

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended June 30, 2010

or

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

Commission File Number: 1-7784

**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 71203  
(Address of principal executive offices) (Zip Code)

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

Former name, if changed since last report: CenturyTel, Inc.

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 Web site, 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

☒ Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer  
☐ Smaller reporting company

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

As of July 31, 2010, there were 301,445,975 shares of common stock outstanding.

# CenturyLink, Inc.

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

PART I. FINANCIAL INFORMATION  
Item 1. Financial Statements

**CenturyLink, Inc.**  
CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	(Dollars, except per share amounts, and shares in thousands)			
OPERATING REVENUES	\$ 1,772,030	634,469	3,572,456	1,270,854
OPERATING EXPENSES				
Cost of services and products (exclusive of depreciation and amortization)	589,420	235,732	1,208,525	470,363
Selling, general and administrative	301,671	120,742	584,600	230,587
Depreciation and amortization	357,951	128,552	711,113	256,124
Total operating expenses	1,249,042	485,026	2,504,238	957,074
OPERATING INCOME	522,988	149,443	1,068,218	313,780
OTHER INCOME (EXPENSE)				
Interest expense	(143,249)	(44,937)	(285,474)	(96,969)
Other income (expense)	7,308	7,635	17,808	5,817
Total other income (expense)	(135,941)	(37,302)	(267,666)	(91,152)
INCOME BEFORE INCOME TAX EXPENSE	387,047	112,141	800,552	222,628
Income tax expense	147,921	42,813	308,469	85,920
NET INCOME	239,126	69,328	492,083	136,708
Less: Net income attributable to noncontrolling interests	(355)	(298)	(711)	(524)
NET INCOME ATTRIBUTABLE TO CENTURYLINK, INC.	\$ 238,771	69,030	491,372	136,184
BASIC EARNINGS PER SHARE	\$ .79	.68	1.63	1.35
DILUTED EARNINGS PER SHARE	\$ .79	.68	1.63	1.35
DIVIDENDS PER COMMON SHARE	\$ .725	.70	1.45	1.40
AVERAGE BASIC SHARES OUTSTANDING	300,058	99,414	299,736	99,270
AVERAGE DILUTED SHARES OUTSTANDING	300,605	99,450	300,301	99,297

See accompanying notes to consolidated financial statements.



**CenturyLink, Inc.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	(Dollars in thousands)			
NET INCOME	\$ 239,126	69,328	492,083	136,708
OTHER COMPREHENSIVE INCOME, NET OF TAX:				
Derivative instruments:				
Reclassification adjustment for losses included in net income, net of \$67, \$67, \$134 and \$134 tax	107	107	214	214
Defined benefit pension and postretirement plans, net of \$1,510, \$1,263, \$(12,297) and \$5,488 tax	2,422	2,026	(6,982)	8,803
Net change in other comprehensive income (loss), net of tax	2,529	2,133	(6,768)	9,017
COMPREHENSIVE INCOME	241,655	71,461	485,315	145,725
Comprehensive income attributable to noncontrolling interests	(355)	(298)	(711)	(524)
COMPREHENSIVE INCOME ATTRIBUTABLE TO CENTURYLINK, INC.	\$ 241,300	71,163	484,604	145,201

See accompanying notes to consolidated financial statements.

**CenturyLink, Inc.**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	June 30, 2010	December 31, 2009
	(Dollars in thousands)	
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 186,357	161,807
Accounts receivable, less allowance of \$51,436 and \$47,450	702,030	685,589
Income tax receivable	42,261	115,684
Materials and supplies, at average cost	35,599	35,755
Deferred income tax asset	73,890	83,319
Other	43,513	41,437
Total current assets	<u>1,083,650</u>	<u>1,123,591</u>
NET PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	15,876,487	15,556,763
Accumulated depreciation	<u>(7,010,016)</u>	<u>(6,459,624)</u>
Net property, plant and equipment	<u>8,866,471</u>	<u>9,097,139</u>
GOODWILL AND OTHER ASSETS		
Goodwill	10,260,640	10,251,758
Other	<u>1,988,823</u>	<u>2,090,241</u>
Total goodwill and other assets	<u>12,249,463</u>	<u>12,341,999</u>
TOTAL ASSETS	<u>\$ 22,199,584</u>	<u>22,562,729</u>
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 496,559	500,065
Accounts payable	299,066	394,687
Accrued expenses and other liabilities		
Salaries and benefits	243,401	255,103
Other taxes	148,175	98,743
Interest	120,163	108,020
Other	141,169	168,203
Advance billings and customer deposits	181,053	182,374
Total current liabilities	<u>1,629,586</u>	<u>1,707,195</u>
LONG-TERM DEBT	<u>7,178,646</u>	<u>7,253,653</u>
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred income taxes	2,216,831	2,256,579
Benefit plan obligations	1,229,006	1,485,643
Other deferred credits	394,419	392,860
Total deferred credits and other liabilities	<u>3,840,256</u>	<u>4,135,082</u>
STOCKHOLDERS' EQUITY		
CenturyLink, Inc.		
Common stock, \$1.00 par value, authorized 800,000,000 shares, issued and outstanding 301,265,872 and 299,189,279 shares	301,266	299,189
Paid-in capital	6,048,168	6,014,051
Accumulated other comprehensive loss, net of tax	(92,074)	(85,306)
Retained earnings	3,287,225	3,232,769
Preferred stock - non-redeemable	236	236
Noncontrolling interests	6,275	5,860
Total stockholders' equity	<u>9,551,096</u>	<u>9,466,799</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 22,199,584</u>	<u>22,562,729</u>

See accompanying notes to consolidated financial statements.

**CenturyLink, Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	Six months ended June 30,	
	2010	2009
	(Dollars in thousands)	
OPERATING ACTIVITIES		
Net income	\$ 492,083	136,708
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	711,113	256,124
Deferred income taxes	(17,467)	25,831
Share-based compensation	18,126	9,859
Income from unconsolidated cellular entity	(9,787)	(9,914)
Distributions from unconsolidated cellular entity	9,134	9,602
Changes in current assets and current liabilities:		
Receivables	(16,441)	31,192
Accounts payable	(95,621)	4,761
Accrued income and other taxes	114,945	31,094
Other current assets and other current liabilities, net	(24,240)	(3,425)
Retirement benefits	(279,509)	(14,537)
Excess tax benefits from share-based compensation	(3,636)	(753)
(Increase) decrease in other noncurrent assets	(19,112)	2,542
Increase (decrease) in other noncurrent liabilities	1,581	(4,823)
Other, net	-	7,944
Net cash provided by operating activities	881,169	482,205
INVESTING ACTIVITIES		
Payments for property, plant and equipment	(362,226)	(130,801)
Other, net	2,263	210
Net cash used in investing activities	(359,963)	(130,591)
FINANCING ACTIVITIES		
Payments of debt	(78,513)	(394,666)
Proceeds from issuance of common stock	26,432	7,295
Repurchase of common stock	(13,394)	(4,786)
Cash dividends	(436,916)	(141,105)
Excess tax benefits from share-based compensation	3,636	753
Other, net	2,099	(3,288)
Net cash used in financing activities	(496,656)	(535,797)
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents at beginning of period	161,807	243,327
Cash and cash equivalents at end of period	\$ 186,357	59,144
Supplemental cash flow information:		
Income taxes paid	\$ 247,866	24,168
Interest paid (net of capitalized interest of \$7,483 and \$572)	\$ 265,848	98,906

See accompanying notes to consolidated financial statements.



**CenturyLink, Inc.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

	Six months ended June 30,	
	2010	2009
	(Dollars in thousands)	
COMMON STOCK		
Balance at beginning of period	\$ 299,189	100,277
Issuance of common stock through dividend reinvestment, incentive and benefit plans	2,460	1,043
Shares withheld to satisfy tax withholdings	(383)	(180)
Balance at end of period	<u>301,266</u>	<u>101,140</u>
PAID-IN CAPITAL		
Balance at beginning of period	6,014,051	39,961
Issuance of common stock through dividend reinvestment, incentive and benefit plans	23,972	6,252
Shares withheld to satisfy tax withholdings	(13,011)	(4,606)
Excess tax benefits from share-based compensation	3,636	753
Share-based compensation and other	19,520	10,952
Balance at end of period	<u>6,048,168</u>	<u>53,312</u>
ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAX		
Balance at beginning of period	(85,306)	(123,489)
Change in other comprehensive loss (net of reclassification adjustment), net of tax	(6,768)	9,017
Balance at end of period	<u>(92,074)</u>	<u>(114,472)</u>
RETAINED EARNINGS		
Balance at beginning of period	3,232,769	3,146,255
Net income attributable to CenturyLink, Inc.	491,372	136,184
Cash dividends declared		
Common stock - \$1.45 and \$1.40 per share, respectively	(436,910)	(141,099)
Preferred stock	(6)	(6)
Balance at end of period	<u>3,287,225</u>	<u>3,141,334</u>
PREFERRED STOCK - NON-REDEEMABLE		
Balance at beginning and end of period	<u>236</u>	<u>236</u>
NONCONTROLLING INTERESTS		
Balance at beginning of period	5,860	4,568
Net income attributable to noncontrolling interests	711	524
Distributions attributable to noncontrolling interests	(296)	(320)
Balance at end of period	<u>6,275</u>	<u>4,772</u>
TOTAL STOCKHOLDERS' EQUITY	<u>\$ 9,551,096</u>	<u>3,186,322</u>

See accompanying notes to consolidated financial statements.

**CenturyLink, Inc.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2010  
(UNAUDITED)

**(1) Basis of Financial Reporting**

Our consolidated financial statements include the accounts of CenturyLink, Inc. (“CenturyLink”, formerly named CenturyTel, Inc.) and its majority-owned subsidiaries. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission; however, in the opinion of management, the disclosures made are adequate to make the information presented not misleading. The consolidated financial statements and notes included in this Form 10-Q should be read in conjunction with the consolidated financial statements and notes thereto included in our annual report on Form 10-K for the year ended December 31, 2009.

The financial information for the three months and six months ended June 30, 2010 and 2009 has not been audited by independent certified public accountants; however, in the opinion of management, all adjustments necessary to present fairly the results of operations for the three-month and six-month periods have been included therein. The results of operations for the first six months of the year are not necessarily indicative of the results of operations which might be expected for the entire year.

As more fully described in Note 9, we have reclassified subscriber line charge revenues to “Voice” revenues from “Network access” revenues for all periods presented. In addition, we have included the revenues from our fiber transport, CLEC and security monitoring operations in “Other” revenues for all periods presented.

**(2) Embarq Acquisition**

On July 1, 2009, we acquired Embarq Corporation (“Embarq”) through a merger transaction, with Embarq surviving the merger as a wholly-owned subsidiary of CenturyLink. We accounted for such acquisition pursuant to Financial Accounting Standards Board guidance on business combinations, which has been effective for all business combinations consummated on or after January 1, 2009, as more fully described below.

As a result of the acquisition, each outstanding share of Embarq common stock was converted into the right to receive 1.37 shares of CenturyLink common stock (“CTL common stock”), with cash paid in lieu of fractional shares. Based on the number of CenturyLink common shares issued to consummate the merger (196.1 million), the closing stock price of CTL common stock as of June 30, 2009 (\$30.70) and the pre-combination portion of share-based compensation awards assumed by CenturyLink (\$50.2 million), the aggregate merger consideration approximated \$6.1 billion. The premium paid by us in this transaction is attributable to strategic benefits, including enhanced financial and operational scale, market diversification, leveraged combined networks and improved competitive positioning. None of the goodwill associated with this transaction is deductible for income tax purposes.

The results of operations of Embarq are included in our consolidated results of operations beginning July 1, 2009. Approximately \$2.486 billion of operating revenues of Embarq are included in our consolidated results of operations for the first six months of 2010. CenturyLink was the accounting acquirer in this transaction. We have recognized Embarq’s assets and liabilities at their acquisition date estimated fair values pursuant to business combination accounting rules that are effective for acquisitions consummated on or after January 1, 2009. The assignment of a fair value to the assets acquired and liabilities assumed of Embarq (and the related estimated lives of depreciable tangible and identifiable intangible assets) requires a significant amount of judgment. The fair value of property, plant and equipment and identifiable intangible assets were determined based upon analysis performed by an independent valuation firm. The fair value of pension and postretirement obligations was determined by independent actuaries. The fair value of long-term debt was determined by management based on a discounted cash flow analysis, using the rates and maturities of these obligations compared to terms and rates currently available in the long-term financing markets. All other fair value determinations, which consisted primarily of current assets, current liabilities and deferred income taxes, were made by management. The following is the assignment of the fair value of the assets acquired and liabilities assumed for the Embarq acquisition.

	Fair value as of July 1, 2009 (Dollars in thousands)
Current assets	\$ 675,720
Net property, plant and equipment	6,077,672
Identifiable intangible assets	
Customer list	1,098,000
Rights of way	268,472
Other (trademarks, internally developed software, licenses)	26,817
Other non-current assets	24,131
Current liabilities	(837,132)
Long-term debt, including current maturities	(4,886,708)
Other long-term liabilities	(2,621,493)

Goodwill	6,244,966
Total purchase price	<u>\$ 6,070,445</u>

The following unaudited pro forma financial information presents the combined results of CenturyLink and Embarq as though the acquisition had been consummated as of January 1, 2009.

	Six months ended June 30, 2009
	(Dollars in thousands, except per share amounts)
Operating revenues	\$ 3,942,000
Net income attributable to CenturyLink, Inc.	\$ 519,000
Basic earnings per share before extraordinary item	\$ 1.75
Diluted earnings per share before extraordinary item	\$ 1.75

These results include certain adjustments, primarily due to adjustments to depreciation and amortization associated with the property, plant and equipment and identifiable intangible assets, increased retiree benefit costs due to the remeasurement of the benefit obligations, and the related income tax effects. Pro forma operating revenues for the six months ended June 30, 2009 include approximately \$104 million of revenues that would have been eliminated had our July 1, 2009 discontinuance of the application of regulatory accounting (discussed further in Part I, Item 2 of this report) been effective as of January 1, 2009. The pro forma information does not necessarily reflect the actual results of operations had the acquisition been consummated at the beginning of the period indicated nor is it necessarily indicative of future operating results. The pro forma information does not give effect to any (i) potential revenue enhancements or cost synergies or other operating efficiencies that could result from the acquisition or (ii) transaction or integration costs relating to the acquisition.

### (3) Pending Acquisition of Qwest

On April 21, 2010, we entered into a definitive agreement under which we propose to acquire Qwest Communications International Inc. ("Qwest") in a tax-free stock-for-stock transaction. Under the terms of the agreement, Qwest shareholders will receive 0.1664 CenturyLink shares for each share of Qwest common stock they own at closing. CenturyLink shareholders are expected to own approximately 50.5% and Qwest shareholders are expected to own approximately 49.5% of the combined company at closing. As of June 30, 2010, Qwest had outstanding approximately (i) 1.737 billion shares of common stock and (ii) \$13.083 billion of long-term debt.

Completion of the transaction is subject to the receipt of regulatory approvals, including approvals from the Federal Communications Commission and certain state public service commissions. The transaction is also subject to the approval of CenturyLink and Qwest shareholders at meetings scheduled for August 24, 2010, as well as other customary closing conditions. Subject to these conditions, we anticipate closing this transaction in the first half of 2011. If the merger agreement is terminated under certain circumstances, we may be obligated to pay Qwest a termination fee of \$350 million or Qwest may be obligated to pay CenturyLink a termination fee of \$350 million.

### (4) Goodwill and Other Intangible Assets

Goodwill and other intangible assets as of June 30, 2010 and December 31, 2009 were composed of the following:

	June 30, 2010	Dec. 31, 2009
	(Dollars in thousands)	
Goodwill	<u>\$ 10,260,640</u>	<u>10,251,758</u>
Intangible assets subject to amortization		
Customer list		
Gross carrying amount	\$ 1,279,308	1,279,308
Accumulated amortization	(253,726)	(148,491)
Net carrying amount	<u>\$ 1,025,582</u>	<u>1,130,817</u>
Other		
Gross carrying amount	\$ 69,567	69,567

Accumulated amortization	(25,131)	(22,466)
Net carrying amount	<u>\$ 44,436</u>	<u>47,101</u>
Other intangible assets not subject to amortization	<u>\$ 268,500</u>	<u>268,500</u>

The change in the balance of goodwill from December 31, 2009 is attributable to the finalization of the assignment of fair value to Embarq's assets and liabilities acquired (primarily certain contingent liabilities and deferred income taxes) in connection with our July 1, 2009 acquisition of Embarq.

Total amortization expense related to the intangible assets subject to amortization for the first six months of 2010 was \$107.9 million and is expected to be \$206.3 million for the full year 2010, \$185.6 million in 2011, \$164.5 million in 2012, \$145.2 million in 2013 and \$126.0 million in 2014.

#### (5) Postretirement Benefits

We sponsor health care plans that provide postretirement benefits to qualified retired employees.

Net periodic postretirement benefit cost for the three months and six months ended June 30, 2010 (which includes the effects of our July 1, 2009 acquisition of Embarq) and 2009 included the following components:

	Three months ended June 30,		Six months ended June 30 ,	
	2010	2009	2010	2009
	(Dollars in thousands)			
Service cost	\$ 3,335	1,317	6,669	2,526
Interest cost	8,187	4,899	16,375	9,797
Expected return on plan assets	(981)	(346)	(1,962)	(693)
Amortization of unrecognized prior service cost	(343)	(887)	(686)	(1,773)
Net periodic postretirement benefit cost	<u>\$ 10,198</u>	<u>4,983</u>	<u>20,396</u>	<u>9,857</u>

#### (6) Defined Benefit Retirement Plans

We sponsor defined benefit pension plans for substantially all employees, including separate plans for legacy CenturyLink employees and legacy Embarq employees. Until such time as we elect to integrate Embarq's benefit plans with ours, we plan to continue to operate these plans independently. Upon payment of certain lump sum distributions in early 2009, we recognized a settlement loss (which is included in selling, general and administrative expense) of approximately \$7.7 million in the first quarter of 2009.

Net periodic pension expense for the three months and six months ended June 30, 2010 (which includes the effects of our July 1, 2009 acquisition of Embarq) and 2009 included the following components:

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	(Dollars in thousands)			
Service cost	\$ 17,169	3,493	33,101	6,987
Interest cost	58,384	6,621	121,661	13,252
Expected return on plan assets	(71,478)	(6,964)	(141,514)	(13,928)
Settlement loss	-	-	-	7,711
Net amortization and deferral	<u>3,307</u>	<u>4,176</u>	<u>10,224</u>	<u>8,352</u>
Net periodic pension expense	<u>\$ 7,382</u>	<u>7,326</u>	<u>23,472</u>	<u>22,374</u>

We contributed \$300 million to the legacy Embarq pension plan in the first quarter of 2010. Based on current actuarial estimates, we expect to be required to make a minimum contribution of approximately \$37 million to the legacy Embarq pension plan in 2011. Based on current circumstances, our minimum required contributions to our other pension plans are immaterial. The actual level of contribution required in future years can change significantly depending on prevailing discount rates and actual returns on plan assets.

#### (7) Stock-based Compensation

We recognize as compensation expense our cost of awarding employees with equity instruments by allocating the fair value of the award on

the grant date over the period during which the employee is required to provide service in exchange for the award.

We currently maintain programs which allow the Board of Directors (through its Compensation Committee) and the Chief Executive Officer 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; restricted stock units and performance shares. As of June 30, 2010, we had reserved approximately 30.0 million shares of common stock which may be issued in connection with awards under our current incentive programs. We also offer an Employee Stock Purchase Plan whereby employees can purchase our common stock at a 15% discount based on the lower of the beginning or ending stock price during recurring six-month periods stipulated in such program.

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Our outstanding restricted stock awards generally vest over a three- or five-year period (for employees) or a three-year period (for outside directors). During the first quarter of 2010, 396,753 shares of restricted stock were granted to certain executive-level employees, of which 198,374 were time-vested restricted stock that vests over a three-year period and 198,379 were performance-based restricted stock. The performance-based restricted stock will vest over time only if specific performance measures are met for the applicable periods. One half of the performance based restricted stock will vest in March 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 for the same period. The other half will vest in March 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 for the same period. The 198,379 shares of performance-based restricted stock issued represent the target award. 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. We valued these performance-based awards using Monte-Carlo simulations. In addition, during the first half of 2010, 499,438 shares of time-vested restricted stock (which vest over a three-year period) were granted to certain other key employees and our outside directors.

As of June 30, 2010, there were 2,645,000 shares of nonvested restricted stock outstanding at an average grant date fair value of \$32.34 per share.

The total compensation cost for all share-based payment arrangements for the first six months of 2010 and 2009 was \$18.1 million and \$9.9 million, respectively. As of June 30, 2010, there was \$61.6 million of total unrecognized compensation cost related to our share-based payment arrangements, which we expect to recognize over a weighted-average period of 2.2 years.

### (8) Income Taxes

Our effective income tax rate was 38.6% and 38.7% for the six months ended June 30, 2010 and 2009, respectively.

Included in income tax expense for the first quarter of 2010 is a \$4.0 million charge related to the change in the tax treatment of the Medicare Part D subsidy as a result of the comprehensive health care reform legislation signed into law by the President in March 2010. In addition, a portion of our transaction costs associated with our pending acquisition of Qwest is considered non-deductible for income tax purposes. The treatment of these costs as non-deductible resulted in the recognition of approximately \$1.4 million of higher income tax expense in the first six months of 2010 than would have been recognized had such costs been deductible for income tax purposes.

The lump sum distributions made to certain executive officers in the first quarter of 2009 in connection with discontinuing the Supplemental Executive Retirement Plan were non-deductible for income tax purposes pursuant to Internal Revenue Code Section 162(m) limitations. Such treatment resulted in the recognition of approximately \$6.7 million of income tax expense in the first quarter of 2009 above amounts that would have been recognized had such payments been deductible for income tax purposes. Such increase in income tax expense was partially offset by a \$5.8 million reduction in income tax expense caused by a reduction to our deferred tax asset valuation allowance associated with state net operating loss carryforwards due to a state law change that we believe will allow us to utilize net operating loss carryforwards in the future. Prior to the law change, such net operating loss carryforwards were fully offset by a valuation allowance as it was more likely than not that we would not utilize these carryforwards prior to expiration.

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### (9) Business Segments

We are an integrated communications company engaged primarily in providing an array of communications services to our retail, business and wholesale customers, including local exchange, long distance, Internet access and broadband 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. Because of the similar economic characteristics of our operations, we have utilized the aggregation criteria specified in the segment accounting guidance and concluded that we operate as one reportable segment. Our operating revenues for our products and services include the following components:

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	(Dollars in thousands)			
Voice	\$ 790,580	247,427	1,603,456	497,621
Data	472,999	142,923	940,439	282,860

Network access	274,956	150,542	561,184	303,110
Other	233,495	93,577	467,377	187,263
Total operating revenues	<u>\$ 1,772,030</u>	<u>634,469</u>	<u>3,572,456</u>	<u>1,270,854</u>

Beginning in 2010, we have reclassified revenues generated from subscriber line charges to “Voice” revenues from “Network access” revenues to better align our presentation of such revenues with others in our industry. In addition, we have included revenues generated from our fiber transport, CLEC and security monitoring operations in “Other” revenues. Prior periods have been restated to reflect this new presentation.

We derive our voice revenues by providing local exchange telephone and retail long distance services to our customers in our local exchange service areas.

We derive our data revenues primarily by providing high-speed Internet access services (“DSL”) and data transmission services over special circuits and private lines in our local exchange service areas.

We derive our network access revenues primarily from (i) providing services to various carriers and customers in connection with the use of our facilities to originate and terminate their interstate and intrastate voice transmissions; (ii) receiving universal support funds which allows us to recover a portion of our costs under federal and state cost recovery mechanisms and (iii) receiving reciprocal compensation from competitive local exchange carriers and wireless service providers for terminating their calls.

We derive other revenues primarily by (i) providing fiber transport, CLEC and security monitoring services; (ii) leasing, selling, installing and maintaining customer premise telecommunications equipment and wiring, (iii) providing payphone services primarily within our local service territories and at various correctional facilities around the country, (iv) participating in the publication of local telephone directories, which allows us to share in revenues generated by the sale of yellow page and related advertising to businesses, (v) providing network database services and (vi) providing our video services, as well as other new product and service offerings.

We are required to contribute to several universal service fund programs and generally include a surcharge amount on our customers’ bills which is designed to fully recover our contribution costs. Such amounts are reflected on a gross basis in our statement of income (included in both operating revenues and expenses) and aggregated approximately \$61 million for the six months ended June 30, 2010 and \$20 million for the six months ended June 30, 2009.

## (10) Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board issued guidance on business combinations, which requires an acquiring entity to recognize all of the assets acquired and liabilities assumed in a transaction at the acquisition date fair value with limited exceptions. Such guidance also changes the accounting treatment for certain specific items, including acquisition costs, acquired contingent liabilities, restructuring costs, deferred tax asset valuation allowances and income tax uncertainties after the acquisition date and is effective for us for all business combinations for which the acquisition date is on or after January 1, 2009. We have accounted for our acquisition of Embarq using this guidance. See Note 2 for additional information related to our acquisition of Embarq.

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As of June 30, 2010, we held life insurance contracts with cash surrender value that are required to be measured at fair value on a recurring basis. The following table depicts these assets held and the related tier designation pursuant to the accounting guidance related to fair value disclosure.

Description	Balance			
	June 30, 2010	Level 1	Level 2	Level 3
	(Dollars in thousands)			
Cash surrender value of life insurance contracts	\$ 100,288	100,288	-	-

## (11) Commitments and Contingencies

In Barbrasue Beattie and James Sovis, on behalf of themselves and all others similarly situated, v. CenturyTel, Inc., filed on October 28, 2007 in the United States District Court for the Eastern District of Michigan (Case No. 02-10277), the plaintiffs alleged that we unjustly and unreasonably billed customers for inside wire maintenance services, and sought unspecified monetary damages and injunctive relief under various legal theories on behalf of a purported class of over two million customers in our telephone markets. In February 2010, we settled this case in an amount that exceed our previously established reserves by \$8 million and such amount was reflected as an expense in the fourth quarter of 2009. The Court has approved the settlement and dismissed the lawsuit.

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.

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 (Civil Action No. 07-CV-2602), a group of retirees filed a putative class action lawsuit challenging the decision to make certain modifications to Embarq's retiree benefits programs generally effective January 1, 2008. 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. In 2009, a ruling in Embarq's favor was entered in an arbitration proceeding filed by 15 former Centel executives, similarly challenging the benefits changes. Embarq and other defendants continue to vigorously contest these claims and charges. Given that this litigation is still in discovery, it is premature to estimate the impact this lawsuit could have to our results of operation or financial condition.

In Robert M. Garst, Sr. et al. v. CenturyTel, Inc. et al., filed March 13, 2009 in the 142 nd Judicial District Court of Texas, Midland County (Case No. CV-46861), certain of our former ten-vote shareholders challenged the effectiveness of the vote to eliminate our time-phase voting structure. During the second quarter of 2010, we settled this case for an amount that was not material to our results of operations or financial condition.

