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May 21, 2010

VIA OVERNIGHT DELIVERY

Oregon Public Utility Commission
Attn: Filing Center
550 Capital St, NE #215
Salem, OR 97308-2148

Re: Application for Approval of Merger between CenturyTel, Inc. and Qwest Communications International, Inc.

Dear Commission,

Enclosed for filing are an original and three copies of the Application of CenturyLink, Inc. (CenturyLink) for Approval of an indirect Merger between CenturyLink, Qwest Communications International, Inc. and their regulated subsidiaries. Also enclosed are Exhibits to the Application as well as supporting testimony.

Please note that CenturyLink has designated certain Exhibits to the Application as confidential pursuant to ORS 192.410 to 192.510. The Applicants consider these Exhibits as trade secrets which if disclosed could put both companies at a competitive disadvantage. CenturyLink requests the Commission issue a Protective Order in this matter at its earliest convenience.

If you have any questions regarding this filing, please don't hesitate to contact me.

Very truly yours,

Charles L. Best

encls

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM ______

In the Matter of CENTURYLINK, INC. Application for an Order to Approve the Indirect Transfer of Control of QWEST CORPORATION	

APPLICATION FOR EXPEDITED APPROVAL OF INDIRECT TRANSFER OF CONTROL

1. CenturyLink, Inc. ("CenturyLink") respectfully requests the approval of the indirect merger of CenturyLink's and Qwest Communications International, Inc.'s ("QCII" or "Qwest") regulated Oregon incumbent local exchange carrier subsidiaries, which operate as telecommunications utilities in the state of Oregon, to CenturyLink (the "Transaction").[1] CenturyLink submits that the Transaction meets the requirements of

[1] Those operating subsidiaries include CenturyTel of Oregon, Inc., CenturyTel of Eastern Oregon, Inc., and United Telephone Company of the Northwest d/b/a CenturyLink (collectively "the CenturyLink Oregon ILECs") and Qwest Corporation ("Qwest Corp"). Qwest Corp does not join as an applicant in this matter because neither ORS 759.375 nor ORS 759.380 apply to it due to the Commission's approval of its price plan in Order No. 08-408 in docket UM ("Price Plan"), which included the waiver of those statutes. Nevertheless, Qwest Corp has stated that it will immediately seek intervenor status so that it becomes a party to this docket, subject to the Commission's procedural rules for contested case proceedings. Further, QCII has two other

Oregon Revised Statute ("ORS") 759.375, ORS 759.380, Oregon Administrative Rule 860-027-0025, and any other applicable law or rule, and thus that the Application should be approved.[2]

2. This Transaction will result in a combined company with greater network and financial resources to provide voice, broadband data, and other advanced communications services to Oregon customers. The combination will result in a company that will have the national breadth and local depth to provide a compelling array of products and services to its customers. CenturyLink therefore requests that the Commission approve this Application expeditiously to allow it to timely consummate the Transaction.

I. INTRODUCTION

3. The Transaction combines two leading communications companies with customer-focused, industry-leading capabilities, together with complementary networks and operating footprints. The Transaction is a stock-for-stock transaction that requires no new financing or refinancing and adds no new debt. It will provide the

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subsidiaries providing telecommunications services in Oregon, Qwest Communications Company, LLC ("QCC") and Qwest LD Corp. ("QLDC"). However, these QCII subsidiaries operate as Competitive Local Exchange Carriers ("CLECs") or Interexchange Carriers ("IXCs") in Oregon, and as such, are not regulated by the Commission and not subject to ORS 759.375 or ORS 759.380. Likewise, CenturyLink operates subsidiaries in Oregon that are not governed by ORS 759.375 or ORS 759.380.

[2] Qwest Corp is exempt from ORS 759.375 and ORS 759.380 under its Price Plan, which CenturyLink asserts exempts this transaction from review by the Commission. However, in abundance of caution, and to not delay the completion of this transaction, CenturyLink files this application for approval.

combined company with greater financial resources and access to capital enabling it to invest in networks, systems and employees that can reach more customers with a broad range of innovative products and voice, data and entertainment services over an advanced network. The combination creates a robust, national approximately 180,000 mile fiber network that will allow CenturyLink to meet increasing data traffic demands for robust content and deliver strategic and customized product solutions to business, wholesale, and government customers throughout the nation by combining QCII's significant national fiber-optic network and data centers and CenturyLink's core fiber network. The Transaction provides the financial, managerial and operational strength to better position the company to offer more customers the full array of broadband products and video entertainment that will enable the company to compete against cable companies and technology substitution within its local regions. Approving the Transaction is consistent with the public interest, and will do no harm to customers, and will, in fact, benefit customers.

II. THE TRANSACTION

4. On April 21, 2010, Qwest Communications International, Inc., CenturyTel, Inc., and SB44 Acquisition Company ("Acquisition Company") entered into an Agreement and Plan of Merger ("Merger Agreement") which describes the transaction

subject to this Application.[3] CenturyLink is a publicly-traded holding company with incumbent local exchange carrier operations in 33 states, including Oregon. QCII, is a publicly-traded holding company with incumbent local exchange carrier operations in 14 states, including Oregon, and nationwide competitive local exchange and interexchange operations. Acquisition Company is a direct wholly-owned subsidiary of CenturyLink created to effectuate this Transaction. Under the terms of the Merger Agreement, QCII and Acquisition Company will merge, after which QCII will be the surviving entity and the separate corporate existence of Acquisition Company will cease.[4] Also following completion of the Transaction, four directors from the QCII Board will be added to the CenturyLink Board of Directors, including Edward A. Mueller, QCII's Chairman and Chief Executive Officer (CEO). This addition will increase the number of CenturyLink directors from 13 pre-Transaction to 17 post-Transaction.

5. Under the terms of the Merger Agreement, QCII will become a wholly-owned, first-tier subsidiary of CenturyLink. Exhibit 1 attached to this Application depicts the pre- and post-Transaction corporate structure. As shown, there will be no change in corporate structure of the respective CenturyLink and QCII operating entities as a result of the Transaction. Qwest Corp will remain a subsidiary of QCII. Further,

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[3] A copy of the Merger Agreement is available at http://www.centurylinkqwestmerger.com/downloads/sec-filings/Qwest-8K%204-22-10.pdf.

[4] QCII will adopt the By-Laws and Certificate of Incorporation of Acquisition Company.

because this Transaction is a combination of the parent company only, it is not a transaction in which local exchanges, companies, or assets are being sold, combined or transferred to a new provider.

6. The Transaction is a tax-free, stock-for-stock business deal with no new debt or refinancing required. Shareholders of QCII will receive 0.1664 shares of CenturyLink for each share of QCII common stock owned at closing. Upon closing, the shareholders of pre-merger CenturyLink will own approximately 50.5% of post-merger CenturyLink, and the shareholders of pre-merger QCII will own approximately 49.5% of post-merger CenturyLink. CenturyLink will issue new stock to acquire QCII; it is not paying cash or financing the Transaction through debt.

7. The Transaction is a straightforward combination and strengthening of companies that will maintain and enhance current operations. In fact, it has none of the financial or tax structure complexities or characteristics of other recent transactions that have been the subject of criticism by some state commissions. To the contrary, like the recent merger of CenturyLink and Embarq Corporation that the Commission approved in May of last year (Order No. 09-169 in Docket UM 1416), this Transaction does not involve the sale and transfer of regulated companies, exchanges or assets from one entity to another or the issuance of new debt or refinancing.

8. The Transaction contemplates a parent-level transfer of control of QCII only. Qwest Corp and the CenturyLink Oregon ILECs will continue as separate

carriers, and each will continue to have the requisite managerial, technical and financial capability to provide services to its customers. Immediately upon completion of the Transaction, end-user and wholesale customers will continue to receive service from the same carrier, at the same rates, terms and conditions and under the same tariffs, price plans, interconnection agreements, and other regulatory obligations as immediately prior to the Transaction; as such, the Transaction will be transparent to the customers. Any subsequent service or price changes will be made, just as they are now, in accordance with all applicable rules and laws.[5] Moreover, the Transaction does not alter or change the jurisdiction of the Commission over the CenturyLink Oregon ILECs and Qwest Corp and they remain subject to the same obligations as before the Transaction.

III. PARTIES

A. DESCRIPTION OF CENTURYLINK

9. CenturyLink is a publicly-traded Louisiana corporation with headquarters at 100 CenturyLink Drive, Monroe, Louisiana. CenturyLink is included in the Fortune 500's list of America's largest corporations. CenturyLink is a leading provider of high-

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[5] In view of the current rapidly-changing communications market, any provider, including post-Transaction CenturyLink, must constantly review its pricing strategy and product mix to respond to marketplace and consumer demands. While rates, terms and conditions will be the same immediately after the Transaction as immediately before the Transaction, prices and product mixes necessarily will change over time as marketplace, technology, and business demands dictate. The affected entities will make such changes only following full compliance with all applicable rules and laws.

quality voice and broadband services over its advanced communications networks to consumers and businesses in 33 states, including Oregon.[6] CenturyLink serves approximately 7 million access lines nationwide, 2.2 million broadband subscribers, and over 553,000 video subscribers.[7] CenturyLink has a successful history of providing services to rural America, and has evolved into a company that serves every segment of the consumer and business markets through a complete array of voice and data services.

10. CenturyLink has a local, community-based approach to serving its customers. This community-based approach focuses on allocating decision-making and accountability close to its customer base, under the philosophy that services, bundles or pricing should suit the customer needs of the particular local area or market. This local market focus allows flexibility and responsiveness in the development of products and bundles to be offered in different geographic areas and has been a proven success. CenturyLink intends to continue and extend its local market focus under the newly combined company.

11. CenturyLink has an established track record of successfully integrating companies, including its most recent merger with Embarq Corporation. Previous to the

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[6] In addition to Oregon, CenturyLink is an incumbent local exchange provider in Louisiana, Washington, Idaho, Montana, Wyoming, Nebraska, Minnesota, Iowa, New Mexico, Colorado, Nevada, Ohio, Indiana, Michigan, Illinois, Wisconsin, Pennsylvania, New Jersey, Tennessee, Virginia, North Carolina, South Carolina, Florida, Georgia, Alabama, Mississippi, Texas, Arkansas, Oklahoma, Missouri, Kansas and California.

[7] As of December 31, 2009.

Embarq transaction, CenturyLink had executed five other transactions wherein it acquired more than two million access lines. In addition, CenturyLink had acquired significant fiber assets in 2003 and 2005, which are now part of a nationwide, core fiber network that is a key enabler for IPTV and other data traffic. CenturyLink employs a best-in-class view towards company integration, combining the finest talent and most efficient and successful practices of the two merging companies. In consideration of the talent pool of employees, services, innovation, and commitment to service quality that currently resides in both CenturyLink and Qwest, the combined and integrated company will have an augmented supply of human and technological resources to service rural and urban customers.

12. The CenturyLink Oregon ILECs (United Telephone Company of the Northwest, d/b/a CenturyLink, CenturyTel of Oregon, Inc., and CenturyTel of Eastern Oregon, Inc.) are telecommunications utilities as defined in ORS 759.005 and are subject to traditional rate regulation. Combined, the CenturyLink Oregon ILECs serve approximately 109,000 access lines in the state. Both the CenturyLink Oregon ILECs and Qwest Corp provide regulated retail and wholesale services under the jurisdiction of this Commission. They also provide interconnection services to CLECs through numerous interconnection agreements approved by this Commission.

B. DESCRIPTION OF QWEST[8]

13. QCII is a publicly-traded Delaware corporation, with headquarters at 1801 California Street, Denver, Colorado. QCII, through its operating subsidiaries, offers a complete suite of communications services to consumers and businesses, including local, long distance, high-speed data, and, through sales relationships with Verizon Wireless and DIRECTV, wireless and video services. QCII (sometimes referred generically as "Qwest") is in the Fortune 500's list of America's largest corporations.[9] With its industry-leading national fiber-optic network and world-class customer service, Qwest is the choice of 95% of Fortune 500 companies, offering a full suite of network, data and voice services for small businesses, large businesses, government agencies and wholesale customers.

14. As a subsidiary of QCII, Qwest Corp provides incumbent local exchange services in 14 states, serving approximately 10.3 million local access lines.[10] Qwest Corp is authorized by this Commission to provide local exchange services, serving

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[8] Although Qwest is not a formal "party" to this Application for the reasons set forth in footnote 1, Qwest will intervene as a party at the appropriate time. Nevertheless, CenturyLink provides certain information about Qwest in this Application.

[9] QCII's most recent 10K filing to the Securities and Exchange Commission is a public document and is available at: http://www.sec.gov/Archives/edgar/data/1037949/000119312510032428/d10k.htm

[10] Access lines as of December 31, 2009. In addition to Oregon, Qwest Corp is an incumbent local exchange provider in Colorado, Washington, Idaho, Montana, Wyoming, Nebraska, North Dakota, South Dakota, Minnesota, Iowa, Utah, Arizona and New Mexico.

approximately 802,000 access lines, as well as intrastate interexchange services, in Oregon. Qwest Corp provides regulated retail and wholesale services under the jurisdiction of this Commission, as well as interconnection services to CLECs through numerous interconnection agreements approved by this Commission.

15. Communications and correspondence for the proceeding herein should be sent to the following individuals at CenturyLink:

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IV. STANDARD OF REVIEW

16. In reviewing this Transaction, the Commission should apply the public interest standard that it has applied to other transactions involving telecommunications utilities under ORS Chapter 759 and OAR 860-027-0025.[11] The appropriate standard in

[11] *In the Matter of Embarq Corporation and CenturyTel, Inc. Joint Application for Approval of Merger between the Two Companies and their Subsidiaries*, Docket No. UM 1416,

Oregon telecommunications merger, acquisition or consolidation transactions is whether the transaction will do "no harm," as the Commission found in the CenturyTel/Embarq, Verizon/Frontier and Malheur transactions.[12]

17. Under this standard, the Transaction need not specifically benefit the public, but must simply cause no harm. However, in this case, CenturyLink believes that the Transaction will in fact benefit customers. The Transaction as set forth under the Merger Agreement, and involving the CenturyLink Oregon ILECs and Qwest Corp, satisfies the criteria set forth in the Oregon law. After the merger, the CenturyLink Oregon ILECs and Qwest Corp will maintain the capability to provide high-quality telecommunications services and to introduce advanced services in Oregon. The increased scale and scope of the combined entity will allow it to better serve its customers. The transfer is therefore consistent with the public interest. As addressed below, the transfer of control of QCII (the parent of Qwest Corp and the unregulated subsidiaries, QCC and QLDC) satisfies all applicable criteria.

V. THE TRANSACTION WILL NOT HARM AND WILL, IN FACT, BENEFIT CUSTOMERS

Order No. 09-169 (2009); see also *In the Matter of Verizon Communications Inc. and Frontier Communications Corporation Joint Application for an Order Declining to Assert Jurisdiction Over, or, in the Alternative, Approving the Indirect Transfer of Control of Verizon Northwest Inc.*, Docket No. UM 1431, Order No 10-067 (2009); *In the Matter of Malheur Home Telephone Company Application for an Order Approving Transaction, and Request for Expedited Consideration*, Docket No. UM 1451, Order No. 09-483 (2009).

[12] *See Id.*

18. As explained in the attached testimony of John Jones of CenturyLink, the Transaction will provide benefits to consumers of the combined company without any countervailing harms. The communications industry has changed dramatically in the last several years, and the industry continues to experience change at a frenetic pace. Competition, and particularly intermodal competition, is widespread with wireless and wireline carriers competing vigorously for customers. Local wireline carriers face increasing competition from other providers of voice services and from cable operators providing voice, video and data offerings.

19. As a result of this robustly competitive market environment and the rapidly-changing fundamentals of the wireline business, carriers such as Qwest and CenturyLink must adapt to compete more effectively. Wireline businesses now require greater strategic flexibility to bring new products and expanded services to the marketplace more quickly and to enhance customer service. These evolving market dynamics place unique pressures on companies such as Qwest and CenturyLink. The financial strength and flexibility, the more diverse mix of product offerings, the increased scale and stronger product portfolio and the approximately 180,000-mile fiber network combine to position the post-Transaction CenturyLink to better respond to customer demand and effectively compete and provide attractive service and product options for its customer base in a way that meets the unique needs of business, wholesale, government and residential customers.

20. Qwest and CenturyLink have complementary local and long distance markets and a strong tradition of customer-centric approach. CenturyLink's regional operating model and targeted marketing focus, coupled with Qwest's industry-leading network and strong business, government and wholesale focus, will position the combined company to improve and expand deployment of innovative IP products and services to business customers, to expand broadband availability and increased broadband speeds to consumers, to deploy additional fiber-to-the-cell-tower capabilities, and to offer new video choices to better serve customers.

21. The communications industry has been and is expected in the future to be the subject of rapid and fundamental changes in technology, customer preferences, and the competitive landscape. Rapid changes in technology and customer preferences require equally rapid responses and execution strategies by telecommunications carriers. To respond rapidly and succeed most effectively in this competitive market environment, carriers must have a strategic focus on providing products and services that differentiate them in the market, and they need sufficient scale to execute upon their strategic focus. Even a carrier that knows its customers' preferences cannot compete effectively in today's marketplace without sufficient size and scope to match those preferences with suitable products or services offered at affordable rates. The Transaction will result in a combined enterprise that can achieve greater economies of scale and scope than the two companies operating independently. This, in turn, will enhance the ability of the post-

Transaction enterprise to focus more strategically and rapidly respond to customer preferences in providing a full portfolio of quality, advanced communications services that will differentiate the company in the markets it serves.

22. The Oregon operations will be strengthened as a result of the Transaction. Qwest Corp will continue in its current corporate existence and will retain its levels and standards of technical and managerial expertise over both rural and urban exchanges in the state; yet, its provisioning of products and services will only be augmented by the combined company's stronger financial position and balance sheet. Additionally, with CenturyLink's distinctive expertise in serving smaller, rural areas, and Qwest's industry-leading national fiber-optic network, data centers, and enterprise business experience, the post-Transaction enterprise will be positioned to capitalize on its collective knowledge of its local customers' preferences and to deliver innovative technology and product offerings to both its urban and rural markets. Customers will benefit from increased access to those offerings, and the post-merger CenturyLink will benefit from retaining and attracting customers whose needs are satisfied by its offerings, service quality and customer care. The public interest will be served by the Transaction, as it will allow the new company to bring to bear the combined resources of Qwest and CenturyLink on the shared, singular focus of delivering a full portfolio of services that meet the targeted needs of the consumer, business, and wholesale customers served.

23. Consumers of communications services, including both residential consumers and businesses, have more choices than ever before in the market for local and long distance calling, high-speed Internet and other data, video, and wireless services. Intermodal competition to provide these services is now widespread. The two companies combined will be a national telecommunications company serving approximately 17 million access lines, more than 5 million broadband customers, more than 1.4 million video subscribers, and 850,000 wireless customers.[13] As such, the Transaction will enable the combined company to become a stronger, more viable provider capable of meeting ever-evolving consumer needs. At the same time, the public interest in preserving competition is not harmed as there is no meaningful reduction in competition especially since there is virtually no overlap in the companies' incumbent local exchange operations. And, where competition exists currently between Qwest and CenturyLink for government or enterprise customers, there is an abundance of other providers from which customers may choose, and thus the Transaction will not lessen competition materially in these markets.

24. Ensuring the continuation of high-quality service and customer experience pre- and post-merger is vitally important. Qwest and CenturyLink understand that continuing to meet customer needs is its top priority. The Transaction will not change that focus. To the contrary, the customer service, network and

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[13] Pro Forma combined customer statistics as of December 31, 2009.

operations functions that are critical to each company's success today will continue to be key focuses when the Transaction is complete. The post-Transaction company will be staffed to ensure that continuity.

25. As an indirect subsidiary of CenturyLink, post-Transaction Qwest Corp will maintain and enhance its capability to provide high-quality telecommunications services and to introduce advanced services. Similarly, CenturyLink's operating subsidiaries will continue to provide high-quality telecommunications services and to introduce advanced services post-Transaction. The increased scale, more diverse mix of offerings, and stronger product pipeline of the combined company will provide a compelling array of products and services to better serve its post-Transaction customers.

26. Furthermore, because this is a parent-level transaction only, with no change in the regulated entities, the Transaction will not result in the Commission losing any of its current authority over the regulated companies. To the contrary, immediately upon completion of the Transaction, the Commission retains exactly the same regulatory authority over Qwest Corp and the CenturyLink Oregon ILECs that the Commission possesses immediately prior to the Transaction. Nor does the Transaction result in any change to the regulatory status and current obligations of Qwest Corp and CenturyLink Oregon ILECs. Instead, Qwest Corp and the CenturyLink Oregon ILECs will remain subject to the same price regulatory structure, service quality and performance obligations, tariffing requirements, and other

applicable orders, rules and regulations as they do now. Moreover, because the Transaction results in no direct change to the operating entities, it should be transparent to customers. For example, there is no change in services or rates as result of the Transaction, and Qwest Corp and the CenturyLink Oregon ILECs will continue to provide local exchange service subject to the same rules, regulations and applicable tariffs and price lists as they now do.[14] Likewise, the terms and prices for existing wholesale services under Qwest Corp's and CenturyLink Oregon ILECs' access tariffs will be unchanged, and there is no impact on the terms of any existing interconnection agreements or on any obligations under the laws governing interconnection.

27. The Transaction will not alter existing relationships between Qwest Corp or the CenturyLink Oregon ILECs and their bargaining unit employees. Post-merger CenturyLink will continue to honor existing collective bargaining agreements for the duration of those agreements. Any changes to bargaining employee benefits covered by a collective bargaining agreement would be subject to the terms of those agreements.

28. As it has pre-Transaction, CenturyLink will maintain and evolve comprehensive compensation and benefit programs that allow the post-Transaction company to recruit and retain highly-qualified and motivated employees. While the dynamics of the labor and benefits markets—irrespective of the Transaction—may

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[14] Future rate changes will continue to be governed by the same rules and procedures as today. In every case, the end-user and wholesale obligations and regulatory requirements are subject to future modification by Commission and legislative decisions.

necessitate changes to the company's compensation and benefit plans from year-to-year, the Transaction itself will not result in compensation and benefit changes that would hamper CenturyLink's ability to remain competitive in the market for employees.

29. The Transaction will in no way affect the obligations created in the CenturyTel/Embarq merger order.[15] CenturyLink restates here its commitment to comply with and abide by all applicable conditions and obligations on behalf of itself and all of its subsidiaries operating in Oregon. The Merger will not result in customer disruption or confusion; the combined entity's services will continue to be offered under the same regulatory regime that exists today. Any changes to such services will require regulatory approval commensurate with the form of regulation which applies to those services pre-merger, subject to future Commission or legislative changes. In addition, because the Transaction occurs at the holding company level, it also will not affect operation of Qwest Corp under its Oregon Price Plan. On August 8, 2008, the Commission issued Order No. 08-404 in Docket UM 1451, accepting a stipulation of Qwest Corp, Commission Staff and the Citizens' Utilities Board ("CUB"), and thus approving Qwest Corp's Price Plan, which contains certain conditions, including regarding pricing and broadband investment and the establishment of a Telecommunications Consumer Information Center. The Price Plan calls for a further review at the end of four years (August 2012). During this period,

[15] *In the Matter of Embarq Corporation and CenturyTel, Inc. Joint Application for Approval of Merger between the Two Companies and their Subsidiaries*, Docket No. UM 1416, Order No. 09-169 (2009).

the parties will conduct a review of the provisions of the Price Plan to determine if changing conditions warrant its modification.

VI. THE COMBINED COMPANY WILL MAINTAIN FINANCIAL, MANAGERIAL AND OPERATIONAL STRENGTH

A. FINANCIAL STRENGTH OF THE COMBINED COMPANY

30. One of the Transaction's key benefits is the resulting financial condition of the combined company. A financially stronger company can continue to provide high-quality services in rural areas, compete against cable telephony providers, wireless carriers, VoIP offerings, and CLECs, develop more advanced broadband and IP-based services, and provide a more viable third alternative to the large business and enterprise services offered by AT&T and Verizon.

31. As explained in the attached testimony of G. Clay Bailey, the Transaction offers the financial strength and flexibility for the operating subsidiaries of the post-Transaction CenturyLink to continue providing outstanding service and enhanced offerings to customers, while delivering returns to shareholders. For the twelve months ended December 31, 2009, the combined company would have had pro forma revenue of nearly $20 billion, pro forma EBITDA of approximately $8.2 billion, and pro forma free cash flow of approximately $3.4 billion, excluding synergies. The combined company's pro forma net leverage would have been 2.2 times EBITDA for the 12 months ended December 31, 2009, including synergies on a full run-rate basis and

excluding integration costs. The Transaction requires no new financing or refinancing and adds no new debt.

32. These attributes help insure that CenturyLink will continue to have a sound capital structure and significant free cash flow generation that will provide the fiscal stability to pursue necessary strategies and to deliver industry leading products and services to customers. As subsidiaries of the combined company, this financial strength will continue to allow Qwest Corp and the CenturyLink Oregon ILECs that offer service in Oregon to have the financial stability and access to capital necessary to continue to invest in networks, systems and employees and to provide reliable services in the ever-increasingly competitive telecommunications marketplace.

B. MANAGERIAL AND TECHNICAL CAPABILITIES OF THE COMBINED COMPANY

33. The combined company's senior leadership team will consist of proven leaders with extensive experience in the telecommunications industry and a successful track record of integration. To that end, Glen F. Post, III, the current CEO and President of CenturyLink, will continue to be the CEO and President of the post-merger CenturyLink. R. Stewart Ewing, Jr. the current Chief Financial Officer (CFO) of CenturyLink, will continue to be the CFO of the post-merger CenturyLink. Karen A. Puckett, the current Chief Operating Officer (COO) of CenturyLink, will continue to be COO of post-merger CenturyLink. Finally, Christopher K. Ancell, currently the Executive Vice President of Business Markets Group for QCII, will be the President of

the Business Markets Group for post-merger CenturyLink. These executives among them have nearly 100 years of experience in the telecommunications industry, and many years of leadership at their respective companies.

