor's Offer as accepted by the State.

This Contract shall henceforth be referred to as Contract No.______________________________.

The effective date of the Contract is ______________________________.

The Contractor is cautioned not to commence any billable work or to provide any material or service under this contract until Contractor receives purchase order, contact release document or written notice to proceed.

State of Arizona Awarded this: **day of** ____________________ **2014**

____

Leon George, Chief Procurement Officer

Tab 2

CenturyLink certifies that all electronic and hard-copy submittals are identical.

SCOPE OF WORK

2.1 OVERVIEW

2.1.1 The Arizona Department of Corrections (Department) is soliciting a qualified Contractor to provide telecommunication services and equipment, to ensure that inmates in prison, pre- release and work release facilities are provided access to public telephones subject to limitations and restrictions necessary to safeguard the security and order of the facility, and to protect the public from unwanted inmate calls. This RFP will establish a single contract for the implementation and operation of a turnkey inmate telephone system with integrated recording and monitoring capabilities to meet current and future legislative requirements.

CenturyLink has read, understands and will comply.

2.1.2 The Department intends to enter into a contract with a single Contractor who will provide complete logistical support, ongoing operation, and maintenance of the inmate telecommunications system/services 21 correctional facilities.

CenturyLink has read, understands and will comply.

2.1.3 This RFP is expected to result in the award of a single contract with the Contractor who best meets the stated requirements and provides competitive prices for inmates, inmate families and friends. The proposed solution is for a turnkey system to include, among other things, installation, maintenance, telephones, communications, enclosures, panel and such other equipment or materials necessary to replace the current inmate telephone system/services. All existing telephones must be replaced with new/unused equipment by the awarded Contractor.

CenturyLink has read, understands and will comply.

2.2 GENERAL BACKGROUND

2.2.1 The Department, an executive-branch agency of the Arizona State Government, employs approximately 10,000 individuals who are responsible for approximately 42,000 inmates in the state prison system. The Department operates 16 state prison facilities and supervises 6 privatized prison sites within the State of Arizona, which vary significantly in size and geographic location.

CenturyLink has read, understands and will comply.

2.2.2 For the year of 2013 inmates completed approximately:

Product ...	Year	Destination Zone	Calls	Minutes
Collect	2013	InterLATA / Interstate	97,941	1,284,672
Collect	2013	InterLATA / Intrastate	282,946	3,834,793
Collect	2013	International	27	404
Collect	2013	IntraLATA / Interstate	61	852

Collect	2013	IntraLATA / Intrastate	450,417	6,137,150
Collect	2013	Local	831,716	11,517,610
Debit	2013	InterLATA / Interstate	32,983	368,654
Debit	2013	InterLATA / Intrastate	82,699	972,957
Debit	2013	International	14,581	166,466
Debit	2013	IntraLATA / Interstate	15	162
Debit	2013	IntraLATA / Intrastate	158,737	1,948,032
Debit	2013	Local	415,886	5,767,033
		Totals:	2,368,009	31,998,785

CenturyLink has read, understands and will comply.

2.3 COMMISSION

2.3.1 The Contractor selected and subsequently providing the services required by this RFP will pay a commission to the Department as set forth in Section 3 of this RFP.

CenturyLink has read, understands and will comply.

2.4 TECHNICAL REQUIREMENTS

2.4.1 The Inmate Phone System (IPS) and Related Services proposed for the Department must meet or exceed the technical requirements outlined in this Section. The IPS proposed to meet these technical requirements must be provided for all facilities at no cost to the Department including system installation, training, operation and maintenance of the system and its components.

CenturyLink has read, understands and will comply.

2.4.2 The Contractor is responsible for replacement of the IPS in its entirety or its individual components regardless of cause including, but not limited to, normal wear/use, inmate abuse, natural disaster, or inmate unrest. This system or component replacement will be performed at no cost to the Department and will occur immediately upon notification to the Contractor of the system problem by the facility.

CenturyLink has read, understands and will comply.

2.4.3 The IPS proposed for the Department must include the following components:

2.4.3.1 A Centralized System Database located outside of the Department facilities and maintained by the Contractor. The Contractor must state, in its response, the physical location (City/State) where the centralized system database is located.

CenturyLink has read, understands and will comply.

CenturyLink will provide a Centralized System Database ("IPS" or "System") in our data center located in Atlanta, Georgia, with a secondary IPS located in our San Antonio, Texas data center. The secondary IPS will function as a back-up for Department data, and as a fully-operational back-up for the primary IPS, should it fail.

2.4.3.2 The proposed IPS must allow for all Department locations to be networked together, which allows for the sharing of inmate information, inmate PINs and call records between systems. This network between Department locations must allow for remote access of the IPS at one of the Department facility by an authorized user at another Department facility.

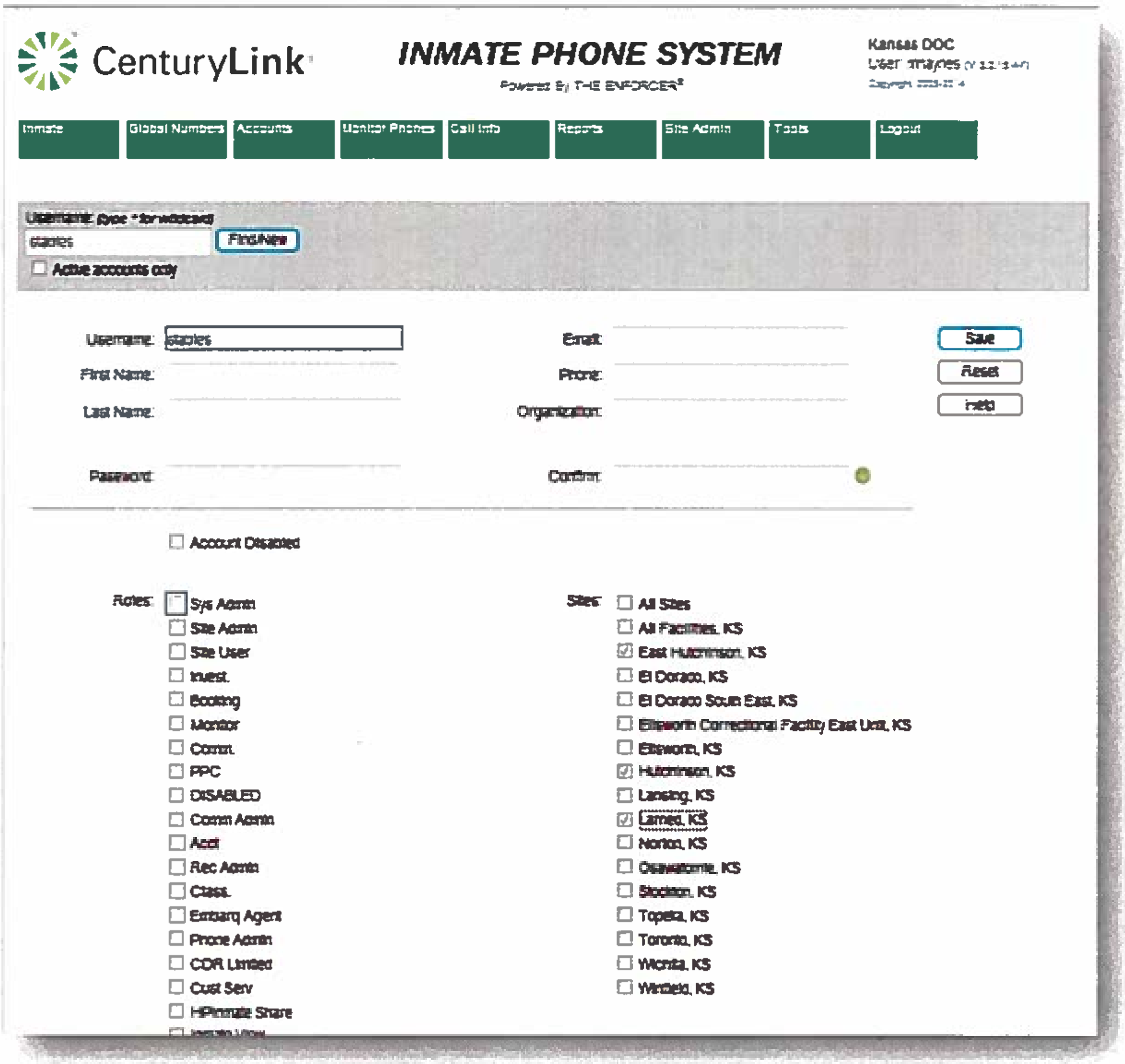
CenturyLink has read, understands and will comply.

The centralized database will be a single system, which will contain all of the data for every Department facility, including PINs and call records. All Department facilities will be networked into this off-site IPS, and all data can be shared. This data can be accessed by any authorized user at any Department location, and by authorized users at non-Department locations.

2.4.3.3 The proposed IPS must allow for administrator password levels that restrict Department personnel to the IPS within their particular facility as well as allow certain Department personnel to access multiple systems, if required.

CenturyLink has read, understands and will comply.

The CenturyLink IPS will be a centralized platform which will handle all Department sites with one system. Department personnel can be restricted to one site or multiple sites, or can be authorized to access all sites. In the example shown below, the individual has been given access to East Hutchinson, Hutchison, and Larned. Note the "All Sites" check box at the top of the "Sites" list to allow access to all sites with one entry.



User Role Assignment Screen

2.4.3.4 The Contractor must propose one type of IPS for all Department locations. All system hardware, software, software level and support systems must be the same in each of the Department facilities.

CenturyLink has read, understands and will comply.

All Department facilities will use a centralized IPS located in our Atlanta datacenter ensuring that every facility will have the same software level. Each facility will be connected to Atlanta using Integrated Access Devices (IADs) connected to T-1 or larger digital transmission links. All hardware (IADs, routers, switches, etc) will be of the same model and type in each facility.

2.4.3.5 The IPS at each of the Department facilities must provide for all telecommunications capabilities for inmate services as well as administrative capabilities for the Department personnel.

CenturyLink has read, understands and will comply.

With the centralized IPS, there will be no differences between Department facilities for any services or administrative functions.

2.4.3.6 The Contractor must provide a Centralized System Database that is located at a Contractor provided site and provide full database redundancy for the System at the Central Office facility.

CenturyLink has read, understands and will comply.

CenturyLink's Centralized System Database ("IPS" or "System") will be physically located in our data center in Atlanta with a secondary IPS located in our San Antonio data center. All data will be backed up to the secondary IPS in San Antonio almost immediately, and the San Antonio IPS will be a fully operational back-up for the primary IPS, should it fail.

2.4.3.7 The Contractor must propose an IPS at no cost to the Department and include:
2.4.3.7.1 Full design, programming and installation;
2.4.3.7.2 Programming of all inmate PINs and call lists;
2.4.3.7.3 Post installation maintenance;
2.4.3.7.4 All network services (local, IntraLATA, InterLATA);
2.4.3.7.5 All network services for administration of the Inmate Phone System.

CenturyLink has read, understands and will comply.

CenturyLink will provide a total package that will provide all features of Section 2.4.3.7 at no cost to the Department. Details on these features will be provided below in our response to specific requirements of this RFP.

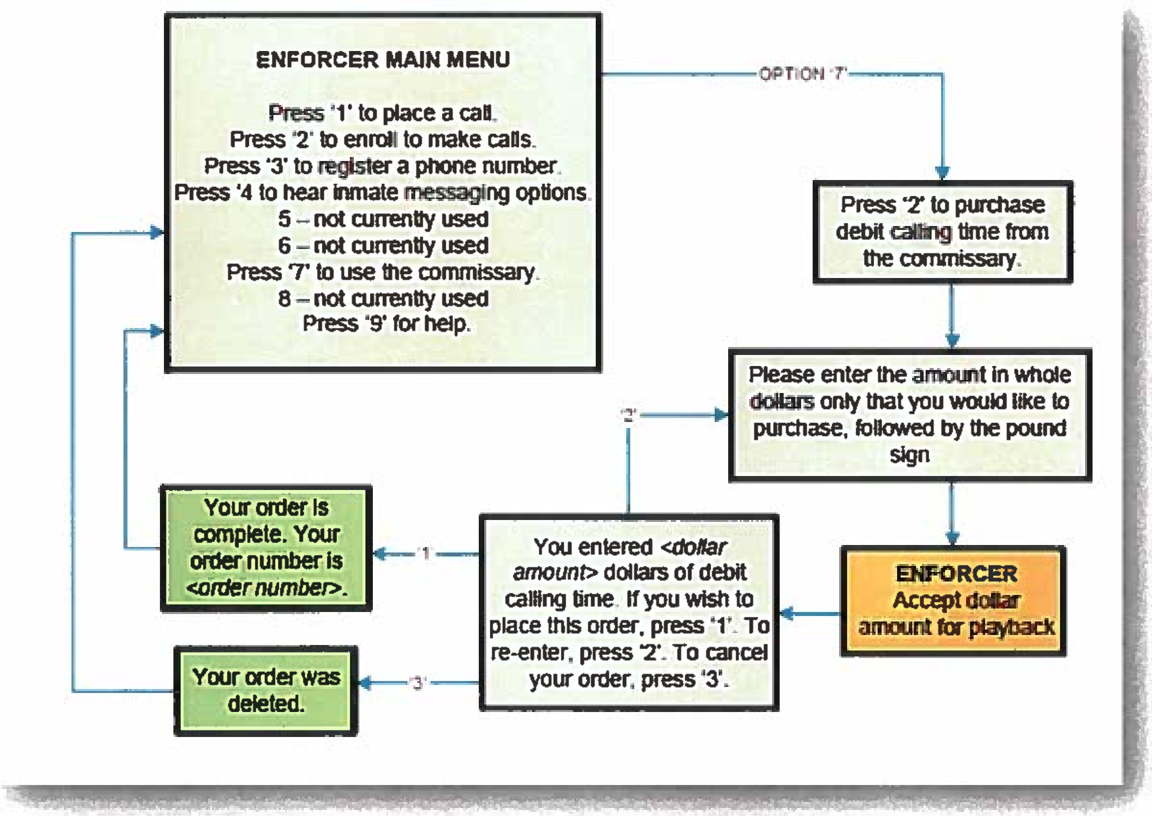
2.4.3.8 The Contractor must propose an IPS for the Department that has the capability of processing inmate calls in a pre-paid debit mode; collect call mode or a combination of the two depending on the Department facility and unique needs of the Department.

CenturyLink has read, understands and will comply.

2.4.3.8.1 The System must have the ability to integrate with third party vendors to provide the ability to automate the inmate commissary ordering of Debit time.

CenturyLink has read, understands and will comply.

CenturyLink has a long-standing relationship with the Department's Commissary provider, Keefe Commissary Network. We have successfully integrated with their system to allow inmates to transfer funds from their commissary account to their phone debit account. The following flowchart illustrates the inmate call flow to transfer funds:



Inmate Commissary to Debit Call Flow

2.4.3.8.2 Must also have the ability to import all relevant inmate information to process telephones calls.

CenturyLink has read, understands and will comply.

CenturyLink has interfaced with multiple JMS systems; we have never had a problem with integration. We understand that the Department is currently evaluating a replacement for your AIMS; we are confident that we can successfully integrate with AIMS or the new provider of the JMS. The integration will provide all required inmate information to our IPS.

2.4.3.9 The Contractor must propose an IPS that allows for all inmate telephones to be in use simultaneously. The Contractor must describe, in its response, how this will be accomplished with the 2.4.3.9 proposed IPS.

CenturyLink has read, understands and will comply.

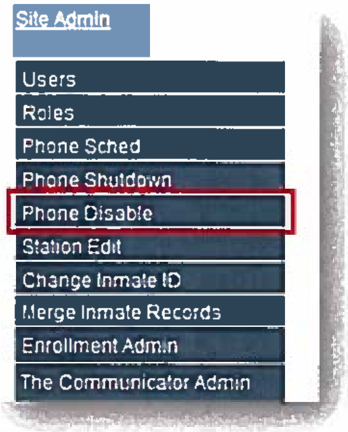
CenturyLink's standard operating procedure is to provision the hardware and network to allow all inmate phones to be in operation at the same time. CenturyLink does not use any form of line concentration to reduce costs,

Each phone is connected to one port of an Integrated Access Device (IAD), and each IAD will handle 24 inmate phones, and will be connected to a T-1 or equivalent transmission link to provide one outgoing channel for each phone. Each T-1 will support 48 concurrent calls.

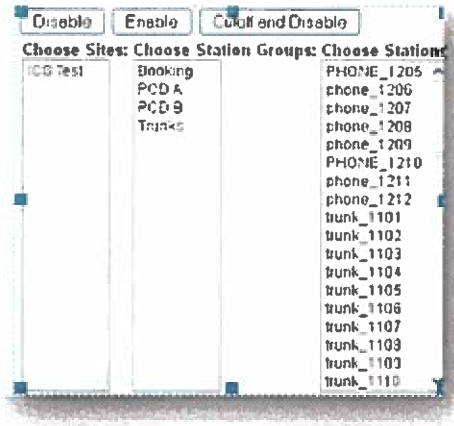
2.4.3.10 The Contractor must propose an IPS that can be shut down quickly and selectively. The Department must be able to shutdown the system globally and restrict all PIN access within an entire facility and/or within a particular housing unit.

CenturyLink has read, understands and will comply.

Using the "Phone Disable" function of the IPS, staff can easily and rapidly shut down a single phone, a single POD, or an entire facility. After selecting "Phone Disable" on the drop-down menu, a second "Phone Disable Menu" will be displayed.



Phone Disable



Phone Disable Menu

On the Phone Disable Menu, select the individual phone, a group of phones, or the site you wish to disconnect. Then select one of the three buttons at the top of the menu to perform the following function:

- Disable – Allows in-progress calls to complete. No new calls will be allowed from the selected phone(s)
- Enable – Allows calls to be made from the selected phones
- Cutoff and Disable – Immediately cuts off all calls in progress and disables the selected phone(s).

2.4.3.11 The Contractor must propose an IPS solution that allows the Department to completely restrict inmate access to outside network services/facilities should the IPS control unit of the IPS fail for any purpose. The Contractor must describe, in its response, how this restriction is accomplished with the proposed IPS (e.g., toggle kill switches, or web-based capability etc.).

CenturyLink has read, understands and will comply.

If there is a failure of the IPS control unit, all communication from the inmate phones to the control unit immediately ceases. Any call in progress is terminated, and the inmates will not receive any call prompts to allow them to initiate a call.

2.4.3.12 The proposed IPS must be restricted to outgoing calls only. The system must not process incoming calls at any time. The Contractor must agree, in its response, that no inmate telephone shall be capable of receiving an incoming call.

CenturyLink has read, understands and will comply.

The design of our IPS does not allow incoming calls at all.

2.4.3.13 The IPS must block all calls made to any of the following services whether the system is used in direct dial, debit-based or collect call mode. The Contractor must be responsible for ensuring that the system is programmed for such blocking.

2.4.3.13.1 900, 972, 976, 550, telephone numbers incurring excess charges;
2.4.3.13.2 Long distance carrier access codes (e.g., 101-XXXX);
2.4.3.13.3 Local toll free numbers (e.g., 950-XXXX);
2.4.3.13.4 Directory assistance numbers (e.g., 411, 555-1212, etc.);
2.4.3.13.5 Toll free numbers (e.g., 800, 888, 877, 866, 855, etc.).

CenturyLink has read, understands and will comply.

CenturyLink will set up blocks for the above groups as part of the IPS installation process. Additionally, if the Department has a list of individual phone numbers that need to be blocked, we will implement blocks to those numbers.

2.4.3.14 The proposed IPS must not provide a second dial tone to an inmate telephone without the inmate hanging up the telephone receiver after the first call is completed and the PIN re-entered to place the second call.

CenturyLink has read, understands and will comply.

Each inmate station port is monitored continuously for "flashing" (switch hook depression) to attempt to signal the network. Any such activity results in current call disconnection and will direct the inmate to initiate a new call with all call controls in place. Because the system resides between the phone instruments and the outgoing voice network, the manipulation of the switch hook will never provide the inmate with access to an unrestricted outside line.

2.4.3.15 The proposed IPS must allow for a maximum ring time prior to disconnecting the inmate call. This ring time parameter must be consistent among Department facilities.

CenturyLink has read, understands and will comply.

2.4.3.16 The proposed IPS must provide notification to an inmate of the call status (e.g., ringing, busy, etc.). This notification may either be in the form of ringing, busy tones, SIT tones, or appropriate recorded messages. This requirement must be implemented for both prepay or collect call mode of operation.

CenturyLink has read, understands and will comply.

Whenever an inmate places a call to a called party, the inmate is muted to prevent communication with the called party until the call is connected. The IPS allows the inmate to hear the call progress (including ringing, busy tones, etc.) until the called party answers and the IPS detects human answer supervision. At this point, the Department has two options:

- The inmate can be allowed to continue to hear the call progress (still muted and unable to be heard by the called party until acceptance is confirmed).
- The inmate can be placed on hold once the called party answers, preventing the inmate from hearing the called party until acceptance is confirmed.

The System will be configured to handle inmate monitoring of call status in whichever method the Department prefers, and it will apply to all calls, whether collect, prepaid collect, or inmate debit.

Regardless of which option is preferred, the inmate cannot communicate with the called party until the call has been positively accepted. Both the inmate and called party are notified upon acceptance of the call that the call may be recorded and monitored for security purposes. If the call is accepted by the called party, the inmate hears "Thank you for using CenturyLink. This call may be monitored or recorded. You may begin speaking now."

If the call cannot be completed, the inmate is notified of the reason. The following table provides some examples of the message the inmate may receive:

Call Failure Reason	Inmate Message
Facility Block	*"The number you have dialed is blocked and cannot be called from this facility"*
Telco Block	*"The number you have dialed is blocked by the telephone service provider"*
No Answer	*"Your party is not answering. Please try your call again later."*
Busy Signal	*"That line is currently busy. Please try your call again later."*
Invalid Telephone Number	*"A dialing error has occurred. Please check your number and try again."*
Refused Call	*"Your party has refused this call"*
Refused & Blocked	*"Your party has refused this call and blocked their number from future calls."*

2.4.3.17 The proposed IPS must not allow the inmate to speak to the called party until the call has been positively accepted. This requirement must be implemented for both prepay or collect call mode of operation.

CenturyLink has read, understands and will comply.

Whenever an inmate places a call to a called party, the inmate is muted to prevent communication with the called party until the call is positively accepted and connected.

2.4.3.18 The proposed IPS must not allow the inmate to hear the called party prior to the actual positive acceptance (via touch tone entry) of the call.

CenturyLink has read, understands and will comply.

The inmate is completely blocked from hearing or speaking to the called party until the called party has positively accepted the call.

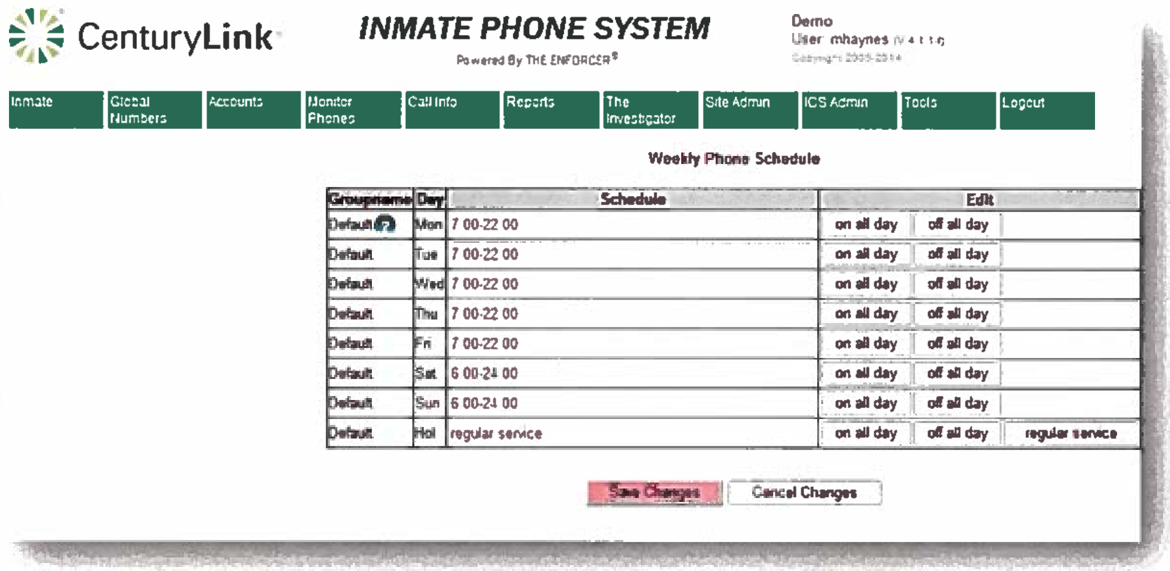
2.4.3.19 The proposed IPS must allow for the Department to program times when the system will be available or unavailable to inmate calling.

CenturyLink has read, understands and will comply.

The Department will have complete control over the times that inmates have access to the phones for calling.

Using the "Phone Schedule" button from the "Site Admin" tab, staff will be able to control the times of use by phone, area (pod, medical, intake, etc) or the entire facility.

The following screen illustrates a weekly schedule for a group of phones. Note that in the "Edit" column, the option is provided to turn the phones off or on all day:

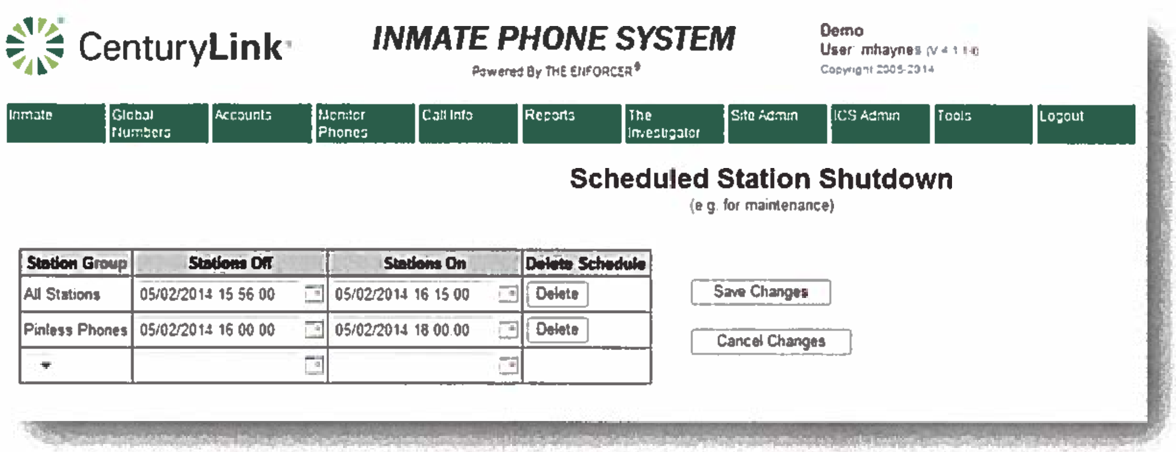


Phone Schedule Screen

2.4.3.20 The proposed IPS must allow the Department personnel to temporarily restrict or disconnect service to an individual inmate telephone or station.

CenturyLink has read, understands and will comply.

The "Phone Shutdown button on the "Site Admin" tab will allow the Department to schedule the shutdown of a single telephone, all station groups or selected station groups for a defined time period. The following screen is used for this function:



Phone Shutdown Screen

2.4.3.21 As one of the major problems associated with inmate calling, the initiation of 3- Way or Conference Calling is a constant issue with the Department. Currently setting the sensitivity level of the existing IPS causes "false disconnects. The proposed IPS must provide technology that deters an inmates attempt to initiate a 3-Way or Conference Call with a Third Party and provide the ability to immediately terminate the call. The Contractor must describe, in its response, how this technology operates with regard to the proposed IPS and the options available to the Department.

2.4.3.21.1 It is desirable that the proposed IPS provides a function that prevents 3-Way or Conference Calling while minimizing the possibility of false disconnects. The Contractor must explain, in its response, how this will be accomplished with the proposed IPS.

CenturyLink has read, understands and will comply.

The IPS has recently undergone additional development to improve its 3-way detection capabilities. As a result CenturyLink offers a multi-pronged approach to combating this problem.

__Approach #1: Call Sensing__

The System automatically detects attempts by destination parties to connect, or forward, calls to a third party. These detection features have highly configurable parameters for changing the sensitivity to accommodate the requirements of each installation.

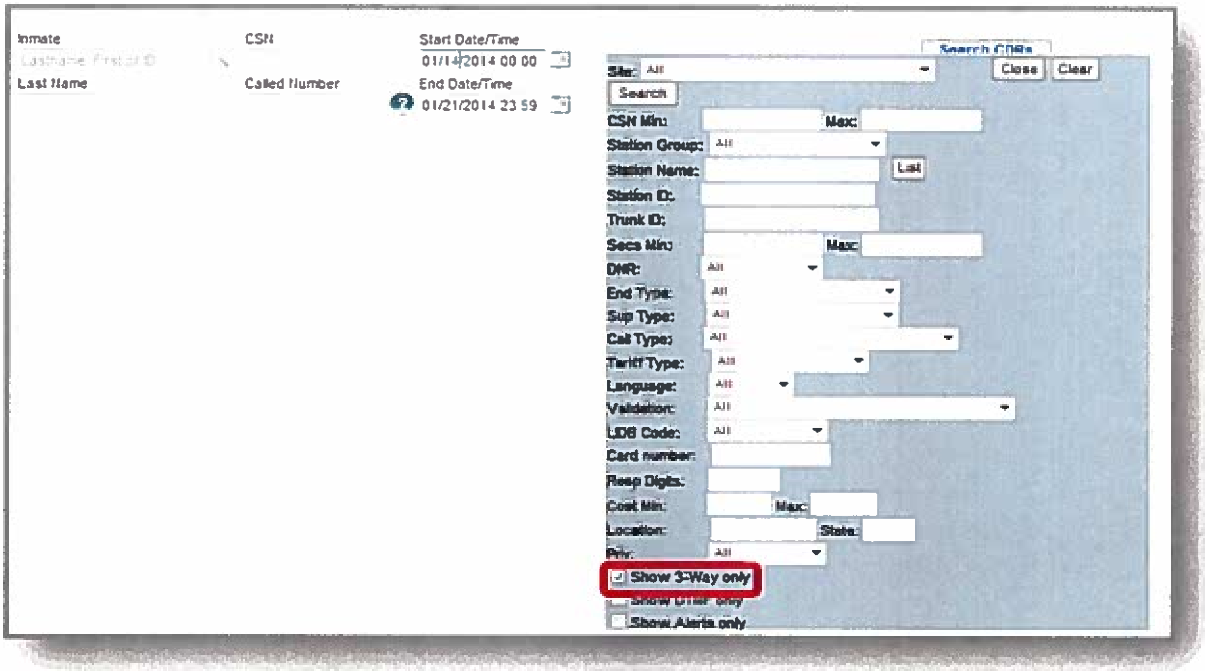
When a three-way call attempt is detected, the system can:

- Flag the call for investigation
- Flag the call for investigation, and play a warning message to the inmate and called party
- Flag the call for investigation, play a notification to the inmate and called party, and terminate the call

The system will be programmed to take whichever action the Department prefers from the list above. This action is also configurable by called number, for example, not taking action on attorney calls (which may be transferred from a receptionist).

CenturyLink highly recommends allowing the call to proceed, because valuable investigative data can be found by reviewing calls that were flagged as three-way attempts.

When the System is configured to terminate a call upon detection of fraudulent use, such as three-way call attempts, a voice prompt is played to both parties on the call upon "sensing" a usage violation. This voice prompt typically informs the parties that fraudulent use has been detected and disconnects the call. The resulting call record is then flagged with this detection and termination for future query and reporting purposes, as shown on the following screen:



Call Detail Screen – Report on Suspected 3-Way Calls

Detection of fraudulent use can be managed through sensing of call progress, DTMF tones from either party on the call, and extended silence periods during the call. The success of this DTMF or extended silence, detection is very reliable. However, it does not always indicate call-forwarding or three-way call set up.

Many correctional facilities with full-channel recording have found that a Three-Way Call Deterrent Policy is much more effective. With such a policy, the deterrent to making three-way calls is the inability for inmates to make future calls. Unlike the old methodology, which only blocked or cut off the called party, the inmate was still able to call back to the called party and try numerous ways to exploit the system until they succeeded.

The sensitivity of detection settings is also configurable so that parameters can be set to optimize performance.

Standard three-way activity reports from the IPS can facilitate investigations into suspected three-way call attempts. The three-Way Attempts report lists all three-way call attempts detected, along with all associated call detail information. The Top 25 three-Way Destination Numbers shows the top 25 called numbers that triggered three-way call detection.

Approaches #2 and 3 address the specific issue of inmates using the telephone system for 3-way intercommunication – an obvious and major security issue.

Approach #2: Inmate Inter-Communications Evaluation & Reporting (ICER).

Uncovering Intra-and Inter-Facility Inmate-to-Inmate Telephone Communications

CenturyLink is pleased to offer the Department *ICER™ - Inmate Inter-Communication Evaluation and Reporting system.* After developing its *Investigator Pro* voice identification and crime investigation system now in place in 170 correctional facilities throughout the country, JLG Technologies furthered its research as a result of requests from corrections investigators to develop an automated way of identifying inmates who are illegally communicating with other inmates using the inmate telephone system. The result of this research and development effort is *ICER*.

The Threat

Inmates have been, and continue to communicate with each other over the telephone systems that have been provided for their controlled contact with the outside world.

Until now, ITIC *(short for Inmate–to-inmate phone communications)* has essentially gone undetected because there was neither practical technology nor uniform networking capability to identify such communications. Following are highlights of the ITIC threat:

- Through a variety of methods, inmates are circumventing the inmate telephone system at a particular facility to communicate with another inmate whether the other inmate is in a neighboring POD or in a facility in a different state and using a different inmate phone system. Inmates exploit conference bridges, services such as Skype, Google Voice and other kinds of modern telecommunications technology. In addition, they rely on called parties to bridge the calls, place three-way calls, or even put two speaker-phones in proximity to one another, so that inmates can talk to other inmates

- Until recently, ITIC incidents were only found when accidentally stumbled upon by correctional staff and Incidents are now known to occur with much wider frequency than previously known. *ICER* has already identified more than 1,000 of these events.
- These ITIC communications have involved criminal activities including coordinating gang-related murders, drug trafficking, racketeering, as well as inmate disturbances at multiple correctional facilities around the country.

Technology, Cooperation Between Inmate Telephone System Providers, and Participating Nation-Wide Corrections Administrations are Joining to Reduce the Threat

Every day we learn from the news about instances of major crimes being solved because of the increasingly cooperative efforts of state and federal agencies that are now beginning to share case-critical data around the US and the world. In the world of inmate phone calls, we are offering a new technology based on voice biometric analytics and a dedicated cooperative network provided through a consortium of inmate telephone system providers* and JLG Technologies. This combined effort will enable all participating corrections administrations throughout the country to receive specific and detailed information on a call-by-call basis when their inmates are using their phone systems to talk to each other – whether the calls are connected between different inmate telephone systems, between PODs in the same facility, or between inmates in facilities from Florida to Maine to California. The more agencies that take part in the ICER network and share ICER data, the more ITIC calls that will get caught in the net and be reported.

* ITS providers who have joined the ICER Consortium to date include Securus Technologies and CenturyLink. As of 3.25.14, PayTel Communications, ICSolutions, and GTL (Global Tel*Link) have submitted signed letters of intent to join.

How ICER Works

ICER uses advanced voice analysis technology to generate a "call signature" — a representation of the call that does not involve any of the original audio — for each completed inmate telephone call. Call signatures are then automatically encrypted and transmitted to the central data center at JLG Technologies headquarters in Framingham, MA for analysis. Because none of the original audio is used in a call signature, the ICER system is in full compliance with state laws regarding the transmission of call recordings.

Under normal operations, call signatures are created, transmitted, and received at the data center within seconds of each completed call. Upon arrival, the call signature is immediately analyzed and checked against other call signatures. If an ITIC event is detected, it is logged in the ICER system database and investigators from the participating corrections administration are automatically alerted via email to log into the ICER system for the detailed report. To protect certain elements of inmate data from being displayed to participating agencies, on-line consent by both parties must be gained before details of the full report are made available.

The ICER system doesn't require correctional facilities to transmit audio files and each agency is always in complete control of the level of sensitivity of any data transferred.

JLG Technologies
Voice Biometrics to Identify Every Inmate on Every Call

ICER INMATE INTER-COMMUNICATIONS EVALUATION AND REPORTING

ICER Event Report

Event Identified On: Mar 11, 2014
10:14 pm (EDT)

An Inmate Inter-Communications Event has been detected involving an inmate at your facility. The details of which follows below:

Inmate	WILLIAMS, LAURIE	SMITH, DAVID
Agency	Russ County Detention Center	Russ County Detention Center
Site	45678	24781
Inmate ID	0041996769	0042797568
Called Number	17024463043	17022141399
Station Name	OPEN AREA MALE - 25	OPEN AREA MALE - 27
Call ID	4631857072	4318321735
Call Start Time	Mar 11, 2014 10:12 pm (EDT)	Mar 11, 2014 10:13 pm (EDT)
Time into Recording (H:M:S)	04m:21s (261 sec)	03m:30s (210 sec)
Duration of Event (H:M:S)	01m:22s (82 sec)	01m:22s (82 sec)

Above - Sample report showing data that investigators in two participating agencies will see once mutual viewing acceptance is granted. Until mutual viewing acceptance is granted, investigators will only be able to see inmate call data for their own facility (either the right or left sides of the report) plus limited data on the inmate from the other facility. Where inmates are

Request for Proposal (RFP) No. 14-00003887 ADC No. 14/066/24

Inmate Telephone System

Statewide

Century Link

Pages may appear to be missing, however have been deemed confidential and have been redacted

calling each other within their own facility (not shown), all data for both inmates will be displayed automatically.

While we view ICER as a significant contribution to detecting inmate inter-facility communication, participation of your administration and facility is voluntary and will be provided at no cost to your facility. The cost of this technology is born by the consortium of inmate telephone providers and JLG Technologies. We would be pleased to discuss ICER further with the Department during contract discussions. We have included a copy of the user's license that would grant permission to the Department to participate in the nationwide ICER operations in Tab 7, divider 1 of this proposal. The only prerequisite is completion of the attached JLG Technologies standard license form contained herein.

Where the ICER Network is Currently Operating

ICER is currently operational in these states: California, Florida, Kansas, Maryland, and New Hampshire. Upon completion of the license agreement, the Department's state and facility will automatically be added to the network.

ICER™ – is a registered trademark of JLG Technologies

2.4.3.22 As one of the major problems associated with inmate calling, the use of call forwarding at the destination telephone number is a constant issue with the Department. The proposed IPS must provide technology that deters the use of call forwarding by the party being called by the inmate and provide the ability to immediately terminate the call. The Contractor must describe, in its response, how this technology operates with regard to the proposed IPS and the options available to the Department.

2.4.3.22.1 It is desirable that the proposed IPS provides a function that prevents call forwarding while minimizing the possibility of false disconnects. The Contractor must explain, in its response, how this will be accomplished with the proposed IPS.

CenturyLink has read, understands and will comply.

The CenturyLink Team continues to improve its ability to detect and terminate calls forwarded to another telephone number. This is an important security feature, and we take a multi-pronged approach to solving the problem.

To our knowledge this approach is unique to CenturyLink, and for this reason – along with its obvious sensitivity from a security point of view – it is redacted as proprietary Trade Secret information.

Request for Proposal (RFP) No. 14-00003887 ADC No. 14/066/24

Inmate Telephone System

Statewide

Century Link

Pages may appear to be missing, however have been deemed confidential and have been redacted

2.4.3.23 The Contractor must describe, in its response, how the proposed IPS operates when the inmate call is to a cellular telephone. This description must include how calls are placed to cellular telephones, how billing of the call is processed.

CenturyLink has read, understands and will comply.

As the Department is aware, cell phones are not billable through traditional collect billing arrangements with carriers. At the same time, they can represent 65% or more of an agency's total calling.

As a result, CenturyLink offers an industry-leading prepaid collect billing solution for cellular telephones and other telephone services not billable through traditional collect (e.g. CLECs). This solution offers on-the-spot set-up with **live assistance** for called parties that may ordinarily be blocked from receiving inmate calls due to carrier restrictions, billing or credit issues, use of cell phones, etc.

Whenever an attempted call would otherwise be blocked (e.g. no billing arrangement with a cell phone carrier), the IPS allows the inmate a one-time complimentary call to each dialed number to enable immediate access to individuals that can help facilitate their release. At the end of the call, the **called party is instantly connected with a knowledgeable billing representative** who can explain our prepaid program, establish a prepaid account, and facilitate payment.

Our success in setting up prepaid accounts after the first call attempt increases the number of completed calls and as a result, **significantly decreases complaints and increases connected calls + commission revenue to the Department.**

Advantages of our prepaid collect process:

- Real time account set-up
- Increased call volume and commission revenue
- Payment option for "unbillable calls"
- Eliminate complaints from cell phone customers
- Reduced inmate complaints
- Allows called party to budget inmate phone expenses
- Allows calls to numbers that cannot accept traditional collect calls (e.g., work phones, cell phones, unbillable parties, VoIP phones)

Payment Options

Friends and family members are given several convenient and easy ways to pay for inmate calls. Credit and Debit Card payments can be made 24/7/365 and will be posted in real time using a Toll Free Customer Service Line or Website.

- Toll Free Telephone (888-506-8407) (24 Hours a Day) – live representative or automated payment system ("IVR")
- User-Friendly Web Site: https://icsonline.icsolutions.com/icsonline/BrowserDetect.aspx

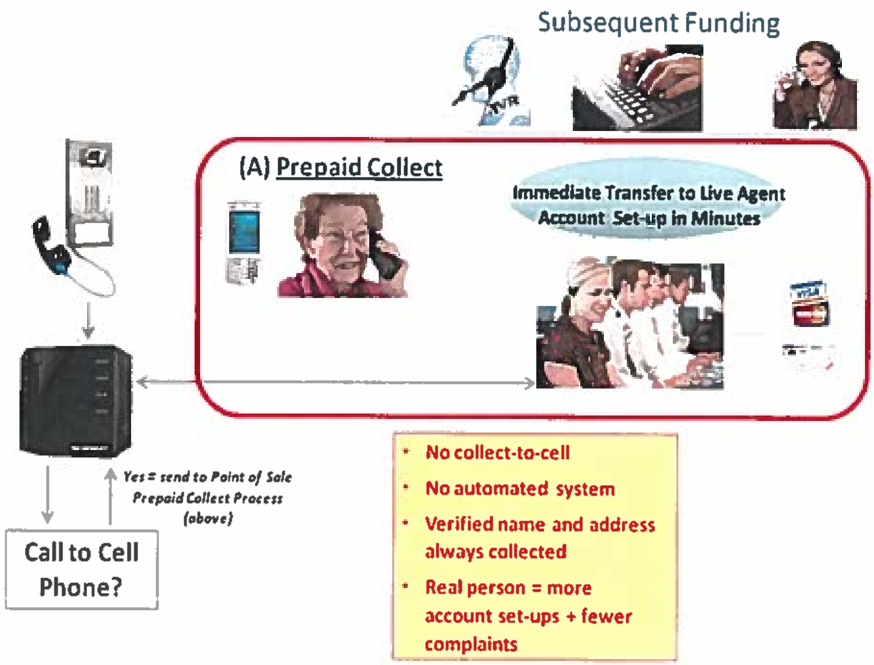
Maintaining Prepaid Collect Accounts

Once established, prepaid collect accounts are simple to keep current in order to continue receiving calls. Customers are always able to 'top up' their account by calling the toll-free number or by visiting the web site. Or if their balance becomes too low, they are automatically routed to our payment center once they accept an inmate call. Finally, CenturyLink has no minimum funding amount, so customers can fund as little as they would like.

USER-FRIENDLY TOOLS AND POLICIES

- ✓ No minimum funding amount
- ✓ Replenish account balance by phone or web, 24/7
- ✓ Customers with low balances always given payment options *in real time* as inmate phone calls are set up

Bottom line: if a customer wants to receive a phone call, they are provided with payment options in real-time, and not forced to over-fund their account due to funding minimums.



❖ INDUSTRY LEADING DATABASE INFORMATION ❖

Regardless of the carrier for a particular phone number, CenturyLink's prepaid collect account verification process requires verified billing name and address (BNA) information for the called party. BNA information is available within the IPS by simply clicking on a phone number displayed on any screen.

In addition, for cell phone or other numbers that may materialize in investigations outside of the ITS, CenturyLink subscribes to the Local Exchange Routing Guide (LERG) Switch Information Database. For any number requiring additional reverse lookup information, the Department may contact the CenturyLink Program Manager for additional research through this database, which provides the operating carrier and contact information for any number. With this information, investigative staff are able to contact the carrier and request or subpoena additional information about the number.

2.4.3.24 The proposed IPS must have the ability to allow for a called party to activate a code (via the touch tone pad of their telephone) that automatically notifies the Department that the number should be deleted from the calling inmates Authorized Telephone Number List.

CenturyLink has read, understands and will comply.

When a called party answers the phone, he or she hears automated voice prompts that offer several options, including the options to "block all future calls from this facility" or to "**block future calls from this inmate**" by dialing the designated single-digit code on their telephone dial pad.

If the called party activates the code to block future calls from this inmate, their telephone number is automatically deleted from the inmate's Authorized Telephone Number List, with no Department staff intervention necessary. If the Department would like to be notified of these events, the IPS can be configured so that the database entry event (blocking future calls from the inmate) triggers an alert that automatically notifies designated Department staff.

2.4.3.25 Each call placed (prepay or collect) through the IPS must be electronically identified by the system as being a call originating from the Department facility in 100% of the cases with or without the accompanying inmate PIN.

CenturyLink has read, understands and will comply.

The IPS will play the following message whenever a called party answers the phone:

"Hello, this is a [collect/pre-paid] call from [inmate name], an inmate at the Arizona Department of Corrections [facility name]."

2.4.3.26 If a call is not accepted by the called party, or if no one answers the call, the IPS must inform the inmate of the situation rather than simply disconnecting the call.

CenturyLink has read, understands and will comply.

If the call cannot be completed, the inmate is notified of the reason. The following table provides some examples of the message the inmate may receive:

Call Failure Reason	Inmate Message
Facility Block	*"The number you have dialed is blocked and cannot be called from this facility"*
Telco Block	*"The number you have dialed is blocked by the telephone service provider"*
No Answer	*"Your party is not answering. Please try your call again later."*
Busy Signal	*"That line is currently busy. Please try your call again*

	later."
Invalid Telephone Number	*"A dialing error has occurred. Please check your number and try again."*
Refused Call	*"Your party has refused this call"*
Refused & Blocked	*"Your party has refused this call and blocked their number from future calls."*

2.4.3.27 The IPS must have the capability to accept the called parties response via DTMF (Touch Tone Pad) input from the telephone. Calls shall not be billed until positive acceptance by the called party is indicated by the input of a specific Touch Tone digit.

CenturyLink has read, understands and will comply.

The IPS always requires positive acceptance by the called party. After the call has been accepted, both the inmate and the called party hear the following:

- "This call will be recorded and subject to monitoring at any time"
- "Thank you for using CenturyLink"
- "You may begin speaking now"

Billing does not begin until after the "You may begin speaking now" phrase is played.

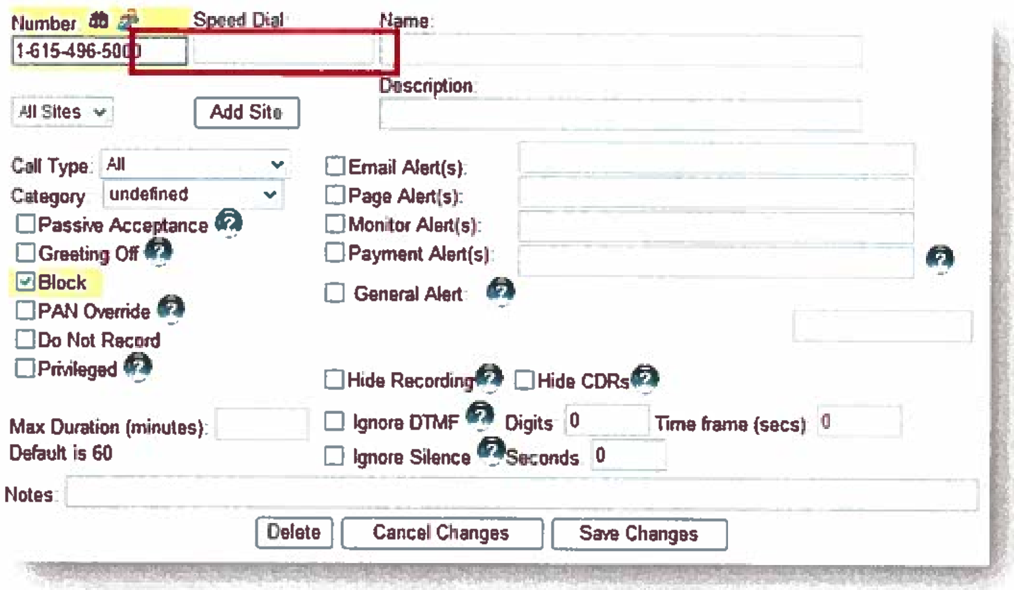
2.4.3.28 The IPS must have the capability of passive acceptance for rotary telephone users and particular called numbers such as an automate attendant at an attorney's office, etc. Passive acceptance is defined as the system interpreting the non entry of digits after the playing of the initial collect call message twice as acceptance of the call by the called party.

CenturyLink has read, understands and will comply.

CenturyLink can configure the system for passive acceptance so that the call will be connected when there is non-entry of any digits after call prompts are played twice. The parameter from the time of notice until the call is connected is completely configurable.

However, the IPS system also supports both DTMF and **pulse-based** call acceptance responses. When the called party is instructed to accept or reject the call, the system "listens" for either the appropriate DTMF or the **correct count of rotary-dial pulses**. Therefore, our system supports call acceptance via rotary phone.

Passive acceptance can also be turned on or off for specific phone numbers in our Global Number Edit screen by checking the Passive Acceptance box, shown below.



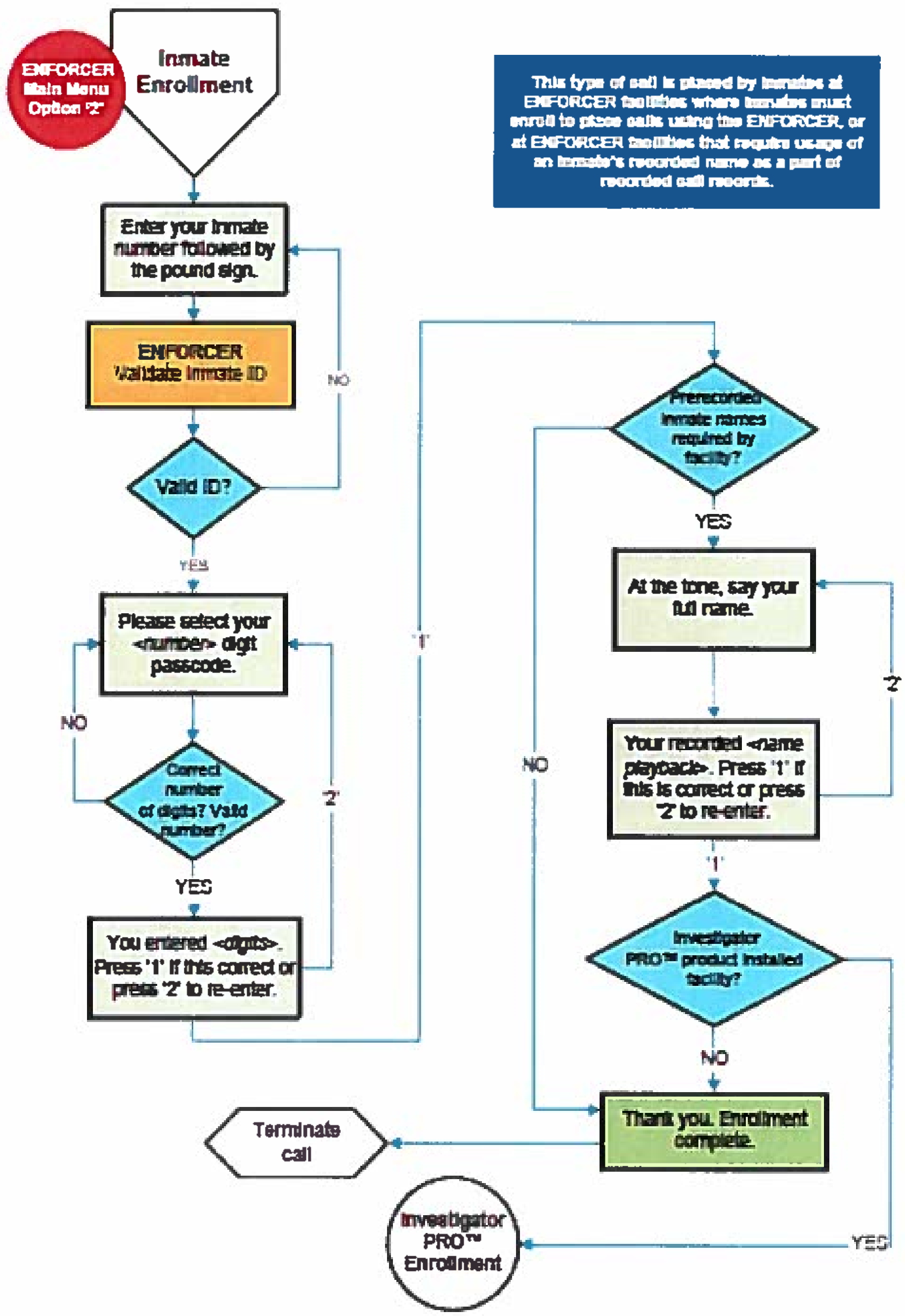
Passive Acceptance for Specific Phone Numbers

2.4.3.29 The IPS, whether in pre-pay or collect call mode, must be capable of announcing to the called party the name of the calling inmate. Contractors must provide a mechanism to record an inmate's name a single time to be used each time this announcement is required. The activation or deactivation of this feature must be controlled by the Department institution.

CenturyLink has read, understands and will comply.

The following flow chart illustrates the process the inmate would follow to record their name for use in a call announcement. This feature can be turned off or on at the discretion of the Department.

Inmate Enrollment



2.4.3.30 The IPS must be capable of announcing to the called party how to accept calls.

CenturyLink has read, understands and will comply.

The System plays a call greeting to the called party:

- Hello, you have a [collect/pre-paid] call from [inmate name], an inmate at the Arizona Department of Corrections [facility name].
- To hear the charges for this call, press '2'
- **To accept this call, press '5'**
- To refuse this call, hang up now
- To block this call and all future calls from this facility, press '9'

After the call has been accepted, both the inmate and the called party hear the following:

- This call will be recorded and subject to monitoring at any time
- Thank you for using CenturyLink
- You may begin speaking now

2.4.3.31 The proposed IPS must be capable of announcing to the called party the collect call rate, prior to acceptance, when a collect call is placed. The Contractor must describe how this is accomplished by the called party.

CenturyLink has read, understands and will comply.

If the called party selects Option 2 (To hear charges for this call, press '2'), the called party will be provided a rate quote:

"The cost of this call will be X dollars and X cents plus an operator surcharge of X dollars and X cents excluding taxes and other applicable fees."

(Note: Operator surcharges may not apply, in this case, the called party would hear '…operator surcharge of zero dollars and zero cents…"

2.4.3.32 The system must provide a manner for all calls (pre-pay or collect) to be branded with the standard Department message as well as the statement that All Calls are recorded.

CenturyLink has read, understands and will comply.

The following is the System's standard message; this can be customized to the Department's requirements:

- Hello, you have a [collect/pre-paid] call from [inmate name], **an inmate at the Arizona Department of Corrections [facility name].**
- To hear the charges for this call, press '2'
- To accept this call, press '5'
- To refuse this call, hang up now
- To block this call and all future calls from this facility, press '9'

After the call has been accepted, both the inmate and the called party hear the following:

- **This call will be recorded and subject to monitoring at any time**
- Thank you for using CenturyLink
- You may begin speaking now

2.4.3.33 The Contractor must propose and implement an IPS that provides telephone reception quality meeting all industry standards for service quality as defined by the Federal Communications Commission (FCC). The Contractor must accept the Department's decision regarding such determination.

CenturyLink has read, understands and will comply.

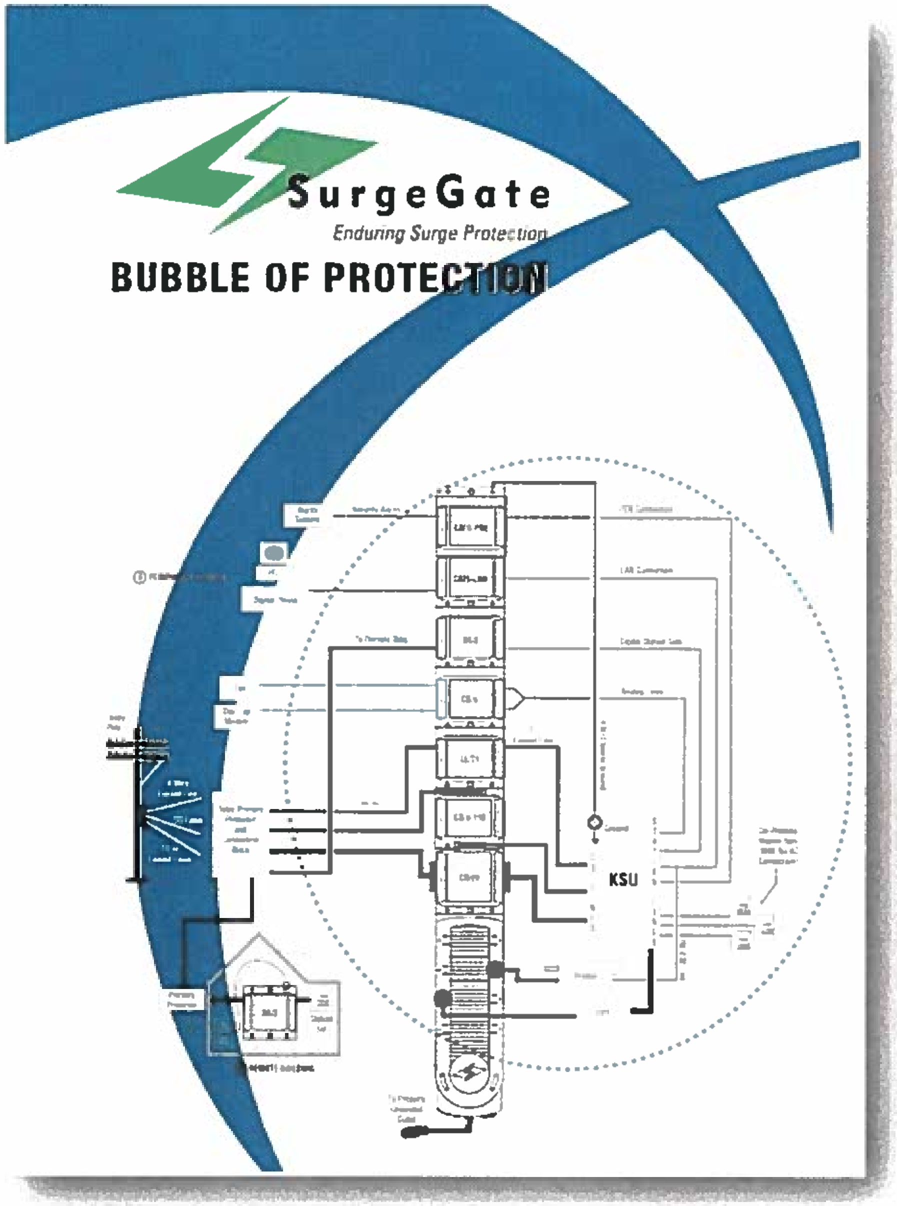
CenturyLink engineers our network to ensure "toll quality" on all calls, and performs regular test calls on all systems for quality control purposes.

Our IPS architecture uses standard digital signaling protocol G.729 for standard voice connections. In addition, as a part of a Tier 1 network provider we over-provision the bandwidth dedicated to the Department. When measured by a standard of "Mean Opinion Score (MOS)", these combine ensure a minimum score of 4.0 or better (0 = pure noise, 5 = pure sound). Regardless of this measure, we will work with Department personnel to ensure call quality is to your satisfaction.

2.4.3.34 The Contractor must provide and install adequate surge protection for the proposed IPS and its components. The use of traditional power strips for surge protection is not acceptable for this requirement.

CenturyLink has read, understands and will comply.

Our surge and lightening protection system for on-site equipment uses the SurgeGate™ system a state of the art Telecom surge protection system manufactured by ITW Linx. The system is comprised of various modules to protect the incoming network from the LEC; modules to protect the Station ports (inmate phone connections) and the power system. When installed, this system will tie together all the ground systems at each site for a common bond on the ground side of all equipment in the phone room.



2.4.3.35 The Contractor must provide and install adequate lightning protection equipment on all network services supplied for the proposed IPS.

CenturyLink has read, understands and will comply.

Our lightening protection is provided by the Surgegate system discussed previously in Section 2.4.3.34.

2.4.3.36 The Contractor must provide a sufficient number of uninterruptible power supply (UPS) systems that also have surge protection at each of the Department facility capable of supporting all IPS components including recording devices for a minimum of one (1) hour.

CenturyLink has read, understands and will comply.

UPS systems will be installed at each location configured and capable of supporting the IPS equipment for a minimum of one (1) hour.

2.4.3.37 The Contractor must provide, install and maintain (according to manufacturers specifications) all IPS UPS equipment at each of the Department facilities. The Contractor must replace all UPS equipment upon expiration of the manufacturers life cycle of the installed product.

CenturyLink has read, understands and will comply.

Each UPS system will be monitored and preventative maintenance checks will be performed in accordance with manufacturers specifications. Load tests will be performed on each UPS during scheduled routine maintenance and run times verified of the battery plant.

UPS equipment will be replaced at the end of their life cycle.

2.4.3.38 In the unlikely case of the loss of commercial power and the failure of the UPS, the IPS must automatically restrict or shut off all inmate telephones so that no inmate calls can be made until commercial power is restored and access is once again provided by the Department.

CenturyLink has read, understands and will comply.

When the unlikely event of loss of commercial power and the exhaustion of the UPS battery plant, the IPS will become inoperable until power is restored, thus no inmate calls can be made until power is restored to the system.

2.4.3.39 The Contractor must describe, in its response, what component redundancy is provided to limit or virtually eliminate system downtime due to hardware component failure.

CenturyLink has read, understands and will comply.

The IPS call control system is located in our Atlanta data center with our secondary system located in our San Antonio data center. All call recordings as well as database information is backed up between the two systems so in the unlikely event that one system is unreachable, the other system will available almost immediately to continue to process inmate calls. The Atlanta is housed in a CenturyLink Technology Solution data center, which is one of the most sophisticated multi-tenant centers in the Southeast. This is a Tier III facility with redundant networks, power, generators, and HVAC systems as well as 24/7 staffed security with restricted access. The San Antonio system also has redundant carrier networks as well as backup diesel generator.

Almost all elements of the call control systems in Atlanta and San Antonio have redundant components. For example, our servers have dual power supplies and RAID disk technology using additional secondary disk drives to provide a second copy of all call records and recordings. This is discussed in more detail in the following Section 2.4.3.40.

2.4.3.40 It is desirable that the Contractor provide an IPS in which the Central Processor Unit (CPU) and other critical components are redundant. The Contractor must describe, in its response, those critical components that are redundant with the proposed IPS.