In April 2010, a series of lawsuits were filed by shareholders of Qwest Communications International Inc. in Colorado state and federal courts and in Delaware federal court, alleging that Qwest's officers and directors breached their fiduciary duties by failing to maximize the value to be received by Qwest's stockholders in connection with CenturyLink's recently announced acquisition of Qwest. CenturyLink was also named as a defendant in most of the lawsuits and was alleged to have aided and abetted these breaches of duty. On July 16, 2010, the parties entered into a memorandum of understanding reflecting the terms of their agreement-in-principle for a settlement of all of the claims asserted in these actions. Pursuant to this agreement, defendants have included additional disclosures in the final joint proxy statement-prospectus, in response to allegations and claims asserted in certain of the complaints. If the settlement is consummated, all of the actions relating to the proposed transaction will be dismissed, with prejudice. We do not expect the settlement to have a material adverse impact to our results of operations or financial condition.

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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 are estimated to be in excess of \$30 million. One lawsuit, filed on behalf of all legacy Embarq operating entities, is pending in federal court in Virginia, and the other, filed on behalf of all legacy CenturyLink operating entities, is pending in federal court in Louisiana. The lawsuits allege that Sprint Nextel has breached contracts, violated tariffs, and violated the Federal Communications Act by failing to pay these charges. We have not recorded a reserve related to this issue.

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, occasional 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 insurance coverage, will have a material adverse effect on our financial position, results of operations or cash flows.

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##### Item 2.

##### **CenturyLink, Inc.**

##### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Overview**

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") included herein should be read in conjunction with MD&A and the other information included in our annual report on Form 10-K for the year ended December 31, 2009. The results of operations for the three months and six months ended June 30, 2010 are not necessarily indicative of the results of operations which might be expected for the entire year.

On July 1, 2009, we acquired Embarq Corporation ("Embarq") in a transaction that substantially expanded the size and scope of our business. The results of operations of Embarq are included in our consolidated results of operations beginning July 1, 2009. Due to the significant size of Embarq, direct comparisons of our results of operations for the three months and six months ended June 30, 2010 with the corresponding periods of 2009 are less meaningful than usual since most of the significant period to period variances are caused by the Embarq acquisition. We discuss below certain trends that we believe are significant, even if they are not necessarily material to the combined company.

We are an integrated communications company primarily engaged in providing an array of communications services to customers in 33 states, including local and long distance voice, wholesale network access, high-speed Internet access, other data services, and video services. In certain local and regional markets, we also provide fiber transport, competitive local exchange carrier services, security monitoring, and other communications, professional and business information services. We operate approximately 6.8 million access lines and serve approximately 2.3 million broadband customers, based on operating data as of June 30, 2010. For additional information on our revenue sources, see Note 9. For additional information on our acquisition of Embarq, see Note 2.



During the six months ended June 30, 2010 and 2009, we incurred a significant amount of one-time expenses, the vast majority of which are directly attributable to our acquisition of Embarq and our pending acquisition of Qwest Communications International Inc. ("Qwest"). Such expenses are summarized in the table below.

Description	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	(Dollars in thousands)			
Integration related costs associated with our acquisition of Embarq	\$ 17,949	22,498	39,456	29,427
Severance costs and accelerated recognition of share-based compensation costs due to workforce reductions	13,162	-	28,144	-
Transaction and other costs associated with our pending acquisition of Qwest	10,023	-	10,023	-
Income tax charge due to a change in the treatment of Medicare subsidy receipts	-	-	3,965	-
Settlement loss related to supplemental executive retirement plan	-	-	-	7,711
Charge incurred upon termination of our \$800 million bridge facility	-	-	-	8,000
<b>Total</b>	<b>\$ 41,134</b>	<b>22,498</b>	<b>81,588</b>	<b>45,138</b>

During the last several years (exclusive of acquisitions and certain non-recurring favorable adjustments), we have experienced revenue declines in our voice and network access revenues primarily due to declines in access lines, intrastate access rates, minutes of use, and federal support fund payments. In an attempt to mitigate these declines, we plan to, among other things, (i) promote long-term relationships with our customers through bundling of integrated services, (ii) provide new services, such as video and wireless broadband, and other additional services that may become available in the future due to advances in technology, wireless spectrum sales by the Federal Communications Commission ("FCC") or improvements in our infrastructure, (iii) provide our broadband and premium services to a higher percentage of our customers, (iv) pursue acquisitions of additional communications properties if available at attractive prices, (v) increase usage of our networks and (vi) market our products and services to new customers.

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*In addition to historical information, this management's discussion and analysis includes certain forward-looking statements that are based on current expectations only, and are subject to a number of risks, uncertainties and assumptions, many of which are beyond our control. Actual events and results 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. 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 those arising out of the FCC's proposed rules regarding intercarrier compensation and the Universal Service Fund and the FCC's National Broadband Plan released in the first quarter of 2010); our ability to effectively adjust to changes in the communications industry; our ability to successfully integrate Embarq into our operations, including the possibility that the anticipated benefits from the Embarq merger cannot be fully realized in a timely manner or at all, or that integrating Embarq's operations into ours will be more difficult, disruptive or costly than anticipated; our ability to successfully complete our pending acquisition of Qwest, including timely receiving all shareholder and regulatory approvals and realizing the anticipated benefits of the transaction; 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; 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; our ability to pay a \$2.90 per common share dividend annually, which may be affected by changes in our cash requirements, capital spending plans, cash flows or financial position; unanticipated increases in our capital expenditures; our ability to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages; the effects of adverse weather; other risks referenced from time to time in this report or other of our filings with the Securities and Exchange Commission, or 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, our pending acquisition of Qwest and our July 2009 acquisition of Embarq are described in greater detail in Part II, Item 1A of this report, as updated and supplemented by our subsequent SEC reports. You should be aware that new factors may emerge from time to time and it is not possible for us to identify all such factors nor can we predict the impact of each such factor on the business or the extent to which any one or more factors may cause actual results to differ from those reflected in any forward-looking statements. You are further cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We undertake no obligation to update any of our forward-looking statements for any reason.*

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### RESULTS OF OPERATIONS

#### Three Months Ended June 30, 2010 Compared to Three Months Ended June 30, 2009

Net income attributable to CenturyLink, Inc. was \$238.8 million and \$69.0 million for the second quarter of 2010 and 2009, respectively. Diluted earnings per share for the second quarter of 2010 and 2009 was \$.79 and \$.68, respectively. The increase in the number of



average diluted shares outstanding is primarily attributable to the common stock issued in connection with our acquisition of Embarq on July 1, 2009.

	Three months ended June 30,	
	2010	2009
	(Dollars, except per share amounts, and shares in thousands)	
Operating income	\$ 522,988	149,443
Interest expense	(143,249)	(44,937)
Other income (expense)	7,308	7,635
Income tax expense	(147,921)	(42,813)
Net income	239,126	69,328
Less: Net income attributable to noncontrolling interests	(355)	(298)
Net income attributable to CenturyLink, Inc.	\$ 238,771	69,030
Basic earnings per share	\$ .79	.68
Diluted earnings per share	\$ .79	.68
Average basic shares outstanding	300,058	99,414
Average diluted shares outstanding	300,605	99,450

Operating income increased \$373.5 million due to a \$1.138 billion increase in operating revenues and a \$764.0 million increase in operating expenses. Such increases in operating revenues, operating expenses and operating income were substantially due to our July 1, 2009 acquisition of Embarq.

As a result of the discontinuance of the application of regulatory accounting effective July 1, 2009 (as more fully described in our 2009 Annual Report on Form 10-K), we have eliminated all intercompany transactions with regulated affiliates since the third quarter of 2009 that previously were not eliminated under the application of regulatory accounting. This has caused our revenues and operating expenses to be lower by equivalent amounts (approximately \$54 million) for the second quarter of 2010 as compared to the second quarter of 2009.

## Operating Revenues

	Three months ended June 30,	
	2010	2009
	(Dollars in thousands)	
Voice	\$ 790,580	247,427
Data	472,999	142,923
Network access	274,956	150,542
Other	233,495	93,577
	\$ 1,772,030	634,469

The \$543.2 million increase in voice revenues is primarily due to \$566.1 million of revenues attributable to the Embarq properties acquired July 1, 2009. The remaining \$22.9 million decrease is primarily due (i) a \$8.1 million decrease due to a 6.3% decline in the average number of access lines in our legacy CenturyLink markets; (ii) a \$4.2 million reduction due to the elimination of all intercompany transactions due to the above-described discontinuance of regulatory accounting; (iii) a \$3.3 million decrease in custom calling feature revenues primarily due to the continued migration of customers to bundled service offerings at a lower effective rate; and (iv) a \$2.9 million reduction in long distance revenues due primarily to a decrease in minutes of use.

Total access lines declined 146,300 (2.1%) during the second quarter of 2010. We believe the decline in the number of access lines during the second quarter of 2010 is primarily due to the displacement of traditional wireline telephone services by other competitive services and recent economic conditions. Based on our current retention initiatives, we estimate that our access line loss will be between 7.5% and 8.5% in 2010.

Data revenues increased \$330.1 million in the second quarter of 2010 due to \$353.6 million of revenues attributable to Embarq. Excluding Embarq, data revenues decreased \$23.5 million substantially due to a \$29.1 million reduction due to the elimination of all intercompany transactions due to the discontinuance of regulatory accounting. The remaining \$5.6 million increase is primarily attributable to an increase in DSL-related revenues principally due to growth in the number of DSL customers and an increase in special access revenues.

Network access revenues increased \$124.4 million in the second quarter of 2010 due to \$154.8 million of revenues attributable to Embarq. Excluding Embarq, network access revenues decreased \$30.4 million in the second quarter of 2010 primarily due to (i) a \$10.6 million reduction due to the elimination of all intercompany transactions due to the discontinuance of regulatory accounting; (ii) a \$9.5 million reduction in revenues from the federal Universal Service Fund primarily due to an increase in the nationwide average cost per loop factor used by the FCC to allocate funds among all recipients; and (iii) a \$4.4 million decrease as a result of lower intrastate revenues due to a reduction in intrastate access rates and minutes (principally due to the loss of access lines and the displacement of minutes by wireless, electronic mail and other optional calling services). We believe that intrastate access rates and minutes will continue to decline in 2010. Proceedings filed by interexchange carriers in several of our operating states or state-initiated legislation could, if successful, place further downward pressure on our intrastate access rates.

Other revenues increased \$139.9 million in the second quarter of 2010 due to \$155.7 million of revenues attributable to Embarq. Excluding Embarq, other revenues decreased \$15.8 million primarily due to an \$10.2 million reduction due to the elimination of all intercompany transactions as a result of the discontinuance of regulatory accounting and a \$2.2 million decrease in directory revenues.

## Operating Expenses

	Three months ended June 30,	
	2010	2009
	(Dollars in thousands)	
Cost of services and products (exclusive of depreciation and amortization)	\$ 589,420	235,732
Selling, general and administrative	301,671	120,742
Depreciation and amortization	357,951	128,552
	<u>\$ 1,249,042</u>	<u>485,026</u>

Cost of services and products increased \$353.7 million primarily due to \$403.3 million of expenses attributable to the Embarq properties acquired on July 1, 2009 (which includes approximately \$6.5 million of integration costs and \$5.3 million of costs associated with employee severance benefits). The remaining \$49.6 million decrease is primarily due to a \$46.5 million reduction in expenses due to the elimination of all intercompany transactions due to the discontinuance of regulatory accounting.

Selling, general and administrative expenses increased \$180.9 million primarily due to \$193.2 million of expenses incurred by Embarq (which includes approximately \$7.8 million of costs associated with employee severance benefits and includes integration costs of \$11.5 million in second quarter 2010 and \$22.5 million in second quarter 2009), and \$10.0 million of transaction and other costs associated with our pending acquisition of Qwest. Such increases were partially offset by a \$7.4 million reduction in expenses due to the elimination of all intercompany transactions due to the discontinuance of regulatory accounting and a \$4.9 million reduction in salaries and benefits.

Depreciation and amortization increased \$229.4 million primarily due to \$244.6 million of depreciation and amortization attributable to Embarq (including \$49.3 million of amortization expense related to the customer list and other intangible assets associated with the Embarq acquisition) and a \$5.2 million increase due to higher levels of plant in service in our legacy markets. The remaining decrease was primarily due to an \$8.3 million decrease in depreciation expense due to a reduction in certain depreciation rates effective July 1, 2009 upon the discontinuance of regulatory accounting and a \$10.9 million decrease due to certain assets becoming fully depreciated.

## Interest Expense

Interest expense increased \$98.3 million in the second quarter of 2010 compared to the second quarter of 2009 primarily due to \$90.1 million of interest expense attributable to Embarq's indebtedness assumed in connection with our acquisition of Embarq.

## Other Income (Expense)

Other income (expense) includes the effects of certain items not directly related to our core operations, including gains and losses from nonoperating asset dispositions and impairments, our share of income from our 49% interest in a cellular partnership, interest income and allowance for funds used during construction. Other income (expense) was \$7.3 million for the second quarter of 2010 compared to \$7.6 million for the second quarter of 2009.

## Income Tax Expense

Our effective income tax rate was 38.3% for both the second quarter of 2010 and 2009.

During 2010, certain costs incurred in connection with our pending acquisition of Qwest are treated as non-deductible for income tax purposes. The treatment of such costs as non-deductible resulted in the recognition of approximately \$1.4 million of income tax expense in the second quarter of 2010 above amounts that would have been recognized had such costs been deductible for income tax purposes.

**Six Months Ended June 30, 2010 Compared  
to Six Months Ended June 30, 2009**

Net income attributable to CenturyLink, Inc. was \$491.4 million and \$136.2 million for the first six months of 2010 and 2009, respectively. Diluted earnings per share for the first six months of 2010 and 2009 was \$1.63 and \$1.35, respectively. The increase in the number of average diluted shares outstanding is primarily attributable to the common stock issued in connection with our acquisition of Embarq on July 1, 2009.

	Six months ended June 30,	
	2010	2009
	(Dollars, except per share amounts, and shares in thousands)	
Operating income	\$ 1,068,218	313,780
Interest expense	(285,474)	(96,969)
Other income (expense)	17,808	5,817
Income tax expense	(308,469)	(85,920)
Net income	492,083	136,708
Less: Net income attributable to noncontrolling interests	(711)	(524)
Net income attributable to CenturyLink, Inc.	<u>\$ 491,372</u>	<u>136,184</u>
Basic earnings per share	<u>\$ 1.63</u>	<u>1.35</u>
Diluted earnings per share	<u>\$ 1.63</u>	<u>1.35</u>
Average basic shares outstanding	<u>299,736</u>	<u>99,270</u>
Average diluted shares outstanding	<u>300,301</u>	<u>99,297</u>

Operating income increased \$754.4 million due to a \$2.302 billion increase in operating revenues and a \$1.547 billion increase in operating expenses. Such increases in operating revenues, operating expenses and operating income were substantially due to our July 1, 2009 acquisition of Embarq.

As a result of the discontinuance of the application of regulatory accounting effective July 1, 2009 (as more fully described in our 2009 Annual Report on Form 10-K), we have eliminated all intercompany transactions with regulated affiliates since the third quarter of 2009 that previously were not eliminated under the application of regulatory accounting. This has caused our revenues and operating expenses to be lower by equivalent amounts (approximately \$104 million) for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009.

**Operating Revenues**

	Six months ended June 30,	
	2010	2009
	(Dollars in thousands)	
Voice	\$ 1,603,456	497,621
Data	940,439	282,860
Network access	561,184	303,110
Other	467,377	187,263
	<u>\$ 3,572,456</u>	<u>1,270,854</u>

The \$1.106 billion increase in voice revenues is primarily due to \$1.150 billion of revenues attributable to the Embarq properties acquired July 1, 2009. The remaining \$44.5 million decrease is primarily due (i) a \$17.6 million decrease due to a 6.4% decline in the average number of access lines in our legacy CenturyLink markets; (ii) an \$8.1 million reduction due to the elimination of all intercompany transactions due to the above-described discontinuance of regulatory accounting; (iii) a \$7.0 million decrease in custom calling feature revenues primarily due to the continued migration of customers to bundled service offerings at a lower effective rate; and (iv) a \$5.1 million reduction in long distance revenues due primarily to a decrease in minutes of use.

Total access lines declined 272,000 (3.9%) during the first six months of 2010. We believe the decline in the number of access lines during the second quarter of 2010 is primarily due to the displacement of traditional wireline telephone services by other competitive services and recent economic conditions. Based on our current retention initiatives, we estimate that our access line loss will be between 7.5% and 8.5% in 2010.

Data revenues increased \$657.6 million in the first six months of 2010 due to \$704.2 million of revenues attributable to Embarq. Excluding Embarq, data revenues decreased \$46.6 million substantially due to a \$53.8 million reduction due to the elimination of all intercompany transactions due to the discontinuance of regulatory accounting. The remaining \$7.2 million increase is primarily attributable to an increase in DSL-related revenues principally due to growth in the number of DSL customers.

Network access revenues increased \$258.1 million in the first six months of 2010 due to \$317.5 million of revenues attributable to Embarq. Excluding Embarq, network access revenues decreased \$59.4 million in the first six months of 2010 primarily due to (i) a \$21.5 million reduction due to the elimination of all intercompany transactions due to the discontinuance of regulatory accounting; (ii) an \$18.8 million reduction in revenues from the federal Universal Service Fund primarily due to an increase in the nationwide average cost per loop factor used by the FCC to allocate funds among all recipients; and (iii) an \$8.5 million decrease as a result of lower intrastate revenues due to a reduction in intrastate access rates and minutes (principally due to the loss of access lines and the displacement of minutes by wireless, electronic mail and other optional calling services). We believe that intrastate access rates and minutes will continue to decline in 2010. Proceedings filed by interexchange carriers in several of our operating states or state initiated legislation could, if successful, place further downward pressure on our intrastate access rates.

Other revenues increased \$280.1 million in the first six months of 2010 due to \$312.8 million of revenues attributable to Embarq. Excluding Embarq, other revenues decreased \$32.7 million primarily due to a \$20.4 million reduction due to the elimination of all intercompany transactions as a result of the discontinuance of regulatory accounting, a \$4.3 million decrease in certain non-regulated product sales and service offerings and a \$3.9 million decrease in directory revenues.

## Operating Expenses

	Six months ended June 30,	
	2010	2009
	(Dollars in thousands)	
Cost of services and products (exclusive of depreciation and amortization)	\$ 1,208,525	470,363
Selling, general and administrative	584,600	230,587
Depreciation and amortization	711,113	256,124
	<u>\$ 2,504,238</u>	<u>957,074</u>

Cost of services and products increased \$738.2 million primarily due to \$826.5 million of expenses attributable to the Embarq properties acquired on July 1, 2009 (which includes approximately \$12.2 million of integration costs and \$12.0 million of costs associated with employee severance benefits). The remaining \$88.3 million decrease is primarily due to a \$88.5 million reduction in expenses due to the elimination of all intercompany transactions due to the discontinuance of regulatory accounting and a \$6.7 million decrease in costs associated with our long distance operations, both of which was partially offset by an \$8.9 million increase in salaries, wages and benefits.

Selling, general and administrative expenses increased \$354.0 million primarily due to (i) \$396.1 million of expenses incurred by Embarq (which includes approximately \$16.2 million of costs associated with employee severance benefits and includes over \$27 million of integration costs incurred in both periods) and \$10.0 million of transaction and other costs associated with our pending acquisition of Qwest. Such increases were partially offset by (i) a \$16.3 million reduction in salaries and benefits (which includes a \$7.7 million settlement charge related to a supplemental executive pension plan in 2009); (ii) a \$14.7 million reduction in expenses due to the elimination of all intercompany transactions due to the discontinuance of regulatory accounting and (iii) a \$5.2 million decrease in legal costs.

Depreciation and amortization increased \$455.0 million primarily due to \$482.3 million of depreciation and amortization attributable to Embarq (including \$98.6 million of amortization expense related to the customer list and other intangible assets associated with the Embarq acquisition) and a \$9.8 million increase due to higher levels of plant in service in our legacy markets. The remaining decrease was primarily due to a \$19.1 million decrease in depreciation expense due to a reduction in certain depreciation rates effective July 1, 2009 upon the discontinuance of regulatory accounting and a \$17.8 million decrease due to certain assets becoming fully depreciated.

## Interest Expense

Interest expense increased \$188.5 million in the second quarter of 2010 compared to the second quarter of 2009 primarily due to \$179.1 million of interest expense attributable to Embarq's indebtedness assumed in connection with our acquisition of Embarq.

## Other Income (Expense)

Other income (expense) includes the effects of certain items not directly related to our core operations, including gains and losses from nonoperating asset dispositions and impairments, our share of income from our 49% interest in a cellular partnership, interest income and allowance for funds used during construction. Other income (expense) was \$17.8 million for the first six months of 2010 compared to \$5.8 million for the first six months of 2009. Included in the first six months of 2009 is an \$8.0 million pre-tax charge associated with terminating our \$800 million bridge credit facility.

## Income Tax Expense

Our effective income tax rate was 38.6% and 38.7% for the six months ended June 30, 2010 and June 30, 2009, respectively.

Included in income tax expense for the first quarter of 2010 is a \$4.0 million charge related to the change in the tax treatment of the Medicare Part D subsidy as a result of the comprehensive health care reform legislation signed into law by the President in March 2010. During 2010, certain costs incurred in connection with our pending acquisition of Qwest are treated as non-deductible for income tax purposes. The treatment of such costs as non-deductible resulted in the recognition of approximately \$1.4 million of income tax expense in the first six months of 2010 above amounts that would have been recognized had such costs been deductible for income tax purposes.

During 2009, certain lump sum distributions paid to certain executive officers in connection with discontinuing a supplemental executive pension plan were reflected as non-deductible for income tax purposes pursuant to executive compensation limitations prescribed by the Internal Revenue Code. The treatment of the distributions as non-deductible resulted in the recognition of approximately \$6.7 million of income tax expense in the first six months of 2009 above amounts that would have been recognized had such payments been deductible for income tax purposes. Such increase in income tax expense was partially offset by a \$5.8 million reduction in income tax expense caused by a reduction to our deferred tax asset valuation allowance associated with state net operating loss carryforwards due to a law change in one of our operating states that we believe will allow us to utilize our net operating loss carryforwards in the future. Prior to the law change, such net operating loss carryforwards were fully reserved as it was more likely than not that these carryforwards would not be utilized prior to expiration. In addition, certain of our Embarq merger related integration costs are non-deductible for income tax purposes.

## LIQUIDITY AND CAPITAL RESOURCES

Excluding cash used for acquisitions, we rely on cash provided by operations to fund our operating and capital expenditures as well as our dividend payments. Our operations have historically provided a stable source of cash flow which has helped us continue our long-term program of capital improvements.

Net cash provided by operating activities was \$881.2 million during the first six months of 2010 and \$482.2 million during the first six months of 2009. During the first quarter of 2010, we contributed \$300 million to the legacy Embarq pension plan. Such funding was made with approximately \$126 million of borrowings under our revolving credit facility, with the balance being provided by cash on hand. The lump sum distributions associated with the discontinuance of our Supplemental Executive Retirement Plan were paid in early 2009 and aggregated approximately \$37 million. Our accompanying consolidated statements of cash flows identify major differences between net income and net cash provided by operating activities for each of these periods. For additional information relating to our operations, see Results of Operations.

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Net cash used in investing activities was \$360.0 million and \$130.6 million for the six months ended June 30, 2010 and 2009, respectively. Payments for property, plant and equipment were \$362.2 million in the first six months of 2010 and \$130.8 million in the first six months of 2009. Included in capital expenditures for the first six months of 2010 and 2009 was approximately \$8 million and \$20 million, respectively, related to the integration of Embarq. Our budgeted capital expenditures for 2010 are expected to be between \$825-875 million.

Net cash used in financing activities was \$496.7 million during the first six months of 2010 compared to \$535.8 million during the first six months of 2009. We made \$394.7 million of debt payments (substantially all of which related to our revolving credit facility) in the first six months of 2009 primarily from cash on hand. We paid dividends of \$436.9 million in the first six months of 2010 compared to \$141.1 million in the first six months of 2009. Such increase is primarily attributable to the increase in shares outstanding as a result of the common stock issued in connection with our Embarq acquisition on July 1, 2009.

We have available two revolving credit facilities, (i) a five-year, \$728 million unsecured revolving credit facility of CenturyLink which expires in December 2011 and (ii) an \$800 million unsecured revolving credit facility of Embarq which expires in May 2011. Up to \$250 million of the credit facilities can be used for letters of credit, which reduces the amount available for other extensions of credit. As of July 31, 2010, approximately \$56 million of letters of credit were outstanding. Available borrowings under these credit facilities are also effectively reduced by any outstanding borrowings under our commercial paper program. Our commercial paper program borrowings are effectively limited to the total amount available under the two credit facilities. As of July 31, 2010, we had approximately \$100 million outstanding under our credit facilities (all of which relates to CenturyLink's facility) and no amounts outstanding under our commercial paper program. Prior to the lapse of Embarq's credit facility in 2011, we plan, depending on current market conditions, to replace the existing two facilities with a single larger CenturyLink revolving credit facility.

Following our announcement of our pending acquisition of Qwest, (i) Standard & Poor's indicated that our current long-term debt rating of

BBB- had been placed under watch for a possible downgrade and (ii) Moody's Investors Service affirmed our current long-term debt rating of Baa3, but downgraded its outlook from stable to negative. It is expected that any downgrades would be made only following the completion of the Qwest acquisition.

## **OTHER MATTERS**

On March 16, 2010, the FCC released its National Broadband Plan, which is the FCC's framework to develop a comprehensive plan over the next decade for broadband deployment, intercarrier compensation reform and regulatory reform initiatives such as reformation of the USF high cost support fund. As proposed, the Plan is likely to reduce our Universal Service Fund support payments and network access revenues, although some or all of the Plan is subject to change as a result of public input, Congressional action or further regulatory action. Given the early stages of the Plan, we cannot predict the ultimate outcome nor can we be assured that such Plan will not have a material adverse effect on us or our industry in the future.

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### **Item 3.**

#### **CenturyLink, Inc.**

#### **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risk from changes in interest rates on our long-term debt obligations. We have estimated our market risk using sensitivity analysis. Market risk is defined as the potential change in the fair value of a fixed-rate debt obligation due to a hypothetical adverse change in interest rates. We determine fair value on long-term debt obligations based on a discounted cash flow analysis, using the rates and maturities of these obligations compared to terms and rates currently available in the long-term financing markets. The results of the sensitivity analysis used to estimate market risk are presented below, although the actual results may differ from these estimates.

At June 30, 2010, the fair value of our long-term debt was estimated to be \$8.1 billion based on the overall weighted average rate of our debt of 7.1% and an overall weighted maturity of 11 years compared to terms and rates currently available in long-term financing markets. Market risk is estimated as the potential decrease in fair value of our long-term debt resulting from a hypothetical increase of 71 basis points in interest rates (ten percent of our overall weighted average borrowing rate). Such an increase in interest rates would result in approximately a \$326.4 million decrease in fair value of our long-term debt at June 30, 2010, but would have no impact on our results of operations or cash flows. As of June 30, 2010, approximately 97% of our long-term and short-term debt obligations were fixed rate.