34. CenturyLink has demonstrated the very best in managerial and technical capability to serve rural and urban America, including the 109,000 access lines of its ILEC subsidiaries in their franchise areas in Oregon after the recent merger with Embarq. As mentioned, Qwest and CenturyLink understand that continuing to meet customer needs is its top priority and that focus will not change. To the contrary, the customer service, network and operations functions that are critical to each company's success today will continue to be key focuses, and the local operations of Qwest Corp and the CenturyLink Oregon ILECs that offer service in Oregon will continue to be managed by employees with extensive knowledge of the local telecommunications business and with a commitment to the needs of the local community. Similar to the CenturyTel/Embarq transaction, the planned integration for this Transaction will combine the best managerial and technical talent from both companies to serve all of the combined company's market segments. Adopting the best operational practices from the merging companies will further enhance the already strong customer centric commitment of the combined company.

35. Moreover, CenturyLink has a demonstrated ability to acquire and successfully integrate companies, and to combine systems and practices, while

continuing to provide high-quality service to customers. For example, integration activities related to the Embarq transaction show the successful results of careful planning and seamless execution. Financial and other systems have been converted and integrated. A phased billing system conversion has enabled legacy-Embarq customers to convert to CenturyLink's state of the art customer service and billing system with no degradation of the customer experience. The CenturyLink brand was launched with minimal customer confusion and popular products were expanded throughout the combined footprint.

36. In sum, this Transaction will enhance the managerial and technical capabilities of the companies to enable them to continue to provide high-quality services to rural and urban areas of Oregon.

VII. REQUEST FOR EXPEDITED PROCEEDINGS

37. CenturyLink respectfully seeks expedited approval of this Application. By combining two companies with complementary network footprints and unparalleled commitment to serving local customers, including rural customers, the Transaction will create significant economies of scale and scope, and give the combined firm greater financial strength and flexibility to compete and to ensure that the combined enterprise is well positioned to weather future economic downturns. Expedited treatment is requested to allow CenturyLink to more quickly integrate the companies in order to

bring those benefits to consumer, business, and wholesale customers and shareholders sooner.

38. Competitors of CenturyLink and Qwest now have the benefit of planning their competitive responses to the prospective combined company and trying to capitalize on any delay or perceived uncertainty. Expedited treatment of this Application will allow the new company to promptly engage and quickly respond to the ever-changing telecommunications marketplace. And as with any transaction of this nature, there is also a significant benefit to providing certainty and clarity to employees that can only come with completion of the Transaction.

39. Accordingly, CenturyLink respectfully requests the Commission to complete its review of this Application as soon as possible. To that end, CenturyLink respectfully requests that the Commission promptly issue its standard protective order, including protections for "highly confidential" information, so that the CenturyLink will be able to provide confidential documents and materials to those qualified persons who enter into such protective order. CenturyLink also respectfully requests that the Commission promptly schedule a prehearing/scheduling conference as soon as possible in order to expedite its consideration of this Application and the Transaction.

COMPLIANCE WITH OAR 860-027-0025

OAR 860-027-0025 requires that an applicant provide certain information about the transaction. Although the preceding sections of this application provide some of the information required by OAR 860-027-0025, CenturyLink provides the following specific responses in compliance with the Commission's rule:

1(a) The exact name and address of the utility's principal business office.

Please see Paragraphs 9 and 15 of this Application.

(b) The state in which incorporated, the date of incorporation, and the other states in which authorized to transact utility operations.

Incorporated in Oregon on July 18, 1907, United Telephone Company of the Northwest is authorized to transact utility operations in Oregon and Washington. CenturyTel of Eastern Oregon, Inc., an Oregon corporation incorporated on April 3, 1956, is authorized to transact utility operations in Oregon. CenturyTel of Oregon, Inc., an Oregon corporation incorporated on June 15, 1955, is also authorized to transact utility operations in Oregon. Parent CenturyTel, Inc., a Louisiana corporation incorporated on April 30, 1968, also has subsidiaries that transact utility operations in Alabama, Arkansas, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, Washington, Wisconsin and Wyoming.

(c) Name and address of the person on behalf of applicant authorized to receive notices and communications in respect to the application.

Please see Paragraph 15 of this Application

(d) The names, titles, and addresses of the principal officers.

The principal executive officers of CenturyLink are:

Glen F. Post, III – Chief Executive Officer and President

Tom Gerke – Executive Vice Chairman

Karen A. Puckett – Executive Vice President and Chief Operating Officer

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

Stacey W. Goff – Executive Vice President, General Counsel and Corporate Secretary

David D. Cole – Senior Vice President, Operations Support

(e) A description of the general character of the business done and to be done, and a designation of the territories served, by counties and states.

The CenturyLink Oregon ILECs serve the following exchanges in Oregon:

Arlington	Bay City	Beaver	Butte Falls
Carlton	Cascade Locks	Cloverdale	Crater Lake
Diamond Lake	Fish Lake	Garibaldi	Grand Ronde
Grass Valley	Hood River	Lincoln City	Moro
Mosier	Odell	Pacific City	Parkdale
Prospect	Rockaway	Rufus	Shady Cove
Sheridan	The Dalles	Tillamook	Wasco
White City	Willamina	Boardman	Bonanza
Aurora	Bly	Camas Valley	Charbonneau
Brownsville	Burns	Creswell	Depoe Bay
Chemult	Chiloquin	Echo	Fort Klamath
Drain	Durkee	Gleneden Beach	Glide
Fossil	Gilchrist	Heppner	Huntington
Government Camp	Harney	Lakeview	Lebanon
Ione	John Day	Malin	Maupin
Lexington	Long Creek	Monument	North Powder
Merrill	Mitchell	Paulina	Pilot Rock
North Umpqua	Paisley	Rocky Point	Scappoose
Pilot Rock (Starkey)	Pine Grove	Silver Lake	Sprague River
Seneca	Shedd	Tygh Valley	Ukiah
Spray	Sweet Home		
Wamic	Yoncalla		

The service territory of CenturyLink's Oregon ILECs include portions of the following counties in Oregon:

Douglas	Gilliam	Hood River	Jackson
Klamath	Lincoln	Multnomah	Polk
Sherman	Tillamook	Wasco	Washington
Yamhill	Clackamas	Columbia	Crook
Baker	Grant	Harney	Umatilla
Klamath	Lake	Lane	
Linn	Marion	Morrow	
Union	Wasco	Wheeler	

(f) A statement, as of the date of the balance sheet submitted with the application, showing for each class and series of capital stock: brief description; the amount authorized (face value and number of shares); the amount outstanding (exclusive of any amount held in the treasury); amount held as reacquired securities; amount pledged; amount owned by affiliated interests; and amount held in any fund.

Please refer to CenturyLink's 2009 10K, Consolidated Balance Sheets, Stockholder's Equity section, page 84. CenturyLink's 10K is available at:

http://ccbn.10kwizard.com/cgi/convert/pdf/CTL-20100301-10K-20091231.pdf?ipage=6796970&num=-2&pdf=1&xml=1&cik=18926&odef=8&rid=12&quest=1&xbrl=0&dn=2&dn=3

(g) A statement, as of the date of the balance sheet submitted with the application, showing for each class and series of long-term debt and notes: brief description (amount, interest rate and maturity); amount authorized; amount outstanding (exclusive of any amount held in the treasury); amount held as reacquired securities; amount pledged; amount held by affiliated interests; and amount in sinking and other funds.

Please refer to CenturyLink's 2009 10K page 96, Note 5 to the Consolidated Financial Statements, Long-Term Debt.

(h) Whether the application is for disposition of facilities by sale, lease, or otherwise, a merger or consolidation of facilities, or for mortgaging or encumbering its property, or for the acquisition of stock, bonds, or property of another utility, also a description of the consideration, if any, and the method of arriving at the amount thereof.

Upon completion of the merger, each share of Qwest common stock will be converted into the right to receive 0.1664 shares of CenturyLink common stock. For further information, please see the Agreement and Plan of Merger which is available at:

http://www.centurylinkqwestmerger.com/downloads/sec-filings/Qwest-8K%204-22-10.pdf

(i) A statement and general description of facilities to be disposed of, consolidated, merged, or acquired from another utility, giving a description of their present use and of their proposed use after disposition, consolidation, merger, or acquisition. State whether the proposed disposition of facilities or plan for consolidation, merger, or acquisition includes all the operating facilities of the parties to the transaction.

Under the terms of the Transaction, the Qwest parent will become a wholly-owned, first tier subsidiary of CenturyLink, which will indirectly include all operations and facilities of the Qwest subsidiaries.

(j) A statement by primary account of the cost of the facilities and applicable depreciation reserve involved in the sale, lease, or other disposition, merger or consolidation, or acquisition of property of another utility. If original cost is not known, an estimate of original cost based, to the extent possible, upon records or data of the applicant or its predecessors must be furnished, a full explanation of the manner in which such estimate has been made, and a statement indicating where all existing data and records may be found.

Though the following are not experiencing a change in control, and are only indirectly involved in the Transaction, please refer to the schedules included in the Exhibit 2:

Attachment 1(j).1 - Annual Report of United Telephone Company of the Northwest

Attachment 1(j).2 - Annual Report of CenturyTel of Eastern Oregon, Inc.

Attachment 1(j).3 - Annual Report of CenturyTel of Oregon, Inc.

(k) A statement as to whether or not any application with respect to the transaction or any part thereof, is required to be filed with any federal or other state regulatory body.

The Transaction requires antitrust clearance from the Justice Department/Federal Trade Commission. The Transaction also requires approval of the Federal

Communications Commission, and the state regulatory commissions in several states.

(l) The facts relied upon by applicant to show that the proposed sale, lease, assignment, or consolidation of facilities, mortgage or encumbrance of property, or acquisition of stock, bonds, or property of another utility will be consistent with the public interest.

Please see Section V and VI of this Application.

(m) The reasons, in detail, relied upon by each applicant, or party to the application, for entering into the proposed sale, lease, assignment, merger, or consolidation of facilities, mortgage or encumbrance of property, acquisition of stock, bonds, or property of another utility, and the benefits, if any, to be derived by the customers of the applicant and the public.

Please see Section V and VI of this Application.

(n) The amount of stock, bonds, or other securities, now owned, held or controlled by applicant, of the utility from which stock or bonds are proposed to be acquired.

Prior to the Transaction, neither CenturyLink nor Qwest owned any stocks, bonds or other securities of the other corporation.

(o) A brief statement of franchises held, showing date of expiration if not perpetual, or, in case of transfer, that transferee has the necessary franchises.

CenturyLink Oregon ILECs – Oregon Franchise Agreements

Jurisdiction	Company	Expiration Date
Arlington	UTNW	No Expiration Date
Bay City	UTNW	2/13/2011
Butte Falls	UTNW	4/18/2020
Carlton	UTNW	6/15/2011
Cascade Locks	UTNW	No Expiration Date
Eagle Point	UTNW	5/12/2018
Garibaldi	UTNW	9/13/2010
Grass Valley	UTNW	Indefinite term
Hood River	UTNW	12/22/2011
Lincoln City	UTNW	No Expiration Date
Moro	UTNW	7/1/2011
Mosier	UTNW	6/4/2007
Rockaway Beach	UTNW	5/12/2009
Rufus	UTNW	1/4/2006
Shady Cove	UTNW	12/1/2015
Sheridan	UTNW	3/20/2011
The Dalles	UTNW	No Expiration Date
Tillamook	UTNW	12/1/2015
Wasco	UTNW	7/19/2010
Willamina	UTNW	5/11/2007

Jurisdiction	Company	Expiration Date[16]
Aurora	CenturyTel of Oregon, Inc.	08/29/2010
Boardman	CenturyTel of Eastern Oregon, Inc.	07/01/2020
Bonanza	CenturyTel of Eastern Oregon, Inc.	10/01/2017
Brownsville	CenturyTel of Oregon, Inc.	09/30/2017
Burns	CenturyTel of Eastern Oregon, Inc.	07/29/2006
Canyon City	CenturyTel of Eastern Oregon, Inc.	11/16/1997
Chiloquin	CenturyTel of Eastern Oregon, Inc.	08/12/2016
Creswell	CenturyTel of Oregon, Inc.	n/a[17]
Depoe Bay	CenturyTel of Oregon, Inc.	01/01/2015
Donald	CenturyTel of Oregon, Inc.	12/10/2007
Drain	CenturyTel of Oregon, Inc.	11/14/1998
Echo	CenturyTel of Eastern Oregon, Inc.	02/05/2016
Fossil	CenturyTel of Eastern Oregon, Inc.	07/31/2004
Heppner	CenturyTel of Eastern Oregon, Inc.	03/16/2016
Hines	CenturyTel of Eastern Oregon, Inc.	10/14/2016
Huntington	CenturyTel of Eastern Oregon, Inc.	03/19/2011
Ione	CenturyTel of Eastern Oregon, Inc.	06/08/2019
John Day	CenturyTel of Eastern Oregon, Inc.	10/13/2008
Lakeview	CenturyTel of Eastern Oregon, Inc.	06/30/2017
Lebanon	CenturyTel of Oregon, Inc.	06/30/2019
Lexington	CenturyTel of Eastern Oregon, Inc.	07/31/2009
Long Creek	CenturyTel of Eastern Oregon, Inc.	02/08/2015
Malin	CenturyTel of Eastern Oregon, Inc.	06/09/2015
Maupin	CenturyTel of Eastern Oregon, Inc.	09/23/2012
Merrill	CenturyTel of Eastern Oregon, Inc.	08/05/2016
North Powder	CenturyTel of Eastern Oregon, Inc.	08/05/2016
Paisley	CenturyTel of Eastern Oregon, Inc.	12/07/2009
Pilot Rock	CenturyTel of Eastern Oregon, Inc.	08/01/2016
Scappoose	CenturyTel of Oregon, Inc.	06/30/2006
Seneca	CenturyTel of Eastern Oregon, Inc.	09/25/2016

[16] CenturyLink is current on all fees required under all franchises listed herein, including any expired franchises (i.e., CenturyTel has continued to pay franchise fees under such expired franchises).

[17] CenturyLink's franchise for the City of Creswell expired September 9, 2004; however, counsel for the City has advised that City of Creswell Ordinance 421 passed December 13, 2004 functions as a franchise ordinance applicable to all telecommunications providers in the City of Creswell (CenturyLink is current on the telecommunications provider fees required under Ordinance 421).

Sodaville	CenturyTel of Oregon, Inc.	11/01/2004
Sweet Home	CenturyTel of Oregon, Inc.	07/01/2006
Ukiah	CenturyTel of Oregon, Inc.	08/01/2015
Waterloo	CenturyTel of Oregon, Inc.	08/17/2009
Wilsonville	CenturyTel of Oregon, Inc.	07/31/2004
Yoncalla	CenturyTel of Oregon, Inc.	07/20/2009
Clackamas Co.	CenturyTel of Oregon, Inc.	11/26/1976[18]

(2) Required Exhibits. There shall be filed with the application as part thereof the following exhibits:

(a) EXHIBIT A. A copy of the charter or articles of incorporation with amendments to date.

Please see Exhibit A for CenturyLink's articles of incorporation.

(b) EXHIBIT B. A copy of the bylaws with amendments to date.

Please see Exhibit B for CenturyLink's bylaws.

(c) EXHIBIT C. Copies of all resolutions of directors authorizing the proposed disposition, merger, or consolidation of facilities, mortgage or encumbrance of property, acquisition of stock, bonds, or property of another utility, in respect to which the application is made and, if approval of stockholders has been

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[18] This county franchise was granted to a predecessor in interest to CenturyTel of Oregon, Inc. in 1956 by the County Court of Clackamas County, for the placement of facilities over certain roads in the Wilsonville area. Based on the information available to CenturyLink, no fees are required under this franchise.

obtained, copies of the resolutions of the stockholders should also be furnished.

CenturyLink has designated Exhibits C as confidential under ORS 192.410-192.510. CenturyLink considers this document to be trade secret which if disclosed could put the Company at a competitive disadvantage. See CONFIDENTIAL Exhibit C for the resolution of the CenturyLink Board of Directors authorizing the merger.

(d) **EXHIBIT D. Copies of all mortgages, trust, deeds, or indentures, securing any obligation of each party to the transaction.**

There is no incremental debt associated with the merger.

(e) **EXHIBIT E. Balance sheets showing booked amounts, adjustments to record the proposed transaction and pro forma, with supporting fixed capital or plant schedules in conformity with the forms in the annual report, which applicant(s) is required, or will be required, to file with the Commission.**

Please see the 10-K and 10-Q filings made with the Securities and Exchange Commission by CenturyLink, which may be found at: http://ccbn.10kwizard.com/cgi/convert/pdf/CTL-20100301-10K-20091231.pdf?ipage=6796970&num=-2&pdf=1&xml=1&cik=18926&odef=8&rid=12&quest=1&xbrl=0&dn=2&dn=3 (10-K) and http://ccbn.10kwizard.com/cgi/convert/pdf/CTL-20100507-10Q-20100331.pdf?ipage=6939081&num=-

2&pdf=1&xml=1&cik=18926&odef=8&rid=12&quest=1&xbrl=0&dn=2&dn=3 (10-Q). For financial information of CenturyLink's Oregon subsidiaries, please see the 2009 Form O documents for those companies included as Exhibit 2.

(f) EXHIBIT F. A statement of all known contingent liabilities, except minor items such as damage claims and similar items involving relatively small amounts, as of the date of the application.

For CenturyLink, see note 20 to the Consolidated Financial Statements, pages 122 and 123 in the 2009 Form 10K.

(g) EXHIBIT G. Comparative income statements showing recorded results of operations, adjustments to record the proposed transaction and pro forma, in conformity with the form in the annual report which applicant(s) is required, or will be required, to file with the Commission.

Please see the 10-K and 10-Q filings made with the Securities and Exchange Commission by CenturyLink, which may be found at: http://ccbn.10kwizard.com/cgi/convert/pdf/CTL-20100301-10K-20091231.pdf?ipage=6796970&num=-2&pdf=1&xml=1&cik=18926&odef=8&rid=12&quest=1&xbrl=0&dn=2&dn=3 (10-K) and http://ccbn.10kwizard.com/cgi/convert/pdf/CTL-20100507-10Q-20100331.pdf?ipage=6939081&num=-2&pdf=1&xml=1&cik=18926&odef=8&rid=12&quest=1&xbrl=0&dn=2&dn=3 (10-Q). For financial information of CenturyLink's Oregon subsidiaries, please see the 2009 Form O documents for those companies included as Exhibit 2.

(h) EXHIBIT H. An analysis of surplus for the period covered by the income statements referred to in Exhibit G.

Please see the 10-K and 10-Q filings made with the Securities and Exchange Commission by CenturyLink, which may be found at: http://ccbn.10kwizard.com/cgi/convert/pdf/CTL-20100301-10K-20091231.pdf?ipage=6796970&num=-2&pdf=1&xml=1&cik=18926&odef=8&rid=12&quest=1&xbrl=0&dn=2&dn=3 (10-K) and http://ccbn.10kwizard.com/cgi/convert/pdf/CTL-20100507-10Q-20100331.pdf?ipage=6939081&num=-2&pdf=1&xml=1&cik=18926&odef=8&rid=12&quest=1&xbrl=0&dn=2&dn=3 (10-Q). For financial information of CenturyLink's Oregon subsidiaries, please see the 2009 Form O documents for those companies included as Exhibit 2.

(i) EXHIBIT I. A copy of each contract in respect to the sale, lease or other proposed disposition, merger or consolidation of facilities, acquisition of stock, bonds, or property of another utility, as the case may be, with copies of all other written instruments entered into or proposed to be entered into by the parties to the transaction pertaining thereto.

Please see the Agreement and Plan of Merger referenced in footnote 2 of this Application.

(j) EXHIBIT J. A copy of each proposed journal entry to be used to record the transaction upon each applicant's books.

Please see the 10-K and 10-Q filings made with the Securities and Exchange Commission by CenturyLink, which may be found at: http://ccbn.10kwizard.com/cgi/convert/pdf/CTL-20100301-10K-20091231.pdf?ipage=6796970&num=-

2&pdf=1&xml=1&cik=18926&odef=8&rid=12&quest=1&xbrl=0&dn=2&dn=3 (10-K) and http://ccbn.10kwizard.com/cgi/convert/pdf/CTL-20100507-10Q-20100331.pdf?ipage=6939081&num=-2&pdf=1&xml=1&cik=18926&odef=8&rid=12&quest=1&xbrl=0&dn=2&dn=3 (10-Q). For financial information of CenturyLink's Oregon subsidiaries, please see the 2009 Form O documents for those companies included as Exhibit 2.

k) EXHIBIT K. A copy of each supporting schedule showing the benefits, if any, which each applicant relies upon to support the facts as required by subsection (1)(l) of this rule and the reasons as required by subsection (1)(m) of this rule.

Please see the information provided in paragraphs 1(l) and 1(m) above.

CenturyLink therefore respectfully requests that, pursuant to ORS 759.375, ORS 759.380, OAR 860-027-0025, and any other applicable law, the Commission approve: (1) the Merger of CenturyLink and Qwest, as described herein, which are the ultimate parent companies of United Telephone Company of the Northwest, CenturyTel of Oregon, Inc., CenturyTel of Eastern Oregon, Inc. and Qwest Corporation, respectively; and (2) any other relief or approvals required by Oregon law.

Respectfully submitted this 21ST day of May 2010.

By:________________________

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Attorneys for Applicant

AMENDED AND RESTATED ARTICLES OF INCORPORATION of CENTURYTEL, INC. (a Louisiana corporation)

The undersigned corporation (the "Corporation"), acting through Stacey W. Goff, its Senior Vice President, Secretary and General Counsel, and by authority of its Board of Directors, does hereby certify as of July 1, 2009 that:

FIRST: The Amended and Restated Articles of Incorporation set forth in Paragraph Fifth below accurately set forth the articles of incorporation of the Corporation and all amendments thereto in effect on the date hereof, including the changes made in the manner described in Paragraph Fourth below.

SECOND: All such amendments have been effected in conformity with law.

THIRD: The date of incorporation of the Corporation was April 30, 1968. These Amended and Restated Articles of Incorporation have been duly executed and delivered as of 12:01 a.m. central time on July 1, 2009.

FOURTH: On October 26, 2008, the Board of Directors of the Corporation, at a duly-convened special meeting of the Board of Directors, unanimously adopted resolutions to amend and restate the Corporation's articles of incorporation to reduce the voting rights of holders of shares of the Corporation's Common Stock entitled to ten votes per share to the same voting rights to which holders of other shares of Common Stock are entitled (the "Voting Reduction Amendment"), subject to the approval of such amendment by the Corporation's shareholders and the satisfaction of certain other conditions. On November 10, 2008, the Board of Directors, acting by unanimous written consent, adopted resolutions to amend and restate the Corporation's articles of incorporation to increase the number of authorized shares of the Corporation's Common Stock (the "Share Increase Amendment"), subject to the approval of such amendment by the Corporation's shareholders and the satisfaction of certain other conditions. On January 27, 2009, the shareholders of the Corporation, at a duly-convened special meeting of the shareholders at which there were present or duly represented a quorum of the holders of the Corporation's total voting power, approved the Voting Reduction Amendment by casting 89,114,622 affirmative votes and 30,033,798 negative votes, excluding 288,868 votes held by holders who abstained from voting, and approved the Share Increase Amendment by casting 97,968,250 affirmative votes and 21,079,143 negative votes, excluding 389,895 votes held by holders who abstained from voting. Pursuant to these proceedings, the Corporation's articles of incorporation have been modified to (i) amend paragraph A of Article III to increase the number of authorized shares of the Corporation's Common Stock from 350 million to 800 million and the total number of authorized shares of capital stock from 800 million to 802 million, (ii) amend paragraph C of Article III to eliminate subsections 2 through 11 and to remove all references in subsection 1 to the enhanced voting power eliminated by virtue of the Voting Reduction Amendment and (iii) amend and restate the articles of incorporation to reflect all amendments effected since May 6, 1999 (including the above-described amendments), and to renumber Article III(C)(1) as Article III(C).

FIFTH: The Amended and Restated Articles of Incorporation of the Corporation are as follows:

ARTICLE I
Name

The name of this Corporation is CenturyTel, 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.

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.

(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.

(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.

(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.

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.

(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.

(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.

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.

(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.

(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;

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.

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.

(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;

(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.

(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 of 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.

(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.

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.

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.

* * * * * * * * * *

IN WITNESS WHEREOF, the undersigned Senior Vice President, Secretary and General Counsel of the Corporation has executed and delivered these Amended and Restated Articles of Incorporation as of 12:01 a.m. central time on this 1st day of July, 2009.

CENTURYTEL, INC.

By: ______________________
Stacey W. Goff
Senior Vice President
Secretary and General Counsel

{N1896115}

ACKNOWLEDGMENT

STATE OF LOUISIANA
PARISH OF OUACHITA

BEFORE ME, the undersigned duly commissioned and qualified authority, personally came and appeared the undersigned, Stacey W. Goff, known to me to be the Senior Vice President, Secretary and General Counsel of CenturyTel, Inc., a Louisiana corporation, and who, having been duly sworn, acknowledged and declared in my presence and in the presence of the undersigned witnesses that he is authorized to and did execute, as his free act and deed, the foregoing instrument on behalf of CenturyTel, Inc. in his capacity as the Senior Vice President, Secretary and General Counsel of CenturyTel, Inc.

IN WITNESS WHEREOF, the appearer, witnesses and I have hereunto affixed our hands on this 1st day of July, 2009.

Witnesses:

Vickie C. Sartor
Name:

Steffi McClay
Name:

CENTURYTEL, INC.

By: [signature]
Stacey W. Goff
Senior Vice President
Secretary and General Counsel

Sherry L. Bowen
NOTARY PUBLIC #61196

{N1896115}

EXHIBIT B

BYLAWS

OF

CENTURYTEL, INC.

(as amended through July 1, 2009)

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 I 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)

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.

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.

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.

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.

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.

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.

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 l4(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 (l) 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, arbitrative 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.

(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.

(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 **<u>Advancement of Expenses</u>.**

(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.