CenturyLink has read, understands and will comply.

The centralized IPS platform is designed with a distributed processing architecture to minimize the risk of catastrophic system failure and reduce the risk that any single component could result in a complete system outage, data loss, or inaccessibility of data. The most susceptible components are equipped with multiple layers of internal redundancy and/or hot swappable spares (hard disks, cooling fans, power supplies) to ensure minimal risk of service affecting failure and reduced time to repair.

Additionally, the Atlanta call processing platform is replicated at the fail-over data center in San Antonio. Each individual IPS call processor utilizes enterprise grade components which provide the highest level of performance and reliability. The quality standard for the IPS calling platform is 99.999% system availability.

CenturyLink employs multiple levels of redundancy to ensure 99.999% uptime for the IPS calling platform, as well as to protect against data loss and ensure continuous availability of call recording and data:

1. **Network Redundancy:** For each supported facility, CenturyLink obtains service from two different Tier 1 network carriers, so that if one carrier experiences an outage, service will instantly fail over to the second carrier.

2. **Call Processing Redundancy:** While the primary call processor is housed in our Atlanta Data Center, we also install a fully functional, always-on backup call processor in San Antonio. Therefore, if a disaster should ever disrupt call processing in Atlanta, service would quickly be transitioned to our secondary system in San Antonio.

3. **Storage Redundancy:** Call data and recordings are stored digitally on internally redundant storage devices for the entire contract duration, in two separate geographic locations (Atlanta and San Antonio). This storage redundancy ensures that, even if a disaster were to completely destroy one data center, the second data center would be able to take over all IPS tasks rapidly. At each of the data centers, call recordings and data are stored on internally redundant digital storage devices.

Through our system monitoring tools, CenturyLink continually monitors key areas and automatically assigns service representatives and/or dispatches field technicians to ensure optimal operation of our systems. Our monitoring systems actively monitor communication channels, call processors, disks, messages, and servers to ensure optimal operations at all times. System performance is monitored and the facility will be notified immediately upon the occurrence of non-performing equipment.

2.4.3.41 The Contractor must provide standard hardware and software enhancements/upgrades to the proposed IPS at no cost to the Department during the term of this contract. The installed IPS at each of the Department facility must always be at the latest general release of the systems available hardware and software including operating systems for the system administration and system reporting function. Beta and field tested hardware and software must not be provided unless specifically approved by the Department. Prior to any hardware and/or software upgrades or enhancements, the Contractor must discuss the software benefits with the Department and proceed only after the Department approval.

CenturyLink has read, understands and will comply.

Whenever an upgrade and/or enhancement to the System finishes testing and is ready for wide release, the Department will be notified of the new release updates and provided documentation of the features and functions of the new software.

CenturyLink releases updates to the System on a quarterly basis to ensure the system is always state-of-the-art. New software releases and enhancements are distributed through an IP connection, with no need for any onsite disruption. Enhancements and upgrades to the System are predominantly driven by market demand and specific client requests.

2.4.3.42 Telephone network services provided by the Contractor shall not be capable of being detected by the called party for calling number identification (Caller ID).

CenturyLink has read, understands and will comply.

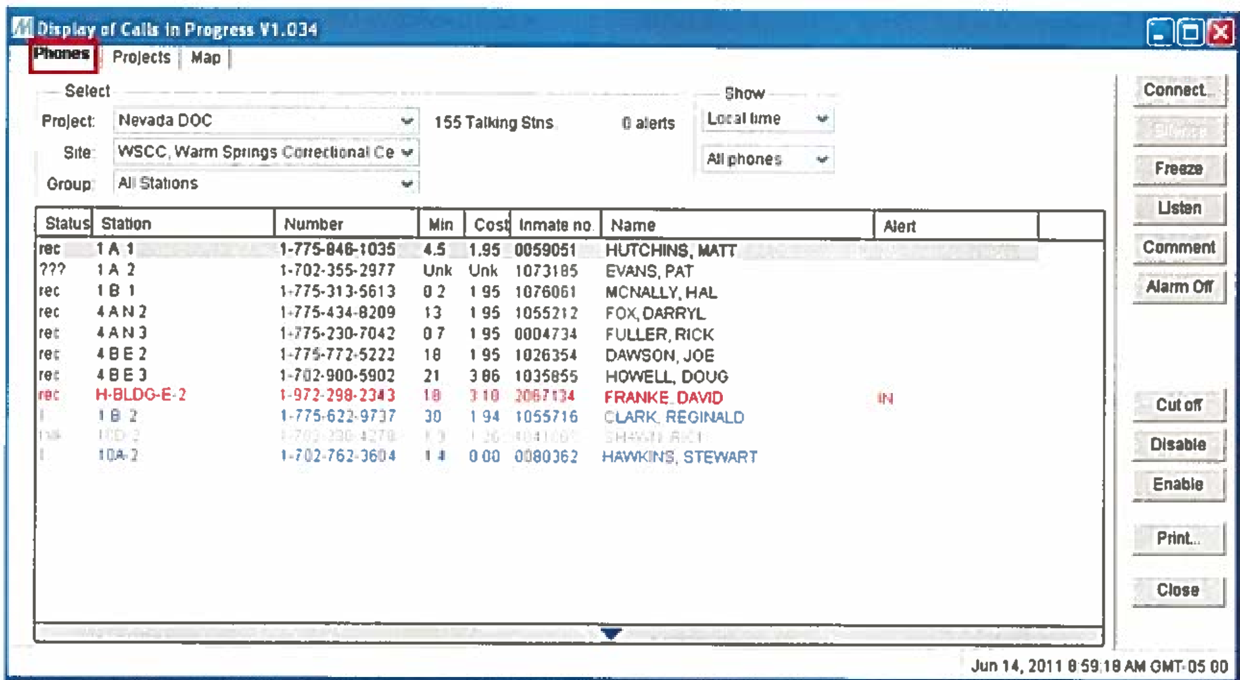
The information that will be displayed on a caller ID will be determined by the Department. This could be "Unknown Number" or the toll-free number for CenturyLink's customer call center, among other options.

2.4.3.43 The proposed IPS must allow for the monitoring of inmate calls while in process (real time) by the Department personnel. This monitoring must be allowed by **specific inmate telephone, specific inmate PIN or by called telephone number.** Any and all equipment and software required to perform this function must be provided with the proposed system.

CenturyLink has read, understands and will comply.

CenturyLink's centralized platform will allow any staff member, regardless of location, to review and monitor inmate call data at any Department facility.

Clicking on the "Monitor Phones" tab will open the following screen, which is the portal to call monitoring:



Display of Calls in Progress Screen

The Monitor Phones function group lets you perform several actions on live (in-progress) calls, recent calls, and the phone stations from which the calls are made. These include:

- Customizing or limiting the calls/stations you are viewing
- Monitoring a call in progress

- Performing security-related tasks, such as cutting off a call in progress or disabling a phone station
- Taking a "snapshot" of the displayed information
- Accessing more detailed information about a selected call
- Adding comments for a call

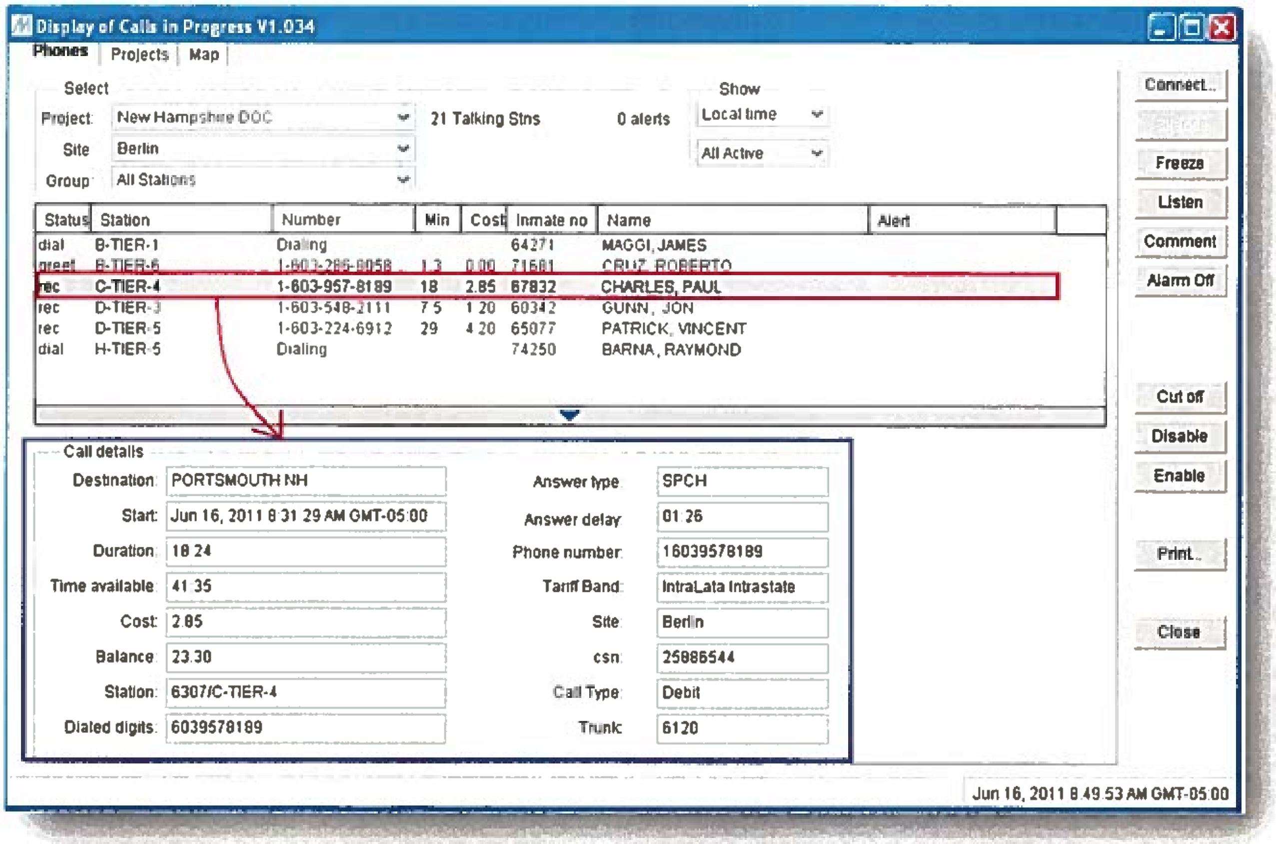
Each line is color-coded and displays information about the call. The color codes indicate:

- Black – Call in progress
- Gray – Call in progress, but not being recorded (attorney call, for instance)
- Blue – Phone station is currently inactive (most recent call displayed)
- Light Blue – Phone station is currently inactive, and most recent call was not recorded
- Red – Alert triggered (call in progress or most recent call triggered alert)

Staff can filter the type of call being displayed to narrow the range of calls displayed:

- All Phones – Every phone in the facility, in use or not in use
- Call only - Displays calls in progress
- Alerts only – Call in progress, or most recent call made that has triggered an alert
- All Active – All phones off-hook (calls in progress, or a phone handset off the hook, but no call placed)
- Visitation – Calls in progress or most recent calls made on visitation phones

Double-clicking on any call in the list will display additional call details:



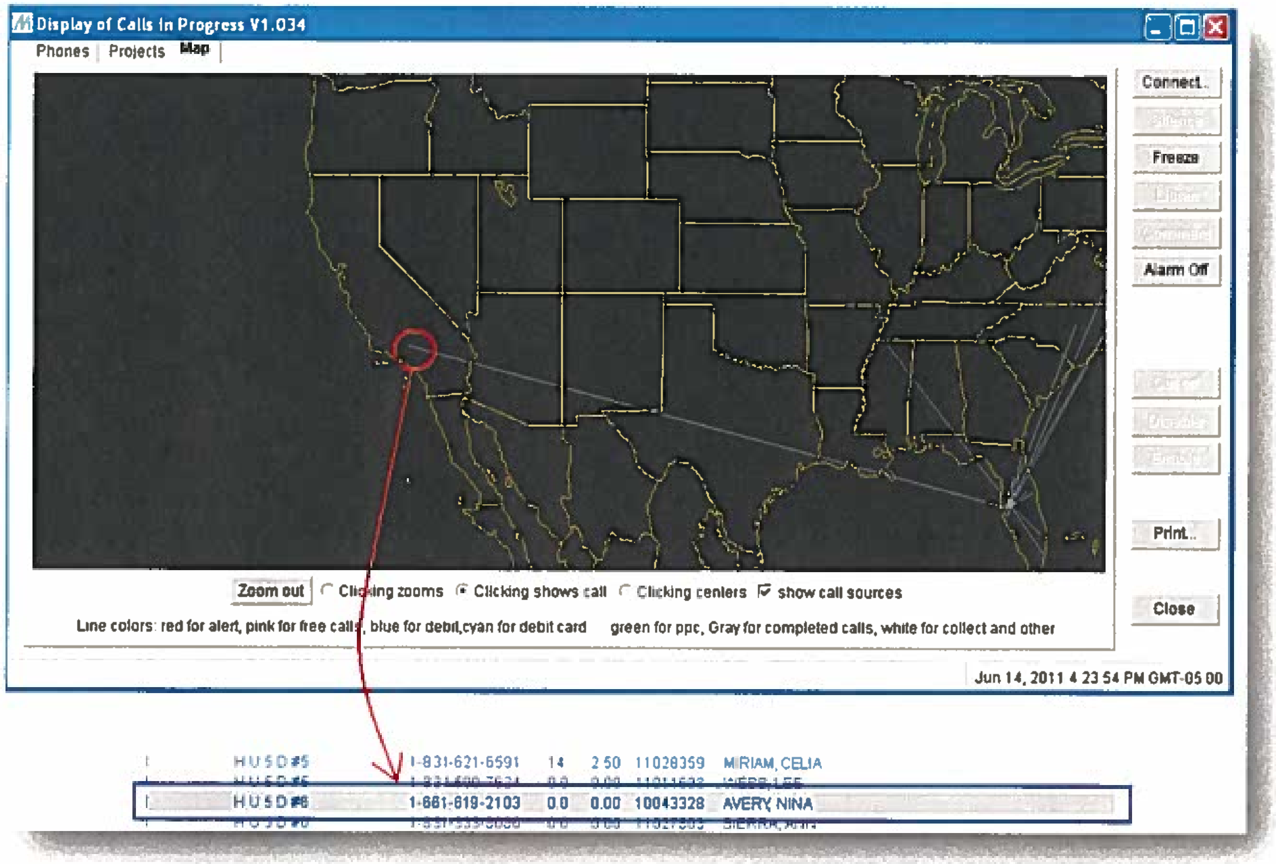
Display of Calls in Progress Screen

Along the right side of the screens are several buttons that allow staff to perform various monitoring functions, including listening, disconnecting the call, or adding comments to the Call Detail Record for a particular call:

Action Button	Function
Connect...	Function is for ICS Technical Support only; not currently used by ENFORCER client facilities.
Silence	Function is for ICS Technical Support only; not currently used by ENFORCER client facilities.
Freeze	Click this button to freeze the list of displayed calls (displays point-in-time list and "freezes" the dynamic display of call activity).
Listen	Click this button to monitor the call. After you click this button, your default Call Player opens on top of the Monitor Phones window. The inmate and called party *are not* notified and *are not* aware that you are monitoring the call.
Comment	Click this button to add a comment (note) to the Call Detail Record for the call.
Alarm Off	Function is for ICS Technical Support only, not currently used by ENFORCER client facilities.
Cut off	If fraudulent activity or threatening behavior is detected on the call, click this button to cut off (disconnect) the call.
Disable	Click this button to temporarily disable the phone station. If a call is currently in progress when you click Disable, the inmate will be allowed to complete the call before the station is disabled. If you want to cut off the call *before* disabling the station, click Cut off *before* you click Disable. After you click Disable, the station will remain in a 'disabled' state until you select the station, and then click Enable.
Enable	Click this button to re-enable the phone station.
Print...	Click this button to print the current list view from your browser. To prevent the display from changing, you should click the Freeze button prior to printing the screen. If you want to display a detailed record for a call, click the call information line, and then click the icon to show the Call Details window.
Close	Click this button to close the Monitor Phones window.

Monitor Phones – Call/Station Action Button Descriptions

Clicking on the "Map" tab will allow staff to view a geographical map of the continental United States that shows a like between every call in progress, and the last call made from every active station. Other map detail is also available, for example, by clicking on the end point of one of the lines, the call detail is presented, as shown below:



Map Display of Calls in Progress

The IPS provides an Alert feature to aid investigators in up-to-the-minute inmate telephone activity. The IPS alerts can be placed on specific Inmate PINs or specific destination numbers to indicate that the inmate or number is currently involved in a conversation. These alerts can be delivered in the following ways:

- Monitoring Alerts - The IPS can call an investigator on their telephone (or cell phone) and once provided with an approved pass code can immediately patch the investigator into a the IPS monitoring session for almost instantaneous access to inmate activity. This capability is silent and undetectable by the inmate and the called party.
- Email/SMS Alerts – The IPS can send email or SMS message to an administrative workstation or any public email address when an alert is triggered.
- Paging Alerts - The IPS can issue numeric messages to paging services to alert an investigator.

Furthermore, investigators can set the IPS to automatically transfer calls to them for monitoring wherever they may be by using CenturyLink's "Find Me, Follow Me" service. "Find Me, Follow Me" allows call alerts to phone multiple investigator telephone numbers (such as an office number, cell number, and home number), trying each number in succession until the investigator answers and enters the correct access code; this feature dramatically increases the probability than an investigator will be located and can monitor a call of interest while it is still in progress.

Best-in-Class Solution: Find Me, Follow Me

This feature, currently in use at NDOC, enables a single alert to try more than one number to contact an investigator

2.4.3.44 Monitoring of inmate calls must be provide in true real time. The Department personnel must be capable of monitoring an inmate's call while the call is in progress with no delay in transmission of the audio. The Contractor must describe, in its response, how this will be accomplished with the proposed system.

CenturyLink has read, understands and will comply.

The call monitoring process was described previously in Section 2.4.3.43. When personnel select a call to be monitored, they are immediately connected to the selected call. During monitoring, there is no delay to the audio.

2.4.3.45 The collect call automated announcement function of the IPS must be capable of processing calls on a selective bi-lingual basis: English and Spanish. The inmate must be able to select the preferred language using no more than a two digit code.

CenturyLink has read, understands and will comply.

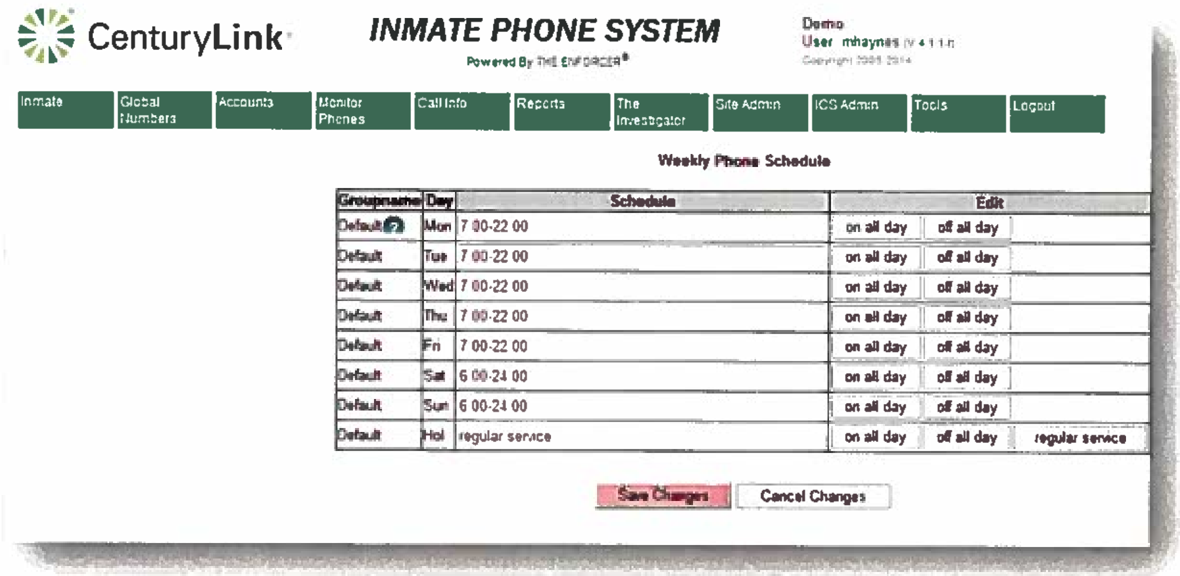
During call set-up, the inmate is allowed to select their preferred language using a one digit code for English ("1") or Spanish ("2"). Other languages can be added if desired, other languages used in other facilities include French, Russian, and Hmong.

2.4.3.46 The proposed Inmate Telephone System must allow for Department to program times when the system will be available or unavailable to inmate calling. The Contractor must describe, in its response, how this is accomplished.

CenturyLink has read, understands and will comply.

This functionality was described earlier in Section 2.4.3.19, and is repeated here for the convenience of the reviewer.

The Department will have complete control over the times that inmates have access to the phones for calling. Using the "Phone Schedule" button from the "Site Admin" tab, staff will be able to control the times of use by phone, area (pod, medical, intake, etc) or the entire facility. The following screen illustrates a weekly schedule for a group of phones. Note that in the "Edit" column, the option is provided to turn the phones off or on all day:



Phone Schedule Screen

2.4 Personal Identification Numbers (PINs)

2.4.4.1 It is the intention of the Department to implement the proposed IPS in a collect and prepaid call mode with the use of inmate Personal Identification Numbers (PINs). Whether in collect call mode or pre-paid mode, the proposed IPS must adhere to the following requirements for PIN operation.

CenturyLink has read, understands and will comply.

2.4.4.2 The IPS must restrict use through authorized Personal Identification Numbers (PINs) assigned to each inmate. The length of these PINs must be determined by the Department and remain consistent throughout Department facilities.

CenturyLink has read, understands and will comply.

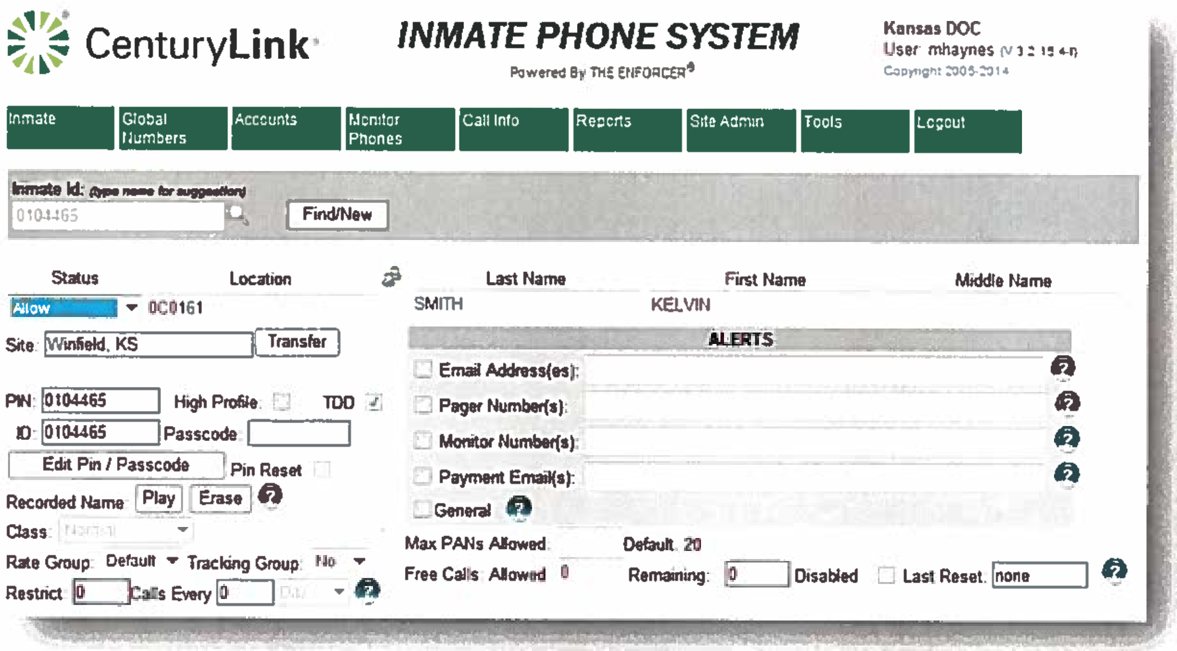
The CenturyLink IPS is a centralized platform that supports all Department facilities ensuring that all PINs will be consistent.

2.4.4.3 The proposed IPS must allow for the cross-referencing of inmate PINs to the

Department inmate commitment number allowing for the Department personnel to search by commitment number for call records and call recordings. The Contractor must describe, in its response, how this will be accomplished with the proposed system.

CenturyLink has read, understands and will comply.

The Department commitment number is part of the inmate profile, and will be located in the "ID" field as show on the Inmate Profile Screen below. All records can be searched by the commitment number.



Inmate Profile Screen

2.4.4.4 The Contractor must be responsible for the administration of all inmates PIN through its Administrators.

CenturyLink has read, understands and will comply.

2.4.4.5 The IPS must allow each PIN to have a class of service assigned. For example, each PIN must have a list of allowable telephone numbers, the maximum duration of each call, etc. The proposed system must provide call restrictions by PIN that provide the following restrictions at a minimum:

2.4.4.5.1 **Placing of Calls:** Inmates can be either approved or not approved to make phone calls by PIN;

CenturyLink has read, understands and will comply.

2.4.4.5.2 **Use of Specific Telephones:** Inmates, via the PIN, can be restricted to a specific telephone or group of telephones, at the Departments option;

CenturyLink has read, understands and will comply.

The System can assign each inmate to a single phone or a group of phones. Using Station Group Names, which assign one or phones to logically named groups, staff can quickly enforce physical phone restrictions. In the following example, Inmate Clark can only make calls from Apache B and D, however, any inmate without a Group restriction can also use Apache B and D.

Allowed Station Groups for Inmate

Inmate ID 072320 RODNEY CLARK

Save Changes   Back to Inmate Editor

Station Group Name	Allowed For Inmate
All Stations	☐ Allow
APACHE A	☐ Allow
APACHE B	☑ Allow
APACHE C	☐ Allow
APACHE D	☑ Allow
NAVAJO A	☐ Allow
NAVAJO B	☐ Allow
NAVAJO C	☐ Allow
COCOPA A	☐ Allow
COCOPA B	☐ Allow

Inmate Profile Screen – Allowed Groups Tab

2.4.4.5.3 **Duration of Call:** Maximum call duration can be set globally (all PINs), by site, by facility area, by individual inmate's PIN, by type of call (Local, IntraLATA, InterLATA) at the Departments option;

CenturyLink has read, understands and will comply.

The IPS is configured with a master call duration setting, which can be programmed with each facility's maximum duration time. In addition, the system rate files include call duration override settings for situations that require duration changes for **local calls** or specific destination numbers.

The IPS also provides the ability to customize call durations for specific inmate IDs. System administrators can configure call duration in the Inmate table so that particular inmates are restricted to a different call duration than the master call duration setting.

The IPS can easily be extended to limit call duration by any variable that is already captured in the database, including tariff type (intraLATA, interLATA, etc.).

2.4.4.5.4 **Time of Day Calling:** An allowed calling schedule can be provided for each specific PIN, by facility area, by site and globally (all PIN restrictions) at the Department's option.

CenturyLink has read, understands and will comply.

The IPS Phone Scheduler feature allows authorized users to pre-set specific on/off times for the phones that you choose. The System can accommodate different schedules for days of the week, dates of the month and year, as well as holidays, etc. Hours can be set as follows:

- By phone or group of phones (booking area, living units, infirmary, recreation, etc. may each have unique operating hours)
- For all phones in the facility
- Unique hours for defined holidays
- Unique hours by day of the week
- Unique hours for specified called numbers

The ***Phone Schedule*** option is accessed through the **Site Admin** tab on the System control bar. From the ***Phone Schedule*** menu, System Administrators may add or modify a **Schedule Group**, as shown below:

Weekly Phone Schedule

Groupname	Day	Schedule	Edit
Default	Mon-Sun,Hol	0:00-24:00	Edit...
Trunks	Mon-Sun	no service	Edit...
Trunks	Hol	regular service	Edit...

Add Schedule to Group Booking Add

Weekly Phone Schedule - Add or Edit Groups

Any authorized user may select the **Edit** button next to any of the respective group names they wish to alter. By selecting **Edit**, the Weekly Phone Schedule for that specific phone group is displayed.

Weekly Phone Schedule

Groupname	Day	Schedule	Edit		
Trunks	Mon	no service	on all day	off all day	
Trunks	Tue	no service	on all day	off all day	
Trunks	Wed	no service	on all day	off all day	
Trunks	Thu	no service	on all day	off all day	
Trunks	Fri	no service	on all day	off all day	
Trunks	Sat	no service	on all day	off all day	
Trunks	Sun	no service	on all day	off all day	
Trunks	Hol	regular service	on all day	off all day	regular service

Save Changes | Cancel Changes

Delete This Group Schedule

Weekly Phone Schedule screen

This screen enables users to select what day and time this specific phone group will have service. Users may select **on all day** or **off all day** to toggle operation on a daily basis, or set specific on/off times for a specific day, as shown in the screen below.

Weekly Phone Schedule

Groupname	Day	Schedule	Edit
Default	Mon-Sun,Hol	0:00-24:00	Edit...
Trunks	Mon	8:00-18:00	Edit...
Trunks	Tue-Sun	no service	Edit...
Trunks	Hol	regular service	Edit...

Add Schedule to Group Booking Add

Weekly Phone Schedule – On/Off Times for a Specific Day

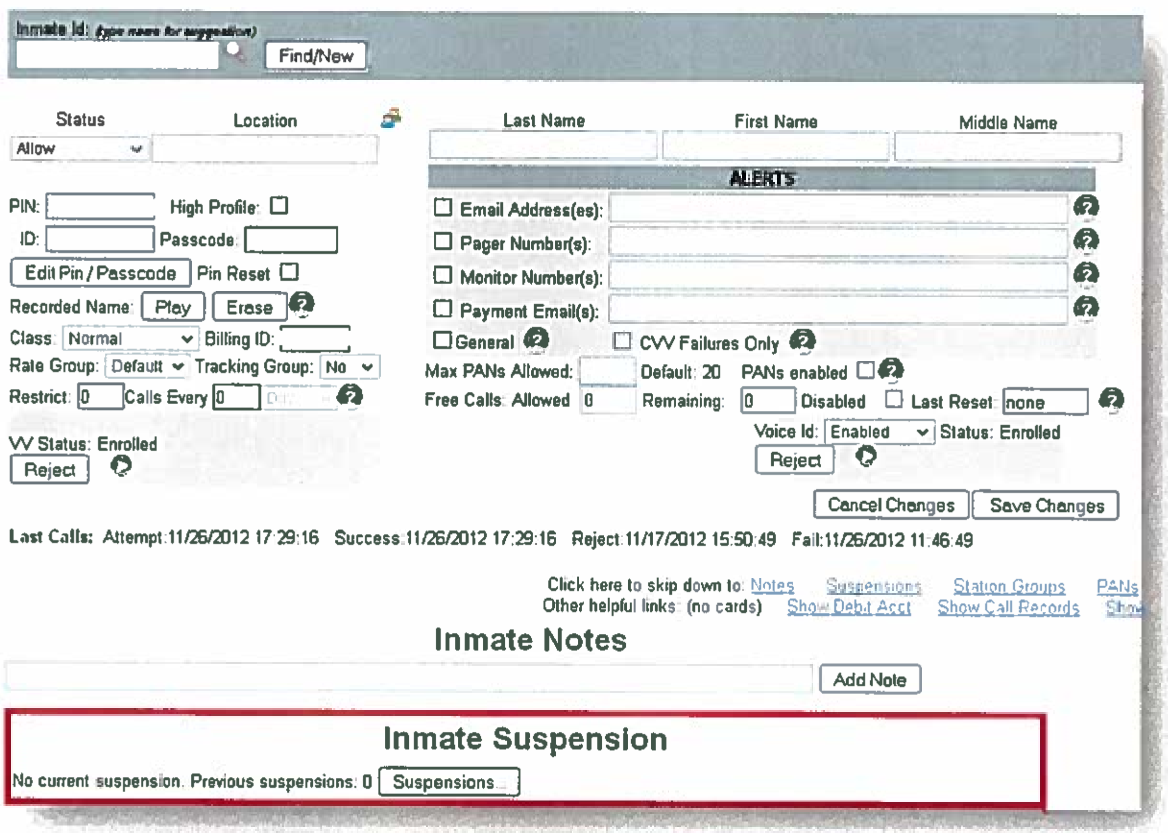
The System database can easily be extended to enable setting allowed call schedules by individual inmate PIN, or by any other variable already captured in the database. This will work like a PAN list that is based on allowed calling schedule, rather than phone numbers.

2.4.4.5.5 **Specific PIN:** Restrict an inmate under disciplinary action from placing all calls assign to his particular PIN with the exception of privileged numbers (e.g., attorney, approved clergy and social work professionals).

CenturyLink has read, understands and will comply.

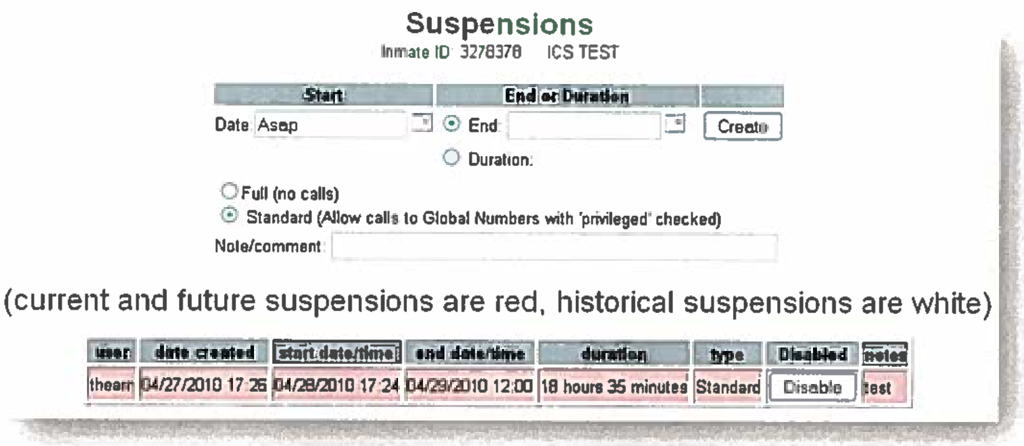
The System supports the suspension of inmate calling privileges by PIN. Authorized personnel may enter a timeframe (i.e. 24 hours) or a specific date/time when the suspension is to end. At that point, the suspended inmate **may only call legal counsel until the suspension period ends**. When the suspension is over, calling privileges are automatically restored by the system at the time designated by the authorized user.

Inmate suspensions are defined in the Inmate Profile screen. At the bottom of this screen is the ***Inmate Suspension*** section highlighted by a red box, as shown in the following screen:



Inmate Profile – Inmate Suspension

By selecting the **Suspensions** button, users will be brought to the following screen which will enable them to complete suspending call privileges.



Suspension of Calling Privileges

There are two categories of Suspensions:

- '**Full**' means the inmate will not be allowed to place any calls, including calls to attorneys or free numbers.

- '**Standard**' is the default setting and allows the inmate to place calls only to attorneys or numbers that are identified as privileged numbers. Once the desired type of suspension has been selected, users must define the length of time that this suspension should take effect.

Select the appropriate **Start Date** for the suspension (either immediately, or in the future), and then select either the **End Date** or the **Duration** (in hours, days, weeks, or months). Lastly, click the Notes/Comments tab to add any further required information. Once all of this has been completed, select the **Create** button. This will automatically make the suspension active. Authorized personnel may disable a suspension manually at any time.

2.4.4.5.6 **Restriction:** Set call duration, set number of calls per day, set only certain numbers per PIN, etc.

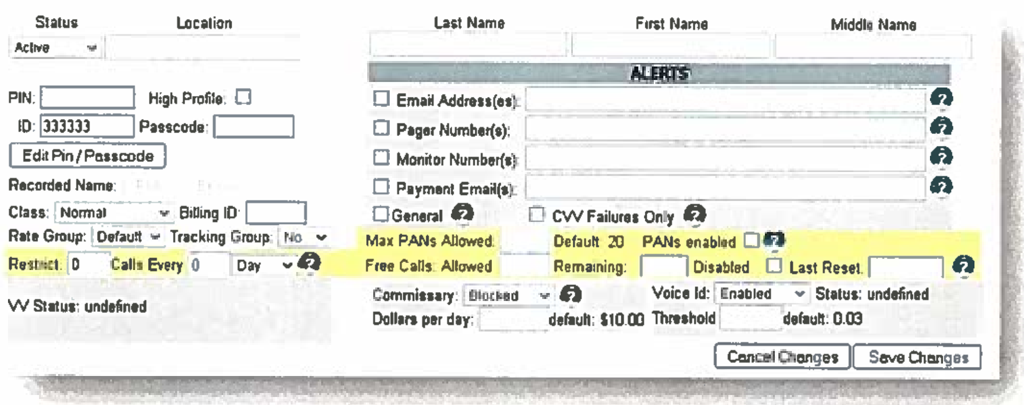
CenturyLink has read, understands and will comply.

Inmates can be given customized calling privileges and restrictions according to a variety of criteria based on their inmate PIN. Inmates' calling privileges can be customized in the following ways:

- Restricting calling from individual phones or groups of phones

- Restricting the number of calls an inmate can place in a specific timeframe (days, weeks, months)
- Restricting calling to a specific set of phone numbers (i.e., PAN lists)
- Restricting the number of free calls an inmate can make
- And more!

More specific restrictions can be set from the Inmate Account Profile. Once the Status of the inmate account is changed to "Restricted" in the Inmate Account Profile, authorized users may customize calling restrictions; note the "Restrict___ Calls Every____ (Day/Week/Month)," and "Free Calls Allowed" fields shown in the following screen:

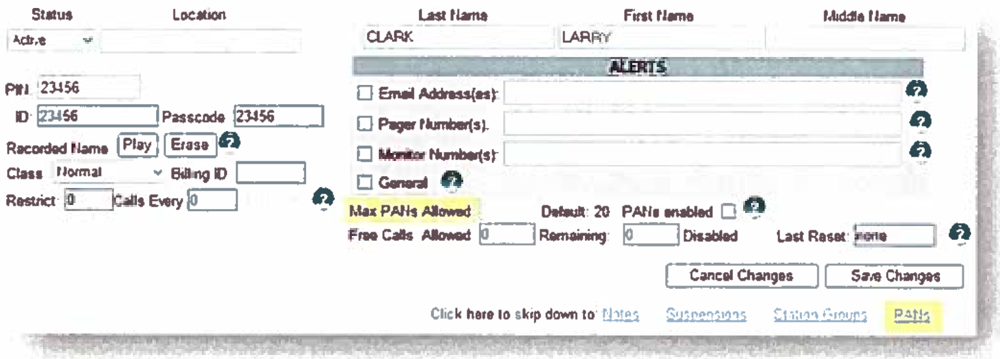


Inmate Account Profile

The System also provides the ability to customize call durations for specific inmate IDs. System administrators can configure call duration in the Inmate table so that particular inmates are restricted to a different call duration than the master call duration setting.

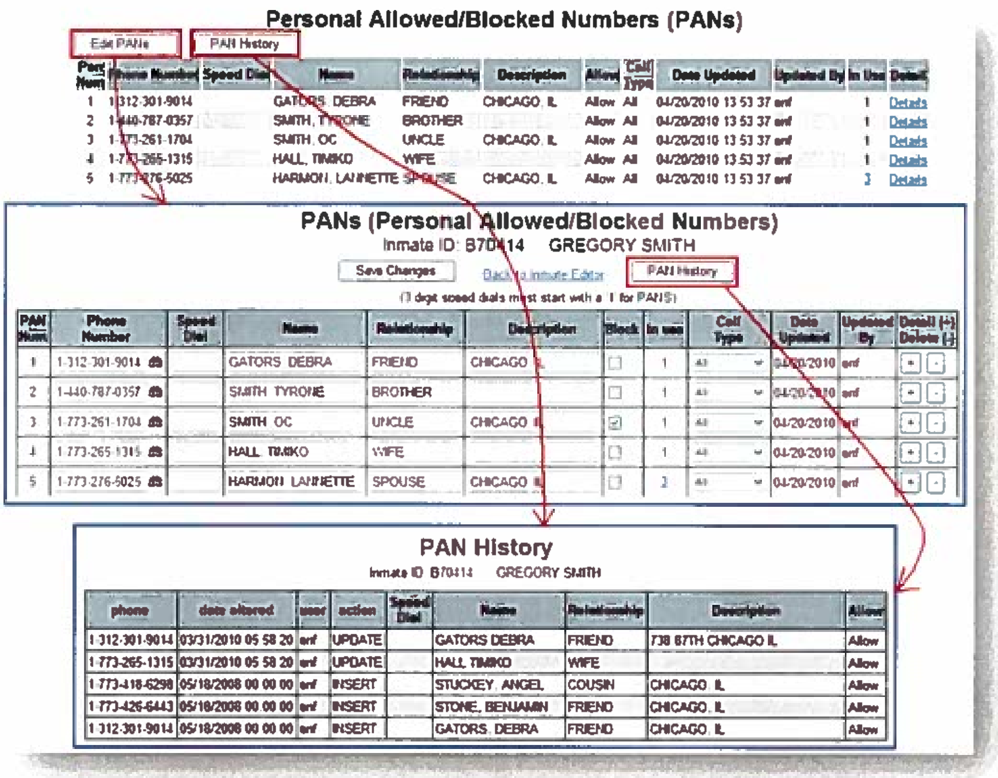
PANs

The System may be configured to require a list of Personal Allowed Numbers or PANs. This is a list of defined telephone numbers that each inmate is permitted to call. Each time the Department activates the PAN feature for an inmate, you can select a maximum number of PANs to allow on an inmate's list. If you leave the field blank the default value is 20, but there is no practical limit to the number of PANs that may be assigned.



Inmate Profile – PANs Allowed

An inmate's PAN list can be accessed by clicking on the PAN quick link at the bottom of an Inmate Profile screen. As shown on the following page, the user can then view the existing PANs for a number, add or delete PANs, block or unblock a number, and view an inmate's calling history for PAN numbers. Additionally, a PAN list can be used as an inmate-specific override to a phone number that has been blocked globally (i.e., for all other inmates).



PAN Administration

In addition, the IPS offers several tools to query and report PAN information. These include:

- Display all PAN records for an inmate account.
- Display all Inmate ID's having access to a specific PAN.
- Display all free or no-charge PAN records.
- Display all PAN records having administration blocks.
- Display all PAN records having telephone company blocks.
- Print reports for the above queries.

Allowed Number List – Self-Learning Mode

In order to minimize the time required to enter an allowed list for each inmate, the system provides a useful "self-learning" feature. Upon assignment of a PIN, the first telephone numbers to which calls are completed are added to the inmate's PAN list, until the maximum number of PAN entries is made. To be added to the PAN list, a call to the telephone number must be accepted by the call recipient. Once the PAN list is full, any changes to the list must be made manually. Self-Learning can also be limited to a specified phone or phones in order to provide a greater level of control over the phone number entry process.

2.4.4.6 The IPSs PIN feature must ensure that the automated operator function uses the inmates pre-recorded name (recorded in both the inmates voice and language, or in the voice of an administrator) to announce to the called party from whom the call is originating. Identification of the specific inmate and thus the announcement of the inmates name must be performed by the PIN assignment. This feature will be implemented at the discretion of the Department.

CenturyLink has read, understands and will comply.

2.4.4.7 Provide the method of your second layer of security authentification for inmate calls

CenturyLink has read, understands and will comply.

The first layer will be the use of PINs. Our second layer would be phone restriction, where an inmate would only be allowed to use phones in a specific area, for example, only in the cell block to which they are assigned. We could also implement pre-call voice biometrics where the inmate's voice is matched to a pre-recorded voice print, and if the two do not match, the call is not allowed to process. This would entail a slight reduction in the commissions paid to the Department; we would be happy to provide additional details should the Department be interested in this option.

2.4.4.8 The IPS must use an announcement format similar to the following:

2.4.4.8.1 "You have a call from 'inmate name', an inmate at 'facility name'. Call forwarding or 3-way calling are not allowed. The cost of this call is $X.XX for the first minute, and $.XX for each additional minute. To consent to these charges and accept this call, please press 0.

2.4.4.9 The IPSs PIN feature must allow the recording of inmate calls to be discontinued when certain pre-determined telephone numbers (privileged telephone numbers) are called.

CenturyLink has read, understands and will comply.

2.4.4.10 The proposed IPS must provide for telephone lists to be assigned to each particular inmates account information. These telephone lists must be restricted and controlled by the inmates PIN.

CenturyLink has read, understands and will comply.

2.4.4.11 The Contractor must state the maximum number of telephone numbers assignable to each inmates account.

CenturyLink has read, understands and will comply.

The default number of assigned telephone numbers that can be assigned to an inmate's account is 20, however, this parameter is easily changed to any number the Department wishes, from zero to any practicable number. The number allowed for an individual inmate can also be set to override the default. For example, if the default for all inmates is 10, one inmate may be set to 2 as a punitive measure, while another inmate may be set to 15 as a reward for good behavior.

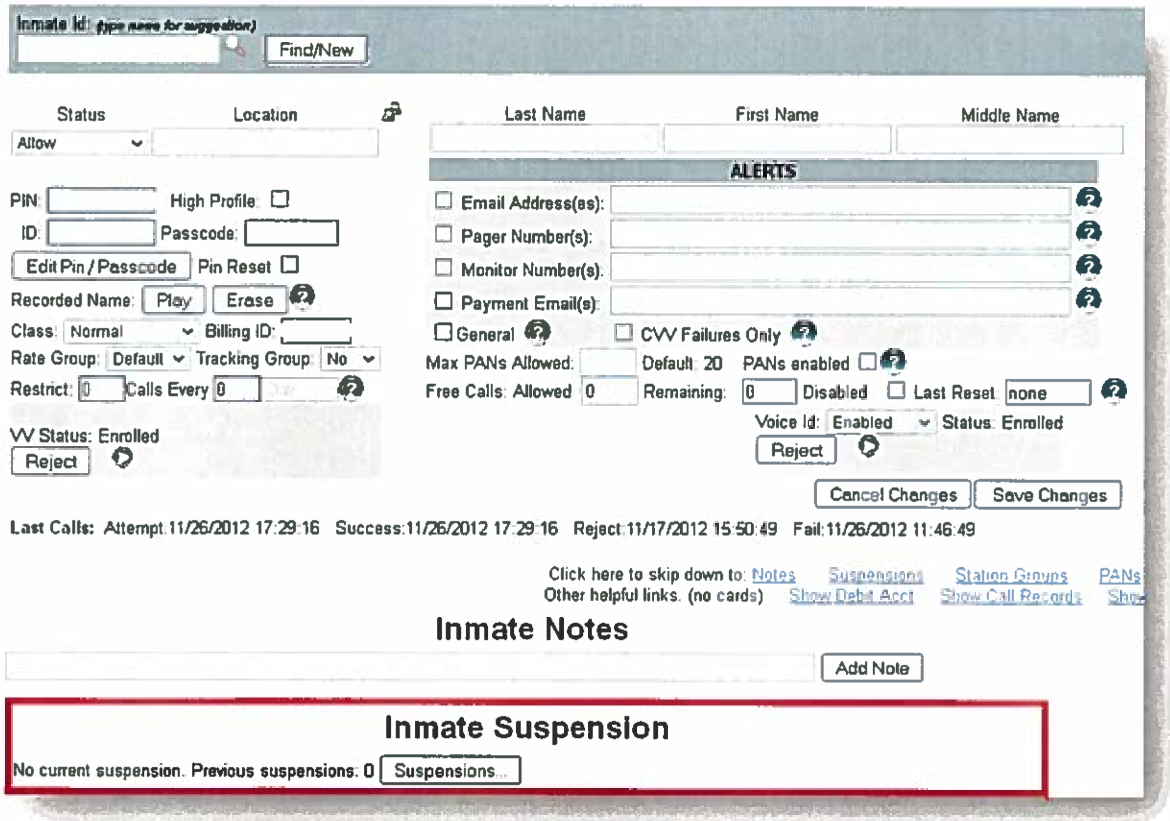
2.4.4.12 The proposed IPS must allow the Department to restrict an inmate under disciplinary action from placing all calls assigned to his particular PIN with the exception of privileged numbers.

CenturyLink has read, understands and will comply.

This was discussed previously in Section 2.4.4.5.5, and is repeated here for the convenience of the reviewer.

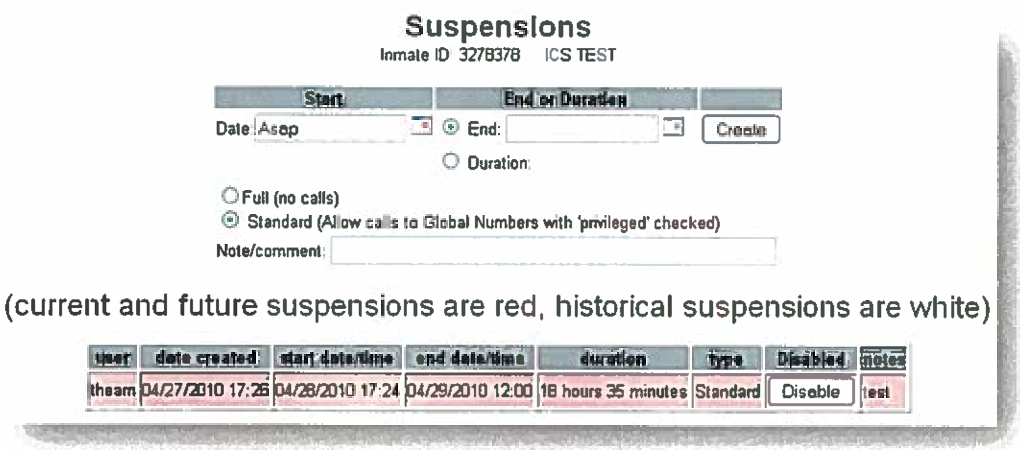
The System supports the suspension of inmate calling privileges by PIN. Authorized personnel may enter a timeframe (i.e. 24 hours) or a specific date/time when the suspension is to end. At that point, the suspended inmate **may only call legal counsel until the suspension period ends**. When the suspension is over, calling privileges are automatically restored by the system at the time designated by the authorized user.

Inmate suspensions are defined in the Inmate Profile screen. At the bottom of this screen is the ***Inmate Suspension*** section highlighted by a red box, as shown in the following screen:



Inmate Profile – Inmate Suspension

By selecting the **Suspensions** button, users will be brought to the following screen which will enable them to complete suspending call privileges.



Suspension of Calling Privileges

There are two categories of Suspensions:

- '**Full**' means the inmate will not be allowed to place any calls, including calls to attorneys or free numbers.

- '**Standard**' is the default setting and allows the inmate to place calls only to attorneys or numbers that are identified as privileged numbers. Once the desired type of suspension has been selected, users must define the length of time that this suspension should take effect.

Select the appropriate **Start Date** for the suspension (either immediately, or in the future), and then select either the **End Date** or the **Duration** (in hours, days, weeks, or months). Lastly, click the Notes/Comments tab to add any further required information. Once all of this has been completed, select the **Create** button. This will automatically make the suspension active. Authorized personnel may disable a suspension manually at any time.

2.4.4.13 It is desirable that the proposed JPS provide for an automatic suspension and reactivation (after a set period of time) of the inmate PIN.

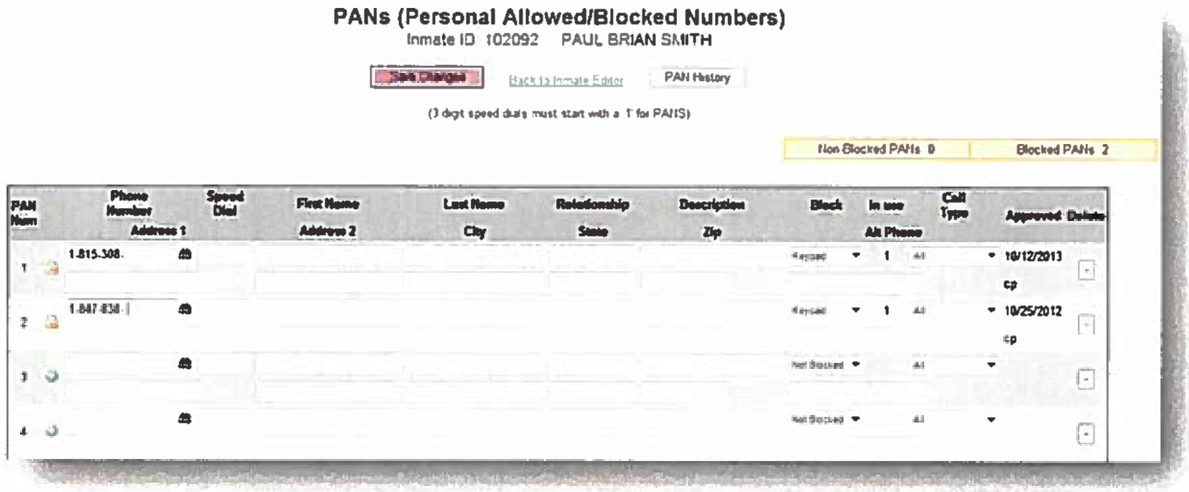
CenturyLink has read, understands and will comply.

This feature is illustrated on the previous screen in Section 2.4.4.12. In this example, the suspension starts on 05/26/14 at 22:10 and ends on 06/02/14 at 22:10. At the end of the suspension, the inmate will have all privileges restored automatically, there will be no action needed by staff.

2.4.4.14 The proposed IPS must provide the Department personnel with the capability to enter, modify, and delete numbers from an inmates Approved Number Lists.

CenturyLink has read, understands and will comply.

Department personnel will have complete control over all aspects of the Approved Number List. The following screen is used to manipulate an inmate's List:

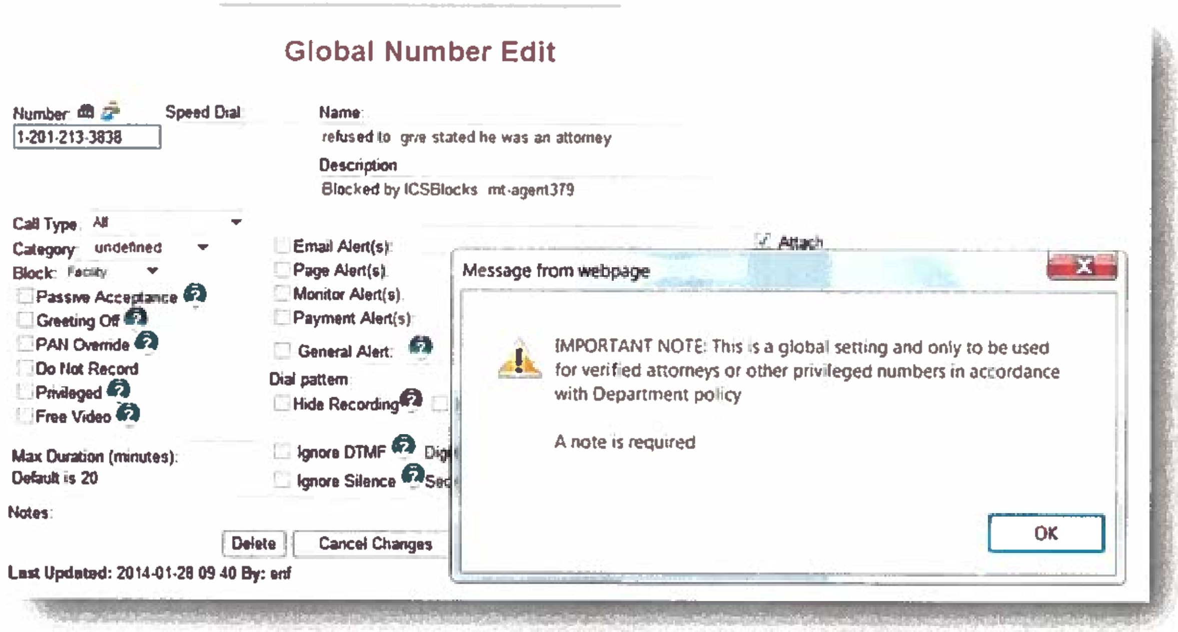


Personal Allowed Numbers Screen

2.4.4.15 The proposed IPS must provide the capability to flag an individual telephone number in the inmates Approved Number List as do not record. The default setting for each telephone number will be to record until flagged by the Department personnel to the contrary.

CenturyLink has read, understands and will comply.

This can easily be accomplished as shown on the following screen. Note that when the "Privileged" box is checked, a warning is displayed that forces the staff member to add a note, as a second check to ensure that the "Privileged" box is not selected in error.



Global Edit Screen

2.4.4.16 The proposed JPS must be capable of assigning an inmates account to an individual telephone or group of telephones so that the inmates account may only place calls from those designated telephones. These telephones must still be capable of being used by inmate accounts not specifically assigned to them.

CenturyLink has read, understands and will comply.

This was discussed previously in Section 2.4.4.5.2, and is repeated here for the convenience of the reviewer.

The System can assign each inmate to a single phone or a group of phones. Using Station Group Names, which assign one or phones to logically named groups, staff can quickly enforce physical phone restrictions. In the following example, Inmate Clark can only make calls from Apache B and D, however, any inmate without a Group restriction can also use Apache B and D.

Allowed Station Groups for Inmate

Inmate ID 072320 RODNEY CLARK

Save Changes Back to Inmate Editor

Station Group Name	Allowed For Inmate
All Stations	☐ Allow
APACHE A	☐ Allow
APACHE B	☑ Allow
APACHE C	☐ Allow
APACHE D	☑ Allow
NAVAJO A	☐ Allow
NAVAJO B	☐ Allow
NAVAJO C	☐ Allow
COCOPA A	☐ Allow
COCOPA B	☐ Allow

Inmate Profile Screen – Allowed Groups Tab

2.4.4.17 The proposed IPS must allow for the deletion or disabling of the PIN of a released inmate while retaining all call records and call recordings associated with that PIN. The Contractor must describe, in its response, how this will be accomplished with the proposed system.

CenturyLink has read, understands and will comply.

CenturyLink will never delete call data or call recordings to ensure that vital investigative information is never lost. The inmate's ID is simply set to inactive, but the call recordings and data are still available to be queried in the IPS by any of the data elements contained in the calls associated with that PIN or inmate ID.

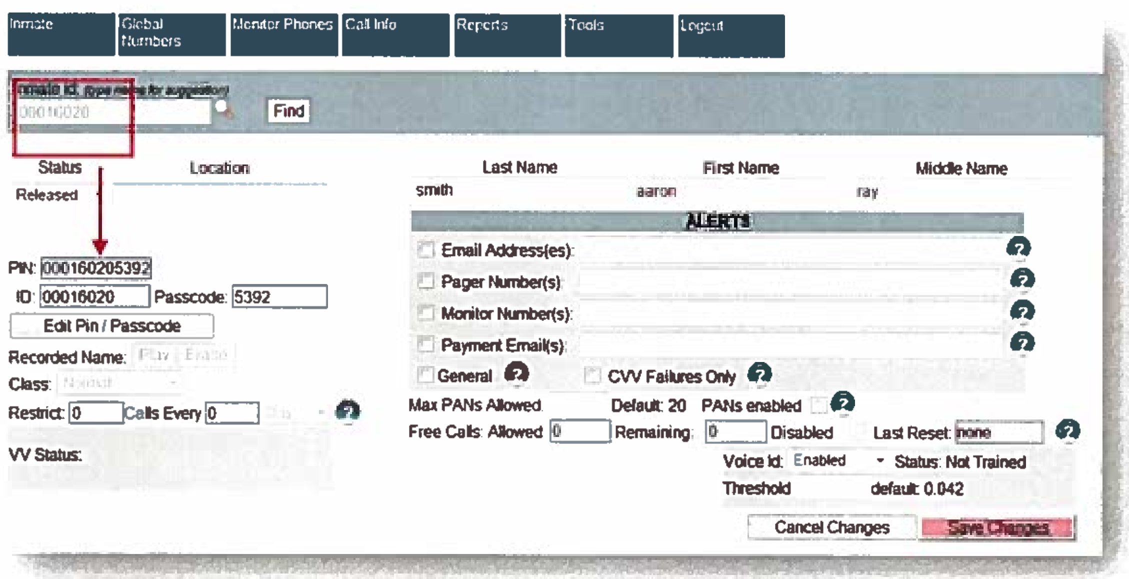
2.4.4.18 The proposed IPS must allow for the inmate PIN to be associated or linked to the inmates Department number. The Contractor must describe, in its response, how this will be accomplished with the proposed system for both active inmates and inactive (released) inmates.

CenturyLink has read, understands and will comply.

The inmate profile module on the IPS calling platform will be configured to support a unique inmate ID\PIN coupled with a unique Department number.

The IPS retains all assigned PINs regardless of whether the inmate is active or inactive. No data is ever deleted or purged from the IPS. If an inmate is released, the status will be set to inactive in the system, retaining the PIN and the inmate's call data while disallowing the ability to place calls using that particular PIN.

The Inmate Profile reflects the status of the inmate, whether released, transferred, active, etc. based on the status in the booking system. In the following example, the Status is "Relased", but the Inmate ID and PIN are still visible.



Inmate Profile screen

2.4.5 General System Management Requirements

2.4.5.1 The Contractor must propose an IPS that can be administered by a Contractors Centralized Administrator or the Department personnel.

CenturyLink has read, understands and will comply.

All functions of the IPS can be managed by Department or Contractor personnel on-site. However, personnel can also perform all functions at remote workstations, as long as they have Internet connectivity.

2.4.5.2 The Contractor must propose an IPS that allows for changes to be administered in real time while the system is in use. The proposed system must not require the system to be taken off line to make additions, changes or retrieve reports.

CenturyLink has read, understands and will comply.

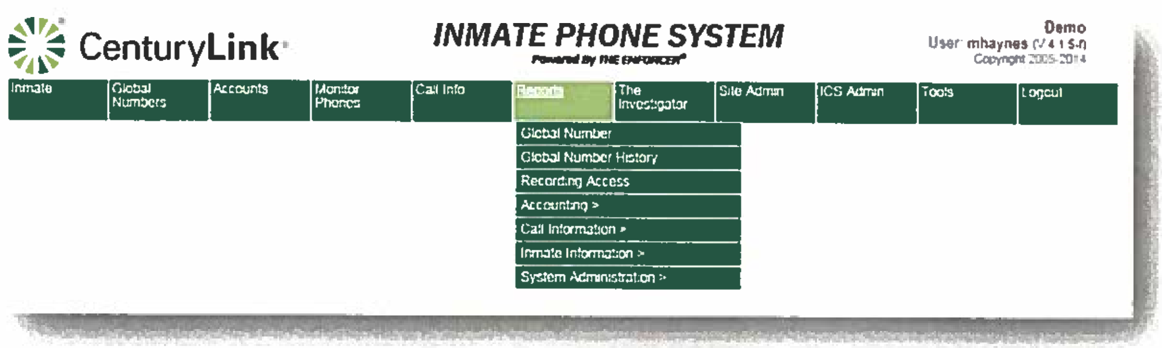
Any change to the CenturyLink IPS will be implemented immediately without any delay. None of the processes or reporting is done in "batch" mode, which requires that the system be unavailable for other functions.

2.4.5.3 The Contractor must propose an IPS that provides a Graphical User Interface (e.g., Microsoft Windows) for both system administration and system reporting functions.