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. 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.

We are also exposed to market risk from changes in the fair value of our pension plan assets. If our actual return on plan assets is significantly lower than our expected return assumption, our net periodic pension expense will increase in the future and we will be required to contribute additional funds to our pension plan.

Certain shortcomings are inherent in the method of analysis presented in the computation of fair value of financial instruments. Actual values may differ from those presented if market conditions vary from assumptions used in the fair value calculations. The analysis above incorporates only those risk exposures that existed as of June 30, 2010.

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### **Item 4.**

#### **CenturyLink, Inc.**

#### **CONTROLS AND PROCEDURES**

We maintain disclosure controls and procedures designed to provide reasonable assurances that information required to be disclosed by us in the reports we file under the Securities Exchange Act of 1934 is timely recorded, processed, summarized and reported as required. Our Chief Executive Officer, Glen F. Post, III, and our Chief Financial Officer, R. Stewart Ewing, Jr., have evaluated our disclosure controls and procedures as of June 30, 2010. Based on that evaluation, Messrs. Post and Ewing concluded that our disclosure controls and procedures have been effective in providing reasonable assurance that they have been timely alerted of material information required to be filed in this report. Since the date of Messrs. Post's and Ewing's most recent evaluation, we did not make any change to our internal control over financial reporting that materially affected, or that we believe is reasonably likely to materially affect, our internal control over financial reporting. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events and contingencies, and there can be no assurance that any design will succeed in achieving its stated goals. Because of inherent limitations in any control system, misstatements due to error or fraud could occur and not be detected.

## PART II. OTHER INFORMATION

**CenturyLink, Inc.**Item 1. Legal Proceedings.

See Note 11 to the financial statements included in Part I, Item 1, of this report.

Item 1A. Risk Factors.**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 Related to Our Business***

***If we continue to experience access line losses similar to the past several years, our revenues, earnings and cash flows may be adversely impacted.***

Our business generates a substantial portion of its revenues by delivering voice and data services over access lines. We have experienced substantial access line losses over the past several years due to a number of factors, including increased competition and wireless and broadband substitution. We expect to continue to experience access line losses in our markets for an unforeseen period of time. Our inability to retain access lines could adversely impact our revenues, earnings and cash flow from operations.

***Weakness in the economy and credit markets may adversely affect our future results of operations.***

To date, we have not been materially impacted by recent weaknesses in the credit markets; however, these weaknesses may negatively impact our operations in the future if overall borrowing rates increase. In addition, if the economy and credit markets continue to remain weak, it may impact our ability to collect our receivables. This weakness may also cause our customers to reduce or terminate their receipt of service offerings from us. Economic weakness could also negatively affect our vendors. We cannot predict with certainty the impact to us of any further deterioration or weakness in the overall economy and credit markets.

***We face competition, which we expect to intensify and which may reduce market share and lower profits.***

As a result of various technological, regulatory and other changes, the telecommunications industry has become increasingly competitive. We face competition from (i) wireless telephone services, which is expected to increase as wireless providers continue to expand and improve their network coverage and offer enhanced services, (ii) cable television operators, competitive local exchange carriers ("CLECs") and Voice-over-Internet Protocol ("VoIP") service providers and (iii) resellers, sales agents and facilities-based providers that either use their own networks or lease parts of our networks. Over time, we expect to face additional local exchange competition from electric utility and satellite communications providers, municipalities and alternative networks or non-carrier systems designed to reduce demand for our switching or access services. The recent proliferation of companies offering integrated service offerings has intensified competition in Internet, long distance and data services markets, and we expect that competition will further intensify in these markets.

Our competitive position could be weakened in the future by strategic alliances or consolidation within the communications industry or the development of new technologies. Our ability to compete successfully will depend on how well we market our products and services and on our ability to anticipate and respond to various competitive and technological factors affecting the industry, including changes in regulation (which may affect us differently from our competitors), changes in consumer preferences or demographics, and changes in the product offerings or pricing strategies of our competitors.

Some of our current and potential competitors (i) offer a more comprehensive range of communications products and services, (ii) have market presence, engineering, technical and marketing capabilities and financial, personnel and other resources substantially 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.

***Changes in technology could harm us.***

The communications industry is experiencing significant technological changes, particularly in the areas of VoIP, data transmission and electronic and wireless communications. The growing prevalence of electronic mail and similar digital communications continues to reduce demand for many of our products and services. Other changes in technology could result in the development of additional products or services that compete with or displace those offered by incumbent local exchange companies, or ILECs, or that enable current customers to reduce or bypass use of our networks. Several large electric utilities have announced plans to offer communications services that will compete with ILECs. Some of our competitors may enjoy network advantages that will enable them to provide services that have a greater market acceptance than ours. Technological change could also require us to expend capital or other resources in excess of currently contemplated levels. We cannot predict with certainty which technological changes will provide the greatest threat to our competitive position. We may not be able to obtain timely access to new technology on satisfactory terms or incorporate new technology into our systems in a cost effective manner, or at all. If we cannot develop new products to keep pace with technological advances, or if such products are not widely embraced by our customers, we could be adversely impacted.

***We cannot assure you that our diversification efforts will be successful.***

The telephone industry has recently experienced a decline in access lines and intrastate minutes of use, which, coupled with the other changes resulting from competitive, technological and regulatory developments, could materially adversely affect our core business and future prospects. As explained elsewhere in greater detail in our Annual Report on Form 10-K for the year ended December 31, 2009, our access lines (excluding the effect of acquisitions) have decreased over the last several years, and we expect this trend to continue. We have also earned less intrastate revenues in recent years due to reductions in intrastate minutes of use (partially due to the displacement of minutes of use by wireless, electronic mail, text messaging, arbitrage and other optional calling services). We believe that our intrastate minutes of use will continue to decline, although the magnitude of such decrease is uncertain. Likewise, similar reductions are occurring for interstate minutes of use.

Recently, we broadened our services and products by offering satellite television as part of our bundled product and service offerings. As noted in further detail below, our reliance on other companies and their networks to provide these services could constrain our flexibility and limit the profitability of these new offerings. We provide facilities-based digital video services to select markets and may initiate other new service or product offerings in the future. We anticipate that these new offerings will generate lower profit margins than many of our traditional services. Moreover, our new product or service offerings could be constrained by intellectual property rights held by others, or could subject us to the risk of infringement claims brought against us by others. For these and other reasons, we cannot assure you that our recent or future diversification efforts will be successful.

Future deterioration in our financial performance could adversely impact our credit ratings, our cost of capital and our access to the capital markets.

***We may not be able to continue to grow through acquisitions.***

We have traditionally sought growth largely through acquisitions of properties similar to those currently operated by us, such as those that we acquired from Embarq in 2009 and those that we have agreed to acquire from Qwest. However, no assurance can be given that additional properties will in the future be available for purchase on terms attractive to us, particularly if they are burdened by regulations, pricing plans or competitive pressures that are new or different from those historically applicable to our incumbent properties. Moreover, no assurance can be given that we will be able to arrange additional financing on terms acceptable to us or to obtain timely federal and state governmental approvals on terms acceptable to us, or at all.

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***Our future results will suffer if we do not effectively adjust to changes in our business.***

The above-described changes in our industry have placed a higher premium on marketing, technological, engineering and provisioning skills. Our acquisition of Embarq also 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.

***Our future results will suffer if we do not effectively manage our expanded operations.***

Following our pending acquisition of Qwest, we may continue to expand our operations through additional acquisitions, other strategic transactions, and new product and service offerings, some of which could involve complex technical, engineering, and operational challenges. Our future success depends, in part, upon our ability to manage our expansion opportunities, which pose substantial challenges for us to integrate new operations into our existing business in an efficient and timely manner, to successfully monitor our operations, costs, regulatory compliance and service quality, and to maintain other necessary internal controls. We cannot assure you that our expansion or acquisition opportunities will be successful, or that we will realize our expected operating efficiencies, cost savings, revenue enhancements, synergies or other benefits.

***Our relationships with other communications companies are material to our operations and expose us to a number of risks.***

We originate and terminate calls for long distance carriers and other interexchange carriers over our networks in exchange for access charges that represent a significant portion of our revenues. If these carriers go bankrupt or experience substantial financial difficulties, our inability to timely collect access charges from them could have a negative effect on our business and results of operations.

In addition, certain of our operations carry a significant amount of voice and data traffic for larger communications companies. As these larger communications companies consolidate or expand their networks, it is possible that they could transfer a significant portion of this traffic



from our fiber network to their networks, which could have a negative effect on our business and results of operations.

We rely on certain reseller and sales agency arrangements with other companies to provide some of the services that we sell to our customers. 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, we may have difficulty finding alternative arrangements. 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 our products and services, our business plans and reputation could be negatively impacted.

***Network disruptions or system failures could adversely affect our operating results and financial condition.***

To be successful, we will need to continue providing our customers with a high capacity, reliable and secure network. Some of the risks to our network and infrastructure include:

- power losses or physical damage to our access lines, whether caused by fire, adverse weather conditions (including those described immediately below), terrorism or otherwise
- capacity limitations
- software and hardware defects or malfunctions
- breaches of security, including sabotage, tampering, computer viruses and break-ins, and
- other disruptions that are beyond our control.

Disruptions or system failures may cause interruptions in service or reduced capacity for customers. If service is not restored in a timely manner, agreements with our customers or service standards set by state regulatory commissions could obligate us to provide credits or other remedies. If network security is breached, confidential information of our customers or others could be lost or misappropriated, and we may be required to expend additional resources modifying network security to remediate vulnerabilities. The occurrence of any disruption or system failure may result in a loss of business, increase expenses, damage our reputation, subject us to additional regulatory scrutiny or expose us to civil litigation and possible financial losses, any of which could have a material adverse effect on our results of operations and financial condition.

***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.

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

The capacity, reliability and security of our 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.

***We rely on a limited number of key suppliers and vendors 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. Some of the digital switches were manufactured by Nortel, which is currently restructuring its operations and selling assets under the bankruptcy laws of Canada, the United States and the United Kingdom. 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. 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 or services on economically attractive terms, on a timely basis, or at all, which could increase costs or cause disruptions in our services.

***We may not own or have a license to use all technology that may be necessary to expand our product offerings, either of which could adversely affect our business and profitability.***

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 IP-based products and services, including VoIP, or other new offerings may be restricted, made more costly or delayed. Our inability to implement IP-based or other new offerings on a cost-effective basis could impair our ability to successfully meet increasing competition from companies offering voice or integrated communications services. Our inability to deploy new technologies could also prevent us from successfully diversifying, modifying or bundling our service offerings and result in accelerated loss of access lines and revenues or otherwise adversely affect our business and profitability.

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***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, co-location 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 managers or attracting new ones in the event of terminations or resignations. For a discussion of similar retention concerns relating to the Embarq merger and the pending Qwest merger, please see the risks described below under the headings “– Risks Related to our Acquisition of Embarq on July 1, 2009” and “Risks Relating to Our Pending Acquisition of Qwest.”

***We could be affected by certain changes in labor matters.***

A substantial number of our employees are members of various bargaining units represented by two different unions. From time to time, our labor agreements with these unions lapse, and we typically negotiate the terms of new agreements. 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. 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. Moreover, our post-employment benefit offerings cause us to incur costs not faced by many of our competitors, which could ultimately hinder our competitive position.

***Risks Relating to Our Pending Acquisition of Qwest***

***Our ability to complete the Qwest merger is subject to the receipt of consents and approvals from government entities, which may impose conditions that could have an adverse effect on us or could cause us to abandon the merger.***

We are unable to complete the merger until we receive approvals from the FCC and various state governmental entities. In deciding whether to grant some of these approvals, the relevant governmental entity will make a determination of whether, among other things, the merger is in the public interest. Regulatory entities may impose certain requirements or obligations as conditions for their approval or in connection with their review.

The merger agreement may require us to accept conditions from these regulators that could adversely impact the combined company without us having the right to refuse to close the merger on the basis of those regulatory conditions. We can provide no assurance that we will obtain the necessary approvals or that any required conditions will not materially adversely effect us following the merger. In addition, we can provide no assurance that these conditions will not result in the abandonment of the merger.

***Failure to complete the Qwest merger could negatively impact us.***

If the merger is not completed, our ongoing businesses may be adversely affected and we will be subject to several risks, including the following:

- being required, under certain circumstances, to pay a termination fee of \$350 million;
- having to pay certain costs relating to the proposed merger, such as legal, accounting, financial advisor, filing, printing and mailing fees; and

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- diverting the focus of management from pursuing other opportunities that could be beneficial to us,

in each case, without realizing any of the benefits of having the merger completed.

***The Qwest merger agreement contains provisions that could discourage a potential acquirer of CenturyLink or could result in any proposal being at a lower price than it might otherwise be.***

The merger agreement contains “no shop” provisions that, subject to limited exceptions, restrict our ability to solicit, encourage, facilitate or discuss third-party proposals to acquire all or a significant part of CenturyLink. In some circumstances on termination of the merger agreement, we may be required to pay a termination fee to Qwest. These and other provisions in the Qwest merger agreement could discourage a potential acquirer that might have an interest in acquiring all or a significant part of CenturyLink from considering or proposing that acquisition, or might result in a potential acquirer proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable in certain circumstances.

***The pendency of the Qwest merger could adversely affect our business and operations.***

In connection with the pending Qwest merger, some of our customers or vendors may delay or defer decisions, which could negatively impact our revenues, earnings, cash flows and expenses, regardless of whether the merger is completed. Similarly, our current and prospective employees may experience uncertainty about their future roles with the combined company following the merger, which may materially adversely affect our ability to attract and retain key personnel during the pendency of the merger. In addition, due to operating covenants in the merger agreement, we may be unable, during the pendency of the merger, to pursue strategic transactions, undertake significant capital projects, undertake certain significant financing transactions and otherwise pursue other actions that are not in the ordinary course of business, even if such actions would prove beneficial.

***We expect to incur substantial expenses related to the Qwest merger.***

We expect to incur substantial expenses in connection with completing the Qwest merger and integrating Qwest’s business, operations, networks, systems, technologies, policies and procedures of Qwest with ours. There are a large number of systems that must 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 would 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 expect to commence these integration initiatives before we have completed a similar integration of our business with the business of Embarq, acquired in 2009, which could cause both of these integration initiatives to be delayed or rendered more costly or disruptive than would otherwise be the case. Due to these factors, the transaction and integration expenses associated with the Qwest merger could, particularly in the near term, exceed the savings that we expect to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings related to the integration of the businesses following the completion of the merger. As a result of these expenses, we expect to take charges against our earnings before and after the completion of the merger. The charges taken after the merger are expected to be significant, although the aggregate amount and timing of such charges are uncertain at present.

***Following the Qwest merger, the combined company may be unable to integrate successfully our business and Qwest’s business and realize the anticipated benefits of the merger.***

The Qwest merger involves the combination of two companies which currently operate as independent public companies. The combined company will be required to devote significant management attention and resources to integrating the business practices and operations of CenturyLink and Qwest. We may encounter difficulties in the integration process, including the following:

- the inability to successfully combine our business and Qwest’s business in a manner that permits the combined company to achieve the cost savings and operating synergies anticipated to result from the merger, which would result in the anticipated benefits of the merger not being realized partly or wholly in the time frame currently anticipated or at all;
  - lost sales and customers as a result of certain customers of either of the two companies deciding not to do business with the combined company;
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- the complexities associated with managing the combined businesses out of several different locations and integrating personnel from the two companies, while at the same time attempting to provide consistent, high quality products and services under a unified culture;
  - the additional complexities of combining two companies with different histories, regulatory restrictions, markets and customer bases, and initiating this process before we have fully completed the integration of our operations with those of Embarq;
  - the failure to retain key employees of either of the two companies;
  - potential unknown liabilities and unforeseen increased expenses or regulatory conditions associated with the merger; and
  - performance shortfalls at one or both of the two companies as a result of the diversion of management’s attention caused by completing the merger and 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 the combined company’s management, the disruption of the combined company’s ongoing business or inconsistencies in the combined company’s 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 the merger, or could otherwise adversely affect our business and financial results.

***The Qwest merger will change 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. Although Embarq's local exchange markets include Las Vegas, Nevada and suburbs of Orlando and several other large U.S. cities, we have operated these more dense markets only since mid-2009. Qwest's markets include 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 can not 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 following the merger, or are required to be changed or abandoned to adjust to differences in these larger markets.

***Following the Qwest merger, we may be unable to retain key employees.***

Our success after the merger will depend in part upon our ability to retain key Qwest and CenturyLink employees. Key employees may depart either before or after the merger because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with us following the merger. Accordingly, no assurance can be given that we will be able to retain key employees to the same extent that we or Qwest have been able to in the past.

***Following the Qwest merger, we may need to conduct branding or rebranding initiatives that are likely to involve substantial costs and may not be favorably received by customers.***

We plan to consult with Qwest about how and under what brand names to market the various legacy communications services of CenturyLink and Qwest. Prior to the merger, each of us will each continue to market our respective products and services using the "CenturyLink" and "Qwest" brand names and logos. Following the merger, we may discontinue use of either or both of the "CenturyLink" or "Qwest" brand names and logos in some or all of the markets of the combined company. As a result, we expect to incur substantial capital and other costs in rebranding the combined company's products and services in those markets that previously used a different name, and may incur substantial write-offs associated with the discontinued use of a brand name. The failure of any of these initiatives could adversely affect our ability to attract and retain customers after the merger, resulting in reduced revenues.

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***Any adverse outcome of the KPNQwest litigation or other material litigation of Qwest or CenturyLink could have a material adverse impact on our financial condition and operating results following the Qwest merger.***

As described in further detail in Qwest's reports filed with the SEC, the pending KPNQwest litigation presents material and significant risks to Qwest, and, following the merger, to the combined company. In the aggregate, the plaintiffs in these matters have sought billions of dollars in damages.

There are other material proceedings pending against Qwest and CenturyLink, as described in their respective reports filed with the SEC. Depending on their outcome, any of these matters could have a material adverse effect on the financial position or operating results of Qwest, CenturyLink or, following the merger, the combined company. We can give you no assurances as to the impact of these matters on our operating results or financial condition.

***Counterparties to certain significant agreements with Qwest may exercise contractual rights to terminate such agreements following the Qwest merger.***

Qwest is a party to certain agreements that give the counterparty a right to terminate the agreement following a "change in control" of Qwest. Under most such agreements, the Qwest merger will constitute a change in control of Qwest and therefore the counterparty may terminate the agreement upon the closing of the merger. Qwest has agreements subject to such termination provisions with significant customers, major suppliers and providers of services where Qwest has acted as reseller or sales agent. In addition, certain Qwest customer contracts, including those with state or federal government agencies, allow the customer to terminate the contract at any time for convenience, which would allow the customer to terminate its contract before, at or after the closing of the merger. Any such counterparty may request modifications of their respective agreements as a condition to their agreement not to terminate. There is no assurance that such agreements will not be terminated, that any such terminations will not result in a material adverse effect, or that any modifications of such agreements to avoid termination will not result in a material adverse effect.

***We may be unable to obtain security clearances necessary to perform certain Qwest government contracts.***

Certain Qwest legal entities and officers have security clearances required for Qwest's performance of customer contracts with various government entities. Following the merger, it may be necessary for us to obtain comparable security clearances. If we or our officers are unable to qualify for such security clearances, we may not be able to continue to perform such contracts.

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

As of June 30, 2010, Qwest had \$5.2 billion of net operating losses, or NOLs, which for federal income tax purposes can be used to offset future taxable income, subject to certain limitations under Section 382 of the Code and related regulations. Our ability to use these NOLs following the Qwest merger may be further limited by Section 382 if Qwest is deemed to undergo an ownership change as a result of the merger or we are deemed to undergo an ownership change following the merger, either of which could potentially restrict use of a material portion of the NOLs. Determining the limitations under Section 382 is technical and highly complex. Although both companies, based on their review to date, currently believe that Qwest will not undergo an ownership change as a result of the merger, neither company has definitively completed the analysis necessary to confirm this. Even if it is ultimately determined that Qwest did not undergo an ownership change, utilization of the NOLs will

be subject to the separate return limitation rules and will be restricted to application against the taxable income generated by the Qwest group. Moreover, issuances or sales of our stock following the merger (including certain transactions outside of our control) could result in an ownership change under Section 382. For these and other reasons, we cannot assure you that we will be able to use the NOLs after the merger in the amounts we project.

***The pending Qwest merger raises other risks.***

For information on other risks raised by the pending Qwest merger, please see (i) the risks described below under the heading “– Other Risks” and (ii) the joint proxy statement – prospectus filed by us with the SEC on July 19, 2010.

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***Risks Related to our Acquisition of Embarq on July 1, 2009***

***We have not yet fully integrated Embarq’s operations into our operations, which involves several risks.***

We continue to incur substantial expenses in connection with integrating the business, operations, networks, systems, technologies, policies and procedures of Embarq with ours, which will likely result in us continuing to take significant charges against earnings in future quarters. We cannot assure you that we will be able to successfully integrate our legacy business with Embarq’s business, or that we will be able to retain key employees affected by the Embarq merger. For more information on these risks, please see (i) the risk factors included in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2009 and (ii) the risks described above under the heading “– Risks Relating to Our Pending Acquisition of Qwest” that discuss the costs and uncertainties associated with integrating Qwest’s operations into ours.

***In connection with completing the Embarq merger, we launched branding initiatives that may not be favorably received by customers.***

Upon completion of the merger, we changed our brand name to CenturyLink. We have incurred substantial capital and operating costs in re-branding our products and services. There is no assurance that we will be able to achieve name recognition or status under our new brand that is comparable to the recognition and status previously enjoyed. The failure of these initiatives could adversely affect our ability to attract and retain customers after the merger, resulting in reduced revenues.

***In connection with approving the Embarq merger, the Federal Communications Commission has imposed conditions that could increase our future capital costs and limit our operating flexibility.***

In connection with approving the Embarq merger, the FCC issued a publicly-available order that imposed a comprehensive set of conditions on our operations over periods ranging from one to three years following the closing date. Among other things, these conditions commit us (i) to make broadband service available to all of our residential and single line business customers within three years of the closing, (ii) to meet various targets regarding the speed of our broadband services, and (iii) to enhance the wholesale service levels in our legacy markets to match the service levels in Embarq’s markets. Although most of these commitments largely correspond to our business strategies, they could increase our overall future capital or operating costs or limit our flexibility to deploy capital in response to changing market conditions. Moreover, if for any reason we fail to meet any of these commitments, the FCC could assess penalties or fines or impose additional orders regulating our operations.

***In connection with completing the Embarq merger, we assumed various contingent liabilities and a sizable underfunded pension plan of Embarq, which could negatively impact our future financial position or performance.***

Upon consummating the merger, Embarq became our wholly-owned subsidiary and remains responsible for all of its pre-closing contingent liabilities, including Embarq’s previously-disclosed risks arising under its tax sharing agreement with Sprint Nextel Corporation, its retiree benefit litigation, and various environmental claims. Embarq also remains responsible for benefits under its existing qualified defined benefit pension plan, which as of December 31, 2009 was in an underfunded position. If any of these matters give rise to material liabilities, our consolidated operating results or financial position will be negatively affected. Additional information regarding these risks is available in (i) Items 3 and 8 of our Annual Report on Form 10-K for the year ended December 31, 2009 and (ii) the periodic reports filed by Embarq with the SEC through the date of the merger.

***Risks Related to Our Regulatory Environment***

***Our revenues could be materially reduced or our expenses materially increased by changes in state or federal regulations.***

The majority of our revenues are substantially dependent upon regulations which, if changed, could result in material revenue reductions. Laws and regulations applicable to us and our competitors have been and are likely to continue to be subject to ongoing changes and court challenges, which could also affect our financial performance.

***Risk of loss or reduction of network access charge revenues or support fund payments.*** A significant portion of our revenues is derived from access charge revenues that are paid to us by long distance carriers based largely on rates set by federal and state regulatory bodies. Interexchange carriers have filed complaints in several of our operating states requesting lower intrastate access rates. Several state public service commissions are investigating intrastate access rates and the ultimate outcome and impact of such investigations are uncertain.

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The FCC regulates tariffs for interstate access and subscriber line charges, both of which are components of our revenue. The FCC has been considering comprehensive reform of its intercarrier compensation rules for several years, including proposals included in its recently-released

National Broadband Plan that, as proposed, are likely to reduce network access payments. Any reform eventually adopted by the FCC will likely involve significant changes in the access charge system and could potentially result in a significant decrease or elimination of access charges altogether. In addition, we could be harmed if carriers that use our access services become financially distressed or bypass our networks, either due to changes in regulation or other factors. Furthermore, access charges currently paid to us could be diverted to competitors who enter our markets or expand their operations, either due to changes in regulation or otherwise.

The FCC has been evaluating potential changes to special access rates and regulation for several years. This issue could also be impacted by the outcome of the National Broadband Plan. Since a substantial portion of our access revenues is derived from special access, we could be harmed if adverse special access regulation is adopted by the FCC.

The FCC and Congress may take actions that would impact our access to video programming and pricing, which could impact our ability to continue to expand our video business and impact our competitive position in our existing video markets.

We receive revenues from the federal Universal Service Fund (“USF”), and, to a lesser extent, intrastate support funds. These governmental programs are reviewed and amended from time to time, and we cannot provide assurance that they will not be changed or impacted in a manner adverse to us. For several years, the FCC and the federal-state joint board considered comprehensive reforms of the federal USF contribution and distribution rules. During this period, various parties have objected to the size of the USF or questioned the continued need to maintain the program in its current form. Over the past few years, high cost support fund payments to our operating subsidiaries have decreased due to increases in the nationwide average cost per loop factor used to determine payments to program participants, as well as declines in the overall size of the high cost support fund. In addition, the number of eligible telecommunications carriers receiving support payments from this program has increased substantially in recent years, which, coupled with other factors, has placed additional financial pressure on the amount of money that is available to provide support payments to all eligible recipients, including us.

The FCC’s National Broadband Plan released on March 16, 2010 seeks comprehensive changes in federal communications regulations and programs that could, among other things, result in lower USF and access revenues for several of our local exchange companies. At this stage, we cannot predict the ultimate outcome of this plan or provide any assurances that its implementation will not have a material adverse effect on our business, operating results or financial condition.

*Risks posed by state regulations.* We are also subject to the authority of state regulatory commissions which have the power to regulate intrastate rates and services, including local, in-state long-distance and network access services. The limited number of our ILECs that continue to be subject to “rate of return” regulation for intrastate purposes remain subject to the powers of state regulatory commissions to conduct earnings reviews and reduce our service rates. Our ILECs governed by alternative regulatory plans could also under certain circumstances be ordered to reduce rates or could experience rate reductions following the lapse of plans currently in effect. Our business could also be materially adversely affected by the adoption of new laws, policies and regulations or changes to existing state regulations. In particular, we cannot assure you that we will succeed in obtaining or maintaining all requisite state regulatory approvals for our operations without the imposition of adverse conditions on our business that impose additional costs or limit our revenues.

*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 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.