(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.

(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.

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.

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.

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.

Section 5. <u>Authority to Fill Vacancies</u>.

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.
<u>SHAREHOLDERS' MEETINGS</u>

Section 1. <u>Place of Meetings</u>.

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. <u>Annual Meeting</u>.

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. <u>Special Meetings</u>.

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.

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:

(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.

(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.

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.

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 or the Articles of Incorporation, a different vote is required, in which case such express provision shall govern and control the decision of such question. Directors shall be elected by plurality vote.

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.

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 of 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.`

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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ANNUAL REPORT
FORM O

Total Company and Total Oregon Operations

OF

CenturyTel of Eastern Oregon, Inc.

(name of responding telecommunications cooperative or utility)

TO THE

PUBLIC UTILITY COMMISSION OF OREGON

Street Address: 550 Capitol Street NE Suite 215, Salem OR 97301-2551

Mailing Address: PO Box 2148, Salem OR 97308-2148

FOR THE YEAR ENDING DECEMBER 31, 2009

Company: CenturyTel of Eastern Oregon, Inc.

Schedules from other reports may be acceptable. See attached instructions for more information.

A-2. IMPORTANT CHANGES DURING THE YEAR

	☐ **NOT REQUIRED**, because the respondent is a cooperative.
1. **CHANGES IN SERVICE TERRITORY, EXTENSIONS OF SERVICES, SALES, MERGERS, ABANDONMENT, AND CHANGES IN IDENTITY.** If there were changes in the respondent's identity or Oregon service territory during the year, describe the changes.	CenturyTel of Eastern Oregon, Inc. formerly doing business as CenturyTel is now doing business as CenturyLink
2. **CHANGES IN ACCOUNTING STANDARDS.** Briefly describe the changes in accounting standards, including the effective date of the change and the impact on the accounts as provided for by generally accepted accounting principles.	None
3. **CHANGES IN OWNERSHIP OR DIRECT CONTROL.** If ownership or direct control over the respondent changed during the year, provide the following information: a. State the form of control (i.e., sole or joint). b. State the names and addresses of the directly controlling organizations or persons. c. State the means by which control was held (for example, through ownership of voting securities, common directors, officers, stockholders, voting trusts, etc.). d. State the extent of control. e. If the directly controlling organization or person was in turn controlled by another organization or person, show the chain of control to the ultimately controlling organization or person and the extent of control over each directly controlled organization or person in the chain. f. If any controlling organization or person held control as trustee, give the names and addresses of the beneficiaries for whom the trust is maintained and the purpose of the trust.	None

A-3. STOCKHOLDERS

Line No.	Class of Stock *(a)*	Shares Held *(b)*	Name of Stockholder *(c)*
			☐ NOT REQUIRED, because the respondent is a cooperative.
1	Common	5,492	CenturyTel of the Northwest, Inc.
2	Preferred	250	CenturyTel of the Northwest, Inc.
3			
4			
5			
6			
7			
8			
9			
10			
11	Date of Compilation:	December 31, 2009	

Company: CenturyTel of Eastern Oregon, Inc.

TOTAL COMPANY OPERATIONS

1. Dollars are whole.
2. Schedules from other reports are not acceptable. See attached instructions for more information.

B-1. BALANCE SHEET

Line No.	Account	Description (a)	Balance at Beginning of Year (b)	Plant Additions (c)	Plant Retirements (d)	Transfers and Adjustments (e)	Balance at End of Year (f)
		Telecommunications Plant in Service					
20	2111	Land	158,696				158,696
21	2112	Motor Vehicles	1,287,555	52,314	315,893		1,023,976
22	2113	Aircraft					
23	2114	Tools and Other Work Equipment	994,164	51,849	53,363	(9,495)	983,155
24	2121	Buildings	6,624,567	131,178			6,755,745
25	2122	Furniture					
26	2123.1	Office Support Equipment	11,714				11,714
27	2123.2	Company Communications Equipment	7,699				7,699
28		**Sub-Total 2123 Office Equipment (lines 26..27)**	**19,413**				**19,413**
29	2124	General Purpose Computers	203,377	26,645	25,059	4,058	209,021
30		**Total Land and Support (lines 20..27 and 29)**	**9,287,772**	**261,986**	**394,315**	**(5,437)**	9,150,006
31	2211	Nondigital Switching					
32	2212.1	Digital Electronic Switching - Circuit	17,969,676	558,157	166,542		18,361,291
33	2212.21	Digital Electronic Switching - Packet Switching					
34	2212.22	Digital Electronic Switching - Soft Switch	114,923			(3)	114,920
35		**Total Central Office - Switching (lines 31..34)**	**18,084,599**	**558,157**	**166,542**	**(3)**	**18,476,211**
36	2220	Operator Systems					
37	2231	Radio Systems	6,992,761	342,382	157,100	577	7,178,620
38	2232.1	Circuit Equipment - Electronic	33,245,915	1,210,483	4,040	(577)	34,451,781
39	2232.2	Circuit Equipment - Optical	2,499,936	285,190	7,270		2,777,856
40		**Total Circuit (lines 37..39)**	**42,738,612**	**1,838,055**	**168,410**		**44,408,257**
41		**Total Switching and Central Office (lines 35..39)**	**60,823,211**	**2,396,212**	**334,952**	**(3)**	**62,884,468**
42	2310	Information Origination/Termination					
43	2351	Public Telephone Terminal Equipment					
44	2362	Other Terminal Equipment					
45		**Total Information Origination/Termination (lines 42..44)**					

Company: CenturyTel of Eastern Oregon, Inc.
TOTAL COMPANY OPERATIONS
1. Dollars are whole.
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

B-1. BALANCE SHEET

Line No.		Description (a)	Balance at Beginning of Year (b)	Plant Additions (c)	Plant Retirements (d)	Transfers and Adjustments (e)	Balance at End of Year (f)
46	2411	Poles	1,662,047	55,011	210,157	109	1,507,010
47	2421.1	Aerial Cable - Metallic	7,226,371	229,039	45,259		7,410,151
48	2421.2	Aerial Cable - Nonmetallic	1,054,700	7,063			1,061,763
49	2422.1	Underground Cable - Metallic	1,210,922	6,187			1,217,109
50	2422.2	Underground Cable - Nonmetallic	132,804	803			133,607
51	2423.1	Buried Cable - Metallic	116,280,135	1,449,184	319,049	(109)	117,410,161
52	2423.2	Buried Cable - Nonmetallic	15,217,112	149,111	2,395		15,363,828
53	2424	Submarine and Deep Sea Cable					
54	2426	Intrabuilding Network Cable	133,560				133,560
55	2431	Aerial Wire	197,727				197,727
56	2441	Conduit Systems	2,102,797	54			2,102,851
57		**Total Cable and Wire Facilities (lines 46..56)**	**145,218,175**	**1,896,452**	**576,860**		**146,537,767**
58	2680	Amortizable Tangible Assets					
59	2690	Amortizable Intangible Assets	31,864				31,864
60		**Total Other Assets (lines 58..59)**	**31,864**				**31,864**
61		**Telecommunications Plant in Service (lines 30+41+45+57+60)**	**215,361,022**	**4,554,650**	**1,306,127**	**(5,440)**	**218,604,105**
		<u>**Accumulated Depreciation and Amortization**</u>					
62	3100	Depreciation - Telecommunications Plant in Service	191,793,472	**<-- Beginning and Ending Balances Required -->**			201,094,969
63	3200	Depreciation - Property Held for Future Telecommunications Use		**<-- Beginning and Ending Balances Required -->**			
64	3300	Depreciation - Nonoperating		**<-- Beginning and Ending Balances Required -->**			
65	3400	Amortization of Tangible Assets		**<-- Beginning and Ending Balances Required -->**			
66	3500	Amortization of Intangible Assets	2,929,070	**<-- Beginning and Ending Balances Required -->**			2,929,123
67		**Accumulated Depreciation and Amortization (lines 62..66)**	**194,722,542**	**<-- Beginning and Ending Balances Required -->**			**204,024,092**
68		**Net Plant (line 19 less line 67)**	**39,353,648**	**<-- Beginning and Ending Balances Required -->**			**34,384,962**
69		**Total Assets (lines 7+12+68)**					**69,671,668**

This information is PUBLIC record under ORS 192.410-505 and OAR 860-032-0070.

Company: CenturyTel of Eastern Oregon, Inc.

TOTAL COMPANY OPERATIONS

1. Dollars are whole.
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

B-1. BALANCE SHEET

Line No.	Account	Description (a)	Balance at Beginning of Year (b)	Plant Additions (c)	Plant Retirements (d)	Transfers and Adjustments (e)	Balance at End of Year (f)
		Liabilities and Equity					
70	4010-4030	Accounts and Notes Payable					3,121,993
71	4040	Customer Deposits					68,613
72	4070	Income Taxes - Accrued					
73	4080	Other Taxes - Accrued					60,285
74	4100	Net Current Deferred Operating Income Tax		<-- Beginning and Ending Balances Required -->			
75	4110	Net Current Deferred Nonoperating Income Tax					
76	4130	Other Current Liabilities					1,126,665
77		**Total Current Liabilities (lines 70..76)**					4,377,556
78	4200	Long Term Debt					5,464,522
79	4310	Other Long Term Liabilities					
80	4320	Unamortized Operating Investment Tax Credits - Net					
81	4330	Unamortized Nonoperating Investment Tax Credits - Net					
82	4340.1	Net Noncurrent Deferred Operating Federal Income Tax	1,880,566	<-- Beginning and Ending Balances Required -->			1,453,520
83	4340.2	Net Noncurrent Deferred Operating State Income Tax	379,680	<-- Beginning and Ending Balances Required -->			293,460
84	4341	Net Deferred Tax Liability Adjustments					
85	4350	Net Noncurrent Deferred Nonoperating Income Tax					
86	4361	Deferred Tax Regulatory Liability - Net		<-- Beginning and Ending Balances Required -->			
87	4370	Other Jurisdictional Liabilities and Deferred Credits - Net	115,374	<-- Beginning and Ending Balances Required -->			106,305
88		**Total Other Liabilities and Deferred Credits (lines 78..87)**					7,317,807
89	4510	Capital Stock					303,100
90	4520	Additional Paid-In Capital					53,873,129
91	4530	Treasury Stock					
92	4540	Other Capital					
93	4550	Retained Earnings (from Retained Earnings, below)					3,800,076
94		**Total Stockholders' Equity (lines 89..93)**					57,976,305
95		**Total Liabilities and Equity (lines 77+88+94)**					69,671,668

Company: CenturyTel of Eastern Oregon, Inc.

TOTAL COMPANY OPERATIONS

1. Dollars are whole.

2. Schedules from other reports are not acceptable. See attached instructions for more information.

B-1. BALANCE SHEET

Line No.		Description (a)	Balance at Beginning of Year (b)	Plant Additions (c)	Plant Retirements (d)	Transfers and Adjustments (e)	Balance at End of Year (f)
	Retained Earnings						
96	460	Balance at January 1					13,176,365
97	465	Net Income (from Income Statement, Schedule I-1, line 82)					2,623,711
98	470	Dividends Declared					12,000,000
99	475	Miscellaneous Debits (Include explanation in footnotes)					
100	480	Miscellaneous Credits (Include explanation in footnotes)					
101	490	**Balance at December 31 (lines 96+97+100 less line 98 less 99)**					**3,800,076**

Company: CenturyTel of Eastern Oregon, Inc.
TOTAL COMPANY OPERATIONS

1. *Dollars are whole.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

B-2. ANALYSIS OF DEPRECIATION AND AMORTIZATION

☐ **NOT REQUIRED** because the respondent is an average schedule company, has elected price cap regulation under ORS 759.405 or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.

Line No.	Plant Account Description (a)		Accumulated Balance at Beginning of Year (b)	CREDITS During the Year: Charged to Expense Account (c)	CREDITS During the Year: Other Credits (d)	CHARGES During the Year: Plant Retired (e)	CHARGES During the Year: Other Charges (f)	Accumulated Balance at End of Year (g)	Composite Depreciation Rate (%) (h)
	DEPRECIATION								
1	2112	Vehicles	840,042	157,295		289,921		707,416	14.10%
2	2113	Aircraft							
3	2114	Tools and Other Work Equipment	576,364	37,040		53,363	9,923	550,118	3.60%
4	2121	Buildings	4,614,491	220,353				4,834,844	3.30%
5	2122	Furniture							
6	2123.1	Office Support Equipment	11,714					11,714	6.10%
7	2123.2	Company Communications Equipment	7,315					7,315	5.20%
8		**Sub-Total 2123 Office Equipment (lines 6..7)**	**19,029**					**19,029**	
9	2124	General Purpose Computers	30,774	7,586	20,603	25,059		33,904	3.50%
10		**Total Support (lines 1..7 and 9)**	**6,080,700**	**422,274**	**20,603**	**368,343**	**9,923**	**6,145,311**	
11	2211	Nondigital Switching							
12	2212.1	Digital Electronic Switching - Circuit	15,599,760	181,576		166,542		15,614,794	9.90%
13	2212.21	Digital Electronic Switching - Packet Switching							
14	2212.22	Digital Electronic Switching - Soft Switch	21,768	9,763				31,531	9.90%
15		**Total Switching (lines 11..14)**	**15,621,528**	**191,339**		**166,542**		**15,646,325**	
16	2220	Operator Systems							
17	2231	Radio Systems	6,690,050	315,578		144,590		6,861,038	14.50%
18	2232.1	Circuit Equipment - Electronic	25,938,757	448,850		4,040		26,383,567	7.50%
19	2232.2	Circuit Equipment - Optical	785,729	198,545		7,270		977,004	7.50%
20		**Total Circuit (lines 17..19)**	**33,414,536**	**962,973**		**155,900**		**34,221,609**	
21	2310	Information Origination/Termination							
22	2351	Public Tel. Terminal Equipment							
23	2362	Other Terminal Equipment							
24	2411	Poles	2,397,074	205,349		213,126		2,389,297	13.00%
25	2421.1	Aerial Cable - Metallic	8,440,542	671,182		57,720		9,054,004	9.20%
26	2421.2	Aerial Cable - Nonmetallic	237,764	57,199				294,963	5.40%
27	2422.1	Underground Cable - Metallic	1,330,953	68,723				1,399,676	7.60%
28	2422.2	Underground Cable - Nonmetallic	72,192	6,117				78,309	4.60%
29	2423.1	Buried Cable - Metallic	116,366,066	7,248,480		333,877		123,280,669	6.50%
30	2423.2	Buried Cable - Nonmetallic	6,716,872	686,118		2,395		7,400,595	4.50%
31	2424	Submarine and Deep Sea Cable							
32	2426	Intrabuilding Network Cable	133,560					133,560	7.60%
33	2431	Aerial Wire	54,149	19,181		6,992		66,338	9.70%
34	2441	Conduit Systems	927,536	56,777				984,313	2.70%
35		**Total Cable and Wire (lines 24..34)**	**136,676,708**	**9,019,126**		**614,110**		**145,081,724**	
36		**Total Depreciation (lines 10+15+16+20+21+22+23+35)**	**191,793,472**	**10,595,712**	**20,603**	**1,304,895**	**9,923**	**201,094,969**	

Company: CenturyTel of Eastern Oregon, Inc.
TOTAL COMPANY OPERATIONS
1. *Dollars are whole.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

B-2. ANALYSIS OF DEPRECIATION AND AMORTIZATION

Line No.	Plant Account Description (a)	Accumulated Balance at Beginning of Year (b)	CREDITS During the Year: Charged to Expense Account (c)	CREDITS During the Year: Other Credits (d)	CHARGES During the Year: Plant Retired (e)	CHARGES During the Year: Other Charges (f)	Accumulated Balance at End of Year (g)	Composite Amortization Rate (%) (h)
☐	**NOT REQUIRED** because the respondent is an average schedule company, has elected price cap regulation under ORS 759.405 or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.							
	AMORTIZATION							
37	2680 Amortizable Tangible Assets							
38	2690 Amortizable Intangible Assets	2,929,070	53				2,929,123	2.00%
39	**Total Amortization (lines 37..38)**	**2,929,070**	**53**				**2,929,123**	

Company: CenturyTel of Eastern Oregon, Inc.
TOTAL COMPANY OPERATIONS

1. *Dollars are whole.*
2. *Schedules from other reports may be acceptable. See attached instructions for more information.*

B-3. ANALYSIS OF CHARGES RELATED TO PLANT RETIRED

☐ **NOT REQUIRED** because the respondent is an average schedule company, has elected price cap regulation under ORS 759.405, or has been approved for price refulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.

Line No.	Plant Account Description (a)		Book Cost (b)	Cost of Removal (c)	Salvage and Insurance (d)	Miscellaneous Adjustments (e)	Net Retirements [Sch. B-2, Col. (e)] (f)
1	2112	Vehicles	315,893			(25,972)	289,921
2	2113	Aircraft					
3	2114	Tools and Other Work Equipment	53,363				53,363
4	2121	Buildings	166,542				166,542
5	2122	Furniture					
6	2123.1	Office Support Equipment					
7	2123.2	Company Communications Equipment					
8		Sub-Total 2123 Office Equipment (Lines 6..7)					
9	2124	General Purpose Computers	25,059				25,059
10	2211	Nondigital Switching					
11	2212.1	Digital Electronic Switching - Circuit					
12	2212.21	Digital Electronic Switching - Packet Switching					
13	2212.22	Digital Electronic Switching - Soft Switch					
14	2220	Operator Systems					
15	2231	Radio Systems	157,100		(12,510)		144,590
16	2232.1	Circuit Equipment - Electronic	4,040				4,040
17	2232.2	Circuit Equipment - Optical	7,270				7,270
18	2310	Information Origination/Termination					
19	2351	Public Tel. Terminal Equipment					
20	2362	Other Terminal Equipment					
21	2411	Poles	210,157	2,969			213,126
22	2421.1	Aerial Cable - Metallic	45,259	13,886		(1,425)	57,720
23	2421.2	Aerial Cable - Nonmetallic					
24	2422.1	Underground Cable - Metallic					
25	2422.2	Underground Cable - Nonmetallic					
26	2423.1	Buried Cable - Metallic	319,049	15,519	(691)		333,877
27	2423.2	Buried Cable - Nonmetallic	2,395				2,395
28	2424	Submarine and Deep Sea Cable					
29	2426	Intrabuilding Network Cable					
30	2431	Aerial Wire		6,992			6,992
31	2441	Conduit Systems					
32		**Total Charges Related to Plant Retired (lines 1..7 & 9..31)**	**1,306,127**	**39,366**	**(13,201)**	**(27,397)**	**1,304,895**

Company: CenturyTel of Eastern Oregon, Inc.
TOTAL COMPANY AND TOTAL OREGON OPERATIONS

1. Dollars are whole.
2. Schedules from other reports may be acceptable. See attached instructions for more information.

B-4. LONG-TERM DEBT

Line No.	Description of Obligation (a)	Balance Outstanding at the End of the Year (b)	Interest: Stated Rate On the Face Amount (c)	Interest: Dollar Amount Accrued During the Year (d)
☐	**NOT REQUIRED** because the respondent is an average schedule company, has elected price cap regulation under ORS 759.405, or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.			
1	Rural Utilities Service	4,475,735	2.00%	96,221
2	Rural Utilities Service	1,955,223	5.00%	110,451
3				
4	Less Current Maturites	(966,436)		
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25				
26	**Total**	**5,464,522**	**3.78%**	**206,672**

Company: CenturyTel of Eastern Oregon, Inc.
TOTAL COMPANY OPERATIONS

1. *Dollars are whole.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

I-1. INCOME STATEMENT

Line No.		Description (a)	Total Amount During the Year (b)
	Operating Revenues		
1	5000	Local Service Revenues	8,870,740
2	5070	Distributions of State Universal Service Funds (Monies Received from State USFs)	
3	5081.1	Subscriber Line Charges and Presubscribed Interexchange Carrier Charges	2,393,059
4	5081.2	Collections of Federal Universal Service Funds (Monies Billed to Customers for Fed USF)	6,517,836
5	5081.3	Collections of State Universal Service Funds (Monies Billed to Customers for State USF)	2,016,598
6	5081.4	Distributions of Federal Universal Service Funds (Monies Received from Federal USF)	
7	5081.5-9	Other Intrastate End User Revenues	
8	5082.1	Switched Access Revenue - Interstate	3,820,744
9	5082.2	Switched Access Revenue - Intrastate	2,866,712
10	5083.1	Special Access Revenue - Interstate	2,263,657
11	5083.2	Special Access Revenue - Intrastate	1,198,591
12		**Total Network Access Revenues (lines 3..11)**	**21,077,197**
13	5105	Long Distance Message Revenue	(143)
14	5200.1	Directory Revenue	243,718
15	5200.2	Carrier Billing and Collection Revenue	464,955
16	5200.3	Other Miscellaneous Revenue	281,536
17		**Total Miscellaneous Revenues (lines 14..16)**	**990,209**
18	5280	Nonregulated Operating Revenue	
19	5300	Uncollectible Revenues	52,516
20		**Total Operating Revenues (lines 1+2+12+13+17+18-19)**	**30,885,487**
21		Interstate and Foreign (International) Revenues Included in the Above Operating Revenues	15,267,978
	Operating Expenses		
22	6110-6114	Network Support Expenses	68,213
23	6120-6124	General Support Expenses	662,795
24	6211	Nondigital Switching Expense	
25	6212.1	Digital Electronic Expense - Circuit	1,373,804
26	6212.21	Digital Electronic Expense - Packet Switching	
27	6212.22	Digital Electronic Expense - Soft Switch	74,826
28		**Total Central Office Switching Expenses (lines 24..27)**	**1,448,630**

(This space is not used.)

Company: CenturyTel of Eastern Oregon, Inc.
TOTAL COMPANY OPERATIONS
1. Dollars are whole.
2. Schedules from other reports are not acceptable. See attached instructions for more information.

I-1. INCOME STATEMENT

Line No.		Description (a)	Total Amount During the Year (b)	
29	6220	Operator Systems Expense		
30	6231	Radio System Expense	126,482	
31	6232.1	Circuit Equipment Expense - Electronic	13,351	
32	6232.2	Circuit Equipment Expense - Optical	984,144	
33		**Total Switching and Central Office Transmission Expenses (lines 29..32)**	**1,123,977**	
34	6310-6341	Information Origination/Termination Expense		
35	6351	Public Telephone Terminal Equipment Expense		
36	6362	Other Terminal Equipment Expense		
37		**Total Information Origination/Termination (lines 34..36)**		
38	6411	Poles Expense	229,261	
39	6421	Aerial Cable Expense	607,917	
40	6422	Underground Cable Expense	2,737	
41	6423	Buried Cable Expense	3,064,701	
42	6424	Submarine and Deep Sea Cable Expense		
43	6426	Intrabuilding Network Cable Expense	3,577	
44	6431	Aerial Wire Expense	6,063	**(This space is not used.)**
45	6441	Conduit Systems Expense		
46		**Total Cable and Wire Facilities Expenses (lines 38..45)**	**3,914,256**	
47		**Total Plant Specific Expenses (lines 22+23+28+33+37+46)**	**7,217,871**	
48	6511	Property Held for Future Telecommunications Use Expense		
49	6512	Provisioning Expense	24,582	
50		**Total Other Property, Plant, and Equipment Expense (lines 48..49)**	**24,582**	
51	6530-6535	Network Operations Expenses	1,527,621	
52	6540	Access Expense	284,139	
53	6550.1	Federal Universal Support Contributions (Monies You Paid Into Fed USF)	447,223	
54	6550.2	State Universal Support Contributions (Monies You Paid Into State USF)	647,353	
55		**Total Universal Service Fund Contributions (lines 53..54)**	**1,094,576**	
56	6561	Depreciation - Telecommunications Plant in Service	10,595,712	<-- B-2, Total of Column (c) Depreciation
57	6562	Depreciation - Property Held for Future Telecommunications Use		
58	6563	Amortization Expense - Tangible Assets		<-- B-2, Column (c), Acct 2680
59	6564	Amortization Expense - Intangible Assets	53	<-- B-2, Column (c), Acct 2690
60		**Total Depreciation and Amortization Expenses (lines 56..59)**	**10,595,765**	
61		**Total Plant Nonspecific Expenses (lines 50+51+52+55+60)**	**13,526,683**	

Company: CenturyTel of Eastern Oregon, Inc.
TOTAL COMPANY OPERATIONS
1. *Dollars are whole.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

I-1. INCOME STATEMENT

Line No.	Account	Description (a)	Total Amount During the Year (b)
62	6610-6613	Marketing Expenses	658,152
63	6620	Services Expenses	1,623,109
64		**Total Customer Operations Expenses (lines 62..63)**	**2,281,261**
65	6720	General and Administrative Expense	3,268,415
66	6790	Less: Provision for Uncollectible Notes Receivable	
67		**Total Operating Expenses (lines 47+61+64+65-66)**	**26,294,230**
68		**Net Revenue (line 20 less line 67)**	**4,591,257**
	Other Income and Expenses		
69	7100	Other Operating Income and Expenses	
70	7210	Operating Investment Tax Credits - Net	
71	7220	Operating Federal Income Taxes	1,736,184
72	7230	Operating State and Local Income Taxes	350,530
73	7240	Operating Other Taxes	456,240
74	7250.1	Provision for Deferred Operating Federal Income Tax - Net	(427,069)
75	7250.2	Provision for Deferred Operating State Income Tax - Net	(86,225)
76		**Net Operating Taxes (lines 70..75)**	**2,029,660**
77		**Net Operating Income (lines 68+69-76)**	**2,561,597**
78	7300	Nonoperating Income and Expenses	70,571
79	7400	Nonoperating Taxes	
80	7500	Interest and Related Items	208,955
81	7600	Extraordinary Items	
82	7910	Income Effect of Jurisdictional Differences - Net	
83	7990	Nonregulated Net Income	200,498
84		**Net Income (lines 77+78+81+82+83-79-80)**	**2,623,711**

(This space is not used.)