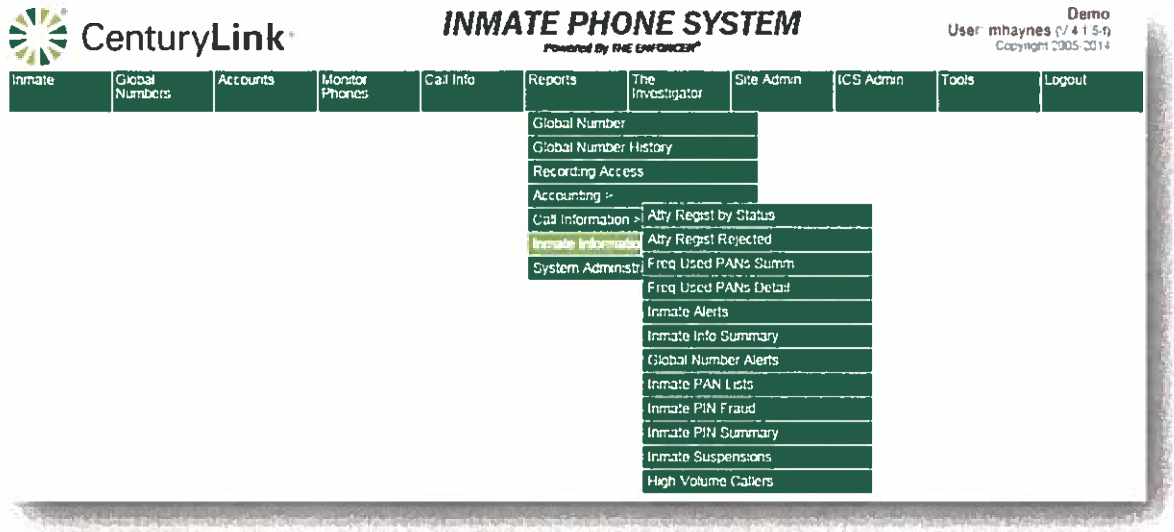
CenturyLink has read, understands and will comply.

The CenturyLink IPS is built on a Graphical User Interface (GUI); all features are accessible through a menu-driven interface. Throughout our response, we have used screens that illustrate the GUI nature of the System; we will include a brief overview in this section of the interface.

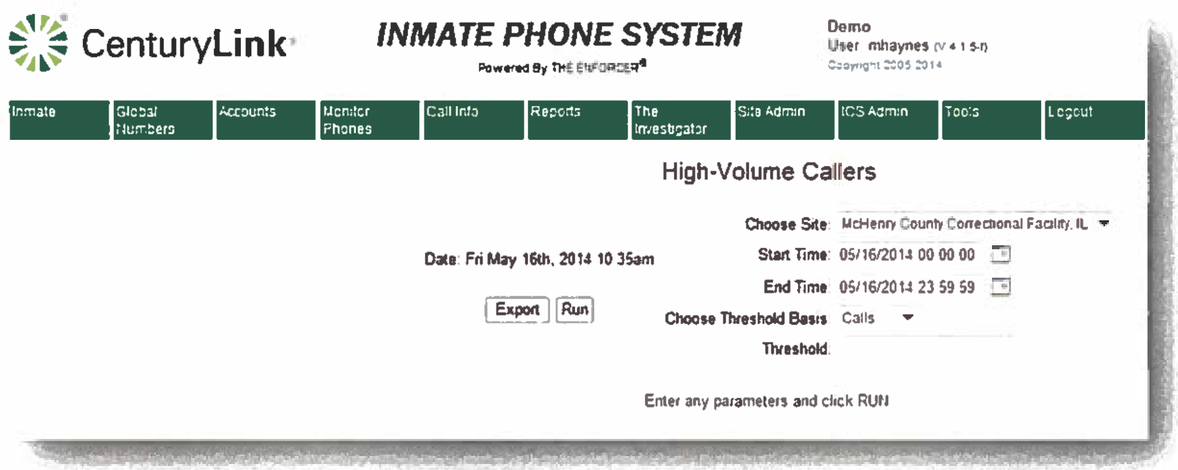
Once a staff member accesses the System, they are greeted with a simple GUI screen with 11 logically grouped tabs; when the cursor moves over each tab, the subtabs are displayed, as shown below:



Scrolling over the first submenu allows the user to access another submenu with additional selections. Typically the submenus are limited to no more than two per tab for ease of use by staff.



In the above example, the user has selected the "Reports" tab, then the "Inmate Information" subtab, and then the "High Volume Callers" report on the second subtab, which generates a screen where the desired parameters can be entered to generate the report, as shown below:



2.4.5.4 The IPS proposed for the Department must allow for investigation personnel to access the inmate call records at any Department facility from the Department Headquarters in Phoenix, Arizona, and/or remotely from their place of residence. The Contractor must describe, in its response, how this will be accomplished with the proposed IPS. This description must include what is required with regard to hardware, software and network services as well as the security procedures involved with this remote access.

CenturyLink has read, understands and will comply.

The centralized CenturyLink IPS is can be accessed from any Internet-enabled computer. Since one system will handle every Department facility, there will not be a need to sign in to different systems to access data. Access is simple; if an individual has access to the Internet, they can use their office sign-on and password from any state office building, Department headquarters, residence or a hotel room. Nothing else is required.

Security is through Hypertext Transfer Protocol Secure (HTTPS) which is a communications protocol for secure communication over a computer network, with especially wide deployment on the Internet. It is the result of layering the Hypertext Transfer Protocol (HTTP) on top of the SSL/TLS (Secure Sockets Layer/Transport Layer Security) protocol, thus adding the security capabilities of SSL/TLS to standard HTTP communications.

The security of HTTPS is that of the underlying TLS, which uses long term public and secret keys to exchange a short term session key to encrypt the data flow between client and server.

2.4.6 Restrictions, Fraud Control Options and System Security

2.4.6.1 In order to limit possible telephone fraud, it is mandatory that a fraud prevention feature be available which will be able to randomly interject pre-recorded announcements throughout the duration of the conversation to the called party indicating the source of the call. The Contractor must describe in its proposal in detail how this is accomplished

CenturyLink has read, understands and will comply.

Pre-recorded announcements can be interjected during the conversation. Typically, these are announcements that the conversation is subject to monitoring and recording, and does not mention the origin of the call. However these announcements are completely customizable, and we can easily tailor these announcements to the Department's requirements.

2.4.6.2 The Contractor must describe, in its response, all detection and prevention capabilities related to fraudulent, illicit or unauthorized activity available on the proposed IPS.

CenturyLink has read, understands and will comply.

The IPS provides an exhaustive list of features that detect and prevent fraudulent, illicit or unauthorized activity.

- **PINs:** Each time an inmate places a call, they are first required to enter their assigned PIN. By associating a PIN number with every call, the system provides investigators and security personnel with the ability to identify specific inmates when setting alerts, monitoring calls, retrieving call recordings, searching call detail records, generating reports, etc.

- **Custom Call Restrictions:** Inmate calling can easily be limited to specific times of the day and set lengths of time. During installation, the system is programmed to block calls to live operators, toll-free lines, long-distance carriers, judges and correctional facility staff, etc. While these call restrictions are set facility-wide, additional call restrictions can be set for individual inmates.

- **Random Voice Overlays:** The IPS can play randomly interjected voice prompts as requested. These voice prompts can be custom recorded as requested by the facility, or a standard voice prompt such as this may be used: "This call is from a correctional facility, and is subject to monitoring and recording." Voice overlays limit abuse of the general population and indicate where the call originated. Any inappropriate calls can be easily reported to facility personnel.

- **Real-time Call Validation:** CenturyLink's call validation incorporates real-time validation responses from Local Exchange Carriers, compliance with carriers who do not permit collect calls and managerial restrictions such as blocked-number lists.

  Call validation counteracts fraud by correctly identifying the location of called numbers to prevent the use of prepaid cell phones or pay phones to commit fraudulent activities. By validating numbers, we have the most up-to-date information about a BTN.

- **Continuous System Monitoring:** As an additional fraud prevention tool, CenturyLink proactively monitors system data looking for fluctuations in traffic and failed attempts that could indicate fraud.

- **No Chain Dialing or Hookswitch flashing:** Inmates are not permitted to obtain secondary dial tone or to "chain dial" at any time. Any attempts to manipulate the inmate phone or hookswitch in order to bypass system controls will result in immediate call disconnection, forcing the inmate to begin a new call with all call controls in full effect.

- **No Three-way Calls:** The IPS automatically detects attempts by destination parties to connect, or forward, calls to a 3rd party. These detection features have highly configurable parameters for changing the sensitivity to accommodate the requirements of each installation. When a three-way call attempt is detected, the system can either
  A) flag the call for investigation;
  B) flag the call for investigation, and play a warning message to the inmate and called party; ***or***
  C) flag the call for investigation, play a notification to the inmate and called party, and terminate the call.

The IPS monitors each call connection for any inmate attempts to bypass the system controls. If an inmate presses keys on the keypad following call connection, the system detects this activity, and terminates the call. Any call terminated for this reason is marked accordingly in the call detail record.

2.4.6.3 The Contractor must identify, in its response, specific activities the proposed system capabilities shall detect and/or prevent. The Contractor must also identify, in its response, possible methods inmates may use to circumvent these capabilities.

CenturyLink has read, understands and will comply.

The IPS provides an exhaustive list of features that detect and prevent fraudulent, illicit, or unauthorized activity.

- **Pre-Recorded Inmate Name:** The system offers the option to pre-record the inmate name used in the announcement of the call. This measure prevents inmates from "passing messages" and ensures that the called party is provided with the inmate's name during the call greeting.

- **Random Voice Overlays:** Inmates often attempt to harass the public or commit fraud over the phone. To prevent this, The IPS can play randomly interjected voice prompts identifying that the call is from a correctional facility. These voice prompts can be custom recorded as requested by the facility, or a standard voice prompt such as this may be used: "This call is from a correctional facility, and is subject to monitoring and recording." Voice overlays limit abuse of the general population and indicate where the call originated. Any inappropriate calls can be easily reported to facility personnel.

- **No Chain Dialing or Hookswitch flashing:** Inmates may attempt to obtain a second dial tone during one call. Any attempts to manipulate the inmate phone or hookswitch in order to bypass system controls will result in immediate call disconnection, forcing the inmate to begin a new call with all call controls in full effect.

- **No Three-way Calls:** The IPS automatically detects attempts by destination parties to connect, or forward, calls to a 3rd party. These detection features have highly configurable parameters for changing the sensitivity to accommodate the requirements of each installation. When a three-way call attempt is detected, the system can either
  - A) flag the call for investigation;
  - B) flag the call for investigation, and play a warning message to the inmate and called party; ***or***
  - C) flag the call for investigation, play a notification to the inmate and called party, and terminate the call.

Remote Call Forwarding

The first line of defense occurs at call validation – this is the typical approach taken by providers who provide call forwarding detection. CenturyLink has identified specific operating carriers (OCs) known to primarily provide, or are primarily used by call forwarding services such as Vumber, Google Voice, Conscallhome, etc. When combined with our unique billing name and address verification (BNA) process for prepaid collect customers, this information provides rules-based methods for blocking call forwarding services. *Note: blocking of any telephone numbers must occur in partnership with the DOC as law enforcement; although some providers do block without explicit consent of / direction from law enforcement this policy risks adverse action by the Federal Communications Commission.*

The second line occurs through querying network information. The Public Switched Telephone Network (PSTN) utilizes the Signaling System Number # 7 (SS7) protocol for interoffice signaling. The primary function of SS7 is to provide call control, remote network management, and maintenance capabilities for the inter-office telephone network. SS7 performs these functions by exchanging control messages between SS7 telephone exchanges (signaling points or SPs) and SS7 signaling transfer points (STPs). In this scenario, the terminating exchange would pass a message to the originating exchange that the terminating number was forwarded to another destination.

A similar message exists in a SIP-enabled telephony network. SIP (Session Initiated Protocol) provides a signaling and call setup protocol for IP-based communications that can support a superset of the call processing functions and features present in the PSTN. SIP by itself does not define these features; rather, its focus is call-setup and signaling. The features that permit familiar telephone-like operations: dialing a number, causing a phone to ring, hearing ring-back tones or a busy signal - are performed by proxy servers and user agents.

Implementation and terminology are different in the SIP world but to the end-user, the behavior is similar.

In a SIP-enabled telephony network, Message Type 181 indicates that the call is being forwarded. This message is available to be returned to the point of call origination. Additionally, most SIP carriers provide the re-direct information (call forwarded number) in the upstream data packet. CenturyLink is actively working with its carriers to ensure that these 181 messages are passed to the call processing platform.

Once these messages are received by the IPS, it can interpret and trigger appropriate events in the platform. Based on defined and implemented business rules the IPS can be configured to take the below action when Message Type 181 is returned from the SIP network.

- Allow the call to continue and make a notation on the call record;
- Allow the call to continue, make a notation on the call record and send an alert to a designated Department staff member;
- Notify the inmate and disconnect the call, making a notation on the call record;
- Disconnect the call and make a notation on the call record.

Inmate Inter-Communications

At no cost to the DOC, CenturyLink can also provide JLG's new ICER (Inmate Inter-Communications Evaluation and Reporting) technology. Using voice biometric technology and a shared database of inmate voice prints made available through the ICER Consortium, ICER is the only system on the market that detects and reports **telephone calls made between inmates at one or more correctional facilities**. ICER has been successfully used in pilot programs at multiple county and state facilities, and with the first-ever full deployment of ICER currently underway at the New Hampshire DOC.

The IPS monitors each call connection for any inmate attempts to bypass the system controls. If an inmate presses keys on the keypad following call connection, the system detects this activity, and terminates the call. Any call terminated for this reason is marked accordingly in the call detail record.

The IPS monitors each call connection for any inmate attempts to bypass the system controls. If an inmate presses keys on the keypad following call connection, the system detects this activity, and terminates the call. Any call terminated for this reason is marked accordingly in the call detail record.

2.4.6.4 The Contractor must propose an IPS that is capable of detecting extra dialed digits from either the called party or the inmates telephone. The Contractor must describe, in its response, the options available to the Department upon detection of the extra dialed digits. (i.e., call termination, system alarm, logging of call to the database, etc.)

CenturyLink has read, understands and will comply.

Upon detection of extra dialed digits, a voice prompt can be played. This prompt can serve as a warning only – meaning, the call is flagged for investigation and both parties on the phone are warned that potential fraudulent activity has been detected, at which time an alert can also be sent to designated personnel. Or the prompt can precede automatic disconnection of the call (these calls are flagged for investigation, as well).

The IPS will be configured to take whichever action the Department prefers. CenturyLink recommends allowing the call to proceed, because value investigative data can be gained in reviewing these potentially fraudulent calls. Following is the list of sample pre-recorded announcements, depending upon which action the Department prefers:

- *"Three way call detected. This will be reported."* The call is allowed to proceed and marked in the call detail record. In this scenario, an alert an also be triggered so that an investigator has the opportunity to monitor the call in progress.

- *"A three way call attempt has been detected. This call is now being terminated."* The call is then terminated.

2.4.6.5 The Contractor must propose an IPS that is capable of detecting unusual or suspicious number sequences dialed or dialing patterns which the system identifies as possible attempts to commit fraud. The Contractor must describe, in its response, the options available to the Department upon detection of the unusual or suspicious number sequences.

CenturyLink has read, understands and will comply.

The IPS detects and prevents fraudulent dialing attempts and patterns in several ways.

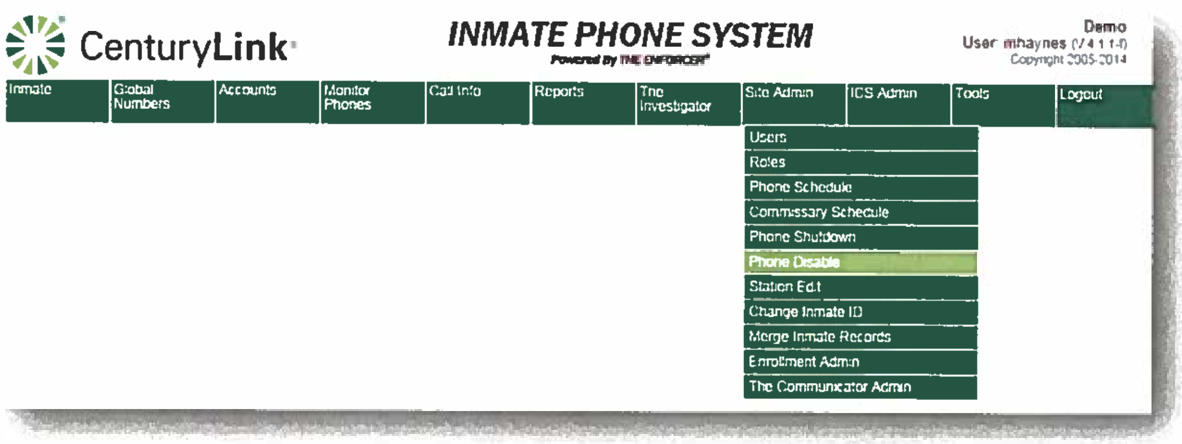
- The IPS is configured to only accept a spec fic number of digits based on the options selected during the call prompt process. If an inmate selects the option to make a domestic call, the system allows the inmate to dial only 10 digits. After 10 digits are dialed, the keypad is disabled.

- If there are repetitive attempts to dial a PIN that are denied, The IPS will temporarily disable PIN in suspicion of PIN fraud.
- Repetitive calling to the same number by multiple inmates could trigger three-way call detection thresholds.

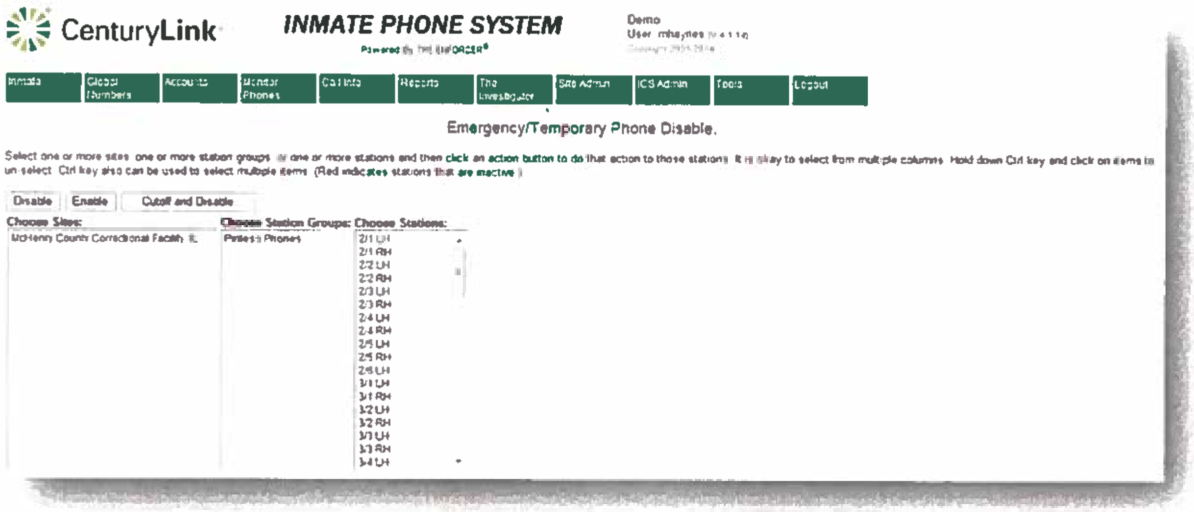
2.4.6.6 The proposed IPS must allow the Department to immediately and remotely turn telephones on and off. This shall be capable of being accomplished by individual telephones, groups of telephones, or an entire Department facility by the Department personnel with the appropriate authorization level.

CenturyLink has read, understands and will comply.

Using the "Phone Disable" function of the System, staff can easily and rapidly shut down a single phone, a single POD, or an entire facility. After selecting "Phone Disable' on the drop-down menu, a second "Phone Disable Menu" will be displayed. It is important to note that all administrative changes made in the System occur instantaneously and in real time, so the time required for this action depends only upon the speed of the operator.



Main Menu – Select Phone Disable



Phone Disable Menu

On the Phone Disable Menu, select the individual phone, a group of phones, or the site you wish to disconnect. Then select one of the three buttons at the top of the menu to perform the following function:

- Disable – Allows in-progress calls to complete. No new calls will be allowed from the selected phone(s)
- Enable – Allows calls to be made from the selected phones
- Cutoff and Disable – Immediately cuts off all calls in progress and disables the selected phone(s).

2.4.6.7 The Contractor must describe, in its response, all standard and optional security services employed to protect the proposed IPS in terms of unauthorized access through the installed network of services, unauthorized access through the IPS Local Area Network (LAN), unauthorized access to the IPS programming, and unauthorized access through the Wide Area Network (WAN).

CenturyLink has read, understands and will comply.

The Department's facility will be connected by an always-on, fully-managed, secure WAN to our data center where all the call-processing, recording and investigative applications will run in our secure server rooms which are monitored and maintained 24/7/365.

At each Department facility, the network devices are deployed in a private local area network (LAN) with all devices operating behind a Netscreen Juniper GT5 firewall. Access to the WAN network can be accomplished ***only*** by IP addresses registered on the firewall. Any domain/IP address that is not registered will be denied access and the Juniper firewall automatically logs all denied connection requests. These logs are accessible to CenturyLink's network monitoring staff. Should the Department wish to review these firewall access logs, personnel may contact our Technical Services Center 24 x 7 365 to request copies of these logs.

The centralized IPS system is protected by a dedicated enterprise class firewall. The MPLS network over which all calls will be processed and all investigative data sessions will travel will be a private, dedicated, managed and firewalled network. All access to The IPS database and application is password-protected and occurs only through an SSL (Secure Sockets Layer) exchange.

If connected to the facility, they must pass the perimeter firewall, which is set up according to Department and State restrictions. If accessing the system remotely, users must log in to The IPS via the VPN. CenturyLink can restrict access by IP address by allowing only certain IP addresses to install the VPN client. If the VPN client is not installed on the system with a particular IP address, the user cannot log in to the system.

All the applications proposed, including IPS call processing, control and reporting functions, will all function as cloud-based apps with the software running on application servers in the redundant Data Centers in Atlanta and San Antonio. These centralized systems are firewall protected whereby all use, access and operation is monitored by CenturyLink's NetOps team 24/7/365.

IPS data served out to application users will be encrypted per SSL standards. The MPLS network over which data travels is itself also encrypted. Data will be stored in Atlanta and San Antonio. Access to the records for retrieval is password-protected and requires specifically assigned privileges from an authorized CenturyLink or Department Administrator. Access to any inmate information, billing records, payment information or client information is granted for CenturyLink employees only on a need-to-know basis and requires signed authorization from CenturyLink management before our Systems Administrators grant any such access.

Access to all data on The IPS database is read-only for all users and the system has built-in applications to test the integrity of data so that records and recording will be admissible in court. The IPS uses AU Comp to create an MD5 checksum of the audio file for every recording. The MD5 checksum is stored in the database's log file for that recording and will be duplicated with the recording at the CenturyLink Atlanta and San Antonio data centers. Each recording and checksum is time-stamped and date-stamped.

Remote Access Security

When the browser based GUI is launched, the user must "login" (see following example) to the system with a valid username and password.

Security clearance to gain access to call record data, call recordings, call monitoring and reporting is managed through a series of usernames, passwords, and account privileges in the IPS system. Each username is established with a pre-configured set of privileges in the graphical user interface (GUI). These privileges range from being able to create or modify inmate data to being able to display reports, play back recordings, etc.

The IPS system is configured to be accessible remotely over WAN and VPN to ensure availability of recording and call record data from any point or location. Data queries, reports, and recording playback are all available through LAN, WAN, VPN connection to the system.

2.4.6.8 The Contractor must describe, in its response, how the Department will be able to monitor the installed IPS and the WAN network of services for possible security breaches.

CenturyLink has read, understands and will comply.

All the applications proposed, including ENFORCER call processing, control and reporting functions, will all function as cloud-based apps with the software running on application servers in the redundant Data Centers in Missouri and San Antonio. These systems will be firewall protected and use, access and operation will be monitored by CenturyLink's NetOps team 24 x 7 x 365.

At each Department facility, the proposed solution operates off a local area network (LAN) with all devices operating behind a Juniper Gt5 firewall. Access to the WAN network can be accomplished ***only*** by IP addresses registered on the firewall. Any domain/IP address that is not registered will be denied access to the system and the Juniper firewall automatically logs all denied connection requests. These logs are accessible to CenturyLink's network monitoring staff. Should the Department wish to review these firewall access logs, personnel may contact our Technical Services Center 24/7/365 to request copies of these logs.

2.4.7 General Operational Requirements

2.4.7.1 The Contractor must describe, in its response, the network of services required to support the proposed IPS. (i.e., ISDN, 56Kbps Circuit, TI , etc.).

CenturyLink has read, understands and will comply.

Network at each of the facilities will consist of Dedicated Internet Access (DIA) T-1(s). We configure our system with one (1) DIA T-1 per 48 phones. At some of the larger facilities, CenturyLink may install Ethernet ports where fiber exists.

2.4.7.2 The Contractor must describe, in its response, how it will address instances of inadequate outside network plant facilities at the Department facility to ensure that the proposed IPS is implemented according to the installation schedule agreed to by the Department

CenturyLink has read, understands and will comply.

CenturyLink is also the local exchange carrier at all of the Department's facilities with the exception of two. We can internally escalate with our sister divisions on increasing network plant facilities in the event of insufficient facilities serving a facility. For the two facilities where CenturyLink does not have a local presence, we have a good working relationship with those carriers and will be able to place a high priority with those carriers to ensure the proper level of services are available prior to transitioning services from the incumbent to CenturyLink.

2.4.7.3 The Contractor must describe, in its response, how remote access to the IPS for maintenance and programming by the Contractor will be provided. The Contractor must describe, in its response, all security measures, policies and procedures in place for this remote access.

CenturyLink has read, understands and will comply.

The IPS Call Control platform will be housed in two Data Centers where technicians have local as well as remote access to the system. This remote access for Network Administrators is gained via secure VPN connections to the system over the internet. Local access is gained by connecting computers to the console ports on the equipment.

At Department facilities, the system will consist of Adtran routers and switches as well as networked APC UPS systems. Remote access is gained by network administrators connecting via secure VPN connections to the equipment. Only authorized system administrators will have access to the system and must have user credentials to access the equipment as well as have access to the secure VPN networks that connect to the equipment.

2.4.7.4 The Contractor must provide, in its response, all electrical and environmental requirements of the IPS for each of the Department facility. Such information must be provided for all components of the IPS including the central processor/equipment, call recording equipment, & etc.

CenturyLink has read, understands and will comply.

The IPS equipment onsite at each Department facility will require a dedicated 20 Amp Electrical circuit and room temperature that ranges between 32 and 90 degrees Fahrenheit with relative humidity range of 0 -95%

2.4.7.5 The IPS proposed by the Contractor must be capable of automatically recovering from a power outage (auto-reboot) to full working order capable of processing inmate telephone calls with all programmed restrictions in place. This auto reboot must include all system hardware components, all software including the Department specific programming and restrictions and all network services (analog lines, T1 circuits, etc.). The Contractor must describe, in its response, any interaction required by the Department personnel for this system auto reboot to occur.

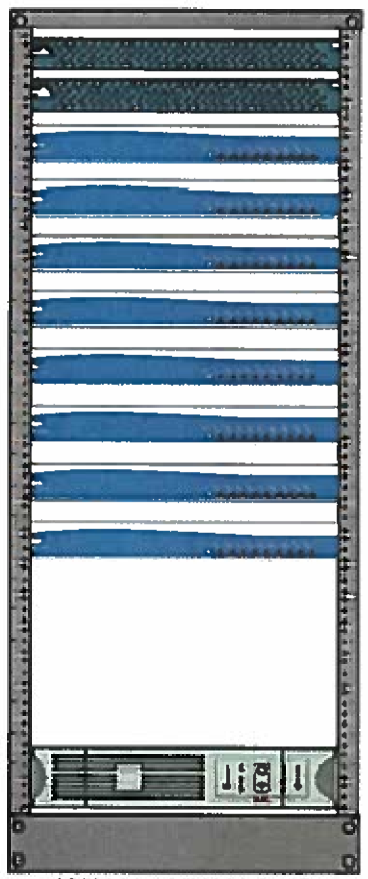
CenturyLink has read, understands and will comply.

The CenturyLink IPS is installed at an offsite Data Center in the State of Florida, where commercial power is backed up by UPS generator power. If commercial power is lost at the Data Center, generator power will continue to run the IPS indefinitely, providing the generator is refueled. If refueling is not possible and backup power is lost, service will instantly and seamlessly fail over to the secondary Data Center in San Antonio, TX. The ITS will continue to function normally, and calling will not be impacted at the facilities, except in the extremely unlikely event that both commercial power and backup power are interrupted at both the Florida and the San Antonio Data Center. In this case, the IPS would perform a data save and graceful shutdown of all call processing until commercial power is restored. Timers are set at the UPS generators and data center computers to ensure that power stability has returned before restoring full telephone service, at least 10 minutes after commercial power restoration. No Department personnel intervention is required for any aspect of system shut down or reboot.

2.4.7.6 The Contractor must provide, in its response, a written description of the space requirements associated with all components of the proposed IPS. The Contractor must clearly define how much physical space is required by each hardware component and provide a recommended equipment layout configuration.

CenturyLink has read, understands and will comply.

The CenturyLink IPS is compact and capable of supporting up to 200 inmate phones in a single standard equipment rack. The rack requires less than five square feet of floor space and minimal wall space. Approximate dimensions are 20" wide by 32"deep and 49" tall. The following is a pictorial diagram of the equipment layout:



49"H X 19"W X 24"D

The following table lists the physical sizes of the equipment that will be located on-site at the Department facilities:

Component	Model	Size

Integrated Access Device	Adtran 924E or similar	1.72" H X 17.2" w X 10.2" D
Uninterruptable Power Supply	APC or similar	3.5" H X 19.01" W X" 24" D
Switch	Cisco SG200-08 or similar	1.00" H X 5.00" W X 5.00" D

3

3.4.7.1 The Contractor must provide, in its response, the capacities/limits for the proposed IPS. At a minimum, the Contractor must provide the capacity for the following:

2.4.7.7.1 Individual Inmate Accounts
3.4.7.1.2 Call Records
3.4.7.1.3 Simultaneous Administrative Users
3.4.7.1.4 Workstations/PCs
3.4.7.1.5 Simultaneous Live Call Monitors
3.4.7.1.6 Inmate Telephones
3.4.7.1.7 Simultaneous Telephone Calls

CenturyLink has read, understands and will comply.

Given its modular architecture, the IPS allows for unlimited expansion, and can easily accommodate growth to the inmate population or facilities. There are no practical limits for any of the parameters in Section 2.4.7.7.

Database and server storage can be easily added at our Data Centers to accommodate additional inmate accounts, call records, and long-term storage of call recordings, for the entire contract term and any renewal periods. CenturyLink will ensure that the Department will have immediate online access to all system and investigative data, including call recordings, for as long as CenturyLink provides IPS services.

CenturyLink can add additional phones at any time by simply expanding the Integrated Access Devices (IADs) installed at the sites (or installing new IADs for a brand new facility). Additional network capacity requires approximately 30 days notice for the LEC to deliver additional bandwidth but does not require any system downtime.

The IPS can be accessed by an unlimited number of workstations/PCs, which can be located on site at Department facilities or offsite at remote locations. Live calls can be monitored by an unlimited number of investigators simultaneously, with no impact on system performance or the ongoing recording of all non-privileged calls.

With regards to simultaneous telephone calls, there will be a sufficient number of station and trunk ports available to provide acceptable off-hook availability to all inmate telephones. All inmate telephones will have sufficient bandwidth on our on-site Adtran devices to place a call using VoIP.

CenturyLink will provide at least a P.01 Grade of Service for all types of calls, which means that less than 1 call in 100 would be denied even during the busiest hour. This is generally regarded as a very high standard for both government and corporate telecommunications systems. CenturyLink can adjust this service level to meet specific requirements of the Department.

3.4.8 System Call Recording

3.4.8.1 The Department currently records inmate calls and monitors (in real time) select calls when necessary. This recording and monitoring is conducted on all calls with the exception of privileged calls (e.g., attorneys, etc.). The Contractor must address the following specifications regarding the recording of inmate calls.

CenturyLink has read, understands and will comply.

3.4.8.2 The IPS proposed by the Contractor must be capable of recording all inmate calls simultaneously and at any time that a call is placed. The Contractor must describe, in its response, the call recording system being proposed in conjunction with the IPS.

CenturyLink has read, understands and will comply.

The IPS system offers fully integrated digital recording capability with the option to simultaneously record every single call or record every call while excluding calls to specific numbers that are designated as "Do Not Record" in the Global Number table. The call recording process is internal to the IPS platform and call recordings are digitally stored and will be available to the facility for immediate access throughout the contract duration.

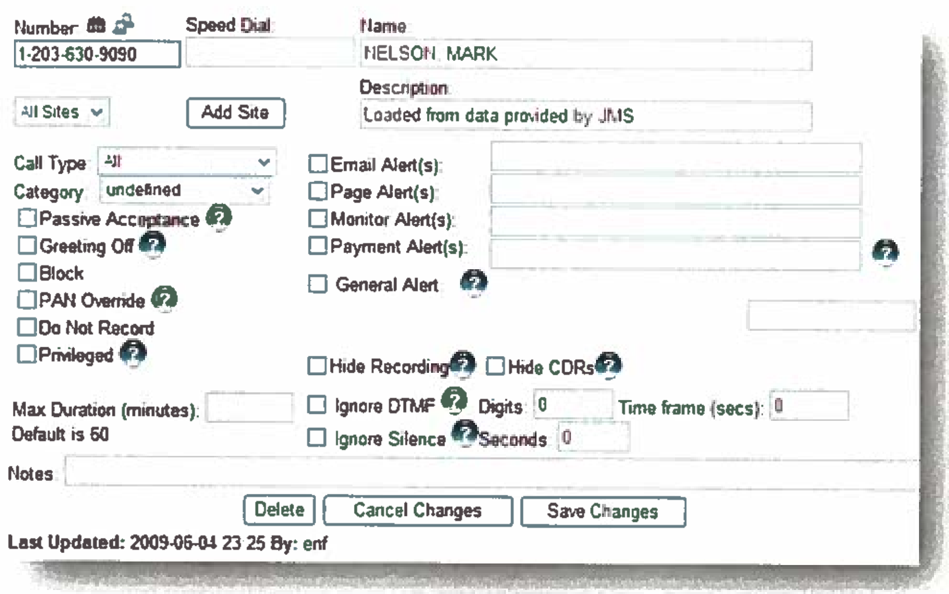
Any individual desiring access to the recording playback or call monitoring must have a valid user name with sufficient privileges and a valid password. To maintain absolute integrity of recordings for admission in court, the IPS allows only WORM (Write Once Read Many) storage. Access to or manipulation of the source recording is never allowed .

The IPS uses AU Comp to create an MD5 checksum of the audio file for every recording. The MD5 checksum is stored in the database's log file for that recording and will be duplicated with the recording to CenturyLink's Atlanta database center and the backup data center in San Antonio. Each recording and checksum is time-stamped and date-stamped as it is written to each individual NAS and is protected thereafter. No user has the ability to modify source files.

3.4.8.3 The call recording system proposed by the Contractor must be capable of allowing call recording to be deactivated for specific telephone numbers assigned to an inmates PIN. This capability would be utilized for inmate calls to attorneys, etc.

CenturyLink has read, understands and will comply.

This requirement was discussed in Section 2.4.4.1.15. It is repeated here for the convenience of the reviewer. To set a number in the inmates Approved Number List as do not record, staff will use the Global Number Table to flag a number to prohibit recording. The default value is to record all calls, numbers must be manually set to "Do Not Record"



Global Number Table

3.4.8.4 The call recording system proposed with the IPS must be a fully digital system allowing for digital storage of call recordings.

CenturyLink has read, understands and will comply.

All call recordings are recorded in digital format; we do not use any analog recording.

3.4.8.5 The call recording system proposed by the Contractor must be capable of storing all calls for the duration of the contract.

CenturyLink has read, understands and will comply.

Our standard for every customer is to store all calls for the life of the contract, and all data is stored on-line, we never archive any call recordings or data. What this means for the Department is that there is never any delay for a request for data while that information is restored from an archive. The Department will have immediate access to everything throughout the life of the contract.

CenturyLink also commits to the Department, that if awarded the contract, and if we are ever replaced by another contractor, we will work diligently to transfer all required data and call recordings to the new contractor.

3.4.8.6 The Contractor must provide backup storage of all recordings of inmate calls from each of the Department facility off site at the Contractors data storage facility for the life of this contract. The Contractor must describe, in its response, how this will be accomplished with the proposed system.

CenturyLink has read, understands and will comply.

All recordings and call data will be stored at our primary data center in Atlanta. Additionally, all data will be almost instantly backed up to our secondary data center in San Antonio. The San Antonio data center will be a fail-over site, so if for any reason the Atlanta site fails, we can quickly move to the San Antonio site, with very minimal interruption of inmate calling.

2.4.8.6 The Contractor must provide the Department with all recorded calls from the duration of the contract when the contract has terminated/expired. Describe in your response, how this will be accomplished.

CenturyLink has read, understands and will comply.

We recognize the critical security implications involved with having continued access to call recordings.

All call detail records and recordings will be made available to the Department - in searchable and playable format - upon contract termination.

The first option is to provide the call recordings to the new contractor. Recordings on the CenturyLink System are stored and transferrable to a new vendor in standard 'playable' (non-proprietary) format. Associated call detail records are also easily transferred.

As a second option, CenturyLink could make the recordings available on a standalone "leave behind" system that could be housed at a Department facility or at the new vendor's data center. This system would include database access and navigation software to ensure that past data could be quickly and easily accessed.

A final option would be to allow the Department continued access to the recordings housed in our secure data center, using the same graphical user interface and login credentials as they had used during the course of the contract.

Regardless of the option chosen, CenturyLink would provide access to legacy recordings at no cost to the Department.

2.4.8.7 The Contractor must allow access to off site inmate call recordings by the Department personnel providing the ability for the Department personnel to download and transfer such recordings to the Department designated location. The Contractor must describe, in its response, how this is accomplished with the proposed solution for the Department and what security measures are in place to ensure that the Department personnel access only those call recordings for which they are authorized.

CenturyLink has read, understands and will comply.

The CenturyLink IPS is a centralized platform, which easily allows, personnel with a login and the appropriate level of access to all reports, data and call recordings, **whether on-site or from a remote location.** Access to all data is password-protected and requires specifically assigned privileges from an authorized Department Administrator.

Each username is linked to a customized set of privileges established by administrators when they granted that user access. These privileges range from being able to create or modify inmate data to being able to display reports, playback recordings, etc. Administrators can restrict the recordings to which personnel may listen.

All recordings are stored off-site at a CenturyLink Data Center, and as described above, access is restricted by the Department's System Administrator. Department staff can access these recordings for downloading as described below in Section 2.4.8.10. Regardless of the option chosen, CenturyLink would provide access to legacy recordings at no cost to the Department.

2.4.8.8 The Contractor must allow a sufficient amount of concurrent licenses to accommodate all Department staff member requests for access.

CenturyLink has read, understands and will comply.

There are no “seat” licenses. The Department can add as may users as needed without any need to request new licenses from CenturyLink.

2.4.8.8 The call recording system proposed by the Contractor must allow access to inmate call recordings from any PC with Internet Access. The Contractor must describe, in its response, how this is accomplished with the proposed system.

CenturyLink has read, understands and will comply.

This requirement was discussed earlier in Section 2.4.5.4, our response is repeated here for the convenience of the reviewer.

The centralized CenturyLink IPS is can be accessed from any Internet-enabled computer. Since one system will handle every Department facility, there will not be a need to sign in to different systems to access data. Access is simple; if an individual has access to the Internet, they can use their office sign-on and password from any state office building, Department headquarters, residence or a hotel room. Nothing else is required.

Security is through Hypertext Transfer Protocol Secure (HTTPS) which is a communications protocol for secure communication over a computer network, with especially wide deployment on the Internet. it is the result of simply layering the Hypertext Transfer Protocol (HTTP) on top of the SSL/TLS (Secure Sockets Layer/Transport Layer Security) protocol, thus adding the security capabilities of SSL/TLS to standard HTTP communications.

The security of HTTPS is that of the underlying TLS, which uses long term public and secret keys to exchange a short term session key to encrypt the data flow between client and server.

2.4.8.9 The call recording system proposed by the Contractor must allow access to inmate call recordings at each Department facility by investigative personnel. The Contractor must describe, in its response, how this is accomplished with the proposed system.

CenturyLink has read, understands and will comply.

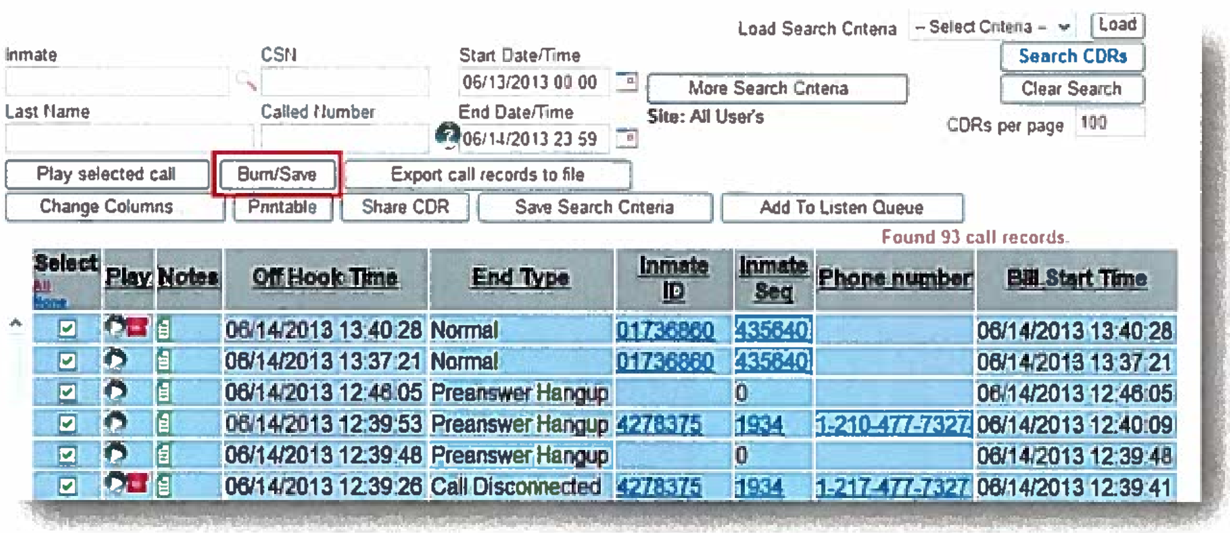
With the centralized IPS that CenturyLink will provide, all records are stored in a central location, not at individual facilities. Personnel with the proper authority can access recordings and any other IPS data at any Department facility, regardless of their location, whether on-site or remote.

2.4.8.10 At many times, the recorded telephone conversations of inmates are used as evidence in criminal or Department violation investigations. The system proposed to the Department must include the capability of transferring recorded calls and call segments to the Department designated location, and/or a Compact Disk (CD- R/CD-RW) to be played on any industry standard CD device. The interface for accessing such recordings must be have a Graphical User Interface (GUI) such as Microsoft Windows® and allow for click and drag capability for the transferring of recorded calls or call segments to CD.

CenturyLink has read, understands and will comply.

Copying recordings is a very simple process using the CenturyLink's IPS graphical interface.

After a staff member has performed a call detail query, the recording can be saved to a location on the work station, or burned to a CD or DVD by clicking the Burn/Save button, as shown below:

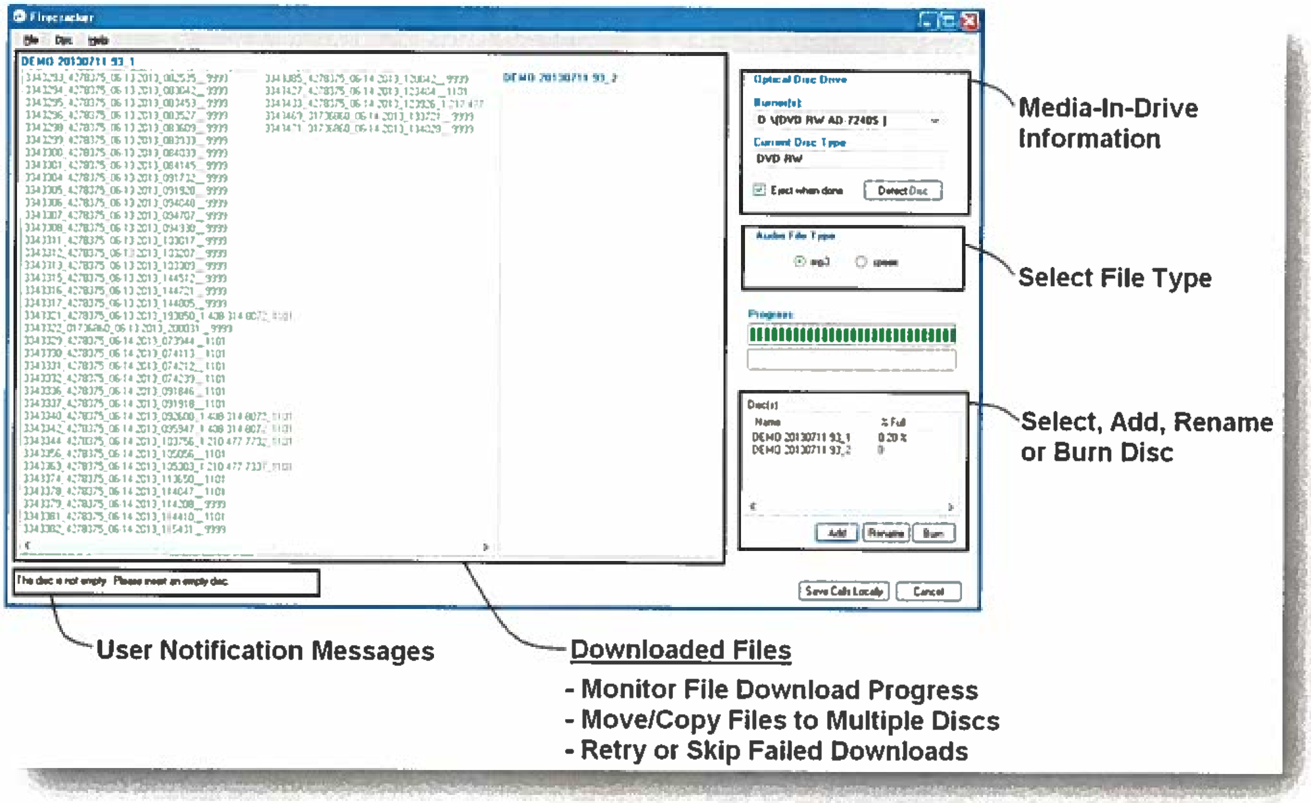


Call Detail Query Screen

After clicking Burn/Save, the CenturyLink IPS opens the Firecracker application window. The Firecracker application streamlines and simplifies the process of burning and saving inmate call recordings. Firecracker lets you perform the following tasks through a multi-pane GUI user interface:

- Burn recordings to DVDs, which provide much larger storage capacity
- Download files in either mp3 or speex (.spx) format, and then move

selected files to different discs to perform multiple burns
- Receive notification of any download errors, and then retry the files with errors
- Save mp3 or speex files to your local computer



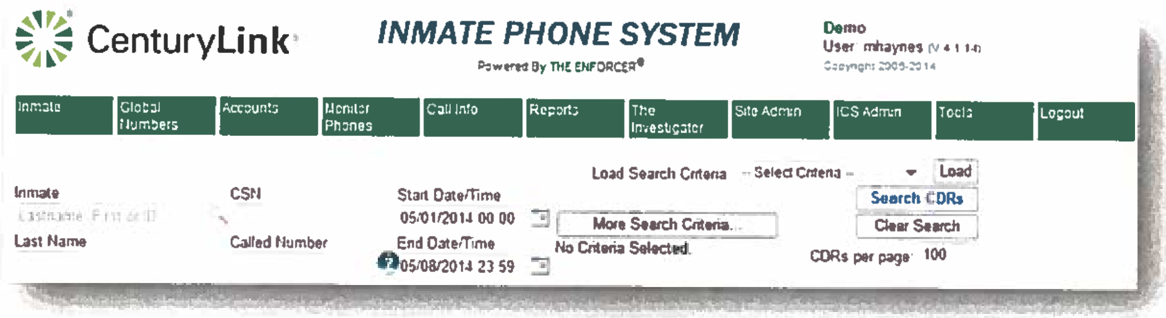
"Firecracker" Call Recording Copy Screen

2.4.8.11 The call recording system proposed by the Contractor must allow the Department personnel to locate call recordings in the following manners:

2.4.8.11.1 Search by inmate PIN;.
2.4.8.11.2 Search by certain time period (date/time);
2.4.8.11.3 Search by certain telephone instruments
2.4.8.11.4 The system must allow for the search criteria either individually or in combinations.
2.4.8.11.5 Search by called number;
2.4.8.11.6 Search by call type, ie collect, debit;
2.4.8.11.7 Search by call termination type;
2.4.8.11.8 Search by calls incomplete or complete

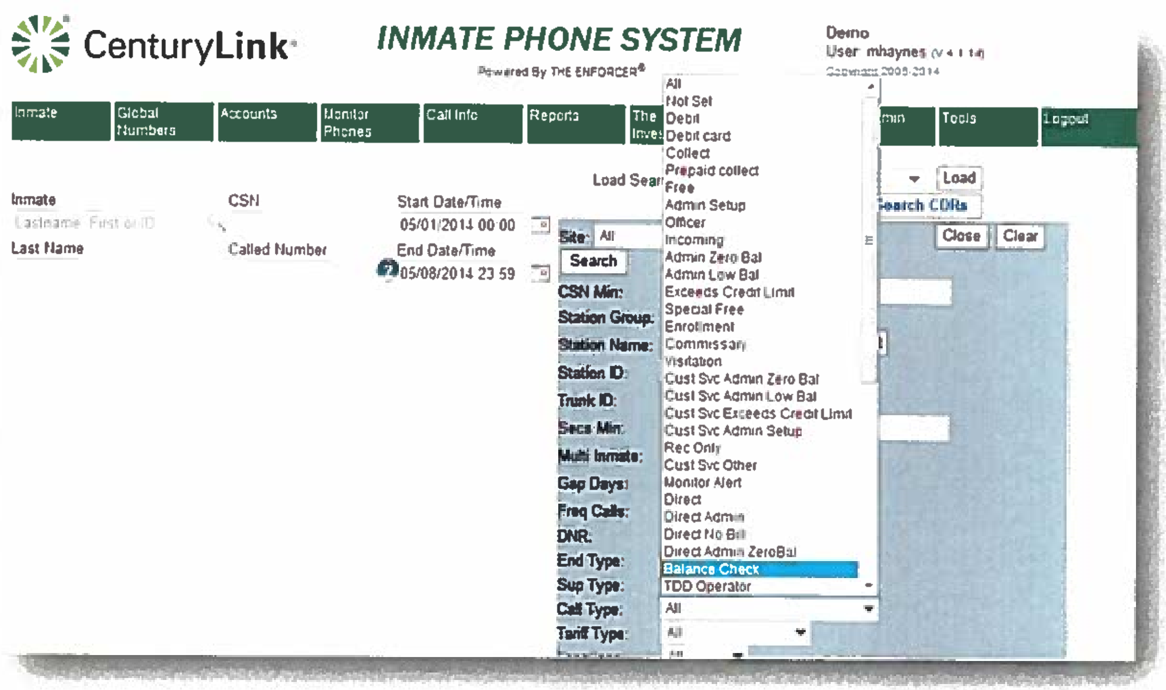
CenturyLink has read, understands and will comply.

The CenturyLink System can perform searches using multiple fields as the key. Using the simple GUI interface, The following screen illustrates the display staff would use to search; six fields (Inmate, Last Name, Inmate ID, Called Number, Start and End time) are basic search criteria. "Wildcard" searches are also possible, for example "4333*" in the Called Number field would return all phone numbers that contain 4333 anywhere in the 10-digit number stream.

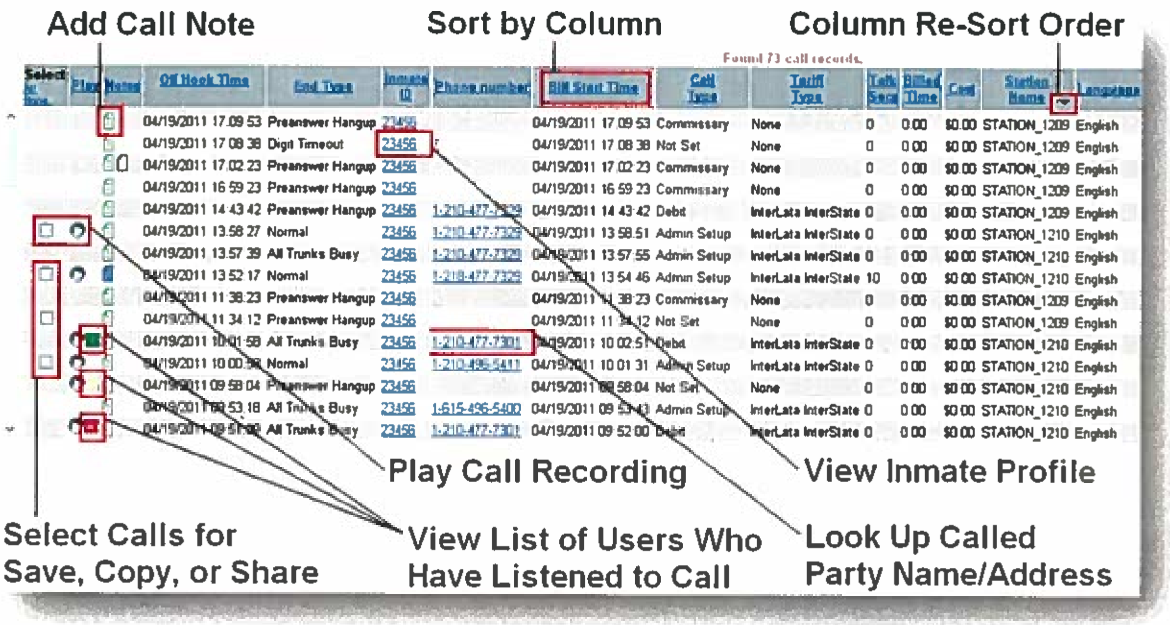


Call Detail Query Screen

By selecting "More Search Criteria", additional fields are available. There are approximately150 fields that can be used for searching using the "More Search Criteria" function. The following screen shows the 30 fields available when selecting the drop-down box in the "Call Type" category:



The screen below shows the result of a query and some of the functions available on the screen:



Query Results Screen

2.4.8.12 The Contractor must retain ownership of the proposed recording equipment for the duration of this contract. All responsibility for maintenance and upgrades must be provided by the Contractor at no cost to the Department.

CenturyLink has read, understands and will comply.

2.4.8.13 The Contractor must ensure that the call recording system proposed with the IPS is maintained at the latest hardware and software level to ensure that the Department personnel are utilizing the latest tools available for call recording and call monitoring of inmate calls.

CenturyLink has read, understands and will comply.

2.4.8.14 It is desirable that the call recording system provide a search capability that allows the Department personnel to search recordings for certain key words or phrases. The Contractor must provide, in its response, a description of this capability.

CenturyLink has read, understands and will comply.

Call Transcription vs. Phonetic Keyword Search
If the Department is evaluating different "word search" technologies, please know that in our experience, voice-to-text transcription technologies are not well-suited to the corrections environment and are ultimately more time-consuming than they are effective.

The primary reason that voice-to-text technologies do not work well in corrections is that the effectiveness of these technologies relies upon first "training" the software to recognize a particular voice and create a vocabulary for that speaker.

They are built to be accurate and efficient at translating *one particular voice* to text. In the corrections environment, the software would be tasked with translating the speech of thousands of inmates.

And then, to further complicate the process, each phone call involves two unique voices, which may have different accents and vocabularies and, worse, are very likely to interrupt or talk over one another, as is normal in casual conversations. Excessive background noise in a correctional setting can further exacerbate the problem making for, in our experience, extremely low accuracy rates.

SUPERIOR PHONETIC SEARCH TECHNOLOGY

Word Detective uses Nexidia's patented phonetic indexing and search technology based on the roughly 40 "utterances" that make up all human speech, NOT transcription-based cataloging and re-cataloging.

In addition, the Enforcer IPS' multi-channel recording technology – which isolates the called party vs. the inmate side of the conversation – ensures that the software is not confused by inmates and called parties talking at the same time.

- ✓ Greater accuracy. Phonetic search = no need for software to make "subjective" guesses as to what the person actually said.
- ✓ Greater flexibility. Not dictionary based = no need to train the system for dialects or accents.
- ✓ Greater speed. I all calls at once, independent of the user-defined static library = no need to re-process recordings once new keywords are entered.

With our Word Detective keyword search tool, powered by Nexidia, investigators can quickly scan thousands of call recordings to locate words or phrases of interest. Word Detective searches for the sounds that make up words, and therefore it is highly accurate, even in a conversation with simultaneous speakers, dialects, and background noise – all typical conditions in a corrections environment.

There will be a slight impact to commissions for Word Detective, should the Department choose to select this feature.

Keyword Search Expanded Capabilities – Multiple Related Words in One Search

Word Detective can search recorded conversations not for specific words, but also for "associated words," i.e., synonyms, related terms, and related slang. To enable this functionality, a generic "Association Table" has been built that contains common search terms and their associated words or phrases. This was developed using information, including slang terms known to be used in correctional facilities, that is readily available in the public domain.

With this feature in place, investigators can run a search for a specific word, and Word Detective will return results that contain that word or any associated terms. For example, a search for the word "attorney" would find conversations that contain the word "attorney" or the word "lawyer."

- **Phoneme based search**: Rather than try to search for whole word matches, the system scans calls and reduces them to phonemes- the 45 sounds that actually make up spoken language. This enables identification of words or phrases that may be mispronounced or spoken with an accent.

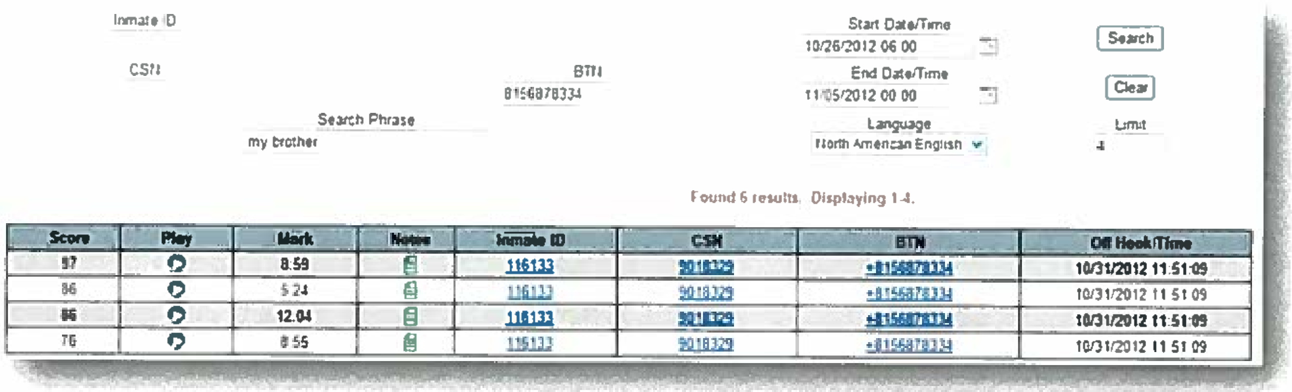
- **Nested Queries**: Many searches (i.e. calls where the word "dope" is used) will return more calls than an investigator has time to listen to. Nested queries allow you to run a search, then search again within the results (i.e. first search for "dope" then search within results for "soon," or "get.")

- **Structured Queries:** The meaning of many words or phrases depends on context. The system allows you to run structured queries using and/or statements to quickly identify only those calls where a word is used in a particular way. For instance you could search for "Don't + tell," or "Beat-down + saw or heard."

Investigators can customize and expand upon the generic Association Table by adding new slang and terms that are specific to the Department's inmate population. Custom terms can be entered into a common database table or each user can create their own custom tables containing a personal list of word associations.

In addition to the functionality above, Word Detective users will also be able to run advanced searches for more than one specific word using "and / or" statements. For example, a search for "drugs and sell" would return results in which both words appear in the same sentence. The features of Word Detective are very intuitive; staff will quickly become proficient in its use.

After the user enters desired criteria and clicks the Search button, Word Detective returns search results in the format shown below. In this example, the words "my brother" were specified as well as a limit on the number of displayed results (4):



Score	Play	Mark	Notes	Inmate ID	CSN	BTN	Off Hook Time
97		8.59		116133	9018329	+8156878334	10/31/2012 11:51:09
86		5.24		116133	9018329	+8156878334	10/31/2012 11:51:09
86		12.04		116133	9018329	+8156878334	10/31/2012 11:51:09
76		8.55		116133	9018329	+8156878334	10/31/2012 11:51:09

Word Detective Screen

The IPS assigns a numerical score to each call recording that is detected to contain the specified text string. This score is displayed in the Score column to indicate the probability percentage that an exact match of the text string was found. Search results are displayed in Score order, from highest to lowest.

2.4.8.15 It is desirable that the call recording system provide a manner in which call recordings are encrypted to ensure that no digital modification of the recording has been made or to note if such modifications have been made. The Contractor must describe, in its response, how this encryption function operates and the features provided by such.

CenturyLink has read, understands and will comply.

Access to all data in the Enforcer database is read-only for all users and the system has built-in applications to test the integrity of data so that records and recording will be admissible in court. The CenturyLink IPS uses AU Comp to create an MD5 checksum of the audio file for every recording. The MD5 checksum is stored in the database's log file for that recording and will be duplicated with the recording to the primary and backup data centers.

Each recording and checksum is time-stamped and date-stamped as it is written to storage and is protected thereafter. No user has the ability to modify source files. The checksum can be used to determine if the recording has been tampered with.

The IPS also logs all user activity. System Administrators can run reports on this information to gain insight into what actions are being taken by staff. The User Update Report is another way that the Department can track, and monitor what its users do.

The User Update Reports display each and every username that made changes on the left, exhibits when they last logged-in, shows which 'table' they accessed last, what phone or inmate information was altered, the name of the inmate, and the inmate number (if applicable).

In the report sample below, for example, you can see that the user "jkline" logged in at 1:38 p.m. on April 17 and listed to the recording of a call placed by inmate Rodney Lehman.

04/17/2012 19:11 - Page 1

User Update Report
Site: Summit County, OH
Start Time = 04/17/2012 00:00 End Time = 04/17/2012 23:59

username	last login	table	Phone or Inmate	Name	Inmate or Number
aminchan	2012 04 17 16:08	Recording	[illegible]	TORREY SWAIN	[illegible]
Subtotal	Number of Items 1				
jkline	2012 04 17 13:38	Recording	[illegible]	RODNEY LEHMAN	0000078734
Subtotal	Number of Items 1				
jnorman	2012 04 17 13:33	Inmate	0000000848	CHESTER CALLERS	
		Inmate	[illegible]	ERIC HOWELL	
		Inmate	0000002565	GARY NORMAN	
		Inmate	0000074798	Michael Brown	
		Inmate	[illegible]	EDMAURICE IVORY	
		Inmate	[illegible]	MICHAEL HIGGINS	

User Update Report

2.4.9 Live Monitoring

2.4.9.1 The proposed IPS must allow the Department personnel to monitoring inmate calls while the call is in process (real time). This live monitoring must be allowed by specific inmate telephone within the Department facility. The Contractor must provide all necessary equipment and software required to perform live monitoring with the proposed system.