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

The Telecommunications Act of 1996 provides for significant changes and increased competition in the communications industry, including the local and long distance telephone industries. This Act and the FCC’s implementing regulations remain subject to judicial review and additional rulemakings, thus making it difficult to predict what effect the legislation will ultimately have on us and our competitors. Several regulatory and judicial proceedings addressing communications issues have recently concluded, are underway or may soon be commenced. Moreover, certain communities nationwide have expressed an interest in establishing municipal telephone utilities that would compete for customers. Finally, federal broadband stimulus projects authorized by Congress in 2009 and the above-described National Broadband Plan announced in early 2010 may adversely impact us. We cannot predict the outcome of these developments, nor can we assure that these changes will not have a material adverse effect on us or our industry.

#### ***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. For instance, unlike many of our competitors, we are subject to federal mandates to share facilities, file and justify tariffs, maintain certain accounts and file reports, and state requirements that obligate us to maintain service standards and limit our ability to change tariffs in a timely manner. 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. Although newer alternative forms of regulation permit us greater freedoms in several states in which we operate, they nonetheless typically impose caps on the rates that we can charge our customers. As our business becomes increasingly competitive, regulatory disparities between us and our competitors could impede our ability to compete. Litigation and different objectives among federal and state regulators could create uncertainty and impede our ability to respond to new regulations. Moreover, changes in tax laws, regulations or

policies could increase our tax rate, particularly if state regulators continue to search for additional revenue sources to address budget shortfalls. We are unable to predict the future actions of the various regulatory bodies that govern us, but such actions could materially affect our business.

***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 and wireless broadband businesses. These requirements could delay us in expanding our operations or increase the costs of providing these services.

***We will be exposed to risks arising out of recent legislation affecting U.S. public companies, including risks relating to evaluations of controls required by Section 404 of the Sarbanes-Oxley Act.***

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, and could cause our stock price to fall. If we fail to maintain effective controls and procedures, we may be unable to provide financial information in a timely and reliable manner, which could in certain instances limit our ability to borrow or raise capital.

For a more thorough discussion of the regulatory issues that may affect our business, see Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2009.

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***Other Risks***

***We have a substantial amount of indebtedness and may need to incur more in the future.***

We have a substantial amount of indebtedness, which could have material adverse consequences for us, including (i) hindering our ability to adjust to changing market, industry or economic conditions, (ii) limiting our ability to access the capital markets to refinance maturing debt or to fund acquisitions or emerging businesses, (iii) limiting the amount of free cash flow available for future operations, acquisitions, dividends, stock repurchases or other uses, (iv) making us more vulnerable to economic or industry downturns, including interest rate increases, and (v) placing us at a competitive disadvantage to those of our competitors that have less indebtedness.

As a result of assuming Qwest's indebtedness in connection with the pending Qwest merger, we will become more leveraged. This could reduce our credit ratings and thereby raise our borrowing costs.

In connection with executing our business strategies following the Qwest merger, we expect to continue to evaluate the possibility of acquiring additional communications assets and making strategic investments, and we may elect to finance future acquisitions by incurring additional indebtedness. Moreover, to respond to competitive challenges, we may be required to raise substantial additional capital to finance new product or service offerings. 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. We cannot assure you that we will be able to obtain additional financing on terms 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.

***Adverse changes in the value of assets or obligations associated with our employee benefit plans could negatively impact our financial results or financial position.***

We maintain one or more qualified pension plans, non-qualified pension plans and post-retirement benefit plans, several of which are currently underfunded. Adverse changes in interest rates or market conditions, among other assumptions and factors, could cause a significant increase in the benefit obligations under these plans or a significant decrease in the value of plan assets. With respect to the qualified pension plans, adverse changes could require us to contribute a material amount of cash to the plans or could accelerate the timing of any required cash payments. The process of calculating benefit obligations is complex. The amount of required contributions to these plans in future years will depend on earnings on investments, prevailing discount rates, changes in the plans and funding laws and regulations. Any future material cash contributions could have a negative impact on our financial results or financial position.

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

Under generally accepted accounting principles, goodwill is not amortized but instead is 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 goodwill is 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.***

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 flow 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;

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- our desire to maintain or improve the credit ratings on our senior 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 CenturyLink 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 the Embarq merger and pending Qwest merger, 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 free 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 all, or at an acceptable cost.

***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 the distribution of those earnings to, or upon loans or other payments of funds by those subsidiaries to, us. 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 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 our Annual Report on Form 10-K for the year ended December 31, 2009 describe these matters in additional detail.

***Changes in the tax rate on dividends could reduce demand for our stock.***

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, 2011 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.***

Our articles of incorporation provide for a classified board of directors, which limits the ability of an insurgent to rapidly replace the board. In addition, a number of other 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.

***We face other risks.***

The list of risks above is not exhaustive, and you should be aware that we face various other risks discussed in this or other reports, proxy statements or documents filed by us or Embarq with the SEC.

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This report and other documents filed by us under the federal securities laws include, and future oral or written statements or press releases by us and our management may include, certain forward-looking statements relating to CenturyLink or Qwest, the operations of either such company or our pending acquisition of Qwest, including without limitation statements with respect to CenturyLink's or Qwest's anticipated future operating and financial performance, financial position and liquidity, tax position, contingent liabilities, growth opportunities and growth rates, acquisition and divestiture opportunities, merger synergies, business prospects, regulatory and competitive outlook, investment and expenditure plans, investment results, financing opportunities and sources (including the impact of financings on our financial position, financial performance or credit ratings), pricing plans, strategic alternatives, business strategies, and other similar statements of expectations or objectives or accompanying statements of assumptions that are highlighted by words such as "expects," "anticipates," "intends," "plans," "believes," "projects," "seeks," "estimates," "hopes," "should," "could," and "may," and variations thereof and similar expressions. Such 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 such statements are based, are inherently speculative and are subject to uncertainties that could cause our actual results to differ materially from such statements. The actual results or performance of CenturyLink or Qwest 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. Factors that could impact actual the actual results of CenturyLink or Qwest include but are not limited to:

- the extent, timing, success and overall effects of competition from wireless carriers, VoIP providers, CLECs, cable television companies, electric utilities and others, including without limitation the risks that these competitors may offer less expensive or more innovative products and services;
- the risks inherent in rapid technological change, including without limitation the risk that new technologies will displace our products and services;
- the effects of ongoing changes in the regulation of the communications industry, including without limitation (i) increased competition resulting from regulatory changes, (ii) the final outcome of various federal, state and local regulatory initiatives and proceedings that could impact our competitive position, revenues, compliance costs, capital expenditures or prospects, (iii) the effect of the National Broadband Plan, (iv) reductions in revenues received from the federal Universal Service Fund or other current or future federal and state support programs designed to compensate ILECs operating in high-cost markets, and (v) changes in the regulation of special access;
- our ability to effectively adjust to changes in the communications industry and changes in the composition of our markets and product mix caused by the Embarq merger and the pending Qwest merger;
- the possibility that the anticipated benefits from the Embarq merger cannot be fully realized in a timely manner or at all, or that integrating Embarq's operations into ours will be more difficult, disruptive or costly than anticipated;
- our ability to (i) successfully complete our pending acquisition of Qwest, including timely receipt of the required shareholder and regulatory approvals for the merger free of detrimental conditions, and (ii) timely realize the anticipated benefits of the transaction, including our ability after the closing to use the net operating losses of Qwest in the amounts projected;
- our ability to effectively manage our expansion opportunities, including without limitation our ability to (i) effectively integrate newly-acquired or newly-developed businesses into our operations, (ii) attract and retain technological, managerial and other key personnel, (iii) achieve projected growth, revenue and cost savings targets from the Embarq acquisition and the pending Qwest acquisition within the timeframes anticipated, and (iv) otherwise monitor our operations, costs, regulatory compliance, and service quality and maintain other necessary internal controls;
- possible changes in the demand for, or pricing of, our products and services, including without limitation reduced demand for our traditional telephone or access services caused by greater use of wireless, electronic mail or Internet communications or other factors;

- our ability to successfully introduce new product or service offerings on a timely and cost-effective basis, including without limitation our ability to (i) successfully roll out our new video and broadband services, (ii) expand successfully our full array of service offerings to new or acquired markets and (iii) offer bundled service packages on terms attractive to our customers;
- our continued access to credit markets on favorable terms, including our continued access to financing in amounts, and on terms and conditions, necessary to support our operations and refinance existing indebtedness when it becomes due;
- our ability to collect receivables from financially troubled communications companies;
- the inability of third parties to discharge their commitments to us;
- the outcome of pending litigation in which CenturyLink, Embarq or Qwest is involved, including the KPNQwest litigation matters in which plaintiffs have sought, in the aggregate, billions of dollars in damages from Qwest;
- our ability to pay a \$2.90 per common share dividend annually, which may be affected by changes in our cash requirements, capital spending plans, cash flows or financial position;
- unanticipated increases in our capital expenditures;

- our ability to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages;
- our ownership of or access to technology that may be necessary for us to operate or expand our business;
- regulatory limits on our ability to change the prices for telephone services in response to industry changes;
- impediments to our ability to expand through attractively priced acquisitions, whether caused by regulatory limits, financing constraints, a decrease in the pool of attractive target companies, or competition for acquisitions from other interested buyers;
- uncertainties relating to the implementation of our business strategies, including the possible need to make abrupt and potentially disruptive changes in our business strategies due to changes in competition, regulation, technology, product acceptance or other factors;
- the lack of assurance that we can compete effectively against better-capitalized competitors;
- the impact of equipment failure, including potential network disruptions;
- general worldwide economic conditions and related uncertainties;
- the effects of adverse weather on our customers or properties;
- other risks referenced in this report and from time to time in our other filings with the SEC;
- the effects of more general factors, including without limitation:
  - changes in general industry and market conditions and growth rates
  - changes in labor conditions, including workforce levels and labor costs
  - changes in interest rates or other general national, regional or local economic conditions
  - changes in legislation, regulation or public policy, including changes that increase our tax rate
  - increases in capital, operating, medical, pension or administrative costs, or the impact of new business opportunities requiring significant up-front investments

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- changes in our relationships with vendors, or the failure of these vendors to provide competitive products on a timely basis
- failures in our internal controls that could result in inaccurate public disclosures or fraud
- changes in our debt ratings
- unfavorable outcomes of regulatory proceedings and investigations, including rate proceedings and tax audits
- losses or unfavorable returns on our investments in other communications companies
- delays in the construction of our networks
- changes in accounting policies, assumptions, estimates or practices adopted voluntarily or as required by generally accepted accounting principles.

For additional information, see the risk factors listed above in this report and the description of our business included as Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2009. Due to these uncertainties, there can be no assurance that our anticipated results will occur, that our judgments or assumptions will prove correct, or that unforeseen developments will not occur. Accordingly, you are cautioned not to place undue reliance upon any of our forward-looking statements, which speak only as of the date made. 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 those expected in our forward-looking statements. We undertake no obligation to update or revise any of our forward-looking statements for any reason, whether as a result of new information, future events or developments, changed circumstances, 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.

During the second quarter of 2010, we withheld 383,010 shares of stock at an average price of \$34.97 per share to pay taxes due upon vesting of restricted stock for certain of our employees.

Item 6. Exhibits

A. Exhibits

- 2.1 Agreement and Plan of Merger, dated as of April 21, 2010, among Registrant, 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 Registrant with the SEC on April 27, 2010).
- 3.1 Articles of Incorporation of Registrant, as amended through May 21, 2010.
- 3.2 Bylaws of the Registrant, as amended through April 7, 2010.
- 3.3 Corporate Governance Guidelines of Registrant, as amended through April 7, 2010.

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- 4.1 Form of common stock certificate of Registrant.
- 10.1 Form of Restricted Stock Agreement, pursuant to the CenturyLink 2005 Directors Stock Plan and dated May 21, 2010, entered into between us and seven of our outside directors as of such date.
- 10.2 Form of Restricted Stock Agreement, pursuant to the CenturyLink Legacy Embarq 2008 Equity Incentive Plan and dated May 21, 2010, entered into between us and four of our outside directors as of such date.
- 10.3 Form of Restricted Stock Agreement, pursuant to the CenturyLink Legacy Embarq 2008 Equity Incentive Plan and dated May 21, 2010, entered into between us and William A. Owens in payment of Mr. Owens' 2010 supplemental chairman's fees.
- 10.4 2010 Executive Officer Short-Term Incentive Program (incorporated by reference to Registrant's 2010 Proxy Statement filed on Form 14A with the SEC on April 7, 2010).
- 11 Computations of Earnings Per Share.
- 31.1 Registrant's Chief Executive Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Registrant's Chief Financial Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Registrant's Chief Executive Officer and Chief Financial Officer certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**SIGNATURE**

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: August 6, 2010

/ s/ Neil A. Sweasy  
Neil A. Sweasy  
Vice President and Controller  
(Principal Accounting Officer)

**ARTICLES OF INCORPORATION  
OF  
CENTURYLINK, INC.  
(a Louisiana corporation)**

(as amended through May 20, 2010)\*

**ARTICLE I  
Name**

The name of this Corporation is CenturyLink, Inc.

**ARTICLE II  
Purpose**

The purpose of the Corporation is to engage in any lawful activity for which corporations may be formed under the Business Corporation Law of Louisiana.

**ARTICLE III  
Capital**

A. Authorized Stock. The Corporation shall be authorized to issue an aggregate of 802 million shares of capital stock, of which 800 million shares shall be Common Stock, \$1.00 par value per share, and two million shares shall be Preferred Stock, \$25.00 par value per share.

B. Preferred Stock. (1) The Preferred Stock may be issued from time to time in one or more series.

(2) In respect to any series of Preferred Stock, the Board of Directors is hereby authorized to fix or alter the dividend rights, dividend rates, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), the redemption price or prices, and the liquidation preferences of any wholly unissued series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or any of them; and to increase or decrease the number of shares of any series subsequent to the issue of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series. In addition thereto the Board of Directors shall have such other powers with respect to the Preferred Stock and any series thereof as shall be permitted by applicable law.

(3) No full dividend for any quarterly dividend period may be declared or paid on shares of any series of Preferred Stock unless the full dividend for that period shall be concurrently declared or paid on all series of Preferred Stock outstanding in accordance with the terms of each series. If there are any accumulated dividends accrued or in arrears on any share of any series of Preferred Stock those dividends shall be paid in full before any full dividend shall be paid on any other series of Preferred Stock. If less than a full dividend is to be paid, the amount of the dividend to be distributed shall be divided among the shares of Preferred Stock for which dividends are accrued or in arrears in proportion to the aggregate amounts which would be distributable to those holders of Preferred Stock if full cumulative dividends had previously been paid thereon in accordance with the terms of each series.

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\* Represents a composite copy of the articles of incorporation of CenturyLink, Inc. prepared in accordance with Regulation S-K promulgated by the U.S. Securities and Exchange Commission.

C. Voting Rights of Common Stock. Each outstanding share of Common Stock entitles the holder thereof to one vote with respect to each matter properly submitted to the shareholders of the Corporation for their vote, consent, waiver, release or other action.

D. Non-Assessability; Transfers; Pre-emptive Rights. The stock of this Corporation shall be fully paid and non-assessable when issued and shall be personal property. No transfer of such stock shall be binding upon this Corporation unless such transfer is made in accordance with these Articles and the by-laws of this Corporation and duly recorded in the books thereof. No stockholder shall have any pre-emptive right to subscribe to any or all additions to the stock of this Corporation.

E. Series L Preferred Stock. The Corporation's 5% Cumulative Convertible Series L Preferred Stock ("Series L Shares") shall consist of 325,000 shares of Preferred Stock having the preferences, limitations and relative rights set forth below.

(1) Voting Rights. Holders of the Series L Shares shall be entitled to cast one vote per share, voting with holders of shares of Common Stock and with holders of other series of voting preferred stock as a single class, on any matter to come before a meeting of the shareholders, except with respect to the casting of ballots on those matters as to which holders of Preferred Stock or a particular series thereof are required by law to vote separately.

(2) Rank. The Series L Shares shall, with respect to dividend rights and rights upon liquidation, dissolution and winding up, rank prior to the Common Stock. All equity securities of the Corporation to which the Series L Shares rank prior, whether with respect to dividends or upon liquidation, dissolution or winding-up or otherwise, including the Common Stock, are collectively referred to herein as the "Junior Securities;" all equity securities of the Corporation with which the Series L Shares rank *pari passu* are collectively referred to herein as the "Parity Securities;" and all other equity securities of the Corporation (other than any convertible debt securities) to which the Series L

Shares ranks junior are collectively referred to herein as the "Senior Securities." The preferences, limitations and relative rights of the Series L Shares shall be subject to the preferences, limitations and relative rights of the Junior Securities, Parity Securities and Senior Securities issued after the Series L Shares are issued.

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(3) Dividends.

(a) The holders of record of the Series L Shares shall be entitled to receive, when, as and if declared by the Board of Directors out of funds of the Corporation legally available therefor, an annual cash dividend of \$1.25 on each Series L Share, payable quarterly on each March 31, June 30, September 30 and December 31 on which any Series L Shares shall be outstanding (each a "Dividend Due Date"), commencing on the first such date following the issuance of the Series L Shares. Dividends on each Series L Share shall accrue and be cumulative from and after the date of issuance of such Series L Share and dividends payable for any partial quarterly period shall be calculated on the basis of a year of 360 days consisting of twelve 30-day months. Dividends shall be payable to the holders of record as they appear on the Corporation's stock transfer books at the close of business on the record date for such payment, which the Board of Directors shall fix not more than 60 days or less than 10 days preceding a Dividend Due Date. Holders of the Series L Shares shall not be entitled to any dividends, whether paid in cash, property or stock, in excess of the cumulative dividends as provided in this paragraph (a) and shall not be entitled to any interest thereon.

(b) Unless all cumulative dividends accrued on the Series L Shares have been or contemporaneously are declared and paid or declared and a sum set apart sufficient for such payment through the most recent Dividend Payment Date, then (i) except as provided below, no dividend or other distribution shall be declared or paid or set apart for payment on any Parity Securities, (ii) no dividend or other distribution shall be declared or paid or set aside for payment upon the Junior Securities (other than a dividend or distribution paid in shares of, or warrants, rights or options exercisable for or convertible into, Junior Securities) and (iii) no Junior Securities shall be redeemed, purchased or otherwise acquired for any consideration, nor shall any monies be paid to or made available for a sinking fund for the redemption of any Junior Securities, except by conversion of Junior Securities into, or by exchange of Junior Securities for, other Junior Securities. If any accrued dividends are not paid or set apart with respect to the Series L Shares and any Parity Securities, all dividends declared with respect to the Series L Shares and any Parity Securities shall be declared pro rata on a share-by-share basis among all Series L Shares and Parity Securities outstanding at the time.

(4) Conversion.

(a) Each Series L Share shall be convertible, at any time, at the option of the holder thereof into that number of fully paid and nonassessable shares of the Common Stock obtained by dividing \$25.00 by the Conversion Price then in effect under the terms of this subsection (4). Unless and until changed in accordance with the terms of this subsection (4), the Conversion Price shall be \$41.25. In order for a holder of the Series L Shares to effect such conversion, the holder shall deliver to KeyCorp Shareholder Services, Inc., Dallas, Texas, or such other agent as may be designated by the Board of Directors as the transfer agent for the Series L Shares (the "Transfer Agent"), the certificates representing such shares in accordance with paragraph (b) below accompanied by written notice jointly addressed to the Corporation and the Transfer Agent that the holder thereof elects to convert such shares or a specified portion thereof. Each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which the certificates representing the Series L Shares being converted shall have been delivered to the Transfer Agent in accordance with each term and condition of paragraph (b) below, accompanied by the written notice jointly addressed to the Corporation and the Transfer Agent of such conversion (the "Conversion Date"), and the person or persons in whose names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the Common Stock represented thereby at such time. As of the close of business on the Conversion Date, the Series L Shares shall be deemed to cease to be outstanding and all rights of any holder thereof shall be extinguished except for the rights arising under the Common Stock issued in exchange therefor and the right to receive accrued and unpaid dividends on such Series L Shares through the Conversion Date on the terms specified in paragraph (c) below.

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(b) In connection with surrendering to the Transfer Agent the certificates representing (or formerly representing) Series L Shares, the holder shall furnish the Transfer Agent with transfer instruments satisfactory to the Corporation and sufficient to transfer the Series L Shares being converted to the Corporation free of any adverse interest or claims. As promptly as practicable after the surrender of the Series L Shares in accordance with this paragraph and any other requirement under this subsection (4), the Corporation, acting directly or through the Transfer Agent, shall issue and deliver to such holder certificates for the number of whole shares of Common Stock issuable upon the conversion of such shares in accordance with the provisions hereof (along with any interest payment specified in paragraph (a) above and any cash payment in lieu of fractional shares specified in paragraph (d) below). Certificates will be issued for the balance of any remaining Series L Shares in any case in which fewer than all of the Series L Shares are converted. Any conversion under paragraph (a) shall be effected at the Conversion Price in effect on the Conversion Date.

(c) If the Conversion Date with respect to any Series L Share occurs after any record date with respect to the payment of a dividend on the Series L Shares (the "Dividend Record Date") and on or prior to the Dividend Due Date, then (i) the dividend due on such Dividend Due Date shall be payable to the holder of record of such share as of the Dividend Record Date and (ii) the dividend that accrues from the close of business on the Dividend Record Date through the Conversion Date shall be payable to the holder of record of such share as of the Conversion Date. Except as provided in this subsection (4), no payment or adjustment shall be made upon any conversion on account of any dividends accrued on Series L Shares surrendered for conversion or on account of any dividends on the Common Stock issued upon conversion.

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(d) No fractional interest in a share of Common Stock shall be issued by the Corporation upon the conversion of any Series L Share. In lieu of any such fractional interest, the holder that would otherwise be entitled to such fractional interest shall

receive a cash payment (computed to the nearest cent) equal to such fraction multiplied by the market value of a share of Common Stock, which shall be deemed to equal the last reported per share sale price of Common Stock on the New York Stock Exchange ("NYSE") (or, if the Common Stock is not then traded on the NYSE, the last reported per share sale price on such other national securities exchange on which the Common Stock is listed or admitted to trading or, if not then listed or admitted to trading on any national securities exchange, the last quoted bid price in the over-the-counter market as reported by the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ"), or any similar system of automated dissemination of securities prices) on the trading day immediately prior to the Conversion Date.

(e) The Conversion Price shall be adjusted from time to time as follows:

1. If the Corporation effects any (i) dividend or other distribution upon or in redemption of the Common Stock payable in the form of shares of capital stock of the Corporation or any of its subsidiaries or in the form of any other property (other than cash dividends paid in the ordinary course), (ii) combination of outstanding shares of Common Stock into a smaller number of shares of Common Stock, (iii) split or other subdivision of outstanding shares of Common Stock into a larger number of shares of Common Stock, or (iv) reorganization, exchange or reclassification of Common Stock, or any consolidation or merger of the Corporation with another corporation, or the sale of all or substantially all of its assets to another corporation, or any other transaction effected in a manner such that holders of outstanding Common Stock shall be entitled to receive (either directly, or upon subsequent liquidation) stock, securities or other property with respect to or in exchange for Common Stock (a "Diluting Event"), then as a condition of such Diluting Event, lawful, appropriate, equitable and adequate adjustments shall be made to the Conversion Price whereby the holders of the Series L Shares shall thereafter be entitled to receive (under the same terms otherwise applicable to their receipt of the Common Stock upon conversion of the Series L Shares), in lieu of or in addition to, as the case may be, the number of shares of Common Stock issuable under this subsection (4), such shares of stock, securities or other property as may be issued or payable with respect to or in exchange for that number of shares of Common Stock to which such holders of Series L Shares were so entitled under this subsection (4), and in any such case appropriate, equitable and adequate adjustments shall also be made to such resulting consideration in like manner in connection with any subsequent Diluting Events. It is the intention of the parties that the foregoing shall have the effect of entitling such holders of Series L Shares to receive upon the due exercise of their conversion rights under this subsection (4) such stock, securities and other property (other than cash dividends paid in the ordinary course) as such holders would have received had they held the Common Stock issuable under this subsection (4) (or any replacement or additional stock, securities or property, as applicable) on the record date of such Diluting Event.

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2. No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 5% of such price.

3. Whenever the Conversion Price is adjusted as herein provided, the Corporation shall promptly deliver to the Transfer Agent an officer's certificate setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment, which certificate shall constitute conclusive evidence, absent manifest error, of the correctness of such adjustment. Promptly after delivery of such certificate, the Corporation shall prepare and mail a notice to each holder of Series L Shares at each such holder's last address as the same appears on the books of the Corporation, which notice shall set forth the Conversion Price and a brief statement of the facts requiring the adjustment. The failure of the Corporation to take any such action shall not invalidate any corporate action by the Corporation.

(f) The Corporation covenants that (A) all shares of Common Stock that may be issued upon conversions of Series L Shares will upon issue be duly and validly issued, fully paid and nonassessable, and free of all liens, charges or preemptive rights, and (B) it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued shares of Common Stock or its issued shares of Common Stock held in its treasury, or both, for the purpose of effecting conversions of Series L Shares, the whole number of shares of Common Stock deliverable upon the conversion of all outstanding Series L Shares not theretofore converted.

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(5) Liquidation Preference.

(a) Upon any voluntary or involuntary dissolution, liquidation, or winding up of the Corporation (for the purposes of this subsection (5), a "Liquidation"), the holder of each Series L Share then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its shareholders, an amount equal to \$25 per share plus all dividends (whether or not declared or due) accrued and unpaid on such share on the date fixed for the distribution of assets of the Corporation to the holders of Series L Shares. With respect to the distribution of the Corporation's assets upon a Liquidation, the Series L Shares shall rank prior to Junior Securities, *pari passu* with the Parity Securities and junior to the Senior Securities.

(b) If upon any Liquidation of the Corporation, the assets available for distribution to the holders of Series L Shares and any Parity Securities then outstanding shall be insufficient to pay in full the liquidation distributions to the holders of outstanding Series L Shares and Parity Securities in accordance with the terms of these Articles of Incorporation, then the holders of such shares shall share ratably in such distribution of assets in accordance with the amount that would be payable on such distribution if the amounts to which the holders of the Series L Shares and Parity Securities are entitled were paid in full.

(c) Neither the voluntary sale, conveyance, lease, pledge, exchange or transfer of all or substantially all the property or

assets of the Corporation, the merger or consolidation of the Corporation into or with any other corporation, the merger of any other corporation into the Corporation, a share exchange with any other corporation, nor any purchase or redemption of some or all of the shares of any class or series of stock of the Corporation, shall be deemed to be a Liquidation of the Corporation for the purposes of this subsection (5) (unless in connection therewith the Liquidation of the Corporation is specifically approved).

(d) The holder of any Series L Shares shall not be entitled to receive any payment owed for such shares under this subsection (5) until such holder shall cause to be delivered to the Corporation the certificate or certificates representing such Series L Shares and transfer instruments satisfactory to the Corporation and sufficient to transfer such Series L Shares to the Corporation free of any adverse interest. No interest shall accrue on any payment upon Liquidation after the due date thereof.