I-2. FULL-TIME EMPLOYEES

Line No.	Description	Total
1	Management Employees (Regulated Activities)	1
2	Nonmanagement Employees (Regulated Activities)	31
3	Employees Allocated From or Paid by Affiliated Companies (Regulated Activities)	
4	**Total Full-Time Employees (lines 1..3 - Regulated Activities)**	**32**

(This space is not used.)

Company: CenturyTel of Eastern Oregon, Inc.
TOTAL COMPANY AND TOTAL OREGON OPERATIONS

1. *Dollars are whole; other amounts are whole.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

I-3. COMPENSATION OF DIRECTORS, OFFICERS, AND MANAGERS

Line No.	Name of Person, Title, and Department (a)	Total Amount of Compensation Paid During the Year: Total Compensation Paid by Respondent: Salaries (b)	Insurance and Pensions (c)	Director Fees (d)	Other Compensation: Total Amount (e)	Other Compensation: Description (f)	Total Compensation Paid by Affiliates (g)	Total Compensation (Columns b+c+d+e+g) (h)	Amount Charged to Oregon Operating Accounts (i)
	A utility that is not partially exempt from regulation under ORS 759.040 must list the same or equivalent positions as shown in its Annual Budget of Expenditures for the year. A cooperative or small utility must list owners, officers, members of the board of directors, managers, and members of their families whom the respondent or its affiliates paid more than $25,000 during the year and charged any portion thereof to Oregon operating accounts.								
1	Glen F. Post, III - CEO and President								
2	Karen A. Puckett - Executive VP & COO								
3	R. Stewart Ewing, Jr. Executive VP & CFO		CONFIDENTIAL - SEE LEAH DOUGAN FOR ACTUAL REPORT SENT TO OREGON COMMISSION						
4	David D. Cole - Senior Vice President								
5	Stacey W. Goff - Executive VP, General Counsel & Assistant Secretary								
6	Neil A. Sweasy - VP & Controller								
7	G. Clay Bailey - Senior VP & Treasurer								
8	Terry Beeler - Vice President								
9	Tim Grigar - General Manager								
10	Kay C. Buchart - Secretary								
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									

Company: CenturyTel of Eastern Oregon, Inc.
TOTAL COMPANY OPERATIONS

1. *Dollars are whole.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

I-4. OPERATING TAXES OTHER THAN FEDERAL INCOME TAX

☐ **NOT REQUIRED** because the respondent is an average schedule company, has elected price cap regulation under ORS 759.405, has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule, or is a large utility that is subject to unbundling requirements under docket UM 351.

Line No.	Description (a)	Total Amount During the Year (b)
	State Income Tax:	
1	Current	350,530
2	Current Deferred	(86,225)
3	Prior Deferred	
4	**Total Current and Deferred State Income Tax (lines 1..3)**	**264,305**
5	7240 Property Taxes	309,464
6	7240 Privilege Taxes, Fees, and Other Assessments	
7	7240 Other Taxes	146,776
8	**Total Other Operating Taxes (lines 4..7)**	**720,545**

(This space is not used.)

Company: CenturyTel of Eastern Oregon, Inc.
TOTAL COMPANY AND TOTAL OREGON OPERATIONS

1. Dollars are whole.
2. Schedules from other reports may be acceptable. See attached instructions for more information.

I-6. RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAX

☐ **NOT REQUIRED** because the respondent is an average schedule company, or is a cooperative that reports no Oregon income tax on Schedule I-1, or is a large utility that elected price cap regulation under ORS 759.405, or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule, or is a large utility that is subject to unbundling requirements under docket UM 351.

Line No.	Particulars (a)	Total Company Amount (b)	Total Oregon Amount Operating (c)	Total Oregon Amount Nonregulated (d)
1	Total revenues (Accounts 5xxx except 5300)	30,938,004	30,938,004	
2	Total expenses (Accounts 6xxx and 5300)	26,346,746	26,346,746	
3	Other income (Accounts 71xx, 73xx, 76xx, 79xx)	400,827	70,571	330,256
4	Operating Taxes Other Than Federal (Accounts 72xx)	742,343	720,546	21,797
5	Nonoperating Taxes (Accounts 74xx)			
6	Interest, including debt discount, expense, and premium amortization (Accounts 75xx)	208,955	208,955	
7	Net income before federal income tax (lines 1..6)	4,040,787	3,732,328	308,459
	Tax additions (identify):			
8	Tax depreciation and amortization (additions)	1,354,033	1,353,742	291
9	Paid time off	4,111	4,111	
10	Bad debts	(14,170)	(14,170)	
11	Uniform capitalization & other	10,773,128	10,773,494	(366)
12				
13	Total additions (lines 8..12)	12,117,102	12,117,177	(75)
	Tax deductions and nontaxable income (identify):			
14	Tax depreciation and amortization (deductions)	10,779,837	10,779,837	
15	Removal cost	6,815	6,815	
16	AFDC	87,282	87,287	(5)
17	Deferred SIT			
18				
19	Total deductions (lines 14..18)	10,873,934	10,873,939	(5)
20	Taxable net income as shown on tax return (lines 7+13-19)	5,283,955	4,975,566	308,389
	Tax computation and adjustments (identify): Rounding		(2)	2
21	Current federal income tax expense	1,849,384	1,741,448	107,936
22	Adjustments - FAS109 true-up	(5,262)	(5,262)	
23				
24	Total current federal income tax expense (lines 21..23)	1,844,122	1,736,184	107,938
25	Net investment tax credits			
26	Current deferred federal income tax expense	(432,308)	(432,331)	23
27	Prior deferred federal income tax expense	5,262	5,262	
28	Net federal income tax expense shown on Schedule I-1 (lines 24..27)	1,417,076	1,309,115	107,961

☐ **Federal income tax information is not available.** The respondent will file this data with OPUC on or about ________________, ______.
The respondent needs extra time because:

Company: CenturyTel of Eastern Oregon, Inc.

TOTAL COMPANY AND TOTAL OREGON OPERATIONS

1. *Dollars are whole.*
2. *Schedules from other reports may be acceptable. See attached instructions for more information.*

I-7. RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR OREGON STATE EXCISE (INCOME) TAX

☐ **NOT REQUIRED** because the respondent is an average schedule company, or is a cooperative that reports no Oregon income tax on Schedule I-1, or is a large utility that elected price cap regulation under ORS 759.405, or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule, or is a large utility that is subject to unbundling requirements under docket UM 351.

Line No.	Particulars (a)	Total Company Amount (b)	Total Oregon Amount: Operating (c)	Total Oregon Amount: Nonregulated (d)
1	Total revenues (Accounts 5xxx except 5300)	30,938,004	30,938,004	
2	Total expenses (Accounts 6xxx and 5300)	26,346,746	26,346,746	
3	Other income (Accounts 71xx, 73xx, 76xx, 79xx)	400,827	70,571	330,256
4	Operating Taxes Other Than Oregon State (Accounts 72xx)	456,240	456,240	
5	Nonoperating Taxes (Accounts 74xx)			
6	Interest, including debt discount, expense, and premium amortization (Accounts 75xx)	208,955	208,955	
7	Net income before Oregon income tax (lines 1..6)	4,326,890	3,996,634	330,256
	Tax additions (identify):			
8	Tax depreciation and amortization (additions)	1,354,033	1,353,742	291
9	Paid time off	4,111	4,111	
10	Bad debts	(14,170)	(14,170)	
11	Uniform capitalization & other	10,773,128	10,773,494	(366)
12	Total additions (lines 8..11)	12,117,102	12,117,177	(75)
	Tax deductions and nontaxable income (identify):			
13	Tax depreciation and amortization (deductions)	10,779,837	10,779,837	
14	Removal costs	6,815	6,815	
15	AFDC			
16				
17	Total deductions (lines 13..16)	10,786,652	10,786,652	
18	Taxable income on tax return (lines 7+12-17)	5,657,340	5,327,159	330,181
19	Apportionment factor (applies to multistate companies)	1.000	1.000	1.000
20	Apportioned taxable income	5,657,340	5,327,159	330,181
21	Oregon income tax rate	6.600%	6.600%	6.600%
22	Oregon income tax	373,384	351,592	21,792
	Adjustments: - FAS109 true-up	(1,062)	(1,062)	
23				
24				
25	Total current Oregon income tax expense (lines 23..24)	372,322	350,530	21,792
26	Current deferred Oregon income tax expense	(87,282)	(87,287)	5
27	Prior deferred Oregon income tax expense	1,062	1,062	
28	Net Oregon income taxes on Schedule I-1 (lines 25..27)	286,102	264,305	21,797

☐ **Oregon excise (corporate income) tax information is not available**. The respondent will file this data with OPUC on or about __________, _____.
The respondent needs extra time because:

Company: CenturyTel of Eastern Oregon, Inc.
TOTAL COMPANY OPERATIONS

1. *Dollars are whole.*
2. *Schedules from other reports may be acceptable. See attached instructions for more information.*

I-8. TRANSACTIONS WITH AFFILIATED AND NONREGULATED OPERATIONS

A. Cost Allocation Manual (CAM)

- ☐ The respondent is not required to file a CAM under Oregon Administrative Rules (OARs) 860-027-0052, 860-034-0394, or 860-034-0740.
- ☒ The respondent's CAM, filed with OPUC, is up to date for the year covered by this report.
- ☐ The respondent's filed CAM is not up to date. A revised CAM is attached.
- ☐ The respondent's CAM is not up to date. The respondent will file a revised CAM with OPUC on or about ______________, ______.
  The respondent needs this extra time because ______________

B. Intercompany Loans

Line No.	Name of Affiliated Company (a)	Respondent Lent (L) or Borrowed (B) (b)	Highest Amount Out-Standing During Year (c)	Total Interest Accrued During the Year (d)
☐	NOT REQUIRED: The respondent is an average schedule company, or does not make annual access charge filings, or is subject to price cap regulation under ORS 759.405, or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.			
☒	REQUIRED. The respondent is a cost company and makes annual access charge filings. See attached instructions.			
1	N/A			
2				
3				
4				
5				
6				

C. Intracompany Transfers and Payments

Line No.	Segment or Division of Respondent (a)	Description of Transactions Between Regulated and Nonregulated Segments of the Respondent (amounts subject to Part 64) (b)	Total Company Charges and Credits to Operating Accounts (c)	Total Oregon Charges and Credits to Operating Accounts (d)
☐	NOT REQUIRED: The respondent is an average schedule company, or does not make annual access charge filings, or is subject to price cap regulation under ORS 759.405, or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.			
☒	REQUIRED. The respondent is a cost company and makes annual access charge filings. See attached instructions.			
1	CenturyTel of Oregon, Inc.	Allocations to Nonregulated Segments		51,192
2				
3				
4				
5				
6				
7	Other Transfers or Payments (where annual amounts < $50,000)		79,249	
8	Total Intracompany Transactions		79,249	51,192

Company: CenturyTel of Eastern Oregon, Inc.
TOTAL COMPANY OPERATIONS

1. *Dollars are whole.*
2. *Schedules from other reports may be acceptable. See attached instructions for more information.*

I-8. TRANSACTIONS WITH AFFILIATED AND NONREGULATED OPERATIONS
D. Intercompany Transactions

Line No.	Name of Affiliated Company (a)	Description of Transaction and Date of Contract (b)	Charges and Credits to Operating Accounts (c)	Total Oregon Charges and Credits to Operating Accounts (d)
☐	NOT REQUIRED. The respondent is an average schedule company, or a cooperative that does not make annual access charge filings, or is subject to price cap regulation under ORS 759.405, or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.			
☐	SEE PART E. The utility does not make annual access charge filings.			
☒	REQUIRED. The respondent is a cost company and makes annual access charge filings. See attached instructions.			
	(1) Total Payments Made by the Respondent to Affiliated Companies During the Year:			
1	CenturyLink, Inc.	Allocation for services, etc.	603,558	
2	Embarq Management Company	Allocation for services, etc.	507,353	
3	CenturyTel Service Group, Inc.	Allocation for services, etc.	4,327,814	
4	CenturyTel Holdings MO, Inc.	Allocation for services, etc.	392,751	
5	CenturyTel of Washington, Inc.	Allocation for services, etc.	788,597	
6	CenturyTel of Oregon, Inc.	Allocation for services, etc.		1,803,033
7				
8				
9				
10				
11	Total Other Payments (where annual payments < $50,000)		195,201	29,573
12	Total Payments Made by the Respondent to Affiliated Companies During the Year		6,815,274	1,832,606
	(2) Total Payments Made by Affiliated Companies to the Respondent During the Year:			
13	CenturyTel Long Distance, Inc.	Billing & Collection/Special Access	325,771	
14	CenturyTel Broadband Services, LLC	Billing & Collection/Special Access	126,783	
15				
16				
17				
18				
19				
20				
21				
22				
23	Total Other Payments (where annual payments < $50,000)		23,402	
24	Total Payments Made by Affiliated Companies to the Respondent During the Year		475,956	

Company: CenturyTel of Eastern Oregon, Inc.
TOTAL COMPANY OPERATIONS

1. *Dollars are whole.*
2. *Schedules from other reports may be acceptable. See attached instructions for more information.*

I-8. TRANSACTIONS WITH AFFILIATED AND NONREGULATED OPERATIONS

E. Intercompany Transactions of Utilities That Do Not File Annual Access Charges

	Names of Parties to Affiliated Interest Contracts Issued During the Year *(a)*	Dollar Amount of the Contract *(b)*	Date of Contract *(c)*
☐	NOT REQUIRED. The respondent is an average schedule company or a cooperative that does not make annual access charge filings.		
☒	NOT REQUIRED. The respondent is a price regulated company under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.		
☒	NOT REQUIRED. The respondent is a cost company and makes annual access charge filings. See Part D.		
☐	REQUIRED (ORS 759.393 and OARs 860-027-0100 and 860-034-0396). Utility does not make annual access charge filings. List each affiliate contract executed during the year covered by this report. Include the names of the parties to the contracts, the dollar amounts of the contracts, and the dates of execution of the contracts.		

Company: CenturyTel of Eastern Oregon, Inc.
TOTAL COMPANY OPERATIONS

1. *All amounts are whole.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

S-1. SWITCHES AND ACCESS LINES IN SERVICE

Line No.	Description (a)	Balance at End of Year (b)	
1	**Total Central Office Switches in Service**	17	(This space is not used.)
	Access Lines in Service by Customer:		
	Residential Access Lines:		
2	Single Party	20,013	
3	Multiparty	7	
4	**Total Residential Access Lines (lines 2..3)**	**20,020**	
	Business Access Lines:		
5	Single Line	1,493	
6	Multi Line	4,367	
7	PBX Trunks	432	
8	Centrex-CO Line Count	871	
9	ISDN "B" Channels		
10	**Total Business Access Lines (lines 5..9)**	**7,163**	
	Other Access Lines:		
11	Radio Common Carrier (RCC) and Mobile	1	
12	WATS Closed End (inWATS and outWATS)		
13	Switched Access - FGA FX/ONAL		
14	Payphone (public and semipublic)	89	
15	UNE Network Access Channels (NACs)		
16	Dedicated (non-switched) Private Lines and Special Access		
17	Wideband Data Lines		
18	Other	918	
19	**Total Other Access Lines (lines 11..18)**	**1,008**	
20	**Total Access Lines (lines 4+10+19)**	**28,191**	

ANNUAL REPORT
FORM O

Total Company and Total Oregon Operations

OF

CenturyTel of Oregon, Inc.

(name of responding telecommunications cooperative or utility)

TO THE
PUBLIC UTILITY COMMISSION OF OREGON
Street Address: 550 Capitol Street NE Suite 215, Salem OR 97301-2551
Mailing Address: PO Box 2148, Salem OR 97308-2148

FOR THE YEAR ENDING DECEMBER 31, 2009

Company: CenturyTel of Oregon, Inc.

Schedules from other reports may be acceptable. See attached instructions for more information.

A-2. IMPORTANT CHANGES DURING THE YEAR

	☐ **NOT REQUIRED**, because the respondent is a cooperative.
1. **CHANGES IN SERVICE TERRITORY, EXTENSIONS OF SERVICES, SALES, MERGERS, ABANDONMENT, AND CHANGES IN IDENTITY.** If there were changes in the respondent's identity or Oregon service territory during the year, describe the changes.	CenturyTel of Oregon, Inc. formerly doing business as CenturyTel is now doing business as CenturyLink.
2. **CHANGES IN ACCOUNTING STANDARDS.** Briefly describe the changes in accounting standards, including the effective date of the change and the impact on the accounts as provided for by generally accepted accounting principles.	None
3. **CHANGES IN OWNERSHIP OR DIRECT CONTROL.** If ownership or direct control over the respondent changed during the year, provide the following information: a. State the form of control (i.e., sole or joint). b. State the names and addresses of the directly controlling organizations or persons. c. State the means by which control was held (for example, through ownership of voting securities, common directors, officers, stockholders, voting trusts, etc.). d. State the extent of control. e. If the directly controlling organization or person was in turn controlled by another organization or person, show the chain of control to the ultimately controlling organization or person and the extent of control over each directly controlled organization or person in the chain. f. If any controlling organization or person held control as trustee, give the names and addresses of the beneficiaries for whom the trust is maintained and the purpose of the trust.	None

A-3. STOCKHOLDERS

Line No.	Class of Stock (a)	Shares Held (b)	Name of Stockholder (c)
			☐ NOT REQUIRED, because the respondent is a cooperative.
1	Common Stock	10,461	CenturyTel of the Northwest, Inc.
2			
3			
4			
5			
6			
7			
8			
9			
10			
11	Date of Compilation:	December 31, 2009	

Company: CenturyTel of Oregon, Inc.

TOTAL COMPANY OPERATIONS

1. *Dollars are whole.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

B-1. BALANCE SHEET

Line No.	Account	Description (a)	Balance at Beginning of Year (b)	Plant Additions (c)	Plant Retirements (d)	Transfers and Adjustments (e)	Balance at End of Year (f)
	Assets						
1	1120	Cash and Equivalents					8,776,095
2	1170	Receivables					3,295,925
3	1171	Allowance for Doubtful Accounts					744,350
4	1220	Inventories	3,831	<-- Beginning and Ending Balances Required -->			5,267
5	1280	Prepayments					78,752
6	1350	Other Current Assets					
7		**Total Current Assets (lines 1..6)**					**12,900,389**
8	1406	Nonregulated Investments					50,171
9	1410	Other Noncurrent Assets					
10	1438	Deferred Maintenance, Retirements, and Other Deferred Charges	1,813	<-- Beginning and Ending Balances Required -->			1,813
11	1500	Other Jurisdictional Assets - Net					
12		**Total Noncurrent Assets (lines 8..11)**					**51,984**
13	2001	Telecommunications Plant in Service (line 61)	113,306,426	<-- Beginning and Ending Balances Required -->			116,141,344
14	2002	Property Held for Future Telecommunications Use					
15	2003	Telecommunications Plant Under Construction					444,107
16	2005	Telecommunications Plant Adjustment		<-- Beginning and Ending Balances Required -->			
17	2006	Nonoperating Plant					
18	2007	Goodwill					
19		**Total Plant (lines 13..18)**	**113,306,426**	<-- Beginning and Ending Balances Required -->			**116,585,451**

Company: CenturyTel of Oregon, Inc.

TOTAL COMPANY OPERATIONS

1. *Dollars are whole.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

B-1. BALANCE SHEET

Line No.	Account	Description (a)	Balance at Beginning of Year (b)	Plant Additions (c)	Plant Retirements (d)	Transfers and Adjustments (e)	Balance at End of Year (f)
		Telecommunications Plant in Service					
20	2111	Land	465,661				465,661
21	2112	Motor Vehicles	1,524,825	63,842	158,859		1,429,808
22	2113	Aircraft					
23	2114	Tools and Other Work Equipment	1,030,649	69,966	28,312	18,654	1,090,957
24	2121	Buildings	4,825,789	132,044			4,957,833
25	2122	Furniture	34,502				34,502
26	2123.1	Office Support Equipment	18,265				18,265
27	2123.2	Company Communications Equipment	27,497				27,497
28		**Sub-Total 2123 Office Equipment (lines 26..27)**	**45,762**				45,762
29	2124	General Purpose Computers	634,505	52,609	114,854	40,323	612,583
30		**Total Land and Support (lines 20..27 and 29)**	**8,561,693**	**318,461**	**302,025**	**58,977**	8,637,106
31	2211	Nondigital Switching					
32	2212.1	Digital Electronic Switching - Circuit	20,167,456	597,140	127,673		20,636,923
33	2212.21	Digital Electronic Switching - Packet Switching	392,320				392,320
34	2212.22	Digital Electronic Switching - Soft Switch	982,944				982,944
35		**Total Central Office - Switching (lines 31..34)**	**21,542,720**	**597,140**	**127,673**		**22,012,187**
36	2220	Operator Systems					
37	2231	Radio Systems	8,321				8,321
38	2232.1	Circuit Equipment - Electronic	21,361,472	1,302,803	84,645		22,579,630
39	2232.2	Circuit Equipment - Optical	1,876,866	846			1,877,712
40		**Total Circuit (lines 37..39)**	**23,246,659**	**1,303,649**	**84,645**		**24,465,663**
41		**Total Switching and Central Office (lines 35..39)**	**44,789,379**	**1,900,789**	**212,318**		**46,477,850**
42	2310	Information Origination/Termination					
43	2351	Public Telephone Terminal Equipment					
44	2362	Other Terminal Equipment					
45		**Total Information Origination/Termination (lines 42..44)**					

Company: CenturyTel of Oregon, Inc.
TOTAL COMPANY OPERATIONS
1. *Dollars are whole.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

B-1. BALANCE SHEET

Line No.		Description (a)	Balance at Beginning of Year (b)	Plant Additions (c)	Plant Retirements (d)	Transfers and Adjustments (e)	Balance at End of Year (f)
46	2411	Poles	1,276,529	40,599	10,856	1,025	1,307,297
47	2421.1	Aerial Cable - Metallic	6,743,588	143,014	31,307	620	6,855,915
48	2421.2	Aerial Cable - Nonmetallic	806,301	32,214	5,365	(1)	833,149
49	2422.1	Underground Cable - Metallic	1,331,871		26,501		1,305,370
50	2422.2	Underground Cable - Nonmetallic	298,364	8,802	3,321		303,845
51	2423.1	Buried Cable - Metallic	45,126,869	922,043	147,628	2,158	45,903,442
52	2423.2	Buried Cable - Nonmetallic	2,279,536	110,504			2,390,040
53	2424	Submarine and Deep Sea Cable					
54	2426	Intrabuilding Network Cable	22,579				22,579
55	2431	Aerial Wire	118,808				118,808
56	2441	Conduit Systems	1,944,116	41,669	2,831	(3,804)	1,979,150
57		**Total Cable and Wire Facilities (lines 46..56)**	**59,948,561**	**1,298,845**	**227,809**	(2)	**61,019,595**
58	2680	Amortizable Tangible Assets	2,500				2,500
59	2690	Amortizable Intangible Assets	4,293				4,293
60		**Total Other Assets (lines 58..59)**	**6,793**				**6,793**
61		**Telecommunications Plant in Service (lines 30+41+45+57+60)**	**113,306,426**	**3,518,095**	**742,152**	**58,975**	**116,141,344**
		Accumulated Depreciation and Amortization					
62	3100	Depreciation - Telecommunications Plant in Service	92,458,236	**<-- Beginning and Ending Balances Required -->**			97,967,324
63	3200	Depreciation - Property Held for Future Telecommunications Use		**<-- Beginning and Ending Balances Required -->**			
64	3300	Depreciation - Nonoperating		**<-- Beginning and Ending Balances Required -->**			
65	3400	Amortization of Tangible Assets	1,542	**<-- Beginning and Ending Balances Required -->**			2,042
66	3500	Amortization of Intangible Assets	4,079	**<-- Beginning and Ending Balances Required -->**			4,090
67		**Accumulated Depreciation and Amortization (lines 62..66)**	**92,463,857**	**<-- Beginning and Ending Balances Required -->**			**97,973,456**
68		**Net Plant (line 19 less line 67)**	**20,842,569**	**<-- Beginning and Ending Balances Required -->**			**18,611,995**
69		**Total Assets (lines 7+12+68)**					**31,564,368**

Company: CenturyTel of Oregon, Inc.
TOTAL COMPANY OPERATIONS
1. *Dollars are whole.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

B-1. BALANCE SHEET

Line No.		Description (a)	Balance at Beginning of Year (b)	Plant Additions (c)	Plant Retirements (d)	Transfers and Adjustments (e)	Balance at End of Year (f)
	Liabilities and Equity						
70	4010-4030	Accounts and Notes Payable					893,635
71	4040	Customer Deposits					61,162
72	4070	Income Taxes - Accrued					1,559
73	4080	Other Taxes - Accrued					77,147
74	4100	Net Current Deferred Operating Income Tax		**<-- Beginning and Ending Balances Required -->**			
75	4110	Net Current Deferred Nonoperating Income Tax					
76	4130	Other Current Liabilities					330,064
77		**Total Current Liabilities (lines 70..76)**					**1,363,567**
78	4200	Long Term Debt					
79	4310	Other Long Term Liabilities					
80	4320	Unamortized Operating Investment Tax Credits - Net					
81	4330	Unamortized Nonoperating Investment Tax Credits - Net					
82	4340.1	Net Noncurrent Deferred Operating Federal Income Tax	867,027	**<-- Beginning and Ending Balances Required -->**			248,376
83	4340.2	Net Noncurrent Deferred Operating State Income Tax	175,050	**<-- Beginning and Ending Balances Required -->**			50,146
84	4341	Net Deferred Tax Liability Adjustments					
85	4350	Net Noncurrent Deferred Nonoperating Income Tax					
86	4361	Deferred Tax Regulatory Liability - Net		**<-- Beginning and Ending Balances Required -->**			
87	4370	Other Jurisdictional Liabilities and Deferred Credits - Net	12,778	**<-- Beginning and Ending Balances Required -->**			26,414
88		**Total Other Liabilities and Deferred Credits (lines 78..87)**					**324,936**
89	4510	Capital Stock					12,992,303
90	4520	Additional Paid-In Capital					
91	4530	Treasury Stock					
92	4540	Other Capital					
93	4550	Retained Earnings (from Retained Earnings, below)					16,883,562
94		**Total Stockholders' Equity (lines 89..93)**					**29,875,865**
95		**Total Liabilities and Equity (lines 77+88+94)**					**31,564,368**

Company: CenturyTel of Oregon, Inc.