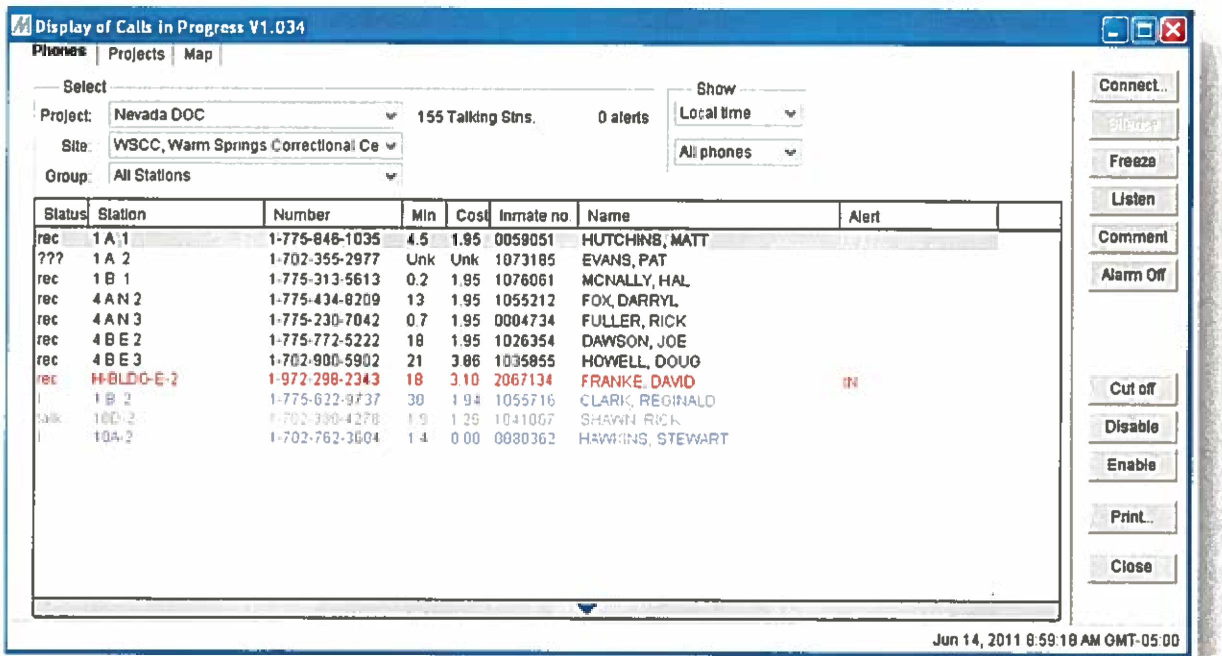
CenturyLink has read, understands and will comply.

Call monitoring is fully integrated with System and is accessible through the Monitor Phones tab, which then displays the "Display of Calls in Progress" screen. The authorized user selects a station or trunk to monitor with a click of the mouse, and then clicks the "Connect" button. This function is **silent and undetectable by either the inmate or called party**.

Multiple monitoring sessions can occur at the same time **without any impact to ongoing call processing or recording.** Users cannot monitor calls flagged as "do not record".

Authorized Department personnel can monitor any live call in progress with a high level of audio quality **from any location, whether remote or on-site.**

Once the operator has gained access to this display with the proper password and privileges, the monitoring operation can be activated. The operator simply clicks on a call in progress, or telephone station port, and the system begins streaming the audio to the workstation and plays through the workstation speakers or attached headset. The Display of Calls in Progress" screen is shown below:



Display of Calls in Progress Screen

The Monitor Phones function group lets you perform several actions on live (in-progress) calls, recent calls, and the phone stations from which the calls are made. These include:

- Customizing or limiting the calls/stations you are viewing
- Monitoring a call in progress
- Performing security-related tasks, such as cutting off a call in progress or disabling a phone station

- Taking a "snapshot" of the displayed information
- Accessing more detailed information about a selected call
- Adding comments for a call

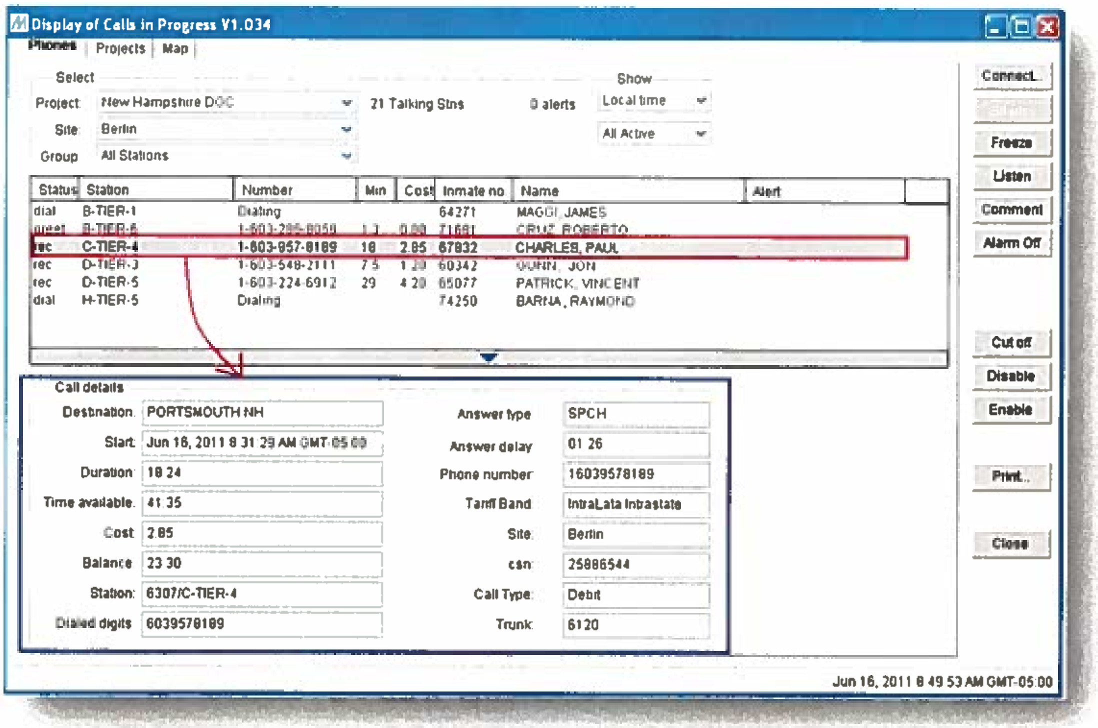
Each line is color-coded and displays information about the call. The color codes indicate:

- Black – Call in progress
- Gray – Call in progress, but not being recorded (attorney call, for instance)
- Blue – Phone station is currently inactive (most recent call displayed)
- Light Blue – Phone station is currently inactive, and most recent call was not recorded
- Red – Alert triggered (call in progress or most recent call triggered alert)

Staff can filter the type of call being displayed to narrow the range of calls displayed:

- All Phones – Every phone in the facility, in use or not in use
- Call only - Displays calls in progress
- Alerts only – Call in progress, or most recent call made that has triggered an alert
- All Active – All phones off-hook (calls in progress, or a phone handset off the hook, but no call placed)
- Visitation – Calls in progress or most recent calls made on visitation phones

Double-clicking on any call in the list will display additional call details, as shown below:



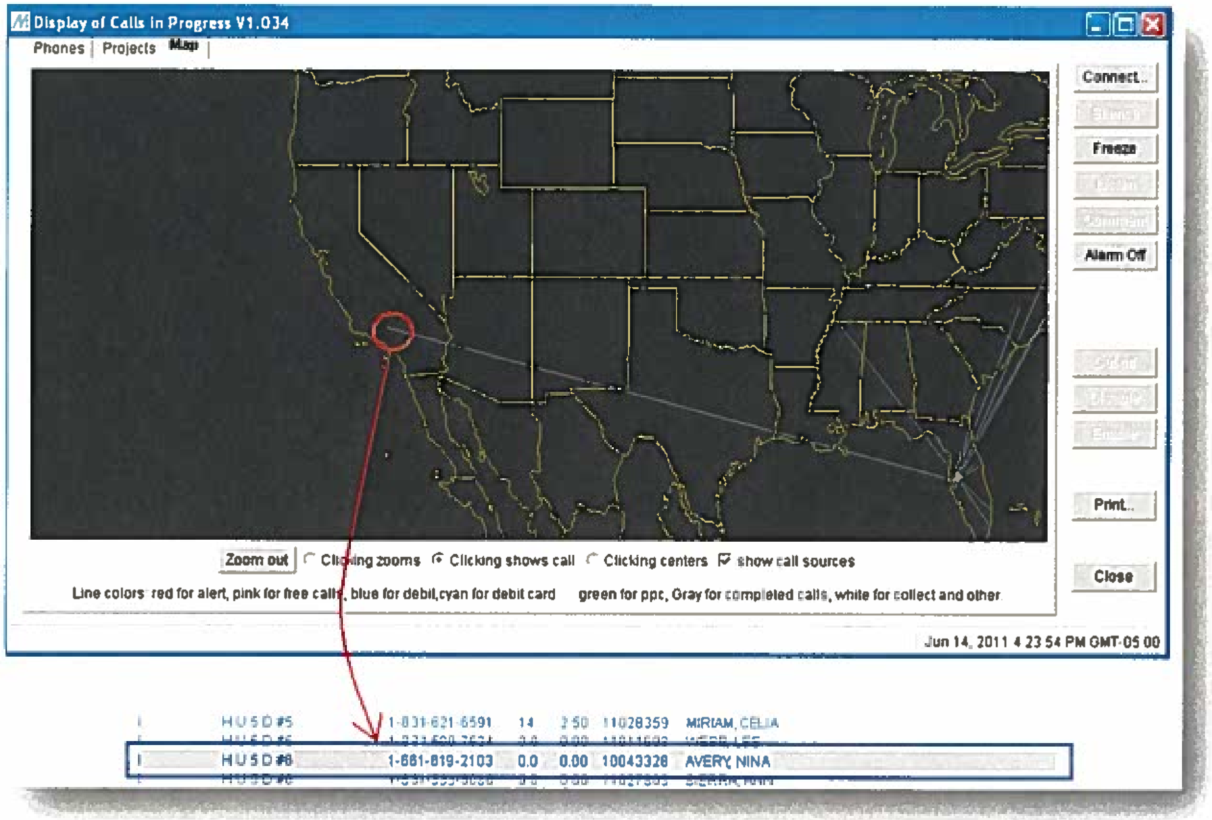
Display of Calls in Progress Screen

Along the right side of the screens are several buttons that allow staff to perform various monitoring functions, including listening, disconnecting the call, or adding comments to the Call Detail Record for a particular call:

Action Button	Function
Connect...	Function is for ICS Technical Support only, not currently used by ENFORCER client facilities.
Silence	Function is for ICS Technical Support only, not currently used by ENFORCER client facilities.
Freeze	Click this button to freeze the list of displayed calls (displays point-in-time list and "freezes" the dynamic display of call activity).
Listen	Click this button to monitor the call. After you click this button, your default Call Player opens on top of the Monitor Phones window. The inmate and called party *are not* notified and *are not* aware that you are monitoring the call.
Comment	Click this button to add a comment (note) to the Call Detail Record for the call.
Alarm Off	Function is for ICS Technical Support only, not currently used by ENFORCER client facilities.
Cut off	If fraudulent activity or threatening behavior is detected on the call, click this button to cut off (disconnect) the call.
Disable	Click this button to temporarily disable the phone station. If a call is currently in progress when you click Disable, the inmate will be allowed to complete the call before the station is disabled. If you want to cut off the call *before* disabling the station, click Cut off *before* you click Disable. After you click Disable, the station will remain in a 'disabled' state until you select the station, and then click Enable.
Enable	Click this button to re-enable the phone station.
Print...	Click this button to print the current list view from your browser. To prevent the display from changing, you should click the Freeze button prior to printing the screen. If you want to display a detailed record for a call, click the call information line, and then click the ▲ icon to show the Call Details window.
Close	Click this button to close the Monitor Phones window.

Monitor Phones – Call/Station Action Button Descriptions

Clicking on the "Map" tab will allow staff to view a geographical map of the continental United States that shows a like between every call in progress, and the last call made from every active station. Other map detail is also available, for example, by clicking on the end point of one of the lines, the call detail is presented, as shown below:

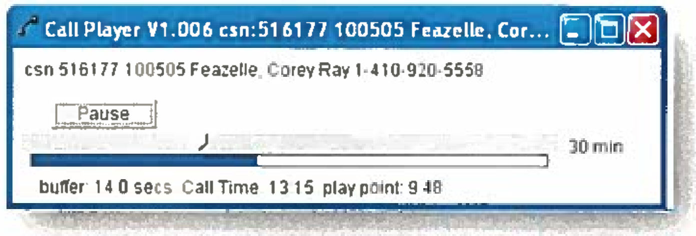


Map Display of Calls in Progress

2.4.9.2 The live monitoring function of the proposed IPS must allow for real time monitoring of inmate calls in progress within each of the Department facility with no delay in the monitoring. The Contractor must describe, in its response, how this will be accomplished with the proposed system.

CenturyLink has read, understands and will comply.

Monitoring sessions occur in true real time with no delay in transmission of the audio, using standard live audio streaming techniques. When a user selects a call in progress to begin monitoring, the audio is streamed to that user live and in real-time. All audio is buffered so even if a call is five minutes in when a user begins monitoring the call, the user may scroll back to any point in the call and listen to the audio using the Call Player scroll bar, as shown below:



Call Player Scroll Bar

2.4.9.3 The proposed IPS must allow for the Department personnel to monitor inmate calls in progress by entering the specific inmate PIN. The Contractor must describe, in its response, how this is accomplished with the proposed system.

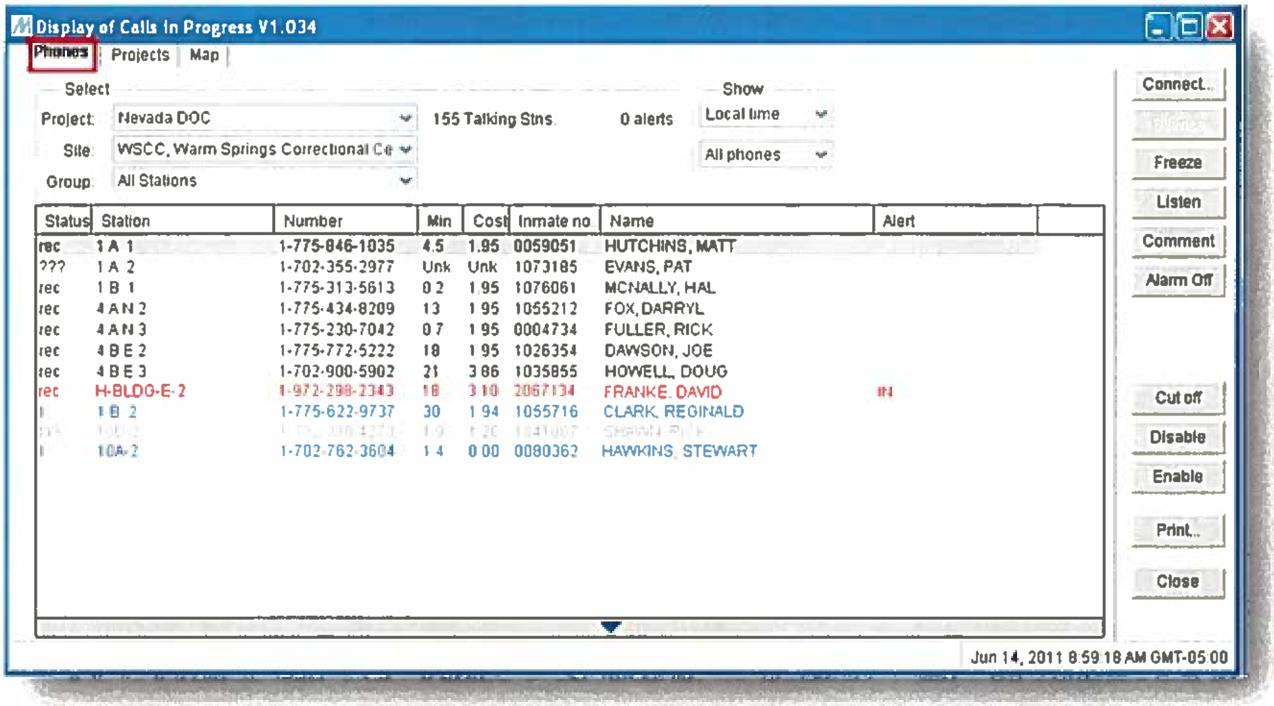
CenturyLink has read, understands and will comply.

The CenturyLink IPS does not allow selection of an inmate call for monitoring by entering a PIN number. Our reasoning for not having this feature follows:

Based on the Department information in Attachment #5, showing an inmate population and phone count of approximately 44,000 and 1,190 respectively, if all of the phones were in use at one time, only about 2.7% of the inmates would be making a call. Our experience is that the usage during a peak hour is considerably less, around 10%. That would mean something less that 0.3% of Department inmates would be making a call. The chance that staff would actually find a call in progress to monitor by entering an inmate PIN is extremely remote.

We feel there are two better ways to meet this requirement:

- Set an alert to be notified when the inmate makes a call. This is described in detail in Section 2.4.9.5 below.
- Use the Display of Calls in Progress Screen (shown below) and sort by the "Inmate no." field to see if the inmate in question is currently in a conversation.



Display of Calls in Progress Screen

2.4.9.4 The proposed IPS must allow for the Department personnel to monitor inmate calls in progress by entering a specific telephone number. The Contractor must describe, in its response, how this is accomplished with the proposed system..

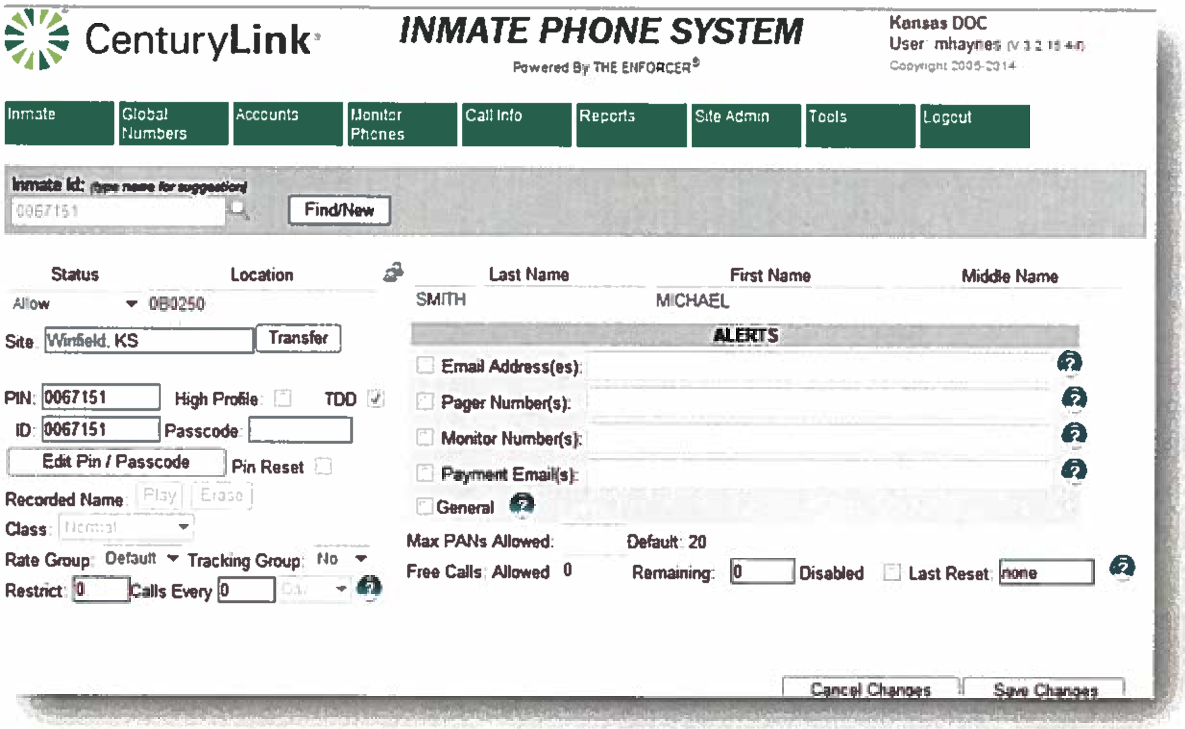
CenturyLink has read, understands and will comply.

As discussed in Section 2.4.9.3, immediately preceding this Section, our IPS does not allow staff to select a call to monitor by entering a telephone number. The rationale is the same; staff will have an extremely remote chance of connecting with a live call by typing in a telephone number. As in 2.4.9.3, the alert feature or the Display of Calls in Progress screen can be used as a surrogate for this requirement.

2.4.9.5 The proposed IPS must allow for alerts or alarms that will notify the Department personnel when a specific inmate is placing a telephone call thus allowing the Department personnel to monitor that call while it is in progress. The Contractor must describe, in its response, how this function will operate with the proposed system

CenturyLink has read, understands and will comply.

Alerts can easily be entered into the Inmate Profile screen, as shown below.



Inmate Profile Screen

There are five types of alerts that can be set:

Alert Type	Purpose
Email Address(es)	When checked, the Enforcer sends an email message to one or more defined addresses when a call is made using the inmate PIN. An email alert is recommended as a backup contact method when a Monitor alert (phone number) is set up for the inmate. You may enter up to 120 characters in this field. Use a comma to separate multiple email addresses.
Pager Number(s)	When checked, the Enforcer places a "notification" call to defined pager numbers or sends a text message to defined cell phones when a call is made using the inmate PIN. All pagers will be called. Use a comma to separate multiple numbers.
Monitor Number(s)	When checked, the Enforcer places a "notification" call to defined numbers when a call is made to the called party. This notification enables a detective or investigator to acknowledge, and then monitor the call in progress. Only the first number that acknowledges will be able to listen to the call. Use a comma to separate multiple numbers.
Payment Email(s)	When checked, the Enforcer sends an email message to one or more defined addresses whenever a payment is made on the inmate's Debit

	account. You may enter up to 120 characters in this field. Use a comma to separate multiple email addresses.
Genera	When checked, this setting turns on the alert flag in Call Detail Records (CDRs) and in the Call Monitoring function (red Alert icon).

2.4.9.6 It is desirable that the IPS provide the alerts listed above via e-mail address, wireless pager and/or cellular telephone. The Contractor must list, in its response, the devices to which the IPS can send alerts.

CenturyLink has read, understands and will comply.

As described above in 2.4.9.5, the System provides alerts to email addresses, pagers, and both landline and cellular telephones.

2.4.9.7 It is desirable that the IPS provide the alerts to the devices in a multiple target mode. For example, the alert is sent to a cellular telephone. If unanswered, the call would then send via e-mail or to a pager number.

CenturyLink has read, understands and will comply.

Investigators can set the System to automatically transfer calls to them for monitoring wherever they may be by using CenturyLink's "Find Me, Follow Me" service. "Find Me, Follow Me" allows call alerts to phone multiple investigator telephone numbers (such as an office number, cell number, and home number), trying each number in succession until the investigator answers and enters the correct access code; this feature dramatically increases the probability than an investigator will be located and can monitor a call of interest while it is still in progress.

Best-in-Class Solution: Find Me, Follow Me

This feature, currently in use at NDOC, enables a single alert to try more than one number to contact an investigator

2.4.9.8 The proposed IPS must allow for the Department personnel to monitor inmate calls in progress for a site remote from the Department facility from which the call is placed. The Contractor must state, in its response, how this will be accomplished with the proposed system.

CenturyLink has read, understands and will comply.

The CenturyLink System is centralized; there will be no facility-specific systems which means that all Department facility calls and data will handled by one system, regardless of the facility's location. Personnel at on site can monitor any call in progress at any other facility. The remote staff member will need to have access to a computer with Internet access.

2.4.9.9 It is desirable that the IPS call monitoring capability allow for remote monitoring of the inmate calls in progress from within the facility (e.g., officers in towers, etc.). The Contractor must state, in its response, what is required to provide this remote call monitoring within the particular the Department facility.

CenturyLink has read, understands and will comply.

Any member of the Department's staff who has the proper authorization can monitor inmate calls. The only requirement is that those individuals have access to a computer with Internet access. This also holds true for anyone not at a Department facility.

2.4.10 General Telephone Equipment Requirements

2.4.10.1 The Inmate Telephone Station Equipment required for the Department must consist of four (4) types of telephones as listed:

2.4.10.1.1 **Type 1: Wall Mounted Telephones (Indoor)**

2.4.10.1.1.1 The first type must be permanently mounted wall telephones meeting the following specifications:

CenturyLink has read, understands and will comply.

2.4.10.1.1.2 All Inmate Telephone Equipment must be of new manufacture and be provided (and installed) with the proposed IPS at no cost to the Department.

CenturyLink has read, understands and will comply.

2.4.10.1.1.3 The Contractor must provide all required materials, hardware, software and telephone cabling (where re-use is unavailable or new locations are required) to install the proposed inmate telephones.

CenturyLink has read, understands and will comply.

2.4.10.1.1.4 The Contractor is responsible for reimbursing the Department for any construction costs incurred to facilitate the installation of the inmate telephones.

CenturyLink has read, understands and will comply.

2.4.10.1.1.5 All inmate telephones must be powered by the IPS system and require no additional power source at the instrument.

CenturyLink has read, understands and will comply.

2.4.10.1.1.6 The inmate telephone instrument must be compact in design. The Contractor must include photographs of the proposed inmate telephones in its response.

CenturyLink has read, understands and will comply.

CenturyLink will install the Wintel ITC7090SS Coinless Inmate Phone with volume control, which is the overwhelming choice for inmate facilities throughout the industry. This hardened inmate phone meets and exceeds the listed requirements for the Type 1 and Type 3 listed above.

The inmate telephones have been constructed to be tamperproof and are constructed of 14-gauge stainless steel and designed for indoor or outdoor inmate use. Features and benefits of the Wintel ITC7090SS are listed below:

- Magnetic hook switch
- Built-in volume user controlled volume "LOUD" button on all inmate telephones.
- Meets all ADA requirements for user controlled amplification.
- Rugged vandal resistant housing especially designed for inmate use.
- Sealed handset suitable for heavy use and abuse areas.
- Security screws to minimize tampering.
- Confidencer technology filters out background noise at the user's location.

- Armored handset cord equipped with a steel lanyard (1000 lb. pull strength) and secured with vandal resistant retainers.
- Hearing aid compatible and FCC registered (DF4USA-75652-CC-E)

2.4.10.1.1.7 The inmate telephone instruments must not include coin entry slots or coin return slots regardless of whether these functions are disabled.

CenturyLink has read, understands and will comply.

2.4.10.1. 1.8 The inmate telephone instruments must not contain card reader capabilities or slots used to identify inmate telephone accounts for purpose of debiting inmate telephone accounts.

CenturyLink has read, understands and will comply.

2.4.10.1.1.9 The Contractor must provide a unique number, physically imprinted on each Inmate Telephone so that the number can be seen by the Department personnel for the purposes of reporting troubles and troubleshooting problems. As new inmate telephones are added or telephones are replaced they must be identified in the same manner and all appropriate paper work must be updated to reflect the addition.

CenturyLink has read, understands and will comply.

2.4.10.1.1.10 The inmate telephones must be capable of reducing or eliminating background noise to the inmate using the telephone. The Contractor must describe, in its response, how this will be accomplished with the proposed inmate telephone instruments (e.g., confidencers, phone enclosures, etc.).

CenturyLink has read, understands and will comply.

The Wintel 7090 SS inmate telephone uses confidencers to minimize background noise.

2.4.10.1.1.11 All inmate telephones must provide volume controls which allow inmates to amplify the called parties voice.

CenturyLink has read, understands and will comply.

2.4.10.1.1.12 The Contractor must provide dialing instructions as well as a warning that states This Call is Being Recorded to the inmate in English and Spanish on each inmate telephone in a manner which reduces the possibility of being destroyed. Simple labels or other accessible surface instructions will not be acceptable to meet this requirement.

CenturyLink has read, understands and will comply.

2.4.10.1.1.13 The Contractor must maintain the above required telephone dialing instructions and warning statements for legibility and accuracy during the course of this contract.

CenturyLink has read, understands and will comply.

2.4.10.1.1.14 The inmate telephone instrument must not be capable of being used to program any feature of the proposed JPS.

CenturyLink has read, understands and will comply.

2.4.10.1.1.15 All of the proposed inmate telephones must be compliant with all applicable requirements of the American with Disabilities Act (ADA).

CenturyLink has read, understands and will comply.

2.4.10.1.2 **Type 2: Max Custody Unit/Facility**

2.4.10.1.2.1 The second type of inmate telephone instrument must be portable or movable inmate telephones that are used mainly in special management units and must be manufactured to withstand abuse (physical, liquid, etc.) as well as be compact enough to fit through standard food slots. Industry standard 2500 telephone sets will not be acceptable at meeting this requirement. The Contractor must state how it will allow the Department to secure the touch tone pad after the special management units inmates initial call now has been placed.

CenturyLink has read, understands and will comply

Centurylink will provide a corrections grade cordless phone solution that is shatter/impact resistant, submersible, and otherwise suitable for the correctional environment. Cordless mobile phones will be provided to Department facilities, maintained and replaced by Centurylink throughout the term of the Agreement.

The Wireless Solution Centurylink has chosen is the DECT 6.0 Cordless Phone with a submersible waterproof handset. This unit has been successfully deployed in other Centurylink markets with a great deal of success. With its waterproof casing and floating cordless handset, this submersible cordless phone provides the mobility required by the Department. W th DECT 6.0 digital technology, this cordless phone avoids interference from wireless networks and appliances, giving crystal clear sound. This technology also offers better security against eavesdropping and an improved range over other phone systems.

Each handset has an eight hour talk time and seven days of standby power. Before being placed into service every cordless mobile phone will have memory / redial functionality removed or disabled by CenturyLink so that Inmates are not able to see or access another Inmate's calling information.

2.4.10.1.2.2 The Contractor must describe, in its response, how these movable or portable telephones will be moved from one cell to another by the Department personnel to allow for inmate calling.

CenturyLink has read, understands and will comply

The DECT 6.0 cordless handset measures approximately 2" wide by 6" tall by 1.25" deep, which allows the handset to be easily moved between cells and passed through the food slots.

2.4.10.1.2.3 The Contractor must provide a special management unit telephone that includes all call restrictions of the IPS with regard to inmate PINs, call duration, etc.

CenturyLink has read, understands and will comply

All call restrictions on a "normal" inmate phone will also be available to the portable inmate phones.

2.4.10.1.2.4 The Contractor must provide the most current technology when supplying cordless telephones. The cordless phone must also be the most currently durable phone available on the market. Subject to approval by ADC

CenturyLink has read, understands and will comply

2.4.10.1.3 **Type 3: Outdoor Telephones**

2.4.10.1.3.1 The third type of Inmate Telephone Station Equipment must be all weather inmate telephone sets to be used in some outdoor conditions as various Department facilities.

CenturyLink has read, understands and will comply.

2.4.10.1.3.2 The outdoor inmate telephone instruments must meet all requirements of the Type 1: Wall Mounted Telephones (Indoors) described in this section. The Contractor must state this compliance in its response.

CenturyLink has read, understands and will comply.

CenturyLink will use the same Wintel ITC7090SS Coinless Inmate Phone for the outdoor inmate telephone instruments as for the Type 1 Wall Mounted Telephones. This unit is designed to also be used in an outdoors environment.

2.4.10.1.3.3 The outdoor inmate telephone instrument must be weather-proof to ensure durability in outdoor conditions.

CenturyLink has read, understands and will comply.

2.4.10.1.4 **Type 4: TDD/TTY Devices**

2.4.10.1.4.1 The Department currently has inmates who are deaf or hearing impaired and must place out going telephone calls via a TDD/TTY. The Contractor must describe, in its response, how such calls will be conducted in conjunction with the proposed IPS.

CenturyLink has read, understands and will comply.

CenturyLink will install the Ultratec Superprint 4425 TDD device, which is the overwhelming choice for inmate facilities throughout the industry. Features and benefits of the Ultratec Superprint 4425 TDD device are listed below:

- Built-in 24-character printer
- Three selectable print sizes
- 32 K memory
- Memos you can name for easy recall and sending
- Keyboard and memory dialing
- Call progress (display shows whether line is ringing or busy in direct connect)
- Tone-and-pulse dial
- Auto-answer (direct connect)
- Remote message retrieval
- Auto ID
- Time and date
- TTY voice announcer
- User-programmable relay voice announcer
- 20-character vacuum fluorescent display
- Rechargeable batteries
- Optional ASCII code
- Optional large visual display port (includes ASCII)

❖ DISTINGUISHING FEATURE ❖

Call control for hearing-impaired inmates will be provided through the CenturyLink Enforcer System. The System provides the ability to place outgoing telephone calls utilizing an Ultratec Superprint 4425 TDD device integrated with the IPS, which means all call control features are maintained—including live monitoring of the text.

The technology that will be provided will eliminate the need for a staff member from having to initiate the call process. Also, it means that inmates will not gravitate to TDDs in order to try to defeat the Enforcer security features. The inmate calling process is initiated when the inmate types the information into the TDD device that will dial out through the IPS to the Telecommunication Relay Center.

Call progress tells the inmate if the phone their calling is ringing or busy via an LCD display. Convenient arrow keys make it easy to review information saved in memory. The TTD Announcer lets hearing people know the inmate is on the line.

The User-programmable Relay Voice Announcer tells hearing callers to use a TDD or use relay, and gives the phone number for the inmate's relay service. Auto ID notifies called parties that the inmate caller is using a TTD.

2.4.10.1.4.2 The Contractor must describe, in its response, how outgoing inmate calls via the TDD/TTY are conducted in the following circumstances while maintaining all call controls:

2.4.10.1.4.2.1 standard telephone number on the inmates call list.

2.4.10.1.4.2.2 Toll free number for the deaf relay service;

2.4.10.1.4.2.3 711 deaf relay service call;

CenturyLink has read, understands and will comply.

All call controls are maintained regardless of how the call is placed, either on a normal inmate telephone, a portable telephone, or on a TDD telephone.

2.4.10.1.4.3 The Contractor must describe, in its response, how outgoing call control for TDD/TTY users is maintained with the proposed JPS.

CenturyLink has read, understands and will comply.

The call is handled exactly like a call placed over a regular inmate telephone. All restrictions, including allowed numbers, privileged numbers, and inmate restrictions apply to the TDD call without any exceptions.

2.4.10.1.4.4 The Contractor must provide adequate TDD/TTY or suitable devices to each of the Department facility, maintain such devices as well as provide additional devices, at no cost, when requested by a specific Department facility.

CenturyLink has read, understands and will comply.

2.4.10.1.4.5 The Contractor must provide TDD/TTY or suitable devices which contain a digital display (e.g., LCD, LED, etc.) and a printing device.

CenturyLink has read, understands and will comply.

2.4.10.1.4.6 The Contractor must provide TDD/TTY or suitable devices that allow the inmate conversation to be printed in real-time allowing the Department to have a hard copy of the inmate conversation with the exception of privileged calls to attorneys, etc.

CenturyLink has read, understands and will comply.

2.4.10.1.4.7 The Contractor must describe, in its response, how inmate call will be invoiced (and to whom) when the inmate uses the TDD/TTY device to place a call.

CenturyLink has read, understands and will comply.

Calls are invoiced exactly as a standard prepaid, collect, or inmate debit call. The exception would be a call placed to a relay service; typically these are placed to an "800" number and are free, but the IPS vendor does not have any control over charges applied by some relay services.

2.4.11 Data Back-Up

2.4.11.1 The Contractor must perform all system and database back-ups and archiving. All archival hardware, supplies, network and recovery procedures which ensure that no data shall be lost must be provided by the Contractor at no cost to the Department.

CenturyLink has read, understands and will comply.

Our response to this requirement is combined with the response to 2.4.11.2 immediately below.

2.4.11.2 The Contractor must be capable of recovering all system data for all locations, to the point of full system operation, using a system backup.

CenturyLink has read, understands and will comply.

CenturyLink operates two separate data centers to ensure that if the primary center is lost due to a catastrophic event, no data are lost and full system operation can be transferred to the secondary site. All system components – servers, storage arrays, routers, network connectivity, power, HVAC, etc. – are engineered with backups within each data center.

All infrastructure needed to ensure complete data (both call detail records AND recordings) as well as system operation backup will be supplied by CenturyLink at no cost to the Department.

Telco-grade Network Design
As "The Phone Company" throughout most of Arizona and a Tier 1 network and data center provider nationwide, CenturyLink, Inc.'s assets allow us to engineer for maximum resiliency and redundancy, and provides end-to-end network management that no other provider can match, from network design, installation, diagnostic, and break-fix capabilities.

CenturyLink recognizes that loss of recordings or other data potentially poses a threat to public safety – even one lost recording is not acceptable. As the only network provider in the inmate communications business, CenturyLink, Inc.'s corporate assets allow us to cost-effectively ensure this does not happen.

Critical benefits to the Department:

- **Highly scalable and redundant connectivity to Department sites**
  - ✓ Storage of call records and recordings in redundant storage hardware within each site, as well as storage at two separate locations, with network sized to handle additional transactions such as inmate inquiries by phone (commissary ordering, account balance inquiries, etc.)
  - ✓ Redundant call processing capacity networked for failover in the case of a catastrophic event
- **Control**
  - ✓ Ability to expedite provisioning of extra capacity if necessary
  - ✓ Faster resolution of issues if they occur

The following diagram provides a visual representation of the network and data

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Inmate Telephone System

Statewide

Century Link

Pages may appear to be missing, however have been deemed confidential and have been redacted

center infrastructure that CenturyLink will provide for the Department:

2.4.11.3 The Contractor must describe, in its response, the back-up schedule for:

2.4.11.3.1 The local system programming databases for each of the Department facility;

2.4.11.3.2 The central Contractor maintained programming database for all Department facilities;

2.4.11.3.3 All inmate call records for each of the Department facility;

2.4.11.3.4 All inmate call records for all Department facilities maintained at the Contractors site;

2.4.11.3.5 All inmate call recordings for each of the Department facility;

2.4.11.3.6 All inmate call recordings for all Department facilities maintained at the Contractors site.

CenturyLink has read, understands and will comply.

No data will be saved at any Department facility, all call recordings, call detail records, inmate data, and other IPS data will be stored at the primary data center in Atlanta. Data at the primary center will be almost instantly replicated at the secondary System located in our San Antonio data center. The primary and secondary systems feature RAID disk technology for redundancy to minimize the risk of a single disk drive failure. This ensures that there is always a full backup of all Department data at all times, and that this back up is geographically separated. A graphic representation of our dual data center approach is shown above in Section 2.4.11.2.

2.4.11.4 The Contractor must state, in its response, if these system back-ups are performed in real-time (e.g., as the transaction/call completes) or as a pre-scheduled time during the day.

CenturyLink has read, understands and will comply.

All system back-ups are replicated and backed up in real-time. Call data and call recordings are written in real-time to the primary System and storage servers at our primary data center ain Atlanta. Call detail records, inmate data, and call recordings are then replicated to the secondary System in San Antonio for immediate availability or failover in the event of a disaster at the primary data center.

2.4.11.5 The Contractor must describe, in its response, how the local IPS databases at all Department facilities will be kept current with the IPS backups at the Contractor site in case of required re-programming or system recovery at the Department facility.

CenturyLink has read, understands and will comply.

Because we are proposing a centralized architecture, all data is hosted off-site at our Data Center in Atlanta. There is no local database at the facility to keep current. All data is maintained and backed up off-site in real-time, as described above in Sections 2.4.11.2 and 2.4.11.3.

2.4.11.6 The Contractor must agree, in its response, that the Department retains ownership of all archived information, call detail, inmate records, etc. The Contractor must agree, in its response, that the Department has the right to obtain all achieved information, call detail, inmate records, etc. associated with the IPS regardless of the location of such information within the Contractors organization or site.

CenturyLink has read, understands and will comply.

CenturyLink agrees that the Department retains ownership of all archived information, call detail, inmate records, call recordings, etc. and has the right to obtain all achieved information, call detail, inmate records, call recordings, etc. associated with the ICS regardless of the location of that information within CenturyLink.

Additionally, all data is stored online for the life of the contract. Storing your call data online for the life of the contract ensures that the Department will always have quick access to all call recordings and data. There will never be a wait for data while waiting for an archive to be loaded.

2.4.11.7 The Contractor must describe, in its response, how it will provide system security for all data stored locally and at its central storage location. Such security description must include system security as well as how access to such sensitive information will be performed within the Contractors organization.

CenturyLink has read, understands and will comply.

2.4.12 IPS Management/Administration Requirements

2.4.12.1 The Contractor must propose an IPS that can be administered on-site by the Contractors personnel and the Department personnel.

CenturyLink has read, understands and will comply.

Anyone with a password and log-in ID granted by Department administrators can access the system, whether from a remote location or on-site, from any computer with Internet access. All functions, including granting access to staff, will be administered on-site; there is not a requirement for CenturyLink to remotely administer any function.

2.4.12.2 The Contractor must propose an IPS that allows for changes to be administered in "real time while the system is in use. The proposed system must not require the system to be taken off line to make additions, changes or retrieve reports.

CenturyLink has read, understands and will comply.

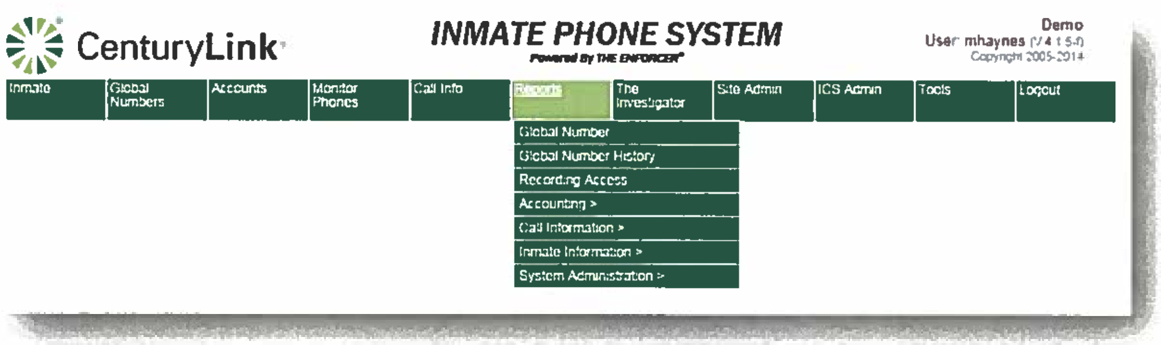
All functions of the IPS can be performed without taking the system off line, and all changes made in the IPS are effective immediately; there is no lag in new data being available to the Department.

2.4.12.3 The Contractor must propose an IPS that provides a Graphical User Interface (e.g., Microsoft Windows) for both system administration and system reporting functions. The Contractor must provide samples of its user interface screens with its response.

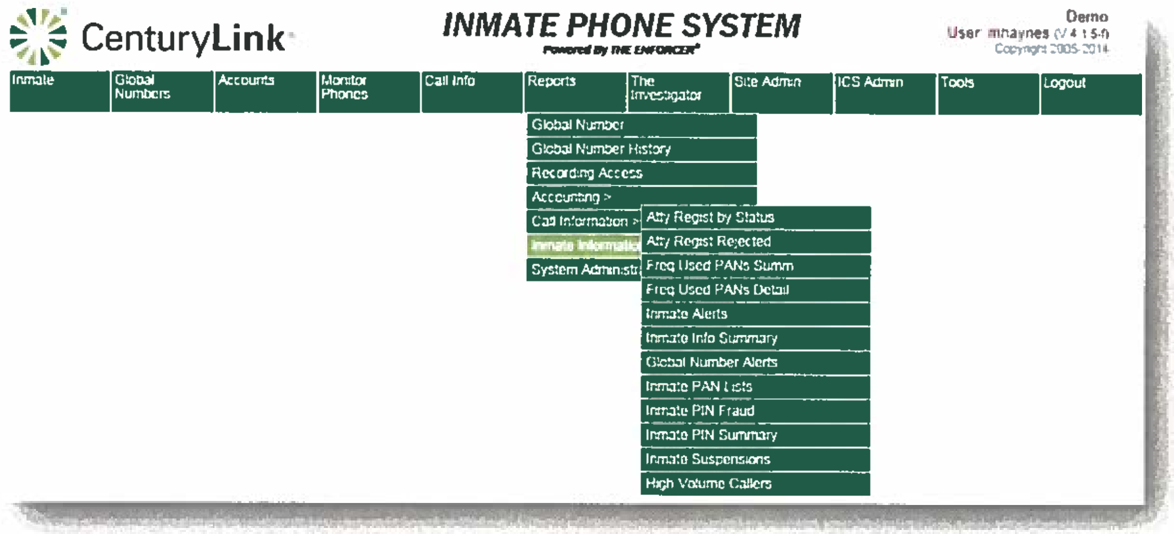
CenturyLink has read, understands and will comply.

The CenturyLink IPS is built on a Graphical User Interface (GUI); all features are accessible through a menu-driven interface. Throughout our response, we have used screens that illustrate the GUI nature of the System; we will include a brief overview in this section of the interface.

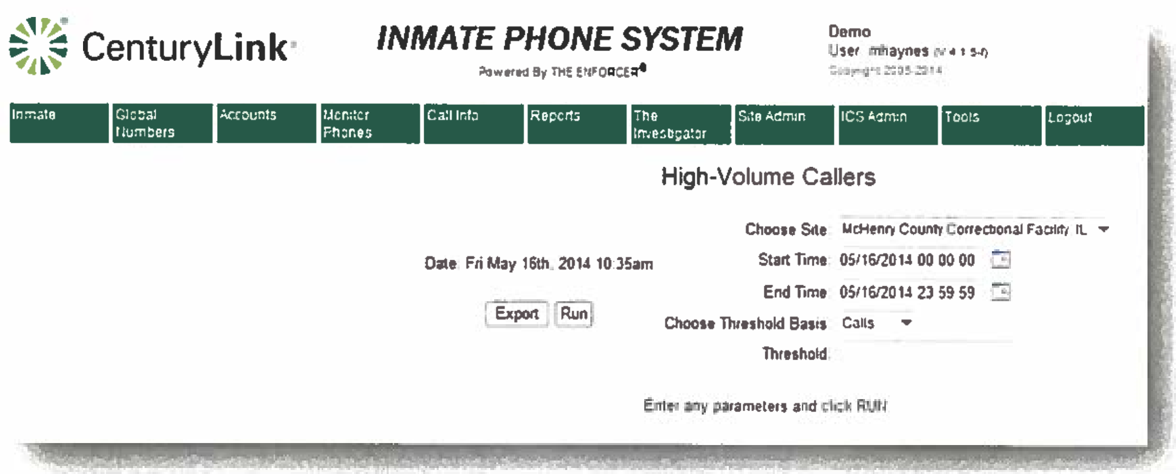
Once a staff member accesses the System, they are greeted with a simple GUI screen with 11 logically grouped tabs; when the cursor moves over each tab, the subtabs are displayed, as shown below:



Scrolling over the first submenu allows the user to access another submenu with additional selections. Typically the submenus are limited to no more than two per tab for ease of use by staff.



In the above example, the user has selected the "Reports" tab, then the "Inmate Information" sub-tab, and then the "High Volume Callers" report on the second sub-tab, which generates a screen where the desired parameters can be entered to generate the report, as shown below:



2.4.12.4 The Contractor must describe, in its response, what system administration functions are available with the proposed IPS (i.e., new account entry, account/record modification, account deletion, etc.).

CenturyLink has read, understands and will comply.

Anyone with a password and log-in ID granted by Department administrators can access the system, whether from a remote location or on-site, from any Internet-enabled computer.

This access allows users to perform any of the features and functions of the IPS that are available on-site, including debit entries, monitor live calls, listen to recorded calls, access recordings, search system data and generate reports as though they were on-site. All system functions can be performed by any approved user who presents the proper user ID and password during Administrator login.

- Report Generation
- PIN Administration
- Allowed Number List Administration
- Blocked Number Administration
- Call Record Queries
- Call Monitoring
- Call Alert Administration
- Privileged Number Administration
- Call Recording Contro
- Call Recording Search and Playback
- Call Recording Export to CD or DVD
- Phone Shut Down
- Call Terminate
- Inmate Calling Privilege Management

2.4.13 PIN Transfer Between Department Sites

2.4.13.1 The Department makes transfers of inmates between facilities on a daily basis (Monday through Friday). In addition, unscheduled inmate transfers can occur at any time or on any day. Although the Department understands that there will sometimes be unusual circumstances to prevent such, it is important that the PIN assigned to the transferred inmate be active at the new facility within 12 hours after the physical transfer via an automated process. This process shall be compatible with an Inmate Management System. The Department will provide the Contractor with a list of inmates to be transferred on a daily basis to assist in facilitate this PIN transfer.

CenturyLink has read, understands and will comply.

The proposed configuration is a centralized architecture, meaning that there is only one database serving all facilities that make up the Department. Since there is only one database and it is located at our centralized data center, inmates can transfer to any facility at any time with **no delay in using their inmate phone account**. With IMS integration, as soon as the inmate's information is updated in the IMS and shared with CenturyLink, it is reflected in the inmate phone system.

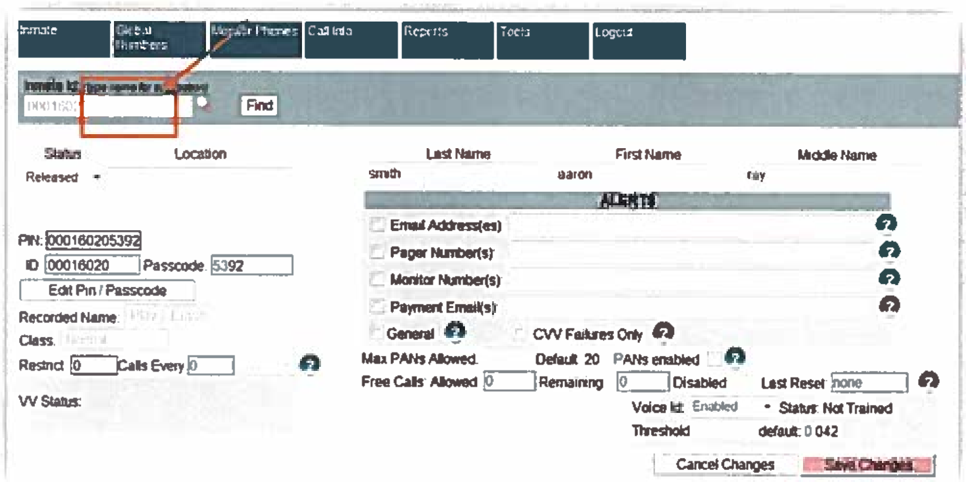
Inmate accounts and PINs can be established and updated automatically through a direct interface with the facility's Inmate Management System or through manual entry. If the interface option is preferred, the information entered during the commitment process, transfer, or status change is **shared with the phone system automatically,** and no additional entry is required.

The IPS features an open architecture that allows it to easily integrate with other Inmate Management systems. The IPS can accept data in virtually any format, affording it great flexibility in interfacing with other vendors to automate the flow of information at the facility across multiple systems.

2.4.13.2 The Contractor must describe, in its response, how it will perform unscheduled PIN transfers to ensure that the transferred inmate has access to their attorney through the IPS.

CenturyLink has read, understands and will comply.

PIN transfer can be easily automated if The IPS is integrated with the IMS. PINs will become active as soon as the inmate is committed and will follow the inmate each time they are transferred. The system can be configured to create PINs at time of commitment and set inactive at time of discharge. In addition, the system supports the retention of specific inmate PINs where the inmate is incarcerated in absentia due to, for example, trial or hospitalization at a separate location. If The IPS is integrated with the IMS, the Inmate ID function reflects the status of the inmate, whether released, transferred, active, etc. based on the status in the IMS in real-time.



Inmate Status in the Inmate Profile screen

Inmates can transfer to any facility at any time with **no delay in using their inmate phone account**. With IMS integration, as soon as the inmate's information is updated in the IMS, it is reflected in the inmate phone system.

2.4.14 Semi-Annual Review

2.4.14.1 The Contractor must conduct a semi-annual review of the inmate PIN database to ensure that all Department staff, volunteers, consultants, etc. telephone numbers are not part of the system allowable number lists. The Department will provide a list of appropriate telephone numbers.

CenturyLink has read, understands and will comply.

2.4.15 System Reporting Function

2.4.15.1 The proposed IPS must provide a system reporting package accessible by the Department personnel. This reporting package must allow for the querying of inmate call records and include a graphical user interface (GUI) for ease of use.

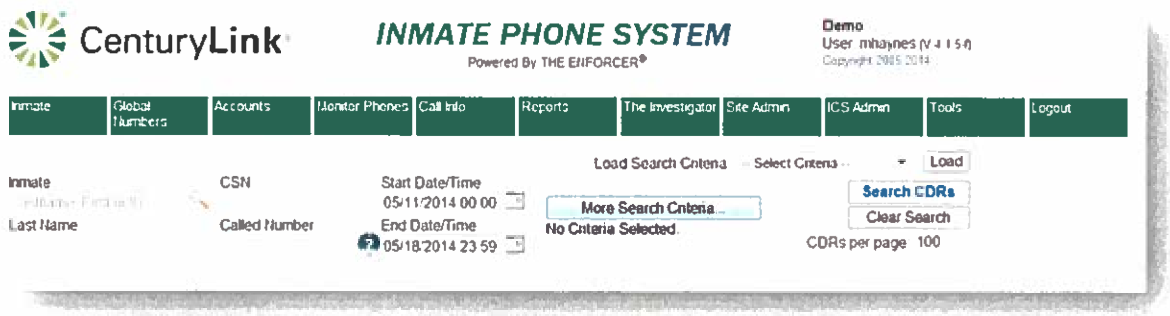
CenturyLink has read, understands and will comply.

The IPS system provides centralized reporting capabilities, allowing facility users to **generate reports immediately and in real time**. The IPS's browser-based application allows searching and reporting of all inmate calls to any authorized user through a simple, point-and-click GUI (Graphical User Interface).The system comes preconfigured with an extensive list of standard reports. Additionally, a facility user can generate real-time "ad hoc" reports by defining his/her own query based on data of interest – allowing instant access to any report you could ever need.

Each call attempt results in the creation of a call detail record. The record includes extensive information about the call, including the following:

- Date of call
- Start Time of Call
- End Time of Call
- Call Duration
- Called Number (ANI)
- Station & Trunk ID
- PIN (if applicable)
- Disposition of Call (accepted, denied, incomplete etc.)
- Call Termination Reason
- Call Charges (if accepted)
- Recording indicator
- Three-way call detect indicator

Call detail records are stored on system hard disks for the entire contract duration to provide the facility **with immediate access to historical call information throughout the contract term**. Extensive call detail reports are available to meet the requirements stated. The following screen details the customization options available for call detail reports. Samples of the most commonly used reports are provided in Tab 7, Divider 4.

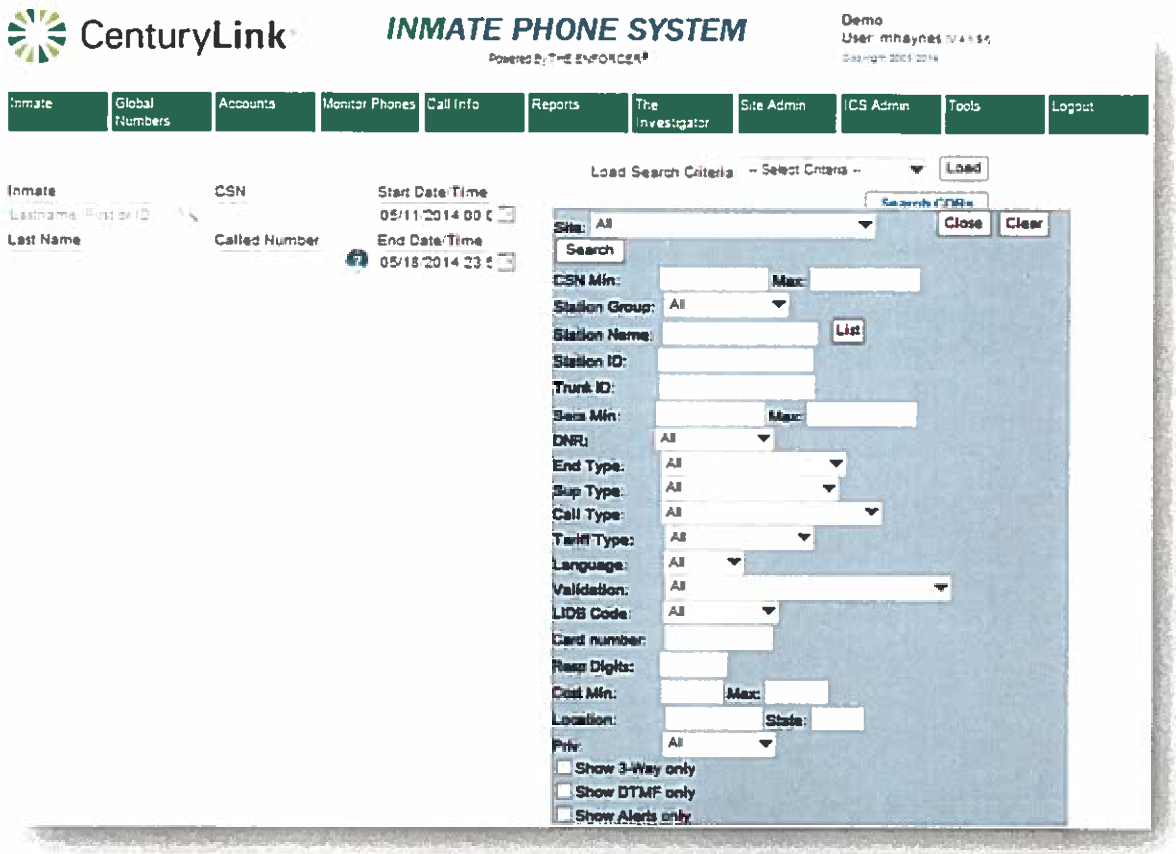


Call Detail Records – Select criteria for custom query

The IPS has extensive search capabilities which can be used by any user with a valid password and the appropriate permissions – whether they log in remotely or from an onsite workstation. From the initial screen, call recordings can be retrieved based on:

- Inmate PIN/ID
- Inmate Name
- Date Range
- Called Number
- Facility

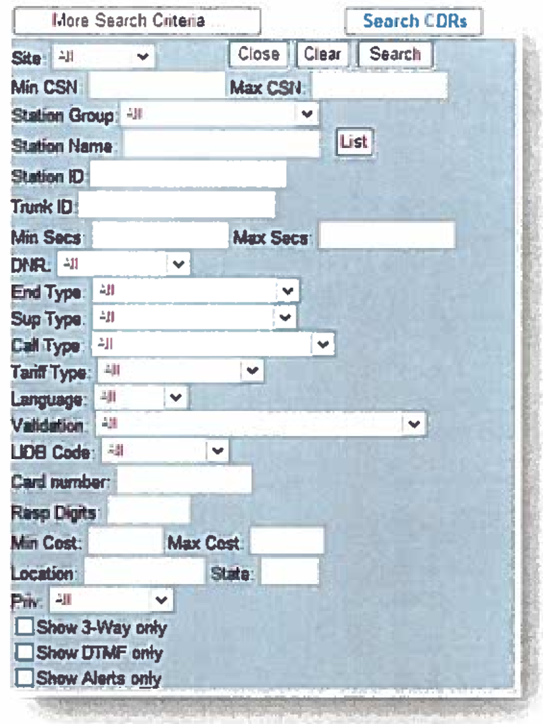
Numerous additional fields are stored within each call record and can be used to further customize reports and recording searches as shown below:



Call Detail Records – Select More Search Criteria

By clicking **More Search Criteria** the user is provided with an extended list of call recording search options as shown at right.

Selected calls may be quickly and easily exported to CDR media in either MP3 or audio format and emailed, saved to CD, USB, etc. Emailed call recordings are forwarded as an email attachment, and the file size for a compressed 15-minute recording is approximately 2 MB.



Ad-hoc Reporting-Additional Search Criteria

2.4.15.2 The proposed IPS must allow for the generation of reports by the Department facility, a combination of the Department facilities or all Department facilities.

CenturyLink has read, understands and will comply.

Reports may be generated for one facility, a combination of facilities or all facilities.

2.4.15.3 The proposed IPS must allow for the generation of reports by the Department personnel based on their user access level.

CenturyLink has read, understands and will comply.

The IPS has extensive search capabilities which can be used by any user with a valid password and the appropriate permissions to retrieve call recordings and generate custom reports – whether they log in remotely or from an onsite workstation.

2.4.15.4 The proposed IPS must provide for standard or custom reports that provide for the following, at a minimum:

- 2.4.15.4.1 Monthly revenue by prison location and phone
- 2.4.15.4.2 Chronological List of Calls
- 2.4.15.4.3 Daily Call Volume Summary
- 2.4.15.4.4 Daily Call Volume Detail
- 2.4.15.4.5 Weekly Call Volume Summary
- 2.4.15.4.6 Weekly Call Volume Detail
- 2.4.15.4.7 Inmate Account Summary
- 2.4.15.4.8 Inmate Account Detail
- 2.4.15.4.9 Frequently Dialed Numbers
- 2.4.15.4.10 Specific Telephone Number Dialed Usage
- 2.4.15.4.11 Suspended Inmate Account
- 2.4.15.4.12 Alert Notification
- 2.4.15.4.13 Telephone Numbers Called by More Than One Inmate
- 2.4.15.4.14 Telephone Numbers Assigned to More Than One Inmate Account
- 2.4.15.4.15 Quantity of Calls per Inmate Account
- 2.4.15.4.16 Quantity of Minutes per Inmate Account
- 2.4.15.4.17 Blocked Telephone Number List
- 2.4.15.4.18 Local Exchange Volume (by Exchange)
- 2.4.15.4.19 Area Code Volume (by Area Code)
- 2.4.15.4.20 Ability to create customizable reports

CenturyLink has read, understands and will comply.

The IPS system provides centralized reporting capabilities, allowing facility users to generate reports immediately and in real time. The system comes preconfigured with an extensive list of standard reports. Additionally, a facility user can generate real-time "ad hoc" reports by defining his/her own query based on data of interest – allowing instant access to any report you could ever need. And, although it's easy to define your own report parameters in The IPS, **CenturyLink is happy to assist by creating any new, customized reports that are desired.**

Authorized facility users may create all reports listed above by logging into our web-based GUI and selecting the desired parameters for each report.
The following is a list of the standard reports available on the IPS. Samples of the most commonly used reports are provided in Tab 7, Divider 4.