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(e) After payment of the full amount of the liquidating distribution to which they are entitled, the holders of Series L Shares will not be entitled to any further participation in any distribution of assets by the Corporation.

(6) Preemptive Rights. The Series L Shares is not entitled to any preemptive or subscription rights in respect of any securities of the Corporation.

ARTICLE IV  
Directors

A. Number of Directors. The business and affairs of this Corporation shall be managed under the direction of the Board of Directors. The number of directors comprising the Board of Directors of this Corporation (exclusive of directors who may be elected by the holders of any one or more series of Preferred Stock voting separately) shall be 14 unless otherwise determined from time to time by resolution adopted by the affirmative votes of both (i) 80% of the directors then in office and (ii) a majority of the Continuing Directors (as defined in Article V(D)), voting as a separate group, provided, however, that no decrease in the number of directors shall shorten the term of any incumbent director.

B. Classification. The Board of Directors, other than those who may be elected by the holders of any one or more series of Preferred Stock voting separately, shall be divided, with respect to the time during which they shall hold office, into three classes, designated Class I, II and III, as nearly equal in number as possible. Any increase or decrease in the number of directors shall be apportioned by the Board of Directors so that all classes of directors shall be as nearly equal in number as possible. At each annual meeting of shareholders, directors chosen to succeed those whose terms then expire shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election and until their successors are duly elected and qualified.

C. Vacancies. Except as provided in Article IV(G) hereof, any vacancy on the Board (including any vacancy resulting from an increase in the authorized number of directors or from a failure of the shareholders to elect the full number of authorized directors) may, notwithstanding any resulting absence of a quorum of directors, be filled only by the Board of Directors, acting by vote of both (i) a majority of the directors then in office and (ii) a majority of all the Continuing Directors, voting as a separate group, and any director so appointed shall serve until the next shareholders' meeting held for the election of directors of the class to which he shall have been appointed and until his successor is duly elected and qualified.

D. Removal. Subject to Article IV(G) hereof and notwithstanding any other provisions of these Articles or the Bylaws of this Corporation, any director or the entire Board of Directors may be removed at any time, but only for cause, by the affirmative vote at a meeting of shareholders called for such purpose of the holders of both (i) a majority of the Total Voting Power (as defined in Article V(D) hereof) entitled to be cast by the holders of Voting Stock (as defined in Article V(D) hereof), voting together as a single class, and (ii) a majority of the Total Voting Power entitled to be cast by the Independent Shareholders (as defined in Article V(D) hereof), voting as a separate group. At the same meeting in which the shareholders remove one or more directors, a successor or successors may be elected for the unexpired term of the director or directors removed. Except as set forth in this Article, directors shall not be subject to removal.

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E. Tender Offers and Other Extraordinary Transactions. In connection with the exercise of its judgment in determining what is in the best interest of the Corporation and its stockholders when evaluating a Business Combination (as defined in Article V(D) hereof) or a tender or exchange offer or a proposal by another Person or Persons to make a tender or exchange offer, the Board of Directors of the Corporation shall consider, in addition to the adequacy of the amount to be paid in connection with any such transaction, all of the following factors and any other factors which it deems relevant: (i) the social and economic effects of the transaction on the Corporation and its subsidiaries, and their respective employees, customers, creditors and other elements of the communities in which they operate or are located, (ii) the business and financial condition and earnings prospects of the acquiring Person or Persons, including, but not limited to, debt service and other existing or likely financial obligations of the acquiring Person or Persons, and the possible effect of such conditions upon the Corporation and its Subsidiaries and the other elements of the communities in which the Corporation and its subsidiaries operate or are located, and (iii) the competence, experience and integrity of the acquiring Person or Persons and its or their management.

F. Board Qualifications.

(1) Except as otherwise provided in Article IV(G) hereof, no person shall be eligible for nomination, election or service as a director of the Corporation who shall:

(a) in the opinion of the Board of Directors fail to respond satisfactorily to the Corporation respecting any inquiry of the Corporation for information to enable the Corporation to make any certification required by the Federal Communications Commission under the Anti-Drug Abuse Act of 1988 or to determine the eligibility of such person under this Article;

(b) have been arrested or convicted of any offense concerning the distribution or possession of, or trafficking in, drugs or other controlled substances, provided that in the case of an arrest the Board of Directors may in its discretion determine that notwithstanding such arrest such persons shall remain eligible under this Article; or

(c) have engaged in actions that could lead to such an arrest or conviction and that the Board of Directors determines would make it unwise for such person to serve as a director of the Corporation.

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(2) Any person serving as a director of the Corporation shall automatically cease to be a director on such date as he ceases to have the qualifications set forth in paragraph (1) above, and his position shall be considered vacant within the meaning of Article IV(C) hereof.

G. Directors Elected by Preferred Shareholders. Notwithstanding anything in these Articles of Incorporation to the contrary, whenever the holders of any one or more series of Preferred Stock shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the provisions of these Articles of Incorporation (as they may be duly amended from time to time) fixing the rights and preferences of such Preferred Stock shall govern with respect to the nomination, election, term, removal, vacancies or other related matters with respect to such directors.

ARTICLE V  
Certain Business Combinations

A. Vote Required in Business Combinations. No Business Combination may be effected unless all of the following conditions have been fulfilled:

(1) In addition to any vote otherwise required by law or these Articles, the proposal to effect a Business Combination shall have been approved by (i) a majority of the directors then in office and a majority of the Continuing Directors and (ii) by the affirmative votes of both of the following:

(a) 80% of the Total Voting Power entitled to be cast by holders of outstanding shares of Voting Stock of this Corporation, voting as a separate voting group; and

(b) Two-thirds of the Total Voting Power entitled to be cast by the Independent Stockholders present or duly represented at a meeting, voting as a separate voting group.

(2) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations thereunder (or any subsequent provisions replacing the Act, rules or regulations as a whole or in part) is mailed to all shareholders of the Corporation at least 30 days prior to the consummation of such Business Combination (regardless of whether such proxy or information statement is required pursuant to the Act or subsequent provisions).

B. Nonapplicability of Voting Requirements. The vote required by Paragraph A of this Article does not apply to a Business Combination if all conditions specified in either of paragraphs 1 or 2 below are met:

(1) The proposed Business Combination is approved prior to the time the Related Person involved in the proposed transaction became a Related Person by the affirmative votes of both a majority of the directors then in office and a majority of the Continuing Directors, voting as a separate group.

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(2) All of the following five conditions have been met:

(a) The aggregate amount of the cash and the Market Value on the Valuation Date of consideration other than cash to be received per share by all holders of Common Stock in such Business Combination is at least equal to the highest of the following:

1. The highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers' fees, paid by or on behalf of the Related Person for any shares of Common Stock of the same class or series acquired by it within the two-year period immediately prior to the Announcement Date or in the transaction in which it became a Related Person, whichever is higher;

2. The Market Value per share of Common Stock of the same class or series on the Announcement Date or on the Determination Date, whichever is higher; or

3. The price per share equal to the Market Value per share of Common Stock of the same class or series determined pursuant to clause (2) immediately preceding, multiplied by the fraction of the highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers' fees, paid by or for the Related Person for any shares of Common Stock of the same class or series acquired by it within the two-year period immediately prior to the Announcement Date, over the Market Value per share of Common Stock of the same class or series on the first day in such two-year period on which the Related Person acquired any shares of Common Stock.



(b) The aggregate amount of the cash and the Market Value as of the Valuation Date of consideration other than cash to be received per share by holders of shares of any class or series of outstanding stock other than Common Stock is at least equal to the highest of the following, whether or not the Related Person has previously acquired any shares of a particular class or series of stock:

1. The highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers' fees, paid by or for the Related Person for any shares of such class of stock acquired by it within the two-year period immediately prior to the Announcement Date or in the transaction in which it became a Related Person, whichever is higher;

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2. The highest preferential amount per share to which the holders of shares of such class of stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of this Corporation;

3. The Market Value per share of such class of stock on the Announcement Date or on the Determination Date, whichever is higher; or

4. The price per share equal to the Market Value per share of such class of stock determined pursuant to clause (3) immediately preceding, multiplied by the fraction of the highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers' fees, paid by or for the Related Person for any shares of any class of Voting Stock acquired by it within the two-year period immediately prior to the Announcement Date, over the Market Value per share of the same class of Voting Stock on the first day in such two-year period on which the Related Person acquired any shares of the same class of Voting Stock.

(c) The consideration to be received by holders of any class or series of outstanding stock is to be in cash or in the same form as the Related Person has previously paid for shares of the same class or series of stock. If the Related Person has paid for shares of any class of stock with varying forms of consideration, the form of consideration for such class of stock shall be either cash or the form used to acquire the largest number of shares of such class or series of stock previously acquired by it.

(d) After the Related Person has become a Related Person and prior to the consummation of such Business Combination:

1. There shall have been no failure to declare and pay at the regular date therefor any full periodic dividends, cumulative or not, on any outstanding Preferred Stock of this Corporation;

2. There shall have been no reduction in the annual rate of dividends paid on any class or series of stock of this Corporation that is not Preferred Stock except as necessary to reflect any subdivision of the stock, and no failure to increase the annual rate of dividends as necessary to reflect any reclassification, including any reverse stock split, recapitalization, reorganization, or any similar transaction which has the effect of reducing the number of outstanding shares of the stock; and

3. The Related Person did not become the Beneficial Owner of any additional shares of stock of this Corporation except as part of the transaction which resulted in such Related Person becoming a Related Person or by virtue of proportionate stock splits or stock dividends.

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The provisions of clause (1) and (2) immediately preceding shall not apply if no Related Person or an Affiliate or Associate of the Related Person voted as a director of this Corporation in a manner inconsistent with such clauses and the Related Person, within ten days after any act or failure to act inconsistent with such clauses, notifies the Board of Directors of this Corporation in writing that the Related Person disapproves thereof and requests in good faith that the Board of Directors rectify such act or failure to act.

(e) After the Related Person has become a Related Person, the Related Person may not have received the benefit, directly or indirectly, except proportionately as a shareholder, of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by this Corporation or any of its Subsidiaries, whether in anticipation of or in connection with such Business Combination or otherwise.

C. Alternative Shareholder Vote for Business Combinations. In the event the conditions set forth in Subparagraph (B)(1) or (B)(2) have been met, the affirmative vote required of shareholders in order to approve the proposed Business Combination shall be 66-2/3% of the Total Voting Power present or duly represented at the meeting called for such purpose.

D. Definitions. The following terms, for all purposes of these Articles or the By-laws of this Corporation, shall have the following meaning:

(1) An "Affiliate" of, or a person "affiliated with," a specified person means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

(2) "Announcement Date" means the first general public announcement of the proposal or intention to make a proposal of the Business Combination or its first communication generally to shareholders of this Corporation, whichever is earlier.

(3) “Associate,” when used to indicate a relationship with any person, means any of the following:

(a) Any corporation or organization, other than this Corporation, of which such person is an officer, director or partner or is, directly or indirectly, the Beneficial Owner of 10% or more of any class of Equity Securities.

(b) Any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity.

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(c) Any relative or spouse of such person, or any relative of such spouse, who has the same home as such person.

(d) Any investment company registered under the Investment Company Act of 1940 for which such person serves as investment advisor.

(4) A person shall be deemed to be the “Beneficial Owner” of any shares of capital stock (regardless whether owned of record):

(a) Which that person or any of its Affiliates or Associates, directly or indirectly, owns beneficially;

(b) Which such person or any of its Affiliates or Associates has (i) the right to acquire (whether exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote pursuant to any agreement, arrangement or understanding; or

(c) Which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of voting capital stock of the corporation or any of its subsidiaries.

(5) “Business Combination” means any of the following transactions, when entered into by the Corporation or a Subsidiary with, or upon a proposal by, a Related Person:

(a) The merger or consolidation of, or an exchange of securities by, the Corporation or any Subsidiary;

(b) The sale, lease, exchange, mortgage, pledge, transfer or any other disposition (in one or a series of transactions) of any assets of the Corporation, or of any Subsidiary, having an aggregate book or fair market value of \$1,000,000 or more, measured at the time the transaction or transactions are approved by the Board of Directors;

(c) The adoption of a plan or proposal for the liquidation or dissolution of the Corporation or any Subsidiary;

(d) The issuance or transfer by the Corporation or any Subsidiary (in one or a series of transactions) of securities of the Corporation, or of any Subsidiary, having a fair market value of \$1,000,000 or more;

(e) The reclassification of securities (including a reverse stock split), recapitalization, consolidation or any other transaction (whether or not involving a Related Person) which has the direct or indirect effect of increasing the voting power (regardless whether then exercisable) or the proportionate amount of the outstanding shares of any class or series of Equity Securities of this Corporation or any of its Subsidiaries held by a Related Person, or any Associate or Affiliate of a Related Person;

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(f) Any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation or any Subsidiary to a Related Person or any Affiliate or Associate thereof, except proportionately as a shareholder; or

(g) Any agreement, contract or other arrangement providing directly or indirectly for any of the foregoing.

(6) “Capital Stock” means any Common Stock, Preferred Stock or other capital stock of the Corporation, or any bonds, debentures, or other obligations granted voting rights by the Corporation pursuant to La. R.S. 12:75H.

(7) “Common Stock” means any stock other than a class or series of preferred or preference stock.

(8) “Continuing Director” shall mean any member of the Board of Directors who is not a Related Person or an Affiliate or Associate thereof, and who was a member of the Board of Directors prior to the time that the Related Person became a Related Person, and any successor to a Continuing Director who is not a Related Person or an Affiliate or Associate thereof and was recommended to succeed a Continuing Director by a majority of Continuing Directors who were then members of the Board of Directors, provided that, in the absence of a Related Person, any reference to “Continuing Directors” shall mean all directors then in office.

(9) “Control,” including the terms “controlling,” “controlled by” and “under common control with,” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise. The beneficial ownership of 10% or more of the votes entitled to be cast by a corporation's voting stock creates a presumption of control.

(10) "Determination Date" means the date on which a Related Person first became a Related Person.

(11) "Equity Security" means any of the following:

(a) Any stock or similar security, certificate of interest or participation in any profit sharing agreement, voting trust certificate or certificate of deposit for an equity security.

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(b) Any security convertible, with or without consideration, into an equity security, or any warrant or other security carrying any right to subscribe to or purchase an equity security.

(c) Any put, call, straddle or other option or privilege of buying an equity security from or selling an equity security to another without being bound to do so.

(12) "Independent Shareholder" or "Independent Stockholder" means a holder of Voting Stock of this Corporation who is not a Related Person.

(13) "Market Value" means the following:

(a) In the case of stock, the highest closing sale price on the date or during the period in question of a share of such stock on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock on the date or during the period in question on the National Association of Securities Dealers, Inc., Automated Quotations Systems, or any alternative system then in use, or, if no such quotations are available, the fair market value on the date or during the period in question of a share of such stock as determined by a majority of the Continuing Directors of this Corporation in good faith.

(b) In the case of property other than cash or stock, the fair market value of such property on the date or during the period in question as determined by a majority of the Continuing Directors of this Corporation in good faith.

(14) A "person" shall mean any individual, firm, corporation or other entity, or a group of persons acting or agreeing to act together in the manner set forth in Rule 13d-5 under the Securities Exchange Act of 1934, as in effect on January 1, 1984.

(15) "Related Person" means any person (other than the Corporation, a Subsidiary or any profit sharing, employee stock ownership or other employee benefit plan of the Corporation or any Subsidiary or any trust, trustee of or fiduciary with respect to any such plan acting in such capacity) who (a) is the direct or indirect Beneficial Owner of shares of Capital Stock representing more than 10% of the outstanding Total Voting Power entitled to vote for the election of directors, and any Affiliate or Associate of any such person, or (b) is an Affiliate or Associate of the Corporation and at any time within the two-year period immediately prior to the date in question was the Beneficial Owner, directly or indirectly, of shares of Capital Stock (including two or more classes or series voting together as a single class) representing 10% or more of the outstanding Total Voting Power entitled to vote for the election of directors. For the purpose of determining whether a person is the Beneficial Owner of a percentage, specified in this Article, of the outstanding Total Voting Power, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned by that person through application of Article V(D)(3) but shall not include any other shares which may be issuable to any other person.

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(16) "Subsidiary" means any corporation of which Voting Stock having a majority of the votes entitled to be cast is owned, directly or indirectly, by this Corporation.

(17) "Total Voting Power," when used in reference to any particular matter properly brought before the shareholders for their consideration and vote, means the total number of votes that holders of Capital Stock are entitled to cast with respect to such matter.

(18) "Valuation Date" means the following:

(a) For a Business Combination voted upon by shareholders, the latter of the date prior to the date of the shareholders' vote and the day 20 days prior to the consummation of the Business Combination; and

(b) For a Business Combination not voted upon by the shareholders, the date of the consummation of the Business Combination.

(19) "Voting Stock" means shares of Capital Stock of the Corporation entitled to vote generally in the election of directors.

E. Benefit of Statute. This Corporation claims and shall have the benefit of the provisions of R.S. 12:133 except that the provisions of R.S. 12:133 shall not apply to any business combination involving an interested shareholder that is an employee benefit plan or related trust of this Corporation.

## ARTICLE VI Shareholders' Meetings

A. Written Consents. Any action required or permitted to be taken at any annual or special meeting of shareholders may be taken only upon the vote of the shareholders, present in person or represented by duly authorized proxy, at an annual or special meeting duly noticed and

called, as provided in the Bylaws of the Corporation, and may not be taken by a written consent of the shareholders pursuant to the Business Corporation Law of the State of Louisiana.

B. Special Meetings. Subject to the terms of any outstanding class or series of Preferred Stock that entitles the holders thereof to call special meetings, the holders of a majority of the Total Voting Power of the Corporation shall be required to cause the Secretary of the Corporation to call a special meeting of shareholders pursuant to La. R.S. 12:73B (or any successor provision). Nothing in this Article VI shall limit the power of the President of the Corporation or its Board of Directors to call a special meeting of shareholders.

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ARTICLE VII

Limitation of Liability and Indemnification

A. Limitation of Liability. No director or officer of the Corporation shall be liable to the Corporation or to its shareholders for monetary damages for breach of his fiduciary duty as a director or officer, provided that the foregoing provision shall not eliminate or limit the liability of a director or officer for (1) any breach of his duty of loyalty to the Corporation or its shareholders; (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (3) liability for unlawful distributions of the Corporation's assets to, or redemptions or repurchases of the Corporation's shares from, shareholders of the Corporation, under and to the extent provided in La. R.S. 12:92D; or (4) any transaction from which he derived an improper personal benefit.

B. Authorization of Further Actions. The Board of Directors may (1) cause the Corporation to enter into contracts with its directors and officers providing for the limitation of liability set forth in this Article to the fullest extent permitted by law, (2) adopt By-laws or resolutions, or cause the Corporation to enter into contracts, providing for indemnification of directors and officers of the Corporation and other persons (including but not limited to directors and officers of the Corporation's direct and indirect Subsidiaries) to the fullest extent permitted by law and (3) cause the Corporation to exercise the insurance powers set forth in La. R.S. 12:83F, notwithstanding that some or all of the members of the Board of Directors acting with respect to the foregoing may be parties to such contracts or beneficiaries of such By-laws or resolutions or the exercise of such powers. No repeal or amendment of any such By-laws or resolutions limiting the right to indemnification thereunder shall affect the entitlement of any person to indemnification whose claim thereto results from conduct occurring prior to the date of such repeal or amendment.

C. Subsidiaries. The Board of Directors may cause the Corporation to approve for the officers and directors of its direct and indirect Subsidiaries limitation of liability, indemnification and insurance provisions comparable to the foregoing.

D. Amendment of Article. Notwithstanding any other provisions of these Articles of Incorporation, the affirmative vote of the holders of at least 80% of the Total Voting Power shall be required to amend or repeal this Article VII, and any amendment or repeal of this Article shall not adversely affect any elimination or limitation of liability of a director or officer of the Corporation under this Article with respect to any action or inaction occurring prior to the time of such amendment or repeal.

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ARTICLE VIII

Reversion

Except for cash, shares or other property or rights payable or issuable to the holders of Preferred Stock, the rights to which shall be determined under applicable state law, Cash, property or share dividends, shares issuable to shareholders in connection with a reclassification of stock, and the redemption price of redeemed shares, that are not claimed by the shareholders entitled thereto within one year after the dividend or redemption price became payable or the shares became issuable, despite reasonable efforts by the Corporation to pay the dividend or redemption price or deliver the certificates for the shares to such shareholders within such time, shall, at the expiration of such time, revert in full ownership to the Corporation, and the Corporation's obligation to pay such dividend or redemption price or issue such shares, as the case may be, shall thereupon cease, provided, however, that the Board of Directors may, at any time, for any reason satisfactory to it, but need not, authorize (i) payment of the amount of any cash or property dividend or redemption price or (ii) issuance of any shares, ownership of which has reverted to the Corporation pursuant to this Article, to the person or entity who or which would be entitled thereto had such reversion not occurred.

ARTICLE IX

Amendments

A. Charter Amendments. Articles IV (other than paragraphs F and G), V, VI(A) and IX of these Articles of Incorporation shall not be amended in any manner (whether by modification or repeal of an existing Article or Articles or by addition of a new Article or Articles) except upon resolutions adopted by the affirmative vote of both (i) 80% of the Total Voting Power entitled to be cast by the holders of outstanding shares of Voting Stock, voting together as a single group, and (ii) two-thirds of the Total Voting Power entitled to be cast by the Independent Shareholders present or duly represented at a shareholders' meeting, voting as a separate group; provided, however, that if such resolutions shall first be adopted by both a majority of the directors then in office and a majority of the Continuing Directors, voting as a separate group, then such resolutions shall be deemed adopted by the shareholders upon the affirmative vote of a majority of the Total Voting Power entitled to be cast by the holders of outstanding shares of Voting Stock, voting as a single group.

B. Bylaw Amendments. Bylaws of this Corporation may be altered, amended, or repealed or new Bylaws may be adopted by (i) the shareholders, but only upon the affirmative vote of both 80% of the Total Voting Power entitled to be cast by the holders of outstanding shares of Voting Stock, voting together as a single group, and two-thirds of the Total Voting Power entitled to be cast by the Independent Shareholders present or duly represented at a shareholders' meeting, voting as a separate group, or (ii) the Board of Directors, but only upon the affirmative vote of both a majority of the directors then in office and a majority of the Continuing Directors, voting as a separate group.

\* \* \* \* \*

**BYLAWS**  
**OF**  
**CENTURYTEL, INC.**  
**(as amended through April 7, 2010)**

**BYLAWS  
CENTURYTEL, INC.**

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## BYLAWS

(Amended entirely May 23, 1995)  
(Amended Article I, Section I, Subsection 1.1(L), added new Subsection 1.1(O),  
and amended Subsection 1.2 - October 7, 1996)  
(Amended Article III, Section 1.1(B), Section 1 by adding new Subsection 1.3, Sections 3 and 4  
amended in their entirety - November 21, 1996)  
(Amended Article I, Section I by adding, deleting, revising or renumbering various paragraphs of  
Subsection 1.1 and by revising Subsection 1.2 - October 7, 1998)  
(Amended Article I, Section 1 by adding or renumbering various paragraphs of  
Subsection 1.1, by revising Subsection 1.2, Article IV, Section 5,  
Subsections 5.2 and 5.7 amended in their entirety - November 19, 1998)  
(Amended Article I, Section I by adding Subsection 1.1(G), amending Subsection 1.2 and  
renumbering subsections - August 24, 1999)  
(Amended Article III, Section 1.1(D) - November 18, 1999)  
(Amended Article III in its entirety - February 25, 2003)  
(Amended Article I, Section 1.1(A, B and P) and Article II, Section 3.1 - August 26, 2003)  
(Amended Article I, Section 1.1 (A, B, D, G, H and N) and Section 1.2, added new Article I,  
Section 3, and amended Article II, Sections 2, 3.1, 3.2 and 10, Article III, Sections 1.1 and 5,  
Article IV, Sections 3, 6.1 and 13, Article V and Article VIII – July 1, 2009)  
(Amended Article IV, Section 8 by revising Subsection 8.1 and adding  
Subsections 8.2 and 8.3 – April 7, 2010)

## ARTICLE I.

### OFFICERS

#### **Section 1. Required and Permitted Positions and Offices**

**1.1 Chairman, Vice Chairmen and Officers** . The Board may elect a Chairman and one or more Vice Chairmen. Persons with or without executive responsibilities may be elected to these positions. The officers of the Corporation shall be a Chief Executive Officer; a President; a Secretary; and a Treasurer. The Board may elect such other officers as it may from time to time determine. An officer need not be a Director and any two or more of the offices may be held by one person, provided, however, that a person holding more than one office may not sign in more than one capacity any certificate or any instrument required to be signed by two officers. The duties of the required and permitted positions and offices of the Corporation are as follows:

A. **Chairman of the Board (Chairman)** . The Board shall elect from their own number a Chairman. The Chairman shall preside at all meetings of the Directors, ensure that all orders, policies and resolutions of the Board are carried out and perform such other duties as may be prescribed by the Board of Directors, these Bylaws or the Corporation's Corporate Governance Guidelines.

B. **Vice Chairman of the Board (Vice Chairman)** . The Board may from time to time elect from their own number one or more Vice Chairmen. Each Vice Chairman shall assist the Chairman and perform such other duties as may be assigned by the Board of Directors, these Bylaws, or, in the case of any Vice Chairman with executive responsibilities, the CEO. If the Chairman is not present at any meeting of the Directors, the Vice Chairman (or, if there are more than one, the Vice Chairman selected by a majority of the Directors present at such meeting) will preside at such meeting. Any Vice Chairman with executive responsibilities may be designated an Executive Vice Chairman.

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C. **Chief Executive Officer (CEO)** . The CEO, subject to the powers of the Chairman and the supervision of the Board of Directors, shall have general supervision, direction and control of the business and affairs of the Corporation. He may sign, execute and deliver in the name of the Corporation powers of attorney, contracts, bonds and other obligations and shall perform such other duties as may be prescribed from time to time by the Board of Directors or these Bylaws. The CEO shall have general supervision and direction of the officers of the Corporation and all such powers as may be reasonably incident to such responsibilities except where the supervision and direction of an officer is delegated expressly to another by the Board of Directors or these Bylaws. Without limiting the generality of the foregoing, the CEO shall establish the annual salaries of each non-executive officer of the Corporation, unless otherwise directed by the Board, and the annual salaries of each officer of the Corporation's subsidiaries, unless otherwise directed by the respective boards of directors of such subsidiaries.

D. **President** . The President may sign, execute and deliver in the name of the Corporation powers of attorney, contracts, bonds, and other obligations and shall perform such other duties as may be prescribed from time to time by the Board of Directors, the CEO, or these Bylaws.

E. Chief Operating Officer (COO). The COO, subject to the powers of the CEO and the supervision of the Board of Directors, shall manage the day-to-day operations of the Corporation, shall perform such other duties as may be prescribed by the Board of Directors or the CEO, and shall have the general powers and duties usually vested in the chief operating officer of a corporation. Without limiting the generality of the foregoing, the COO shall supervise any other officer designated by the CEO and shall have all such powers as may be reasonably incident to such responsibilities. Unless otherwise provided by law or the Board of Directors, he may sign, execute and deliver in the name of the Corporation powers of attorney, contracts, and bonds.