TOTAL COMPANY OPERATIONS

1. *Dollars are whole.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

B-1. BALANCE SHEET

Line No.		Description (a)	Balance at Beginning of Year (b)	Plant Additions (c)	Plant Retirements (d)	Transfers and Adjustments (e)	Balance at End of Year (f)
		Retained Earnings					
96	460	Balance at January 1					24,093,305
97	465	Net Income (from Income Statement, Schedule I-1, line 82)					4,790,257
98	470	Dividends Declared					12,000,000
99	475	Miscellaneous Debits (Include explanation in footnotes)					
100	480	Miscellaneous Credits (Include explanation in footnotes)					
101	490	**Balance at December 31 (lines 96+97+100 less line 98 less 99)**					**16,883,562**

Company: CenturyTel of Oregon, Inc.
TOTAL COMPANY OPERATIONS

1. *Dollars are whole.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

B-2. ANALYSIS OF DEPRECIATION AND AMORTIZATION

☐ **NOT REQUIRED** because the respondent is an average schedule company, has elected price cap regulation under ORS 759.405 or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.

Line No.	Account	Plant Account Description (a)	Accumulated Balance at Beginning of Year (b)	CREDITS During the Year: Charged to Expense Account (c)	CREDITS During the Year: Other Credits (d)	CHARGES During the Year: Plant Retired (e)	CHARGES During the Year: Other Charges (f)	Accumulated Balance at End of Year (g)	Composite Depreciation Rate (%) (h)
		DEPRECIATION							
1	2112	Vehicles	1,519,592	32,116		147,534		1,404,174	14.10%
2	2113	Aircraft							
3	2114	Tools and Other Work Equipment	34,955	39,233	10,281	28,312		56,157	3.60%
4	2121	Buildings	3,655,755	160,458				3,816,213	3.30%
5	2122	Furniture	(5,876)	2,657			1	(3,220)	7.70%
6	2123.1	Office Support Equipment	12,138	1,114				13,252	6.10%
7	2123.2	Company Communications Equipment	26,122					26,122	5.20%
8		**Sub-Total 2123 Office Equipment (lines 6..7)**	**38,260**	**1,114**				**39,374**	
9	2124	General Purpose Computers	119,676	22,689	48,005	114,854	1	75,515	3.50%
10		**Total Support (lines 1..7 and 9)**	**5,362,362**	**258,267**	**58,286**	**290,700**	**2**	**5,388,213**	
11	2211	Nondigital Switching							
12	2212.1	Digital Electronic Switching - Circuit	18,533,843	140,578		127,673	1	18,546,747	9.90%
13	2212.21	Digital Electronic Switching - Packet Switching	195,280	7,412				202,692	9.90%
14	2212.22	Digital Electronic Switching - Soft Switch	1,012,359	38,840		97,940		953,259	9.90%
15		**Total Switching (lines 11..14)**	**19,741,482**	**186,830**		**225,613**	**1**	**19,702,698**	
16	2220	Operator Systems							
17	2231	Radio Systems	8,736					8,736	14.50%
18	2232.1	Circuit Equipment - Electronic	13,330,935	1,626,573		(13,295)		14,970,803	7.50%
19	2232.2	Circuit Equipment - Optical	627,423	140,802				768,225	7.50%
20		**Total Circuit (lines 17..19)**	**13,967,094**	**1,767,375**		**(13,295)**		**15,747,764**	
21	2310	Information Origination/Termination							
22	2351	Public Tel. Terminal Equipment							
23	2362	Other Terminal Equipment							
24	2411	Poles	1,391,578	168,518		16,046		1,544,050	13.00%
25	2421.1	Aerial Cable - Metallic	8,761,703	625,564		37,417	157	9,349,693	9.20%
26	2421.2	Aerial Cable - Nonmetallic	219,890	43,878		5,876		257,892	5.40%
27	2422.1	Underground Cable - Metallic	1,509,790	18,849		27,464		1,501,175	7.60%
28	2422.2	Underground Cable - Nonmetallic	123,270	14,042		3,321		133,991	4.60%
29	2423.1	Buried Cable - Metallic	39,387,410	2,955,726		150,416	1	42,192,719	6.50%
30	2423.2	Buried Cable - Nonmetallic	957,864	105,201		119		1,062,946	4.50%
31	2424	Submarine and Deep Sea Cable							
32	2426	Intrabuilding Network Cable	22,579					22,579	7.60%
33	2431	Aerial Wire	205,000	585		402		205,183	9.70%
34	2441	Conduit Systems	808,214	53,038		2,831		858,421	2.70%
35		**Total Cable and Wire (lines 24..34)**	**53,387,298**	**3,985,401**		**243,892**	**158**	**57,128,649**	
36		**Total Depreciation (lines 10+15+16+20+21+22+23+35)**	**92,458,236**	**6,197,873**	**58,286**	**746,910**	**161**	**97,967,324**	

Company: CenturyTel of Oregon, Inc.
TOTAL COMPANY OPERATIONS

1. *Dollars are whole.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

B-2. ANALYSIS OF DEPRECIATION AND AMORTIZATION

Line No.	Plant Account Description (a)	Accumulated Balance at Beginning of Year (b)	CREDITS During the Year: Charged to Expense Account (c)	CREDITS During the Year: Other Credits (d)	CHARGES During the Year: Plant Retired (e)	CHARGES During the Year: Other Charges (f)	Accumulated Balance at End of Year (g)	Composite Amortization Rate (%) (h)
☐	**NOT REQUIRED** because the respondent is an average schedule company, has elected price cap regulation under ORS 759.405 or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.							
	AMORTIZATION							
37	2680 Amortizable Tangible Assets	1,542	500				2,042	2.00%
38	2690 Amortizable Intangible Assets	4,079	11				4,090	2.00%
39	**Total Amortization (lines 37..38)**	**5,621**	**511**				**6,132**	

Company: CenturyTel of Oregon, Inc.
TOTAL COMPANY OPERATIONS

1. *Dollars are whole.*
2. *Schedules from other reports may be acceptable. See attached instructions for more information.*

B-3. ANALYSIS OF CHARGES RELATED TO PLANT RETIRED

☐ **NOT REQUIRED** because the respondent is an average schedule company, has elected price cap regulation under ORS 759.405, or has been approved for price refulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.

Line No.		Plant Account Description (a)	Book Cost (b)	Cost of Removal (c)	Salvage and Insurance (d)	Miscellaneous Adjustments (e)	Net Retirements [Sch. B-2, Col. (e)] (f)
1	2112	Vehicles	158,859			(11,325)	147,534
2	2113	Aircraft					
3	2114	Tools and Other Work Equipment	28,312				28,312
4	2121	Buildings					
5	2122	Furniture					
6	2123.1	Office Support Equipment					
7	2123.2	Company Communications Equipment					
8		Sub-Total 2123 Office Equipment (Lines 6..7)					
9	2124	General Purpose Computers	114,854				114,854
10	2211	Nondigital Switching					
11	2212.1	Digital Electronic Switching - Circuit	127,673				127,673
12	2212.21	Digital Electronic Switching - Packet Switching					
13	2212.22	Digital Electronic Switching - Soft Switch				97,940	97,940
14	2220	Operator Systems					
15	2231	Radio Systems					
16	2232.1	Circuit Equipment - Electronic	84,645			(97,940)	(13,295)
17	2232.2	Circuit Equipment - Optical					
18	2310	Information Origination/Termination					
19	2351	Public Tel. Terminal Equipment					
20	2362	Other Terminal Equipment					
21	2411	Poles	10,856	5,297	(108)	1	16,046
22	2421.1	Aerial Cable - Metallic	31,307	11,569		(5,460)	37,416
23	2421.2	Aerial Cable - Nonmetallic	5,365	511			5,876
24	2422.1	Underground Cable - Metallic	26,501	963			27,464
25	2422.2	Underground Cable - Nonmetallic	3,321				3,321
26	2423.1	Buried Cable - Metallic	147,628	2,789			150,417
27	2423.2	Buried Cable - Nonmetallic		119			119
28	2424	Submarine and Deep Sea Cable					
29	2426	Intrabuilding Network Cable					
30	2431	Aerial Wire		402			402
31	2441	Conduit Systems	2,831				2,831
32		**Total Charges Related to Plant Retired (lines 1..7 & 9..31)**	**742,152**	**21,650**	**(108)**	**(16,784)**	**746,910**

Company: CenturyTel of Oregon, Inc.
TOTAL COMPANY AND TOTAL OREGON OPERATIONS

1. *Dollars are whole.*
2. *Schedules from other reports may be acceptable. See attached instructions for more information.*

B-4. LONG-TERM DEBT

Line No.	Description of Obligation (a)	Balance Outstanding at the End of the Year (b)	Interest: Stated Rate On the Face Amount (c)	Interest: Dollar Amount Accrued During the Year (d)
☐	**NOT REQUIRED** because the respondent is an average schedule company, has elected price cap regulation under ORS 759.405, or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.			
1	Not Applicable			
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25				
26	**Total**			

Company: CenturyTel of Oregon, Inc.
TOTAL COMPANY OPERATIONS

1. Dollars are whole.
2. Schedules from other reports are not acceptable. See attached instructions for more information.

I-1. INCOME STATEMENT

Line No.	Account	Description (a)	Total Amount During the Year (b)
		Operating Revenues	
1	5000	Local Service Revenues	9,762,258
2	5070	Distributions of State Universal Service Funds (Monies Received from State USFs)	
3	5081.1	Subscriber Line Charges and Presubscribed Interexchange Carrier Charges	2,512,701
4	5081.2	Collections of Federal Universal Service Funds (Monies Billed to Customers for Fed USF)	4,982,011
5	5081.3	Collections of State Universal Service Funds (Monies Billed to Customers for State USF)	2,172,335
6	5081.4	Distributions of Federal Universal Service Funds (Monies Received from Federal USF)	
7	5081.5-9	Other Intrastate End User Revenues	
8	5082.1	Switched Access Revenue - Interstate	1,622,114
9	5082.2	Switched Access Revenue - Intrastate	2,378,654
10	5083.1	Special Access Revenue - Interstate	3,271,181
11	5083.2	Special Access Revenue - Intrastate	501,037
12		**Total Network Access Revenues (lines 3..11)**	**17,440,033**
13	5105	Long Distance Message Revenue	376
14	5200.1	Directory Revenue	736,892
15	5200.2	Carrier Billing and Collection Revenue	587,222
16	5200.3	Other Miscellaneous Revenue	368,067
17		**Total Miscellaneous Revenues (lines 14..16)**	**1,692,181**
18	5280	Nonregulated Operating Revenue	
19	5300	Uncollectible Revenues	49,237
20		**Total Operating Revenues (lines 1+2+12+13+17+18-19)**	**28,845,611**
21		Interstate and Foreign (International) Revenues Included in the Above Operating Revenues	12,576,426
		Operating Expenses	
22	6110-6114	Network Support Expenses	57,216
23	6120-6124	General Support Expenses	515,116
24	6211	Nondigital Switching Expense	
25	6212.1	Digital Electronic Expense - Circuit	1,089,410
26	6212.21	Digital Electronic Expense - Packet Switching	24,506
27	6212.22	Digital Electronic Expense - Soft Switch	
28		**Total Central Office Switching Expenses (lines 24..27)**	**1,113,916**

(This space is not used.)

Company: CenturyTel of Oregon, Inc.
TOTAL COMPANY OPERATIONS

1. *Dollars are whole.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

I-1. INCOME STATEMENT

Line No.		Description (a)	Total Amount During the Year (b)	
29	6220	Operator Systems Expense		
30	6231	Radio System Expense		
31	6232.1	Circuit Equipment Expense - Electronic	5,767	
32	6232.2	Circuit Equipment Expense - Optical	818,656	
33		**Total Switching and Central Office Transmission Expenses (lines 29..32)**	**824,423**	
34	6310-6341	Information Origination/Termination Expense		
35	6351	Public Telephone Terminal Equipment Expense		
36	6362	Other Terminal Equipment Expense		
37		**Total Information Origination/Termination (lines 34..36)**		
38	6411	Poles Expense	214,439	
39	6421	Aerial Cable Expense	707,961	
40	6422	Underground Cable Expense	1,016	
41	6423	Buried Cable Expense	2,998,677	
42	6424	Submarine and Deep Sea Cable Expense		
43	6426	Intrabuilding Network Cable Expense	4,417	
44	6431	Aerial Wire Expense	838	**(This space is not used.)**
45	6441	Conduit Systems Expense		
46		**Total Cable and Wire Facilities Expenses (lines 38..45)**	**3,927,348**	
47		**Total Plant Specific Expenses (lines 22+23+28+33+37+46)**	**6,438,019**	
48	6511	Property Held for Future Telecommunications Use Expense		
49	6512	Provisioning Expense	20,042	
50		**Total Other Property, Plant, and Equipment Expense (lines 48..49)**	**20,042**	
51	6530-6535	Network Operations Expenses	1,096,787	
52	6540	Access Expense	255,422	
53	6550.1	Federal Universal Support Contributions (Monies You Paid Into Fed USF)	641,694	
54	6550.2	State Universal Support Contributions (Monies You Paid Into State USF)	713,753	
55		**Total Universal Service Fund Contributions (lines 53..54)**	**1,355,447**	
56	6561	Depreciation - Telecommunications Plant in Service	6,197,873	<-- B-2, Total of Column (c) Depreciation
57	6562	Depreciation - Property Held for Future Telecommunications Use		
58	6563	Amortization Expense - Tangible Assets	500	<-- B-2, Column (c), Acct 2680
59	6564	Amortization Expense - Intangible Assets	11	<-- B-2, Column (c), Acct 2690
60		**Total Depreciation and Amortization Expenses (lines 56..59)**	**6,198,384**	
61		**Total Plant Nonspecific Expenses (lines 50+51+52+55+60)**	**8,926,082**	

Company: CenturyTel of Oregon, Inc.
TOTAL COMPANY OPERATIONS
1. *Dollars are whole.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

I-1. INCOME STATEMENT

Line No.		Description (a)	Total Amount During the Year (b)
62	6610-6613	Marketing Expenses	784,436
63	6620	Services Expenses	1,709,380
64		**Total Customer Operations Expenses (lines 62..63)**	**2,493,816**
65	6720	General and Administrative Expense	2,846,767
66	6790	Less: Provision for Uncollectible Notes Receivable	
67		**Total Operating Expenses (lines 47+61+64+65-66)**	**20,704,684**
68		**Net Revenue (line 20 less line 67)**	**8,140,927**
	Other Income and Expenses		
69	7100	Other Operating Income and Expenses	
70	7210	Operating Investment Tax Credits - Net	
71	7220	Operating Federal Income Taxes	3,115,548
72	7230	Operating State and Local Income Taxes	629,020
73	7240	Operating Other Taxes	518,405
74	7250.1	Provision for Deferred Operating Federal Income Tax - Net	(619,420)
75	7250.2	Provision for Deferred Operating State Income Tax - Net	(125,059)
76		**Net Operating Taxes (lines 70..75)**	**3,518,494**
77		**Net Operating Income (lines 68+69-76)**	**4,622,433**
78	7300	Nonoperating Income and Expenses	4,796
79	7400	Nonoperating Taxes	
80	7500	Interest and Related Items	947
81	7600	Extraordinary Items	
82	7910	Income Effect of Jurisdictional Differences - Net	
83	7990	Nonregulated Net Income	163,975
84		**Net Income (lines 77+78+81+82+83-79-80)**	**4,790,257**

(This space is not used.)

I-2. FULL-TIME EMPLOYEES

Line No.	Description	Amount
1	Management Employees (Regulated Activities)	
2	Nonmanagement Employees (Regulated Activities)	62
3	Employees Allocated From or Paid by Affiliated Companies (Regulated Activities)	
4	**Total Full-Time Employees (lines 1..3 - Regulated Activities)**	**62**

(This space is not used.)

Company: CenturyTel of Oregon, Inc.
TOTAL COMPANY AND TOTAL OREGON OPERATIONS
1. Dollars are whole; other amounts are whole.
2. Schedules from other reports are not acceptable. See attached instructions for more information.

I-3. COMPENSATION OF DIRECTORS, OFFICERS, AND MANAGERS

Line No.	Name of Person, Title, and Department (a)	Total Amount of Compensation Paid During the Year — Total Compensation Paid by Respondent: Salaries (b)	Insurance and Pensions (c)	Director Fees (d)	Other Compensation: Total Amount (e)	Other Compensation: Description (f)	Total Compensation Paid by Affiliates (g)	Total Compensation (Columns b+c+d+e+g) (h)	Amount Charged to Oregon Operating Accounts (i)
	A utility that is not partially exempt from regulation under ORS 759.040 must list the same or equivalent positions as shown in its Annual Budget of Expenditures for the year. A cooperative or small utility must list owners, officers, members of the board of directors, managers, and members of their families whom the respondent or its affiliates paid more than $25,000 during the year and charged any portion thereof to Oregon operating accounts.								
1	Glen F. Post, III - CEO and President								
2	Karen A. Puckett - Executive VP & COO								
3	R. Stewart Ewing, Jr. Executive VP & CFO		CONFIDENTIAL - SEE LEAH DOUGAN FOR ACTUAL REPORT SENT TO OREGON COMMISSION						
4	Stacey W. Goff - Executive VP, General Counsel & Assistant Secretary								
5	Dennis G. Huber - Executive VP								
6	David D. Cole - Senior VP								
7	Leslie H. Meredith - Senior VP								
8	William E. Cheek - President-Wholesale Operations								
9	Neil A. Sweasy - VP & Controller								
10	G. Clay Bailey - Senior VP & Treasurer								
11	Terry Beeler - Vice President								
12	Tim Grigar - General Manager								
13	D. Greg Jones - Assistant Treasurer								
14	James Butler - Assistant Secretary								
15	Kay C. Buchart - Secretary								
16									
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25									

Company: CenturyTel of Oregon, Inc.
TOTAL COMPANY OPERATIONS

1. *Dollars are whole.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

I-4. OPERATING TAXES OTHER THAN FEDERAL INCOME TAX

☐ **NOT REQUIRED** because the respondent is an average schedule company, has elected price cap regulation under ORS 759.405, has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule, or is a large utility that is subject to unbundling requirements under docket UM 351.

Line No.	Description *(a)*	Total Amount During the Year *(b)*	
	State Income Tax:		(This space is not used.)
1	Current	629,020	
2	Current Deferred	(125,059)	
3	Prior Deferred		
4	**Total Current and Deferred State Income Tax (lines 1..3)**	**503,961**	
5	7240 Property Taxes	335,329	
6	7240 Privilege Taxes, Fees, and Other Assessments		
7	7240 Other Taxes	183,076	
8	**Total Other Operating Taxes (lines 4..7)**	**1,022,366**	

Company: CenturyTel of Oregon, Inc.

TOTAL COMPANY AND TOTAL OREGON OPERATIONS

1. *Dollars are whole.*
2. *Schedules from other reports may be acceptable. See attached instructions for more information.*

I-6. RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAX

Line No.	Particulars (a)	Total Company Amount (b)	Total Oregon Amount: Operating (c)	Total Oregon Amount: Nonregulated (d)
☐	**NOT REQUIRED** because the respondent is an average schedule company, or is a cooperative that reports no Oregon income tax on Schedule I-1, or is a large utility that elected price cap regulation under ORS 759.405, or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule, or is a large utility that is subject to unbundling requirements under docket UM 351.			
1	Total revenues (Accounts 5xxx except 5300)	28,894,848	28,894,848	
2	Total expenses (Accounts 6xxx and 5300)	20,753,875	20,753,875	
3	Other income (Accounts 71xx, 73xx, 76xx, 79xx)	274,893	4,796	270,097
4	Operating Taxes Other Than Federal (Accounts 72xx)	1,040,192	1,022,366	17,826
5	Nonoperating Taxes (Accounts 74xx)			
6	Interest, including debt discount, expense, and premium amortization (Accounts 75xx)	947	947	
7	Net income before federal income tax (lines 1..6)	7,374,727	7,122,456	252,271
	Tax additions (identify):			
8	Tax depreciation and amortization (additions)	1,922,075	1,919,746	2,329
9	Paid time off	(8,626)	(8,626)	
10	Bad debts	(17,414)	(17,414)	
11	Uniform capitalization & other	6,134,849	6,139,532	(4,683)
12				
13	Total additions (lines 8..12)	8,030,884	8,033,238	(2,354)
	Tax deductions and nontaxable income (identify):			
14	Tax depreciation and amortization (deductions)			
15	Removal costs	6,150,323	6,150,323	
16	Deferred SIT	123,500	123,655	(155)
17				
18				
19	Total deductions (lines 14..18)	6,273,823	6,273,978	(155)
20	Taxable net income as shown on tax return (lines 7+13-19)	9,131,788	8,881,716	250,072
	Tax computation and adjustments (identify): Rounding	(3)	(4)	1
21	Current federal income tax expense	3,196,126	3,108,601	87,525
22	Adjustments - FAS109 true-up	6,951	6,951	
23				
24	Total current federal income tax expense (lines 21..23)	3,203,074	3,115,548	87,526
25	Net investment tax credits			
26	Current deferred federal income tax expense	(611,700)	(612,469)	769
27	Prior deferred federal income tax expense	(6,951)	(6,951)	
28	Net federal income tax expense shown on Schedule I-1 (lines 24..27)	2,584,423	2,496,128	88,295

☐ **Federal income tax information is not available.** The respondent will file this data with OPUC on or about ______, ____.
The respondent needs extra time because:

Company: CenturyTel of Oregon, Inc.
TOTAL COMPANY AND TOTAL OREGON OPERATIONS

1. *Dollars are whole.*
2. *Schedules from other reports may be acceptable. See attached instructions for more information.*

I-7. RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR OREGON STATE EXCISE (INCOME) TAX

☐ **NOT REQUIRED** because the respondent is an average schedule company, or is a cooperative that reports no Oregon income tax on Schedule I-1, or is a large utility that elected price cap regulation under ORS 759.405, or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule, or is a large utility that is subject to unbundling requirements under docket UM 351.

Line No.	Particulars (a)	Total Company Amount (b)	Total Oregon Amount: Operating (c)	Total Oregon Amount: Nonregulated (d)
1	Total revenues (Accounts 5xxx except 5300)	28,894,848	28,894,848	
2	Total expenses (Accounts 6xxx and 5300)	20,753,875	20,753,875	
3	Other income (Accounts 71xx, 73xx, 76xx, 79xx)	274,893	4,796	270,097
4	Operating Taxes Other Than Oregon State (Accounts 72xx)	518,405	518,405	
5	Nonoperating Taxes (Accounts 74xx)			
6	Interest, including debt discount, expense, and premium amortization (Accounts 75xx)	947	947	
7	Net income before Oregon income tax (lines 1..6)	7,896,514	7,626,417	270,097
	Tax additions (identify):			
8	Tax depreciation and amortization (additions)	1,922,075	1,919,746	2,329
9	Paid time off	(8,626)	(8,626)	
10	Bad debts	(17,414)	(17,414)	
11	Uniform capitalization & other	6,134,849	6,139,532	(4,683)
12	Total additions (lines 8..11)	8,030,884	8,033,238	(2,354)
	Tax deductions and nontaxable income (identify):			
13	Tax depreciation and amortization (deductions)			
14	Removal cost	6,150,323	6,150,323	
15				
16				
17	Total deductions (lines 13..16)	6,150,323	6,150,323	
18	Taxable income on tax return (lines 7+12-17)	9,777,075	9,509,332	267,743
19	Apportionment factor (applies to multistate companies)	1.000	1.000	1.000
20	Apportioned taxable income	9,777,075	9,509,332	267,743
21	Oregon income tax rate	6.600%	6.600%	6.600%
22	Oregon income tax	645,287	627,616	17,671
	Adjustments: Removal cost	1,404	1,404	
23				
24				
25	Total current Oregon income tax expense (lines 23..24)	646,691	629,020	17,671
26	Current deferred Oregon income tax expense	(123,500)	(123,655)	155
27	Prior deferred Oregon income tax expense	(1,404)	(1,404)	
28	Net Oregon income taxes on Schedule I-1 (lines 25..27)	521,787	503,961	17,826

☐ **Oregon excise (corporate income) tax information is not available.** The respondent will file this data with OPUC on or about __________, _____.
The respondent needs extra time because:

Company: CenturyTel of Oregon, Inc.
TOTAL COMPANY OPERATIONS

1. *Dollars are whole.*
2. *Schedules from other reports may be acceptable. See attached instructions for more information.*

I-8. TRANSACTIONS WITH AFFILIATED AND NONREGULATED OPERATIONS

A. Cost Allocation Manual (CAM)

☐ The respondent is not required to file a CAM under Oregon Administrative Rules (OARs) 860-027-0052, 860-034-0394, or 860-034-0740.
☒ The respondent's CAM, filed with OPUC, is up to date for the year covered by this report.
☐ The respondent's filed CAM is not up to date. A revised CAM is attached.
☐ The respondent's CAM is not up to date. The respondent will file a revised CAM with OPUC on or about ______________, ______.
The respondent needs this extra time because ______________________________

B. Intercompany Loans

Line No.	Name of Affiliated Company (a)	Respondent Lent (L) or Borrowed (B) (b)	Highest Amount Out-Standing During Year (c)	Total Interest Accrued During the Year (d)
☐	NOT REQUIRED: The respondent is an average schedule company, or does not make annual access charge filings, or is subject to price cap regulation under ORS 759.405, or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.			
☒	REQUIRED. The respondent is a cost company and makes annual access charge filings. See attached instructions.			
1	N/A			
2				
3				
4				
5				
6				

C. Intracompany Transfers and Payments

Line No.	Segment or Division of Respondent (a)	Description of Transactions Between Regulated and Nonregulated Segments of the Respondent (amounts subject to Part 64) (b)	Total Company Charges and Credits to Operating Accounts (c)	Total Oregon Charges and Credits to Operating Accounts (d)
☐	NOT REQUIRED: The respondent is an average schedule company, or does not make annual access charge filings, or is subject to price cap regulation under ORS 759.405, or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.			
☒	REQUIRED. The respondent is a cost company and makes annual access charge filings. See attached instructions.			
1				
2				
3				
4				
5				
6				
7	Other Transfers or Payments (where annual amounts < $50,000)		73,931	573
8	Total Intracompany Transactions		73,931	573

Company: CenturyTel of Oregon, Inc.
TOTAL COMPANY OPERATIONS

1. *Dollars are whole.*
2. *Schedules from other reports may be acceptable. See attached instructions for more information.*

I-8. TRANSACTIONS WITH AFFILIATED AND NONREGULATED OPERATIONS
D. Intercompany Transactions

Line No.	Name of Affiliated Company (a)	Description of Transaction and Date of Contract (b)	Charges and Credits to Operating Accounts (c)	Total Oregon Charges and Credits to Operating Accounts (d)
☐	NOT REQUIRED. The respondent is an average schedule company, or a cooperative that does not make annual access charge filings, or is subject to price cap regulation under ORS 759.405, or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.			
☐	SEE PART E. The utility does not make annual access charge filings.			
☒	REQUIRED. The respondent is a cost company and makes annual access charge filings. See attached instructions.			
	(1) Total Payments Made by the Respondent to Affiliated Companies During the Year:			
1	CenturyLink, Inc.	Allocations for services, etc.	*483,865*	
2	Embarq Management Company	Allocations for services, etc.	429,389	
3	CenturyTel Service Group, Inc.	Allocations for services, etc.	3,600,511	
4	CenturyTel Holdings MO, Inc.	Allocations for services, etc.	337,041	
5	CenturyTel of Washington, Inc.	Allocations for services, etc.	797,265	
6				
7				
8				
9				
10				
11	Total Other Payments (where annual payments < $50,000)		147,814	26,358
12	Total Payments Made by the Respondent to Affiliated Companies During the Year		5,795,885	26,358
	(2) Total Payments Made by Affiliated Companies to the Respondent During the Year:			
13	CenturyTel Long Distance, LLC	Billing & Collection/Special Access	358,159	
14	CenturyTel Broadband Services, LLC	Billing & Collection/Special Access	210,270	
15				
16				
17				
18				
19				
20				
21				
22				
23	Total Other Payments (where annual payments < $50,000)		44,602	
24	Total Payments Made by Affiliated Companies to the Respondent During the Year		613,031	

Company: CenturyTel of Oregon, Inc.
TOTAL COMPANY OPERATIONS
1. *Dollars are whole.*
2. *Schedules from other reports may be acceptable. See attached instructions for more information.*

I-8. TRANSACTIONS WITH AFFILIATED AND NONREGULATED OPERATIONS
E. Intercompany Transactions of Utilities That Do Not File Annual Access Charges

	Names of Parties to Affiliated Interest Contracts Issued During the Year *(a)*	Dollar Amount of the Contract *(b)*	Date of Contract *(c)*
☐	NOT REQUIRED. The respondent is an average schedule company or a cooperative that does not make annual access charge filings.		
☒	NOT REQUIRED. The respondent is a price regulated company under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.		
☒	NOT REQUIRED. The respondent is a cost company and makes annual access charge filings. See Part D.		
☐	REQUIRED (ORS 759.393 and OARs 860-027-0100 and 860-034-0396). Utility does not make annual access charge filings.		
	List each affiliate contract executed during the year covered by this report. Include the names of the parties to the contracts, the dollar amounts of the contracts, and the dates of execution of the contracts.		