Report Name	Description
Admin Setup Only	Provides a listing by inmate name of all "admin setup only" (60-second free) calls made during a user-specified date range. For each call, the report provides the inmate ID, inmate name, facility name, called number, and called start time.
Attorney Registration Status	Provides counts for attorney phone numbers in The IPS global number list. For attorneys that have been approved, rejected, or are pending approval, the report provides a quantity, percent of total, and total quantity of attorney phone numbers in ENFORCER.
Attorney Registration Rejects	Provides a list of all inmates for which a requested registration of an attorney phone number has been denied by administrative personnel at the site. This assists the site in determining inmates who may be fraudulently attempting to set up a non-recorded call to a number that is actually not to an attorney's office.
Call Detail	Provides detailed information pertaining to called numbers including billed start time, dialed number, site called from, whether the call was recorded, cost of call, call type (payment method), tariff type, duration of call, alerts assigned, cost of call, inmate ID, and inmate last name. Searches can be performed by site location, a particular number, inmate id, connected only, completion code, tariff type, 3-way events, call type, alerts, and date range.
Call Record Statistics	Provides a summary of calls by call type, completion code, and call count. The report can be requested by site name or for all sites for a user-specified date range.
Debit Balance	Shows the balance in the debit account for each inmate who has set up a debit account to pay for phone calls. For each account, the report lists the site name, inmate ID, inmate name, account number, call number, inmate status (active/inactive), and account balance. The report can be requested by site, inmate status, and balance amount (negative, positive, non-zero). Also, the report can be sorted by inmate ID, inmate name, or site.
Debit Statement	Shows all transactions for debit card and PIN-based debit including a beginning and ending balance, cost and duration of calls, and deposits made to an inmate's account.
Debit Activity	Shows all deposits, transactions, refunds, and closing balance for all debit accounts for inmates

Report Name	Description
Debit Transaction	Provides a reconciliation record for all debit transactions for an Inmate ID for a user-specified date range
Frequently Used PANs Summary	Lists, by called number, all numbers that reside in an inmate PAN list that have been called a high number of times. Beginning with the most frequently-called number, the report lists the called number, called party, number of instances (calls), and the number of sites from which the number has been called.
Frequently Used PANs Detail	Provides a list by called number of all inmates who frequently have called a PAN. The report lists the called number, called party, the inmate ID and name of each inmate who called the number, and the site from which the inmate made the call.
Frequently Called Numbers	Provides the total number of calls and total minutes of talk time to a specific called phone number. The report can be generated by site or threshold type (quantity of calls or total minutes). Results are listed by phone number, called party name, number of calls, and minutes.
Global Number	Provides a detailed report for all parameters that are found in the Global Number Table. This report can generate items such as all blocked numbers, all free numbers, all do not record (attorney) numbers, all notes, random note text searches, and all alerts.
Global Number History	Provides historical records of all changes made to ANI phone number to include an audit trail for users who made the changes
Inmate Alerts	Lists all alerts that have been activated for each inmate. The report lists site name, inmate ID, inmate name (last, first, middle), phone number, name associated with the called number, and phone number/email address for each alert type that has been set up.
Inmate PANs	Provides a PAN (personal allowed number) list for the inmate. The report also includes any restrictions associated with a PAN (blocks, free call, do not record, passive mode). A listing can be printed for an individual inmate as well as for all inmates.
Inmate Status	Provides a listing of inmate IDs, passcodes, inmate account status (active/inactive), site and location, the current number of PANs being used and allowed, and any associated notes. The report can be generated for a specific inmate or all inmates, and can be sorted by inmate active/inactive status.

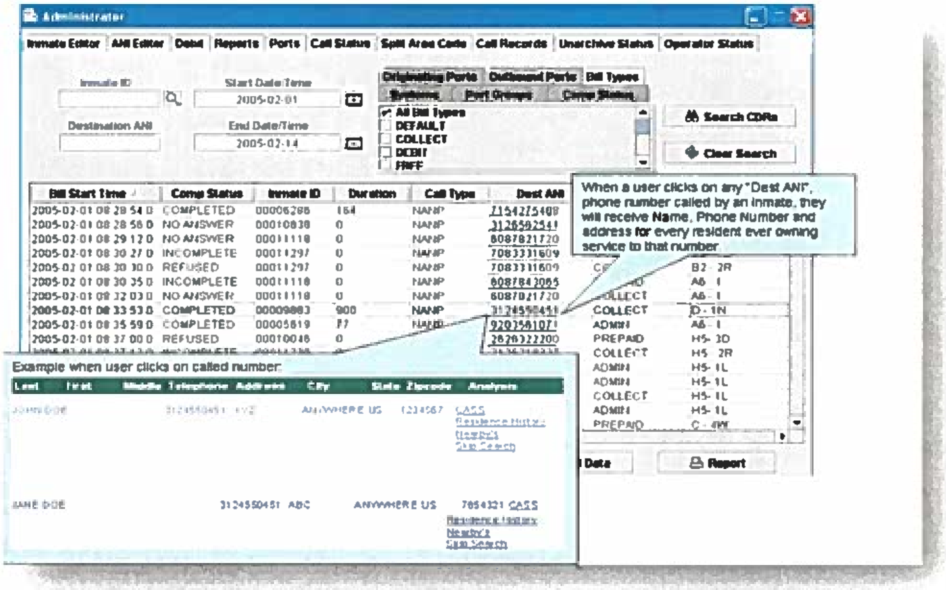
Report Name	Description
Number Alerts	Lists all alerts that have been activated for a called phone number. The report lists site name, phone number, name associated with the called number, and phone number/email address for each alert type that has been set up.
PIN Fraud	Provides a listing of each call on which an inmate attempted to use an incorrect PIN. For each call, the report lists the site, CSN, station ID, station name, inmate name, inmate ID, passcode, the PIN number attempted in the CDR, the actual PIN, and extra digits.
Prepaid Balance Summary	Provides account (phone numbers) for all called numbers that have an established prepaid Account. The report includes the project number, billing ID, account/phone number, balance, and current status of active/non-active.
Recording Access	Provides a listing of all call records that have been listened to during a user-specified date range. The report lists the user ID of the person who listened to the call, the CSN, inmate ID and name of the inmate who made the call, called number, and date the user listened to the call record.
Revenue	Provides call counts, durations, billed minutes, revenue and revenue percentage for each call type, grouped by account (payment) type. The report can be requested by specific site or for all sites for any previous calendar month either in PDF, Excel, or CSV format.
Revenue Summary	For each site defined to ENFORCER, provides revenue summary information including facility name, number of call attempts, number of completed calls, total minutes, and revenue percentage. For all these categories, the report also provides month-to-date data.
Station Activity	Provides a summary of all calls made for a user-specified date range. The report can be generated by site. Results are listed by site name, station (phone) port, station (phone) name, attempted calls, accepted calls, accepted revenue calls, revenue minutes, and revenue amount.
Station Group Privileges	Provides a listing of station groups (phones) that are assigned to specific inmates (i.e., phones from which inmates are allowed to make calls). The system default is to assign Inmates to use all station groups unless specific assignments were made by the user.

Report Name	Description
Inmate Suspensions	Provides a listing of all inmate suspensions. The report lists site name, inmate ID, inmate name (first, middle, last), whether the suspension is full or partial, start/end date/time, and user notes (usually a description of the reason for suspension).
Trunk Usage	Provides a summary of all calls that have been dialed and connected to the network by trunk. The summary is defined by site name, trunk, out-dialed Calls, accepted calls, and the percentage of accepted calls.
Volume Users	Provides a summary of high telephone volume usage by inmates. The report can be generated by site or threshold type (quantity of calls or total minutes). Results are listed by site name, inmate ID, inmate name (last, first, middle), number of calls, and minutes count (total minutes).

2.4.15.5 The proposed IPS must allow for selected reports to be generated automatically based on The Department criteria (e.g., time of day, volume of calls, particular inmate, etc.).

CenturyLink has read, understands and will comply.

CenturyLink proposes to provide the facility with Reverse Lookup capability. This provides the facility with integrated access to the desired reverse directory capability. From within a call record, the user can easily point, click and display the reverse directory info for the specified called number. The database is accessed via a secure link to the Internet and is constantly updated. CenturyLink will provide the subscription for the entire contract term and any extension terms at no charge to the facility.



2.4.15.6 The proposed IPS must allow for automatic generation of reports by individual the Department facility or on a system wide basis.

CenturyLink has read, understands and will comply.

The proposed IPS allows for reports to be generated automatically by individual, facility, or system-wide. The system comes preconfigured with an extensive list of standard reports. Additionally, a facility user can generate real-time "ad hoc" reports by defining his/her own query based on data of interest – allowing instant access to any report you could ever need. And, although it's easy to define your own report parameters in The IPS, **CenturyLink is happy to assist by creating any new, customized reports that are desired.**

2.4.15.7 The proposed IPS reporting function must allow for the exporting reporting data to Microsoft SQL Server® at a minimum.

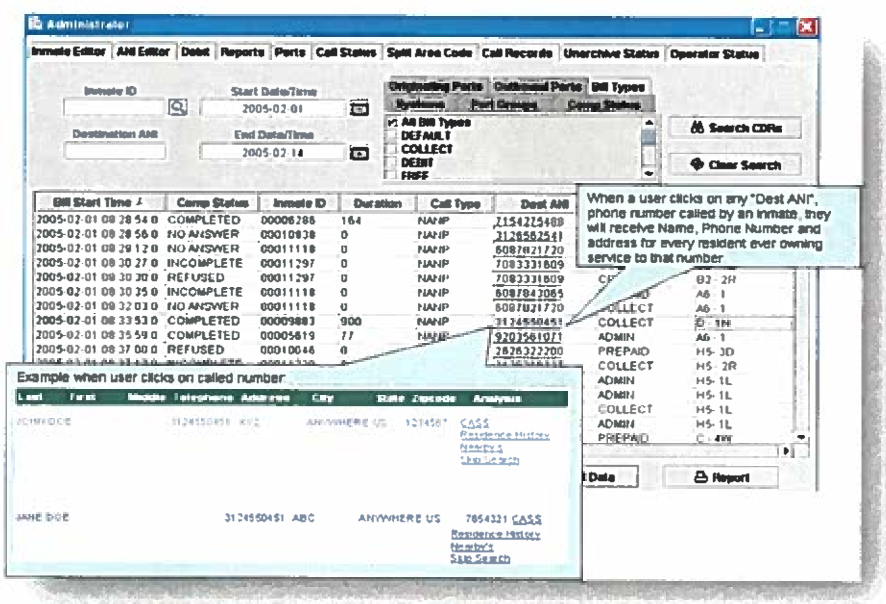
CenturyLink has read, understands and will comply.

From any Call Detail Report, authorized facility users may quickly and easily export or download call recordings and call data in standard file formats. Selected calls may be quickly and easily exported to media in **CSV, PDF, and Excel file formats, which can be exported into Microsoft SQL Server®.** In addition, call recordings may be exported to **MP3, WAV, or Speex formats.** CDRs and call recordings can be emailed, saved to CD, USB, etc. Emailed call recordings are forwarded as an email attachment, and the file size for a compressed 15-minute recording is approximately 2 MB.

2.4.15.8 It is desirable that the IPS provide the Department personnel that ability to simply click on the called number and be provided with the name and address of the called party. The Contractor must describe, in its response, how this function is provided and how it operates with the proposed system.

CenturyLink has read, understands and will comply.

CenturyLink proposes to provide the facility with Reverse Lookup capability. This provides the facility with integrated access to the desired reverse directory capability. From within a call record, the user can easily point, click and display the reverse directory info for the specified called number. The database is accessed via a secure link to the Internet and is constantly updated. CenturyLink will provide the subscription for the entire contract term and any extension terms at no charge to the facility.



2.4.16 Training Requirements

2.4.16.1 It is instrumental to the success of the installation of the IPS that the Department personnel be trained in various aspects of the system operation. Therefore, the Contractor must provide a complete training schedule based on the following requirements.

CenturyLink has read, understands and will comply.

Our goal is to familiarize the Department personnel with daily system functions, blocks, reports, and investigative tools as well as emergency system shut down of the Inmate Telephone System. We understand that different user groups will sometimes have different training needs. As such, classes will be customized to fit the participants and their Department assigned user roles. The user-friendly nature of The ENFORCER® system makes it easy to understand and minimizes staff training time.

All personnel who have been identified as a trainee by the Department will receive the required system documentation and/or training manual. This document can be provided in hard or soft copy. In addition, each trainee will receive notification of their user names and temporary passwords with a URL link to access the system. The Department staff training would be a three phase process as outlined below:

Phase 1 – Pre Cut Webinar

Each identified user will receive a printable copy of The ENFORCER® user guide via email in PDF format.

Online training ("Webinar") will be provided at no cost in several sessions to all Department participants beginning one month prior to the cutover of the new IPS. There is no maximum number of attendees for Webinar training and CenturyLink will schedule as many sessions as needed based on the role of the users and their level of access.

Each participant must have access to a personal computer, workstation, or laptop with access to the Internet. The online class ("Webinar") will serve as a presentation of the IPS and preparation for the cutover process. The goal of Phase 1 Training is an introduction and high level overview of the IPS; these sessions typically last one hour. Participants will be able to ask questions and provide feedback during the training sessions.

Phase 2 – Formal Training at Cut Over

Formal no cost training will be provided immediately after cutover to address in detail managing inmates, global numbers, monitoring, and the retrieval of call recordings. These training sessions can be conducted onsite or at a central training location at the discretion of the Department. This will allow multiple users an opportunity to see the system details with live data. The training will be conducted utilizing a laptop and projector and the training location must have internet access. Scheduled sessions will be based on the number of users, their level of access and the needs of the Department staff. The goal of Phase 2 training is to fully prepare The Department personnel to operate the IPS. These sessions typically last approximately one hour depending on the user level and run concurrent with the implementation plan to coincide with cut over dates.

Phase 3 – Post Cut Follow Up Training

Follow up training will be provided no more than 30 days after all platform cutovers have been completed and users have had a chance to start using the IPS. This training can be conducted onsite or via webinar at no cost to the Department. The training method and the locations will be scheduled by the Department. The goal of Phase 3 Training is to answer any new questions the users may have after working in the system. Phase 3 sessions typically last one hour depending on the needs of the users their level of access and the questions they may have.

The standard training curriculum is detailed below. This is a typical training agenda which can be customized for The Department.

A. **Day-to-Day System Administration**
Logging In
User Access Control Settings
Call Process Flow
Call Record Search
Blocked Number Administration
Inmate Editor Function
Create a new account
ANI Advanced Privileges and Controls
Entering PANs
Alerts on Inmate Accounts
Disable Account
Search for Inmate Account
Print Account Information
Debit Account Administration
Interface functionality (if applicable)

B. **Investigative Functions**
Monitoring
Call Disrupt Function
Recording
Recording Exempt Numbers
Setting Alerts (email, pager and phone)
Recording Search, Retrieval & Reporting
Recording Export to CD
Report Generation

C. **Automated Calling Process**
Initiating a Call
Collect Call Process
Debit Call Process
PrePaid Collect

D. **Service & Maintenance**
Receiving Trouble Reports
Information Gathering & Preliminary Trouble-shooting
Trouble Reporting Instructions
Email updates on trouble tickets

E. **Reference Tools - Manuals**
Quick Reference Guide
User Guide

Report Synopsis
Inmate Information Pamphlet in English & Spanish
Support Center

F. Contact Information
Escalation List
Repair / Trouble Reports

CenturyLink will provide a customized training curriculum for The Department. Training classes will be scheduled to fit The Department's preferences and the schedules of the personnel involved in the training.

Our systems have evolved with the input and recommendations by corrections industry experts, investigators, security personnel and officers, who use the systems on a daily basis, and provide the best feedback and concepts for further improvements to the system.

Upon the release of any upgrades and/or enhancements to the IPS, the Department will be notified and provided documentation of the features and functionalities contained in that release, and if the Department deems refresher training is warranted, that training will be provided at no cost.

Inmate Population Training
Inmate training is a simple but critical component of implementation. The CenturyLink Team's inmate training checklist includes the following:

- Placement of posters in day rooms and common areas (English and Spanish)
- New calling procedures
- Account information for friends and family members (need to close out previous accounts)
- Debit funding processes (no change)
- Placement of leaflets at or near the visitation area (English and Spanish)
- Production of pamphlets for intake packet (if desired)

Family & Friends Training

Training for family and friends is equally as important. This is one area where the CenturyLink Team's customer service program is most valuable. Upon an inmate's first call to a number following cutover, prepaid account holders are *automatically* routed to a live representative to initiate an account – not left to call us separately on their own. Further, representatives are specially scripted to explain policies during account setup, including providing information on how to close out accounts and receive refunds from the previous provider. Of course, website updates, leaflets at visitation, and other communications further educate family members.

Kristine Dean, Program Manager, is the project lead for training. Kristine has been with

Centurylink for nearly 15 years and is a proficient expert on the Enforcer System. Her role will be to coordinate the training for the Department Staff who have been identified as users of the system. She will schedule the classes with certified trainers, provide training material, travel on site to provide one on one support when needed and facilitate webinars. She has been designated as the single point of contact for all things related to training. Kristine's past training experience includes ALDOC, Putnam County, FL, Pasco County, FL, East Baton Rouge Parish, LA, Lenoir County, NC, Hillsborough County, FL, Hernando County, FL.

2.4.16.2 The Contractor must provide all end-user training to the Department at no cost.

CenturyLink has read, understands and will comply.

2.4.16.3 The Contractor must provide all end-user training on site at the various Department facilities.

CenturyLink has read, understands and will comply.

2.4.16.4 The Contractor must provide training for various levels of Department personnel including full-time system administrators, part-time system administrators, special investigators and data entry specialists, etc.

CenturyLink has read, understands and will comply.

2.4.16.5 The Contractor must provide full training for all assigned system users on how to create, delete and modify inmate programming and profiles.

CenturyLink has read, understands and will comply.

2.4.16.6 The Contractor must provide full training for all assigned system users on how to generate appropriate system reports.

CenturyLink has read, understands and will comply.

2.4.16.7 The Contractor must provide full training for all assigned system users on how to maintain inmate alert levels and respond accordingly when these levels are exceeded.

CenturyLink has read, understands and will comply.

2.4.16.8 The Contractor must provide full training on all components of the Inmate Calling System.

CenturyLink has read, understands and will comply.

2.4.16.9 The Contractor must provide full training on the provided call recording function including the live monitoring of inmate calls, playback of archived calls and the transfer of calls to other media for playback at off-site locations.

CenturyLink has read, understands and will comply.

2.4.16.10 The Contractor must provide full training for all assigned Department system users on how to change inmate restriction levels (by telephone, suspend PIN, etc.).

CenturyLink has read, understands and will comply.

2.4.16.11 The Contractor must provide full training for all assigned system users on how to initiate system restrictions including the shutting down of individual inmate telephones, groups of inmate telephones or the entire facilities systems.

CenturyLink has read, understands and will comply.

2.4.16.12 The Contractor must provide ongoing system training for existing Department personnel when required by the Department at no cost.

CenturyLink has read, understands and will comply.

2.4.16.13 The Contractor must provide additional training for new Department personnel when required by the Department at no cost.

CenturyLink has read, understands and will comply.

2.4.16.14 The Contractor must describe, in its response, any advanced system training that may be available to the Department personnel whether provided on-site at the Department facility or off-site at the Contractors training facilities.

CenturyLink has read, understands and will comply.

In addition to the training described above, additional in-depth training on any feature of the IPS will be made available to Department staff. This will be done either on-site or by Webinars.

2.4.16.15 The Contractor must in its proposal include the name, title and qualifications of the Contractor staff member who will have the overall responsibility for training.

CenturyLink has read, understands and will comply.

Kristine Dean, Program Manager, is the project lead for training. Kristine has been with Centurylink for nearly 15 years and is an expert on the CenturyLink IPS. Her role will be to coordinate the training for the Department Staff who have been identified as users of the system. She will schedule the classes with certified trainers, provide training material, travel on site to provide one on one support when needed and facilitate webinars. She has been designated as the single point of contact for all things related to training.

Kristine's past training experience includes the Alabama Department of Corrections, Putnam County, FL, Pasco County, FL, East Baton Rouge Parish, LA, Lenoir County, NC, Hillsborough County, FL, and Hernando County, FL.

2.4.16.16 The proposed JPS must provide for integrated help function for system operation, administration, reporting and management functions.

CenturyLink has read, understands and will comply.

Documentation (User Manual, Quick Reference Guide, and a supplementary User Manual for the media player) is provided online as part of the IPS system. This online documentation, as well as Release Notes, are updated and published to all facilities every time the IPS system is updated or enhanced. The documentation details how to use all features available in The IPS, including system operation, administration, administration, reporting and management functions.

2.4.16.17 The Contractor must provide a live Help Desk support function to the Department at no cost to the Department during the term of this contract. This Help Desk function must be capable of providing support via telephone to the Department IPS personnel for the functions of the IPS. This Help Desk function must be available Monday through Friday, 8:00 am to 6:00 pm Arizona Time.

CenturyLink has read, understands and will comply.

The CenturyLink's Technical Services Center (TSC) operates 24hours a day, 365 days a year in support of our customer sites. When **calling our toll free number (866-228-4031)** you will be connected with a **live** Level 1 TSC technician **within 20 seconds**. TSC personnel are professionally trained and experienced in the operations of the inmate telephone system and can provide technical support, perform remote diagnostics, or dispatch a technician to the facility if the problem cannot be fixed remotely.

2.4.16.18 The live Help Desk support function provided by the Contractor must be located within the continental United States

CenturyLink has read, understands and will comply.

2.4.17 Service & Maintenance

2.4.17.1 Vendor must provide live Customer Service Representative (CSR) & Intergrated Voice Response (IVR) support to the Agency 24 hours a day, year round, for Issues.

CenturyLink has read, understands and will comply.

CenturyLink's live customer service is available 24 hours

a days, 365 days a year. Through our toll-free call center, customers will be connected to our knowledgeable customer service representatives who can help with billing questions, account setup, account status, payments, and more. Our customer service representatives can offer multi-lingual assistance, including both English and Spanish. We invite the Department to contact us anytime at the number or website below to compare CenturyLink's service to our competitors.

Called-party & community support at 888-506-8407 or online at www.icsolutions.com

- Toll-free at (888-506-8407) 24 Hours a Day
- User-Friendly Web Site www.icsolutions.com

2.4.17.2 Vendor must provide live domestic CSR & IVR support to constituents 24 hours a day, year round, without exception allowing constituents to set up accounts, make payments, access account information, and resolve issues.

CenturyLink has read, understands and will comply.

As described above, CenturyLink will provide live, domestic CSR and IVR support 24/7/365 to allow users to set up accounts, make payments, access account information, resolve issues, and more.

2.4.17.3 All friends and family service, field support and technical support maintenance operations shall be located within the United States. Off-shore support will not be acceptable. Please provide a complete description of how you will meet this requirement and if the services are provided via a subcontractor or are provided by full-time employees of your company.

CenturyLink has read, understands and will comply.

All CenturyLink personnel, including all customer service and technical support centers, are located within the United States. CenturyLink does not outsource any of our services to international call centers or other offshore personnel.
CenturyLink's primary Customer Service call center is located at:
1127 Alderson Avenue
Billings, MT 59102

Overflow customer service is handled by additional call centers in Michigan and

Wisconsin. This redundancy in call center operations ensures that we can answer every call within about 90 seconds. All call centers offer multi-lingual support.

Our Technical Support call center is located in San Antonio, Texas and is managed by our subcontractor and equipment provider, ICSolutions.

Customer service representatives are fully trained on CenturyLink's products, services, and billing policies, and they will be thoroughly trained on the details of the Department's contract. CenturyLink's customer care call center representatives are provided by Novo1. The Service Level Agreements in place with Novo1 include:
Service Level: 80% of calls answered within 90 seconds or less
Abandon Rate: 5% or less
Average Talk Time: 4 minutes or less

2.4.17.4 Vendor must provide constituents full service online supp01t including ability to set up accounts, make payments, access account information, calculate call rates, and resolve issues (including online CSR chat and email support) via company website.

CenturyLink has read, understands and will comply. CenturyLink will enhance and expand its website functionality in support of the Arizona DOC deployment, to include all features required in this section.

The customer service portal already allows customers to set up accounts online, make payments, access account information, calculate call rates, and access email support via the company website. The next iteration of the website, enhanced in support of the Arizona DOC deployment, will also include CSR Live Chat.

2.4.17.5 Constituents must have the ability to manage phone services, video visitation services, and email services from one centralized web based portal.

CenturyLink has read, understands and will comply.

2.4.17.6 Proposer's website must dynamically display available products to constituents based on previous calling history.

CenturyLink has read, understands and will comply.

2.4.17.7 Proposer's website and constituent portal must be accessible enhanced to support mobile devices such as cell phones and tablets.

CenturyLink has read, understands and will comply.

2.4.17.8 Proposer's website must allow constituents to configure text and email low balance notifications.

CenturyLink has read, understands and will comply. The customer website will be expanded in support of the Arizona DOC deployment to add text and email low balance notifications. This will be an optional service that customers can register for on the website by entering a cell phone number or email address where they would like to receive text or email notifications. Customers can also save credit card information in the secure website to allow for instant account funding via text message.

When an account balance falls below a pre-defined threshold of remaining funds, the customer will be automatically notified by text or email message of the amount remaining in their account. The notification gives the customer the opportunity to immediately add funds to the account via text message, using saved credit card information.

2.4.17.9 Proposer's website must allow constituents to configure text and email low balance notifications.

CenturyLink has read, understands and will comply.

2.4.17.10 Proposer's website must allow constituents to subscribe to text payment services, specifically the ability to fund accounts and pay invoices via text messages.

CenturyLink has read, understands and will comply.

The customer website will be expanded in support of the Arizona DOC deployment to offer text payment subscription services, whereby customers can fund accounts and pay invoices via text message using saved credit card information.

2.4.17.11 Proposer's website must allow constituents to subscribe to automatic payment services, specifically the ability to automatically fund accounts or pay invoices.

CenturyLink has read, understands and will comply.

The customer website will be expanded in support of the Arizona DOC deployment to offer automatic payment subscription services. This service will allow customers to save credit card information to the secure website, along with authorization to add a preset amount of funds to an account each time the account balance falls below a pre-defined threshold.

2.4.17.12 Proposer must support customizable service and courtesy notification campaigns to constituents via various methods (phone dialer, text message, email) to alert F&F of bills due, bills past due, low account balances, account blocks, etc).

CenturyLink has read, understands and will comply.

2.4.17.13 Proposer must allow constituents without access to web based services to easily call, such as a "zero-out" method, into service centers and talk to a live CSR. Describe your procedure.

CenturyLink has read, understands and will comply.

The CenturyLink operations team will respond promptly to all inmate telephone service calls, friends and family issues, billing inquiries and any other issues relating to the inmate phone system. All calls are answered by live agents.

Technical issues can be reported to a live operator through our toll free customer service line at (888) 922-2934. When a trouble condition is reported, our technicians will quickly perform diagnostic testing to isolate the problem, determine if a remote resolution is an option, and if not, quickly dispatch a field technician to the site.

Customer service inquiries for Local Exchange Carrier (LEC) billed collect accounts can contact our call center at (888) 664-7839. Live operators are available Monday through Friday, 8 AM through 9 PM Eastern Time.
Prepaid collect customers may access live operators for assistance with their prepaid accounts 24 hours a day, 365 days a year by dialing toll free: (888) 506-8407 or by going to our website, www.icsolutions.com.

2.4.17.14 Describe the maintenance and quality assurance programs for telephones to be installed. The vendor shall only have personnel employed by the inmate telephone provider and no subcontractors shall be utilized, unless authorized by the Department.

CenturyLink has read, understands and will comply.

CenturyLink's Project Team has over 250 years of combined telecommunications experience in complex implementations and account management. We have demonstrated the ability to understand our customer's issues and creatively adapted our approach to meet their needs.

Levels of Support and Escalation

Program Manager

CenturyLink will provide a Program Manager (PM) who will have overall responsibility for maintaining contract compliance and will be the primary liaison for the Department throughout the life of the contract. Customer satisfaction will be achieved through five separate programs:

1) The trouble ticket process which ensures that every problem is identified, worked, tracked, and recorded for future review.
2) A weekly conference call is held by the Program Manager with the field operations team to discuss outstanding tickets, chronic problems, and customer concerns.
3) A weekly conference call is held by the Program Manager with IPS platform vendor personnel to discuss any tickets opened in the previous week that have not yet been closed.
4) The ongoing Preventative Maintenance (PM) program, which ensures service standards are maintained. The Field Service Technicians inspect IPS equipment and inmates phones at each facility on a regular scheduled basis (weekly, monthly, or quarterly, depending on the service element). The PM plan ensures that all relevant operational data concerning all aspects of the contract (sales support, installation, project coordination, technical support, field service and maintenance, etc.) is obtained, documented, distributed, and acted upon as necessary.
5) Periodic service reviews (typically conducted at customer's location quarterly) to review trouble ticket statistics, identify any chronic or major problems, discuss any future additions, deletions, or modifications (new phones, new sites, etc.), and resolve any operational, financial, or contractual concerns held by the customer. Service reviews ensure that feedback from the customer is obtained, documented, and addressed.

Operations Team

A total of five (5) Field Service Technicians and three (3) On Site Service Administrators will be hired to provide onsite maintenance and repair of the new inmate calling platform. CenturyLink is willing to hire existing Securus Field Technicians and On Site Administrators to minimize the impact to Department staff. In addition to the dedicated resources listed above, CenturyLink has access to 12 additional existing technicians throughout the state of Arizona that currently service the Arizona Net contract and are familiar with Department policies and procedures.

Customer Service Policies and Procedures

The CenturyLink operations team will respond promptly to all service and maintenance situations, and is available to the Department on a 24/7/365 basis. When a trouble condition is reported, our technicians will quickly perform diagnostic testing to isolate the problem, determine if a remote resolution is an option, and if not, quickly dispatch a field technician to the site. Should technical roadblocks or system issues prevent a trouble condition from being resolved within the timeframe contractually permitted, the issue will be immediately escalated to the Program Manager who will discuss the situation with the Department as appropriate. Once a resolution to the issue is achieved, acceptance testing is completed before any trouble ticket is closed.

CenturyLink recognizes that an effective service program addresses all three key stakeholders: the Department staff, the inmates and the inmates' friends and family members.

- Customer Service.
    - Our service team has many years of experience in the industry, is dedicated to gaining a deep understanding of each customer's unique issues, and is committed to delivering the most effective solutions possible. Our Program Managers provide oversight and management of the day-to-day operations of the account.
    - Customer service representatives in long-established, U.S.-based call centers. Many of our competitors are only now on-shoring their call centers. From experience we know that call center migrations are difficult and prone to operational failures. In short, the Department can expect significant and immediate improvement in customer service operations.
    - Our blocking and unblocking rules for collect calls are clearly defined and uniformly applied to all customers, thereby reducing complaints to the Department.
    - Significantly lower than industry average customer service account fees. While others in the industry use billing fees as commissioned profit centers, our philosophy is very different: provide multiple convenient no-cost options to end-users, and charge fees only when customers choose specific high-cost funding options (e.g. choosing to fund an account with a live representative rather than an automated method). This results in less customer complaints and higher call volumes.

- Calling platform management The IPS platform is engineered with maximum redundancy to ensure peak performance and minimize troubles. Further, the Network Operations Center proactively identifies potential problems by real-time central monitoring of hardware, software, and system performance.
- No loss of data and minimal transition time. Over the last four years the CenturyLink Team has successfully transitioned ten separate accounts to the proposed IPS system platform – a total of 49 sites with 2,250 inmate phones serving 27,000 inmates. Every cutover has gone smoothly with no loss of data and minimal transition time.
- No lost Call Detail Records (CDRs) or recordings. Since March 2007 we have processed over 100 million call detail records (CDRs) and audio recordings with the proposed IPS system platform. Not a single CDR or audio recording has been lost to date.
- Rate and audit accountability. As a division of a Sarbanes-Oxley compliant company, CenturyLink completes monthly audits to verify billing accuracy. Moreover, a unique feature of the IPS system platform is its on-line real-time direct rating of each call, for immediate and unalterable on-line visibility to call detail records and billing records.
- Payment options.
    - Collect calling with extensive billing and collections arrangements with incumbent local exchange companies (ILECs) and competitive local exchange companies (CLECs).
    - Prepaid calling with a best-in-class process to direct otherwise collect-unbillable called parties to prepaid, Our solution identifies unbillable parties and transfers them to live representatives during call setup, to ensure all end-users are presented with billing options in real-time. This is especially important given the growing number of cell phone and IP-based phone users, whose carriers do not offer collect calling options to IPS providers.
    - Debit calling through a variety of flexible options.

Preventative Maintenance

Our Operations Team will perform hands-on preventative maintenance inspections on the IPS calling platform and all inmate phones on a regularly scheduled basis. A trouble ticket will be established to document the preventative maintenance process, and additional trouble tickets will be opened and tracked as necessary if the need for additional repairs are identified.

Extensive preventative maintenance inspections are completed on a routine basis. Through remote access, verification of telephone and trunk usage is completed prior to arriving on site to ensure quality repairs. The inmate telephone dial pads and handsets are checked for functionality, usability, appearance and voice quality. All backboards, telephones and wiring are checked. The circuit interfaces are checked for errors to ensure that all connections are clean and secure. Routine traffic analysis for stations and trunks are conducted to determine failing telephones or lines to provide proactive maintenance and reduce downtime for the phones. Ongoing remote and onsite assistance is available to all IPS users.

Additional Staffing

In addition to the field operations support team, our Program Manager Debra Lambe will have a strong back office support team, with system development skills, exceptional financial accounting and reconciliation abilities, and comprehensive network knowledge. This team has been together for many years, and will be ready to support our system implementation for the Department.

The following chart details CenturyLink's proposed support organization:

Staffing Roles and Responsibilities

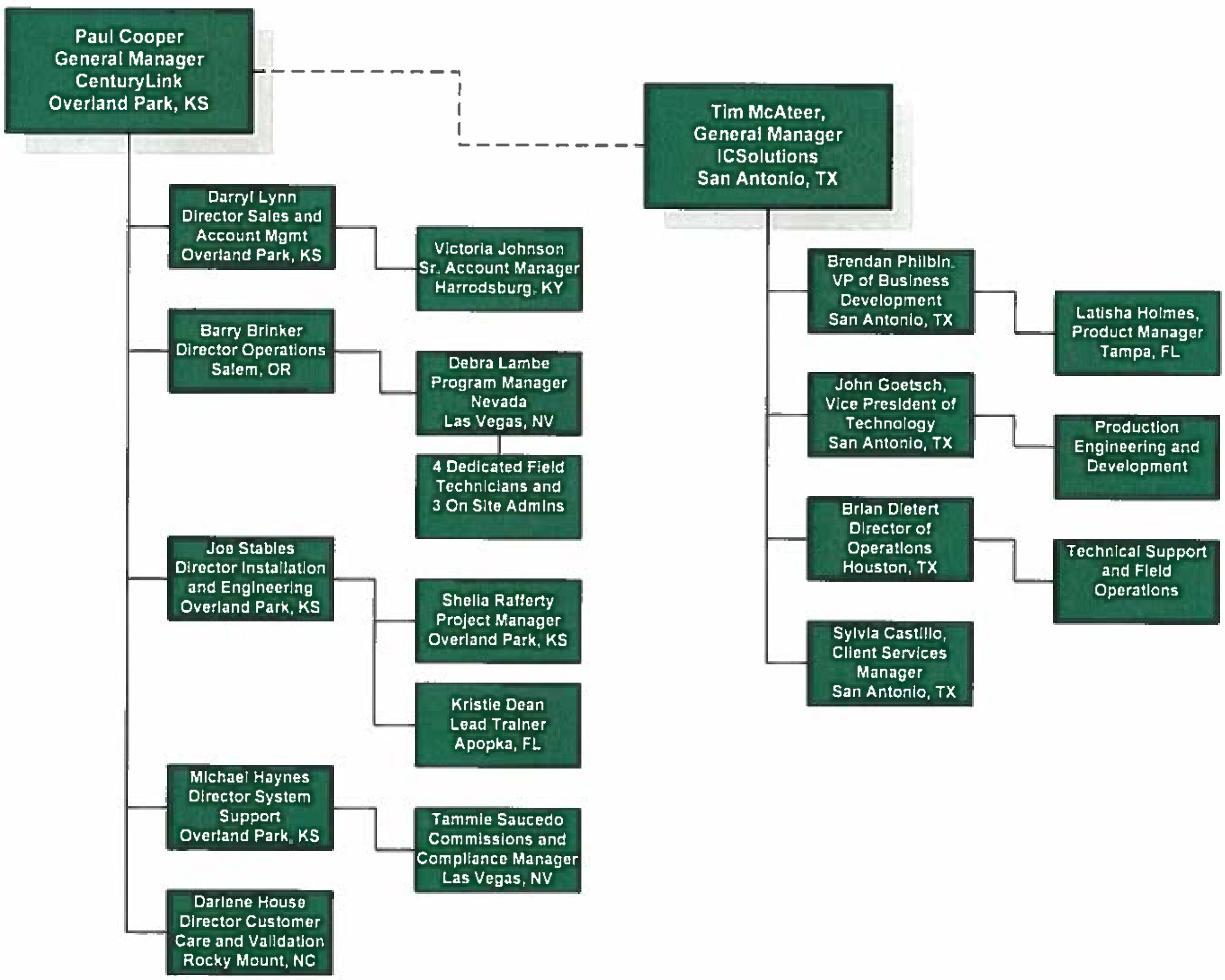
Name, Title	Location	Manager	Primary Responsibility
Paul Cooper, General Manager	Overland Park, KS	Bill Cheek, President Wholesale Operations	Contract Execution; Fiscal Authorization; Product Roadmap; Escalations
Barry Brinker, Director Operations	Salem, OR	Paul Cooper, General Manager	Implementation; Ongoing Maintenance and Operations; Feature Development; Escalations; Vendor Management
Debra Lambe, Program Manager	Las Vegas, NV	Barry Brinker, Director Operations	Implementation; Ongoing Maintenance and Operations; Program Management; Escalations
Field Service Technicians (4)	TBD	Debra Lambe, Program Manager	Implementation; Ongoing Maintenance and Operations
On Site Administrators (3)	TBD	Debra Lambe, Program Manager	Implementation; Ongoing Maintenance and Operations
Darryl Lynn, Director Sales and Account Management	Overland Park, KS	Paul Cooper, General Manager	Sales; Customer Contract Negotiation; Ongoing Account Management; Escalations

Victoria Johnson, Sr. Account Manager	Harrodsburg, KY	Darryl Lynn, Director Sales and Account Management	Sales; Customer Contract Negotiation; Ongoing Account Management
Joe Stables, Director Installation and Engineering	Overland Park, KS	Paul Cooper, General Manager	Implementation; System Engineering; Network
Mike Haynes, Director, Systems Support	Overland Park, KS	Paul Cooper, General Manager	Operation of Information Systems; Back Office Support
Darlene House, Director Customer Care and Verification	Rocky Mount, NC	Paul Cooper, General Manager	Attorney Verifications; Collect Billing Inquiries
Tammie Saucedo, Commissions and Compliance Manager	Las Vegas, NV	Mike Haynes, Director, Systems Support	Monthly Commission and Rate Audits
Kristie Dean, Lead Trainer	Apopka, FL	Joe Stables Director Installation and Engineering	Implementation; Training
Shelia Rafferty, Project Manager	Overland Park, KS	Joe Stables Director Installation and Engineering	Implementation; Project Management
Tim McAteer, General Manager ICSolutions	San Antonio, TX	Nathan Schulte, President Keefe Group	Escalations; Overall Management
Brendan Philbin, VP Business / Product Development ICSolutions	San Antonio, TX	Tim McAteer, General Manager	Business / Product Development
John Goetsch, VP Technology ICSolutions	San Antonio, TX	Tim McAteer, General Manager	Production Engineering; Development
Brian Dietert, Director of Operations ICSolutions	Houston, TX	Tim McAteer, General Manager	Technical Support; Field Operations
Sylvia Castillo, Manager Client Services ICSolutioms	San Antonio, TX	Tim McAteer, General Manager	Call Center Support

Latisha Holmes, Product Manager ICSolutions	Tampa, FL	Brendan Philbin, VP Business / Product Development	Lead Subject Matter Expert for new features; Training

Organizational Chart

Arizona DOC Support Team



2.4.17.15 Describe the maintenance and quality programs for telephones to be installed.

CenturyLink has read, understands and will comply.

CenturyLink maintenance and quality programs are detailed in Section 2.4.17.14.

2.4.17.16 Detail the methods of determining service interruptions and service call priorities. List response time for each priority and the level of expertise devoted to each priority.

CenturyLink has read, understands and will comply.

The CenturyLink operations team will respond promptly to all service and maintenance situations, and is available to the Department on a 24/7/365 basis. When a trouble condition is reported, our technicians will quickly perform diagnostic testing to isolate the problem, assign a priority level, determine if a remote resolution is an option, and if not, quickly dispatch a field technician to the site. Should technical roadblocks or system issues prevent a trouble condition from being resolved within the timeframe contractually permitted, the issue will be immediately escalated to the Program Manager who will discuss the situation with the Department as appropriate. Once a resolution to the issue is achieved, acceptance testing is completed before any trouble ticket is closed. Priority levels will be assigned in accordance with the guidelines provided by the Department in the Response to Maintenance Calls Sections 2.4.19.1.1 through 2.4.19.1.4.

Description of Severity Levels	Remote Response Times*	Onsite Response Times*	Level of Expertise
Major Emergency For the purpose of this RFP, a Major Emergency shall be defined as an occurrence of any one of the following conditions. The Contractor is required to further discuss with the Department prior to system installation to determine additional specific criteria for a Major Emergency. • A failure of the IPS processor, its common equipment or power supplies which render the system incapable of performing its normal functions; • A failure of the recording function or any of its components that affects the full recording operation; • A failure of 50% or more of the inmate telephones at any one area within a Department facility; • A failure of any of the IPS functions that	30 Minutes	2 Hours	Tier 1 Technical Support Technician

result in the ability of inmates to place calls without the use of assigned PINs; • A failure of any of the IPS functions that results in the ability of inmates to make direct dialed calls when the system is operating in collect call mode; •If system allows an inmate to reach a live operator. •A failure of the system kill switches or similar IPS disabling function proposed by the Contractor.			
Routine Service Routine Service shall be defined as an IPS failure or problem other than a Major Emergency item as listed above or defined by the Department.	4 Hours	6 Hours	Tier 2 Technical Support Technician – Escalate as needed
	*Maximum Time After Service Request by Dept		

2.4.17.17 Provide a contact person who will be responsible for ongoing account management and support.

CenturyLink has read, understands and will comply.

CenturyLink will provide a Program Manager (PM) who will have overall responsibility for maintaining contract compliance and will be the primary liaison for the Department throughout the life of the contract.

Debra Lambe

Title:	Program Manager
Department:	Operations
Address:	6700 Via Austi Parkway Las Vegas, NV 89119
Office:	(702) 244-6762
Cell:	(702) 439-7379
Home:	(702) 439-7379

Primary Responsibilities:

- Implementation
- Maintenance
- Program Management
- Operations Escalations

2.4.17.18 System shall have the capability for remote diagnostic to minimize facility visits by vendor. Describe you system diagnostic process and tools

CenturyLink has read, understands and will comply.

Remote Diagnostics and Troubleshooting

The IPS deploys 24/7 remote monitoring to ensure all components of the system are functioning correctly. CenturyLink deploys Nagios network monitoring application and real-time status monitoring, which is overseen by our Technical Services Center (TSC) personnel, who are professionally trained and experienced in the operations of the inmate telephone system. Due to the sophisticated nature of the IPS, TSC personnel can conduct an array of non-intrusive remote diagnostic tests that will quickly pin-point the problem and expedite resolution. We recognize the need to maintain security at the facility and make every effort to perform remote repairs in order to minimize the need for site visits.

Remote Monitoring and Diagnostics

Once deployed, The IPS is designed to constantly and automatically monitor the trunk and station connections and to reallocate resources to avoid "dead" stations at the facilities. Furthermore, the configuration supports extensive remote diagnostic interrogation, thereby providing insight into defective components (such as station phones) at a particular facility.

CenturyLink uses the first few months of call activity to define a pattern of typical activity. Call volume totals are compared daily for variances outside of a defined range (typically a decrease or increase of 15%). This variance could indicate a problem, such as mproper phone function. An exception report is automatically created for any site showing such variances.

The CenturyLink's TSC is staffed 24/7/365 with Level 1 and Level 2 technicians and is the initial point of contact for remote system support and any issue related to the operation of the inmate telephone system. TSC is equipped with the Nagios network monitoring application and Mantis web-based system for trouble ticket issuance and resolution.

IPS Real Time Status (ERTS) Monitoring

System monitoring is part of the fundamental design of all components of The IPS system. All key applications send heartbeat messages to CenturyLink's central monitoring system ERTS (ENFORCER Real Time Status). These heartbeats are recorded in a status database and displayed on a browser screen. ERTS monitors all heartbeats and raises events, should a heartbeat become overdue based on configuration (or policy, in the event specific configuration has not been assigned) to ensure that no missing heartbeats are ignored.

Applications are also able to send events to ERTS for action. Any condition which is deemed "not normal" can cause an event to fire.

All interface programs are capable of sending both heartbeat and event messages to the ERTS system, which means that any regularly scheduled interface which is overdue triggers an event on the centrally monitored status system.

All programs generate detailed log files both for troubleshooting and monitoring, with logs being scraped at least twice per hour for anomalous activity, which is sent to ERTS for processing.

In addition to this passive monitoring which is ongoing, CenturyLink has created the utility "ADTEST," which proactively connects to each analog phone media gateway and completes a call to ensure that the media gateway is functioning. These tests are run periodically, typically once per hour. Tests are done for both station-side testing and trunk-side testing to ensure there are no problems with the terminating carriers, either. All negative results from these tests are sent as events to ERTS for appropriate response.

ERTS has various options for event handling including, but not limited to, email, SMS, and user interface alerts. Our Technical Support and system monitoring teams are responsible for responding to and performing Level 1 support on issues, and escalating both technically and administratively, as appropriate.

2.4.18 Equipment/System Maintenance

2.4.18.1 The Contractor must provide an IPS at all required Department facilities that is fully functional in regards to all labor, materials, programming, system hardware and software.

CenturyLink has read, understands and will comply.

2.4.18.2 The Contractor must warrant that the IPS installed for the Department facilities shall be free of defects, irregularities, unprofessional installation, code violations and shall operate as designed and proposed. Should the system not operate as designed and proposed or violate any local, state or federal code, the Contractor must immediately correct the defect or irregularity or bring the system within code and performance specifications at no cost to the Department.

CenturyLink has read, understands and will comply.

2.4.18.3 The Contractor must provide all post installation system programming and maintenance services at no cost to the Department.

CenturyLink has read, understands and will comply.

2.4.18.4 The Contractor must agree in its response that maintenance service is available on its IPS seven days per week, twenty-four (24) hours a day.

CenturyLink has read, understands and will comply.

Maintenance will be available for the IPS 7/24/365.

4.4.18.5 The Contractor must propose an IPS that provides for remote diagnostic and maintenance.

CenturyLink has read, understands and will comply.

2.4.18.6 The Contractor is responsible for replacement of the IPS in its entirety or its individual components regardless of cause including, but not limited to, normal wear/use, inmate abuse, natural disaster, or inmate unrest. This system or component replacement will be performed at no cost to the Department and will occur immediately upon notification to the Contractor of the system problem by the Department facility.

CenturyLink has read, understands and will comply.

2.4.18.7 The Contractor is responsible for replacing of inmate telephones in their entirety regardless of cause including, but not limited to, normal wear/use, inmate abuse, natural disaster, or inmate unrest. The Contractor must replace inmate telephones requiring repair and not repair components of the inmate telephone on site at the Department.

CenturyLink has read, understands and will comply.

2.4.19 Response to Maintenance Calls

2.4.19.1 Should any critical component of the IPS provided by the Contractor fail, the Contractor must respond to IPS maintenance/repair calls from the Department in the manner outlined in this section.

2.4.19.1.1 Definition of a Major Emergency

2.4.19.1.1.1 For the purpose of this RFP, a Major Emergency shall be defined as an occurrence of any one of the following conditions. The Contractor is required to further discuss with the Department prior to system installation to determine additional specific criteria for a Major Emergency.

2.4.19.1.1.2 A failure of the IPS processor, its common equipment or power supplies which render the system incapable of performing its normal functions;

2.4.19.1.1.3 A failure of the recording function or any of its components that affects the full recording operation;

2.4.19.1.1.4 A failure of 50% or more of the inmate telephones at any one area within a Department facility;

2.4.19.1.1.5 A failure of any of the IPS functions that result in the ability of inmates to place calls without the use of assigned PINs;

2.4.19.1.1.6 A failure of any of the IPS functions that results in the ability of inmates to make difect dialed calls when the system is operating in collect call mode;

2.4.19.1.1.7 If system allows an inmate to reach live operator.

2.4.19.1.1.8 A failure of the system kill switches or similar IPS disabling function proposed by the Contractor.

2.4.19.1.2 Response Times for a Major Emergency

2.4.19.1.2.1 For a Major Emergency the Contractor must respond to the service problem within 30 minutes of initial trouble report by the Department facility through the use of remote testing or access. Should the IPS not be accessible for remote access, the Contractor must have a qualified technician, suitably equipped for the installed IPS on site at the Department location within two (2) hours from the time of initial trouble report.

2.4.19.1.2.2 Should the problem not be resolved via remote access, the Contractor must have a qualified technician, suitably equipped for the installed system, on site at the Department institution within two (2) hours from the time of initial trouble report.

2.4.19.1.2.3 Response to "Major Emergency conditions must be performed on a 24 Hours-a-Day/Seven Days-a-Week/365 Days-a-Year basis throughout the term of this contract.

2.4.19.1.3 Definition of Routine Service

2.4.19.1.3.1 Routine Service shall be defined as an IPS failure or problem other than a Major Emergency item as listed above or defined by the Department.

2.4.19.1.4 Response Times for Routine Service

2.4.19.1.4.1 For a Routine Service the Contractor must respond to the service problem within four (4)

hours of the initial trouble report by the Department facility through the use of remote testing or access. Should the IPS not be accessible for remote access, the Contractor must have a qualified technician, suitably equipped for the installed system, on site at the Department facility within twelve
(12) business hours from the time ofinitial trouble report. Business hours are defined as 8:00 a.m. to 6:00 p.m., Monday through Friday, Arizona Time.

2.4.19.1.4.2 Should the problem not be resolved via remote access, the Contractor must have a qualified technician, suitably equipped for the installed system, on site at the Department institution within six (6) hours from the time of initial trouble report.

CenturyLink has read, understands and will comply.

CenturyLink agrees to meet all of the requirements in the Response to Maintenance Calls Subsections 2.4.19.1.1 through 2.4.19.1.4.2. CenturyLink Service Level response times will meet or exceed the Departments requirements as illustrated in the table below.

Description of Severity Levels	Remote Response Times*	Onsite Response Times*	Level of Expertise
Major Emergency For the purpose of this RFP, a Major Emergency shall be defined as an occurrence of any one of the following conditions. The Contractor is required to further discuss with the Department prior to system installation to determine additional specific criteria for a Major Emergency. • A failure of the IPS processor, its common equipment or power supplies which render the system incapable of performing its normal functions; A failure of the recording function or any of its components that affects the full recording	30 Minutes	2 Hours	Tier 1 Technical Support Technician

operation; • A failure of 50% or more of the inmate telephones at any one area within a Department facility; • A failure of any of the IPS functions that result in the ability of inmates to place calls without the use of assigned PINs; • A failure of any of the IPS functions that results in the ability of inmates to make direct dialed calls when the system is operating in collect call mode; •If system allows an inmate to reach a live operator. •A failure of the system kill switches or similar IPS disabling function proposed by the Contractor.			
Routine Service Routine Service shall be defined as an IPS failure or problem other than a Major Emergency item as listed above or defined by the Department.	4 Hours	6 Hours	Tier 2 Technical Support Technician – Escalate as needed
	*Maximum Time After Service Request by the Department		

2.4.19.1.5 Answering of Maintenance Calls

2.4.19.1.5.1 The Contractor must ensure and state, in its response, that all maintenance calls from the Department shall be answered by a live operator/service representative at all times.

CenturyLink has read, understands and will comply.

The CenturyLink operations team will respond promptly to all inmate telephone service calls relating to the inmate phone system.

Maintenance issues can be reported to a live operator through our toll free customer service line at (866) 228-4031. When a trouble condition is reported, our technicians will quickly perform diagnostic testing to isolate the problem, determine if a remote resolution is an option, and if not, quickly dispatch a field technician to the site.

2.4.19.1.5.2 It is desirable that all maintenance calls from the Department be answered by a live operator/service representative at all times.

CenturyLink has read, understands and will comply.

CenturyLink will comply with Answering of Maintenance Calls Subsections 2.4.19.1.5.1 and 2.4.19.1.5.2.

The CenturyLink operations team will respond promptly to all inmate telephone service calls relating to the inmate phone system.

Maintenance issues can be reported to a live operator through our toll free customer service line at 1-866-228-4031. When a trouble condition is reported, our technicians will quickly perform diagnostic testing to isolate the problem, determine if a remote resolution is an option, and if not, quickly dispatch a field technician to the site.

2.4.20 Critical Component Availability

2.4.20.1 The Contractor must guarantee to the Department that all parts and materials necessary to repair the proposed IPS are readily available to on-site service personnel 24 hours per day, seven days per week, 365 days per year. The Department will not accept the delay of any IPS repair based on the fact that service personnel cannot access a system parts warehouse, office or similar Contractor facility because the facility not being opened "after hours, or on weekends or holidays.

CenturyLink has read, understands and will comply.

CenturyLink will provide all parts and materials necessary to maintain the IPS throughout the life of the contract and will ensure they are available to the CenturyLink provided technicians 24/7/365.

2.4.20.2 It is desirable that the Contractor provide spare inmate telephone equipment at each Department facility to allow for timely replacement of telephones that are not operating for any reason. The Contractor must provide onsite a minimum number of spare sets equal to five percent (5%) of the total number of inmate telephones installed at each of the Department facility

CenturyLink has read, understands and will comply.

CenturyLink will provide a minimum number of spare inmate telephone parts at each Department facility that equals 5% of the total number of installed inmate phones to minimize service level repair times.

2.4.21 Escalation Procedures During Service Maintenance

2.4.21.1 The Contractor must provide, in its response, escalation procedures to address inadequate maintenance service of the IPS. These escalation procedures must include multiple levels of management personnel. Access to additional management personnel must be made available to the Department upon request.

2.4.21.2 The Contractor must provide, in its response, a complete list of its maintenance service escalation procedures including:

2.4.21.2.1 A list of personnel at each level of escalation;
2.4.21.2.2 Contact telephone, fax, pager, cellular numbers;
2.4.21.2.3 Methods by which escalation is initiated; and
2.4.21.2.4 Criteria for escalation at each level.

2.4.21.3 The Contractor must agree, in its response, that the Department has the right to initiate these escalation procedures at its discretion based on diminished service or non-performance of the Contractor.

CenturyLink has read, understands and will comply.

CenturyLink's response to Subsections 2.4.21.1, 2.4.21.2 and 2.4.21.3 is provided below.

<u>Levels of Support and Escalation</u>
CenturyLink will provide a Program Manager (PM), Debra Lambe, who will have overall responsibility for maintaining contract compliance and will be the primary liaison for the Department throughout the life of the contract. Customer satisfaction will be achieved through five separate programs:

1) The trouble ticket process which ensures that every problem is identified, worked, tracked, and recorded for future review, and that no service ticket is closed without the concurrence of the impacted Department personnel.
2) A weekly conference call is held by the Program Manager with the field operations team to discuss outstanding tickets, chronic problems, and customer concerns.

3) A weekly conference call is held by the Program Manager to discuss any tickets opened in the previous week that have not yet been closed.
4) The ongoing quality (QC) control program, which ensures service standards are maintained. The QC plan touches upon every facility, inmate phone and completed call on a regular basis (weekly, monthly, or quarterly, depending on the service element). The QC plan ensures that all relevant operational data concerning all aspects of the contract (sales support, installation, project coordination, technical support, field service and maintenance, etc.) is obtained, documented, distributed, and acted upon as necessary.
5) Periodic service reviews (typically conducted quarterly at the Departments Headquarters) to review trouble ticket statistics, identify any chronic or major problems, discuss any future additions, deletions, or modifications (new phones, new workstations, new sites, etc.), and resolve any operational, financial, or contractual concerns held by the customer. Service reviews ensure that feedback from the customer is obtained, documented, and addressed.

Customer Escalation Process

Debra Lambe will report to Barry Brinker, CenturyLink's Director of Operations, who reports to Paul Cooper, our General Manager. All service and maintenance personnel will report directly to the Program Manager.

The following table details the process that will be used for escalation of the Departments trouble tickets. This escalation process may be initiated at the discretion of the Department.

Level	Escalation Point	Escalation Responsibilities
1	Program Manager (Debra Lambe) Phone: (702) 244-6762 debra.d.lambe@centuryLink.com	• Notifies personnel and supervisors of strategy for problem resolution. • Keeps the Department and management involved in progress of problem resolution. Escalates as necessary. • Responsible for seeing prob em through to resolution. • Contacts Manager –Operations within eight hours of missed performance standard.
2	Director – Operations (Barry Brinker) Phone: (503) 990-6466 barry.e.brinker@centuryLink.com	• Operations Director resolves trouble/issue or escalates further if necessary. • Contacts additional resources (CenturyLink, Vendors, LECs, IXCs, etc.) as necessary. • Keeps the Department informed of ongoing activities involving problem

		resolution. • Contacts D rector – General Manager within 24 hours if issue is not resolved.
3	National Sales Director (Darryl Lynn) Phone: (913) 345-6343 darryl.w.lynn@centurylink.com	• Keeps the agency informed of ongoing activities involving problem resolution. • Contacts General Manager within 24 hours if issue is not resolved.
4	Director & General Manager (Paul Cooper) Phone: (913) 345-6002 paul.n.cooper@centurylink.com	• Escalates further if necessary.

2.4.22 Maintenance Records

2.4.22.1 The Contractor must provide to the Department, upon request during the term of this contract, maintenance records that include a listing of all repair notices including the date and times of the service trouble report, the nature of the problem reported, and date/time of problem resolution.

2.4.22.2 The Contractor must provide historical maintenance records for 24 months from the culTent date.

2.4.22.3 It is desirable that the Contractor provide historical maintenance records from the initial contract date of this contract with the Department.

CenturyLink has read, understands and will comply.

CenturyLink's response to Subsections 2.4.22.1 through 2.4.22.3 is provided below. CenturyLink will closely track all trouble tickets/repair times for the life of the contract and provide maintenance record reports to Department staff upon request. Major and Routine reports will be tracked separately and include all applicable supporting documentation. The Program Manager will provide detailed root cause analysis for any non compliant tickets.

2.4.23 Contractor Performance

2.4.23.1 As the single State Agency responsible for promoting public safety by incarcerating offenders while providing opportunities for participation in effective programming, the Department requires that the IPS and the Contractor perform at the highest levels of operation and service.

CenturyLink has read, understands and will comply.

2.4.23.1.1 The Contractor must describe, in its response, how it will maintain maximum network up time for the IPS installed at each of the Department location. The Contractor must provide culTent network up time figures for similar IPS installations.

CenturyLink has read, understands and will comply.

The centralized IPS platform is designed with a distributed processing architecture to minimize the risk of catastrophic system failure and reduce the risk that any single component could result in a complete system outage, data loss, or inaccessibility of data. The most susceptible components are equipped with multiple layers of internal redundancy and/or hot swappable spares (hard disks, cooling fans, power supplies) to ensure minimal risk of service affecting failure and reduced time to repair. Additionally, the entire centralized call processing platform is replicated at the fail-over data center in San Antonio., which supports both load balancing and cloud-based fail-over utilizing BGP protocol thereby ensuring continued system operation. The IPS builds each individual call processor utilizing Enterprise grade components which provide the highest level of performance and reliability. The Quality Standard for the IPS calling platform is 99.999% system availability.

The IPS employs multiple levels of redundancy to ensure 99.999% uptime for the IPS calling platform, as well as to protect against data loss and ensure continuous availability of call recording and data:

1. **Network Redundancy:** CenturyLink estimates 99.999% network uptime across our customer base using the centralized ITS, due to the network redundancy (#1 in the struck-through answer below).

2. **Call Processing Redundancy:** While the primary call processor is housed in our national headquarters and engineering center in San Antonio, we also install a fully functional, always-on backup call processor 900 miles away in St. Louis. Therefore, if a disaster should ever disrupt call processing in San Antonio, service would instantly fail over to the secondary processor in St. Louis.

3. **Storage Redundancy:** Call data and recordings are stored digitally on internally redundant storage devices for the entire contract duration, in two separate geographic locations (one data center in San Antonio and one data center in St. Louis). This storage redundancy ensures that, even

if a disaster were to completely destroy one data center, additional copies would still be available for disaster recovery purposes. At each of the data centers, call recordings and data are stored on internally redundant digital storage devices. For an additional layer of redundancy, The IPS can also provide an onsite storage device to store a third copy of call data and recordings.

Through our system monitoring tools, the IPS continually monitors key areas and automatically assigns service representatives and/or dispatches field technicians to ensure optimal operation of our systems. Our monitoring systems actively monitor communication channels, call processors, disks, messages, and servers to ensure optimal operations at all times. System performance is monitored and the facility will be notified immediately upon the occurrence of non-performing equipment.

2.4.3.1.2 The Contractor must describe, in its response, how it will maintain maximum network up time for the network services installed for the IPS at each of the Department location. The Contractor must provide current network up time figures for similar IPS installations.

CenturyLink has read, understands and will comply.

This was discussed previously in our response to Section 2.4.23.1.1, and is repeated here for the convenience of the reviewer.

The centralized IPS platform is designed with a distributed processing architecture to minimize the risk of catastrophic system failure and reduce the risk that any single component could result in a complete system outage, data loss, or inaccessibility of data. The most susceptible components are equipped with multiple layers of internal redundancy and/or hot swappable spares (hard disks, cooling fans, power supplies) to ensure minimal risk of service affecting failure and reduced time to repair. Additionally, the entire centralized call processing platform is replicated at the fail-over data center in San Antonio., which supports both load balancing and cloud-based fail-over utilizing BGP protocol thereby ensuring continued system operation. The IPS builds each individual call processor utilizing Enterprise grade components which provide the highest level of performance and reliability. The Quality Standard for the IPS calling platform is 99.999% system availability.

The IPS employs multiple levels of redundancy to ensure 99.999% uptime for the IPS calling platform, as well as to protect against data loss and ensure continuous availability of call recording and data:

1. **Network Redundancy:** CenturyLink estimates 99.999% network uptime across our customer base using the centralized ITS, due to the network redundancy (#1 in the struck-through answer below).

2. **Call Processing Redundancy:** While the primary call processor is housed in our national headquarters and engineering center in San Antonio, we also install a fully functional, always-on backup call processor 900 miles away in St. Louis. Therefore, if a disaster should ever disrupt call processing in San Antonio, service would instantly fail over to the secondary processor in St. Louis.

3. **Storage Redundancy:** Call data and recordings are stored digitally on internally redundant storage devices for the entire contract duration, in two separate geographic locations (one data center in San Antonio and one data center in St. Louis). This storage redundancy ensures that, even if a disaster were to completely destroy one data center, additional copies would still be available for disaster recovery purposes. At each of the data centers, call recordings and data are stored on internally redundant digital storage devices. For an additional layer of redundancy, The IPS can also provide an onsite storage device to store a third copy of call data and recordings.

Through our system monitoring tools, the IPS continually monitors key areas and automatically assigns service representatives and/or dispatches field technicians to ensure optimal operation of our systems. Our monitoring systems actively monitor communication channels, call processors, disks, messages, and servers to ensure optimal operations at all times. System performance is monitored and the facility will be notified immediately upon the occurrence of non-performing equipment.

2.4.24 Catastrophic Network Failure Conditions

2.4.24.1 The Contractor must describe, in its response, the business continuity plans it has in place within its own organization and its network of services to ensure that the network services installed to serve the IPS installed at the Department.

CenturyLink has read, understands and will comply.

CenturyLink' management team recognizes the importance of maintaining an effective Disaster Recovery Plan to help ensure the continuity of critical business processes and minimize disruption in the event of material disruption.