F. Chief Financial Officer (CFO). The Chief Financial Officer shall be the principal financial officer of the Corporation. He shall manage the financial affairs of the Corporation and direct the activities of the Treasurer, Controller and other officers responsible for the Corporation's finances. He shall be responsible for all internal and external financial reporting. Unless otherwise provided by law or the Board of Directors, he may sign, execute and deliver in the name of the Corporation powers of attorney, contracts, bonds, and other obligations, and shall perform such other duties as may be prescribed from time to time by the Board of Directors or by these Bylaws.

G. Chief Administrative Officer (CAO). The CAO, subject to the supervision of the Board of Directors, shall be in general and active charge of the administrative functions of the Corporation, shall perform such other duties as may be prescribed by the Board of Directors and shall have the general powers and duties usually vested in the chief administrative officer of a corporation. Without limiting the generality of the foregoing, the CAO shall oversee the development and implementation of the Corporation's administrative policies.

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H. Chief Information Officer (CIO). The CIO, subject to the powers of the CEO, shall be responsible for (i) identifying and addressing the Corporation's information systems needs, (ii) identifying changes and trends in computer and systems technology that affect the Corporation and its operations, (iii) determining long-term corporate-wide information needs, (iv) developing overall strategy for information needs and systems development and (v) protecting corporate data, proprietary information and related intellectual property stored in the Corporation's information systems.

I. General Counsel. The General Counsel shall be directly responsible for advising the Board of Directors, the Corporation, and its officers and employees in matters affecting the legal affairs of the Corporation. He shall determine the need for and, if necessary, select outside counsel to represent the Corporation and approve all fees in connection with their representation. He shall also have such other powers, duties and authority as may be prescribed to him from time to time by the CEO, the Board of Directors, or these Bylaws.

J. Treasurer. As directed by the Chief Financial Officer, the Treasurer shall have general custody of all the funds and securities of the Corporation. He may sign, with the CEO, President, Chief Financial Officer or such other person or persons as may be specifically designated by the Board of Directors, all bills of exchange or promissory notes of the Corporation. He shall perform such other duties as may be prescribed from time to time by the Chief Financial Officer or these Bylaws.

K. Controller. As directed by the Chief Financial Officer, the Controller shall be responsible for the development and maintenance of the accounting systems used by the Corporation and its subsidiaries. The Controller shall be authorized to implement policies and procedures to ensure that the Corporation and its subsidiaries maintain internal accounting control systems designed to provide reasonable assurance that the accounting records accurately reflect business transactions and that such transactions are in accordance with management's authorization. Additionally, as directed by the Chief Financial Officer, the Controller shall be responsible for internal and external financial reporting for the Corporation and its subsidiaries.

L. Assistant Treasurer. The Assistant Treasurer shall have such powers and perform such duties as may be assigned by the Treasurer. In the absence or disability of the Treasurer, the Assistant Treasurer shall perform the duties and exercise the powers of the Treasurer.

M. Secretary. The Secretary shall keep the minutes of all meetings of the shareholders, the Board of Directors and its committees or subcommittees. He shall cause notice to be given of meetings of shareholders, of the Board of Directors and of any committee or subcommittee of the Board. He shall have custody of the corporate seal and general charge of the records, documents and papers of the Corporation not pertaining to the duties vested in other officers, which shall at all reasonable times be open to the examination of any Director. He may sign or execute contracts with any other officer thereunto authorized in the name of the Corporation and affix the seal of Corporation thereto. He shall perform such other duties as may be prescribed from time to time by the Board of Directors or these Bylaws.

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N. Assistant Secretaries. Each Assistant Secretary shall have powers and perform such duties as may be assigned by the Secretary. In the absence or disability of the Secretary, the Assistant Secretary with the longest tenure shall perform the duties and exercise the powers of the Secretary.

O. Executive Vice President(s). The Executive Vice President(s) shall, in addition to exercising such powers and performing such duties associated with any other office held thereby, assist the CEO in discharging the duties of that office in any manner requested, and shall perform any other duties as may be prescribed by the Board of Directors, by the CEO or by these Bylaws.

P. Senior Vice President(s). The Senior Vice President(s) shall, in addition to exercising such powers and performing such duties associated with any other office held thereby, perform such duties as may be prescribed from time to time by the Board of Directors, by the CEO or by these Bylaws (or, with respect to any Senior Vice President(s) who report to some other executive officer, by such other executive officer).



Q. Vice President(s). The Vice President(s) shall have such powers and perform such duties as may be assigned to them by the Board of Directors, the CEO, the President, or any Executive Vice President, Senior Vice President or other officer to whom they report. A Vice President may sign and execute contracts and other obligations pertaining to the regular course of his duties.

R. Assistant Vice President(s). The Assistant Vice President(s) shall have such powers and perform such duties as may be assigned to them by the Board of Directors, the CEO, the President or the officer to whom they report. An Assistant Vice President may sign and execute contracts and other obligations pertaining to the regular course of his duties.

1.2 Executive Officer Group. The Board shall at least annually designate certain officers as executive officers of the Corporation.

## **Section 2. Election and Removal of Officers**

2.1 Election. The officers shall be elected annually by the Board of Directors at its first meeting following the annual meeting of the shareholders and, at any time, the Board may remove any officer (with or without cause, and regardless of any contractual obligation to such officer) and fill a vacancy in any office, but any election to, removal from or appointment to fill a vacancy in any office, and the determination of the terms of employment thereof, shall require the affirmative votes of (a) a majority of the Directors then in office and (b) a majority of the Continuing Directors, voting as a separate group.

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2.2 Removal. In addition, the CEO is empowered in his sole discretion to remove or suspend any officer or other employee of the Corporation who (a) fails to respond satisfactorily to the Corporation respecting any inquiry by the Corporation for information to enable it to make any certification required by the Federal Communications Commission under the Anti-Drug Abuse Act of 1988, (b) is arrested or convicted of any offense concerning the distribution or possession of, or trafficking in, drugs or other controlled substances, or (c) the CEO believes to have been engaged in actions that could lead to such an arrest or conviction.

## **Section 3. Special Terms**

As of July 1, 2009, William A. Owens shall serve as Chairman of the Corporation. If at any time prior to July 1, 2010, William A. Owens ceases to be Chairman, then Mr. Owens' replacement shall be chosen by the Board from among Peter C. Brown, Steven A. Davis, Richard A. Gephardt, Thomas A. Gerke, Stephanie M. Shern or Laurie A. Siegel. In the event of any conflict between the terms of this Section 3 and any other by-law or the Corporation's Corporate Governance Guidelines, the terms of this Section 3 shall prevail. Prior to July 1, 2010, this Section 3 may be amended only upon the affirmative vote of (i) a majority of the total number of Directors then in office and (ii) a majority of the following Directors then in office: Peter C. Brown, Steven A. Davis, Richard A. Gephardt, Thomas A. Gerke, William A. Owens, Stephanie M. Shern and Laurie A. Siegel. The force and effect of this Section 3 shall lapse on July 1, 2010.

# **ARTICLE II. BOARD OF DIRECTORS**

## **Section 1. Powers**

In addition to the powers and authorities by these Bylaws expressly conferred upon it, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Articles of Incorporation or by these Bylaws required to be exercised or done by the shareholders.

## **Section 2. Organizational and Regular Meetings**

The Board of Directors shall hold an annual organizational meeting, without notice, immediately following the adjournment of the annual meeting of the shareholders and shall hold a regular meeting on such dates during the months of February, May, August and November of each year as shall be determined from time to time by the Board. The Secretary shall give not less than five days' written notice to each Director of all regular meetings, which notice shall state the time and place of the meeting.

## **Section 3. Special Meetings**

3.1 Call of Special Meetings. Special meetings of the Board of Directors may be called by the Chairman or the CEO. Upon the written request of any two Directors delivered to the Chairman, the CEO or the Secretary of the Corporation, a special meeting shall be called.

3.2 Notice. Notice of the time and place of special meetings of the Board of Directors will be given to each Director either by overnight mail mailed not less than 48 hours before the time of the meeting, by telephone or by other form of electronic transmission or communication not less than 12 hours before the time of the meeting, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate under exigent circumstances.

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## **Section 4. Waiver of Notice**

Any Director may waive notice of a meeting by written waiver executed either before or after the meeting. Directors present at any regular or special meeting shall be deemed to have received due, or to have waived, notice thereof, provided that a Director who participates in a meeting

by telephone shall not be deemed to have received or waived due notice if, at the beginning of the meeting, he objects to the transaction of any business because the meeting is not lawfully called.

## **Section 5. Quorum**

A majority of the authorized number of Directors as fixed by or pursuant to the Articles of Incorporation shall be necessary to constitute a quorum for the transaction of business, provided, however, that a minority of the Directors, in the absence of a quorum, may adjourn from time to time, but may not transact any business. If a quorum is present when the meeting convened, the Directors present may continue to do business, taking action by vote of a majority of a quorum, until adjournment, notwithstanding the withdrawal of enough Directors to leave less than a quorum or the refusal of any Director present to vote.

## **Section 6. Notice of Adjournment**

Notice of the time and place of holding an adjourned meeting need not be given to absent Directors if the time and place is fixed at the meeting adjourned.

## **Section 7. Written Consents**

Anything to the contrary contained in these Bylaws notwithstanding, any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board of Directors shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of such Directors at a meeting.

## **Section 8. Voting**

At all meetings of the Board, each Director present shall have one vote. At all meetings of the Board, all questions, the manner of deciding which is not otherwise specifically regulated by law, the Articles of Incorporation or these Bylaws, shall be determined by a majority of the Directors present at the meeting, provided, however, that any shares of other corporations owned by the Corporation shall be voted only pursuant to resolutions duly adopted upon the affirmative votes of (a) 80% of the Directors then in office and (b) a majority of the Continuing Directors, voting as a separate group.

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## **Section 9. Use of Communications Equipment**

Meetings of the Board of Directors may be held by means of telephone conference calls or similar communications equipment provided that all persons participating in the meeting can hear and communicate with each other.

## **Section 10 Indemnification**

### **10.1 Definitions.** As used in this Section 10:

(a) The term "Change of Control" shall mean (i) an acquisition by any person (within the meaning of Section 13(d)(3) or 14(d) (2) of the Securities Exchange Act of 1934, as amended) of beneficial ownership of 20% or more of the combined voting power of the Corporation's then outstanding voting securities; (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Corporation and any new director whose election by the Board of Directors or nomination for election by the Corporation's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or (iii) the consummation of a merger or consolidation involving the Corporation if the shareholders of the Corporation, immediately before such merger or consolidation, do not own, immediately following such merger or consolidation, more than 50% of the combined voting power of the outstanding voting securities of the resulting entity in substantially the same proportion as their ownership of voting securities immediately before such merger or consolidation. Notwithstanding the foregoing, a Change of Control shall not be deemed to occur solely because 20% or more of the Corporation's then outstanding voting securities is acquired by (1) a trustee or other fiduciary holding securities under one or more employee benefit plans maintained by the Corporation or any of its subsidiaries or (2) any entity that, immediately prior to such acquisition, is owned directly or indirectly by the shareholders of the Corporation in the same proportion as their ownership of shares in the Corporation immediately prior to such acquisition.

(b) The term "Claim" shall mean any threatened, pending or completed claim, action, suit, or proceeding, including discovery, whether civil, criminal, administrative, arbitral or investigative and whether made judicially or extra-judicially, or any separate issue or matter therein, as the context requires, but shall not include any action, suit or proceeding initiated by Indemnitee against the Corporation (other than to enforce the terms of this Section), or initiated by Indemnitee against any director or officer of the Corporation unless the Corporation has joined in or consented in writing to the initiation of such action, suit or proceeding.

(c) The term "Determining Body" shall mean (i) the Board of Directors by a majority vote of a quorum of the entire board consisting of directors who are not named as parties to the Claim for which indemnification is being sought ("Disinterested Directors"), or (ii) if such a quorum is not obtainable, independent legal counsel (A) selected by the Disinterested Directors, or (B) if there are fewer than two Disinterested Directors, selected by the Board of Directors (in which selection directors who do not qualify as Disinterested Directors may participate); provided, however, that following a Change of Control, with respect to all matters thereafter arising out of acts, omissions

or events occurring prior to or after the Change of Control concerning the rights of Indemnitee to seek indemnification, such determination shall be made by independent legal counsel selected by the Board of Directors in the manner described above in this Section 10.1(c) (which selection shall not be unreasonably delayed or withheld) from a panel of three counsel nominated by Indemnitee. Such counsel shall not have otherwise performed services for the Corporation, Indemnitee or their affiliates (other than services as independent counsel in connection with similar matters) within the five years preceding its engagement ("Independent Counsel"). If Indemnitee fails to nominate Independent Counsel within ten business days following written request by the Corporation, the Board of Directors shall select Independent Counsel. Such counsel shall not be a person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Corporation or Indemnitee in an action to determine Indemnitee's rights under this Section, nor shall Independent Counsel be any person who has been sanctioned or censured for ethical violations of applicable standards of professional conduct. The Corporation agrees to pay the reasonable fees and costs of the Independent Counsel referred to above and to fully indemnify such Independent Counsel against any and all expenses, claims, liabilities and damages arising out of or relating to this Section 10.1(c) or its engagement pursuant hereto. The Determining Body shall determine in accordance with Section 10.3 whether and to what extent Indemnitee is entitled to be indemnified under this Section and shall render a written opinion to the Corporation and to Indemnitee to such effect.

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(d) The term "D&O Insurance" shall mean directors and officers liability insurance.

(e) The term "Disbursing Officer" shall mean, with respect to a Claim, the Chief Executive Officer of the Corporation or, if the Chief Executive Officer is a party to the Claim as to which advancement or indemnification is being sought, any officer who is not a party to the Claim and who is designated by the Chief Executive Officer, which designation shall be made promptly after the Corporation's receipt of Indemnitee's initial request for advancement or indemnification and communicated to Indemnitee.

(f) The term "Expenses" shall mean any reasonable expenses or costs (including, without limitation, attorney's fees, fees of experts retained by attorneys, judgments, punitive or exemplary damages, fines and amounts paid in settlement) actually and reasonably incurred by Indemnitee with respect to a Claim, except that Expenses shall not include any amount paid in settlement of a Claim against Indemnitee (i) by or in the right of the Corporation, or (ii) that the Corporation has not approved, which approval will not be unreasonably delayed or withheld.

(g) The term "Indemnitee" shall mean each Director and officer and each former Director and officer of the Corporation.

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(h) The term "Section" shall mean Article II, Section 10, of these Bylaws, in its entirety, unless the context otherwise provides.

(i) The term "Standard of Conduct" shall mean conduct by an Indemnitee with respect to which a Claim is asserted that was in good faith and that Indemnitee reasonably believed to be in, or not opposed to, the best interest of the Corporation, and, in the case of a Claim that is a criminal action or proceeding, conduct that the Indemnitee had no reasonable cause to believe was unlawful. The termination of any Claim by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that Indemnitee did not meet the Standard of Conduct.

## 10.2 **Advancement of Expenses.**

(a) Subject to Indemnitee's furnishing the Corporation with a written undertaking, in a form reasonably satisfactory to the Corporation, to repay such amount if it is ultimately determined that Indemnitee is not entitled under this Section to indemnification therefor, the Corporation shall advance Expenses to Indemnitee in advance of the final disposition of any Claim involving Indemnitee; provided, however, that Indemnitee will return, without interest, any such advance that remains unspent at the disposition of the Claim to which the advance related, and provided further, that advances of such Expenses by the Corporation's D&O Insurance carrier shall be treated, for purposes of this Section 10.2(a), as advances by the Corporation. The written undertaking by Indemnitee must be an unlimited general obligation of Indemnitee but need not be secured and will be accepted by the Corporation without reference to the financial ability of Indemnitee to make repayment.

(b) Any request for advancement of Expenses shall be submitted by Indemnitee to the Disbursing Officer in writing and shall be accompanied by a written description of the Expenses for which advancement is requested. The Disbursing Officer shall, within 20 days after receipt of Indemnitee's request for advancement, advance such Expenses unsecured, interest-free and without regard to Indemnitee's ability to make repayment, provided that if the Disbursing Officer questions the reasonableness of any such request, that officer shall promptly advance to the Indemnitee the amount deemed by that officer to be reasonable and shall forward immediately to the Determining Body a copy of the Indemnitee's request and of the Disbursing Officer's response, together with a written description of that officer's reasons for questioning the reasonableness of a portion of the advancement sought. The Determining Body shall, within 20 days after receiving such a request from the Disbursing Officer, determine the reasonableness of the disputed Expenses and notify Indemnitee and the Disbursing Officer of its decision, which shall be final, subject to Indemnitee's right under Section 10.4 to seek a judicial adjudication of Indemnitee's rights.

(c) Indemnitee's right to advancement under this Section 10.2 shall include the right to advancement of Expenses incurred by Indemnitee in a suit against the Corporation under Section 10.4 to enforce Indemnitee's rights under this Section. Such right of advancement shall, however, be subject to Indemnitee's obligation pursuant to Indemnitee's undertaking described in Section 10.2(a) to repay such advances, to the extent provided in Section 10.4, if it is ultimately determined in the enforcement suit that Indemnitee is not entitled to indemnification for a Claim.

### 10.3 Indemnity.

(a) The Corporation shall, in the manner provided in this Section, indemnify and hold harmless Indemnitee against Expenses incurred in connection with any Claim against Indemnitee (whether as a subject of or party to, or a proposed or threatened subject of or party to, the Claim) or in which Indemnitee is involved solely as a witness or person required to give evidence, by reason of Indemnitee's position (a) as a director or officer of the Corporation, (b) as a director or officer of any subsidiary of the Corporation or as a fiduciary with respect to any employee benefit plan of the Corporation, or (c) as a director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other for profit or not for profit entity or enterprise, if such position is or was held at the request of the Corporation, regardless of when serving in such position occurred, if (x) Indemnitee is successful in defense of the Claim on the merits or otherwise, as provided in Section 10.3(d), or (y) Indemnitee has been found by the Determining Body to have met the Standard of Conduct; provided that no indemnification shall be made in respect of any Claim by or in the right of the Corporation as to which Indemnitee shall have been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the Corporation unless, and only to the extent, a court shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such Expenses as the court shall deem proper, and provided further, that Expenses incurred in connection with a Claim for which Indemnitee has been reimbursed or indemnified by the Corporation's D&O Insurance carrier shall be credited against the Corporation's obligation under this Section 10.3(a) with respect to such Claim.

(b) Promptly upon becoming aware of the existence of any Claim with respect to which Indemnitee may seek indemnification hereunder, Indemnitee shall notify the Chief Executive Officer (or, if the Chief Executive Officer is the Indemnitee, the next ranking executive officer who is not an Indemnitee with respect to the Claim) of the existence of the Claim, who shall promptly advise the Board of Directors that establishing the Determining Body will be a matter presented at the next regularly scheduled meeting of the Board of Directors. Delay by Indemnitee in giving such notice shall not excuse performance by the Corporation hereunder unless, and only to the extent that, the Corporation did not otherwise learn of the Claim and such failure results in forfeiture by the Corporation of substantial defenses, rights or insurance coverage. After the Determining Body has been established, the Chief Executive Officer or that officer's delegate shall inform Indemnitee thereof and Indemnitee shall promptly notify the Determining Body, to the extent requested by it, of all facts relevant to the Claim known to Indemnitee.

(c) Indemnitee shall be entitled to conduct the defense of the Claim and to make all decisions with respect thereto, with counsel of Indemnitee's choice, provided that in the event the defense of the Claim has been assumed by the Corporation through its D&O Insurance carrier or otherwise, then (i) Indemnitee will be entitled to retain separate counsel from the Corporation's Counsel (but not more than one law firm plus, if applicable, local counsel at the Corporation's expense if, but only if, Indemnitee shall reasonably conclude that one or more legal defenses may be available to Indemnitee that are different from, or in addition to, those available to the Corporation or other defendants represented by the Corporation through its D&O Insurance carrier or otherwise, and (ii) the Corporation will not, without the prior written consent of Indemnitee, effect any settlement of the Claim unless such settlement (x) includes an unconditional release of Indemnitee from all liability that is the subject matter of such Claim, (y) does not impose penalties or post-settlement obligations on Indemnitee (except for customary confidentiality obligations), and (z) does not require payment by Indemnitee of money in settlement.

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(d) To the extent Indemnitee is successful on the merits or otherwise in defense of any Claim, Indemnitee shall be indemnified against Expenses incurred by Indemnitee with respect to the Claim, regardless of whether Indemnitee has met the Standard of Conduct, and without the necessity of any determination by the Determining Body as to whether Indemnitee has met the Standard of Conduct. In the event Indemnitee is not entirely successful on the merits or otherwise in defense of any Claim, but is successful on the merits or otherwise in defense of any claim, issue or matter involved in the Claim, Indemnitee shall be indemnified for the portion of Indemnitee's Expenses incurred in such successful defense that is determined by the Determining Body to be reasonably and properly allocable to the claims, issues, or matters as to which Indemnitee was successful.

(e) Except as otherwise provided in Section 10.3(d), the Corporation shall not indemnify any Indemnitee under Section 10.3(a) unless a determination has been made by the Determining Body (or by a court upon application or in a proceeding brought by Indemnitee under Section 10.4) with respect to a specific Claim that indemnification of Indemnitee is permissible because Indemnitee has met the Standard of Conduct. In the event settlement of a Claim to which Indemnitee is a party has been proposed ("Proposed Settlement"), the Determining Body shall, promptly after submission to it but prior to consummation of the Proposed Settlement, make a determination whether Indemnitee shall have met the Standard of Conduct. In the event such determination is adverse to Indemnitee, Indemnitee shall be entitled to reject the Proposed Settlement. In the event of final disposition of a Claim other than by settlement, the Determining Body shall, promptly after but not before such final disposition, make a determination whether Indemnitee has met the Standard of Conduct. In all cases, the determination shall be in writing and shall set forth in reasonable detail the basis and reasons therefor. The Determining Body shall, promptly after making such determination, provide a copy thereof to both the Disbursing Officer and Indemnitee and shall instruct the former to (i) reimburse Indemnitee as soon as practicable for all Expenses, if any, to which Indemnitee has been so determined to be entitled and which have not previously been advanced to Indemnitee under Section 10.2 (or otherwise recovered by Indemnitee through an insurance or other arrangement provided by the Corporation), and (ii) seek reimbursement from Indemnitee (subject to Indemnitee's rights under Section 10.4) of all advancements that have been made pursuant to Section 10.2 as to which it has been so determined that Indemnitee is not entitled to be indemnified.

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(f) Indemnitee shall cooperate with the Determining Body at the expense of the Corporation by providing to the Determining

Body, upon reasonable advance request, any documentation or information that is not privileged or otherwise protected from disclosure and that is reasonably available to Indemnitee and reasonably necessary to make such determination.

(g) If the Determining Body makes a determination pursuant to Section 10.3(e) that Indemnitee is entitled to indemnification, the Corporation shall be bound by that determination in any judicial proceeding, absent a determination by a court that such indemnification contravenes applicable law.

(h) In making a determination under Section 10.3(e), the Determining Body shall presume that the Standard of Conduct has been met unless the contrary shall be shown by a preponderance of the evidence.

(i) The Corporation and Indemnitee shall keep confidential, to the extent permitted by law and their fiduciary obligations, all facts and determinations provided pursuant to or arising out of the operation of this Section, and the Corporation and Indemnitee shall instruct their respective agents to do likewise.

#### 10.4 **Enforcement.**

(a) The rights provided by this Section shall be enforceable by Indemnitee in any court of competent jurisdiction.

(b) If Indemnitee seeks a judicial adjudication of Indemnitee's rights under, or to recover damages for breach of, this Section, Indemnitee shall be entitled to recover from the Corporation, and shall be indemnified by the Corporation against, any and all Expenses incurred by Indemnitee in connection with such proceeding, but only if Indemnitee prevails therein. If it shall be determined that Indemnitee is entitled to receive part but not all of the relief sought, then Indemnitee shall be entitled to be reimbursed for all Expenses incurred by Indemnitee in connection with such proceeding if the indemnification amount to which Indemnitee is determined to be entitled exceeds 50% of the amount of Indemnitee's claim. Otherwise, the reimbursement of Expenses incurred by Indemnitee in connection with such judicial adjudication shall be appropriately prorated.

(c) In any judicial proceeding described in this Section 10.4, the Corporation shall bear the burden of proving that Indemnitee is not entitled to advancement or reimbursement of Expenses sought with respect to any Claim.

10.5 **Saving Clause.** If any provision of this Section is determined by a court having jurisdiction over the matter to require the Corporation to do or refrain from doing any act that is in violation of applicable law, the court shall be empowered to modify or reform such provision so that, as modified or reformed, such provision provides the maximum indemnification permitted by law and such provision, as so modified or reformed, and the balance of this Section, shall be applied in accordance with their terms. Without limiting the generality of the foregoing, if any portion of this Section shall be invalidated on any ground, the Corporation shall nevertheless indemnify Indemnitee to the full extent permitted by any applicable portion of this Section that shall not have been invalidated and to the full extent permitted by law with respect to that portion that has been invalidated.

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10.6 **Non-Exclusivity.** The indemnification and payment of Expenses provided by or granted pursuant to this Section shall not be deemed exclusive of any other rights to which Indemnitee is or may become entitled under any statute, article of incorporation, insurance policy, authorization of shareholders or directors, agreement or otherwise, including, without limitation, any rights authorized by the Determining Body in its discretion with respect to matters for which indemnification is permitted under La. R.S. 12:83A. The parties recognize that La. R. S. 12:83E presently provides that no such other indemnification measure shall permit indemnification of any person for the results of such person's willful or intentional misconduct.

10.7 **Subrogation.** In the event of any payment under this Section, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee. Following receipt of indemnification payments hereunder, as further assurance, Indemnitee shall execute all papers reasonably required and, at the expense of the Corporation, take all action reasonably necessary to secure such subrogation rights, including execution of such documents as are reasonably necessary to enable the Corporation to bring suit to enforce such rights.

#### 10.8 **Successors and Assigns.**

(a) The Corporation shall require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all the business or assets of the Corporation, by agreement or other instrument in form and substance satisfactory to the Corporation, expressly to assume and agree to perform its obligations under this Section in the same manner and to the same extent the Corporation would be required to perform if no such succession had taken place.

(b) Indemnitee's right to advancement and indemnification of Expenses pursuant to this Section shall continue regardless of the termination of Indemnitee's status as a director or officer of the Corporation, and this Section shall inure to the benefit of and be enforceable by Indemnitee's personal or legal representatives, executors, administrators, spouses, heirs, assigns and other successors.

(c) The rights granted to each Indemnitee under this Section are personal in nature and neither the Corporation nor any Indemnitee shall, without the prior written consent of the other, assign or delegate any rights or obligations under this Section except as expressly provided in Sections 10.8(a) and 10.8(b).