Company: CenturyTel of Oregon, Inc.
TOTAL COMPANY OPERATIONS

1. *All amounts are whole.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

S-1. SWITCHES AND ACCESS LINES IN SERVICE

Line No.	Description (a)	Balance at End of Year (b)	
1	**Total Central Office Switches in Service**	8	(This space is not used.)
	Access Lines in Service by Customer:		
	Residential Access Lines:		
2	Single Party	22,776	
3	Multiparty	10	
4	**Total Residential Access Lines (lines 2..3)**	22,786	
	Business Access Lines:		
5	Single Line	1,156	
6	Multi Line	3,346	
7	PBX Trunks	241	
8	Centrex-CO Line Count	934	
9	ISDN "B" Channels	4	
10	**Total Business Access Lines (lines 5..9)**	5,681	
	Other Access Lines:		
11	Radio Common Carrier (RCC) and Mobile		
12	WATS Closed End (inWATS and outWATS)		
13	Switched Access - FGA FX/ONAL	4	
14	Payphone (public and semipublic)	57	
15	UNE Network Access Channels (NACs)		
16	Dedicated (non-switched) Private Lines and Special Access	23	
17	Wideband Data Lines		
18	Other	1,224	
19	**Total Other Access Lines (lines 11..18)**	1,308	
20	**Total Access Lines (lines 4+10+19)**	29,775	

ANNUAL REPORT
FORM O

Total Company and Total Oregon Operations

OF

United Telephone Company of the Northwest

(name of responding telecommunications cooperative or utility)

TO THE

PUBLIC UTILITY COMMISSION OF OREGON

Street Address: 550 Capitol Street NE Suite 215, Salem OR 97301-2551

Mailing Address: PO Box 2148, Salem OR 97308-2148

FOR THE YEAR ENDING DECEMBER 31, 2009

TABLE OF CONTENTS

Information Required from All Companies

Supplemental Information Required from Multi-State Utilities

© This schedule contains **CONFIDENTIAL** information.

* All telecommunications utilities and cooperatives (incumbent local exchange carriers) must provide the information requested on this schedule. Specific ILECs may leave portions of other schedules blank, as indicated in the instructions.

Schedules from other reports are not acceptable. See attached instructions for more information.

A-1. GENERAL INFORMATION

A. Identity of Respondent

1.	Exact Legal Name of Respondent: United Telephone Company of the Northwest	Assumed Business Name, Doing Business As Name, or Also Known As Name (if same as legal name, write "SAME"): SAME	
	Name of Person (including title) Whom OPUC Should Contact About This Report:	Business Street Address: 100 CenturyLink Drive Monroe, LA 71203	Voice Telephone Number: (318) 362-1538
2.	Kenneth Buchan - Manager Regulatory Finance	Mailing Address (if same as street address, write "SAME"): P.O. Box 4065 Monroe, LA 71211	Facsimile Number: (318) 388-9602
	E-mail Address: ken.buchan@centurylink.com		

B. Other Published Annual Reports

☐ **REPORT TO STOCKHOLDERS / MEMBERS.** A copy of the annual report to stockholders or members ☐ was ☐ will be sent to OPUC on or about ____________, ______.
☐ Annual reports to stockholders or members are not published.

☐ **RUS REPORT.** A copy of the published annual report to the Rural Utilities Service ☐ was ☐ will be sent to OPUC on or about ____________, ______.
☒ The respondent does not report to the Rural Utilities Service.

☐ **ARMIS REPORT.** A copy of the ARMIS report Part 43-02 ☐ was ☐ will be sent to OPUC on or about ____________, ______.
☒ The respondent does not file ARMIS reports with the Federal Communications Commission.

☒ **LEC REPORT.** A copy of the respondent's Annual Report for Local Exchange Carriers to OPUC is attached.

C. Signature

I certify that I am the responsible accounting officer or director of the above-named company and I examined this report. To the best of my knowledge, information, and belief, all statements of fact in this report are true, and this report correctly states the respondent's business and affairs in each matter set forth from January 1, 2009, through December 31, 2009.

(signature)	Neil A. Sweasy (printed or typed name)	Vice President & Controller (printed or typed title)	(date)

Sch. B-1, Total Assets do not equal Total Liabilities.

Company: United Telephone Company of the Northwest

Schedules from other reports may be acceptable. See attached instructions for more information.

A-2. IMPORTANT CHANGES DURING THE YEAR

☐ **NOT REQUIRED**, because the respondent is a cooperative.

1. **CHANGES IN SERVICE TERRITORY, EXTENSIONS OF SERVICES, SALES, MERGERS, ABANDONMENT, AND CHANGES IN IDENTITY.** If there were changes in the respondent's identity or Oregon service territory during the year, describe the changes.	None
2. **CHANGES IN ACCOUNTING STANDARDS.** Briefly describe the changes in accounting standards, including the effective date of the change and the impact on the accounts as provided for by generally accepted accounting principles.	None
3. **CHANGES IN OWNERSHIP OR DIRECT CONTROL.** If ownership or direct control over the respondent changed during the year, provide the following information: a. State the form of control (i.e., sole or joint). b. State the names and addresses of the directly controlling organizations or persons. c. State the means by which control was held (for example, through ownership of voting securities, common directors, officers, stockholders, voting trusts, etc.). d. State the extent of control. e. If the directly controlling organization or person was in turn controlled by another organization or person, show the chain of control to the ultimately controlling organization or person and the extent of control over each directly controlled organization or person in the chain. f. If any controlling organization or person held control as trustee, give the names and addresses of the beneficiaries for whom the trust is maintained and the purpose of the trust.	United Telephone Company of the Northwest is controlled by Embarq Corporation. Effective July 1, 2009, Embarq Corporation was acquired by CenturyTel, Inc.

A-3. STOCKHOLDERS

Line No.	Class of Stock *(a)*	Shares Held *(b)*	Name of Stockholder *(c)*
			☐ NOT REQUIRED, because the respondent is a cooperative.
1	Common	324,278	Embarq Corporation (100% wholly owned subsidiary of CenturyTel, Inc.
2	Preferred	6,000	Embarq Corporation (100% wholly owned subsidiary of CenturyTel, Inc.
3			
4			
5			
6			
7			
8			
9			
10			
11	Date of Compilation:	December 31, 2009	

ANNUAL REPORT TO THE PUBLIC UTILITY COMMISSION OF OREGON FOR THE YEAR ENDING DECEMBER 31, 2009

Company: United Telephone Company of the Northwest

Sch. B-1, Total Assets do not equal Total Liabilities.

(0)

TOTAL COMPANY OPERATIONS

1. *Dollars are shown in thousands.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

B-1. BALANCE SHEET

Line No.		Description (a)	Balance at Beginning of Year (b)	Plant Additions (c)	Plant Retirements (d)	Transfers and Adjustments (e)	Balance at End of Year (f)
	Assets						
1	1120	Cash and Equivalents					36,929
2	1170	Receivables					1,485
3	1171	Allowance for Doubtful Accounts					8,422
4	1220	Inventories		<-- Beginning and Ending Balances Required -->			41
5	1280	Prepayments					24
6	1350	Other Current Assets					
7		**Total Current Assets (lines 1..6)**					46,901
8	1406	Nonregulated Investments					506
9	1410	Other Noncurrent Assets					1,456
10	1438	Deferred Maintenance, Retirements, and Other Deferred Charges	(102)	<-- Beginning and Ending Balances Required -->			61
11	1500	Other Jurisdictional Assets - Net					
12		**Total Noncurrent Assets (lines 8..11)**					2,023
13	2001	Telecommunications Plant in Service (line 61)	501,236	<-- Beginning and Ending Balances Required -->			512,986
14	2002	Property Held for Future Telecommunications Use					
15	2003	Telecommunications Plant Under Construction					4,437
16	2005	Telecommunications Plant Adjustment		<-- Beginning and Ending Balances Required -->			
17	2006	Nonoperating Plant					
18	2007	Goodwill					
19		**Total Plant (lines 13..18)**	**501,236**	<-- Beginning and Ending Balances Required -->			**517,423**

Company: United Telephone Company of the Northwest

Sch. B-1, Total Assets do not equal Total Liabilities. (0)

TOTAL COMPANY OPERATIONS

1. Dollars are shown in thousands.

2. Schedules from other reports are not acceptable. See attached instructions for more information.

B-1. BALANCE SHEET

Line No.		Description (a)	Balance at Beginning of Year (b)	Plant Additions (c)	Plant Retirements (d)	Transfers and Adjustments (e)	Balance at End of Year (f)
		Telecommunications Plant in Service					
20	2111	Land	863			111	974
21	2112	Motor Vehicles	2,503		446	536	2,593
22	2113	Aircraft					
23	2114	Tools and Other Work Equipment	2,085	136	383	275	2,113
24	2121	Buildings	24,227	47	21	2,851	27,104
25	2122	Furniture	82		100	18	0
26	2123.1	Office Support Equipment	73			16	89
27	2123.2	Company Communications Equipment	301		334	64	31
28		**Sub-Total 2123 Office Equipment (lines 26..27)**	**374**		**334**	80	120
29	2124	General Purpose Computers	1			16	17
30		**Total Land and Support (lines 20..27 and 29)**	**30,135**	**183**	**1,284**	**3,887**	32,921
31	2211	Nondigital Switching					
32	2212.1	Digital Electronic Switching - Circuit	87,423	75	343	(389)	86,766
33	2212.21	Digital Electronic Switching - Packet Switching	4,406	354		(2,647)	2,113
34	2212.22	Digital Electronic Switching - Soft Switch					
35		**Total Central Office - Switching (lines 31..34)**	**91,829**	**429**	**343**	**(3,036)**	**88,879**
36	2220	Operator Systems					
37	2231	Radio Systems	5,647	29	9	65	5,732
38	2232.1	Circuit Equipment - Electronic	93,349	1,836	575	1,563	96,173
39	2232.2	Circuit Equipment - Optical	17,814	355	256	287	18,200
40		**Total Circuit (lines 37..39)**	**116,811**	**2,220**	**840**	**1,915**	**120,106**
41		**Total Switching and Central Office (lines 35..39)**	**208,639**	**2,649**	**1,183**	**(1,121)**	**208,984**
42	2310	Information Origination/Termination					
43	2351	Public Telephone Terminal Equipment	(7)			7	(0)
44	2362	Other Terminal Equipment	710	136	(156)	(1,002)	(0)
45		**Total Information Origination/Termination (lines 42..44)**	**702**	**136**	**(156)**	**(995)**	(0)

(0)

Company: United Telephone Company of the Northwest

Sch. B-1, Total Assets do not equal Total Liabilities.

TOTAL COMPANY OPERATIONS

1. *Dollars are shown in thousands.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

B-1. BALANCE SHEET

Line No.		Description (a)	Balance at Beginning of Year (b)	Plant Additions (c)	Plant Retirements (d)	Transfers and Adjustments (e)	Balance at End of Year (f)
46	2411	Poles	8,433	430	140		8,723
47	2421.1	Aerial Cable - Metallic	50,440	671	816		50,295
48	2421.2	Aerial Cable - Nonmetallic	8,013	443	13		8,443
49	2422.1	Underground Cable - Metallic	7,911	51	13		7,949
50	2422.2	Underground Cable - Nonmetallic	2,446	78			2,524
51	2423.1	Buried Cable - Metallic	147,330	4,607	495	3,236	154,678
52	2423.2	Buried Cable - Nonmetallic	30,278	1,166	31	(6)	31,407
53	2424	Submarine and Deep Sea Cable	84			(4)	80
54	2426	Intrabuilding Network Cable	1,105	29	7	1	1,128
55	2431	Aerial Wire					
56	2441	Conduit Systems	5,571	2		(1)	5,572
57		**Total Cable and Wire Facilities (lines 46..56)**	**261,612**	**7,477**	**1,515**	3,226	270,800
58	2680	Amortizable Tangible Assets	146			135	281
59	2690	Amortizable Intangible Assets					
60		**Total Other Assets (lines 58..59)**	**146**			135	281
61		**Telecommunications Plant in Service (lines 30+41+45+57+60)**	**501,235**	**10,445**	3,826	5,132	512,986
		Accumulated Depreciation and Amortization					
62	3100	Depreciation - Telecommunications Plant in Service	364,375	<-- Beginning and Ending Balances Required -->			388,472
63	3200	Depreciation - Property Held for Future Telecommunications Use		<-- Beginning and Ending Balances Required -->			
64	3300	Depreciation - Nonoperating		<-- Beginning and Ending Balances Required -->			
65	3400	Amortization of Tangible Assets	104	<-- Beginning and Ending Balances Required -->			207
66	3500	Amortization of Intangible Assets		<-- Beginning and Ending Balances Required -->			
67		**Accumulated Depreciation and Amortization (lines 62..66)**	**364,480**	<-- Beginning and Ending Balances Required -->			388,680
68		**Net Plant (line 19 less line 67)**	136,756	<-- Beginning and Ending Balances Required -->			128,744
69		**Total Assets (lines 7+12+68)**					177,668

(0)

Company: United Telephone Company of the Northwest

Sch. B-1, Total Assets do not equal Total Liabilities.

TOTAL COMPANY OPERATIONS

1. Dollars are shown in thousands.

2. Schedules from other reports are not acceptable. See attached instructions for more information.

B-1. BALANCE SHEET

Line No.		Description (a)	Balance at Beginning of Year (b)	Plant Additions (c)	Plant Retirements (d)	Transfers and Adjustments (e)	Balance at End of Year (f)
		Liabilities and Equity					
70	4010-4030	Accounts and Notes Payable					4,570
71	4040	Customer Deposits					41
72	4070	Income Taxes - Accrued					3,134
73	4080	Other Taxes - Accrued					807
74	4100	Net Current Deferred Operating Income Tax	(735)	<-- Beginning and Ending Balances Required -->			
75	4110	Net Current Deferred Nonoperating Income Tax					
76	4130	Other Current Liabilities					9,862
77		**Total Current Liabilities (lines 70..76)**					18,414
78	4200	Long Term Debt					29,000
79	4310	Other Long Term Liabilities					
80	4320	Unamortized Operating Investment Tax Credits - Net					
81	4330	Unamortized Nonoperating Investment Tax Credits - Net					
82	4340.1	Net Noncurrent Deferred Operating Federal Income Tax	14,262	<-- Beginning and Ending Balances Required -->			10,616
83	4340.2	Net Noncurrent Deferred Operating State Income Tax	1,676	<-- Beginning and Ending Balances Required -->			603
84	4341	Net Deferred Tax Liability Adjustments					(2,607)
85	4350	Net Noncurrent Deferred Nonoperating Income Tax					
86	4361	Deferred Tax Regulatory Liability - Net	4,687	<-- Beginning and Ending Balances Required -->			
87	4370	Other Jurisdictional Liabilities and Deferred Credits - Net		<-- Beginning and Ending Balances Required -->			25,013
88		**Total Other Liabilities and Deferred Credits (lines 78..87)**					62,625
89	4510	Capital Stock					17,265
90	4520	Additional Paid-In Capital					6,361
91	4530	Treasury Stock					
92	4540	Other Capital					(15,852)
93	4550	Retained Earnings (from Retained Earnings, below)					88,855
94		**Total Stockholders' Equity (lines 89..93)**					96,629
95		**Total Liabilities and Equity (lines 77+88+94)**					177,668

Company: United Telephone Company of the Northwest

Sch. B-1, Total Assets do not equal Total Liabilities.

(0)

TOTAL COMPANY OPERATIONS

1. *Dollars are shown in thousands.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

B-1. BALANCE SHEET

Line No.		Description (a)	Balance at Beginning of Year (b)	Plant Additions (c)	Plant Retirements (d)	Transfers and Adjustments (e)	Balance at End of Year (f)
		Retained Earnings					
96	460	Balance at January 1					91,650
97	465	Net Income (from Income Statement, Schedule I-1, line 84)					16,785
98	470	Dividends Declared					19,580
99	475	Miscellaneous Debits (Include explanation in footnotes)					
100	480	Miscellaneous Credits (Include explanation in footnotes)					
101	490	**Balance at December 31 (lines 96+97+100 less line 98 less 99)**					88,855

ANNUAL REPORT TO THE PUBLIC UTILITY COMMISSION OF OREGON FOR THE YEAR ENDING DECEMBER 31, 2009

Company: United Telephone Company of the Northwest

TOTAL COMPANY OPERATIONS

1. *Dollars are shown in thousands.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

B-2. ANALYSIS OF DEPRECIATION AND AMORTIZATION

☐ NOT REQUIRED because the respondent is an average schedule company, has elected price cap regulation under ORS 759.405 or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.

Line No.		Plant Account Description (a)	Accumulated Balance at Beginning of Year (b)	CREDITS During the Year: Charged to Expense Account (c)	CREDITS During the Year: Other Credits (d)	CHARGES During the Year: Plant Retired (e)	CHARGES During the Year: Other Charges (f)	Accumulated Balance at End of Year (g)	Composite Depreciation Rate (%) (h)
		DEPRECIATION							
1	2112	Vehicles	2,059	162	358	326		2,253	6.40%
2	2113	Aircraft							
3	2114	Tools and Other Work Equipment	426	134	24	338		246	6.40%
4	2121	Buildings	12,437	854	1,396	(100)		14,787	3.30%
5	2122	Furniture	(246)			88	64	(398)	0.80%
6	2123.1	Office Support Equipment	48	2	10	(1)		61	2.50%
7	2123.2	Company Communications Equipment	288		3	275		16	
8		**Sub-Total 2123 Office Equipment (lines 6..7)**	336	2	13	274		77	
9	2124	General Purpose Computers	(308)		1	5	59	(371)	0.70%
10		**Total Support (lines 1..7 and 9)**	14,703	1,152	1,792	931	123	16,593	
11	2211	Nondigital Switching	(1,220)		1,220				
12	2212.1	Digital Electronic Switching - Circuit	83,710	3,145		345	1,402	85,108	3.60%
13	2212.21	Digital Electronic Switching - Packet Switching	1,437	317			861	893	9.70%
14	2212.22	Digital Electronic Switching - Soft Switch							
15		**Total Switching (lines 11..14)**	83,927	3,462	1,220	345	2,263	86,001	
16	2220	Operator Systems							
17	2231	Radio Systems	5,445	417		10		5,852	7.30%
18	2232.1	Circuit Equipment - Electronic	64,457	7,723	312	612		71,880	8.10%
19	2232.2	Circuit Equipment - Optical	8,786	1,477	3	155		10,111	8.20%
20		**Total Circuit (lines 17..19)**	78,689	9,617	315	777		87,844	
21	2310	Information Origination/Termination							
22	2351	Public Tel. Terminal Equipment							
23	2362	Other Terminal Equipment	163	25		(156)	354	(10)	7.00%
24	2411	Poles	10,536	233		237		10,532	2.70%
25	2421.1	Aerial Cable - Metallic	55,640	1,632		999		56,273	3.20%
26	2421.2	Aerial Cable - Nonmetallic	3,852	493		13		4,332	6.00%
27	2422.1	Underground Cable - Metallic	7,828	267		13		8,082	3.40%
28	2422.2	Underground Cable - Nonmetallic	1,259	117				1,376	4.70%
29	2423.1	Buried Cable - Metallic	91,743	7,595	1,068	560		99,846	5.10%
30	2423.2	Buried Cable - Nonmetallic	11,806	1,401		32		13,175	4.50%
31	2424	Submarine and Deep Sea Cable	71	1				72	1.00%
32	2426	Intrabuilding Network Cable	961	60		7		1,014	5.40%
33	2431	Aerial Wire							
34	2441	Conduit Systems	3,197	145				3,342	2.60%
35		**Total Cable and Wire (lines 24..34)**	186,894	11,944	1,068	1,861		198,045	
36		**Total Depreciation (lines 10+15+16+20+21+22+23+35)**	364,375	26,200	4,395	3,758	2,740	388,472	

Company: United Telephone Company of the Northwest

TOTAL COMPANY OPERATIONS

1. *Dollars are shown in thousands.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

B-2. ANALYSIS OF DEPRECIATION AND AMORTIZATION

Line No.	Plant Account Description (a)	Accumulated Balance at Beginning of Year (b)	CREDITS During the Year: Charged to Expense Account (c)	CREDITS During the Year: Other Credits (d)	CHARGES During the Year: Plant Retired (e)	CHARGES During the Year: Other Charges (f)	Accumulated Balance at End of Year (g)	Composite Amortization Rate (%) (h)
☐	NOT REQUIRED because the respondent is an average schedule company, has elected price cap regulation under ORS 759.405 or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.							
	AMORTIZATION							
37	2680 Amortizable Tangible Assets	104	62	33	(8)		207	
38	2690 Amortizable Intangible Assets							
39	**Total Amortization (lines 37..38)**	**104**	**62**	**33**	**(8)**		**207**	

Company: United Telephone Company of the Northwest
TOTAL COMPANY OPERATIONS

1. Dollars are shown in thousands.
2. Schedules from other reports may be acceptable. See attached instructions for more information.

B-3. ANALYSIS OF CHARGES RELATED TO PLANT RETIRED

☐ NOT REQUIRED because the respondent is an average schedule company, has elected price cap regulation under ORS 759.405, or has been approved for price refulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.

Line No.	Plant Account Description (a)		Book Cost (b)	Cost of Removal (c)	Salvage and Insurance (d)	Miscellaneous Adjustments (e)	Net Retirements [Sch. B-2, Col. (e)] (f)
1	2112	Vehicles	446		(24)	(96)	326
2	2113	Aircraft					
3	2114	Tools and Other Work Equipment	383			(45)	338
4	2121	Buildings	21	1		(122)	(100)
5	2122	Furniture	100			(12)	88
6	2123.1	Office Support Equipment				(1)	(1)
7	2123.2	Company Communications Equipment	334			(59)	275
8		Sub-Total 2123 Office Equipment (Lines 6..7)	334			(60)	274
9	2124	General Purpose Computers				5	5
10	2211	Nondigital Switching					
11	2212.1	Digital Electronic Switching - Circuit	343	2			345
12	2212.21	Digital Electronic Switching - Packet Switching					
13	2212.22	Digital Electronic Switching - Soft Switch					
14	2220	Operator Systems					
15	2231	Radio Systems	9	1			10
16	2232.1	Circuit Equipment - Electronic	575	4	(4)	37	612
17	2232.2	Circuit Equipment - Optical	256	6	(98)	(9)	155
18	2310	Information Origination/Termination					
19	2351	Public Tel. Terminal Equipment					
20	2362	Other Terminal Equipment	(156)				(156)
21	2411	Poles	140	99	(2)		237
22	2421.1	Aerial Cable - Metallic	816	204	(17)	(4)	999
23	2421.2	Aerial Cable - Nonmetallic	13				13
24	2422.1	Underground Cable - Metallic	13				13
25	2422.2	Underground Cable - Nonmetallic					
26	2423.1	Buried Cable - Metallic	495	38	28	(1)	560
27	2423.2	Buried Cable - Nonmetallic	31	1			32
28	2424	Submarine and Deep Sea Cable					
29	2426	Intrabuilding Network Cable	7				7
30	2431	Aerial Wire					
31	2441	Conduit Systems					
32		**Total Charges Related to Plant Retired (lines 1..7 & 9..31)**	3,826	356	(117)	(307)	3,758

Company: United Telephone Company of the Northwest

TOTAL COMPANY AND TOTAL OREGON OPERATIONS

1. *Dollars are shown in thousands.*
2. *Schedules from other reports may be acceptable. See attached instructions for more information.*

B-4. LONG-TERM DEBT

☐ **NOT REQUIRED** because the respondent is an average schedule company, has elected price cap regulation under ORS 759.405, or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.