Catastrophic Network Failure

Please note that, for each supported facility, CenturyLink obtains network service from two different network carriers, (each network is sized to carry the full network load) so that if one carrier experiences an outage, **service will instantly fail over to the second carrier**. While the following plan will be initiated anytime a network service outage is detected, **phone system access will continue to operate normally** except in the unlikely event that a disaster should impede service of both network carriers simultaneously.

For a catastrophic network failure the primary Incident Commander (IC) is Joe Stables (Engineering/Network Manager) and the back-up is Chris Walton (Network Supervisor). Network related incidents may also require a full Crisis Response Team (CRT) drawn from the technical staff of our Network Operations (NetOps), Operations, Installation, Engineering and Management teams.

The IC will be notified by our network monitoring applications or a ticket opened online by facility staff or a call into our 24/7/365 Technical Services Center, or by one of our network or database providers and their monitoring staff. The IC will:

1. Immediately notify the network provider and our Network Specialists and Engineering team leaders, who will begin diagnostics and re-route traffic
2. Determine based on the severity of the incident whether or not to form a full Crisis Response Team including CenturyLink' Management (if so, Joe Stables (Engineering/Network Manager) and Chris Walton (Network Supervisor) will take charge
3. Notify the Department
4. Determine whether to involve CenturyLink Management
5. Present a plan to re-route all traffic and/or restore normal service
6. Make our Network carriers aware of SLAs and escalate as entitled under our service contracts
7. Coordinate operational response from our carriers and NetOps and Engineering teams to re-route traffic, restore normal service
8. Share progress and resolution with the Department

Third-party validation sources have built-in redundancy and have proven over the years to be reliable. Any risk of loss regarding third-party support is believed to be minimal since key vendors already have redundancy and failover mechanisms in place. Network common carriers and dial-tone providers maintain their own disaster recovery plans pursuant to applicable regulatory requirements, and CenturyLink' third-party services are also distributed among multiple vendors.
Any network outage should be diagnosed from our primary data center and Network Operations Center (NOC) in San Antonio. In the event of a third-party utility outage such as a cut power line, Mr. Stables, Mr. Walton, or the most available backup IC would coordinate directly with local utility.

All of CenturyLink' disaster response and business continuity plans are subject to an annual internal review by our Executive Management team, who have more than 60 years of experience managing the reliable provision of services to correctional agencies nationwide. Dry runs testing the ability of IC and secondary staff to identify and evaluate disruptions are held at least annually. The timely delivery of parts and supplies is tracked and measured constantly to be sure our supply chain is providing the parts needed to provide or restore service in a timely fashion for all of our clients. The performance of all network and network service providers is monitored constantly, and their adherence to SLAs, uptime, and reliability standards is measured and reported monthly.

2.4.25 Post Installation and Expansion Requirements

2.4.25.1 The Department may require the addition of equipment at its facilities after the original installation of the proposed IPS. The Contractor must install additional equipment within 30 days upon notification from the Department authorized personnel. The installation of this equipment shall be at no cost to the Department.

CenturyLink has read, understands and will comply.

2.4.25.2 When a new Department facility is opened by the Department, the Contractor must determine (in conjunction with the Department) a schedule for installation of an IPS at that facility to ensure inmate calling service at the new site as soon as practical. The IPS must be installed at the new facility at no cost to the Department.

CenturyLink has read, understands and will comply.

2.4.25.3 The Contractor must be responsible for making all system modifications necessary to allow inmates to place calls as industry dialing requirements change including the introduction of new area codes and new exchanges. These system modifications shall be provided at no additional cost to the Department. The update of the IPS with new area codes and exchanges will be performed within 30 days of the area code and/or exchanges introduction to the general public.

CenturyLink has read, understands and will comply.

2.4.25.4 The Contractor must be responsible for complying with and updating the Secure Inmate Calling System for any regulatory changes and requirements during the term of the contract. These regulatory changes include federal, state, county and municipal modifications. These changes shall be made at no additional cost to the Department.

CenturyLink has read, understands and will comply.

Centurylink will work with the new vendor on a solution to transfer the existing call recordings and data to the new vendors system, in the event that the new vendor is unable to import the recordings and data into their system, CenturyLink will offer a standalone server device that will contain all the information accessible via a web interface that the Department can use to access the call records and recordings.

2.4.25.5 All call processing and call rating information must be kept current by the Contractor to ensure inmates can place calls to all approved numbers. This information includes but is not limited to local exchanges, area codes, country codes, vertical & horizontal coordinates, and any other information necessary to accurately process and rate calls. The Contractor must provide the Department with rating information within 24 hours when requested by the Department.

CenturyLink has read, understands and will comply.

2.4.25.6 The Contractor must describe, in its response, the transition plan for all call records and call recordings to be transferred to the Department at the end of the contract term.

CenturyLink has read, understands and will comply.

Centurylink will work with the new vendor on a solution to transfer the existing call recordings and data to the new vendors system, in the event that the new vendor is unable to import the recordings and data into their system, CenturyLink will offer a standalone server device that will contain all the information accessible via a web interface that the Department can use to access the call records and recordings.

2.4.25.7 The Contractor must provide, in its response, a full explanation of how it will handle a phase-out situation at the end of the contract term should the Contractor not be selected for the next contract to provide an IPS to the

Department.

CenturyLink has read, understands and will comply.

In the event of our contract termination, CenturyLink will work with the Department and the new service provider to ensure a smooth transition. We will share any data the new provider requires and will not remove any of our equipment until the new service provider has their equipment in and fully operational.

2.4.25.8 This plan must indicate any commission adjustment that will take effect should the new contractor not be able to phase-in its service for ninety (90) days.

CenturyLink has read, understands and will comply.

This is a matter of basic integrity. Should CenturyLink lose the contract and the new contractor not be able to phase-in its service for ninety (90) days, CenturyLink would continue to provide services on a month-to-month basis for the Department on the same terms and conditions then in effect. These terms would include commission – i.e. we commit to NOT adjusting commission during a transition period to a new provider.

2.4.25.9 The Contractor must identify any equipment which will be owned by the Department and any equipment not owned by the Department at the end of this contract.

CenturyLink has read, understands and will comply.

CenturyLink will retain ownership of all network equipment installed to support the inmate telephone contract such as (integrated access devices, routers, surge protectors and equipment racks as well as the inmate telephones themselves. The Department will retain ownership of any existing inmate telephone equipment installed or left behind by the incumbent provider as well as any additional wiring and conduit installed by CenturyLink throughout the life of the contract.

2.4.26 System Administrators

2.4.26.1 The Contractor is required to provide full time (40 hours per week minimum) System Administrators dedicated to the Department for the term of this contract. The number, location, and method of operation must be described by the Contractor.

CenturyLink has read, understands and will comply.

A total of five (5) Field Service Technicians and three (3) System Administrators will be hired to provide onsite maintenance and repair of the new inmate calling platform. CenturyLink is willing to hire existing Securus Field Technicians and System Administrators to minimize the impact to Department staff. In addition to the dedicated resources listed above, CenturyLink has access to 12 additional existing technicians throughout the state of Arizona that currently service the Arizona Net contract and are familiar with Department policies and procedures.

2.4.26.2 The Administrators must be fully trained on the proposed IPS with regards to system programming, entering of inmate information, manipulation of call recordings and the treatment of call records for required reports.

CenturyLink has read, understands and will comply.

CenturyLink will ensure that all team members including the System Administrators are fully qualified, appropriately trained and certified to ensure knowledge levels meeting or exceeding the Department's expectations.

2.4.26.3 The Contractor must state if the site administrators proposed for the Department will be employees or independent contractors of the Contractor.

CenturyLink has read, understands and will comply.

The site administrators will be employees of CenturyLink, Inc., and include competitive pay and benefit packages consistent with all employees within the company.

2.4.26.4 The Contractor must describe, in its response, how it will keep the turnover of Administrators at a minimum during the term of this contract (e.g., competitive salary, paid holidays, reasonable health benefits, vacation packages, etc.).

CenturyLink has read, understands and will comply.

The site administrators will be employees of CenturyLink, Inc., and include competitive pay and benefit packages consistent with those of the entire corporation. As a company with 40,000 employees, no other bidder comes close to the buying power of CenturyLink, Inc. with regard to pay and benefits.

Details regarding our employee benefits publicly available on the internet at www.CenturyLinkbenefits.com.

All new hires receive access to a highly competitive benefits package:

- Wellness Program
- Employee Assistance Program (Legal, Mediation, Financial Services)
- Flexible Spending Accounts
- Life, Accidental Death, and Disability Insurance
- Medical, Prescription, Dental, and Vision Insurance Programs
- Immediate eligibility to company 401K and matching contribution program

Additionally, new employees receive paid holidays and paid time-off – 18 days per year.

2.4.26.5 It is desirable that the Contractor provide Administrators with a minimum hourly wage of $15.00 and competitive health benefits. The Contractor must describe in its response how it meets this desirable specification.

CenturyLink has read, understands and will comply.

CenturyLink commits to paying Administrators a starting hourly wage of at least $15.00. In addition, all CenturyLink, Inc. employees receive highly competitive health and retirement benefits as described in 2.4.26.4 immediately above.

2.4.26.6 It is important to the success of this contract that the Administrator positions are filled at all times by the Contractor. The Contractor must fill any Administrator position vacancy within 45 days. Failure to achieve such may result in a $200 per day penalty commencing on day 46 until the position is filled and the new Administrator attends the Departments new employee orientation.

CenturyLink has read, understands and will comply.

Turnover among our employees is very low due to competitive pay and benefits packages. However, if we do experience employee turnover CenturyLink will fill any Administrator position vacancy within 45 days, or pay a penalty as required.

2.4.26.7 The Contractor must provide site administrators that will perform the following functions, at a minimum, for the Department with regard to the IPS installed at each facility:

CenturyLink has read, understands and will comply.

CenturyLink-provided Administrators are meant to be an unrestricted resource to the Department for successful operation of the inmate communication system.

Administrators will be certified in use of the system – administrative, fiscal, and investigative functionality – and available to assist or train site personnel in addition to timely completion of the daily tasks listed below in Subsections 2.4.26.7.1 through 2.4.26.7.13.

2.4.26.7.1 Test the IPS to ensure functionality each day;
2.4.26.7.2 PIN data base initial entry (at committing sites);
2.4.26.7.3 PIN changes, moves, transfers, discipline sanctions, etc.;
2.4.26.7.4 Production of standard administrative and investigative reports;
2.4.26.7.5 Production of customized reports as required;
2.4.26.7.6 Conducting of quarterly inmate PIN list updates;
2.4.26.7.7 Conducting of semi-annual scans of inmate PIN lists for the Department personnel telephone numbers, etc.;
2.4.26.7.8 Initiate or facilitate maintenance and repair of the proposed IPS, as required;
2.4.26.7.9 Primary Contractor point of contact for Department facilities;
2.4.26.7.10 Resolve all complaints and inquiries regarding the IPS in a timely manner;
2.4.26.7.11 Transfer call recordings to portable media as directed by the Department;
2.4.26.7.12 Transfer of inmate PINs between Department facilities when required;
2.4.26.7.13 Other related duties as determined by the Department.

2.5 PROPOSAL REQUIREMENTS

2.5.1 Inmate Phone Management Criteria

2.5.1.1 Inmates are afforded restricted access to telephones consistent with their security classification and within the physical limits of the institution. During family emergencies and certain holiday periods, inmates may be permitted to have brief telephone conversations with incarcerated family members. The Department establishes procedures for requesting, approving and scheduling phone calls, and describes monitoring and recording requirements. Refer to Attachment #3, Management Criteria for the inmate security levels and their authorized phone limit, and the criteria used to increase their respective phone privileges. Inmates with a disability may request a reasonable accommodation such as a sign language interpreter, by notifying staff of their need. Requests are made as early as possible to allow time to arrange the accommodation.

CenturyLink has read, understands and will comply.

2.6 CONTRACTOR QUALIFICATION REQUIREMENTS

2.6.1 Contractor Firm Information

2.6.1.1 Contractor Name and Address

2.6.1.1.1 State the proposing organization's full company or corporate name and give the official representative, address, telephone number, email address (if any) and FAX number of the Contractor's office location responsible for performance under a contract with the state of Arizona in the event the Contractor becomes the Apparent Successful Contractor.

CenturyLink has read, understands and will comply.

The organization's full name is CenturyLink Public Communications, Inc. (CPCI). The official representative will be:

Paul Cooper – General Manager
CenturyLink Public Communications, Inc.
5454 West 110th Street
Overland Park, Kansas 66211
paul.n.cooper@centurylink.com
(913) 345-6002 (office)
(913) 345-6802 (FAX)

2.6.1.2 Organization

2.6.1.2.1 Specify how the proposing entity is organized (proprietorship, partnership, and corporation).

CenturyLink has read, understands and will comply.

CenturyLink Public Communications, Inc. is a Florida corporation.

2.6.1.3 Year of Organization

2.6.1.3.1 Specify the year in which the Contractor was first organized to do business as substantially the entity which now exists, whether or not the form of organization has changed in the interim (such as by subsequent incorporation, merger, or other organizational change) and regardless of name changes. The intent of this requirement is to ascertain the longevity of continuous operation of the Contractor, and the response should be formulated to provide that information as appropriate to the Contractor's business circumstances.

CenturyLink has read, understands and will comply.

CenturyLink Public Communications, Inc. was incorporated in the State of Florida in March, 1994; however, we have been providing correctional market communications services for over 23 years (since 1991).

2.6.1.4 Principal Officers

2.6.1.4.1 Give the name, office, address, and business telephone number of the principal officers of the Contractor's organization. At a minimum, include officers who hold the following functional positions, if applicable:

2.6.1.4.1.1 Board Chairman, if a corporation
2.6.1.4.1.2 President or other Chief Executive Officer
2.6.1.4.1.3 Corporate Director, if a corporation
2.6.1.4.1.4 Chief Financial Officer

CenturyLink has read, understands and will comply.

The following table provides the information on the principal officers of our organization:

Name	Title	Contact
Glen F. Post, III	CEO, Chairman of the Board	100 CenturyLink Dr, Monroe, LA 71203 (318) 388-9542
R. Stewart Ewing, Jr.	CFO, Director	100 CenturyLink Dr, Monroe, LA 71203 (318) 388-9512
Stacey W. Goff	General Counsel, Director	100 CenturyLink Dr, Monroe, LA 71203 (318) 388-9539
William E. Cheek	President – Wholesale Operation	100 CenturyLink Dr, Monroe, LA 71203 (318) 388-9582
Paul N. Cooper	Assistant Secretary	5454 W. 110th Street, Overland Park, KS 66211 (913) 345-6002

2.6.1.5 Owners

2.6.1.5.1 Identify by name, business address and telephone number of all owners, partners or stockholders who own ten percent (10%) or more of the proposing organization. If any corporation owns ten percent

(10%) or more of the proposing organization, identify the corporation and its chief executive officer and chief financial officer.

CenturyLink has read, understands and will comply

CenturyLink Public Communications Inc. is a wholly-owned subsidiary of Embarq Corporation, which in turn is a wholly-owned subsidiary of CenturyLink, Inc.

CenturyLink, Inc. is a publically traded corporation; there is no one individual that owns ten percent or more of CenturyLink, Inc. The chief executive officer of CenturyLink, Inc. is Glen F. Post III, and the chief financial officer is R. Stewart Ewing, Jr.

2.6.1.6 Change in Ownership

2.6.1.6.1 If any change in ownership or control of the proposing organization is anticipated during the twelve (12) months following the proposal due date, describe the circumstances of such change and indicate when the change will likely occur.

CenturyLink has read, understands and will comply.

CenturyLink does not anticipate any change of ownership.

2.6.2 Responsible Parties

2.6.2.1 Contract Responsibility

2.6.2.1.1 Identify by name, title or position and telephone number the individual who would have primary responsibility for initiating service resulting from this RFP; i.e., a manager or representative for this contract.

CenturyLink has read, understands and will comply.

The individual who will have primary responsibility for service for this contract will be:

Paul Cooper – General Manager
CenturyLink Public Communications, Inc.
5454 West 110th Street
Overland Park, Kansas 66211
paul.n.cooper@centurylink.com
(913) 345-6002 (office)

(913) 345-6802 (FAX)

2.6.3 Arizona Business License/Federal Employer Identification Number

2.6.3.1 Either (a) state that the Contractor now holds a valid business license, Universal Business Identifier (UBI) issued by the state of Arizona, and provides the license number; or (b) declare that the Contractor will obtain such license if selected as the Apparent Successful Contractor, immediately upon such selection and before execution of a resulting contract. Also provide the Federal Employer Identification Number (FEIN) or Social Security Number.

CenturyLink has read, understands and will comply.

CenturyLink will obtain such license immediately upon notification of award. Our FEIN is 59-3268090.

2.6.4 Qualifications

2.6.4.1 Please respond to paragraphs 2.6.5 through 2.6.11 on each of the experience category.

CenturyLink has read, understands and will comply.

2.6.5 System-wide inmate telephone systems - Provision ofinmate telephone systems and services statewide for a state correctional department or a countywide system and services for a county correctional department.

CenturyLink has read, understands and will comply.

CenturyLink serves as the inmate telephone system provider for five state Departments of Correction (Alabama, Kansas, Nevada, Texas, and Wisconsin) and is in the process of installing a sixth IPS at the Idaho Department of Corrections. We also serve a number of city, county, juvenile, and mental health facilities throughout the United States. In total, we provide services to facilities housing approximately 250,000 inmates/residents.

CenturyLink is one of the only inmate telephone providers in the past 5 years who has been able to retain multiple existing state DOC account under a newly issued RFP/contract.

Description of Past Similar Projects

Alabama Department of Corrections
CenturyLink signed a contract in June 2012 with the Alabama

Department of Corrections to install 1,121 inmate phones serving approximately 25,000 inmates at 30 facilities throughout the state. The installation was completed in September 2012.

The project goal was to complete the installation on schedule and within specifications. During implementation, our team uncovered widespread wiring issues; however, the project goals were achieved and the installation was completed on-time.

CenturyLink worked closely with the incumbent IPS vendor to ensure a seamless transition of service from the existing calling platform to the CenturyLink IPS with no loss of service, and all existing customer data (PIN numbers, PIN/PAN lists, globally blocked numbers, privileged (do not record) numbers, etc.) successfully transferred.

Noteworthy aspects of the implementation project were:

- Interface with the Alabama DOC Offender Management System.
- First-time implementation of automated Personal Allowed Number (PAN) management
- Pilot implementation of remote video visitation
- No-cost custom development of a debit calling interface with the Alabama DOC trust account system (in process)

Alabama DOC: *CenturyLink's service to ADOC has included several firsts for the agency:*

- *Repair of widespread inside cabling issues left behind by previous provider*
- *First-time implementation of self-learning PANs*
- *Implementation of remote video visitation pilot program*

Kansas Department of Corrections

KANSAS
DEPARTMENT OF CORRECTIONS

CenturyLink has provided inmate telephone service for Kansas Department of Corrections since December 2007, and was recently awarded a new long-term contract to continue serving KDOC.
KDOC has 967 inmate phones at 13 facilities throughout the state, and anaverage daily inmate population is approximately 9,500

After the initial contract and renewal options expired, the contract went out to bid in 2012 and a new contract was awarded to CenturyLink and signed in January 2013 for an additional three years with two one year renewal options.

CenturyLink worked closely with the incumbent IPS vendor on the initial installation in 2007 to ensure a seamless transition of service to the CenturyLink IPS with no loss of service, and all existing customer data (PIN numbers, PIN/PAN lists, globally blocked numbers, privileged (do not record) numbers, etc.) successfully transferred, including a compressed installation schedule and "buyout" of the prior vendor ahead of the Christmas holiday.

Noteworthy aspects of the implementation project were:

- Interface with the State of Kansas Offender Management System.
- Interface with the State of Kansas Third-Party Commissary System for commissary ordering by phone
- Automated debit calling
- Interface with JPay for kiosk features

<u>Kansas DOC</u>: During our installation at the Kansas DOC in 2007, we recognized a significant amount of "noise" on many of the lines at the state's largest facility. Site staff stated that it was a reported chronic issue that had not been addressed by the previous provider, who faced a $15,000+ cost of hiring outside contractors to fix the problem. However, through the network organization of CenturyLink, Inc. we were able to dispatch an outside plant expert to the site, and resolved the problem within one day.

Nevada Department of Corrections

CenturyLink signed a contract to provide inmate telephone service for Nevada Department of Corrections in February 2008 and completed the installation in April 2008. CenturyLink installed 678 inmate phones at 18 facilities throughout the state. The average daily inmate population is approximately 12,700. ***<u>In April, CenturyLink received an Intent to Award for a new long-term contract – the most recent success in our track record of retaining accounts on successive long-term contracts.</u>***

The project goal was to complete the installation on schedule and within specifications. Even though there were challenges with the installation (as with any large project), all goals were completed on time and within specifications.

CenturyLink worked closely with the incumbent IPS vendor to ensure a seamless transition of service to the CenturyLink IPS with no loss of service, and all existing customer data (PIN numbers, PIN/PAN lists, globally blocked numbers, privileged (do not record) numbers, etc.) successfully transferred.

Noteworthy aspects of the implementation project were:

- Interface with the State of Nevada Offender Management System.
- Interface with the State of Nevada Inmate Banking System Commissary
- Automated PIN and Debit calling
- Initially implemented Pre-call Voice Biometrics
- Implemented Continuous Voice Biometrics (Investigator Pro) mid-contract

<u>Nevada DOC</u>: CenturyLink is proud of our long-standing partnership with NDOC, and has implemented a number of value-added products and features with no impact to calling rates or commissions throughout the contract. These features have included no-cost bandwidth augmentations to the State's internal network, inmate voicemail, automated information services for inmates, and other products.

- Network bandwidth swap mid-contract
- Inmate automated information services – trust-account verification implemented through the IPS mid-contract
- Inbound friends & family voicemail for inmates mid-contract
- Informational messaging system implemented mid-contract

Texas Department of Criminal Justice (TDCJ)
CenturyLink signed a contract to provide inmate telephone service for the Texas Department of Criminal Justice in October 2008. The installation began in February 2009 and was completed in December 2009. CenturyLink installed 5,385 inmate phones at 114 prison facilities throughout the state. The average daily inmate population is approximately 160,000.

The project goal was to complete the installation on schedule and within specifications. **TDCJ did not offer inmate telephone service prior to this contract, which made the implementation the largest IPS project ever undertaken, requiring all new wiring, conduit, and telephone installation in every facility**. In addition, a customized PAN verification process was developed by CenturyLink to meet the rigorous requirements of TDCJ.

Noteworthy aspects of the implementation project were:

- Automated population of inmate information
- Voice print biometrics
- Interface with TDCJ Commissary
- Automated debit calling
- Customized PAN verification process

__Texas DCJ__: CenturyLink installed the first offender telephone system ever allowed in Texas – the largest OTS project ever undertaken.
CenturyLink is also in the process of installing a contraband cell phone Managed Access system at two TDCJ sites; this installation was negotiated mid-contract.

Wisconsin Department of Corrections
CenturyLink has provided inmate telephone service for Wisconsin Department of Corrections since 2001. CenturyLink installed 1,287 inmate phones at 36 facilities throughout the state. The average daily inmate population is approximately 22,000.

Wisconsin is another example of CenturyLink's long-term commitment to service and customer retention. At the expiration of the original 2001 contract and extensions in 2009, CenturyLink won the resulting RFP and new long-term contract.
The project goal was to complete the installation on schedule and within specifications. The project goal was achieved.

CenturyLink worked closely with the incumbent IPS vendor to ensure a seamless transition of service from the existing calling platform to the CenturyLink IPS with no loss of service, and all existing customer data (PIN numbers, PIN/PAN lists, globally blocked numbers, privileged (do not record) numbers, etc.) successfully transferred. Noteworthy aspects of the implementation project were:

- First-time implementation of PINs
- Secure and approved system User Remote Access when this was a relatively new and uncommon feature
- On-line call recording storage for the life of the contract and seven years beyond
- Instructional video production
- Placement of on-site PIN administrators

<u>Wisconsin DOC</u>: *WIDOC is CenturyLink's longest-served DOC customer, since 2001. We were awarded the opportunity to continue serving Wisconsin in 2009 under a new long-term contract.*

2.6.6 Local inmate telephone systems - Provision ofinmate telephone systems in a state or county that does not encompass all inmate facilities within the state or county. This would include federal facilities that are individually served.

CenturyLink has read, understands and will comply.

CenturyLink provides several inmate telephone systems that do not encompass all inmate facilities within the broader prison or jail system – we also provide certain special phone services to ICE inmates housed in some county facilities.

Examples of these 'partial system' services include juvenile detention centers in a handful of county systems. At a state level, CenturyLink provides separate secure telephone systems to patients at a secure drug treatment center and secure mental health facility within the Wisconsin Department of Corrections.

2.6.7 Inmate Telephone Systems and Services

2.6.7.1 Experience in this category includes design and implementation of inmate phone systems, billing/payments, customer relations, management of subcontractors, maintenance/repair/ troubleshooting, and monitoring/recording integration.

CenturyLink has read, understands and will comply.

For all the inmate telephone systems cited above, CenturyLink serves as the prime contractor and is responsible for complete turnkey services including but not limited to billing/payments, customer relations, management of subcontractors, maintenance/repair/troubleshooting, and monitoring/recording integration.

2.6.8 References/Experience

2.6.8.1 List at least three and no more than five Contractor references for which the Contractor has provided inmate telephone systems similar to this services. References must contain the firm's name, contact's name, and phone number. State the number of inmates and the gross revenue collected.

CenturyLink has read, understands and will comply.

Customer	Alabama Department of Corrections
Served since	2012
Account size	30 facilities, 25,000 inmates
Yearly Revenue	$6.6 million
Summary of Services	OMS interface, first-time installation of self-learning PANs, CTL attorney audits, fraud and velocity controls, prepaid collect and inmate debit, location-based calling restrictions
Contact	Robert M Brantley, Assistant Accounting Director Phone: (334) 353-5561 Email: robert.brantley@doc.alabama.gov

Customer	Kansas Department of Corrections
Served since	2008
Account size	10 facilities, 9,480 inmates
Yearly Revenue	$4.7 million
Summary of Services	OMS interface, prepaid collect, inmate debit, continuous voice biometrics, cell phone detection equipment trial, automated inmate information services, detailed location-based calling restrictions by housing units, inmate voicemail
Contact	Chris Walker, Communications Supervisor KS Department of Corrections Phone: (913) 727-3235 x 57101 Email: Chris.Walker@doc.ks.gov

Customer	Nevada Department of Corrections
Served since	2007
Account size	18 facilities, 12,700 inmates
Yearly Revenue	$5.7 million
Summary of Services	OMS interface, prepaid collect, inmate debit, continuous voice biometrics, cell phone detection equipment trial, automated inmate information services, detailed location-based calling restrictions by housing units, inmate voicemail
Contact	Dawn Rosenberg, Chief of Purchasing and Contract Management Phone: (775) 887-3219 Email: drosenberg@doc.nv.gov

Customer	Texas Department of Criminal Justice
Served since	2009
Account size	114 facilities, 155,000 inmates
Yearly Revenue	$34.1 million
Summary of Services	OMS interface, commissary interface, automated inmate debit, voice biometrics, cell phone detection installed (two facilities),
Contact	Lynda Cobler Offender Telephone and E-messaging Coordinator Phone: (936) 437-1490 Email: lynda.cobler@tdcj.state.tx.us

Customer	Wisconsin Department of Corrections
Served since	2001
Account size	36 facilities, 22,000 inmates
Yearly Revenue	$8.1 million
Summary of Services	OMS interface, commissary interface, inmate PINs
Contact	John Shanda Telecommunications Manager Phone: (608) 240-5666 Email: john.shanda@wisconsin.gov

2.6.8.2 List any accounts which you have lost or canceled in the last year which are similar in type (correction institutional), give the reason for each. List all Correctional accounts you have operated in the past five years, their current status, reasons why, if any, of these contracts have been lost, cancelled or re-bid and provide names of contacts for these accounts so references can be verified. Also, describe how each experience applies to the following:

2.6.8.2.1 Design and implementation of system wide or local inmate phone systems
2.6.8.2.2 Billing/payments
2.6.8.2.3 Customer/public relations
2.6.8.2.4 Management of subcontractors
2.6.8.2.5 Maintenance/repair
2.6.8.2.6 Troubleshooting/response
2.6.8.2.7 Monitoring/recording integration
2.6.8.2.8 Other

CenturyLink has read, understands and will comply.

In the last five years, CenturyLink has lost two contracts. In both cases the contacts that we worked with have retired after the contracts were transitioned to a new vendor, therefore we cannot provide that information. These two contracts are:

- South Carolina Department of Corrections – Contract was rebid in 2011, CenturyLink was not selected to continue to provide services
- Michigan Department of Corrections – Contract was rebid in 2011, CenturyLink was not selected to continue to provide services

The following table lists our current contracts with a brief discussion of the account:

Account	# of Sites, Phones, and ADP	Project Details
Escambia County Florida Detention Center Director Gordon C. Pike 2935 North L Street Pensacola, Florida 32501 Office: (850) 595-3110 Fax: (850) 595-4691 gcpike@co.escambia.fl.us Col. Brett Whitlock 2935 North L Street Pensacola, Florida 32501 Office: (850) 436-9425	2 sites 123 inmate phones ADP 1,353	Provided service since June 2002 Special features: ○ Enforcer IPS installed Oct 2007, upgraded from CAM ○ PIN automated ○ Sept 2009 Interface with CTS jail management system previously interfaced with WIN/WIN JMS ○ Oct 2007 Interface with Trinity Commissary ○ Nov 2007 Automated debit calling ○ April 2007 Voice print biometrics ○ Secure and approved system User Remote Access ○ On-line call recording storage for the life of contract Contract Renewed September 5, 2013

Fax: (850) 436-9167 bdwhitlock@escambiaso.com		Contract Began June 19, 2002 Contract Expiration September 5, 2016 with option to extend two additional one year periods.
Pasco County Florida Sheriff's Office Major Ed Beckman 20101 Central Blvd. Land O'Lakes, Florida 34639 Office: (813) 235-6000 Fax: (813) 235-6018 ebeckman@PascoSheriff.org Lt Tom Perron 20101 Central Blvd. Land O'Lakes, Florida 34639 Office: (727) 277-7102 Fax: (813) 235-6018 tperron@pascosheriff.com	1 site 140 inmate phones ADP 1,508	Provided service since June 2004 Special features: ○ Enforcer IPS installed Jun 2009, upgraded from CAM ○ PIN automated ○ Jun 2009 Interface with Tiburon jail management system ○ Jun 2009 Call Center Debit Calling ○ No Commissary Interface for Debit Calling (Keefe) ○ Sep 2009 Voice print biometrics ○ Secure and approved system User Remote Access ○ On-line call recording storage for the life of contract Contract Began May 4, 2004 Contract Expiration December 31, 2012 with option to extend two successive one year terms.
Seminole County Florida Sheriff's Office Major Clifford Manley, Jr., Detention Center Administrator 211 Bush Blvd. Office: (407) 665-1205 Fax: (407) 665-1275 cmanley@seminolesheriff.org George Sellery Senior Manager, Finance & Contract 100 Bush Blvd. Sanford, Florida 32773-6799 Office: (407)665-6532 gsellery@seminolesheriff.org	2 sites 132 inmate phones 36 (pair) visitation phones ADP 832	Provided service since September 2001 Special features: ○ Enforcer IPS installed Mar 2008, upgraded from CAM ○ Network two facilities; main Detention and work releas ○ PIN automated ○ Mar 2009 Interface with Seminole "6900 Support Services" proprietary jail management system ○ March 2009 interface with JMS to provide Automated Debit Calling ○ Sept 2009 Voice print biometrics ○ Secure and approved system User Remote Access ○ On-line call recording storage for the life of contract ○ Mar 2008 Visitation Phones monitoring & recording, integrated with IPS, including inmate PIN and voice verification Contract Began August 1, 2001 Contract Expiration December 18, 2012.
Leon County Florida Sheriff's Office Major Brent Coughlin, Detention Center 535 Appleyard Drive Tallahassee, Florida 32304 Office: (850) 921-3664 Fax: (850) 922-3697 coughlib@leoncountyfl.gov Gene Griffin, Chief Administrator 2825 Municipal Way	1 site 81 inmate phones ADP 1,0001	Provided service since November 2001. Special features: ○ Enforcer IPS installed Sept 2008, upgraded from CAM ○ PIN automated ○ Sep 2008 Interface with Leon County proprietary jail information system (Justice Information System) ○ Aug 2009 Call Center Debit Calling ○ No Commissary Interface for Debit Calling (Keefe) ○ Mar 2009 Voice print biometrics ○ Secure and approved system User Remote Access ○ On-line call recording storage for the life of contract

Tallahassee, FL 32304-3807 Office: (850) 922-3335 Fax: (850) 922-3337 griffinge@leoncountyfl.gov		Contract Began November 2, 2001 Contract Expiration August 7, 2013 with option to extend two successive one year terms.
Okeechobee County Florida Sheriff's Office Ronnie White, Jail Administrator 504 NW 4th Street Okeechobee, Florida 34972 Office: (863) 357-5372 rwhite@sheriff.co.okeechobee.fl.us	1 site 26 inmate phones 9 (pair) visitation phones ADP 236	Provided service since jail was built. Installed first call control inmate telephone system December 1999. Special features: o Enforcer IPS installed Feb 2008, upgraded from Combridge o PIN (County Administrator types JMS (Positron) information into Enforcer System Daily) o Aug 2009 Call Center Debit Calling o June 2008 Voice print biometrics o Secure and approved system User Remote Access o On-line call recording storage for the life of contract o Feb 2008 Visitation Phones monitoring & recording, integrated with IPS, including inmate PIN and voice verification. Contract Began March 1, 1995 Contract Extended Expiration August 20, 2017 with the option to extend on a month to month basis.
Sumter County Florida Sheriff's Office Major Steve Binegar 219 E Anderson Avenue Bushnell, Florida 33513 Office: (352) 569-1740 Fax: (352) 569-1741 sbinegar@sumtercountysheriff.org	1 site 63 inmate phones ADP 198	Provided service since March 1995. Installed first call control inmate telephone system December 1998. Special features: o Enforcer IPS installed Mar 2008, upgraded from CAM o PIN automated o Mar 2008 Interface with proprietary jail management system (Data Pursuit) o Mar 2008 interfaced with Stuart Commissary o Mar 2008 Automated debit calling o Jun 2008 Voice print biometrics o 4/4/2011 Inmate Commissary Ordering Via Enforcer o Secure and approved system User Remote Access o On-line call recording storage for the life of contract Contract Began March 1, 1995 Contract Expiration February 29, 2013 with option to exten two successive one year terms.
Walton County Department of Corrections Florida Lt. Bill Price	1 site 37 inmate	Provided service since June 2010. Special features: o Enforcer IPS installed June 2010

Support Commander Walton County Department of Corrections 796 Triple G Road DeFuiniak Springs, FL 32433 Office: (850) 892-8196 pribill@co.walton.fl.us	phones ADP 227	○ PIN automated ○ Sept 2010 Interface with EIS jail management system ○ May 2011 Call Center Debit implemented. Automated debit calling pending ○ Feb 2011 Voice print biometrics ○ Secure and approved system User Remote Access ○ On-line call recording storage for the life of contract Contract Began June 17, 2009 Contract Expiration June 17, 2015.
Hernando County Florida Sheriff's Office Major Michael Page 16425 Spring Hill Drive Brooksville, FL 34604 Office: (352) 797-3401 mpage@hernandosheriff.org	1 site 76 inmate phones ADP 560	Provided service since August 2010. Special features: ○ Enforcer IPS installed Sept 2010 ○ PIN automated ○ Oct 2010 Interface with CTS jail management system ○ Oct 2010 Interface with Keefe Commissary ○ Oct 2010 Automated debit calling ○ Jan 2011 Voice print biometrics ○ Secure and approved system User Remote Access ○ On-line call recording storage for the life of contract. Contract Began August 27, 2010 Contract Expiration August 26, 2015 with option to rene for successive one year terms.
Hillsborough County Florida Sheriff's Office Jim Hardin, Information Services Div Project Manager 10140 Windhorst Road Tampa, FL 33619 Office: (813) 290-2270 Fax: (813) 290-2470 jhardin@hcso.tampa.fl.us	2 sites 460 phones ADP 2,843	Provided service since April 2011. Special features: ○ Enforcer IPS installed April 2011 ○ PIN automated ○ April 2011 Interface JAMS Hillsborough proprietary jail management system ○ Automated debit calling to be implemented with customer commissary change to Aramark ETA 3Q11 ○ Voice print biometrics implementation ETA May 2011 ○ Secure and approved system User Remote Access ○ On-line call recording storage for the life of contract Contract Began March 3, 2011 Contract Expiration August 1, 2014, with option to renew fc up to two additional two year terms.
Putnam County Florida Sheriff's Office Major John Griffin, Director of Corrections 130 Orie Griffin Boulevard Palatka, FL 32177 Office: (386) 329-0853 Fax: (385) 329-0484 jgriffin@putnamsheriff.org	1 site 24 phones ADP 355	Provided service since January 2013. Special Features: Enforcer IPS installed January 9, 2013 ○ Jan 2013 Interfaced with JMS ○ Jan 2013 Commissary ordering interfaced with IPS ○ Jan 2013 Automated debit calling ○ PIN automated ○ Secure and approved system User Remote Access ○ On-line call recording storage for the life of contract

Chief of Staff Rick Ryan 130 Orie Griffin Boulevard Palatka, FL 32177 Office: (386) 329-0815 Fax: (385) 329-0484 rryan@putnamsheriff.org		○ Voice print biometrics Implementation ETA Feb 2013 Contract Began November 25, 2012 Contract Expiration November 25, 2016 with option to extend one additional four year term.
Clark County Nevada Detention Center Captain Frank Reagan (retires Feb 2014) 330 S Casino Center Blvd Las Vegas, NV 89101 Office: (702) 671-3762 Fax: (702) 671-3696 f3670r@lvmpd.com Captain Michael See (after Feb 2014) 330 S Casino Center Blvd Las Vegas, NV 89101 Office: (702) 671-3862 Fax: (702) 671-3696	2 sites 461 phones ADP 3,930	Provided service since March 2011. Special features: ○ Enforcer IPS installed March 2011 ○ PIN –self enrolling ○ March 2011 Interface (file extraction from Clark IT) Sycon jail management system ○ Pending Interface (file extraction from Clark IT) ITAG Commissary ○ Pending implementation of automated debit calling ○ April 2011 Voice print biometrics ○ Secure and approved system User Remote Access ○ On-line call recording storage for the life of contract ○ November 2011 implemented Sealed Record application Contract Began February 1, 2011 Contract Expiration January 31, 2014 with option to extenc two additional two year terms.
City of Las Vegas Department of Detention and Enforcement Lt. Debbie Baldwin 3300 Stewart Avenue Las Vegas, Nevada 89101 Office: (702) 229-2402 Fax: (702) 380-3136 dbaldwin@lasvegasnevada.gov	1 site 110 inmate phones ADP 769	Provided service since March 2011. Special features: ○ Enforcer IPS installed March 2011 ○ PIN-self enrolling ○ March 2011 Extraction-Keefe Commissary File for jail management information ○ April 2011 Interface with Keefe Commissary ○ April 2011 interface with Keefe automated debit per ca through trust account ○ Secure and approved system User Remote Access ○ On-line call recording storage for the life of contract Contract Began February 1, 2011 Contract Expiration January 31, 2014 with option to extenc two additional two year terms.
Charleston County South Carolina Detention and Juvenile Facilities Major Willis Beatty 3841 Leeds Avenue Charleston, SC 29405 Office: (843) 529-7314 Fax: (843) 529-7465 wbeatty@charlestoncounty.org	2 sites 164 phones ADP 1,274	Provided service since May 2002 Special features: Detention Facility ○ VAC 100 IPS installed May 2002 ○ VAC Focus 100 IPS Upgrade Sept 2007 ○ PIN ○ Interface GEAC jail management system May 2002

		Juvenile Facility ○ Public Sector Platform Contract Began April 4, 2002 Contract Expiration December 31, 2011 with option to extend month-to-month.
Fort Worth Texas Police Department Mary E. Wilson 350 West Belknap Street Fort Worth, Texas 76102 Office: (817) 392-4239 Fax: (817) 392-4204 mary.wilson@fortworthgov.org	1 site 5 inmate phones ADP 40	Provided service since March 2009 Special features: ○ NCIC IPS installed March 2009 Contract Began February 26, 2009 Contract Expiration February 26, 2014 with option to exten one year.
Nevada Department of Corrections Dawn A. Rosenberg Chief of Purchasing Nevada Department of Corrections Office: (775) 887-3219 Fax: (775) 887-3343 drosenberg@doc.nv.gov Pam delPorto Inspector General Nevada Department of Corrections Office: (785) 887-3395 pdelporto@doc.nv.gov	18 sites 619 inmate phones ADP 12,794	Provided service since April 2008 Special features: ○ Enforcer IPS installed April 2008 ○ PIN automated ○ April 2008 Interface (file extraction from) Notice-I-Serie AS400 jail management system ○ April 2008 Interface (file extraction from) I-Series AS40 and Inmate Banking System Commissary ○ April 2008 Automated debit calling ○ March 2009 Voice print biometrics ○ Secure and approved system User Remote Access ○ On-line call recording storage for the life of contract ○ August 2011 Updated Investigator Pro ○ November 2011 implemented Trust Account Balance verification by inmates through the IPS ○ November 2011 implemented informational "message of the day" through the IPS Contract Began February 12, 2008 Contract Expiration February 28, 2014
Texas Department of Criminal Justice Lynda Cobler, Offender Telephone and E-messaging Coordinator 815 11th Street, Suite 100 Huntsville, TX 77340 Office: (936) 437-1490 Lynda.cobler@tdcj.state.tx.us	114 sites 5,460 offender phones ADP 155,000 (120,078 have access)	Provided service since March 2009 Special features: ○ Secure Call Platform OTS installed December 2008 ○ PIN 2009 ○ Automated Population of Offender Information 2009 ○ Voice print biometrics Dec 2009 ○ Interface with TDCJ Commissary March 2010 ○ Automated debit calling March 2010 ○ Secure and approved system User Remote Access ○ On-line call recording storage for 36 months Contract Began October 3, 2008 Contract Expiration October 8, 2015 with option to extend two additional two year terms.

Wisconsin Department of Corrections John Shanda, Telecommunications Manager 3099 E. Washington Madison, WI 53707 Office: (608) 240-5666 John.Shanda@wisconsin.gov	36 sites 1,340 inmate phones ADP 22,131	Provided service since 2001 Special features: ○ Secure Call Platform IPS installed Feb 2011 ○ PIN system in use ○ Secure and approved system User Remote Access ○ On-line call recording storage for the life of the contrac and seven beyond Contract Began March, 2001 Contract Expiration December 31, 2016
Kansas Department of Corrections Chris Walker, Communications Supervisor KS DOC Lansing, KS 66043 Office: (913) 727-3235 x 57101 Email - Chris.Walker@doc.ks.gov	10 sites 955 inmate phones ADP 9,489	Provided service since December 16, 2007 Special Features: ○ Secure Call Platform installed 12/16/2007 ○ PIN ○ December 2007, Interface between ICSolutions with ja management system. ○ December 2007, Interface with State of Kansas, for the Commissary, a facility managed program. ○ December 2007 automated Debit Calling ○ January 2009, Inteface with JPay Inc. for Kiosk feature ○ Secure and approved system User Remote Access ○ OnLine Call Recording Storage for life of contract ○ Individual stations can be taken out of service without affecting other stations or units. ○ Inmate telephones are not able to receive any incomin calls. ○ Fraud prevention feature in place. ○ Detect and terminate call forwarding and conference calls. Contract Began on December 16, 2007 Contract Expiration on January 1, 2010 with two one-year renewal options Contract re-won February 2013, expires January 2016 wit two one year renewal options
Milwaukee County Wisconsin Debra Burmeister, Deputy Inspector 821 W. State St. Milwaukee, WI 53233 Office: (414) 226-7062 Debra.Burmeister@milwcnty.com	2 sites 578 inmate phones ADP 2,450	Provided Service 2002 Special features: ○ Secure Call Platform IPS installed March 2011 ○ PIN system in development ○ Secure and approved system User Remote Access ○ On-line call recording storage for the life of the contrac and seven beyond ○ 2012 Interface (file extraction from trust account) debit purchasing Inmate Banking System Contract Began September, 2002 Contract Expiration February 8, 2014 with two one year renewal options

Wisconsin Department of Health Services Lee Evers, Wisconsin DHS Telecommunications Coordinator 1 W Wilson St, Room B124C, Madison, WI 53703 Office: (608) 267-7299 Lee.Evers@dhs.wisconsin.gov Steve Schneider, Security Director Sand Ridge Secure Treatment Facility Office: (608) 847-1788 Steve.Schneider@dhs.wisconsin.gov ** use Steve for NCIC reference	2 sites 51 patient phones ADP 684	Provided Service 2002 New Contract May 2011 Special features: Site 1 – Sand Ridge Treatment Center ○ NCIC (ICE) ○ Card-less debit for patients ○ PIN System used ○ Secure and approved system User Remote Access ○ On-line call recording storage for the life of the contrac and seven beyond Site 2 - WI Resource Center – ○ Securus SCP Platform ○ Secure Call Platform IPS installed Feb 2011 ○ PIN system in use ○ Secure and approved system User Remote Access ○ On-line call recording storage for the life of the contrac and seven years beyond
Kansas Juvenile Correction Ctr. Keith Bradshaw 1430 NW 25th Street Topeka, KS 66618 Office: (785) 296-4213 kbradshaw@jja.ks.gov	2 sites 44 inmate phones ADP 319	Provided service since March 1, 2008 Special Features: ○ Secure Call Platform installed 04/07/08 ○ PIN ○ April 2008, Interface ICSolutions with jail management system. ○ April 2008, Interface with KJCC, for the Commissary, a facility managed program. ○ November 2009, automated Debit Calling at one site. ○ Secure and approved system User Remote Access ○ On-Line Call Recording Storage for life of contract ○ Fraud prevention feature in place. ○ Detect and terminate call forwarding and conference calls.
Alabama Department of Corrections Robert M. Brantley Assistant Accounting Director Alabama Department of Corrections 301 S. Ripley St Montgomery AL 36130-1501 Office: (334) 353-5561 Robert.Brantley@doc.alabama.gov	30 sites 1,099 inmate phones ADP 25,195	Provided service since September 2012 Special Features: ○ Enforcer IPS installed September 2012 Contract Began June 6, 2012 Contract Expiration June 5, 2015 with option to extend two additional one-year terms
Jackson County Detention Center Laura J. Scott Manager of Services 1300 Cherry Street Kansas City, Missouri 64106 Office: (816) 881-4232 LjScott@jacksongov.org	1 site 126 inmate phones ADP 851	Provided service since February 1, 2012 Special Features: ○ Enforcer IPS installed March 2012 ○ PIN-self enrolling ○ March 2012 Extraction-Keefe Commissary File for jail management information ○ Interface with Keefe Commissary ○ Interface with Keefe automated debit per call through

		trust account ○ N/A Voice print biometrics ○ Secure and approved system User Remote Access ○ On-line call recording storage for the life of contract Contract Began February 1, 2012 Contract Expiration February 1, 2015 with option to extend
Johnson County Detention Center Lt. Randy McIntire 101 N. Kansas Ave. Olathe, KS. 66061 Office: (913) 715-5129 Randy.mcintire@jocogov.org Secondary Contact Person: Lt. Brian Clark 27745 W. 159th St. New Century, KS 66031 Office: (913) 715-5863 Brian.clark@jocogov.org	2 sites 86 inmate phones ADP 660	Enforcer IPS installed July 17, 2013 Special Features: ○ Secure Call Platform installed 7/17/2013 ○ Self-enrolling PINs ○ Secure and approved system User Remote Access ○ On-line call recording storage for the life of contract ○ Secure and approved system User Remote Access ○ Pre-Call Voice Print Biometrics ○ No Commissary Interface for Debit Calling ○ Use Debit Cards for Debit Calling ○ Video Conferencing (Future) Contract Began July 1, 2013 Contract Expiration July 31,2014 with option to extend for four one year renewals
Cole County MO John Wheeler, Chief Deputy Cole County Sheriff's Dept. 301 E High St Jefferson City, MO 65101 Office: (573) 634-9160 jwheeler@colecounty.org	1 site 29 inmate phones ADP 145	Provided service since July 13, 2012 Special Features: ○ Enforcer IPS installed July 2012 ○ PIN-self enrolling Contract Began July 13, 2012 Contract Expiration July 12, 2013 with option to extend
Larned State Hospital Kerry Nicholson 1301 Ks Hwy 264 Larned, KS 67550 Office: (620) 285-4111 Larry.Peterson@LSH.KS.GOV	1 site 54 Patient Phones ADP 105	Provided service since January 6, 2012 Special Features: ○ Enforcer IPS installed July 2012 ○ PIN-self enrolling ○ International calling Contract Began January 6, 2012
Lenoir County NC + / Christopher Hill Sheriff Lenoir County Sheriff's Office P.O. Box 3289 130 S. Queen Street Kinston, North Carolina 28501 Office: (252) 559-6102	1 site 50 inmate phones ADP 237	Provided service since December 1, 2012 (Upon New facility opening) Special Features: ○ Enforcer IPS installed November 2012 ○ PIN-self enrolling ○ Extraction-Keefe Commissary File for jail management information ○ Interface with Keefe Commissary ○ Interface with Keefe automated debit per call through trust account

		○ N/A Voice print biometrics ○ Secure and approved system User Remote Access ○ On-line call recording storage for the life of contract Contract Began December, 2012 Contract Expiration December, 2015 with option to extend
City of Foley Alabama Chief Deputy Randy Bishop 407 E Laurel Avenue Foley, AL 36535 Office: (251) 952-4010 rbishop@foleypolice.org	1 site 4 inmate phones ADP 30	Provided service since February 2009 Special Features: ○ NCIC IPS installed ○ January 2013 installed and interfaced visitation phones including monitoring and recording ○ ETA 1Q13 to interface with JMS Contract Began February 2009 Contract Expiration February 2012 Rebid awarded September 17, 2012 New Contract Began December 17, 2012 New Contract Expiration December 17, 2015
East Baton Rouge Parish Warden Dennis Grimes East Baton Rouge Parish Sheriff's 2867 Brig. Gen. Isaac Smith Ave. Scotlandville, La. 70807 Office: (225) 358-4003 dgrimes@eprso.org Sgt. Bob Landry East Baton Rouge Parish Sheriff's Office 2867 Brig. Gen. Isaac Smith Ave. Scotlandville, La. 70807 Office: (225) 358-4022 blandry@ebrso.org	2 Sites 150 Inmate Phones 152 (Pair) Visitation Sets 18 phones at Work Release Center ADP 1,768	Provided service since October 28, 2013 ○ ICS Enforcer ○ PIN Enrollment and Voice Print Biometrics at lat[e] date. Contract Began September 9, 2013 Contract Expires October 30, 2016 (Initial Term) Right to renew for two additional one year terms.

2.6.9 Contractor Resources

2.6.9.1 Provide brief one-page resumes of the single point of contact and any other individual presently employed by the Contractor or stated subcontractors who will be responsible to ensure Contractor performance and customer (Department, inmate, and public users) satisfaction with the services provided. Provide documentation showing arrangements made with local exchange carriers to allow inmates to make collect calls. The score will be based on review of resumes provided, contact with references included within the resumes, and the extent of arrangements made with local exchange carriers.

2.6.9.2 Include the following information, at a minimum, for each person identified:

2.6.9.2.1 Name
2.6.9.2.2 Position, roles, and responsibilities served in past engagements
2.6.9.2.3 Description of key specialties and abilities
2.6.9.2.4 Description of education and training
2.6.9.2.5 .References for the past engagements

CenturyLink has read, understands and will comply.

Debra Lambe
6700 Via Austi Parkway
Las Vegas, Nevada 89119

Professional Experience:

- 16 Years experience in the Telecommunications Industry providing account management, customer service, implementation and representation for communications corporations in Nevada. Managing the programs associated with Customer Service and Field Operations. Work daily with Engineering, Network Planning, Project Management, Procurement and Technical Support to keep all accounts maintaining service at their highest possible level.

- 22 Years experience in the United States Air Force working in multiple career fields

Current Responsibilities:

- Program Manager of CenturyLink's NDOC, Clark County Detention Center and City of Las Vegas Detention Center Inmate Telephone System accounts with the following responsibilities:
  - Management of the following teams and processes:
    - Three Field Service Technicians and Two On Site Coordinators
    - Overall day to day activity on all assigned accounts
  - Vendor Management
  - Account Performance
  - Service trouble ticket tracking and follow up
  - Providing Inmate Telephone System Training
  - Inmate grievance responses
  - Customer Satisfaction

Relevant Experience

CenturyLink, Las Vegas, Nevada ***May 2006 to Present***
Program Manager
Responsible for the overall day to day account activities of the Inmate Telephone Systems for state,

county and city customers extending across the state of Nevada to include 21 facilities, 1,200 phones, and for more than 16,600 inmates with an emphasis on customer service

- Achieved through having positive working relationships with contracted vendors
- Providing reliable and timely customer response times to inmate grievances and the status of service, repair, equipment install and removals
- Training correctional facility investigators on how to search for, listen and monitor calls

United States Air Force Reserve, Nellis AFB, Nevada ***July 2002 to Feb 2014***
926th Group Superintendent - Retired
Advised the 926th group commander on all matters concerning the health, morale, welfare and effective management of more than 600 Reserve members at seven squadrons and two detachments at five locations. Provided leadership and guidance as the commander's representative to numerous committees, councils, boards, and military functions throughout the group, base and command. Served as the commander's advisor on personnel programs, career progression, family needs, financial matters and recognition programs. Provided problem solving recommendations to group personnel and commanders.

Golden-Tel Communications, Las Vegas, Nevada ***Nov 1998 to May 2006***
Major Account Representative
Responsible for new sales, re-signs, leases, and change of ownership public payphone contracts for major hospitality and corporate accounts. Managed adds, removals, & installs of payphones & equipment for these major accounts.

United States Air Force (Active Duty) ***Aug 1988 to July 1995***
Pope AFB, North Carolina, Osan Air Base Korea, and Eglin AFB, Florida
Personnel Specialist
Unit Officer & Enlisted performance report monitor. Managed promotion recommendation process for unit commander by screening candidates for having the proper eligibility requirements. Outbound Assignments Counselor, ensured all security clearances, special orders, and training requirements were correct and complete prior to member departing base on a permanent change of station. Separations Specialist conducted oral entitlement briefings to member separating from the Air Force.

EDUCATION / TRAINING:

- Troy State University
  Troy, AL
  Bachelor of Science in Criminal Justice
  June 1997
- Community College of the Air Force
  Fort Walton Beach, FL
  Associate of Arts in Personnel Administration
  April 1997

2.6.10 Added Value to the Department

2.6.10.1 Describe the resources Contractor proposes to provide as added value in meeting the needs of the Department. Include resources to be provided the Department (including any dedicated staff that would reduce need for the Department to perform certain tasks), and demonstrated commitment to serving customers including state and local governments.

CenturyLink has read, understands and will comply.

CenturyLink will provide a total of five Field Service Technicians and three On Site Service Administrators will be hired to provide onsite maintenance and repair of the new inmate calling platform. CenturyLink has access to 12 additional existing technicians throughout the state of Arizona that currently service the Arizona Net contract and are familiar with Department policies and procedures.

Value-Added Features Narrative

Offerings are divided into three sections depending on the financial impact to the Department inmates, or Friends and Family (F&F) members:

(1) Offers with no cost to the Department, inmates, or friends & family
(2) Offers impacting commissions to the Department

We look forward to discussing these technologies that will streamline investigations, improve staff efficiency, simplify inmate communications and operations, and increase connections between inmates and their friends/family with the Department

SUMMARY OF VALUE-ADDED FEATURES

Value-Added Functionality – No Cost to the Department, Inmates, or Friends & Family			
Feature	**Benefit**	**Description**	**Financial Impact**
(1) "The Communicator" Paperless Inmate Communications • **Standard Feature of ITS**	• Reduced staff time • Eliminate paper kites • Kite audit trai • Reduced paper usage • Staff can respond using text to speech technology	• Unlimited tip lines Inmates can: • Schedule medical appointments • File grievances • Submit PREA or crime tip reports • File inmate telephone complaints	None
(2) "The Attendant" Inmate Information Line and "Message of the Day"	• Reduced staff time • Enhanced inmate and F&F welfare • Better staff to inmate communications	• Available for both inmates and F&F • Staff to inmate general message broadcast (Message of the Day) With JMS/OMS integration, inmates	None

• Standard Feature of ITS		and F&F can: • Track appointment, parole, court, and release dates • Perform bond inquiries • Inmate look-up information.	
(3) Hotlines	• Fulfills legal requirements for reporting	• CenturyLink will provide no-cost TIP hotlines and PREA reporting lines, and others as required by the Department	None
(4) Emergency Auto-Dialer	• Reduced staff workload • Better communications with F&F	• Calling campaign to inmate F&F members • Provide general information for disasters (fire, flood) • Can be generated on short notice	None
(5) Data Detective	• Increased investigative capabilities	Data Detective works with CenturyLink's inmate E-mail and photo offerings. The system automatically identifies key words and phrases, and reports connections with other inmates and those on the outside.	None
(6) Additional Investigative Assistance (Includes Access to Additional Reverse Lookup Databases)	• Increased staff efficiency • Potential reduction of criminal activity	• Name and address information for all approved numbers provided in multiple locations, including simple "hot-link" from call record reporting screens. • Exclusive access to Local Exchange Routing Guide (LERG) – provides carrier information and subpoena contacts for phone numbers.	None
(7) Backup Technical Assistance	• Better service to the Department	• CenturyLink can call on multi-disciplinary employees for difficult or unusual situations	None
(8) Commissary Ordering over the Phone	• Reduced staff time • Automation of ordering	• Inmates can order commissary over the phone for delivery	None

Value-Added Functionality – Impacts Commission Offer to The Department			
Feature	**Benefit**	**Description**	**Financial Impact**
(9) Cell Phone Detection – Portable Units	• Reduces contraband • Enhances safety	• Portable metal detection units allow for rapid deployment	Reduced commission s

NO-COST VALUE-ADDED FEATURES

(1) The Communicator – Paperless Inmate Communications

Through standard IVR data entry and response technology, our IPS can be used to request medical appointments, provide information on events such as parole hearings, and file grievances. This provides an automated means for inmates to request appointments and receive responses, all in a single, trackable system. The system's voice messaging module can also be used, for example, for inmates to describe symptoms to medical staff.

100% Paperless Grievance Reporting

Our grievance reporting process will supplement your existing grievance reporting process. With our paperless telephone process, inmates can file grievances, make PREA or crime tip reports, or even file complaints about the Inmate Telephone System – all using secure voice mailboxes on any standard inmate telephone.

Depending upon the type of inmate report, the appropriate Department staff will be automatically notified when an inmate files a new grievance. Using text-to-speech technology or traditional voice messaging, staff can respond to inmate reports via the ITS, and the response will be delivered to a secure voice mailbox for inmate retrieval.

This improves the efficiency by reducing labor costs as information passing move away from traditional paper ordering as staff spends less time collecting and processing medical forms.

Implementation would be a collaborative effort and customized to meet the Department's requirements.

(2) The Attendant – Inmate Information Line/Message of the Day

The Inmate Information Line allows inmates to check information such as release dates, account balances, and other simple information through straightforward prompts within the ITS. Velocity restrictions can also be placed so that inmates are able to call into the IVR no more than once or twice a day – this was an important learning during a similar installation at South Carolina DOC several years ago.

Using a voice messaging system, Department staff can create a "Message of the Day" that is delivered to inmates via inmate phone during a specified time period. Facility staff can type the message into the ITS, and the message is translated to a voice recording using text-to-speech technology; or staff can use traditional voice recording to record their message. They then enter the time window (start/stop dates and times) during which the message will be played to inmates. Any time an inmate picks up any inmate phone during the designated timeframe, they will hear the Message of the Day before call connection. When the message expires, it is no longer played to inmates, with no further action necessary from Facility staff.

The Department can use the Message of the Day feature to share information with inmates facility-wide er at a single facility. Additionally, with the Department's permission, CenturyLink can create messages to inform inmates of new product rollouts, Department-approved rate modifications, or other changes to inmate calling services.

CenturyLink is able to provide these additional services over the ITS due to its position as a network provider, which in turns allows us to "over-provision" the extra bandwidth needed to handle these types of transactions. In addition, by moving these simple high-volume transactions from the kiosks to the inmate phones, kiosks are freed-up for other transactions.

Using the same voice messaging system described above, authorized Facility staff can create a "Message of the Day" that is delivered to inmates via inmate phone during a specified time period. Facility staff can type the message into the ENFORCER, and the message is translated to a voice recording using text-to-speech technology; or staff can use traditional voice recording to record their message. They then enter the time window (start/stop dates and times) during which the message will be played to inmates. Any time an inmate picks up any inmate phone during the designated timeframe, he or she will hear the Message of the Day before call connection. When the message expires, it is no longer played to inmates, with no further action necessary from Facility staff.

The Facility can use the Message of the Day feature to share information with inmates Department-wide. Additionally, with the Facility's permission, ICSolutions can create messages to inform inmates of new product rollouts, Facility-approved rate modifications, or other changes to inmate calling services.

(3) Hotlines
CenturyLink can provision as many hotlines as the Department desires, including TIP and PREA numbers. These hotlines can terminate either within the Department or external to the Department.

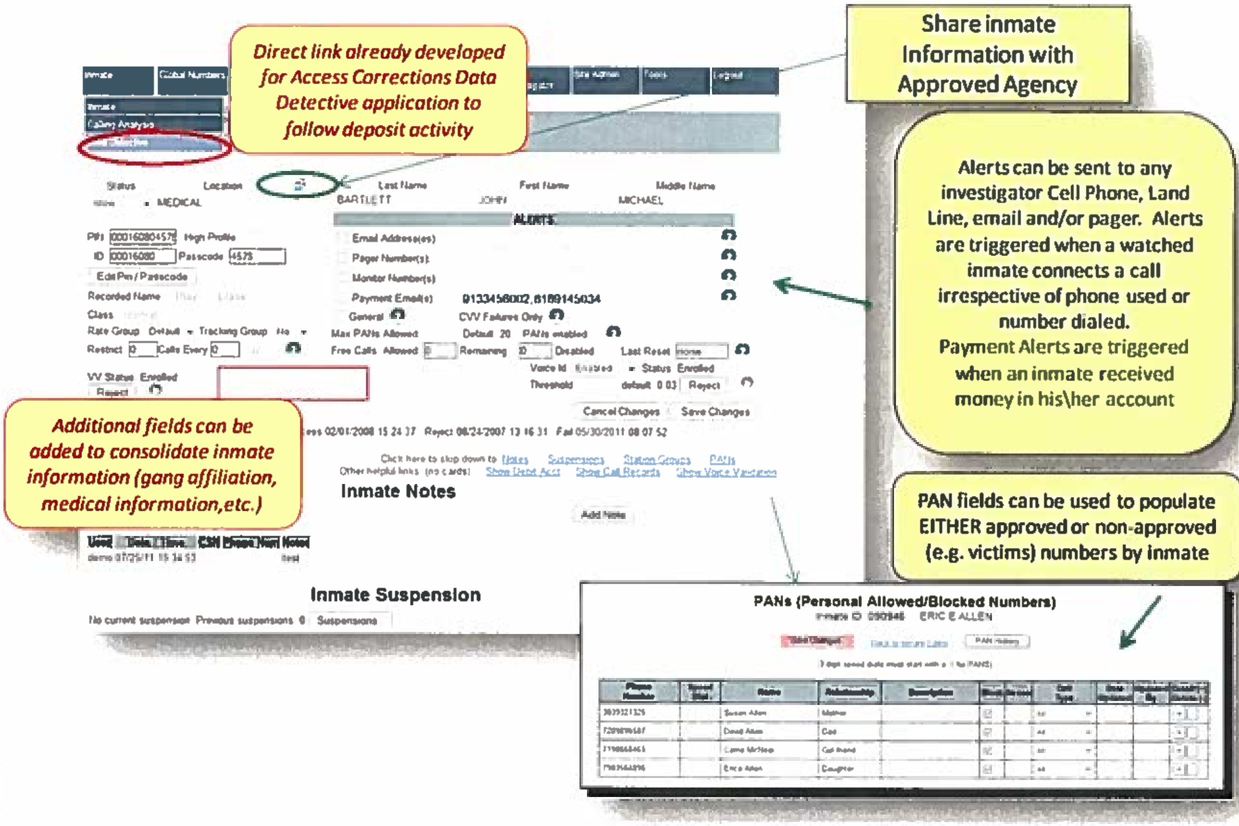
(4) Emergency Autodialer
CenturyLink has a very large corporate autodialer system, and is currently utilizing its capabilities with other inmate facilities. If inmate telephone communications were interrupted, for example by fire or flood, we can, in very short order provide a pre-recorded message to all the friends and family phone numbers on the inmate's telephone lists, or to a select few numbers.