(d) This Section shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation, reorganization or otherwise to all or substantially all of the business or assets of the Corporation), permitted, assigns, spouses, heirs, executors, administrators and personal and legal representatives.

10.9 **Indemnification of Other Persons**. The Corporation may indemnify any person not a Director or officer of the Corporation to the extent authorized by the Board of Directors or a committee of the Board expressly authorized by the Board of Directors.

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## **Section 11. Certain Qualifications**

No person shall be eligible for nomination, election or service as a Director of the Corporation who shall (i) in the opinion of the Board of Directors fail to respond satisfactorily to the Corporation respecting any inquiry of the Corporation for information to enable the Corporation to make any certification required by the Federal Communications Commission under the Anti-Drug Abuse Act of 1988 or to determine the eligibility of such persons under this section; (ii) have been arrested or convicted of any offense concerning the distribution or possession of, or trafficking in, drugs or other controlled substances, provided that in the case of an arrest the Board of Directors may in its discretion determine that notwithstanding such arrest such persons shall remain eligible under this Section; or (iii) have engaged in actions that could lead to such an arrest or conviction and that the Board of Directors determines would make it unwise for such person to serve as a Director of the Corporation. Any person serving as a Director of the Corporation shall automatically cease to be a Director on such date as he ceases to have the qualifications set forth in this Section, and his position shall be considered vacant within the meaning of the Articles of Incorporation of the Corporation.

## **ARTICLE III . COMMITTEES**

### **Section 1. Committees**

1.1 **Standing Committees**. The Board of Directors shall have the standing committees specified below:

- A. **The Compensation Committee** shall consist of three or more Directors (the exact number of which shall be set from time to time by the Board), who shall have such qualifications, powers and responsibilities as specified in any charter that may from time to time be adopted by the Compensation Committee and approved by the Board of Directors.
- B. **The Nominating and Corporate Governance Committee** shall consist of three or more Directors (the exact number of which shall be set from time to time by the Board), who shall have such qualifications, powers and responsibilities as specified in any charter that may from time to time be adopted by the Nominating and Corporate Governance Committee and approved by the Board of Directors.
- C. **The Audit Committee** shall consist of three or more Directors (the exact number of which shall be set from time to time by the Board), who shall have such qualifications, powers and responsibilities as specified in any charter that may from time to time be adopted by the Audit Committee and approved by the Board of Directors.
- D. **The Risk Evaluation Committee** shall consist of three or more Directors (the exact number of which shall be set from time to time by the Board), who shall have such qualifications, powers and responsibilities as specified in any charter that may from time to time be adopted by the Risk Evaluation Committee and approved by the Board of Directors.

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1.2 **Special Purpose Committees**. The Board may authorize on an *ad hoc* basis special pricing committees in connection with the issuance of securities or such other special purpose committees as may be necessary or appropriate in connection with the Board's management of the business and affairs of the Corporation.

1.3 **Subcommittees**. As necessary or appropriate, each of the standing committees listed in Section 1.1 may organize a standing or *ad hoc* subcommittee for such purposes within the scope of its powers as it sees fit, and may delegate to such subcommittee any of its powers as may be necessary or appropriate to enable such subcommittee to discharge its duties and responsibilities. Any such subcommittee shall be composed solely of members of the standing committee, which shall appoint and replace such subcommittee members. Each subcommittee member shall hold office during the term designated by the standing committee, provided that such term shall automatically lapse if such member ceases to be a member of the standing committee or fails to meet any other qualifications that may be imposed by the standing committee.

### **Section 2. Appointment and Removal of Committee Members**

Subject to Section 5 below, Directors shall be appointed to or removed from a committee only upon the affirmative votes of:

- 1. A majority of the Directors then in office; and
- 2. A majority of the Continuing Directors, voting as a separate group.

Each member of a committee shall serve until his or her successor is duly appointed and qualified.

### **Section 3. Procedures for Committees**

Each committee or subcommittee may adopt such charters, procedures or regulations as it shall deem necessary for the proper conduct of its functions and the performance of its responsibilities, provided that such charters, procedures or regulations are consistent with (i) the Corporation's Articles of Incorporation, Bylaws and Corporate Governance Guidelines, (ii) applicable laws, regulations and stock exchange listing standards, and (iii) any regulations or procedures specified for such committee by the Board of Directors or for such subcommittee by the standing committee that authorized its organization under Section 1.3 (collectively, the "Governing Standards"). Unless otherwise determined by a committee or subcommittee, each meeting thereof shall be convened pursuant to the notice requirements pertaining to meetings of the full Board. Each committee and subcommittee shall keep written minutes of its meetings.

#### **Section 4. Meetings**

A committee or subcommittee may invite to its meetings other Directors, representatives of management, counsel or other persons whose pertinent advice or counsel is sought by the committee or subcommittees. A majority of the members of any committee or subcommittee shall constitute a quorum and action by a majority (or by any super-majority required by the Governing Standards) of a quorum at any meeting of a committee or subcommittee shall be deemed action by the committee or subcommittee. The committee or subcommittee may also take action without meeting if all members thereof consent in writing thereto. Meetings of a committee or subcommittee may be held by telephone conference calls or other communications equipment provided each person participating may hear and be heard by all other meeting participants. Each committee shall make regular reports to the Board. All recommendations or actions of any committee or subcommittee shall be subject to approval or ratification by the full Board of Directors unless the committee or subcommittee possesses plenary power to act independently with respect to such matter and the submission of such matter to the full Board for action would be prohibited by, or contrary to the intent and purpose of, any Governing Standards.

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#### **Section 5. Authority to Fill Vacancies**

Any vacancy in any committee (including any vacancy resulting from an increase in the number of directors comprising the committee) shall be filled by the Board. If the Board fails to fill any such vacancy within 30 days of being advised thereof, the Nominating and Corporate Governance Committee shall have the power to fill the vacancy, in which case the new committee member shall serve on such committee until such time as the Board may elect to replace such new committee member. For a period of one year beginning on July 1, 2009, any such vacancies will be filled with a designee who, in addition to satisfying any other criteria required to serve on a particular committee, will be chosen from among (i) Virginia Boulet, W. Bruce Hanks, Gregory J. McCray, C.G. Melville, Jr., Fred R. Nichols, Harvey P. Perry, Glen F. Post, III or Joseph R. Zimmel (each a "Legacy CenturyTel Director") in the case of a vacancy relating to a committee position previously held by any Legacy CenturyTel Director or (ii) Peter C. Brown, Steven A. Davis, Richard A. Gephardt, Thomas A. Gerke, William A. Owens, Stephanie M. Shern or Laurie A. Siegel (each a "Legacy EMBARQ Director") in the case of a vacancy relating to a committee position previously held by any Legacy EMBARQ Director.

### **ARTICLE IV.** **SHAREHOLDERS' MEETINGS**

#### **Section 1. Place of Meetings**

Unless otherwise required by law or these Bylaws, all meetings of the shareholders shall be held at the principal office of the Corporation or at such other place, within or without the State of Louisiana, as may be designated by the Board of Directors.

#### **Section 2. Annual Meeting**

An annual meeting of the shareholders shall be held on the date and at the time as the Board of Directors shall designate for the purpose of electing Directors and for the transaction of such other business as may be properly brought before the meeting. If no annual shareholders' meeting is held for a period of 18 months, any shareholder may call such meeting to be held at the registered office of the Corporation as shown on the records of the Secretary of State of the State of Louisiana.

#### **Section 3. Special Meetings**

Special meetings of the shareholders, for any purpose or purposes, may be called by the Board of Directors. Subject to the terms of any outstanding class or series of Preferred Stock that entitles the holders thereof to call special meetings, the holders of a majority of the Total Voting Power shall be required to cause the Secretary of the Corporation to call a special meeting of shareholders pursuant to La. R.S. 12:73B (or any successor provision). Such requests of shareholders must state the specific purpose or purposes of the proposed special meeting, and the business to be brought before such meeting by the shareholders shall be limited to such purpose or purposes.

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#### **Section 4. Notice of Meetings**

Except as otherwise provided by law, the authorized person or persons calling a shareholders' meeting shall cause written notice of the time and place of the meeting to be given to all shareholders of record entitled to vote at such meeting at least 10 days and not more than 60 days prior to the day fixed for the meeting. Notice of the annual meeting need not state the purpose or purposes thereof, unless action is to be taken at the meeting as to which notice is required by law, the Articles of Incorporation or the Bylaws. Notice of a special meeting shall state the purpose or purposes thereof. Any previously scheduled meeting of the shareholders may be postponed, and (unless provided otherwise by law or the Articles

of Incorporation) any special meeting of the shareholders may be canceled, by resolution of the Board of Directors upon public notice given prior to the date previously scheduled for such meeting of shareholders.

## **Section 5. Notice of Shareholder Nominations and Shareholder Business**

5.1 **Business Brought Before Meetings**. At any meeting of the shareholders, only such business shall be conducted as shall have been properly brought before the meeting. Nominations for the election of Directors at a meeting at which Directors are to be elected may be made by or at the direction of the Board of Directors, or a committee duly appointed thereby, or by any shareholder of record entitled to vote generally for the election of Directors who complies with the procedures set forth below. Other matters to be properly brought before a meeting of the shareholders must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, including matters covered by Rule 14a-8 of the Securities and Exchange Commission, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by any shareholder of record entitled to vote at such meeting who complies with the procedures set forth below.

5.2 **Required Notice**. A notice of the intent of a shareholder to make a nomination or to bring any other matter before the meeting shall be made in writing and received by the Secretary of the Corporation not more than 180 days and not less than 90 days in advance of the first anniversary of the preceding year's annual meeting of shareholders or, in the event of a special meeting of shareholders or annual meeting scheduled to be held either 30 days earlier or later than such anniversary date, such notice shall be received by the Secretary of the Corporation within 15 days of the earlier of the date on which notice of such meeting is first mailed to shareholders or public disclosure of the meeting date is made. In no event shall the public announcement of an adjournment of a shareholders' meeting commence a new time period for the giving of a shareholder's notice as described above.

5.3 **Contents of Notice**. Every such notice by a shareholder shall set forth:

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(a) the name, age, business address and residential address of the shareholder of record who intends to make a nomination or bring up any other matter, and any beneficial owner or other person acting in concert with such shareholder;

(b) a representation that the shareholder is a holder of record of shares of the Corporation's capital stock that accord such shareholder the voting rights specified in paragraph 5.1 above and that the shareholder intends to appear in person at the meeting to make the nomination or bring up the matter specified in the notice;

(c) with respect to notice of an intent to make a nomination, a description of all agreements, arrangements or understandings among the shareholder, any person acting in concert with the shareholder, each proposed nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder;

(d) with respect to notice of an intent to make a nomination, (i) the name, age, business address and residential address of each person proposed for nomination, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of capital stock of the Corporation of which such person is the beneficial owner, and (iv) any other information relating to such person that would be required to be disclosed in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had such nominee been nominated by the Board of Directors; and

(e) with respect to notice of an intent to bring up any other matter, a complete and accurate description of the matter, the reasons for conducting such business at the meeting, and any material interest in the matter of the shareholder and the beneficial owner, if any, on whose behalf the proposal is made.

5.4 **Other Required Information**. Notice of an intent to make a nomination shall be accompanied by the written consent of each nominee to serve as a Director of the Corporation if so elected and an affidavit of each such nominee certifying that he meets the qualifications specified in Section 11 of Article II of these Bylaws. The Corporation may require any proposed nominee to furnish such other information or certifications as may be reasonably required by the Corporation to determine the eligibility and qualifications of such person to serve as a Director.

5.5 **Disqualification of Certain Proposals**. With respect to any proposal by a shareholder to bring before a meeting any matter other than the nomination of Directors, the following shall govern:

(a) If the Secretary of the Corporation has received sufficient notice of a proposal that may properly be brought before the meeting, a proposal sufficient notice of which is subsequently received by the Secretary and that is substantially duplicative of the first proposal shall not be properly brought before the meeting. If in the judgment of the Board of Directors a proposal deals with substantially the same subject matter as a prior proposal submitted to shareholders at a meeting held within the preceding five years, it shall not be properly brought before any meeting held within three years after the latest such previous submission if (i) the proposal was submitted at only one meeting during such preceding period and it received affirmative votes representing less than 3% of the total number of votes cast in regard thereto, (ii) the proposal was submitted at only two meetings during such preceding period and it received at the time of its second submission affirmative votes representing less than 6% of the total number of votes cast in regard thereto, or (iii) the proposal was submitted at three or more meetings during such preceding period and it received at the time of its latest submission affirmative votes representing less than 10% of the total number of votes cast in regard thereto.

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(b) Notwithstanding compliance with all of the procedures set forth above in this Section, no proposal shall be deemed to be



properly brought before a meeting of shareholders if, in the judgment of the Board, it is not a proper subject for action by shareholders under Louisiana law.

5.6 **Power to Disregard Proposals.** At the meeting of shareholders, the chairman shall declare out of order and disregard any nomination or other matter not presented in accordance with the foregoing procedures or which is otherwise contrary to the foregoing terms and conditions.

5.7 **Rights and Obligations of Shareholders Under Federal Proxy Rules.** Nothing in this Section shall be deemed to modify (i) any obligations of a shareholder to comply with all applicable requirements of the Securities Exchange Act of 1934 and the regulations promulgated thereunder with respect to the matters set forth in this Section of the Bylaws or (ii) any rights or obligations of shareholders with respect to requesting inclusion of proposals in the Corporation's proxy statement or soliciting their own proxies pursuant to the proxy rules of the Securities and Exchange Commission.

5.8 **Rights of Preferred Shareholders.** Nothing in this Section shall be deemed to modify any rights of holders of any outstanding class or series of Preferred Stock to elect Directors or bring other matters before a shareholders' meeting in the manner specified by the terms and conditions governing such stock.

## **Section 6. Quorum**

6.1 **Establishment of Quorum.** Except as otherwise provided by law, at all meetings of shareholders the presence, in person or by proxy, of the holders of a majority of the Total Voting Power shall constitute a quorum to organize the meeting; *provided, however*, that this subsection shall not have the effect of reducing the vote required to approve any matter that may be established by law, the Articles of Incorporation or these Bylaws. Shares of Voting Stock as to which the holders have voted or abstained from voting with respect to any matter considered at a meeting, or which are subject to Non-Votes (as defined in Section 6.3 below), shall be counted as present for purposes of constituting a quorum to organize a meeting.

6.2 **Withdrawal.** If a quorum is present or represented at a duly organized meeting, such meeting may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, or the refusal of any shareholders present to vote.

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6.3 **Non-Votes.** As used in these Bylaws, "Non-Votes" shall mean the number of votes as to which the record holder or proxy holder of shares of Capital Stock has been precluded from voting thereon (whether by law, regulations of the Securities and Exchange Commission, rules or bylaws of any national securities exchange or other self-regulatory organization, or otherwise), including without limitation votes as to which brokers may not or do not exercise discretionary voting power under the rules of the New York Stock Exchange with respect to any matter for which the broker has not received voting instructions from the beneficial owner of the voting shares.

## **Section 7. Voting Power Present or Represented**

For purposes of determining the amount of Total Voting Power present or represented at any annual or special meeting of shareholders with respect to voting on any particular matter, shares as to which the holders have abstained from voting, and shares which are subject to Non-Votes, will be treated as not present and not cast.

## **Section 8. Voting Requirements**

8.1 **General Voting Standard.** When a quorum is present at any meeting, the vote of the holders of a majority of the Total Voting Power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which, by express provision of law, regulation, the Articles of Incorporation or Subsection 8.2 below, a different vote is required, in which case such express provision shall govern and control the decision of such question.

8.2 **Majority Director Election Standard.** Subject to the rights of the holders of any series of preferred stock and except as otherwise required by law or the Articles of Incorporation, each director to be elected by the shareholders must receive a majority of the votes cast with respect to the election of that director at any meeting for the election of directors at which a quorum is present, provided that if the number of nominees exceeds the number of directors to be elected in a contested election, the directors will be elected by a plurality of the shares represented in person or by proxy at the meeting and entitled to vote on the election of directors. For purposes of this section, (i) a "majority of votes cast" means that the number of votes cast "for" a director's election exceeds the number of votes cast as "withheld" or "against" with respect to that director's election and (ii) a "contested election" means that the number of persons properly nominated to serve as directors of the Corporation exceeds the number of directors to be elected.

8.3 **Resignation Offers.** If a director nominee who is an incumbent director is not elected and no successor has been elected at the same meeting, the director must submit to the Board of Directors promptly after the certification of the election results a letter offering to resign from the Board of Directors (a "Resignation Offer"). The Nominating and Corporate Governance Committee will consider the Resignation Offer and will make a recommendation to the Board of Directors whether to accept the Resignation Offer, reject the Resignation Offer or take other action. The Board of Directors, taking into account the Nominating and Corporate Governance Committee's recommendation and any other factors they deem relevant, will act on each Resignation Offer within 90 days from the date of the certification of the election results and will disclose promptly in a Form 8-K Report filed with the Securities and Exchange Commission its decision and the rationale therefor.

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## **Section 9. Proxies**

At any meeting of the shareholders, every shareholder having the right to vote shall be entitled to vote in person or by proxy appointed by an instrument in writing subscribed by such shareholder and bearing a date not more than 11 months prior to the meeting, unless the instrument provides for a longer period, but in no case will an outstanding proxy be valid for longer than three years from the date of its execution. The person appointed as proxy need not be a shareholder of the Corporation.

#### **Section 10. Adjournments**

10.1 **Adjournments of Meetings**. Adjournments of any annual or special meeting of shareholders may be taken without new notice being given unless a new record date is fixed for the adjourned meeting, but any meeting at which Directors are to be elected shall be adjourned only from day to day until such Directors shall have been elected.

10.2 **Lack of Quorum**. If a meeting cannot be organized because a quorum has not attended, those present may adjourn the meeting to such time and place as they may determine, subject, however, to the provisions of Section 10.1 hereof. In the case of any meeting called for the election of Directors, those who attend the second of such adjourned meetings, although less than a quorum as fixed in Section 6.1 hereof, shall nevertheless constitute a quorum for the purpose of electing Directors.

#### **Section 11. Written Consents**

Any action required or permitted to be taken at any annual or special meeting of shareholders may be taken only upon the vote of the shareholders, present in person or represented by duly authorized proxy, at an annual or special meeting duly noticed and called, as provided in these Bylaws, and may not be taken by a written consent of the shareholders pursuant to the Business Corporation Law of the State of Louisiana.

#### **Section 12. List of Shareholders**

At every meeting of shareholders, a list of shareholders entitled to vote, arranged alphabetically and certified by the Secretary or by the agent of the Corporation having charge of transfers of shares, showing the number and class of shares held by each shareholder on the record date for the meeting, shall be produced on the request of any shareholder.

#### **Section 13. Procedure at Shareholders' Meetings**

The Chairman of the Board, or, in his absence, the CEO, shall preside as chairman at all shareholders' meetings. The organization of each shareholders' meeting and all matters relating to the manner of conducting the meeting shall be determined by the chairman, including the order of business, the conduct of discussion and the manner of voting. Meetings shall be conducted in a manner designed to accomplish the business of the meeting in a prompt and orderly fashion and to be fair and equitable to all shareholders, but it shall not be necessary to follow Roberts' Rules of Order or any other manual of parliamentary procedure.

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### **ARTICLE V. CERTIFICATES OF STOCK**

Any certificates of stock issued by the Corporation shall be numbered, shall be entered into the books of the Corporation as they are issued, and shall be signed in the manner required by law. The Corporation may elect to issue uncertificated shares of stock.

### **ARTICLE VI. REGISTERED SHAREHOLDERS**

The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and accordingly shall not be bound to recognize any beneficial, equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, except as expressly provided by the laws of Louisiana.

### **ARTICLE VII. LOSS OF CERTIFICATE**

Any person claiming a certificate of stock to be lost or destroyed shall make an affidavit or affirmation of that fact, and the Board of Directors, the General Counsel or the Secretary may, in his or its discretion, require the owner of the lost or destroyed certificate or his legal representative, to give the Corporation a bond, in such sum as the Board of Directors, the General Counsel or the Secretary may require, to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss or destruction of any such certificate; a new certificate of the same tenor and for the same number of shares as the one alleged to be lost or destroyed, may be issued without requiring any bond when, in the judgment of the Board of Directors, the General Counsel or the Secretary, it is proper to do so.

### **ARTICLE VIII. CHECKS**

All checks, drafts and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors or the executive officers may from time to time designate.

**ARTICLE IX.  
DIVIDENDS**

Dividends upon the capital stock of the Corporation, subject to the provisions of the Articles of Incorporation, if any, may be declared by the Board of Directors at any regular or special meetings, pursuant to law.`

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**ARTICLE X  
INAPPLICABILITY OF LOUISIANA CONTROL SHARE STATUTE**

Effective May 23, 1995, the provisions of La. R.S. 12:135 through 12:140.2 shall not apply to control share acquisitions of shares of the Corporation's Capital Stock.

**ARTICLE XI.  
CERTAIN DEFINITIONS**

The terms Capital Stock, Continuing Directors, Total Voting Power and Voting Stock shall have the meanings ascribed to them in the Articles of Incorporation, provided, however, that for purposes of Sections 3 and 6 of Article IV of these Bylaws, Total Voting Power shall mean the total number of votes that holders of Capital Stock are entitled to cast generally in the election of Directors.

**ARTICLE XII.  
AMENDMENTS**

These Bylaws may only be altered, amended or repealed in the manner specified in the Articles of Incorporation.

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# CENTURYTEL, INC.

## CORPORATE GOVERNANCE GUIDELINES

(as amended through April 7, 2010)

### 1. Director Qualifications

The Board will have a majority of independent directors. The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of new Board members as well as the composition of the Board as a whole. This assessment will include members' independence qualifications, as well as consideration of diversity, character, judgment, skills and experience in the context of the needs of the Board at that time. All directors must meet any additional qualifications established under the Company's organizational documents. It is the general sense of the Board that no more than two management directors should serve on the Board.

Nominees for directorship will be selected in accordance with the qualifications, criteria and procedures described in these guidelines and the Company's bylaws, as well as the policies and principles in the Committee's charter and any selection guidelines or criteria adopted thereunder. The invitation to join the Board should be extended on behalf of the full Board by the Chairman of the Nominating and Corporate Governance Committee and the Chairman of the Board.

On the terms and subject to the conditions specified in the Company's bylaws, directors shall be elected by a majority vote of the shareholders and any incumbent director failing to receive a majority of votes cast must promptly tender his or her resignation to the Board.

The Board expects directors who change the job or responsibility they held when they were elected to the Board to volunteer to resign from the Board. It is not the sense of the Board that in every such instance the director should necessarily leave the Board. There should, however, be an opportunity for the Board, following a review by the Nominating and Corporate Governance Committee, to determine the continued appropriateness of Board membership under the circumstances.

No director may serve on more than two other unaffiliated public company boards, unless this prohibition is waived by the Board. No director may serve on the board of a company or organization that competes with the Company or is otherwise likely to raise a significant conflict of interest, unless such service is approved by the Board. Directors should advise the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on another public company board. No director may be appointed or nominated to a new term if he or she would be age 75 or older at the time of the election or appointment.

The Board does not believe it should establish term limits. While term limits could help insure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole. As an alternative to term limits, the Nominating and Corporate Governance Committee will review each director's continuation on the Board at least once every three years. This will allow each director the opportunity to conveniently confirm his or her desire to continue as a member of the Board.

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Annually, the Board will determine affirmatively which of its directors are independent for purposes of complying with these guidelines and the listing standards of the New York Stock Exchange (the "NYSE"). A director will not be independent for these purposes unless the Board affirmatively determines that the director does not, either directly or indirectly through the director's affiliates or associates, have a material commercial, banking, consulting, legal, accounting, charitable, familial or other relationship with the Company or its affiliates, other than as a director. In making these determinations, the Board will consider all relevant facts and circumstances of both the director and the director's affiliates and associates, and the extent to which any such relationship could reasonably be expected to interfere with the exercise of independent judgment by the director. In no event, however, will a director be determined to be independent if any of the disqualifying events or conditions specified in Rule 303A.02(b) of the NYSE Listed Company Manual (as such rule may from time to time be amended, restated, supplemented or re-promulgated) apply to the director. A member of the Audit Committee of the Board will not be deemed to be independent unless such member meets the standards set forth both in this paragraph and Rule 10A-3(b) promulgated under the Securities Exchange Act of 1934, as amended (as such rule may from time to time be amended, restated, supplemented or re-promulgated). For purposes of this paragraph, the terms "affiliates" and "associates" will have the meanings ascribed to them in Rule 405 promulgated under the Securities Act of 1933, as amended (as such rule may from time to time be amended, restated, supplemented or re-promulgated).

### 2. Director Responsibilities

The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors. The directors shall also be entitled to have the Company purchase reasonable directors' and officers' liability insurance on their behalf, to the benefits of indemnification to the extent permitted by law and the Company's bylaws and any indemnification agreements, and to exculpation as provided by state law and the Company's articles of incorporation.

Directors are expected to (i) attend the annual shareholders meeting, (ii) attend Board meetings and meetings of committees on which they serve, and (iii) spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the directors before the meeting, and directors should review these materials in advance of the meeting.

Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review the Company's long-term strategic plans and the principal issues that the Company will face in the future at least once a year, preferably in an off-site planning session dedicated primarily to such issues.

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The Board believes that management speaks for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. However, it is expected that Board members would do this with the knowledge of the management and, absent unusual circumstances or as contemplated by the committee charters, only at the request of management.

If a director wishes to resign, retire or not to stand for reelection at the end of his or her current term, the director will notify the Chair of the Nominating and Corporate Governance Committee in writing, with a copy to the Secretary. Unless otherwise determined by the Board, when a management director retires or ceases to be an active employee for any other reason, that director will be considered to have resigned concurrently from the Board.

### **3. Board Committees**

The Board will have at all times an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. All of the members of these committees will be independent directors, as defined in Section 1 above.

Committee members will be appointed by the Board upon recommendation of the Nominating and Corporate Governance Committee with consideration of the desires of individual directors. It is the sense of the Board that consideration should be given to rotating committee members periodically, but the Board does not believe that rotation should be mandated as a policy. Any appointments or removals of committee members will be made by the Board in accordance with the Company's bylaws.

Each key committee will have its own charter. The charters will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. The charters will also provide that each key committee will annually evaluate its performance.

The Chair of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chair of each committee, in consultation with members of the committee and others specified in the committee's charter, will develop the committee's agenda.

The Board and each committee have the power to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.

Each committee may meet in executive session as often as it deems appropriate, and shall have the power to obtain and review any information that the committee deems necessary to perform the functions described in its charter.

The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

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### **4. Chairman; Lead Outside Director**

The Board shall elect from among its members a Chairman. The Chairman may be a director who also has executive responsibilities, including the CEO (an "Executive Chair"), or may be one of the Company's independent directors (a "Non-Executive Chair"). The Board believes it is in the best interests of the Company for the Board to remain flexible with respect to whether to elect an Executive Chair or a Non-Executive Chair so that the Board may provide for succession planning and respond effectively to changes in circumstances.