Line No.	Description of Obligation (a)	Balance Outstanding at the End of the Year (b)	Interest: Stated Rate On the Face Amount (c)	Interest: Dollar Amount Accrued During the Year (d)
1	Series Q, issued 8/1/92, matures 8/1/17	29,000	8.77%	2,543
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
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20				
21				
22				
23				
24				
25		29,000	8.77%	2,543
26	Total			

Company: United Telephone Company of the Northwest

TOTAL COMPANY OPERATIONS

1. Dollars are shown in thousands.
2. Schedules from other reports are not acceptable. See attached instructions for more information.

I-1. INCOME STATEMENT

Line No.		Description (a)	Total Amount During the Year (b)	
		Operating Revenues		(This space is not used.)
1	5000	Local Service Revenues	38,519	
2	5070	Distributions of State Universal Service Funds (Monies Received from State USFs)	1,430	
3	5081.1	Subscriber Line Charges and Presubscribed Interexchange Carrier Charges	10,004	
4	5081.2	Collections of Federal Universal Service Funds (Monies Billed to Customers for Fed USF)	1,989	
5	5081.3	Collections of State Universal Service Funds (Monies Billed to Customers for State USF)	1,738	
6	5081.4	Distributions of Federal Universal Service Funds (Monies Received from Federal USF)	2,179	
7	5081.5-9	Other Intrastate End User Revenues		
8	5082.1	Switched Access Revenue - Interstate	4,353	
9	5082.2	Switched Access Revenue - Intrastate	11,584	
10	5083.1	Special Access Revenue - Interstate	16,999	
11	5083.2	Special Access Revenue - Intrastate	1,844	
12		**Total Network Access Revenues (lines 3..11)**	**50,690**	
13	5105	Long Distance Message Revenue	460	
14	5200.1	Directory Revenue	227	
15	5200.2	Carrier Billing and Collection Revenue	1,143	
16	5200.3	Other Miscellaneous Revenue	2,025	
17		**Total Miscellaneous Revenues (lines 14..16)**	**3,395**	
18	5280	Nonregulated Operating Revenue		
19	5300	Uncollectible Revenues	611	
20		**Total Operating Revenues (lines 1+2+12+13+17+18-19)**	**93,883**	
21		Interstate and Foreign (International) Revenues Included in the Above Operating Revenues	36,453	
		Operating Expenses		
22	6110-6114	Network Support Expenses	15	
23	6120-6124	General Support Expenses	4,353	
24	6211	Nondigital Switching Expense		
25	6212.1	Digital Electronic Expense - Circuit		
26	6212.21	Digital Electronic Expense - Packet Switching	2,967	
27	6212.22	Digital Electronic Expense - Soft Switch		
28		**Total Central Office Switching Expenses (lines 24..27)**	**2,967**	

Company: United Telephone Company of the Northwest

TOTAL COMPANY OPERATIONS

1. *Dollars are shown in thousands.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

I-1. INCOME STATEMENT

Line No.		Description (a)	Total Amount During the Year (b)	
29	6220	Operator Systems Expense		
30	6231	Radio System Expense	80	
31	6232.1	Circuit Equipment Expense - Electronic	1,660	
32	6232.2	Circuit Equipment Expense - Optical	363	
33		**Total Switching and Central Office Transmission Expenses (lines 29..32)**	**2,103**	
34	6310-6341	Information Origination/Termination Expense	27	
35	6351	Public Telephone Terminal Equipment Expense		
36	6362	Other Terminal Equipment Expense	39	
37		**Total Information Origination/Termination (lines 34..36)**	**66**	
38	6411	Poles Expense	1,640	
39	6421	Aerial Cable Expense	2,285	
40	6422	Underground Cable Expense	87	
41	6423	Buried Cable Expense	4,726	
42	6424	Submarine and Deep Sea Cable Expense		
43	6426	Intrabuilding Network Cable Expense		(This space is not used.)
44	6431	Aerial Wire Expense	4	
45	6441	Conduit Systems Expense		
46		**Total Cable and Wire Facilities Expenses (lines 38..45)**	**8,742**	
47		**Total Plant Specific Expenses (lines 22+23+28+33+37+46)**	**18,246**	
48	6511	Property Held for Future Telecommunications Use Expense		
49	6512	Provisioning Expense	209	
50		**Total Other Property, Plant, and Equipment Expense (lines 48..49)**	**209**	
51	6530-6535	Network Operations Expenses	5,781	
52	6540	Access Expense	(65)	
53	6550.1	Federal Universal Support Contributions (Monies You Paid Into Fed USF)	1,191	
54	6550.2	State Universal Support Contributions (Monies You Paid Into State USF)	1,449	
55		**Total Universal Service Fund Contributions (lines 53..54)**	**2,640**	
56	6561	Depreciation - Telecommunications Plant in Service	26,200	<-- B-2, Total of Column (c) Depreciation
57	6562	Depreciation - Property Held for Future Telecommunications Use		
58	6563	Amortization Expense - Tangible Assets	62	<-- B-2, Column (c), Acct 2680
59	6564	Amortization Expense - Intangible Assets		<-- B-2, Column (c), Acct 2690
60		**Total Depreciation and Amortization Expenses (lines 56..59)**	**26,262**	
61		**Total Plant Nonspecific Expenses (lines 50+51+52+55+60)**	**34,827**	

Company: United Telephone Company of the Northwest

TOTAL COMPANY OPERATIONS

1. *Dollars are shown in thousands.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

I-1. INCOME STATEMENT

Line No.		Description (a)	Total Amount During the Year (b)
62	6610-6613	Marketing Expenses	3,476
63	6620	Services Expenses	4,179
64		**Total Customer Operations Expenses (lines 62..63)**	7,655
65	6720	General and Administrative Expense	10,994
66	6790	Less: Provision for Uncollectible Notes Receivable	
67		**Total Operating Expenses (lines 47+61+64+65-66)**	**71,722**
68		**Net Revenue (line 20 less line 67)**	**22,161**
		Other Income and Expenses	
69	7100	Other Operating Income and Expenses	
70	7210	Operating Investment Tax Credits - Net	
71	7220	Operating Federal Income Taxes	5,648
72	7230	Operating State and Local Income Taxes	1,164
73	7240	Operating Other Taxes	3,466
74	7250.1	Provision for Deferred Operating Federal Income Tax - Net	(513)
75	7250.2	Provision for Deferred Operating State Income Tax - Net	(650)
76		**Net Operating Taxes (lines 70..75)**	**9,115**
77		**Net Operating Income (lines 68+69-76)**	**13,046**
78	7300	Nonoperating Income and Expenses	553
79	7400	Nonoperating Taxes	248
80	7500	Interest and Related Items	3,080
81	7600	Extraordinary Items	
82	7910	Income Effect of Jurisdictional Differences - Net	
83	7990	Nonregulated Net Income	6,514
84		**Net Income (lines 77+78+81+82+83-79-80)**	**16,785**

(This space is not used.)

I-2. FULL-TIME EMPLOYEES

1	Management Employees (Regulated Activities)	28
2	Nonmanagement Employees (Regulated Activities)	383
3	Employees Allocated From or Paid by Affiliated Companies (Regulated Activities)	
4	**Total Full-Time Employees (lines 1..3 - Regulated Activities)**	**411**

(This space is not used.)

Company: United Telephone Company of the Northwest
TOTAL COMPANY OPERATIONS

1. *Dollars are shown in thousands.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

I-4. OPERATING TAXES OTHER THAN FEDERAL INCOME TAX

☐ **NOT REQUIRED** because the respondent is an average schedule company, has elected price cap regulation under ORS 759.405, has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule, or is a large utility that is subject to unbundling requirements under docket UM 351.

Line No.	Description (a)	Total Amount During the Year (b)
	State Income Tax:	
1	Current	1,164
2	Current Deferred	(650)
3	Prior Deferred	
4	**Total Current and Deferred State Income Tax (lines 1..3)**	**514**
5	7240 Property Taxes	2,523
6	7240 Privilege Taxes, Fees, and Other Assessments	151
7	7240 Other Taxes	792
8	**Total Other Operating Taxes (lines 4..7)**	**3,980**

(This space is not used.)

Company: United Telephone Company of the Northwest

TOTAL COMPANY AND TOTAL OREGON OPERATIONS

1. *Dollars are shown in thousands.*
2. *Schedules from other reports may be acceptable. See attached instructions for more information.*

I-6. RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAX

Line No.	Particulars (a)	Total Company Amount (b)	Total Oregon Amount: Operating (c)	Total Oregon Amount: Nonregulated (d)
☐	**NOT REQUIRED** because the respondent is an average schedule company, or is a cooperative that reports no Oregon income tax on Schedule I-1, or is a large utility that elected price cap regulation under ORS 759.405, or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule, or is a large utility that is subject to unbundling requirements under docket UM 351.			
1	Total revenues (Accounts 5xxx except 5300)	114979	46058	14464
2	Total expenses (Accounts 6xxx and 5300)	82121	36156	6251
3	Other income (Accounts 71xx, 73xx, 76xx, 79xx)	540	5	(108)
4	Operating Taxes Other Than Federal (Accounts 72xx)	4649	2679	362
5	Nonoperating Taxes (Accounts 74xx)	23	23	
6	Interest, including debt discount, expense, and premium amortization (Accounts 75xx)	3099	1242	9
7	Net income before federal income tax (lines 1..6)	25627	5963	7736
8	Tax additions (identify):			
9	Tax depreciation and amortization (additions)			
10	Book Depreciation	26473	13846	73
11	COE Software - current year			
12	Deferred Compensation & Interest			
13	Interest During Construction - Tax Basis - current year	52	29	(1)
14	Inventory Reserve	(10)	(4)	
15	IRS Interest	96	52	
16	Meals and Entertainment	67	34	
17	OPEBs	253	2220	(48)
18	Penalties	7	4	
19	Paid Time Off	(236)	(168)	
20	Station Connections - current year	17	9	1
21	Gain/(loss) on Sale of Fixed Assets			
22	Restructuring charges	(175)	(157)	
23	Unicap - current year	594	305	
24	Bk/Tx Basis Diffsa	(18)	(10)	
25	Deferred State Income Tax	(624)	(650)	26
26	Total additions (lines 8..12)	26496	15512	51
27	Tax deductions and nontaxable income (identify):			
28	Tax depreciation and amortization (deductions)			
29	Bad debt	(42)	(306)	26
30	Cost of Removal	350	191	
31	Deductible Repairs	(451)	(206)	
32	Interest During Construction - Book Basis - current year	12	7	
33	Integration Costs	(84)	(46)	
34	Monitoring Reserves	272	149	

Company: United Telephone Company of the Northwest

TOTAL COMPANY AND TOTAL OREGON OPERATIONS

1. Dollars are shown in thousands.
2. Schedules from other reports may be acceptable. See attached instructions for more information.

I-6. RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAX

Line No.	Particulars (a)	Total Company Amount (b)	Total Oregon Amount: Operating (c)	Total Oregon Amount: Nonregulated (d)
35	Universal Service Fund Exclusion	6468	3815	
36	Pensions Accrued	(1032)	(7691)	355
37	Warranty Reserve Expense	5		3
38	Tax Depreciation	12371	6400	69
39	Disputed A/R Reserves	(1215)	(654)	(4)
40	Revenue Reserves & Interest			
41	Other Book Reserves - Bonuses accrued	(472)	(257)	
42	Total deductions (lines 14..18)	16132	1402	449
43	Taxable net income as shown on tax return (lines 7+13-19)	35991	20073	7338
44	Tax computation and adjustments (identify):			
45	Federal Tax Rate	35%	35%	35%
46	Current Federal Tax Expenses (line 42*43)	12597	7291	2225
47	Adjustments			
48	Actual to 2008	(3460)	(1350)	
49	Tax Deficiency Reserves			
50	Total current federal income tax expense (lines 21..23)	9117	5941	2225
51	Net investment tax credits			
52	Current deferred federal income tax expense	(3535)	(4986)	144
53	Prior deferred federal income tax expense	3327	1461	
54	Net federal income tax expense shown on Schedule I-1 (lines 24..27)	8859	2416	2369

☐ **Federal income tax information is not available.** The respondent will file this data with OPUC on or about __________, _____.

The respondent needs extra time because:

Company: United Telephone Company of the Northwest
TOTAL COMPANY AND TOTAL OREGON OPERATIONS

1. Dollars are shown in thousands.
2. Schedules from other reports may be acceptable. See attached instructions for more information.

I-7. RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR OREGON STATE EXCISE (INCOME) TAX

☐ **NOT REQUIRED** because the respondent is an average schedule company, or is a cooperative that reports no Oregon income tax on Schedule I-1, or is a large utility that elected price cap regulation under ORS 759.405, or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule, or is a large utility that is subject to unbundling requirements under docket UM 351.

Line No.	Particulars (a)	Total Company Amount (b)	Total Oregon Amount: Operating (c)	Total Oregon Amount: Nonregulated (d)
1	Total revenues (Accounts 5xxx except 5300)	114,979	46,058	14,464
2	Total expenses (Accounts 6xxx and 5300)	82,121	36,156	6,251
3	Other income (Accounts 71xx, 73xx, 76xx, 79xx)	540	(100)	
4	Operating Taxes Other Than Oregon State (Accounts 72xx)	6,414	3,345	232
5	Nonoperating Taxes (Accounts 74xx)			
6	Interest, including debt discount, expense, and premium amortization (Accounts 75xx)	3,099	1,242	9
7	Net income before Oregon income tax (lines 1..6)	23,885	5,215	7,972
8	Tax additions (identify):			
9	Tax depreciation and amortization (additions)			
10	Book Depreciation	26,473	13,846	73
11	COE Software - current year			
12	Deferred Compensation & Interest			
13	Interest During Construction - Tax Basis - Current Year	52	29	
14	Inventory Reserves	(10)	(4)	(1)
15	IRS Interest	96	52	
16	Meals and Entertainment	67	34	
17	OPEBs	253	2,220	(48)
18	Penalties	7	4	
19	Paid Time Off	(236)	(166)	
20	Station Connections - Current year	17	9	1
21	Gain/(loss) on Sale of Fixes Assets			
22	Restructuring Charges	(175)	52	
23	Unicap - Current Year	594	96	
24	Bk/Tx Basis Diffs	(18)	(10)	
25	Adjustments for apportionment difference		771	(1,568)
26	Total additions (lines 8..11)	27,120	16,933	(1,563)
27	Tax deductions and nontaxable income (identify):			
28	Tax depreciation and amortization (deductions)			
29	Bad Debts	(42)	(306)	26
30	Cost of Removal	350	191	
31	EIPP (net), KMSIP (Net), WRP (net)	(451)	(206)	
32	Interest During Construction - Book Basis - Current Year	12	7	
33	Integrations Costs	(84)	(45)	
34	Monitoring Reserves	272	149	

Company: United Telephone Company of the Northwest

TOTAL COMPANY AND TOTAL OREGON OPERATIONS

1. *Dollars are shown in thousands.*
2. *Schedules from other reports may be acceptable. See attached instructions for more information.*

I-7. RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR OREGON STATE EXCISE (INCOME) TAX

Line No.	Particulars (a)	Total Company Amount (b)	Total Oregon Amount: Operating (c)	Total Oregon Amount: Nonregulated (d)
35	USF	6,468	3,815	
36	Pensions Accrued	(1,082)	(7,891)	355
37	Warranty Reserve Expense	5		3
38	Tax Depreciation	12,371	6,400	69
39	Disputed A/R Reserve	(1,215)	(654)	(4)
40	Revenue Reserves & Interest			
41	Other Book Reserves	(472)	(257)	
42	Total deductions (lines 13..16)	16,132	1,402	449
43	Taxable income on tax return (lines 7+12-17)	34,873	20,746	5,960
44	Apportionment factor (applies to multistate companies)	80.4892%	80.4892%	80.4892%
45	Apportioned taxable income	28,069	16,698	4,797
46	Oregon income tax rate	6.600%	6.600%	6.600%
47	Oregon income tax	1,852.554	1,102.087	316.612
	Adjustments:			
48	Taxes - 2008	(339)	(339)	
49				
50	Total current Oregon income tax expense (lines 23..24)	1,514	763	317
51	Current deferred Oregon income tax expense	(932)	(956)	(26)
52	Prior deferred Oregon income tax expense	308	308	
53	Net Oregon income taxes on Schedule I-1 (lines 25..27)	890	113	291

☐ **Oregon excise (corporate income) tax information is not available**. The respondent will file this data with OPUC on or about ________________, ______.

The respondent needs extra time because:

Company: United Telephone Company of the Northwest

TOTAL COMPANY OPERATIONS

1. *Dollars are shown in thousands.*
2. *Schedules from other reports may be acceptable. See attached instructions for more information.*

I-8. TRANSACTIONS WITH AFFILIATED AND NONREGULATED OPERATIONS

A. Cost Allocation Manual (CAM)

- ☐ The respondent is not required to file a CAM under Oregon Administrative Rules (OARs) 860-027-0052, 860-034-0394, or 860-034-0740.
- ☒ The respondent's CAM, filed with OPUC, is up to date for the year covered by this report.
- ☐ The respondent's filed CAM is not up to date. A revised CAM is attached.
- ☐ The respondent's CAM is not up to date. The respondent will file a revised CAM with OPUC on or about ____________, ______.

The respondent needs this extra time because ____________

B. Intercompany Loans

Line No.	Name of Affiliated Company (a)	Respondent Lent (L) or Borrowed (B) (b)	Highest Amount Out-Standing During Year (c)	Total Interest Accrued During the Year (d)
☒	NOT REQUIRED: The respondent is an average schedule company, or does not make annual access charge filings, or is subject to price cap regulation under ORS 759.405, or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.			
☐	REQUIRED. The respondent is a cost company and makes annual access charge filings. See attached instructions.			
1				
2				
3				
4				
5				
6				

C. Intracompany Transfers and Payments

Line No.	Segment or Division of Respondent (a)	Description of Transactions Between Regulated and Nonregulated Segments of the Respondent (amounts subject to Part 64) (b)	Total Company Charges and Credits to Operating Accounts (c)	Total Oregon Charges and Credits to Operating Accounts (d)
☒	NOT REQUIRED: The respondent is an average schedule company, or does not make annual access charge filings, or is subject to price cap regulation under ORS 759.405, or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.			
☐	REQUIRED. The respondent is a cost company and makes annual access charge filings. See attached instructions.			
1				
2				
3				
4				
5				
6				
7	Other Transfers or Payments (where annual amounts < $50,000)			
8	Total Intracompany Transactions			

Company: United Telephone Company of the Northwest

TOTAL COMPANY OPERATIONS

1. *Dollars are shown in thousands.*
2. *Schedules from other reports may be acceptable. See attached instructions for more information.*

I-8. TRANSACTIONS WITH AFFILIATED AND NONREGULATED OPERATIONS

D. Intercompany Transactions

Line No.	Name of Affiliated Company (a)	Description of Transaction and Date of Contract (b)	Charges and Credits to Operating Accounts (c)	Total Oregon Charges and Credits to Operating Accounts (d)
☒	NOT REQUIRED. The respondent is an average schedule company, or a cooperative that does not make annual access charge filings, or is subject to price cap regulation under ORS 759.405, or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.			
☒	SEE PART E. The utility does not make annual access charge filings.			
☐	REQUIRED. The respondent is a cost company and makes annual access charge filings. See attached instructions.			
	(1) Total Payments Made by the Respondent to Affiliated Companies During the Year:			
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11	Total Other Payments (where annual payments < $50,000)			
12	Total Payments Made by the Respondent to Affiliated Companies During the Year			
	(2) Total Payments Made by Affiliated Companies to the Respondent During the Year:			
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23	Total Other Payments (where annual payments < $50,000)			
24	Total Payments Made by Affiliated Companies to the Respondent During the Year			

Company: United Telephone Company of the Northwest

TOTAL COMPANY OPERATIONS

1. *Dollars are shown in thousands.*
2. *Schedules from other reports may be acceptable. See attached instructions for more information.*

I-8. TRANSACTIONS WITH AFFILIATED AND NONREGULATED OPERATIONS

E. Intercompany Transactions of Utilities That Do Not File Annual Access Charges

	Names of Parties to Affiliated Interest Contracts Issued During the Year (a)	Dollar Amount of the Contract (b)	Date of Contract (c)
☒	NOT REQUIRED. The respondent is an average schedule company or a cooperative that does not make annual access charge filings.		
☐	NOT REQUIRED. The respondent is a price regulated company under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.		
☐	NOT REQUIRED. The respondent is a cost company and makes annual access charge filings. See Part D.		
☒	REQUIRED (ORS 759.393 and OARs 860-027-0100 and 860-034-0396). Utility does not make annual access charge filings.		
	List each affiliate contract executed during the year covered by this report. Include the names of the parties to the contracts, the dollar amounts of the contracts, and the dates of execution of the contracts.		

Company: United Telephone Company of the Northwest
TOTAL COMPANY OPERATIONS

1. All amounts are whole.
2. Schedules from other reports are not acceptable. See attached instructions for more information.

S-1. SWITCHES AND ACCESS LINES IN SERVICE

Line No.	Description (a)	Balance at End of Year (b)
1	**Total Central Office Switches in Service**	61
	Access Lines in Service by Customer:	
	Residential Access Lines:	
2	Single Party	72,091
3	Multiparty	
4	**Total Residential Access Lines (lines 2..3)**	**72,091**
	Business Access Lines:	
5	Single Line	21,804
6	Multi Line	6,484
7	PBX Trunks	9,512
8	Centrex-CO Line Count	
9	ISDN "B" Channels	
10	**Total Business Access Lines (lines 5..9)**	**37,800**
	Other Access Lines:	
11	Radio Common Carrier (RCC) and Mobile	2
12	WATS Closed End (inWATS and outWATS)	83
13	Switched Access - FGA FX/ONAL	6
14	Payphone (public and semipublic)	
15	UNE Network Access Channels (NACs)	
16	Dedicated (non-switched) Private Lines and Special Access	
17	Wideband Data Lines	9,304
18	Other	
19	**Total Other Access Lines (lines 11..18)**	**9,395**
20	**Total Access Lines (lines 4+10+19)**	**119,286**

(This space is not used.)

Company: United Telephone Company of the Northwest
TOTAL OREGON OPERATIONS
1. *Dollars are shown in thousands.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

Ob-1. OREGON RATE BASE

Line No.		Description (a)	Balance at Beginning of Year (b)	Plant Additions (c)	Plant Retirements (d)	Transfers and Adjustments (e)	Balance at End of Year (f)
1	1220	Inventories		<-- Beginning and Ending Balances Required -->			
2	1438	Deferred Maintenance, Retirements, and Other Deferred Charges	(193)	<-- Beginning and Ending Balances Required -->			6,997
3	2005	Telecommunications Plant Adjustment		<-- Beginning and Ending Balances Required -->			
4	4340.1	Net Noncurrent Deferred Operating Federal Income Tax	(6,946)	<-- Beginning and Ending Balances Required -->			
5	4340.2	Net Noncurrent Deferred Operating State Income Tax	(1,676)	<-- Beginning and Ending Balances Required -->			
		Telecommunications Plant in Service					
6	2111	Land	497			64	561
7	2112	Motor Vehicles	1,784		354	343	1,773
8	2113	Aircraft					
9	2114	Tools and Other Work Equipment	1,885	109	339	248	1,903
10	2121	Buildings	16,222	28	20	2,077	18,307
11	2122	Furniture	82		100	18	
12	2123.1	Office Support Equipment	37			8	45
13	2123.2	Company Communications Equipment	301		334	64	31
14		**Sub-Total 2123 Office Equipment (lines 12..13)**	338		334	72	76
15	2124	General Purpose Computers	1			2	3
16		**Total Land and Support (lines 6..13 and 15)**	**20,809**	**137**	**1,147**	**2,824**	**22,623**
17	2211	Nondigital Switching					
18	2212.1	Digital Electronic Switching - Circuit	42,351	(8)	174	(311)	41,858
19	2212.21	Digital Electronic Switching - Packet Switching	2,644	314		(1,648)	1,310
20	2212.22	Digital Electronic Switching - Soft Switch					
21		**Total Central Office - Switching (lines 17..20)**	**44,995**	**306**	**174**	**(1,959)**	**43,168**
22	2220	Operator Systems					
23	2231	Radio Systems	1,118		14	(40)	1,064
24	2232.1	Circuit Equipment - Electronic	43,011	811	302	2,464	45,984
25	2232.2	Circuit Equipment - Optical	9,682	117	242	(17)	9,540
26		**Total Circuit (lines 23..25)**	**53,811**	**928**	**558**	**2,407**	**56,588**
27		**Total Switching and Central Office (lines 21..25)**	**98,806**	**1,234**	**732**	**448**	**99,756**
28	2310	Information Origination/Termination					
29	2351	Public Telephone Terminal Equipment					
30	2362	Other Terminal Equipment	306	54	(78)	(438)	
31		**Total Information Origination/Termination (lines 28..30)**	**306**	**54**	**(78)**	**(438)**	

Company: United Telephone Company of the Northwest
TOTAL OREGON OPERATIONS
1. *Dollars are shown in thousands.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

Ob-1. OREGON RATE BASE

Line No.		Description (a)	Balance at Beginning of Year (b)	Plant Additions (c)	Plant Retirements (d)	Transfers and Adjustments (e)	Balance at End of Year (f)
32	2411	Poles	4,098	234	90	(1)	4,241
33	2421.1	Aerial Cable - Metallic	27,188	376	723	7	26,848
34	2421.2	Aerial Cable - Nonmetallic	3,992	199	12	1	4,180
35	2422.1	Underground Cable - Metallic	2,239	16	12	1	2,244
36	2422.2	Underground Cable - Nonmetallic	1,215	(39)		1	1,177
37	2423.1	Buried Cable - Metallic	64,016	2,972	274	(6)	66,708
38	2423.2	Buried Cable - Nonmetallic	18,053	771	31	(3)	18,790
39	2424	Submarine and Deep Sea Cable	51			2	53
40	2426	Intrabuilding Network Cable	474	17	4	1	488
41	2431	Aerial Wire					
42	2441	Conduit Systems	2,794			(1)	2,793
43		**Total Cable and Wire Facilities (lines 32..42)**	**124,120**	**4,546**	**1,146**	**2**	**127,522**
44	2680	Amortizable Tangible Assets	36				
45	2690	Amortizable Intangible Assets				121	157
46		**Total Other Assets (lines 44..45)**	**36**			**121**	**157**
47		**Telecommunications Plant in Service (lines 16+27+31+43+46)**	**244,077**	**5,971**	**2,947**	**2,957**	**250,058**
		Accumulated Depreciation and Amortization					
48	3100	Depreciation - Telecommunications Plant in Service	187,098	<-- Beginning and Ending Balances Required -->			198,086
49	3200	Depreciation - Property Held for Future Telecommunications Use		<-- Beginning and Ending Balances Required -->			
50	3300	Depreciation - Nonoperating		<-- Beginning and Ending Balances Required -->			
51	3400	Amortization of Tangible Assets	37	<-- Beginning and Ending Balances Required -->			124
52	3500	Amortization of Intangible Assets		<-- Beginning and Ending Balances Required -->			
53		**Accumulated Depreciation & Amortization (lines 48..52)**	**187,135**	**<-- Beginning and Ending Balances Required -->**			**198,210**
54		**Net Plant (line 47 less line 53)**	**56,942**	**<-- Beginning and Ending Balances Required -->**			**51,848**

ANNUAL REPORT TO THE PUBLIC UTILITY COMMISSION OF OREGON FOR THE YEAR ENDING DECEMBER 31, 2009

Company: United Telephone Company of the Northwest

TOTAL OREGON OPERATIONS

1. Dollars are shown in thousands.
2. Schedules from other reports are not acceptable. See attached instructions for more information.