(5) Data Detective

We recognize that investigative data can come from several sources – the Offender Management System or other communications systems such as e-messaging or trust fund deposits.

Because the Department's IPS will be a stand-alone architecture, we are able to link to Department - specific systems without the worry many other systems have with data security and "firewalling" the Department from other accounts. In addition, the IIPS is able to accept data and write interfaces to other system's specifications rather than forcing them to meet ours.

Links to other systems would primarily be shown in the inmate information tab – a screen shot as well s descriptions of interface opportunities are below:

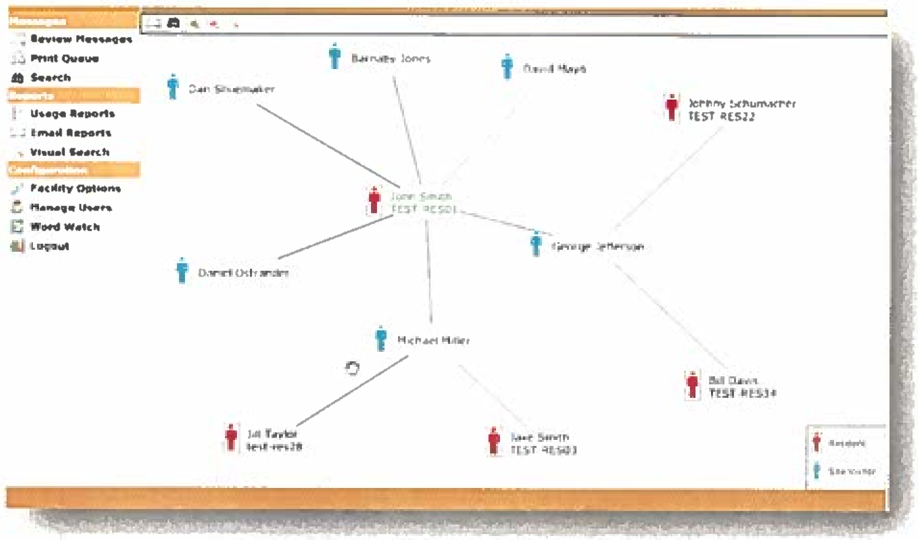


We specifically highlight the Data Detective™ capability available today from the IPS. This is a powerful link analysis tool available to investigators.

This tool has been designed with the investigative nature of the corrections market in mind. Authorized staff will be able to search varying degrees of separation in order to establish links from offender to offender or end user to end user. Some of the features are listed below:

- Department staff can explore important data using a dynamic visual map
- The unique design of the visual map allows investigators to quickly find connections and patterns
- Ability for staff to look for connections between e-mail communication with inmates, customers, etc.
- Potential to add multiple layers of data that the Department chooses to include in the visual search (i.e. inmate visitor lists, release date, etc.)
- Web based program allows authorized Department staff are able to view from their own desktop computer.

Years of research and development, utilizing established relationships with correctional facilities allowed us to develop the very best solution for the corrections market. This tool will automatically be applied to all electronic communication with the ability to add multiple other sources as determined by the Department. The investigative ability of this software is virtually endless, especially when current development is complete and records from the ITS are combined into e-messaging and/or deposit services records.



(6) Additional Investigative Assistance (Includes Access to Additional Reverse Lookup Databases)

CenturyLink already employs a similar number verification process for Nevada DOC today, and has an existing verification center in Rocky Mount, NC.

This center handles number verifications for both Nevada and the Texas Department of Criminal Justice, and could take on this work without special programming or ramp time.

Through our Program Manager, CenturyLink offers additional assistance to Department investigators. This assistance includes:

- Running standard reports to identify suspicious activity over the ITS.
- Regular refresher training for investigators
- Additional database access, provided through our exclusive access to the Local Exchange Routing Guide (LERG) database. This database provides carrier information, as well as alternate contact information for subpoena requests, for numbers that may not be entered into the ITS but may materialize in the course of an investigation.

(7) Back-up Technical Assistance

As the "phone company" for much of Arizona, including all but two Department facilities, CenturyLink has 2,800 employees in Arizona, and we have the ability to call on field engineers, technicians, and other specialized employees to provide additional support for the Department.

As an example of our abilities, when we took over the Kansas Department of Corrections IPS contract, the previous vendor had had, for years, a chronic line problem at one facility (which was not in our phone company's footprint). However, we obtained the assistance of our field staff, and corrected the problem in one day.

(8) Commissary Ordering and Management by Phone

We would welcome the opportunity to provide information on commissary ordering over the inmate telephone as either a complement to or replacement of the existing process. As a subsidiary of the nation's largest commissary software and supply company, CenturyLink's technology partner, ICSolutions, a division of your current commissary provider, Keefe, has developed the most robust commissary ordering and processing by phone module available today. The module offers complete flexibility to the Department to use the phone system in the way it most sees fit:

- As a complete commissary management tool, including warehousing, purchase restrictions on a global (no one can purchase more than x items) or individual (diabetic, indigent) basis, inventory management, picking slips, and P&L reporting.

- As an "Electronic Bubble Sheet / Shopping Cart Manager", where inmates enter and delete items on the phone to be presented to the Department's order fulfillment and inventory systems.

- As a simple free "Speed dial" into a Department-managed automated system for order entry and control or combinations, such as an Electronic Bubble Sheet that enforces restrictions prior to order entry. The IPS system has existing customers using the commissary module in all three ways.

Products are given a 4-digit code within the system, thereby allowing 9,999 unique products to be sold. Laminated product sheets would be installed by CenturyLink for inmates' reference. Once entering the commissary ordering module, simple prompts would be provided to allow inmates to enter product codes and quantities, as well as the opportunity to review and modify an order before submitting.

Commissary ordering over the phone allows inmates to place orders from any inmate phone in the facility. This provides an advantage over implementing commissary ordering kiosks, as there is no additional cost involved with installation and maintenance and inmates will not be restricted to placing orders using a limited number of kiosks. Inmates place the order via the inmate phones, which is then communicated to Keefe Commissary via SIP connection to our centralized data center, similar to an electronic bubble sheet.

From any standard inmate phone, inmates can enter their phone PIN and press a speed-dial digit to access the automated commissary ordering system. From here, inmates can follow the automated operator prompts to make commissary purchases.

When the inmate begins the ordering process, they are presented with the following prompts:

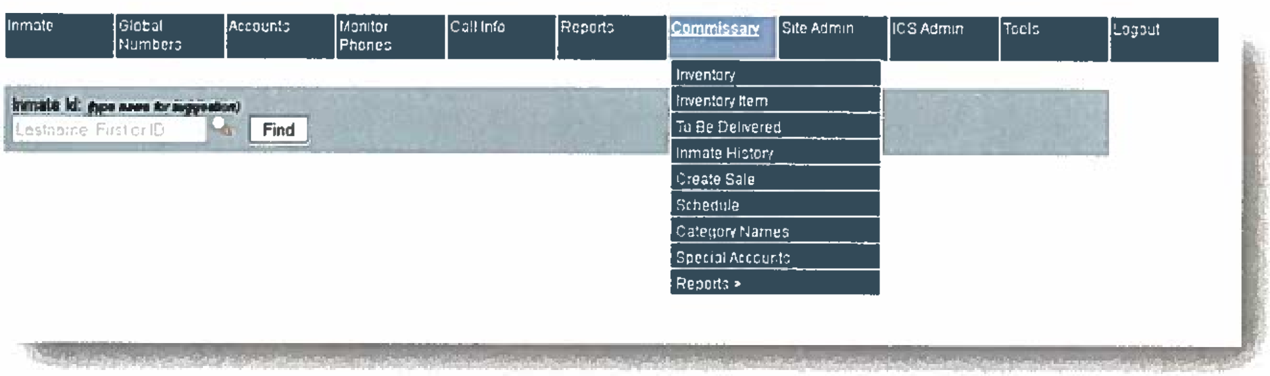
Press 1 for English, 2 for Spanish

- Please enter your site code followed by the pound sign
- Please enter inmate ID followed by the pound sign
- Enter your passcode followed by the pound sign
- Press 1 to add to your order
- Press 2 to listen to your order
- Press 3 to change your order
- Press 5 to list your debt
- Press 6 to purchase phone time
- Press 7 to hear recent transactions

Once the order is placed, KCN will process the order and make deliveries of commissary items based on the pre-determined schedules already in place at the facility.

This service benefits the County by reducing staff involvement in processing commissary orders. And inmates can place commissary orders more often – any time they have access to the inmate phones. Our recommendation is implementing commissary ordering over the phone rather than via kiosk, as this is a more convenient and flexible option. With commissary ordering over the phone, inmates can place orders at any of the many inmate phones in the facility, without the hassle of having to go to a separate kiosk.

The following screen shots show the user interface and capabilities of the system. As always CenturyLink appreciates the opportunity to discuss the system with the Department to jointly determine the best use of the System's capabilities



Inventory

The Enforcer includes inventory management so that the Department personnel can check order history and stocking levels.

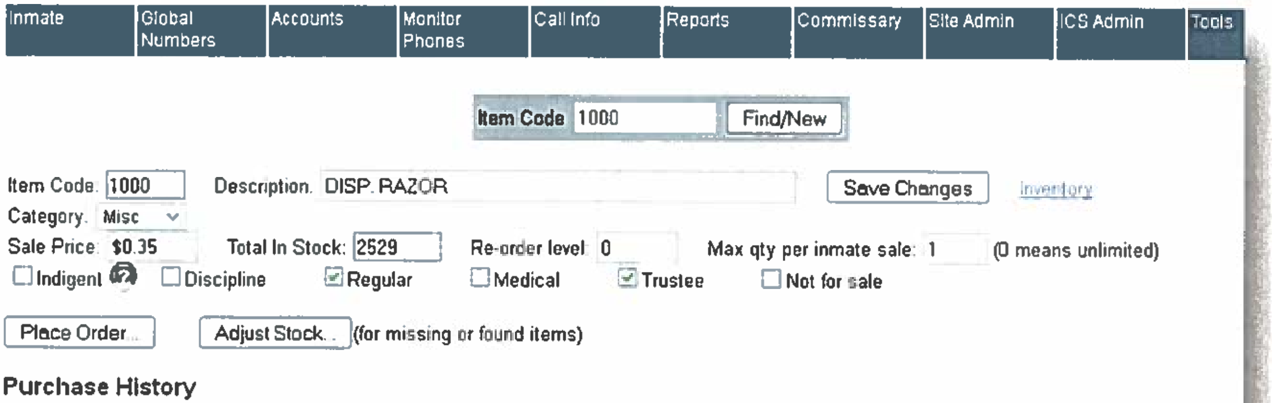
Inmate	Global Numbers	Accounts	Monitor Phones	Call Info	Reports	Commissary	Site Admin	ICS Admin	Tools	Logout

Red indicates items that are below re-order level.

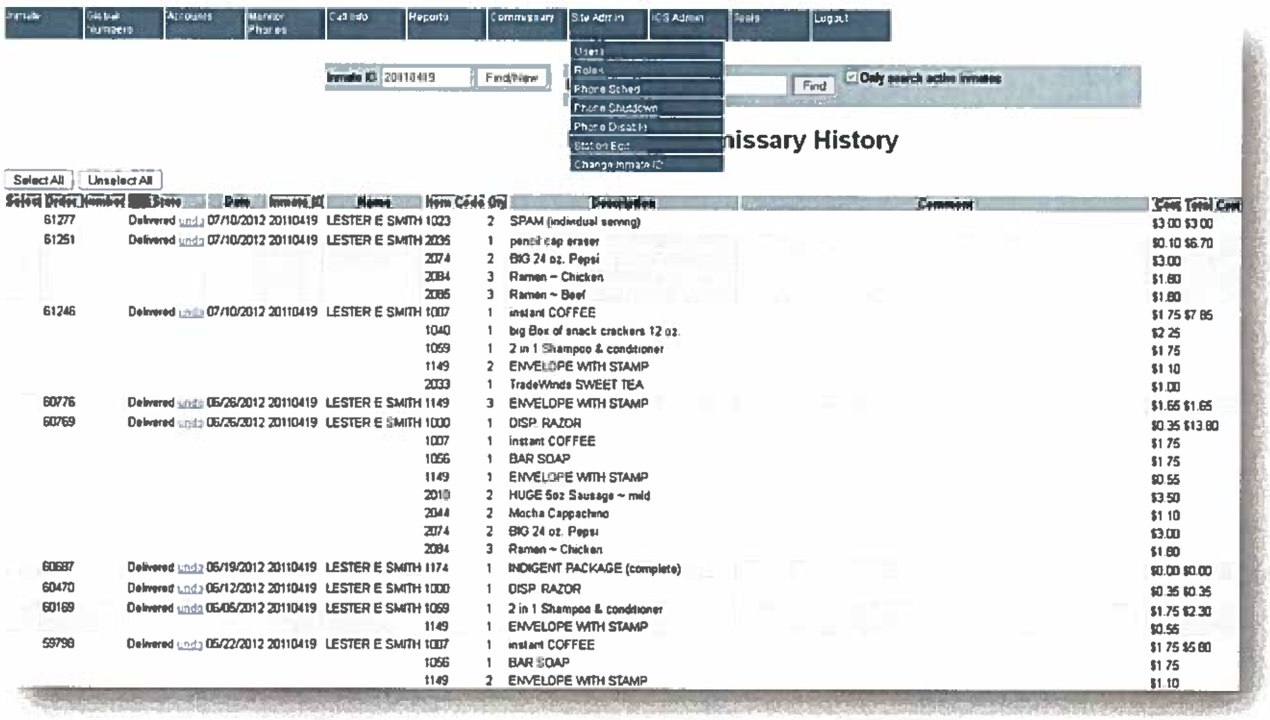
Item Code	Description	Max per Sale	Class	Category	Sale Price	Last Cost	Available	Reserved For Inmates	Expected Stock	Re-order Level	Qty Due Soon (on order)	Edit/View
1000	DISP. RAZOR	1	Reg Trustee	Misc	$0.35	$0.25	2529	0	2529	0	0	Edit...
1001	Gatorade (orange flavor)	5	Reg Trustee	Misc	$1.00	$0.65	6	0	6	0	0	Edit...
1002	Gatorade (arctic blue)	6	Reg Trustee	Misc	$1.00	$0.65	20	0	20	10	0	Edit...
1003	Gatorade (red punch flavored)	5	Reg Trustee	Misc	$1.00	$0.65	2	0	2	0	0	Edit...
1004	Gatorade (Lemon-Lime flavored)	5	Reg Trustee	Misc	$1.00	$0.65	54	0	54	10	0	Edit...
1005	ROLAIDS	5	Disc Reg Med Trustee	Misc	$0.75	$0.51	69	0	69	10	0	Edit...
1006	GUMMY FRUIT SNACKS	5	Reg Trustee	Misc	$0.25	$0.14	24	0	24	10	0	Edit...
1007	instant COFFEE	0	Reg Trustee	Misc	$1.75	$1.50	88	0	88	10	0	Edit...
1008	BR-SAVERS MINTS	5	Reg Trustee	Misc	$0.75	$0.47	12	0	12	10	0	Edit...
1009	BUTTERFINGER	5	Reg Trustee	Misc	$0.80	$0.60	52	0	52	10	0	Edit...
1010	PAYDAY	5	Not For Sale	Misc	$0.80	$0.56	0	0	0	10	0	Edit...
1011	Payday (KING SIZE)	5	Reg Trustee	Misc	$1.25	$1.00	21	0	21	10	0	Edit...
1012	SNICKERS	5	Reg Trustee	Misc	$0.80	$0.56	68	0	68	10	0	Edit...
1013	MILKY WAY king size	5	Reg Trustee	Misc	$1.25	$1.00	17	0	17	10	0	Edit...
1014	Whatchmacallit Candy Bar	5	Reg Trustee	Candy	$0.80	$0.55	50	0	50	10	0	Edit...
1015	3 MUSKETEERS	5	Reg Trustee	Misc	$0.80	$0.56	5	0	5	10	0	Edit...
1016	Snickers Peanut Butter	5	Reg Trustee	Misc	$0.85	$0.56	22	0	22	10	0	Edit...
1017	REESE'S PEANUT BUTTER CUP king size	5	Reg Trustee	Misc	$1.25	$1.00	34	0	34	10	0	Edit...
1018	Reese's mini cups (king size)	5	Reg Trustee	Candy	$1.25	$1.00	37	0	37	10	0	Edit...
1019	Jack Link's JERKY CHEW	4	Reg Trustee	Misc	$1.25	$1.00	53	0	53	10	0	Edit...
1020	100 Grand candy bar	5	Reg Trustee	Misc	$0.80	$0.65	55	0	55	10	0	Edit...
1021	Mint SNUFF pouches	1	Reg Trustee	Misc	$2.75	$2.00	62	0	62	10	0	Edit...
1022	Baby Ruth	5	Reg Trustee	Misc	$0.80	$0.65	32	0	32	10	0	Edit...
1023	SPAM (individual serving)	5	Reg Trustee	Misc	$1.50	$1.16	21	0	21	10	0	Edit...
1024	Starburst fruit chews	10	Reg Trustee	Misc	$0.80	$0.60	25	0	25	10	0	Edit...
1025	Cheese squeezer - Hot Pepper	10	Reg Trustee	Misc	$0.70	$0.50	59	0	59	10	0	Edit...
1026	OATMEAL CREAM PIE	5	Not For Sale	Misc	$0.80	$0.30	0	0	0	10	0	Edit...
1027	M&M PLAIN	5	Reg Trustee	Misc	$0.80	$0.55	45	0	45	5	0	Edit...
1028	MEAT & CHEESE sticks	0	Reg Trustee	Misc	$0.85	$0.50	137	0	137	10	0	Edit...
1029	HUGE RICE KRISPIE TREATS	5	Not For Sale	Misc	$1.25	$0.50	11	0	11	10	0	Edit...
1030	tube of toothpaste	2	Disc Reg Med Trustee	Misc	$1.75	$1.00	21	0	21	5	0	Edit...

Purchase history

Full inmate purchase history is easily accessible for authorized commissary personnel, along with the opportunity to review and approve purchases:



Date	Transaction Type	Qty	Cost	Qty Ordered	Qty Received
07/02/2012	Found	1	$0.00	0	0
06/29/2012	Found	1	$0.00	0	0
05/30/2012	Found	1	$0.00	0	0
03/22/2012	Purchase	2526	$0.25	3000	3000
08/12/2010	Purchase	0	$0.22	4000	4000
02/09/2010	Purchase	0	$0.22	2000	2000
09/21/2009	Purchase	0	$0.22	2000	2000
08/27/2009	Purchase	0	$0.22	500	500
04/23/2009	Purchase	0	$0.22	1000	1000
03/04/2009	Purchase	0	$0.26	800	800
03/02/2009	Purchase	0	$0.26	200	200
12/01/2008	Purchase	0	$0.25	200	200
10/20/2008	Found	0	$0.00	0	0
07/30/2008	Purchase	0	$0.37	40	40
07/02/2008	Purchase	0	$0.37	20	20
02/27/2008	Purchase	0	$0.37	40	40
01/09/2008	Purchase	0	$0.37	40	40
11/28/2007	Purchase	0	$0.37	40	40
10/24/2007	Purchase	0	$0.37	40	40
06/06/2007	Purchase	0	$0.37	20	20
05/31/2007	Adjust	0	$0.37	102	102



Select	Order Number	State	Date	Inmate ID	Name	Item Code	Qty	Description	Comment	Cost	Total Cost
	61277	Delivered undo	07/10/2012	20110419	LESTER E SMITH	1023	2	SPAM (individual serving)		$3.00	$3.00
	61251	Delivered undo	07/10/2012	20110419	LESTER E SMITH	2036	1	pencil cap eraser		$0.10	$6.70
						2074	2	BIG 24 oz. Pepsi		$3.00	
						2084	3	Ramen ~ Chicken		$1.80	
						2086	3	Ramen ~ Beef		$1.80	
	61246	Delivered undo	07/10/2012	20110419	LESTER E SMITH	1007	1	instant COFFEE		$1.75	$7.85
						1040	1	big Box of snack crackers 12 oz.		$2.25	
						1059	1	2 in 1 Shampoo & conditioner		$1.75	
						1149	2	ENVELOPE WITH STAMP		$1.10	
						2033	1	TradeWinds SWEET TEA		$1.00	
	60776	Delivered undo	06/26/2012	20110419	LESTER E SMITH	1149	3	ENVELOPE WITH STAMP		$1.65	$1.65
	60769	Delivered undo	06/26/2012	20110419	LESTER E SMITH	1000	1	DISP. RAZOR		$0.35	$13.80
						1007	1	instant COFFEE		$1.75	
						1056	1	BAR SOAP		$1.75	
						1149	1	ENVELOPE WITH STAMP		$0.55	
						2010	2	HUGE 5oz Sausage ~ mild		$3.50	
						2044	2	Mocha Cappachino		$1.10	
						2074	2	BIG 24 oz. Pepsi		$3.00	
						2084	3	Ramen ~ Chicken		$1.80	
	60687	Delivered undo	06/19/2012	20110419	LESTER E SMITH	1174	1	INDIGENT PACKAGE (complete)		$0.00	$0.00
	60470	Delivered undo	06/12/2012	20110419	LESTER E SMITH	1000	1	DISP. RAZOR		$0.35	$0.35
	60169	Delivered undo	06/05/2012	20110419	LESTER E SMITH	1059	1	2 in 1 Shampoo & conditioner		$1.75	$2.30
						1149	1	ENVELOPE WITH STAMP		$0.55	
	59798	Delivered undo	05/22/2012	20110419	LESTER E SMITH	1007	1	instant COFFEE		$1.75	$5.60
						1056	1	BAR SOAP		$1.75	
						1149	2	ENVELOPE WITH STAMP		$1.10	

Order Entry Rules

Times allowed for order entry are configurable. This is particularly useful if the Department's system manages inventory in an "Electronic Bubble Sheet" scenario - inventory amounts provided to the ITS can therefore be "frozen" to avoid over-ordering. Alternatively, the ITS could allow "over-ordering" and simply disclose to inmates that their orders are taken pending approval, with the final picking slip describing items fulfilled versus denied.

Day	Open time	Close time
Monday	0:00	0:00
Tuesday	15:00	23:00
Wednesday	0:00	0:00
Thursday	0:00	0:00
Friday	0:00	0:00
Saturday	0:00	0:00
Sunday	0:00	0:00

Save Changes

0:00 for start and 24:00 for stop means commissary is on all day
0:00 for start and stop means commissary is off all day

Reporting

Numerous reporting capabilities (account balances, order history, etc) are native in the system. Only a select grouping of reports are shown for brevity.

07 13 2012 15 18 - Page 1

INMATE CALLING
ICSolutions

Commissary Item Price List

Code	Description	Price	Allow	Max	Code	Description	Price	Allow	Max
1000	DISP RAZOR	0 35	RT	1	1109	SPORTSBRA 36	4 50	RMT	2
1001	Gatorade (orange flavor)	1 00	RT	5	1110	SPORTSBRA 38	4 50	RMT	2
1002	Gatorade (arctic blue)	1 00	RT	6	1111	SPORTSBRA 40	4 50	RMT	2
1003	Gatorade (red punch flavored)	1 00	RT	5	1112	SPORTSBRA 42	4 50	RMT	2
1004	Gatorade (Lemon-Lime flavored)	1 00	RT	5	1113	SPORTSBRA 44	4 50	RMT	2
1005	ROLAIDS	0.75	DRMT	5	1114	T-SHIRT LG	4 00	RT	2
1006	GUMMY FRUIT SNACKS	0 25	RT	5	1115	T-SHIRT XLG	4 00	RMT	2
1007	instant COFFEE	1.75	RT	0	1116	T-SHIRT 2X	4.50	RT	2
1008	BP[redacted]MINTS	0 75	RT	5	1117	T-SHIRT 3X	4 50	RT	2
1009	BU[redacted]GER	0 80	RT	5	1118	small t-shirt	4 00	RMT	1
1011	P[redacted] SIZE)	1 25	RT	5	1119	T-SHIRT MEDIUM	4 00	DRMT	2
1012	SNICKERS	0 80	RT	5	1134	CHEESE COMBO	0.80	RT	5
1013	MILKY WAY king size	1 25	RT	5	1136	JALAPENO COMBO	0.80	RT	5
1014	Whatchamacallit Candy Bar	0 80	RT	5	1139	MENS CANVAS SHOE 6	5 00	RMT	1
1015	3 MUSKETEERS	0 80	RT	5	1140	MENS CANVAS SHOE 7	5 00	RMT	1
1016	Snickers Peanut Butter	0 85	RT	5	1141	MENS CANVAS SHOE 8	5 00	RMT	1
1017	REESE S PEANUT BUTTER CUP king size	1 25	RT	5	1142	MENS CANVAS SHOE 9	5.00	RMT	1
1018	Reese s mini cups (king size)	1 25	RT	5	1143	MENS CANVAS SHOE 10	5 00	RMT	1
1019	Jack Link's JERKY CHEW	1 25	RT	4	1144	MENS CANVAS SHOE 11	5.00	RMT	1
1020	100 Grand candy bar	0 80	RT	5	1145	MENS CANVAS SHOE 12	4 00	RMT	1
1021	Mint SNUFF pouches	2.75	RT	1	1146	MENS CANVAS SHOE 13	4.00	RMT	1
1022	Baby Ruth	0.80	RT	5	1147	MENS CANVAS SHOE 14	4.00	RMT	1
1023	SPAM (individual serving)	1 50	RT	5	1149	ENVELOPE WITH STAMP	0 55	DRMT	10
1024	Starburst fruit chews	0 80	RT	10	1150	POSTAGE STAMP	0.45	DRT	6
1025	Cheese squeezer - Hot Pepper	0 70	RT	10	1152	writing paper	1 75	RT	2
1027	M&M PLAIN	0 80	RT	5	1155	MANILA ENVELOPE	0.30	DRMT	5
1028	MEAT & CHEESE sticks	0 85	RT	0	1156	FOLDER W POCKETS	0 40	RMT	5
1030	tube of toothpaste	1 75	DRMT	2	1159	CROSSWORD PUZZLE BOOK	1.50	RT	2
1031	Skittles	0 70	RT	5	1160	WORD SEARCH PUZZLE BOOK	1 50	RT	2
1033	Big Mayonaise squeezer	0.25	RT	4	1162	PLAYING CARDS	2.00	RMT	1
1034	Chili pouch (Western Style)	1 75	RT	6	1166	UNO CARDS	2 50	RT	1
1035	Chili pouch (mild)	1.75	RT	6	1170	DICTIONARY	1.00	RMT	1

INMATE CALLING
ICSolutions

Commissary Category Report

Start_Time = 07/06/2012 00:00:00 End_Time = 07/13/2012 23:59 Choose_Category = All

Category	Order	Inmate ID	Item	Description	Notes	Qty	Price	Cost
Candy	61137	20060231	1018	Reese's mini cups (king size)		1	1.25	1.25
	61139	0004	2037	cherry cheese bear claw danish		2	0.00	0.00
	61140	20100320	2028	Iced Honey Bun		4	0.85	3.40
	61141	20020356	2050	Reese's Fast Break candy bar KING SIZE		2	1.25	2.50
	61142	20000074	2021	salted peanuts		1	0.75	0.75
	61143	20020828	2050	Reese's Fast Break candy bar KING SIZE		3	1.25	3.75
	61144	20120208	2002	Reese's Pieces		2	0.80	1.60
	61147	20110403	2002	Reese's Pieces		3	0.80	2.40
	61147	20110403	2001	Hershey w Almonds		2	0.80	1.60
	61147	20110403	2000	Big Peanut Butter Cookie		2	0.80	1.60
	61148	20120244	2028	Iced Honey Bun		2	0.85	1.70
	61148	20120244	2012	Chocolate sandwich cookies		2	0.75	1.50
	61148	20120244	2011	Peanut Butter Sandwich cookies		2	0.75	1.50
	61149	20060027	2046	Bun candy bar (maple)		3	0.80	2.40
	61149	20060027	2012	Chocolate sandwich cookies		1	0.75	0.75
	61149	20060027	1018	Reese's mini cups (king size)		1	1.25	1.25
	61149	20060027	2018	Deluxe mixed nuts		2	1.50	3.00
	61149	20060027	2016	sweet and salty nut mix		1	0.99	0.99
	61149	20060027	2038	diet Pepsi 16.9 oz		2	1.10	2.20
	61151	20120142	2033	TradeWinds SWEET TEA		1	1.00	1.00
	61151	20120142	2037	cherry cheese bear claw danish		2	0.85	1.70
	61152	20020356	2050	Reese's Fast Break candy bar KING SIZE		2	1.25	2.50
	61152	20020356	2011	Peanut Butter Sandwich cookies		1	0.75	0.75
	61152	20020356	2012	Chocolate sandwich cookies		1	0.75	0.75
	61152	20020356	2014	Twix Peanut Butter		2	0.80	1.60
	61153	20110146	2033	TradeWinds SWEET TEA		5	1.00	5.00
	61153	20110146	2032	KING SIZE Peanut M&Ms		2	1.25	2.50
	61153	20110146	2011	Peanut Butter Sandwich cookies		2	0.75	1.50
	61153	20110146	2012	Chocolate sandwich cookies		1	0.75	0.75
	61154	20040182	2055	Peanut Butter squeezer	Ord: 61154 User smcintyre set order as Return: qty was 2 (07/11/2012 07:26)	0	0.50	0.00

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INMATE CALLING ICSolutions

Commissary Top Sellers

Start_Time = 07/06/2012 00:00:00 End_Time = 07/13/2012 23:59

Item	Descrip	Category	Qty	Sales
1149	ENVELOPE WITH STAMP	Misc	132	72 60
2084	Ramen Chicken	Misc	95	57.00
2085	Ramen Beef	Misc	92	55.20
2086	Ramen Chili flavor	Misc	92	55.20
2073	BIG 24oz Mt. Dew	Misc	51	76.50
2036	Coke 16.9 oz bottle	Misc	48	52.80
2074	BIG 24 oz. Pepsi	Misc	44	66.00
2003	Hot sauce packets	Misc	40	10.00
1007	instant COFFEE	Misc	34	59.50
2028	Iced Honey Bun	Candy	34	28.90
1034	Chili pouch (Western Style)	Misc	30	52.50
2034	Pencil (golf size)	Misc	29	5.80
1040	big Box of snack crackers 12 oz	Misc	27	60.75
1000	DISP. RAZOR	Misc	26	9.10

07 13 2012 15 24 - Page 1

INMATE CALLING
ICSolutions

Special Acct Summary

Special Acct	Credit	Debit	Balance
Commissary Sales	-493,429.22	493,429.22	0.00
Debit Calling	0.00	0.00	0.00
Restitution	0.00	0.00	0.00
Hygiene	-1,685.99	1,711.99	26.00
Property Damage	-277.32	287.62	10.30
Medical Co-pay	-15,074.83	15,374.83	300.00
Copy Fees	-0.60	0.60	0.00
Inmate Trust Account	-48.20	1,213.11	1,164.91
Total	-510516.16	512017.37	1501.21

VALUE-ADDED FEATURES WITH IMPACTS TO COMMISSIONS AND/OR CALLING RATES

(9) Cell Phone Detection – Portable Units

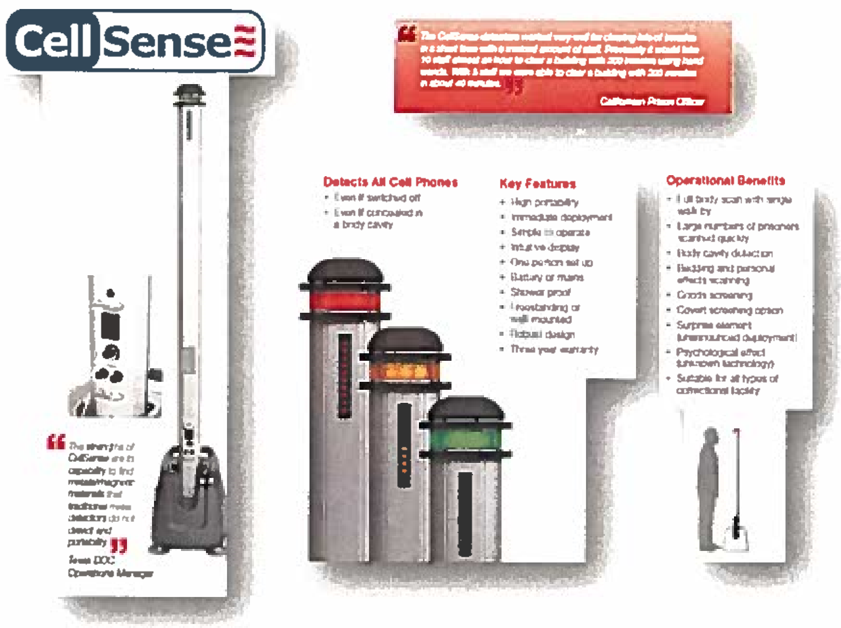
Portable detection units are valuable and cost-effective tools in combating contraband, especially contraband cell phones. These units can be rapidly deployed and remain visible to inmates, or be hidden behind visual barriers for covert operation.

CenturyLink works with both leading providers of this technology – CellSense and CEIA USA – and is able to provide the Department with either technology, or a combination of both. In fact we recommend an approach where the Department trials one unit of each type, and after an evaluation period the Department could order additional units based on its preference, should the trial prove beneficial.

CellSense.

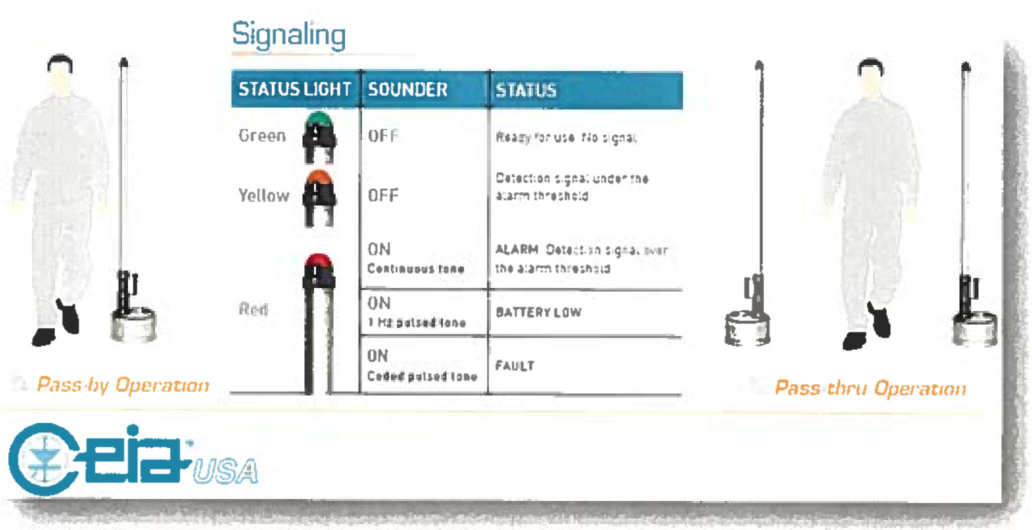
CellSense, by MetraSens, is a proven system for detecting the presence of cell phones in or on the body, even if the phone is switched off. It also has the advantage of also detecting other contraband items such as shanks, knives and small blades.

Rapid and un-announced deployment and the ability to scan up to 40 individuals per minute means that it is clearly the most cost effective and flexible cell phone detector available worldwide. It can even e deployed covertly since it has the ability to scan through walls.



CEIA USA.

A similar product is offered by CEIA USA, a leader in metal detection devices. The CEIA unit offers features and portability similar to the CellSense unit, and also like the CellSense unit, has multiple deployments throughout the U.S.



2.6.11 Contractor Financial Responsibility

2.6.11.1 Describe the proposing organization, including size, longevity, client base, areas of specialization and expertise, and any other pertinent information in such a manner that the proposal evaluators may reasonably formulate a determination about the stability and financial strength of the proposing organization.

CenturyLink has read, understands and will comply.

Sprint Payphone Services, Inc. was incorporated in the State of Florida in 1994 to allow the payphone and corrections market to operate as a non-regulated entity outside of the Sprint Local Exchange territories. The Sprint Local Exchange group was spun from Sprint in 2008, and later merged with another company to form CenturyLink. The new corrections market group, CenturyLink Public Communications, Inc. (CPCI), is a subsidiary of Embarq Corp., which is in turn a subsidiary of CenturyLink, Inc.

The parent company, CenturyLink, Inc., is the third largest telecommunications company in the United States, with 45,000 employees and annual revenues of $18 billion, and owns a 210,000 mile fiber optic network. The company has offices throughout the United States and overseas, and provides telephone, Internet, television, cloud computing, network, and technology consulting services.

CPCI and its predecessors have been providing services to the corrections markets since 1991 (23 years). We currently serve five state departments of corrections (Alabama, Kansas, Nevada, Texas, and Wisconsin) and are in the process of transitioning services for the Idaho Department of Corrections from another vendor to our IPS. In addition, we serve numerous county and city law enforcement agencies.

Our primary focus is on the corrections markets where we specialize and are strongly focused on inmate telephone and video visitation services. In addition, we have installed the first large-scale cell phone managed access system in the United States in two Texas Department of Corrections facilities. We also have a strong implementation and management team, the capabilities of which were demonstrated in 2009 when we installed a ground-up inmate telephone system for the Texas Department of Criminal Justice, which had never had an inmate telephone system. That project involved installing over 5,800 phones in 114 facilities to server 155,000 inmates, and included new wiring in every facility.

As a division of a very large public company, we cannot allow an action by CPCI to bring bad publicity to the corporation. Our bedrock is integrity. A good example of how we operate is demonstrated by the recent FCC rulings on Interstate calling rates; many of our competitors have stopped paying commission on Interstate calls, claiming that the FCC order (which has been partially stayed by the courts), does not allow them to pay commissions. CenturyLink is different. We do not see anything in the current court order that prohibits payment of commissions on Interstate calling, and we continue to pay commissions to our clients on these calls.

2.6.11.2 Provide a copy of the Contractor's Dunn and Bradstreet, Equifax, TRW, or other appropriate credit rating. For sole proprietors, provide a copy of the appropriate credit rating for your sole proprietorship. A credit report for the sole proprietorship will be required before contract execution.

CenturyLink has read, understands and will comply.

CenturyLink has provided D&B information in Tab 7.

2.6.11.3 Provide a copy of the orgapizations, audited, financial records for the past three (3) years.

CenturyLink has read, understands and will comply.

Financial Information is located in Tab 7.

2.6.11.4 Disclose any and all judgments, pending or expected litigation, or other real or potential financial or legal events that might materially affect the viability or stability of the proposing organization or warrant that no such condition is known to exist.

CenturyLink has read, understands and will comply.

Conlin v. EMBARQ Payphone Services, et al. -- (U.S. Dist. Ct. ED TX, Case No. 1:09-v-01000) Plaintiff challenged the process by which persons wishing to communicate with inmates via a prison phone system must register with the state. EPSI was never served with this lawsuit. The court dismissed the case. The plaintiff appealed to the Fifth Circuit, and the appeal was dismissed in February 2010. The matter is closed.

Chico-Polo, et al. v. EMBARQ Payphone Services, et al. -- (U.S. Dist. Ct. ED MI, Case No. 2:10-cv-10758) Plaintiffs allege civil rights violations because international calls to Nicaragua and Colombia are not allowed under Michigan Department of Corrections policy. EPSI filed a motion to dismiss, and the claims against EPSI were dismissed by the court. Plaintiff appealed, and in March 2012, the Sixth Circuit affirmed in EPSI's favor. Plaintiff did not seek review by the United States Supreme Court, and the matter is closed.

Lacy, et al. v. Texas Board of Criminal Justice, et al. -- (U.S. Dist. Ct. WD TX, Case No. 1:10-CV-353-SS) Plaintiffs claim their First Amendment and other rights are being violated by the prices charged for inmate calls. EPSI and the other defendants filed motions to dismiss. In February 2011, the court dismissed the case for improper service, lack of jurisdiction and failure to state a claim. The matter is closed.

Philip Wilcoxson v. The State of Nevada, et al. -- (Nevada First Judicial District, Case No. 10-TRT-00076-1B) Plaintiff alleges that he fell onto remnants of telephone equipment that is no longer in use, resulting in various personal injuries. The equipment appeared to be from an installation prior to EPSI's, but to avoid litigation costs, a very low, nuisance value settlement was finalized in May 2011. The matter is closed.

Slizewski v. Schowochert, et al. -- (U.S. Dist. Ct. for the Western District of Wisconsin, Case No. 10 –cv-665) EMBARQ Payphone Services, Inc. was not a named defendant, but two employees of EPSI were individually named as defendants for actions that occurred while working for EPSI as part of our contract with the Wisconsin Department of Corrections. Plaintiff, filing *pro se*, in April 2011 claimed that defendants violated his civil rights by recording his phone conversations with his legal counsel. In orders filed in August and September of 2011, the Court granted summary judgment against the Plaintiff on all claims. Plaintiff has not filed an appeal and the matter is closed.

Cynthia Sue Lane et al. v. State of Texas – Department of Criminal Justice, Embarq Payphone Services, Inc., Securus Technologies, Inc, Facility Solutions Group, Inc., (Texoma/Kodiak Construction Case No. 25756 Walker County, Texas) - Todd Hughes, an inmate housed by the Texas Department of Criminal Justice, was electrocuted as he stood in water from a ruptured water pipe that came in contact with an electrical cabinet and associated wiring and circuit panel. EPSI was not the owner of the electrical cabinet or associated wiring and circuit panel, and had hired companies to perform electrical installation work for the telephone system. The case is at a very early stage. EPSI is vigorously defending the lawsuit.

Groves et al. v. Michigan Department of Corrections, et al. – (Ingham County Michigan Circuit Court, Case No. 10-1616-CZ) EMBARQ Payphone Services, Inc. was an intervening Plaintiff in a lawsuit filed in December 2010 challenging the award of a prison phone contract to Public Communications Services, Inc. ('PCS'); the award to PCS was also challenged by another losing bidder, Securus Technologies, Inc. The Circuit Court of Ingham County granted defendants' Motion to Dismiss in February 2011, and EPSI chose not to file an appeal from this decision.

Global Tel*Link v. Oregon Department of Corrections, et al. – (Marion County Oregon Circuit Court, Case No. 11C-20510) Global Tel*Link ('GTL') was a losing bidder to an RFP issued by the Oregon DOC to provide inmate phone services to the Oregon DOC. After the DOC announced its intent to award the contract to Pinnacle Public Services, LLC ('Pinnacle'), and after GTL's bid protests were denied, GTL filed this lawsuit in August 2011 challenging the ODOC's contract award to Pinnacle. GTL named EPSI and all of the other bidders as defendants to this lawsuit. Subsequent to GTL's lawsuit, another losing bidder, Evercom Systems d/b/a Securus Technologies, Inc., filed a counterclaim and cross-claim against all other parties, including EPSI, also challenging the ODOC's decision to award this contract to Pinnacle. EPSI has filed Answers to the GTL and Securus lawsuits, and the matter is ongoing.

Ray v. Evercom/Sprint Payphone, et al. (U.S. Dist. Ct. SC Case No. 4:05-cv-2904; Fourth Circuit Case No. 09-7753) Plaintiff claimed that the prison payphone system mandated collect calls from inmates at excessive rates, and supported a "kickback" scheme from the defendants to the state. Plaintiff pleaded state and federal antitrust violations, unfair and unconscionable trade practices and various other state law causes of action. The trial court denied plaintiff's request to represent a class of "similarly situated" inmates. Plaintiff appealed and the Fourth Circuit upheld the trial court's refusal to allow a class action. In September 2009, the court dismissed plaintiff's remaining claims. Plaintiff appealed, and the Fourth Circuit affirmed the dismissal in May 2010. The time expired for Plaintiff to seek any further appellate review and the matter is closed.

Walen v. Embarq Payphone Services (U.S. Dist. Ct. ED MI 06-14201) Plaintiff claimed that the prison payphone system was improperly used to record calls with his legal counsel. In September 2009, the court granted summary judgment in Embarq's favor. Plaintiff's motions to amend this judgment or to have the judgment reconsidered were denied in April 2010. Plaintiff did not appeal, and the matter is closed.

Evans and Witherow v. Inmate Calling Solutions, et al. (U.S. Dist. Ct. NV Case No. 3:08-CV-0353) Plaintiffs allege that attorney-client privileged phone calls between inmate Witherow and his counsel were improperly intercepted. In November 2009, the court dismissed the claims against Embarq. Plaintiff filed several motions for leave to file an amended complaint, for reconsideration of the dismissal, and to have the magistrate judge removed from the case. The motions have been denied. The case remains pending in the trial court against other defendants. While plaintiffs could appeal once the entire case is concluded in the trial court, there presently are no active proceedings against Embarq.

Iswed v. Caruso, et al. (U.S. Dist Ct. WD MI Case No. 1:08-cv-1118) Plaintiff alleged various civil rights violations as a result of a prison policy that precluded most foreign phone calls. The trial court dismissed plaintiffs claims against Embarq before Embarq was ever served with the lawsuit. The matter is closed.

2.7 IMPLEMENTATION PLAN

2.7.1 One Contractor will be selected to enter into a written contract as a result of this RFP with the selected Contractor to begin providing services no later than 120 days after execution of a written contract. The proposal must include an implementation plan describing the tasks and activities to be completed and their timeframes/milestones prior to the start of services. The implementation plan is to detail how the Contractor would satisfy the RFP's requirements regarding the installation, operation and maintenance of an inmate phone system with monitoring and recording capabilities, such that each issue addressed would be complete and detailed enough to assure the Department of the Contractor's understanding and capability to perform the cited requirements, and to substantiate that the IPS will be fully operational within the timeframe stated after execution of the written contract.

CenturyLink has read, understands and will comply.

CenturyLink has repeatedly demonstrated our ability to successfully transition accounts to our platform. Most recently, in 2012, we transitioned the State of Alabama DOC with 30 facilities and 25,000 inmates from your current vendor to our platform.

In addition, in 2009, we installed, from the ground up, the Texas Department of Criminal Justice (TDCJ) offender telephone system, which included over 5,800 phones in 114 facilities serving 155,000 inmates. This installation included all wiring and infrastructure, as TDCJ did not have an existing offender telephone system.

The transfer of service from the Department's current calling platform to the CenturyLink platform will result in no loss of service, and all existing relevant customer data (PIN numbers, PIN, globally blocked numbers, privileged (do not record) numbers, etc.) will be transferred to our platform.

Gantt charts allow for critical path analysis and are the preferred method of operation used by CenturyLink for all project management efforts. The use of Microsoft Project allows the team to clearly identify, document, track and account for all tasks that must be accomplished as part of the project, including all prep work, activities the day of transition, post-cutover, acceptance testing and quality assurance testing. We can easily monitor a project's progress and provide real time updates to all stakeholders.

Quality assurance measures are an integral part of our project planning and these steps are integrated throughout all phases of the project plan, not just at the completion of the transition. Our objective is to spend additional time in the planning phase of a project to identify any potential problems up front and proactively take steps to prevent them. This practice allows for all stakeholders to have not only a voice, but sense of ownership when the final Implementation Plan is created and promotes communication throughout all phases of the implementation.

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2.7.1.1 Please specify Contractors timeframe for the implementation plan ifless than 120 days.

CenturyLink has read, understands and will comply.

Centurylink will be able to complete the installation of the phones and cutover of the IPS platform in less than 70 working days, based on normal working hours (Monday – Friday, eight hours each day). The 70 day timeframe could be compressed if the Department would allow work outside normal working hours.

2.7.2 Describe in detail the Implementation and Cutover Plan. The overarching considerations are to maintain connectivity, avoid disruption of telephone services to inmates and the Department's need to monitor and/or rerecord inmate calls and to minimize the concurrent use of the incumbent provider's and successor's services.

CenturyLink has read, understands and will comply.

CenturyLink is sensitive to potential disruptions to the Department's routine, and will closely coordinate with the Department to ensure that disruptions are held to an absolute minimum. We also plan to eliminate any concurrent use of the incumbent and our services by transitioning all lines in a particular facility from the existing IPS to the new IPS at one time. This allows a clean break between the old and new, easing the impact on the Department's staff. Our detailed implementation and cutover plans are described below in detail.

2.7.2.1 The tasks and activities to be completed and their timeframes/milestones prior to the start of services (e.g. set-up of facilities, hook-up of phone lines, hiring/training of personnel).

CenturyLink has read, understands and will comply.

The full implementation plan is provided in our Gantt chart which can be found in Tab 7.

2.7.2.2 The schedule or sequencing of the service installations at Department sites.

CenturyLink has read, understands and will comply.

The full implementation plan is provided in our Gantt chart which can be found in Tab 7.

2.7.2.3 The potential risks that might affect the changeover to a new phone provider, their possible impacts and any strategies or solutions that the Contractor proposes to mitigate or prevent these impacts.

Risk	Mitigation Strategies (Actions To Reduce Probability of Risk Materializing, And Contingency Plans To Reduce Impact of Risk If It Does Occur)
1) Manufacturing Delay	CenturyLink will work with all critical vendors so that orders will be developed during contract negotiation process. This will ensure that orders will be placed as soon as possible after the Contract has been signed by both parties. CenturyLink "shall not proceed with the performance of the work to be done under the Contract, including the purchase of necessary materials, until both parties have signed the Contract to show acceptance of its terms, and the Contractor receives a contract release/purchase order that authorizes and defines specific performance requirements

2) Delivery Delay	If any of the first site cutovers are impacted by problems with the timeliness or the accuracy of equipment deliveries, alternative shipping vendors will be selected to minimize future disruptions. As a Fortune 500 Corporation, CenturyLink CENTURYLINK has well established relationships with multiple transport vendors.
3) Equipment Misplaced	A CenturyLink Project Manager or Program Manager will coordinate equipment deliveries with each site on a daily basis to confirm delivery, identify the Department personnel who took delivery of the IPS equipment, and the physical location the equipment is being stored at before the installation team arrives.
4) Network Services Delay	A CenturyLink Program Manager (Kristie Dean) will coordinate network services installation with each LEC, CLEC, or carrier on a daily basis to confirm the delivery schedule. As a Fortune 500 Corporation CenturyLink has a well established relationship with virtually all LECs, CLECs, and carriers. Any delay will be escalated to the President of Wholesale and CenturyLink Payphone Services level (Bill Cheek), if necessary, to address possible schedule variances.
5) Network Services Configuration	A CenturyLink Program Manager (Kristie Dean) will coordinate network services installation with each LEC, CLEC, or carrier on a daily basis to confirm proper configuration. As soon as network installation is completed testing will be scheduled to ensure proper operation in advance of platform cutover.
6) Site Lock Down	If a Department site becomes inaccessible because of a security issue the Project Manager (Shelia Rafferty) will attempt to re-direct installation personnel to other nearby sites where equipment and/or services have been delivered and work is ready to be performed (so the overall schedule is not impacted).
7) Site Power Outage	If a Department site becomes inaccessible because of a loss of local power and a failure of back-up power the Project Manager (Shelia Rafferty) will attempt to re-direct installation personnel to other nearby sites where equipment and/or services have been delivered and work is ready to be performed (so the overall schedule is not impacted).
8) Site Inclement Weather	If a Department site becomes inaccessible because of inclement weather the Project Manager (Shelia Rafferty) will attempt to re-direct installation personnel to other nearby sites where equipment and/or services have been delivered and work is ready to be performed (so the overall schedule is not impacted). If this cannot be achieved because of the magnitude of the weather issue installation teams will attempt to obtain temporary lodging in the immediate area so their work can be completed in a timely fashion as soon as the roads are clear.

9) File Transfers	CenturyLink will ensure that the existing platform files are uploaded to the ENFORCER so that the details concerning file transfers will be resolved before the scheduled cut over. The transfer of service from the existing platform system to the ENFORCER system platform will result in no loss of service, and all existing relevant customer data (PIN numbers, PIN/PAN lists, globally blocked numbers, privileged (do not record) numbers, etc.) will be successfully transferred to the new platforms.
10) Platform Configuration	CenturyLink will begin to work with the Department's HQ staff and the local facility representatives (wardens and investigators) as soon as a contract is signed to identify and resolve any conflicts concerning how each individual facility files need to be setup in the ENFORCER platform. This should ensure that agreement has been achieved well in advance of the cutover of the individual onsite ENFORCER systems to the ENFORCER platform.

2.7.2.4 · The Contractors plan to avoid any service disruptions.

CenturyLink has read, understands and will comply.

Much of this was discussed previously in Section 2.4.17.14, and sections of that response are contained in this Section. CenturyLink has a proactive program to ensure minimal service disruptions. This multi-faceted approach is designed to find and correct a problem prior to it becoming apparent to the Department, the inmates, or friends and family.

CenturyLink will provide a Program Manager (PM) who will have overall responsibility for maintaining contract compliance and will be the primary liaison for the Department throughout the life of the contract. Customer satisfaction will be achieved through five separate programs:

1) The trouble ticket process which ensures that every problem is identified, worked, tracked, and recorded for future review.
2) A weekly conference call is held by the Program Manager with the field operations team to discuss outstanding tickets, chronic problems, and customer concerns.
3) A weekly conference call is held by the Program Manager with IPS platform vendor personnel to discuss any tickets opened in the previous week that have not yet been closed.
4) The ongoing Preventative Maintenance (PM) program, which ensures service standards are maintained. The Field Service Technicians inspect IPS equipment and inmates phones at each facility on a regular scheduled basis (weekly, monthly, or quarterly, depending on the service element). The PM plan ensures that all relevant operational data concerning all aspects of the contract (sales support, installation, project coordination,

technical support, field service and maintenance, etc.) is obtained, documented, distributed, and acted upon as necessary.

5) Periodic service reviews (typically conducted at customer's location quarterly) to review trouble ticket statistics, identify any chronic or major problems, discuss any future additions, deletions, or modifications (new phones, new sites, etc.), and resolve any operational, financial, or contractual concerns held by the customer. Service reviews ensure that feedback from the customer is obtained, documented, and addressed.

Operations Team

A total of five (5) Field Service Technicians and three (3) On Site Service Administrators will be hired to provide onsite maintenance and repair of the new inmate calling platform. CenturyLink is willing to hire existing Securus Field Technicians and On Site Administrators to minimize the impact to Department staff. In addition to the dedicated resources listed above, CenturyLink has access to 12 additional existing technicians throughout the state of Arizona that currently service the Arizona Net contract and are familiar with Department policies and procedures.

Customer Service Policies and Procedures

The CenturyLink operations team will respond promptly to all service and maintenance situations, and is available to the Department on a 24/7/365 basis. When a trouble condition is reported, our technicians will quickly perform diagnostic testing to isolate the problem, determine if a remote resolution is an option, and if not, quickly dispatch a field technician to the site. Should technical roadblocks or system issues prevent a trouble condition from being resolved within the timeframe contractually permitted, the issue will be immediately escalated to the Program Manager who will discuss the situation with the Department as appropriate. Once a resolution to the issue is achieved, acceptance testing is completed before any trouble ticket is closed.

CenturyLink uses the following tools to ensure minimal disruptions for our clients:

Calling platform management

The IPS platform is engineered with maximum redundancy to ensure peak performance and minimize troubles. Further, the Network Operations Center proactively identifies potential problems by real-time central monitoring of hardware, software, and system performance.

Preventative Maintenance

Our Operations Team will perform hands-on preventative maintenance inspections on the IPS calling platform and all inmate phones on a regularly scheduled basis. A trouble ticket will be established to document the preventative maintenance process, and additional trouble tickets will be opened and tracked as necessary if the need for additional repairs are identified.

Extensive preventative maintenance inspections are completed on a routine basis.

Through remote access, verification of telephone and trunk usage is completed prior to arriving on site to ensure quality repairs. The inmate telephone dial pads and handsets are checked for functionality, usability, appearance and voice quality. All backboards, telephones and wiring are checked. The circuit interfaces are checked for errors to ensure that all connections are clean and secure. Routine traffic analysis for stations and trunks are conducted to determine failing telephones or lines to provide proactive maintenance and reduce downtime for the phones. Ongoing remote and onsite assistance is available to all IPS users.

<u>Additional Staffing</u>
In addition to the field operations support team, our Program Manager Debra Lambe will have a strong back office support team, with system development skills, exceptional financial accounting and reconciliation abilities, and comprehensive network knowledge. This team has been together for many years, and will be ready to support our system implementation for the Department.

2.7.3 System Implementation and Transition

2.7.3.1 The Department is presently utilizing an IPS. It is therefore of the utmost importance that the Contractor address the issue of transition from the existing system to the new IPS at all Department locations. The Department realizes that some down time will occur during this transition but the Contractor must propose an implementation plan that reduces this down time and allows for a smooth progression to the new system. The amount of estimated down time must be stated.
The Contractor's IPS System should have the ability to provide and support new technology, including but not limited to, Kiosks, video visitation, tablet email. The Contractor must also provide/supply any infrastructure needed support such technology.

CenturyLink has read, understands and will comply.

When CenturyLink cuts over to our System, the phones will only be unavailable for the amount of time it takes to walk up to each phone and verify the port. This varies due to the number of phones and facility layout, but usually takes between one to three hours.

CenturyLink partners with JPay to provide and support new innovations in the corrections marketplace with a focus on designing products that assist correctional agencies in fulfilling their mission to rehabilitate inmates and reduce recidivism while keeping the facility and community safe. Today, after over 11 years of business, JPay's wide variety of services are available to over 1.6 million inmates in 30 state Departments of Corrections.

Deep Partnership with CenturyLink

2 – SCOPE OF WORK

JPay has been a partner of CenturyLink for over seven years. Together, our products are deployed in every Texas, Kansas and Nevada state facility. The Department will reap the benefits of this powerful partnership by deploying not only a robust phone system but a rock solid technology platform in parallel.

JPay is one of the Department's preferred vendors for money transfer services and payment of visitation background check fees. Since the contract's inception in December 2013, JPay has processed over 35,000 deposits, totaling over $2.5M designated for Arizona inmate accounts.

The Platform

JPay is an all-encompassing platform which hosts and maintains the infrastructure that delivers various content and communications to and from inmates. The platform consists of inmate kiosks, tablets, networks, cloud storage, and a host of inmate and customer facing applications including;

- Video visitation
- Email
- Music browsing, purchasing & downloads
- Educational and training content
- Commissary ordering
- Account balance/statement lookup
- Calendar/appointments
- Grievances
- DOC policies, rules and regulations
- Support ticketing
- PREA submissions
- Help & FAQ

JPay's platform is unparalleled in the industry. The applications are built entirely by JPay staff with an extensive knowledge of how state prisons operate. Each feature is designed with the utmost focus on usability – whether it applies to the inmate's interface, the customer's interface or the portal used by facility staff. Our networks, kiosks and tablets are continuously being enhanced and perfected, enabling the state to maximize user adoption and effectively making the endeavor a resounding success.

The Tablet Kiosk

Tablet Kiosk

JPay's tablet kiosk is a 10" touch screen tablet, hardened behind a steel enclosure and incredibly resistant touch screen glass. It features a handset mounted to the side of the kiosk for video visits or to listen to song previews. The tablet kiosk offers all of JPay's services and can be deployed at a ratio of 1 to every 20 inmates. For inmates in administrative segregation, the tablet can be portable, allowing inmates to use it without leaving their cells.

Once JPay's kiosks are installed through each facility, the Department will have the ability to add any of the following added value services. The system is so granular that staff has the option of activating or disabling each feature by facility, pod, or even by individual kiosk.

Video Visitation

JPay has been building video visitation systems for state prisons since 2006. Today, our application is available to inmates in close to 200 facilities in Georgia, Indiana, North Dakota and Washington. Our video system is built only for state and federal prisons, not for county jails, and is designed to significantly increase long-term communication between inmates and their loved ones. As many studies show, the more communication between inmates and their friends and family, the better equipped they are once they are released. Since decreasing recidivism is a national priority, we believe our visitation system, with both a pre-scheduled feature and on-demand capability, will provide the Department with the tools to accomplish this mission.

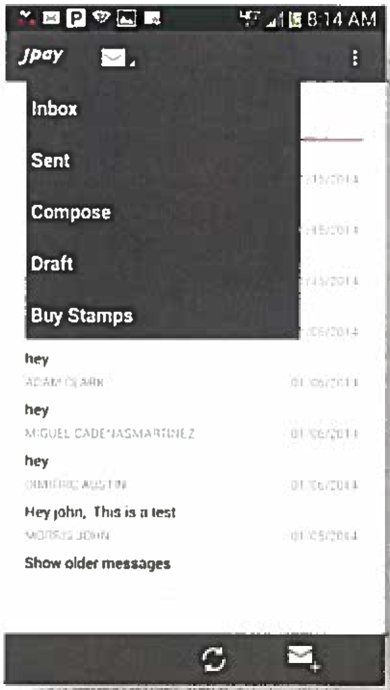
Using the Tablet Kiosk, inmates can initiate video calls from the kiosk in their housing unit, in the same way inmate telephone calls take place. To initiate the session, inmates simply log into the tablet kiosk and choose the available contact they want to visit with. They are shown a list of approved visitors, which comes directly from the Inmate Management System on a daily basis. Once the inmate chooses the approved contact, the system initiates the session.

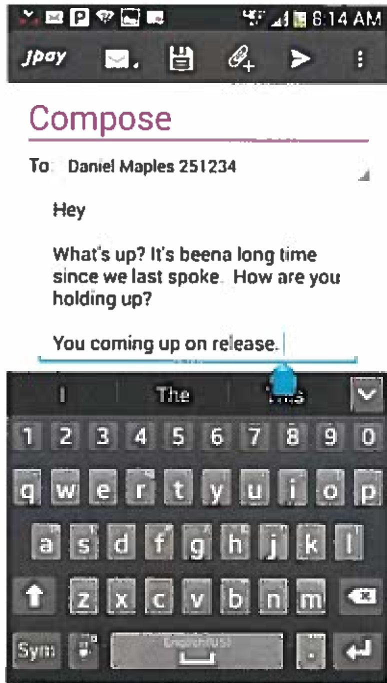
The screen below shows the session from the inmate's perspective; the large image is the person the inmate has called, and the small thumbnail image is the inmate.