The Chairman's responsibilities include:

- (a) presiding at meetings of the Board;
- (b) overseeing the management, development and functioning of the Board;
- (c) in consultation with the CEO (if different), planning and organizing the activities of the Board and the schedule for Board meetings; and
- (d) in consultation with the CEO (if different), establishing the agendas for Board meetings.

The non-management directors will meet in executive session at least quarterly in conjunction with regularly-scheduled Board meetings and will, subject to the other terms of this paragraph, elect from among the independent directors a lead outside director at least annually. The lead outside director may call additional meetings of the non-management directors at any time. At all times during which the Chairman is a Non-Executive Chair, all of the functions and responsibilities of the lead outside director shall be performed by the Non-Executive Chair.

The lead outside director's responsibilities include:

- (a) coordinating, developing an agenda for, and presiding at each meeting of the non-management directors; and

(b) providing direction to the CEO on the quality, quantity, and timeliness of the flow of information from management that is necessary for the non-management directors to perform their duties effectively and responsibly, with the understanding that the non-management directors will receive any information requested on their behalf by the lead outside director.

## **5. Director Access to Officers and Employees**

Directors have full and free access to officers and employees of the Company. Any meetings or contacts that a director wishes to initiate may be arranged through the CEO or the Secretary or directly by the director. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and will, to the extent not inappropriate, copy the CEO on any written communications between a director and an officer or employee of the Company.

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The Board welcomes regular attendance at each Board meeting of the executive officers of the Company and such other Company personnel as the Board or the CEO may designate.

## **6. Director Compensation**

The Compensation Committee shall review annually director compensation and benefits, and recommend any proposed changes to the Board for approval, subject to the terms, conditions and exceptions set forth in the committee's charter. The Compensation Committee will consider whether directors' independence may be jeopardized if director compensation and perquisites exceed customary levels, or if the Company makes substantial charitable contributions to organizations with which a director (or one of the director's immediate family members) is affiliated.

## **7. Director Orientation and Continuing Education**

The Nominating and Corporate Governance Committee shall maintain an Orientation Program for new directors. All new directors must participate in the Company's Orientation Program, which should be conducted as soon as practicable after new directors are elected or appointed. This orientation may include presentations by senior management to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its corporate compliance programs (which include its code of business conduct and ethics), its principal officers, and its internal and independent auditors. All other directors are also invited to attend the Orientation Program.

The Company will also maintain a Continuing Education Program for directors, pursuant to which it will endeavor to periodically update directors on industry, technological and regulatory developments, and to provide adequate resources to support directors in understanding the Company's business and matters to be acted upon at board and committee meetings.

## **8. CEO Evaluation and Management Succession**

The Nominating and Corporate Governance Committee will conduct an annual review of the CEO's performance. The Nominating and Corporate Governance Committee will provide a report of its findings to the Board of Directors (with appropriate recusals of the CEO and other management directors, as necessary) to enable the Board to ensure that the CEO is providing the best leadership for the Company in the long- and short-term.

The Nominating and Corporate Governance Committee should report periodically to the Board on succession planning. The entire Board will consult periodically with the Nominating and Corporate Governance Committee regarding potential successors to the CEO. The CEO should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

## **9. Annual Evaluation**

The Board of Directors will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee will receive comments from all directors and report annually to the Board with an assessment of the Board's performance, which will be discussed with the full Board. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve. The Nominating and Corporate Governance Committee will also, no less than annually, review these guidelines and recommend any proposed changes to the Board for approval.

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## **10. Recoupment of Compensation**

In addition to any other remedies available to the Company and subject to applicable law, if the Board or any committee of the Board determines that any bonus, incentive payment, commission, equity award or other compensation awarded to or received by an executive officer was based on any financial or operating result that was impacted by the executive officer's knowing or intentional fraudulent or illegal conduct, the Board or a Board committee may recover from the executive officer the compensation it considers appropriate under the circumstances. The Board has sole discretion to make any and all determinations under this paragraph.

## **11. Stock Ownership Guidelines**

The Company expects its executive officers to beneficially own CenturyLink stock equal in market value to specified multiples of their annual base salary. For any year during which an executive does not meet his or her ownership target, the executive is expected to hold a specified percentage of the CenturyLink stock that the executive acquires through the Company's equity compensation programs, excluding shares sold to

pay taxes associated with the acquisition thereof. Each of these ownership multiples and holding percentages will be set from time to time by the Compensation Committee and will be disclosed in the Company's annual proxy statement.

Unvested restricted stock and shares held through the Company's benefit plans count towards the ownership targets, which are calculated based on trailing average stock prices and reviewed at least every three years. Each executive officer has three years from the date they first become subject to a particular ownership level to attain that target. The Compensation Committee administers these stock ownership guidelines, and may modify their terms and grant hardship exceptions in its discretion.

## **12. Standards of Business Conduct and Ethics**

All of the Company's directors, officers and employees are required to abide by the Company's long-standing ethics and compliance policies and programs, which include standards of business conduct. The Company's program and related procedures cover all areas of professional conduct, including employment policy, conflicts of interests, protection of confidential information, as well as strict adherence to all laws and regulations applicable to the conduct of the Company's business.

Any waiver of the Company's policies, principles or guidelines relating to business conduct or ethics for executive officers or directors may be made only by the Board or a duly authorized committee thereof, and will be promptly disclosed as required by applicable law or stock exchange regulations.

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- Originally adopted by the Nominating and Corporate Governance Committee and the Board of Directors on February 17, 2003 and February 25, 2003, respectively.
- Sections 1, 3, 6 and 7 amended by the Nominating and Corporate Governance Committee and the Board of Directors on November 18, 2003 and November 20, 2003, respectively.
- Sections 1, 3 and 9 amended by the Nominating and Corporate Governance Committee and the Board of Directors on February 19, 2004 and February 25, 2004, respectively.
- Section 1 amended by the Nominating and Corporate Governance Committee and the Board of Directors on February 18, 2005 and February 22, 2005, respectively.
- Sections 1, 2, 4, 5, 8 and 9 amended by the Nominating and Corporate Governance Committee and the Board of Directors on February 16, 2006 and February 21, 2006, respectively.
- Section 1 (last sentence of the fourth paragraph) amended by the Nominating and Corporate Governance Committee and the Board of Directors on August 17, 2007 and August 21, 2007, respectively.
- Sections 1 and 2 amended, Sections 4 and 10 added, and former Sections 4 to 9 renumbered, in each case by both the Nominating and Corporate Governance Committee and the Board of Directors on June 30, 2009.
- Section 1 (first, sixth and former seventh paragraphs) amended by the Nominating and Corporate Governance Committee and the Board of Directors on August 11, 2009 and August 24, 2009, respectively.
- Sections 6 and 12 amended and Section 11 added by the Nominating and Corporate Governance Committee and the Board of Directors on February 19, 2010 and February 23, 2010, respectively.
- Section 1 amended by the Nominating and Corporate Governance Committee and the Board of Directors on March 10, 2010 and April 7, 2010.

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**CENTURYLINK, INC.**

The Corporation will furnish, upon request and without charge, a summary of the powers, designations, preferences and relative, participating, optional or other special rights (if any) of each class of stock or series thereof authorized to be issued by it, and the authority of the Board of Directors to establish other series of stock and to fix the powers, designations, preferences and rights thereof. Such request may be made to the Secretary of the Corporation, or to the Transfer Agent.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common	UNIF GIFT MIN ACT	Custodian
TEN ENT - as tenants by the entirety		under Uniform Gifts to Minors Act
JT TEN - as joint tenants with right of survivorship	UNIF TRF MIN ACT	Custodian (until age)
		under Uniform Transfers to Minors Act

Additional abbreviations may also be used though not in the above list.

PLEASE INSERT STOCK SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

For value received, \_\_\_\_\_ hereby sell, assign and transfer unto \_\_\_\_\_

PLEASE PRINT CERTIFICATEE'S NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE, OF ASSIGNEE

\_\_\_\_\_ Shares

\_\_\_\_\_ Attorney

to transfer the said stock on the books of the within-named Corporation with full power of substitution in the premises.

Dated: \_\_\_\_\_ 20\_\_\_\_

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Notice: The signature to this assignment must correspond with the name as written upon the face of the certificate, in every particular, without alteration or enlargement, or any change whatever.

Signature(s) Guaranteed: Medallion Guarantee Stamp  
THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTEE NOTIFICATION BANK.  
SIGNATURES, NAMES AND ADDRESSES MUST CORRESPOND WITH THE MEDALLION BANK'S APPROVED  
SIGNATURE GUARANTEE MEDALLION PROGRAM, PURSUANT TO SEC. 8532 (TIA-15).

SECURITY INSTRUCTIONS ONLY

THIS DOCUMENTED COPY, TO BE KEPT BY THE MEDALLION BANK, SHALL BE USED TO VERIFY THE SIGNATURE(S) OF THE ASSIGNEE.



1534281

**RESTRICTED STOCK AGREEMENT  
UNDER THE  
AMENDED AND RESTATED CENTURYLINK 2005 DIRECTORS STOCK PLAN  
(2010 GRANTS TO SEVEN INCUMBENT DIRECTORS)**

This RESTRICTED STOCK AGREEMENT (this “Agreement”) is entered into as of May 21, 2010, by and between CenturyLink, Inc. (“CenturyLink”) and «Director\_Name» (“Award Recipient”).

WHEREAS, CenturyLink maintains the Amended and Restated CenturyLink 2005 Directors Stock Plan (the “Plan”), under which the Compensation Committee (the “Committee”) of the Board of Directors of CenturyLink (the “Board”) may, among other things, grant restricted shares of CenturyLink’s common stock, \$1.00 par value per share (the “Common Stock”), to outside directors of CenturyLink, 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, the Committee as of the date of this Agreement hereby awards to the Award Recipient a total of 2,948 restricted shares of Common Stock (the “Restricted Stock”) that vest, subject to Sections 2, 3, and 4 hereof, in installments as follows:

<u>Scheduled Vesting Date</u>	<u>Number of Shares of Restricted Stock</u>
May 15, 2011	982
May 15, 2012	983
May 15, 2013	983

**2. AWARD RESTRICTIONS**

Section 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 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. Subject to the restrictions on transfer 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 and receive all dividends and other distributions declared thereon.

Section 2.2 To the extent the shares of Restricted Stock have not already vested in accordance with Section 1 above, all of the shares of Restricted Stock shall vest and all restrictions set forth in Section 2.1 shall lapse on the earlier of:

- (a) the date on which the Award Recipient’s service on the Board terminates as a result of (i) death, (ii) disability within the meaning of Section 22(e)(3) of the Internal Revenue Code, or (iii) the ineligibility to stand for re-election due to CenturyLink’s mandatory retirement policy;
- (b) the date, if any, that the Committee elects, in its sole discretion, to accelerate the vesting of such unvested Restricted Stock in the case of retirement from the Board of an Award Recipient on or after attaining the age of 55 with at least six full years of prior service on the Board; or
- (c) the occurrence of a Change of Control of CenturyLink, as described in Section 11.12 of the Plan.

**3. TERMINATION OF BOARD SERVICE**

Except as otherwise provided in Section 2 above, termination of the Award Recipient’s service on the Board for any reason shall automatically result in the termination and forfeiture of all unvested Restricted Stock.

**4. FORFEITURE OF AWARD**

Section 4.1 If, at any time during the Award Recipient’s tenure as a director of the Company or within 18 months after termination of such tenure, the Award Recipient engages in any activity in competition with any activity of CenturyLink or its subsidiaries (collectively, 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 service on the Board for which either criminal or civil penalties against the Award Recipient may be sought; (b) conduct or activity that results in removal of the Award Recipient from the Board for cause; (c) violation of the Company’s policies, including, without limitation, the Company’s insider trading, ethics and 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 after the date hereof 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 officer of the Company who was employed at any time during the Award Recipient’s service on the Board, 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 employment, investment, service, assistance, or other activity that is undertaken at the request or with the written permission of the Board or (ii) any assistance of a competitor that is provided in the ordinary course of the Award Recipient engaging in his or her principal occupation in the good faith and reasonable belief that such assistance will neither harm the Company’s interests in any substantial manner nor violate any of the Award Recipient’s duties or responsibilities under the Company’s policies or applicable law; (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 (as defined in the Plan) 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 (1) all unvested shares of Restricted Stock granted hereunder shall automatically terminate and be forfeited effective on the date on which the Award Recipient first engages in such activity and (2) all shares of Common Stock acquired by the Award Recipient upon vesting of the Restricted Stock hereunder after the date that precedes by one year the date on which the Award Recipient’s tenure as a director of the Company terminated or the date the Award Recipient first engaged in such activity if no such termination occurs (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.

**Section 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 directors fees, reimbursements, retirement payments, or other compensation or benefits). 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.

**Section 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 Board 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 nominee within 30 days, subject to the other terms and conditions hereof. Upon receipt of any such vested shares, the Award Recipient is free to hold or dispose of such shares, subject to (a) applicable securities laws, (b) CenturyLink’s insider trading policy, and (c) any CenturyLink stock ownership guidelines then in effect for outside directors.

## 6. MISCELLANEOUS

**Section 6.1** 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.

**Section 6.2** Nothing in this Agreement shall confer upon the Award Recipient any right to continue to serve on the Board, or to interfere in any way with the right of the Company to remove the Award Recipient as a director at any time.

**Section 6.3** 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.

**Section 6.4** 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. 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.

**Section 6.5** 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).

Section 6.6 This Agreement shall be governed by and construed in accordance with the laws of the State of Louisiana.

Section 6.7 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.

Section 6.8 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 (a) as provided in the Plan, as it may be amended from time to time in the manner provided therein, or (b) 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.

[ *Signature Blocks Intentionally Omitted* ]

**RESTRICTED STOCK AGREEMENT  
UNDER THE  
AMENDED AND RESTATED  
CENTURYLINK LEGACY EMBARQ 2008 EQUITY INCENTIVE PLAN  
(2010 GRANTS TO FOUR DIRECTORS WHO ARE FORMER EMBARQ DIRECTORS)**

This RESTRICTED STOCK AGREEMENT (this “Agreement”) is entered into as of May 21, 2010, by and between CenturyLink, Inc. (“CenturyLink”) and «Director\_Name» (“Award Recipient”).

WHEREAS, CenturyLink maintains the Amended and Restated CenturyLink Legacy Embarq 2008 Equity Incentive Plan (the “Plan”), under which the Compensation Committee (the “Committee”) of the Board of Directors of CenturyLink (the “Board”) may, among other things, grant restricted shares of CenturyLink’s common stock, \$1.00 par value per share (the “Common Stock”), to outside directors of CenturyLink, subject to certain restrictions in the Plan and to such other 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, the Committee as of the date of this Agreement hereby awards to the Award Recipient a total of 2,948 restricted shares of Common Stock (the “Restricted Stock”) that vest, subject to Sections 2, 3, and 4 hereof, in installments as follows:

<u>Scheduled Vesting Date</u>	<u>Number of Shares of Restricted Stock</u>
May 15, 2011	982
May 15, 2012	983
May 15, 2013	983

**2. AWARD RESTRICTIONS**

Section 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 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. Subject to the restrictions on transfer 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 and receive all dividends and other distributions declared thereon.

Section 2.2 To the extent the shares of Restricted Stock have not already vested in accordance with Section 1 above, all of the shares of Restricted Stock shall vest and all restrictions set forth in Section 2.1 shall lapse on the earlier of:

- (a) the date on which the Award Recipient’s service on the Board terminates as a result of (i) death, (ii) disability within the meaning of Section 22(e)(3) of the Internal Revenue Code, or (iii) the ineligibility to stand for re-election due to CenturyLink’s mandatory retirement policy;
- (b) the date, if any, that the Committee elects, in its sole discretion, to accelerate the vesting of such unvested Restricted Stock in the case of retirement from the Board of an Award Recipient on or after attaining the age of 55 with at least six full years of prior service on the Board; or
- (c) the occurrence of a Change of Control of CenturyLink, as described in Section 11 of the Plan.

**3. TERMINATION OF BOARD SERVICE**

Except as otherwise provided in Section 2 above, termination of the Award Recipient’s service on the Board for any reason shall automatically result in the termination and forfeiture of all unvested Restricted Stock.

**4. FORFEITURE OF AWARD**

Section 4.1 If, at any time during the Award Recipient’s tenure as a director of the Company or within 18 months after termination of such tenure, the Award Recipient engages in any activity in competition with any activity of CenturyLink or its subsidiaries (collectively, 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 service on the Board for which either criminal or civil penalties against the Award Recipient may be sought; (b) conduct or activity that results in removal of the Award Recipient from the Board for cause; (c) violation of the Company’s policies, including, without limitation, the Company’s insider trading, ethics and 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 after the date hereof 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 officer of the Company who was employed at any time during the Award Recipient's service on the Board, 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 employment, investment, service, assistance, or other activity that is undertaken at the request or with the written permission of the Board or (ii) any assistance of a competitor that is provided in the ordinary course of the Award Recipient engaging in his or her principal occupation in the good faith and reasonable belief that such assistance will neither harm the Company's interests in any substantial manner nor violate any of the Award Recipient's duties or responsibilities under the Company's policies or applicable law; (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 (as defined in the Plan) not approved by the Board; or (h) making any statement or disclosing any information to any customers, suppliers, lessors, 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 (1) all unvested shares of Restricted Stock granted hereunder shall automatically terminate and be forfeited effective on the date on which the Award Recipient first engages in such activity and (2) all shares of Common Stock acquired by the Award Recipient upon vesting of the Restricted Stock hereunder after the date that precedes by one year the date on which the Award Recipient's tenure as a director of the Company terminated or the date the Award Recipient first engaged in such activity if no such termination occurs (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.

**Section 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 directors fees, reimbursements, retirement payments, or other compensation or benefits). 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.

**Section 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 Board 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 nominee within 30 days, subject to the other terms and conditions hereof. Upon receipt of any such vested shares, the Award Recipient is free to hold or dispose of such shares, subject to (a) applicable securities laws, (b) CenturyLink's insider trading policy, and (c) any CenturyLink stock ownership guidelines then in effect for outside directors.

## 6. MISCELLANEOUS

**Section 6.1** 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.

**Section 6.2** Nothing in this Agreement shall confer upon the Award Recipient any right to continue to serve on the Board, or to interfere in any way with the right of the Company to remove the Award Recipient as a director at any time.

**Section 6.3** 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.

**Section 6.4** 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. 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.

**Section 6.5** 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).

Section 6.6                      This Agreement shall be governed by and construed in accordance with the laws of the State of Louisiana.

Section 6.7                      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.

Section 6.8                      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 (a) as provided in the Plan, as it may be amended from time to time in the manner provided therein, or (b) 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.

Section 6.9                      The parties agree that the grant to the Award Recipient of 3,161 restricted shares of Common Stock, made under an award agreement dated as of July 2, 2009 (the "2009 Grant"), 1,053 shares of which were vested on May 15, 2010, was erroneously granted under the CenturyLink 2005 Directors Stock Plan (the "Directors Plan") rather than the Plan. The parties agree that (a) effective *de novo* from the date of grant, the 2009 Grant is subject to, and will be governed by, the Plan and (b) any reference to the Directors Plan in the 2009 Grant shall be deemed to refer to the Plan.

[ *Signature Blocks Intentionally Omitted* ]

**RESTRICTED STOCK AGREEMENT  
UNDER THE  
AMENDED AND RESTATED  
CENTURYLINK LEGACY EMBARQ 2008 EQUITY INCENTIVE PLAN  
(Payment of Chairman's 2010 Supplemental Board Fees)**

This RESTRICTED STOCK AGREEMENT (this "Agreement") is entered into as of May 21, 2010, by and between CenturyLink, Inc. ("CenturyLink") and William A. Owens ("Award Recipient").

WHEREAS, CenturyLink maintains the Amended and Restated CenturyLink Legacy Embarq 2008 Equity Incentive Plan (the "Plan"), under which the Compensation Committee (the "Committee") of the Board of Directors of CenturyLink (the "Board") may, among other things, grant restricted shares of CenturyLink's common stock, \$1.00 par value per share (the "Common Stock"), to outside directors of CenturyLink, subject to certain restrictions in the Plan and to such other 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 in payment of his 2010 supplemental board fees 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, the Committee as of the date of this Agreement hereby awards to the Award Recipient a total of 5,896 restricted shares of Common Stock (the "Restricted Stock") that vest, subject to Sections 2, 3, and 4 hereof, on May 15, 2011.

**2. AWARD RESTRICTIONS**

Section 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 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. Subject to the restrictions on transfer 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 and receive all dividends and other distributions declared thereon.

Section 2.2 To the extent the shares of Restricted Stock have not already vested in accordance with Section 1 above, all of the shares of Restricted Stock shall vest and all restrictions set forth in Section 2.1 shall lapse on the earlier of:

(a) the date on which the Award Recipient's service on the Board terminates as a result of (i) death, (ii) disability within the meaning of Section 22(e)(3) of the Internal Revenue Code, or (iii) the ineligibility to stand for re-election due to CenturyLink's mandatory retirement policy;

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(b) the date, if any, that the Committee elects, in its sole discretion, to accelerate the vesting of such unvested Restricted Stock in the case of retirement from the Board of an Award Recipient on or after attaining the age of 55 with at least six full years of prior service on the Board; or

(c) the occurrence of a Change of Control of CenturyLink, as described in Section 11 of the Plan.

**3. TERMINATION OF BOARD SERVICE**

Except as otherwise provided in Section 2 above, termination of the Award Recipient's service on the Board for any reason shall automatically result in the termination and forfeiture of all unvested Restricted Stock.

**4. FORFEITURE OF AWARD**

Section 4.1 If, at any time during the Award Recipient's tenure as a director of the Company or within 18 months after termination of such tenure, the Award Recipient engages in any activity in competition with any activity of CenturyLink or its subsidiaries (collectively, 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 service on the Board for which either criminal or civil penalties against the Award Recipient may be sought; (b) conduct or activity that results in removal of the Award Recipient from the Board for cause; (c) violation of the Company's policies, including, without limitation, the Company's insider trading, ethics and 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 after the date hereof 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 officer of the Company who was employed at any time during the Award Recipient's service on the Board, 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 employment, investment, service, assistance, or other activity that is undertaken at the request or with the written permission of the Board or (ii) any assistance of a competitor that is provided in the ordinary course of the Award Recipient engaging in his or her principal occupation in the good faith and reasonable belief that such assistance will neither harm the Company’s interests in any substantial manner nor violate any of the Award Recipient’s duties or responsibilities under the Company’s policies or applicable law; (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 (as defined in the Plan) 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 (1) all unvested shares of Restricted Stock granted hereunder shall automatically terminate and be forfeited effective on the date on which the Award Recipient first engages in such activity and (2) all shares of Common Stock acquired by the Award Recipient upon vesting of the Restricted Stock hereunder after the date that precedes by one year the date on which the Award Recipient’s tenure as a director of the Company terminated or the date the Award Recipient first engaged in such activity if no such termination occurs (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.

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Section 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 directors fees, reimbursements, retirement payments, or other compensation or benefits). 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.

Section 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 Board 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 nominee within 30 days, subject to the other terms and conditions hereof. Upon receipt of any such vested shares, the Award Recipient is free to hold or dispose of such shares, subject to (a) applicable securities laws, (b) CenturyLink’s insider trading policy, and (c) any CenturyLink stock ownership guidelines then in effect for outside directors.

6. MISCELLANEOUS

Section 6.1 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.

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Section 6.2 Nothing in this Agreement shall confer upon the Award Recipient any right to continue to serve on the Board, or to interfere in any way with the right of the Company to remove the Award Recipient as a director at any time.

Section 6.3 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.

Section 6.4 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. 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.

Section 6.5                    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).

Section 6.6                    This Agreement shall be governed by and construed in accordance with the laws of the State of Louisiana.

Section 6.7                    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.

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Section 6.8                    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 (a) as provided in the Plan, as it may be amended from time to time in the manner provided therein, or (b) 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.

Section 6.9                    The parties agree that the grant to the Award Recipient of 6,321 restricted shares of Common Stock, made under an award agreement dated as of July 2, 2009 (the "2009 Grant") and which vested in full on May 15, 2010, was erroneously granted under the CenturyLink 2005 Directors Stock Plan (the "Directors Plan") rather than the Plan. The parties agree that (a) effective *de novo* from the date of grant, the 2009 Grant is subject to, and will be governed by, the Plan and (b) any reference to the Directors Plan in the 2009 Grant shall be deemed to refer to the Plan.

[ *Signature Blocks Intentionally Omitted* ]

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**CenturyLink, Inc.**  
**COMPUTATIONS OF EARNINGS PER SHARE**  
**(UNAUDITED)**

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	(Dollars, except per share amounts, and shares in thousands)			
Income (Numerator):				
Net income attributable to CenturyLink, Inc.	\$ 238,771	69,030	491,372	136,184
Dividends applicable to preferred stock	(3)	(3)	(6)	(6)
Earnings applicable to unvested restricted stock	(1,263)	(1,038)	(2,408)	(1,906)
Net income applicable to common stock for computing basic earnings per share				
	237,505	67,989	488,958	134,272
Dividends applicable to preferred stock	3	3	6	6
Net income as adjusted for purposes of computing diluted earnings per share	\$ 237,508	67,992	488,964	134,278
Shares (Denominator):				
Weighted average number of shares:				
Outstanding during period	300,704	100,931	300,125	100,679
Unvested restricted stock	(1,591)	(1,517)	(1,470)	(1,409)
Unvested restricted stock units	945	-	1,081	-
Weighted average number of shares outstanding during period for computing basic earnings per share				
	300,058	99,414	299,736	99,270
Incremental common shares attributable to dilutive securities:				
Shares issuable under convertible securities	13	13	13	13
Shares issuable under incentive compensation plans	534	23	552	14
Number of shares as adjusted for purposes of computing diluted earnings per share				
	300,605	99,450	300,301	99,297
Basic earnings per share	\$ .79	.68	1.63	1.35
Diluted earnings per share	\$ .79	.68	1.63	1.35

**CERTIFICATIONS**

I, Glen F. Post, III, Chief Executive Officer and President, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 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: August 6, 2010

/s/ Glen F. Post, III  
Glen F. Post, III  
Chief Executive Officer and President

**CERTIFICATIONS**

I, R. Stewart Ewing, Jr., Executive Vice President and Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 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: August 6, 2010

/s/ R. Stewart Ewing, Jr.  
R. Stewart Ewing, Jr.  
Executive Vice President and  
Chief Financial Officer

**CenturyLink, Inc.**

August 6, 2010

Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

Re: CenturyLink, Inc.  
Certification of Contents of Form 10-Q for the quarter ending June 30, 2010  
pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Ladies and Gentlemen:

The undersigned, acting in their capacities as the Chief Executive Officer and the Chief Financial Officer of CenturyLink, Inc. (the “Company”), certify that the Form 10-Q for the quarter ended June 30, 2010 of the Company 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods covered by such report.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Very truly yours,

\_\_\_\_\_  
/s/ Glen F. Post, III

Glen F. Post, III  
Chief Executive Officer  
and President

\_\_\_\_\_  
/s/ R. Stewart Ewing, Jr.

R. Stewart Ewing, Jr.  
Executive Vice President and  
Chief Financial Officer