Tablet Kiosk – Video Visitation Session

Email

JPay offers the most comprehensive and robust email system in corrections. The email system is deployed in over 17 state Departments of Corrections today, and by far, handles the largest volume on a daily basis. Customers can start by visiting JPay.com or by downloading the JPay iPhone or Android smartphone app. Once their inmate is verified and the account is set up, customers can buy stamps and start emailing. Inmates respond from either the tablet kiosk in their dorm or from their JP4® mini tablet.



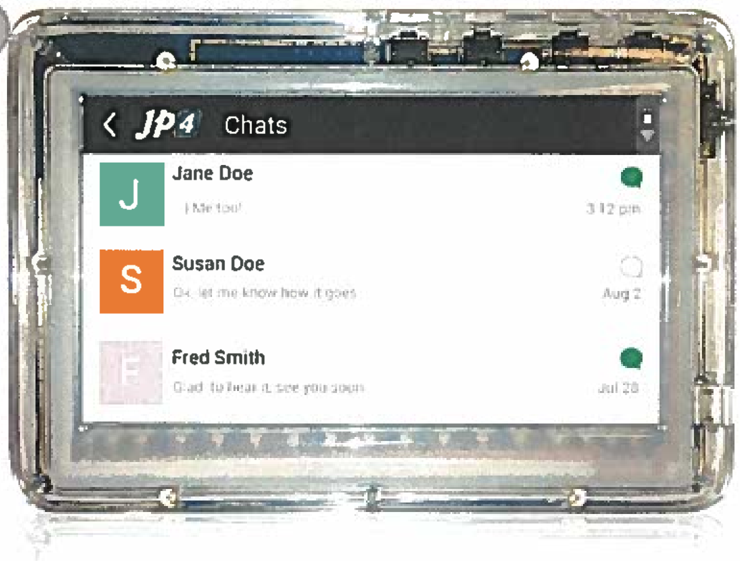


JPay Smartphone App Display Examples

The JP4 Mini Tablet

JPay's email app is also available on our portable handheld device, the JP4 mini tablet. This brings tremendous convenience as inmates can compose and view emails and photo attachments in their cells – all without the pressure of time and privacy concerns while using a kiosk.

Reinforced with a high grade clear plastic casing, shock absorbers and an enhanced thickness display, the JP4 can withstand the rigors of usage in a corrections environment. Additionally, the JP4 has a touch screen, eliminating the need for a separate keyboard accessory to type email.



Music

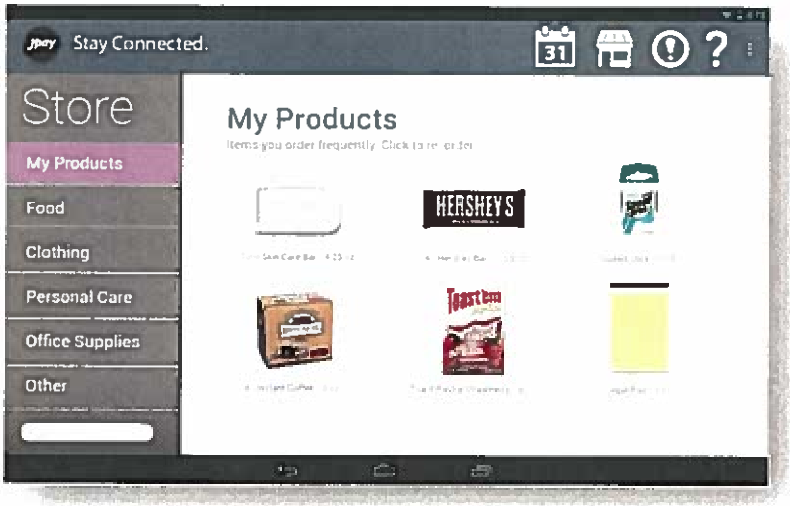
Inmates can purchase the JP4 directly from the kiosk and access JPay's music store to purchase and download music to their mini tablets. JPay offers over 8 million tracks without explicit lyrics and gives inmates the unique ability to listen to 30 second previews, view album art and other track details on the kiosk prior to purchasing.

Educational and Training Content

JPay will be adding educational materials and training resources for download to the JP4 from the tablet kiosk later this year. Content will include materials such as GED and ABE study guides, STEPS and practice tests as well as special interest materials.

Commissary Ordering

JPay's commissary ordering application is designed to be compatible with any outside provider. By using JPay's set of APIs, the commissary provider can sell its items directly to the inmates on the tablet kiosk. Items are displayed clearly with pictures, pricing and availability. Facility staff members have the ability to restrict certain items, ordering times and more.



Tablet Kiosk – Commissary Ordering Function

Account Balance/Statement Lookup

Through an integration with the Department's inmate banking software provider, inmates can review their account balances, transaction history and order printouts of statements directly on JPay's kiosk.

Calendar/Appointments

JPay is in the process of developing a personal calendar on the tablet kiosk to manage appointments and tasks. Inmates will be able to manage scheduled appointments and activities through this application.

Grievances

JPay's platform allows inmates to send grievances to approved staff in the same manner that they send emails to customers. The designated staff will appear in the inmate's approved contact list. This feature allows the Department to select which staff receives grievances, how the staff member should appear on the contact list (i.e. inmate grievance or warden) and where the communication should be sent (*i.e.* Facility System or warden's email address).

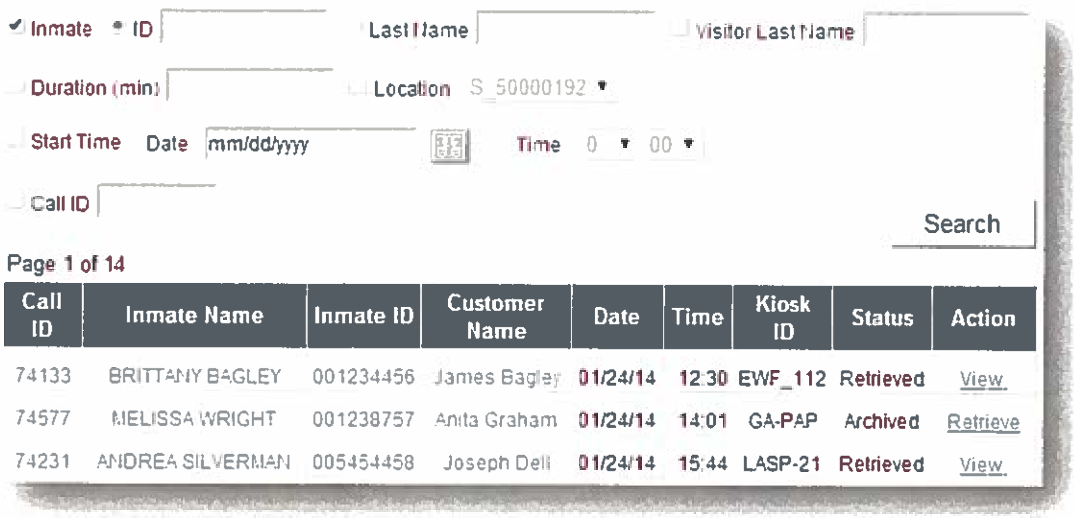
The Facility System

All of JPay's services are administered through the Facility System, the same user friendly interface used by the Department today to access JPay's electronic payments solution. The Facility System provides all the necessary tools to manage video visitation, email and media. The system also provides daily reports, screening tools as well as a feature-rich system for investigations and analysis. The browser-based system provides features that allow investigators to better detect and investigate crimes.

A few of the many reports available are detailed below.

Video Reports

JPay offers the Department several reports to manage video visits. These reports allow staff to search for in progress video visits and join the visit in an undetected state. Department staff can also search for and listen to archived video visits. This report can be sorted by facility and run for any date range. Staff can drill down on the customer and inmate name for more information.



Inmate ID | Last Name | Visitor Last Name

Duration (min) | Location S_50000192

Start Time Date mm/dd/yyyy Time 0 00

Call ID

Search

Page 1 of 14

Call ID	Inmate Name	Inmate ID	Customer Name	Date	Time	Kiosk ID	Status	Action
74133	BRITTANY BAGLEY	001234456	James Bagley	01/24/14	12:30	EWF_112	Retrieved	View
74577	MELISSA WRIGHT	001238757	Anita Graham	01/24/14	14:01	GA-PAP	Archived	Retrieve
74231	ANDREA SILVERMAN	005454458	Joseph Dell	01/24/14	15:44	LASP-21	Retrieved	View

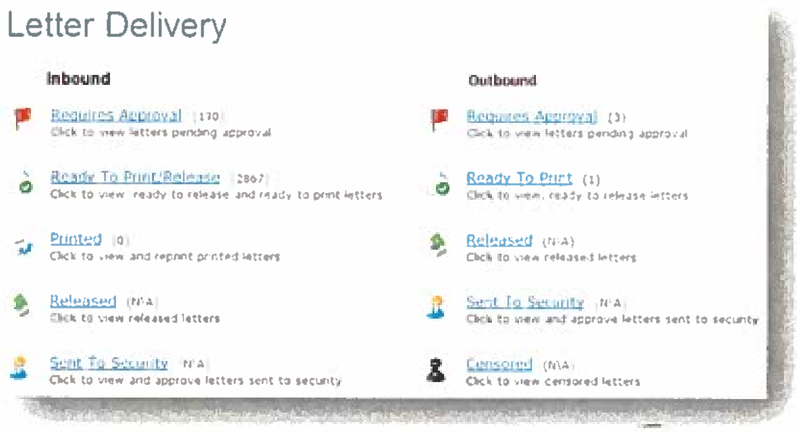
Video Visit History Report

Free Busy Rule
Staff can use this report to adjust visitation scheduling in their facilities. This tool can also be used if the facility is on lockdown and the staff wishes to restrict visits from being scheduled.

Email Reports

Email reports aggregate data based on volume, categories, stamp purchases, commissions, auditing and much more.

Letter Delivery
These reports are used by mail room staff to manage inbound and outbound emails. Staff can review flagged emails, forward emails to security or return to customer, fulfill print out requests and much more!



Staff Email Management Screen

Inmate/Customer Watch list

Using the Facility System, the Department staff can add customer or inmate names to various watch lists. This report shows details when emails are sent to or from these specified customers or inmates.

Other searchable fields which can be displayed include the date, letter ID, IP address of the inmate kiosk and the customer's computer, and the option to view and print the email(s) in question.


Inmate Watch List

Filter(s) To Apply

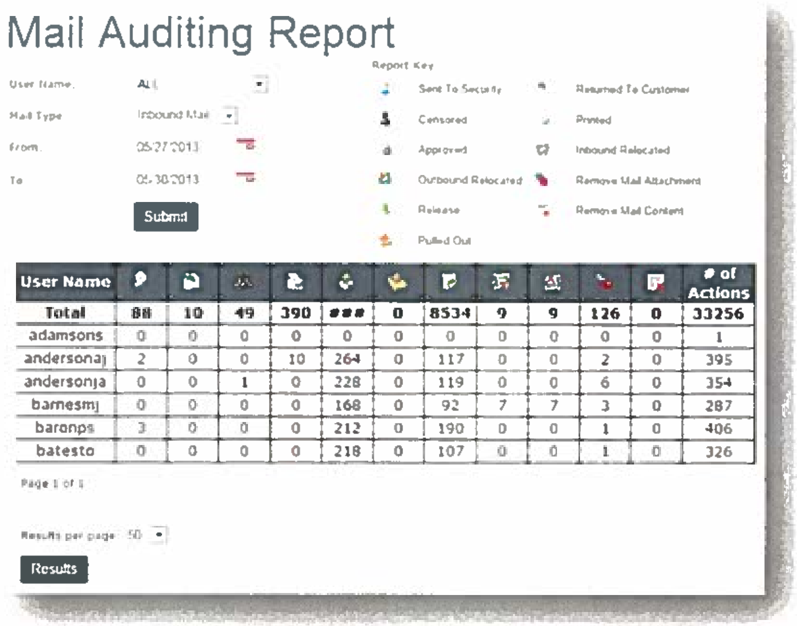
Add + | Search

Name	ID	Activated	Mail Watch Status	Money Watch Status	Updated	By
ADAMS	036225	02-21-2012	ACTIVE	INACTIVE	1/29/2013 2:13 32 PM	JPay_Indiana
ADAMS	036225	03-01-2012	ACTIVE	INACTIVE	1/29/2013 2:17 28 PM	JPay_Indiana
Amber Marshall-Smith	997236	12-30-2010	ACTIVE	INACTIVE	12/30/2010 2:28 12 PM	JPay_Indiana
ANTHONY	978085	11-24-2008	ACTIVE	INACTIVE		
ATHA	114553	10-08-2008	ACTIVE	INACTIVE		
ATHA	970407	10-08-2008	ACTIVE	INACTIVE		
Carl Thomas	212315	01-29-2013	INACTIVE	INACTIVE	1/29/2013 2:16 13 PM	JPay_Indiana

Inmate Watch List Report

Mail Auditing Report

The Mail Auditing Report shows how many letter actions have taken place such as approved, released or printed. This can be generated per unique user or system wide for inbound and outbound email.

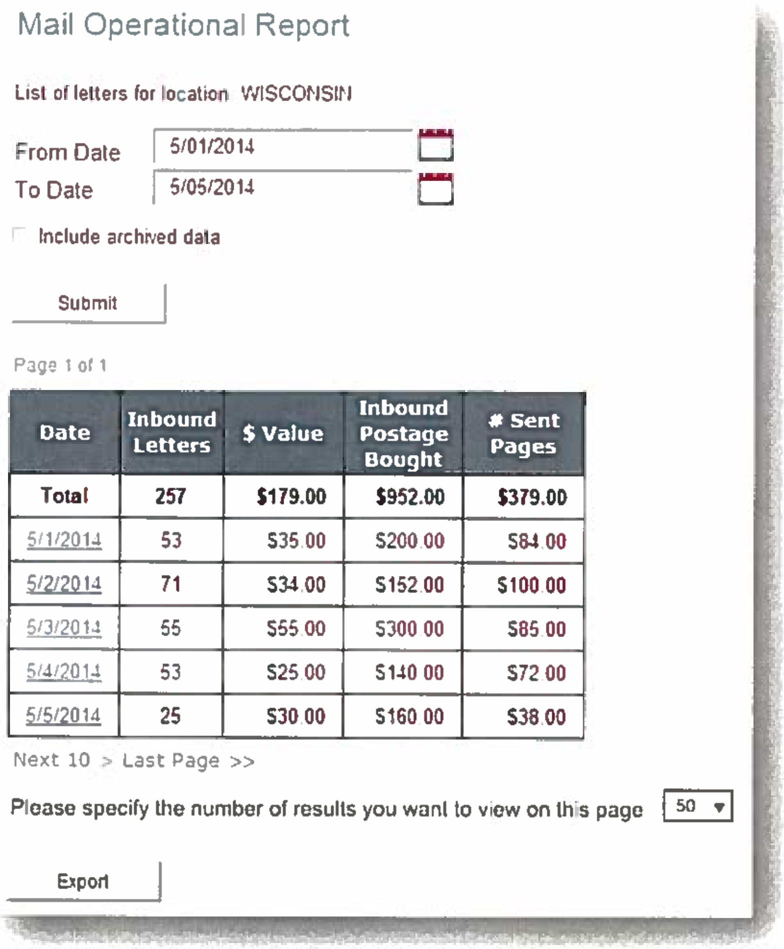


User Name												# of Actions
Total	88	10	49	390	###	0	8534	9	9	126	0	33256
adamsons	0	0	0	0	0	0	0	0	0	0	0	1
andersonaj	2	0	0	10	264	0	117	0	0	2	0	395
andersonja	0	0	1	0	228	0	119	0	0	6	0	354
barnesmj	0	0	0	0	168	0	92	7	7	3	0	287
baronps	3	0	0	0	212	0	190	0	0	1	0	406
batesto	0	0	0	0	218	0	107	0	0	1	0	326

Mail Auditing Report

Mail Operational Report

The email operational report pulls data that shows specific facility letter activity and value. This report allows the Department to view usage by the kiosk and the day.



Mail Operational Report

List of letters for location WISCONSIN

From Date 5/01/2014

To Date 5/05/2014

Include archived data

Submit

Page 1 of 1

Date	Inbound Letters	$ Value	Inbound Postage Bought	# Sent Pages
Total	257	$179.00	$952.00	$379.00
5/1/2014	53	$35.00	$200.00	$84.00
5/2/2014	71	$34.00	$152.00	$100.00
5/3/2014	55	$55.00	$300.00	$85.00
5/4/2014	53	$25.00	$140.00	$72.00
5/5/2014	25	$30.00	$160.00	$38.00

Next 10 > Last Page >>

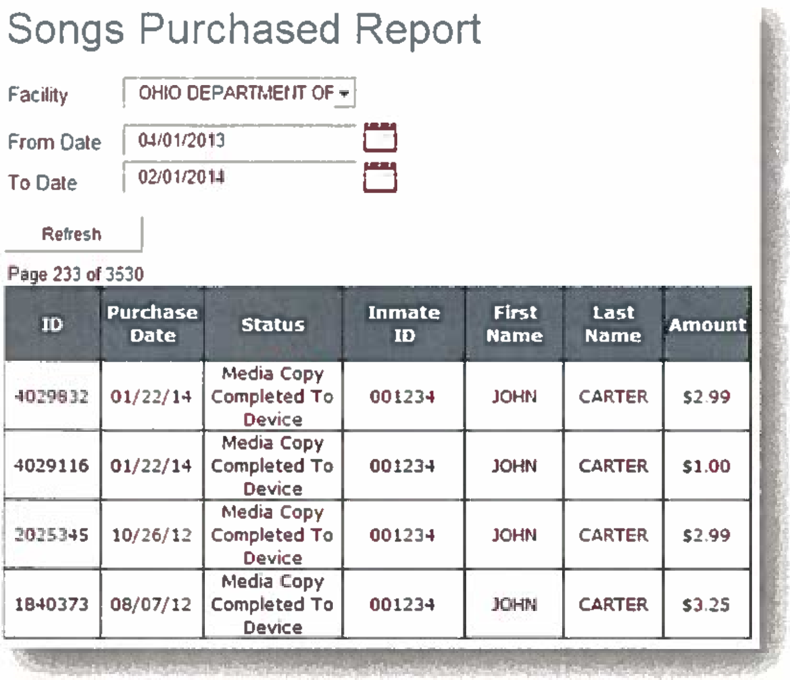
Please specify the number of results you want to view on this page 50

Export

Music Reports

Songs Purchased Report

This report can be sorted by facility and run for any date range. The report lists all media downloads and the date of the download.



Songs Purchased Report

Facility: OHIO DEPARTMENT OF

From Date: 04/01/2013

To Date: 02/01/2014

Refresh

Page 233 of 3530

ID	Purchase Date	Status	Inmate ID	First Name	Last Name	Amount
4029832	01/22/14	Media Copy Completed To Device	001234	JOHN	CARTER	$2.99
4029116	01/22/14	Media Copy Completed To Device	001234	JOHN	CARTER	$1.00
2025345	10/26/12	Media Copy Completed To Device	001234	JOHN	CARTER	$2.99
1840373	08/07/12	Media Copy Completed To Device	001234	JOHN	CARTER	$3.25

Song Purchased Report

JP4 Players Purchased

This report can be sorted by facility and run for any date range. The report lists the facility, amount of players sold, and total revenue generated.

JMedia Player Purchased Report

From Date 04/01/2013

To Date 02/01/2014

Refresh

Page 1 of 3

Facility	Total Players Sold	Total Amount Paid	Total Facility Commission	Total Tax
B01	16	$819.84	$0.00	$60.00
B02	8	$366.78	$0.00	$26.85
D01	22	$1,080.36	$0.00	$85.57
D02	15	$727.58	$0.00	$57.72
D03	8	$369.17	$0.00	$29.24

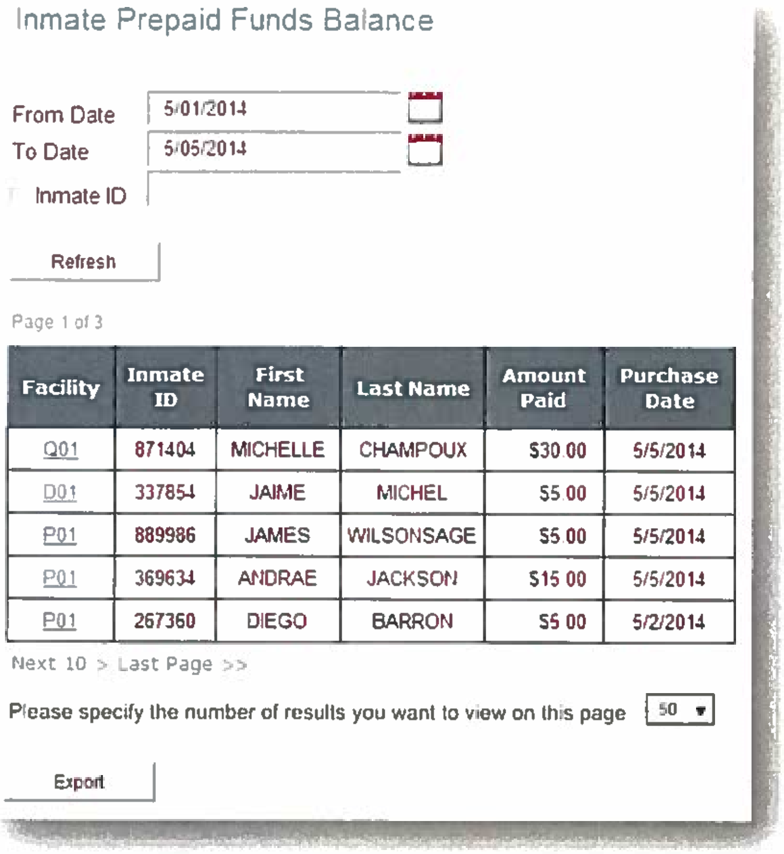
Next 10 > Last Page >>

Export

JP4 Player Purchased Report

Inmate Prepaid Funds Balance

This report contains all inmate transfer requests to move funds from their trust fund account to their JPay media account. Department staff can run this report for any date range and sort by facility. The report includes the number of requests per day, the status of the transfer requests and the total dollar amount transferred. Staff can click on the date to drill down and see specific request details. These details include inmate name, ID and location, the date of the request and the amount requested.


Inmate Prepaid Funds Balance

From Date 5/01/2014
To Date 5/05/2014
Inmate ID

Refresh

Page 1 of 3

Facility	Inmate ID	First Name	Last Name	Amount Paid	Purchase Date
Q01	871404	MICHELLE	CHAMPOUX	$30.00	5/5/2014
D01	337854	JAIME	MICHEL	$5.00	5/5/2014
P01	889986	JAMES	WILSONSAGE	$5.00	5/5/2014
P01	369634	ANDRAE	JACKSON	$15.00	5/5/2014
P01	267360	DIEGO	BARRON	$5.00	5/2/2014

Next 10 > Last Page >>

Please specify the number of results you want to view on this page 50

Export

Inmate Prepaid Funds Balance Report

2.7.3.2 The Contractor is required to provide the Department a full implementation plan for the IPS. The Contractors implementation plan must include a detailed explanation of the following items:

2.7.3.2.1 Pre-installation procedures for each of the Department facility;

CenturyLink has read, understands and will comply.

At each site CenturyLink will perform the following tasks:

- Extend access lines from demarc to the room where the phone equipment will be installed
- Provide two clean and identified cable pairs for each T1 for ICS to extend
- Mark blocks 1-24 and identify each pair and what phone it serves
- Leave a copy of all notes and identification information on site
- Test all phones, jacks and toggle switches
- Identify all phones by cable pair

- If necessary, extend the incoming trunk lines to the new IPS equipment rack

With the centralized platform that CenturyLink will install, the only equipment that will be installed in each telephone room will be integrated access devices (IADs), switches, uninterruptable power supplies, and surge/lightening protection.

All inmate telephone equipment can be installed adjacent to the existing equipment without impacting its services. Installation is a matter of unpacking the equipment, placement on a rack, punching down the inmate telephone lines, connecting the out-going-lines, and initiating system power. The system is then tested to ensure proper software configuration.

The CenturyLink Project Manager (PM) will then check all items in the approval process to ensure that all equipment, circuits, and trunks to be cutover meet the specifications of the RFP. It should be noted that all equipment will be tested and certified as fully operational prior to cutover to ensure that all of the individual requirements for each site are in full compliance with Facility regulations. At this point the system is turned over to the TSC (Technical Service Center) for 24/7 monitoring.

2.7.3.2.2 Pre-installation procedures for the complete system;

CenturyLink has read, understands and will comply.

The complete system pre-installation procedures are contained in Section 2.7.3.2.1 above.

2.7.3.2.3 Network circuits/service coordination requirements;

CenturyLink has read, understands and will comply.

Once it's determined the type of network that is needed, the following steps occur:

- Network services (T1 Circuit, DSL, SIP or High Speed Internet) is ordered and purchased through various Local Exchange Carriers (LECs) if they are outside of the CenturyLink Local Exchange footprint. If they are provisioned by CenturyLink, we will use an in-house order system and key the orders ourselves. For Arizona, all but two facilities are within CenturyLink's footprint
- Provisioning of the network services is done on the side of the LEC or CenturyLink internal support based on the needs of the facility as outlined in the order request and was determined by the site survey

- Once provisioning is completed and we attain circuit information, required site equipment is preprogrammed (integrated access devices, switches, and UPS battery backup) and shipped to the sites prior to network ins
- Our implementation manager and engineers monitor the network orders closely and work together throughout the entire process to ensure demarcation locations are accurate and the circuit turn-up dates accommodate the cutover dates outlined in the implementation plan
- Once the LEC has confirmed and installed the ordered services, our technician will connect the appropriate equipment and complete the cutover on the scheduled date.
- Once the cutover is complete, we proactively monitor all circuits within our network for performance and uptime to provide the best service possible and expedite repairs should they be needed in the event of an outage.

We share our install dates with the incumbent to ensure that they do not process any disconnects prior to the inmate phone system transitioning to the CenturyLink System.

2.7.3.2.4 Software programming and preparation;

CenturyLink has read, understands and will comply.

CenturyLink will convert and load data files into the new platform – PINS, globally allowed numbers, globally denied numbers, local calling areas, rate tables, etc. System prompts, facility name announcement, two-way detect/disconnect, system on/off times, remote alert numbers, trunking selection and priorities by call type, will be imported and tested prior to conversion.

2.7.3.2.5 Equipment delivery schedules;

CenturyLink has read, understands and will comply.

CenturyLink is sensitive to the particular concerns associated with the daily operation of prisons and jails. The unexpected arrival of equipment or personnel can be very disruptive to the ongoing operations of corrections/detentions facilities. Therefore, the delivery of any equipment or service in advance of the installation team's arrival (such as network services or system equipment) will be coordinated in advance. CenturyLink has dedicated personnel to manage the ongoing coordination of deliveries with sites to minimize disruption to the customer.

2.7.3.2.6 Equipment security procedures;

CenturyLink has read, understands and will comply.

The IPS call control system is located in our Atlanta data center with our secondary system located in our San Antonio data center. All call recordings as well as database information is backed up between the two systems so in the unlikely event that one system is unreachable, the other system will available almost immediately to continue to process inmate calls. The Atlanta is housed in a CenturyLink Technology Solution data center, which is one of the most sophisticated multi-tenant centers in the Southeast. This is a Tier III facility with redundant networks, power, generators, and HVAC systems as well as 24/7 staffed security with restricted access. The San Antonio system also has redundant carrier networks as well as backup diesel generator.

2.7.3.2.7 Equipment/system installation procedures;

CenturyLink has read, understands and will comply.

Centurylink will pre-configure the on-site network equipment that will connect to our centralized IPS prior to shipping the equipment to the Department to reduce the amount of time spent in the facilities. All new network circuits will be tested thoroughly to ensure full functionality.

The following steps outline the tasks and processes that will occur onsite prior to the cutover.

Equipment Installation
CenturyLink's team will install all the necessary equipment in the phone room, which will consist of Adtran Integrated Access Devices (IADs), Cisco managed switches and an Uninterruptable Power Supply (UPS) units, all installed in a standard 19" equipment rack. The facility will benefit from the centralized IPS by having less equipment installed onsite which means less maintenance requirements, reduced energy consumption, and a very small footprint for the onsite equipment.

Inmate Telephones
CenturyLink's onsite team will replace the existing telephones with new units and complete any final wiring.

Execute Test Plan
A pre-cutover test plan is used to ensure that the entire system is deployed and performs exactly as requested by the Department. The testing procedures extend to all systems, telephones, software, and peripheral hardware. We have included more detailed information in our Installation Test Plan and Testing and Acceptance Checklist later on in this document.

Verify Inmate Information Flow is Accurate

CenturyLink will verify that all information received from the Department's JMS, including inmate ID information, is correct.

Cut-over Process

Since most of the implementation, configuration, and testing processes are completed before the actual onsite implementation, the transition to the new IPS system occurs quickly and seamlessly. The following two steps are involved in the cutover process.

- ID Phone Ports – CenturyLink's team will visit each inmate telephone to ID all phone ports.

- Monitor for Problems – Directly following cutover, CenturyLink's team will closely monitor the new system for any issues or problems that may arise. Centurylink will also monitor the first few months of call activity to define a pattern of typical activity. Call volume totals are compared daily for variances outside of a defined range (typically a decrease or increase of 15%). This variance could indicate a problem, such as improper phone function. An exception report is automatically created for any site showing such variances.

Installation Test Plan

As described briefly above, CenturyLink's implementation procedure includes a detailed testing and acceptance plan for both our Project Manager and the designated Department representatives to ensure that the entire system is deployed and performs exactly as requested by the Department. The testing procedures extend to all systems, telephones, software, and peripheral hardware.

Testing of the IPS system will be conducted by a certified Quality Control ("QC") team. The QC Team will test all features and functionality to ensure adherence to the specifications of the RFP. The IPS system testing will encompass the following:

1. External system interfaces
    a. Interface protoco
    b. Access and security
    c. Error logging

2. Data Exchange
    a. Data format
    b. File exchange\transfer timelines
    c. Error logging

3. Database Integrity
    a. Inmate Table

i) Inmate ID
ii) Inmate full name
iii) Inmate PIN (if applicable)
iv) Inmate housing location
v) Inmate Status
vi) Inmate PAN list (if applicable)

b. Global Number Table
i) Block List
ii) Attorney List
iii) Privileged List
iv) Free numbers
v) TDD Access numbers
vi) PREA Hotline

c. Inmate Station Table
i) Station port labeling – Confirm accuracy
ii) Station Grouping
iii) Station Class-of-Service designation
iv) Station On-Off times
v) TDD Access numbers

d. Rates & Dialing Table
i) Surcharge & Per Minute entries by Tariff Type
ii) Local number listing
iii) Dialing rules by Tariff type
iv) Dialing rule override (if any)
v) Carrier access protocol

4. System Access
a. User Role privileges
b. User role assignments
c. User name & passwords

5. Facility workstation(s)
a. Access to the IPS system
b. Ability to monitor live recordings from both workstation and Facility Network if applicable.
c. Test all alert methods to ensure proper working order for inmate and phone to designated investigation units.
d. Ability to download and burn recordings using the following formats.
i) Wav
ii) MP3

iii) Speex

e. Configured to use either the ICS player or default player for playback.

f. Run and test reports for accuracy of information

Following is a Testing and Acceptance Checklist:

Hardware		
Tests and Checks Performed	INITIALS	DATE
Check - Rack fully assembled.		
Check - 110/66 Blocks labeled and covered.		
Check - UPS is fully charged and operational. (plugged in)		
Check - Adtran 3200 and Juniper labeled and installed on rack.		

Network		
Tests and Checks Performed	INITIALS	DATE
Check - network cable from smart jack to Adtran 924 NET/T-1 Port. All cables labeled and properly secured.		
Check network cable from Adtran 924e ETH 0/1 port to Jumiper ETH 0/1 port. All cables labeled and properly secured.		
Set up workstation(s) in predetermined location. Connect all peripherals and all cables labeled and properly secured.		
Connect network cable to workstation. Use patch cord to connect workstation to RJ 45 jack.		

Power Up		
Tests and Checks Performed	INITIALS	DATE
Test - Perform start up test and confirm all machines start up correctly.		
Test - UPS test (utilize UPS test switch and confirm system stays on)		
Test - Start up workstation and confirm proper startup and that network can be seen		

Software Check & Tests		
Tests and Checks Performed	INITIALS	DATE
Check - All computers for correct name and IP address. Check/Verify correct IP and Subnet		
Check - All computers - Network Properly. Installed and working.		
Check - All system clocks are updated properly.		
Check - Verify Inmate Stations.		
Test - Workstation – Verify Monitoring/Playback and Burn CD's		
Check - Facility PIN swap over		
Test - Make test calls from station blocks.		
Check - Facility branding		
System Checkout		
Tests and Checks Performed	INITIALS	DATE
Verify system functionality by performing test calls from every		

station.		
Perform station cross connect punch work – verify stations are operational		
Test - Restart and confirm all modules are functioning properly.		
Test - Make test calls from each station- verify		
Test - Call Search		
Check - Calls for proper start/stop, origination, destination, PIN numbers		
Check - Verify each type of call (Local, Intra- lata, Inter-Lata, Inter State)		
Test - Perform live monitoring.		
Test - Perform dial up live monitoring.		
Test - Printing reports to printer		

2.7.3.2.8 Inmate telephone installation procedures;

CenturyLink has read, understands and will comply.

In order to minimize disruption to the facility staff, the new inmate telephones/enclosures/pedestals and platform equipment installation will be coordinated to be installed within the same timeframe with approval of the Department. The number of installation teams will be determined by the size of the site. Each team will be composed of one CenturyLink employee and (2) technicians an examination of the telephones/enclosures/pedestals at each facility will have been performed during the site inspections. These inspections will identify what work needs to be completed.

CenturyLink will coordinate with the incumbent to remove phones.

Any information obtained during the phone installation that was not in the RFP, or enhances or contradicts information provided in the RFP, will be added to the project plan documentation to ensure the project satisfies the customer's needs. Most importantly, any new cabling or equipment issues identified during the phone installation will be included in the implementation plan.

2.7.3.2.9 System testing at each of the Department facility;

CenturyLink has read, understands and will comply.

CenturyLink will also ensure that the new IPS is properly programmed by placing test calls at each facility.

Calling Information	Function Verified by Test Call
Test Numbers	Accepted calls are completed, and denied

	calls are not completed.
Local Calling Area	Local calls not billed as long distance
Script Parameters	Inmates and called parties received proper instruction
Phone Signage	Instructions on phone reflect operation/configuration of system.
Globally Allowed Numbers	Calls to allowed numbers are completed
Globally Denied Numbers	Calls to prohibited numbers are not completed
Personal Identification Numbers (PINs)	Calls without PINs, or invalid PINs, are not completed. Calls with valid PINs are completed.
Privileged Numbers	Calls are not monitored and recorded
Free Numbers	Calls are not billed to called parties

2.7.3.2.10 System testing of overall system connectivity;

CenturyLink has read, understands and will comply.

CenturyLink IPS will use a centralized call processing platform located in Atlanta, therefore the individual facility testing discussed above in Section 2.7.3.2.9 will test the overall system connectivity.

2.7.3.2.11 Training of the Department personnel;

CenturyLink has read, understands and will comply.

Our goal is to familiarize the Department personnel with daily system functions, blocks, reports, and investigative tools as well as emergency system shut down of the IPS. We understand that different user groups will sometimes have different training needs. As such, classes will be customized to fit the participants and their Department assigned user roles. The user-friendly nature of IPS makes it easy to understand and minimizes staff training time.

All personnel who have been identified as a trainee by the Department will receive the required system documentation and/or training manual, which can be provided in hard or soft copy. In addition, each trainee will receive notification of their user names and temporary passwords with a URL link to access the system. The Department staff training would be a three phase process as outlined below:

Phase 1 – Pre Cut Webinar

Each identified user will receive a printable copy of the IPS User Reference Guide in PDF format. (the User Reference is accessible directly from the IPS).

Online training ("Webinar") will be provided at no cost in several sessions to all Department participants beginning one month prior to the cutover of the new IPS. There is no maximum number of attendees for Webinar training and CenturyLink will schedule as many sessions as needed based on the role of the users and their level of access.

Each participant must have access to a personal computer, workstation, or laptop with access to the Internet. The online class ("Webinar") will serve as a presentation of the IPS and preparation for the cutover process. The goal of Phase 1 Training is an introduction and high level overview of the IPS; these sessions typically last one hour. Participants will be able to ask questions and provide feedback during the training sessions.

Phase 2 – Formal Training at Cut Over

Formal no- cost training will be provided immediately after cutover to address in detail managing inmates, global numbers, monitoring, and the retrieval of call recordings. These training sessions can be conducted onsite or at a central training location at the discretion of the Department. This will allow multiple users an opportunity to see the system details with live data. The training will be conducted utilizing a laptop and projector and the training location must have internet access. Scheduled sessions will be based on the number of users, their level of access and the needs of the Department staff. The goal of Phase 2 training is to fully prepare the Department personnel to operate the IPS. These sessions typically last approximately one hour depending on the user level and be scheduled to coincide with cutover dates for the facilities..

Phase 3 – Post Cut Follow Up Training

Follow up training will be provided 30 days after all platform cutovers have been completed and users have had a chance to start using the IPS. This training can be conducted onsite or via webinar at no cost to the Department. The training method and the locations will be scheduled by Department. The goal of Phase 3 Training is to answer any new questions the users may have after working in the system. Phase 3 sessions typically last one hour depending on the needs of the users, their level of access, and the questions they may have.

Upon the release of any upgrades and/or enhancements to the IPS, the Department will be notified and provided documentation of the features and functionalities contained in that release, and if the Department deems refresher training is warranted, that training will be provided at no cost.

The standard training curriculum is detailed below. This is a typical training agenda which can be customized for the Department, if desired. Training classes will be scheduled to fit The Department's preferences and the schedules of the personnel involved in the training

A. Day-to-Day System Administration

Logging In
User Access Control Settings
Call Process Flow and Call Record Search
Blocked Number Administration
Inmate Editor Function
Create a new account
ANI Advanced Privileges and Controls
Alerts on Inmate Accounts
Disable Account
Search for Inmate Account
Print Account Information
Debit Account Administration
Interface functionality (if applicable)

B. Investigative Functions

Monitoring
Call Disrupt Function
Recording
Recording Exempt Numbers
Setting Alerts (email, pager and phone)
Recording Search, Retrieval & Reporting
Recording Export to CD
Report Generation

C. Automated Calling Process

Initiating a Call
Collect Call Process
Debit Call Process
PrePaid Collect

D. Service & Maintenance

Receiving Trouble Reports
Information Gathering & Preliminary Trouble-shooting
Trouble Reporting Instructions
Email updates on trouble tickets

E. Reference Tools - Manuals

Quick Reference Guide
User Guide
Report Synopsis
Inmate Information Pamphlet in English & Spanish
Support Center

F. **Contact Information**
Escalation List
Repair / Trouble Reports

Inmate Population Training

Inmate training is a simple but critical component of implementation. The CenturyLink Team's inmate training checklist includes the following:

- Placement of posters in day rooms and common areas (English and Spanish)
- New calling procedures
- Account information for friends and family members (need to close out previous accounts)
- Debit funding processes (no change)
- Placement of leaflets at or near the visitation area (English and Spanish)
- Production of pamphlets for intake packet (if desired)

Family & Friends Training

Training for family and friends is equally as important. This is one area where the CenturyLink Team's customer service program is most valuable. Upon an inmate's first call to a number following cutover, prepaid account holders are *automatically* routed to a live representative to initiate an account – not left to call us separately on their own. Further, representatives are specially scripted to explain policies during account setup, including providing information on how to close out accounts and receive refunds from the previous provider. Of course, website updates, leaflets at visitation, and other communications further educate family members.

2.7.3.2.12 Actual system cutover to service;

CenturyLink has read, understands and will comply.

The following discusses the steps that will take place for the day of the cutover:

- CenturyLink personnel will work with the facility to schedule the transfer of the phone lines during a period that inmates do not have access or have limited access to the phones (Example: lunch or dinner times). Once a timeframe has been confirmed with the facility, CenturyLink will begin to cut the station lines from the existing system and move them to the new IPS.

- CenturyLink will begin by disconnecting incoming station lines between the Main Distribution Frame (MDF) and the existing platform 24 lines (one block) at a time.
- After the first block has been cut each pair will then be punched down on the block connecting the MDF to the new IPS.
- If the cable between the MDF and the existing system is too short to be connected to the new system then a new cable will be installed to connect the MDF to the new IPS.
- This process will continue until all lines are transferred over to the new system.
- The phones will only be interrupted 24 at a time and it should not take more than 15 minutes per block of 24 to transfer service.
- Each inmate telephone will be visited to confirm full functionality.

In the unlikely event that a site experiences failure during cutover to the new IPS system, CenturyLink will be able to transfer back to the incumbent's system until the problem is resolved.

2.7.3.2.13 List of the Department responsibilities.

CenturyLink has read, understands and will comply.

The Department's responsibilities will primarily deal with access to the facilities. The areas we will require assistance from the Department are listed below:

- Process Background Checks
- Knowledgeable escorts during site surveys to locate phone rooms, etc
- Ensure access available to phone closets and inmate spaces
- Furnish escorts, if required
- Provide working schedule for installation teams
- Provide document and/or badges to allow team access to facilities

2.7.3.3 The Contractor must work with the Department to determine the exact times when Inmate Telephone Equipment can be replaced to reduce down time.

CenturyLink has read, understands and will comply.

CenturyLink personnel will work with the facility to schedule the transfer of the phone lines during a period that inmates do not have access or have limited access to the phones (Example: lunch or dinner times).

2.7.3.4 It is strongly suggested the Contractor conduct a site visit to each of the Department facility prior to submitting their bid in order to become familiar with the physical location of the existing IPS and the inmate telephones as well as to be completely familiar with the installation requirements of each particular facility.

CenturyLink has read, understands and will comply.

One of the key steps in our implementation plan is to conduct site surveys at <u>every</u> facility prior to installation. This familiarizes our team with the facility and the existing layout of the system while also allowing us to solicit input from our site contacts to ensure we complete the install with as little impact as possible to normal facility operations.

Locate, identify, and document the following by building, floor, room, rack, vendor and type; and document:

- Existing IPS equipment
- Existing IPS workstations
- Existing inmate phones (type, backboard, and enclosure)
- Existing toggle switches
- Existing conduits and risers
- Existing lightning protection
- Existing AC outlets

- Identify and document environmentally controlled space for the following planned equipment:
  - Floor space for the CenturyLink IPS
  - Wall or floor space for any new phones requested by on-site personne
  - Desk space for any workstations planned for the site or requested by on-site personne

- Identify and document other requirements:
  - Electrical power requirements Air conditioning requirements for the IPS equipment
  - Parking requirements during installation

- Secured storage area requirements for equipment arriving before installation team
- Staging requirements during installation
- Physical address of sites (street address, city, state, zip)
- Contact name and phone number for future coordination

The following information, if provided by the customer during inspection, will be formally documented:

- Verify PIN/PAN requirements?
- What is the desired call limit (calls/day)?
- What is the desired calling duration limit (minutes)?
- Is there a daily time period (lunch, nighttime) during which the system should be shut down?
- Are the inmates supposed to hear call progression, and what level of detail (called party response, tones, silence, etc.)?
- Desired location (building, floor, room, location in room) of the IPS equipment
- Desired quantity and location of new inmate phones
- Desired quantity and location of new telephone devices for the deaf (TDDs)
-

Any information obtained in the site inspections that was not in the RFP, or enhances or contradicts information provided in the RFP, will be added to the project plan documentation to ensure the project satisfies the customer's needs. Most importantly, any requests for new inmate phones or workstations will be documented for further discussion with the department representatives.

<u>A complete needs assessment for each Department facility</u>

- Verify physical addresses of the facility and shipping/delivery policies
- Verify phone locations and phone count

- Training needs and who should be trained and what level of training
- Connectivity and who needs access to the system and what level
- Review data files to be transferred (blocked, free numbers, speed dial numbers, privileged call list, etc.
- Identify specific site names to be announced during call
- Determine design of IPS Platform (# of phone ports, trunks, storage capacity, features, etc.

- Schedule work hours and dates not allowed in facility

2.7.3.5 The Contractor must coordinate any removal of the existing inmate telephones in all of the Department facilities. The Contractor is required to meet with the Department so that the existing telephones may be used during the transition to the new inmate telephones provided under this contract.

CenturyLink has read, understands and will comply.

2.7.3.6 The Contractor is allowed to re-use existing station cabling installed at each of the Department facility for the inmate telephones once it has tone and tested each cable run to ensure that the station cable is capable of supporting the new inmate telephones. In cases where the existing cable is re-used, the Contractor will re- terminate and label the station cabling at the cross connect (main/intermediate distribution frames) to ensure that all cabling is identified correctly and terminated in such a way to simplify future maintenance. In cases where existing station cabling cannot be used, the Contractor will install new station cabling (Category 5e minimum) at no cost to the Department. Any new cabling must include required wall plate, cross connection, patch cords, etc. as required by the Contractor and the Department to ensure proper operation of the inmate telephones.

CenturyLink has read, understands and will comply.

2.7.3.7 Although the Department does not anticipate that such work will be required, the Contractor must agree in its response to obtain Department permission in writing before proceeding with any work that requires cutting into or through girders, beams, concrete or tile floors, partitions or ceilings, or any work that may impair fireproofing or moisture proofing, or potentially cause any structural damage.

CenturyLink has read, understands and will comply.

2.7.3.8 The Contractor will be responsible for all programming of the IPS including the generation and creation of the system database(s) required to provide a fully operational IPS.

CenturyLink has read, understands and will comply.

2.7.3.9 The Contractor must transfer the current IPS database information including inmate profiles (PINs) and call records to the new system. The Contractor must state, in its response, how this will be accomplished and what is required of the Department to facilitate this transfer of information.

CenturyLink has read, understands and will comply.

During installation, CenturyLink will port over all existing inmate information from the existing inmate phone system. Inmate telephone accounts – including all call records, database information, and inmate PINs – will automatically be created in the IPS based on the information received.

CenturyLink will request sample files from the existing platform in preparation for porting the facility's current inmate and call data into our IPS. CenturyLink will review this data to ensure that we can successfully transfer it to our IPS. CenturyLink is confident in our ability to do so, as call data from the existing system has been successfully transferred to the IPS for several other correctional facilities. Prior to actually deploying the IPS, we will perform a robust series of tests to ensure accuracy of all data transferred.

2.7.3.10 The Contractor must clean up and remove any and all debris and packaging material resulting from its work at the Department facility on a daily basis.

CenturyLink has read, understands and will comply.

2.7.3. I I Upon completion of installation, the Contractor must leave the Department facility clean, orderly and ready for immediate use.

CenturyLink has read, understands and will comply.

2.7.3.12 The Contractor must be completely responsible for replacing, restoring or bringing to former condition any damage caused by the Contractors installation personnel to floors, ceilings, walls, furniture, grounds, pavement, etc. Any damage or disfigurements shall be restored to its former condition by the Contractor at no cost to the Department.

CenturyLink has read, understands and will comply.

2.7.3.13 The Contractor must ensure that all of its work and materials comply with all local, state and federal laws, ordinances and regulations as well as the direction of any inspectors appointed by proper authorities having jurisdiction over this type of network and equipment installation. The Contractor is responsible for obtaining all necessary permits. Should violation of codes occur relating to this network installation project because necessary permits were not identified and obtained by the Contractor, the Contractor will cease all work at that specific location and correct the situation, immediately, at no cost to the Department prior to continuation of system installation

CenturyLink has read, understands and will comply.

2.7.3.14 The Contractor must include in its Implementation plan their proposed recommendations for adding additional equipment to improve service and coverage. Currently the Department has approximately 30 inmates to each phone . Contractor must maintain a 30 to I ratio as required by the Department. Any deviations from this ratio shall be approved by the Department.

CenturyLink has read, understands and will comply.

CenturyLink utilizes a centralized platform which allows for a more robust and reliable inmate telephone system, and the footprint of the required equipment on site is largely reduced, providing room for expansion. The centralized platform and onsite equipment are extremely scalable allowing us to meet any immediate and/or future system growth requirements to accommodate the inmate population.

From our initial network install to future growth, Centurylink follows an extensive evaluation process when designing networks to ensure the bandwidth and equipment are adequate for providing the best possible service. Centurylink proactively monitors all circuits within our network for performance and uptime to provide the best service possible and expedite repairs should they be needed in the event of an outage. Centurylink will work with the Department to determine if more phones are needed at implementation, and to actively monitor ADP and maintain the 30 to 1 inmate to phone ratio currently required by the Department.

2.7.4 System Testing

2.7.4.1 The Contractor must describe, in its response, how it performs standard system testing to ensure that the proposed IPS and its network services are fully implemented and ready to accept inmate traffic and Department use. This description must include the Contractor and industry standard methodologies, procedures and protocols consistent with the IPS proposed for the Department. The Contractor must describe what is required of the Department personnel during this system testing. All hardware, software, software licensing, etc. required to perform this testing must be provided to the Department at no cost.

CenturyLink has read, understands and will comply.

CenturyLink will ensure that the new IPS is fully functional by placing test calls at each facility. There is no involvement required of Department personnel, nor will there be any cost to the Department during system testing. The following checklist is used to place these calls.

Calling Information	Function Verified by Test Call
Test Numbers	Accepted calls are completed, and denied calls are not completed.
Local Calling Area	Local calls not billed as long distance
Script Parameters	Inmates and called parties received proper instruction
Phone Signage	Instructions on phone reflect operation/configuration of system.
Globally Allowed Numbers	Calls to allowed numbers are completed
Globally Denied Numbers	Calls to prohibited numbers are not completed
Personal Identification Numbers (PAN/PINs)	Calls without PINs, or invalid PINs, are not completed. Calls with valid PINs are completed.
Privileged Numbers	Calls are not monitored and recorded
Free Numbers	Calls are not billed to called parties

2.7.4.2 The Contractor is required to provide system testing which simulates normal operating conditions of the installed IPS to ensure proper performance after hardware and software configuration is complete. This simulation must include full traffic load representing high traffic situations for inmate calling traffic.

CenturyLink has read, understands and will comply.

The pre-cutover test plan simulates normal operating conditions, including a full traffic load representing high calling traffic situations.

2.7.4.3 The Contractor must agree, in its response, to the Departments right to require the replacement of any network service or system component whose failure to meet required performance levels during testing has risen to chronic problem level.

CenturyLink has read, understands and will comply.

2.7.5 System Acceptance

2.7.5.1 The Department defines system acceptance as the "problem free operation of the IPS and its network of services for a period of 30 consecutive days commencing with the actual completion of IPS installation and testing.

CenturyLink has read, understands and will comply.

2.7.5.1.1 Should the proposed IPS operate problem free during the initial 30 day acceptance period, the Contractor may consider the IPS installation as complete at that Department facility and commence with post installation maintenance and support.

CenturyLink has read, understands and will comply.

2.7.5.1.2 Should the IPS fail to operate problem free during the 30 day acceptance period, the Contractor must correct the problem at no cost to the Department and the 30 day acceptance period will begin again. The Contractor is required to provide all materials and labor to ensure that the installed IPS is performing according to manufacturer specifications and the requirements of this RFP.

CenturyLink has read, understands and will comply.

2.7.5.2 The Contractor must agree, in its response, to discuss the definition of problem free operation with the Department prior to system contract. However, for the purposes of this

RFP, problem free operation during the initial 30 day period is defined as the following:

2.7.5.2.1 Failure of no more than two percent (2%) of the telephone instruments;
2.7.5.2.2 Failure of no more than ten percent (10%) of network services';
2.7.5.2.3 Failure of no more than one (1) digital trunk (Tl, ISDN PRI);
2.7.5.2.4 Operation of the system security features including PINs, etc.;
2.7.5.2.5 Operation of the system software without major conflicts or feature failure;
2.7.5.2.6 Non- failure of any Central Processing Unit (CPU).

CenturyLink has read, understands and will comply.

2.7.6 System Documentation

2.7.6.1 At the completion of the installation, the Contractor must provide a complete set of system reference manuals which must include information specific to the installation at each of the Department facility.

CenturyLink has read, understands and will comply.

2.7.6.2 The Contractor must supply all necessary documentation to the Department personnel with regard to maintenance contact numbers, maintenance reporting procedures, maintenance escalation procedures, etc.

CenturyLink has read, understands and will comply.

2.7.6.3 The Contractor must provide programming manuals that are specific to each of the Department facility.

CenturyLink has read, understands and will comply.

2.7.6.4 The Contractor must provide the Department facility specific checklists allowing trained the Department personnel to become acquainted with the specific programming of the IPS installed at that particular Department facility.

CenturyLink has read, understands and will comply.

2.7.6.5 The Contractor must provide written procedures at each of the Department facility that instruct the Department personnel on how to report system troubles, escalate system troubles within the Contractors organization, contract Contractor personnel during weekend shifts, etc. The Contractor must update such written procedures on a quarterly basis during the term of this contract.

2.7.6.6

CenturyLink has read, understands and will comply.

DEVIATIONS AND EXCEPTIONS FORM

Offerors shall indicate any and all exceptions taken to the provisions or specification in this solicitation document. Unallowable or questionable deviations and exceptions may cause your offer to be non-responsive. Deviations and exceptions noted elsewhere in your offer, and not specified on this form, will be considered void and not part of your offer.

Exceptions (check one):

X	**No exceptions. The Undersigned hereby acknowledges that there are no deviations/exceptions to this solicitation.**
	Exceptions are taken

Describe exceptions taken (attach additional pages if needed):

CONFIDENTIAL/PROPRIETARY SUBMITTALS FORM

Confidential/Proprietary Submittals (Check one): X

No confidential/proprietary materials have been included with this offer

Confidential/Proprietary materials are included. Offerors should identify below any portion of their offer deemed confidential or proprietary (see Uniform Terms and Conditions, paragraph 1.23). Identification in this section does not guarantee that disclosure will be prevented but that the item will be subject to review by the Offeror and the School District prior to any public disclosure. Requests to deem the entire offer or to deem any prices and costs as confidential will not be considered.

Identify or describe:

The following sections are identified as confidential.

2.4.3.21.1 - Pages 19-20

2.4.3.22.1 - Pages 20-22

2.4.11.2 - Page 107

3.2.1 - Page 248

COST AND COMMISSION REQUIREMENTS

3.1 Inmate Call Cost Proposal Requirements

3.1.1 The Contractor's response to this RFP must comply with the rate or rates for local, IntraLata, InterLata, Interstate, and International inmate calls, as identified in Attachment #6. Arizona Department of Corrections reserves the right to increase and/or decrease rates within the duration of this contract.

2.7.6.1

CenturyLink has read, understands and will comply.

3.2 Commission

3.2.1 The successful Contractor will demonstrate in their proposal their method to maximize the commission to the Department. As a guideline, the Department currently receives a commission of approximately $4 million dollars annually, based on a commission rate of 53.7% of the Gross Revenue generated from the existing contract. The current phone rates to inmates and families are shown in Attachment #6, Current Call Rates.

2.7.6.1

CenturyLink has read, understands and will comply.

This is one of CenturyLink's greatest competitive strengths, and is unfortunately a question not often asked in solicitations. We have seen 90+% commission offers in other jurisdictions, but the question is always *"90% of what?"*. CenturyLink's industry-leading customer service and billing program maximizes the "what" = gross revenue.

The table below shows "before vs. after" revenue data from 3 of the 6 state DOCs with whom we have a contract. The three states not shown are Texas (which had no previous vendor), Wisconsin (who we have continually served since 2001 and have no prior vendor data), and Idaho (which is in the process of installing).

As the Department can see, CenturyLink has a consistent track record of increasing completed calls and gross revenue vs. multiple previous vendors, 17% or quite a bit more, even when costs per call decline dramatically.

At 17% better gross commissionable revenue performance vs. another bidder, that bidder would have to pay over 100% to beat CenturyLink's offer...even ignoring the better service we provide.

Request for Proposal (RFP) No. 14-00003887 ADC No. 14/066/24

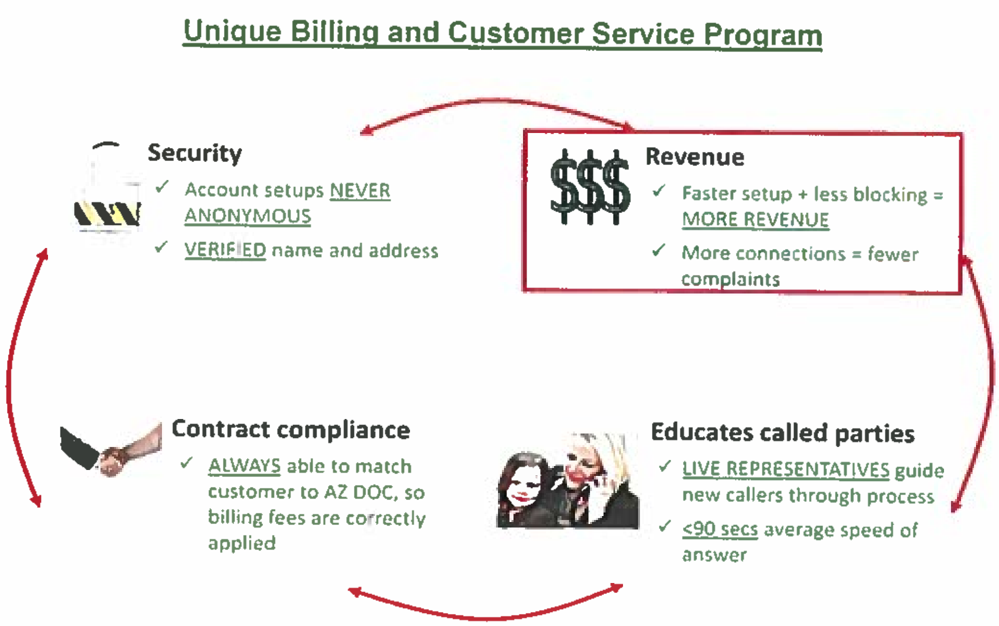
Inmate Telephone System

Statewide

Century Link

Pages may appear to be missing, however have been deemed confidential and have been redacted

We have achieved this performance through our unique account setup process. As described in more detail on page 20 of this RFP, when an inmate calls a number, if the called party does not have an account with us (for example, a first call to a cell phone) or has depleted the funds in their account, they are *immediately* routed to our call center and presented with options to complete the call. As a result, a collect or prepaid call are never blocked without giving the called party an opportunity to put their account in good-standing. In addition, we provide easy access to live operators whenever a called party needs service assistance. While easy to do, it is unfortunately not the norm in our industry.



3.2.2 The Contractor's proposal shall provide the proposed percentage commission of Gross Revenue the Department will receive based on the current call usage identified in Attachment #2, Proposed Commission Rate.

CenturyLink has read, understands and will comply.

Our commission rate which per RFP requirements is payable on all but interstate calling is presented in Attachment 2.

3.2.3 Commissions will be paid to Department as follows:

3.2.3.1 Contractor will make an upfront payment to the Department within 10 days from contract award date and a true-up payment based on their proposed % commission rate of gross revenue at contract year end. The upfront payment will be calculated as 50% of the commission rate times the previous year total costs. This will continue with the 5 year contract term and with 5 year renewal options. Calculation example follows.

CenturyLink has read, understands and will comply.

3.2.3.2 Example: Annual gross revenue is $8,170,448.84 million. Proposed commission is 45%. Annual commission amount due to the Department is ($8,170,448.84 million times 45% = $3,676,701.90 million). The upfront payment due to the Department is {50% times (45% times $8,170,448.84 million) = $1,838,350.90}. A true up payment shall be made at the end of each contract year for the balance for the commission.

CenturyLink has read and understands.

3.3 Attachment #6, Current Call Rates, indicates the current average phone rates under the existing contract for comparison purposes.

CenturyLink has read, understands and will comply.

Proposed Commission Rate

Commission Rate: 93.90%

Total Calls for 2013						
Type of call	# of Calls	Minutes	Surcharge	Per Minute Rate	15 minute Call Cost	Total Costs
Collect						
Local:	831,716	11,517,610	$1.84	$0.00	$1.84	$1,530,357.44
IntraLATA:	282,946	3,834,793	$2.00	$0.20	$5.00	$1,414,730.00
InterLATA:	450,417	6,137,150	$2.40	$0.24	$6.00	$2,702,502.00
Interstate:	98,002	1,285,524	$0.00	$0.25	$3.75	$367,507.50
International:	27	404	N/A	N/A	N/A	
						$6,015,096.94
PrePaid/Debit						
Local:	415,886	5,767,033	$1.60	$0.00	$1.60	$665,417.60
IntraLATA:	82,699	972,957	$1.60	$0.20	$4.60	$380,415.40
InterLATA:	158,737	1,948,032	$2.00	$0.24	$5.60	$888,927.20
Interstate:	32,998	368,816	$0.00	$0.21	$3.15	$103,943.70
International:	14,581	166,466	$2.00	$0.40	$8.00	$116,648.00
						$2,155,351.90
					Total Costs:	$8,170,448.84

Authorized signature:

Name and Title: Paul Cooper, General Manager

Bidder Name: CenturyLink Public Communications, Inc.

Date: 5/20/2014

5454 W. 110th Street
Overland Park, KS 66211
May 20, 2014

Arizona Department of Corrections
Procurement Services
1645 W. Jefferson Street, Suite 4401
Phoenix, AZ 85007

On behalf of the CenturyLink account team, we welcome the opportunity to respond to the State of Arizona RFP ADOC14-00003887/14-066-24. CenturyLink is confident that our proposal meets all requirements, and we strongly feel that we offer the best solution to meet the Department's needs, now and into the future. Our Senior Account Manager, Vicki Johnson (888.375.7318), will be your primary contact for any questions on our proposal that you may have.

CenturyLink has over 23 years of Inmate Telephone System (ITS) implementation and support experience. Further, we believe our combination of in-state presence, financial resources, customer service, technical expertise, in-depth operational experience, and qualified personnel are unmatched in the industry. We currently provide ITS services for approximately 243,000 inmates nationwide, including multiple counties and five state departments of corrections.

> *CenturyLink has consistently worked in good faith with all of its customers – not just when negotiating the contract, but also throughout the entire term…beginning, middle, and even the end. This commitment has been especially true during the ongoing FCC rate proceedings, which are certain to continue for several more years.*
>
> *Some providers have recently claimed that the FCC disallowed commissions on interstate calling during February 2014; however, this is simply not true and enriches providers at their client's expense. During this time CenturyLink has continued to pay commissions on interstate calling as required by our contracts.*
>
> *We respectfully request the Department check each bidder's past business practices during reference checks, including but not limited to those related to implementation of the recent FCC Order and Partial Stay. We believe you will find that no other vendor consistently provides the level of service that CenturyLink does.*

As a Local Exchange Carrier throughout much of Arizona, we have a long-standing history of serving the state's citizens with our 2,800 in-state employees, and can draw on that pool of employees to provide additional support for the Department should the need exist.

Our response to the RFP will highlight our experience and will demonstrate that we are uniquely qualified to provide the best solution for the Department. CenturyLink has exhibited a thorough understanding of your needs and proposes a solution that, combined with our highly experienced resources, will provide you with the most advanced technological solution available, one that will enhance the experience of staff, inmates, and friends and family.

> *CenturyLink has a consistent and documented history of meeting and exceeding every contractual requirement; time after time we have proven our flexibility by implementing new services beyond the scope of the original proposal and subsequent contract. We encourage the Department to call any of our current or previous accounts to verify this, and we strongly urge that you compare our references to those from the other bidders.*

At CenturyLink, we believe that a product is only as good as the people standing behind it. Our fully staffed support center is always on call, and our entire staff is dedicated to providing the best customer support in our industry.

Sincerely,

Paul Cooper
General Manager
CenturyLink Correctional Markets