Ob-2 ANALYSIS OF OREGON DEPRECIATION AND AMORTIZATION

☐ NOT REQUIRED because the respondent is an average schedule company, has elected price cap regulation under ORS 759.405, or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.

Line No	Account	Plant Account Description (a)	Accumulated Balance at Beginning of Year (b)	CREDITS During the Year: Charged to Expense Account (c)	CREDITS During the Year: Other Credits (d)	CHARGES During the Year: Plant Retired (e)	CHARGES During the Year: Other Charges (f)	Accumulated Balance at End of Year (g)	Composite Depreciation Rate (%) (h)
		DEPRECIATION							
1	2112	Vehicles							
2	2113	Aircraft	1,407	161	246	260		1,554	9.10%
3	2114	Tools and Other Work Equipment	414	124	27	299		266	6.50%
4	2121	Buildings	9,909	663	1,173	(39)		11,784	3.80%
5	2122	Furniture	(246)			88	64	(398)	0.80%
6	2123.1	Office Support Equipment	36		7	(1)		44	
7	2123.2	Company Communications Equipment	288		2	275		15	
8		Sub-Total 2123 Office Equipment (lines 6..7)	324		9	274		59	
9	2124	General Purpose Computers	(308)			5	60	(373)	3.00%
10		Total Support (lines 1..7 and 9)	11,500	948	1,455	887	124	12,892	
11	2211	Nondigital Switching							
12	2212.1	Digital Electronic Switching - Circuit	42,312			175	321	41,816	
13	2212.21	Digital Electronic Switching - Packet Switching	938	202			520	620	10.20%
14	2212.22	Digital Electronic Switching - Soft Switch							
15		Total Switching (lines 11..14)	43,250	202		175	841	42,436	
16	2220	Operator Systems							
17	2231	Radio Systems	910	62		14		958	5.70%
18	2232.1	Circuit Equipment - Electronic	35,328	4,008	709	295		39,750	9.00%
19	2232.2	Circuit Equipment - Optical	5,411	883		150		6,144	9.20%
20		Total Circuit (lines 17..19)	41,649	4,953	709	459		46,852	
21	2310	Information Origination/Termination							
22	2351	Public Tel Terminal Equipment							
23	2362	Other Terminal Equipment	(79)			(78)	9	(10)	
24	2411	Poles	4,048	233		132		4,149	
25	2421.1	Aerial Cable - Metallic	28,158	1,360		851		28,667	
26	2421.2	Aerial Cable - Nonmetallic	1,799	213		12		2,000	
27	2422.1	Underground Cable - Metallic	2,688			12		2,676	
28	2422.2	Underground Cable - Nonmetallic	671	57				728	
29	2423.1	Buried Cable - Metallic	44,584	3,732	(10)	314		47,992	
30	2423.2	Buried Cable - Nonmetallic	6,876	828		31		7,673	
31	2424	Submarine and Deep Sea Cable	51					51	
32	2426	Intrabuilding Network Cable	407	17		4		420	
33	2431	Aerial Wire							
34	2441	Conduit Systems	1,496	64				1,560	
35		Total Cable and Wire (lines 24..34)	90,778	6,504	(10)	1,356		95,916	
36		Total Depreciation (lines 10+15+16+20+21+22+23+35)	187,098	12,607	2,154	2,799	974	198,086	

Company: United Telephone Company of the Northwest

TOTAL OREGON OPERATIONS

1. *Dollars are shown in thousands.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

Ob-2 ANALYSIS OF OREGON DEPRECIATION AND AMORTIZATION

Line No		Plant Account Description (a)	Accumulated Balance at Beginning of Year (b)	CREDITS During the Year: Charged to Expense Account (c)	CREDITS During the Year: Other Credits (d)	CHARGES During the Year: Plant Retired (e)	CHARGES During the Year: Other Charges (f)	Accumulated Balance at End of Year (g)	Composite Amortization Rate (%) (h)
☐		NOT REQUIRED because the respondent is an average schedule company, has elected price cap regulation under ORS 759.405, or has been approved for price regulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.							
		AMORTIZATION							
37	2680	Amortizable Tangible Assets	37	54	19	(14)		124	
38	2690	Amortizable Intangible Assets							
39		Total Amortization (lines 37..38)	37	54	19	(14)		124	

Company: United Telephone Company of the Northwest

TOTAL OREGON OPERATIONS

1. Dollars are shown in thousands.
2. Schedules from other reports may be acceptable. See attached instructions for more information.

Ob-3. ANALYSIS OF CHARGES RELATED TO OREGON PLANT RETIRED

Line No.	Plant Account Description (a)		Book Cost (b)	Cost of Removal (c)	Salvage and Insurance (d)	Miscellaneous Adjustments (e)	Net Retirements [Sch. Ob-2, Col. (e)] (f)
☐	NOT REQUIRED because the respondent is an average schedule company, has elected price cap regulation under ORS 759.405, or has been approved for price refulation under ORS 759.255 with stipulated reporting requirements which exempt it from the requirement to submit this report schedule.						
1	2112	Vehicles	354		(24)	(70)	260
2	2113	Aircraft					
3	2114	Tools and Other Work Equipment	339			(40)	299
4	2121	Buildings	20	1		(60)	(39)
5	2122	Furniture	100			(12)	88
6	2123.1	Office Support Equipment				(1)	(1)
7	2123.2	Company Communications Equipment	334			(59)	275
8		Sub-Total 2123 Office Equipment (Lines 6..7)	334			(60)	274
9	2124	General Purpose Computers				5	5
10	2211	Nondigital Switching					
11	2212.1	Digital Electronic Switching - Circuit	174	1			175
12	2212.21	Digital Electronic Switching - Packet Switching					
13	2212.22	Digital Electronic Switching - Soft Switch					
14	2220	Operator Systems					
15	2231	Radio Systems	14	1			15
16	2232.1	Circuit Equipment - Electronic	302	(2)	(1)	(4)	295
17	2232.2	Circuit Equipment - Optical	242	6	(98)		150
18	2310	Information Origination/Termination					
19	2351	Public Tel. Terminal Equipment					
20	2362	Other Terminal Equipment	(78)				(78)
21	2411	Poles	90	44	(2)		132
22	2421.1	Aerial Cable - Metallic	722	134	(2)	(3)	851
23	2421.2	Aerial Cable - Nonmetallic	12				12
24	2422.1	Underground Cable - Metallic	12				12
25	2422.2	Underground Cable - Nonmetallic					
26	2423.1	Buried Cable - Metallic	274	24	15		313
27	2423.2	Buried Cable - Nonmetallic	31				31
28	2424	Submarine and Deep Sea Cable					
29	2436	Intrabuilding Network Cable	4				4
30	2431	Aerial Wire					
31	2441	Conduit Systems					
32		**Total Charges Related to Plant Retired (lines 1..7 & 9..31)**	2,946	209	(112)	(244)	2,799

Company: United Telephone Company of the Northwest

TOTAL OREGON OPERATIONS

1. *Dollars are shown in thousands.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

OI-1. OREGON INCOME STATEMENT

Line No.		Description (a)	Total Amount During the Year (b)
	Operating Revenues		
1	5000	Local Service Revenues	19,247
2	5070	Distributions of State Universal Service Funds (Monies Received from State USF)	1,430
3	5081.1	Subscriber Line Charges and Presubscribed Interexchange Carrier Charges	4,415
4	5081.2	Collections of Federal Universal Service Funds (Monies Billed to Customers for Fed USF)	862
5	5081.3	Collections of State Universal Service Funds (Monies Billed to Customers for State USF)	1,766
6	5081.4	Distributions of Federal Universal Service Funds (Monies Received from Federal USF)	968
7	5081.5-9	Other Intrastate End User Revenues	
8	5082.1	Switched Access Revenue - Interstate	2,080
9	5082.2	Switched Access Revenue - Intrastate	4,637
10	5083.1	Special Access Revenue - Interstate	8,724
11	5083.2	Special Access Revenue - Intrastate	1,220
12		**Total Network Access Revenues (lines 3..11)**	**24,672**
13	5105	Long Distance Message Revenue	205
14	5200.1	Directory Revenue	139
15	5200.2	Carrier Billing and Collection Revenue	245
16	5200.3	Other Miscellaneous Revenue	1,326
17		**Total Miscellaneous Revenues (lines 14..16)**	**1,710**
18	5280	Nonregulated Operating Revenue	
19	5300	Uncollectible Revenues	274
20		**Total Operating Revenues (lines 1+2+12+13+17+18-19)**	**46,990**
21		Interstate and Foreign (International) Revenues Included in the Above Operating Revenues	17,408
	Operating Expenses		
22	6110-6114	Network Support Expenses	42
23	6120-6124	General Support Expenses	2,557
24	6211	Nondigital Switching Expense	
25	6212.1	Digital Electronic Expense - Circuit	1,713
26	6212.21	Digital Electronic Expense - Packet Switching	
27	6212.22	Digital Electronic Expense - Soft Switch	
28		**Total Central Office Switching Expenses (lines 24..27)**	**1,713**

(This space is not used.)

Company: United Telephone Company of the Northwest

TOTAL OREGON OPERATIONS

1. *Dollars are shown in thousands.*
2. *Schedules from other reports are not acceptable. See attached instructions for more information.*

OI-1. OREGON INCOME STATEMENT

Line No.		Description (a)	Total Amount During the Year (b)	
29	6220	Operator Systems Expense		
30	6231	Radio System Expense	3	
31	6232.1	Circuit Equipment Expense - Electronic	923	
32	6232.2	Circuit Equipment Expense - Optical		
33		**Total Switching and Central Office Transmission Expenses (lines 28..32)**	**926**	
34	6310-6341	Information Origination/Termination Expense	10	
35	6351	Public Telephone Terminal Equipment Expense		
36	6362	Other Terminal Equipment Expense	19	
37		**Total Information Origination/Termination (lines 34..36)**	**29**	
38	6411	Poles Expense	864	
39	6421	Aerial Cable Expense	1,518	
40	6422	Underground Cable Expense	68	
41	6423	Buried Cable Expense	2,443	
42	6424	Submarine and Deep Sea Cable Expense		
43	6426	Intrabuilding Network Cable Expense		
44	6431	Aerial Wire Expense	3	
45	6441	Conduit Systems Expense		
46		**Total Cable and Wire Facilities Expenses (lines 38..45)**	**4,896**	
47		**Total Plant Specific Expenses (lines 22+23+28+33+37+46)**	**10,163**	
48	6511	Property Held for Future Telecommunications Use Expense		
49	6512	Provisioning Expense	128	
50		**Total Other Property, Plant, and Equipment Expense (lines 48..49)**	**128**	
51	6530-6535	Network Operations Expenses	2,550	
52	6540	Access Expense	(351)	
53	6550.1	Federal Universal Support Contributions (Monies You Paid Into Fed USF)	548	
54	6550.2	State Universal Support Contributions (Monies You Paid Into State USF)	1,375	
55		**Total Universal Service Fund Contributions (lines 53..54)**	**1,923**	
56	6561	Depreciation - Telecommunications Plant in Service	12,607	<--ob2, Total of Column (c) Depreciation
57	6562	Depreciation - Property Held for Future Telecommunications Use		
58	6563	Amortization Expense - Tangible Assets	54	<--ob2, Column (c), Acct 2680
59	6564	Amortization Expense - Intangible Assets		<--ob2, Column (c), Acct 2690
60		**Total Depreciation and Amortization Expenses (lines 56..59)**	**12,661**	
61		**Total Plant Nonspecific Expenses (lines 50+51+52+55+60)**	**16,911**	

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BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM ______

In the Matter of

CENTURYLINK, INC.

Application for an Order to Approve the Indirect Transfer of Control of QWEST CORPORATION

DIRECT TESTIMONY OF

JOHN JONES

VICE PRESIDENT STATE GOVERNMENT AFFAIRS

ON BEHALF OF

CENTURYLINK, INC.

Q. Please state your name and business address.

A. My name is John Jones and my business address is 100 CenturyLink Drive, Monroe, Louisiana.

Q. Who is your employer and what is your position?

A. I am employed by CenturyLink as Vice President, State Government Affairs.

Q. Please describe your educational background, work experience and present responsibilities.

A. I graduated with a Bachelor of Arts degree in Journalism and a Master of Arts degree in Communication from the University of Louisiana at Monroe (ULM). Prior to joining CenturyLink, I served as Public Affairs Director, student media adviser and adjunct Communications faculty member for ULM for 12 years. I have also worked as a journalist and public relations practitioner prior to my position at the university.

I joined CenturyLink, Inc. in 1993 and have been with the company nearly 17 years. I have worked in various communications, government relations and regulatory positions in the company during that time. Prior to the acquisition of Embarq, I was Vice President of State and Federal Regulatory/Government

Relations for the company. I have been active in numerous state and federal reform proceedings including the MAG Plan, Intercarrier Compensation Forum (ICF) and the Missoula Plan. I have also served as President of the Independent Telephone and Telecommunications Alliance (ITTA) and served on various committees for US Telecom in Washington, D.C.

My present role is Vice President, State Government Affairs for CenturyLink in our 33 operating states. I lead the state field teams that are responsible for regulatory, legislative and government relations activities in each state. During my time with CenturyLink, I have assisted in gaining state and federal regulatory approvals for approximately six acquisitions.

Q. What is the purpose of your testimony?

A. My testimony supports the Application ("Application") by CenturyLink, Inc. ("CenturyLink"), filed concurrently with the Oregon Public Utilities Commission ("Commission"). My testimony will describe the proposed transaction and demonstrate that the transaction is consistent with the public interest and will result in no net harm.

Q. Are other witnesses filing direct testimony in this proceeding?

A. Yes. Judy Peppler, Oregon State President for Qwest Corporation ("Qwest Corp") will describe the Qwest operations in Oregon and the benefits to customers and competition from achieving a stronger combined company as a result of this transaction.[1] In addition, G. Clay Bailey, CenturyLink's Senior Vice-President and Treasurer, will discuss the financial benefits of the proposed transaction. His testimony discusses why the proposed transaction will create a financially stronger service provider nationally and in Oregon – one with a solid balance sheet and greater flexibility to continue investing in local networks, broadband deployment and customer service enhancements. Finally, CenturyLink's President of the Mid-Atlantic Region, Todd Schafer, will provide an overview of CenturyLink's operations and history, including its extensive experience in successfully integrating and executing on prior acquisitions and will describe the company's highly localized business model that provides for a strong focus on its local markets and customers. The combined testimony of all of the witnesses will explain why this transaction is not only good for Oregon consumers and businesses, but also for the state as a whole in terms of meeting and advancing longer-term telecommunications and advanced services needs in a challenging economic environment.

[1] Ms. Peppler's testimony will be filed along with Qwest's petition to intervene.

Q. Please generally describe the transaction subject to this proceeding.

A. The proposed transaction ("Transaction") is a simple stock-for-stock exchange by which CenturyLink will acquire Qwest Communications International, Inc. ("QCII" or "Qwest"), including its subsidiaries. It does not involve complex financial or tax structures. Nor does it require additional debt or any refinancing. As further discussed by Mr. Bailey, the Transaction is designed to create a strong and stable company in both the short and long run, with greater financial resources and access to capital to invest in networks, systems and employees. From a financial standpoint, CenturyLink will have the scale and stability to make necessary, ongoing infrastructure investments needed to serve the next generation of consumers whose preferences are likely to dictate that communication companies become more responsive, diverse and faster to market in their product offerings than they are today.

The Application and "Agreement and Plan of Merger" ("Merger Agreement")[2] describe the Transaction. Simply stated, the Merger Agreement calls for a business combination at the parent level whereby a subsidiary of CenturyLink will merge with and into Qwest. The separate existence of the subsidiary will

[2] The Merger Agreement was included as Exhibit C to the Application, which is also filed on May 21, 2010 in this docket.

then cease and Qwest will continue as a direct, wholly owned subsidiary of CenturyLink. Upon closing of the Transaction, Qwest shareholders will receive 0.1664 CenturyLink shares for each share of Qwest common stock they own at closing. At that time, CenturyLink shareholders are expected to own approximately 50.5 percent of the combined company, and Qwest shareholders approximately 49.5 percent. As a result of the Transaction, CenturyLink will have local exchange footprints in 37 states, including Arizona, Utah, North Dakota and South Dakota where CenturyLink currently does not have incumbent local exchange carrier ("ILEC") operations today.

Following completion of the Transaction, four directors from the Qwest Board will be added to the CenturyLink Board of Directors, including Edward A. Mueller, Qwest's Chairman and Chief Executive Officer. This addition will increase the number of CenturyLink directors from 13 pre-Transaction to 17 post-Transaction.

Q. How will the merged entity be structured?

A. The corporate structure will essentially remain as it is today except that Qwest will be a subsidiary under CenturyLink. Attached to my testimony as Exhibit CTL/101 are diagrams illustrating the organizational structure of the relevant companies before and after closing. As mentioned, the Transaction contemplates a parent-level transfer of control of Qwest so there is no direct effect on any of the regulated operating subsidiaries in Oregon for either company. At closing, Qwest will become a direct, wholly-owned subsidiary of CenturyLink and all Qwest subsidiaries, including Qwest Corp, will be indirectly owned and controlled by CenturyLink but otherwise will experience no change in their existing corporate status or structure. In addition, the Transaction changes nothing with respect to the corporate structure of CenturyLink's regulated operating subsidiaries as all remain in place under the same status, structure, ownership and control as exists today.

Q. Please identify the CenturyLink entities operating in the state of Oregon that are regulated by the Commission.

A. United Telephone Company of the Northwest, d/b/a CenturyLink, CenturyTel of Oregon, Inc., and CenturyTel of Eastern Oregon, Inc. are each indirect subsidiaries of CenturyLink and are local exchange carriers operating under the jurisdiction of the Commission. I will refer to these companies collectively as the "CTL Oregon ILECs." The CTL Oregon ILECs provide service to approximately 109,000 access lines in 86 primarily rural Oregon exchanges. The other indirect subsidiaries of CenturyLink that are registered in Oregon are CenturyTel Long

Distance, LLC, CenturyTel Solutions, LLC, CenturyTel Fiber Company II, LLC, Embarq Communications, Inc., and Embarq Payphone Service, Inc. I will refer to these companies and the CTL Oregon ILECs collectively as the "CTL Oregon Entities." None of the CTL Oregon Entities (or any entity that holds a controlling interest in them) is experiencing a change in control as a result of this Transaction. The control of these companies will remain with CenturyLink where it resides today.

Q. Will the Transaction result in any changes in the manner in which the CTL Oregon Entities are regulated by the Commission today?

A. No, the CTL Oregon Entities will retain the same individual corporate identities and continue to operate as they do today under the ownership and control of CenturyLink. As a result, each of these companies will maintain its current operating authority and regulatory status and will continue to abide by all applicable statutes, rules, regulations, Commission orders, commitments, and tariffs or price lists, as applicable, under which they are currently regulated.

In addition, the Transaction will be virtually seamless to Qwest and CenturyLink Oregon customers. Immediately after the Transaction, customers will continue to receive the same full range of high quality products and services at the same rates, terms and under the same conditions as they did immediately before the close of the Transaction. Any subsequent service, term, or price changes will be made, just as they are now, in accordance with applicable rules and laws, including required notices. CenturyLink in past acquisitions has successfully minimized customer confusion thus helping make the integration of acquired companies as seamless and customer-friendly as possible.

Q. What authority are the Applicants seeking from the Commission in this proceeding?

A. CenturyLink is seeking all requisite authority under Oregon Revised Statute ("ORS") 759.375, ORS 759.380, and Oregon Administrative Rule 860-027-0025 that may be applicable to a transaction of this nature.

Q: Would you comment on the changing nature of the communications business and the challenges faced by providers?

A. The communications industry has changed dramatically in the last several years. It continues to experience change at a frenetic pace. Consumers and businesses are constantly seeking innovative technologies and alternative modes of communication as they experience the benefits of more convenient and ubiquitous ways to communicate and obtain data and video. Competition for voice, Internet, data and video is widespread with increasing competition from wireless companies, cable operators, VoIP providers and new, start-up entities. Ms. Peppler's testimony will provide further insight into the nature and extent of competition in Qwest's Oregon markets. The pressure on all of these companies to be responsive, invest and innovate is intense.

Industry consolidation in the ILEC segment is also a reality. The evolving market and technology dynamics have significantly altered the fundamentals of operating a wireline business. We are in a challenging economy and an even more challenging telecom environment. The timing of this transaction is good for both companies. The combination of CenturyLink and Qwest will bring added stability and reliability to the telecommunications industry in Oregon and also position the company to better meet current and future customer demands. Our business will require greater focus and strategic flexibility to bring new products on line, and we will need to do so more quickly than ever before. We will need to be stronger and have greater product and revenue diversity as we develop expanded broadband services, innovative IP products such as IPTV and other video choices, VoIP services, enhanced fiber-to-the-cell tower connectivity and other high bandwidth services. As a combined company with complementary strengths and operating footprints, we will have greater potential to effectively reach more types of customers with a broader range of products, services and connectivity solutions than either company could standing alone.

Q. How does the Transaction help to provide that opportunity to the benefit of customers?

A. First, the Transaction brings together two leading communications companies with complementary network and operating footprints, which will result in a more balanced urban and rural footprint.[3] The combined enterprise will have over 17 million telephone access lines and serve over five million high-speed internet customers across 37 states. It creates a truly nationwide platform for high-speed internet deployment by merging Qwest's long-haul fiber network with CenturyLink's complementary long-haul fiber network and its core metropolitan rings. Combined, it gives CenturyLink approximately 180,000 route miles of fiber[4] which will enable a more diverse mix of product offerings and an enhanced ability to reach customers with those products. The combined network will be a key differentiator in our industry and it will heighten the

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[3] CenturyLink's local-service network operates in 33 states while Qwest's local network operates in 14 Western and Midwestern states. The merger will enable the companies to have complementary local exchange footprints in 10 of the combined 37 states. Additionally, CenturyLink will be able to provide voice and advanced telecom services in four additional states: Arizona, Utah, North Dakota and South Dakota

[4] An illustrative map is attached as Exhibit CTL/102.

ability to advance the deployment of high speed Internet services as well as for the customer-desired "triple play" of broadband, voice and video.

A key benefit will come from leveraging each company's operational and network strengths, resulting in a company with an impressive national presence and local depth. CenturyLink has proven the effectiveness of its region-based local market focus, as further described by CenturyLink Operations witness Schafer. Qwest has industry-leading enterprise, government and wholesale customer capabilities, as explained in more detail by Qwest witness Judy Peppler. These witnesses also attest to the extensive investments that each company has made in advanced network and the expansion of their individual fiber core networks. The merger of these complementary and additive strengths, will increase the likelihood of bringing to market more advanced services and compelling choices for customers at an accelerated pace.

The increased capabilities of the combined company, which will include Qwest's coast-to-coast network and growing Enterprise business segment, will also diversify the company's revenue structure and thereby create a stronger provider. The company will be better situated, both financially and operationally, with more flexibility to meet the challenges of a rapidly changing and intensely competitive communications environment.

The bottom line is that the combined company will be better-positioned to lead the deployment of advanced services in Oregon and other states with an experienced workforce, a strategic national network infrastructure and a stronger balance sheet. The result is a win not only for the company, but also for Oregon customers and communities.

Q. Can you provide a more concrete example of the potential benefits that can be derived from leveraging the complementary strengths of these two companies?

A. As I mentioned, Qwest is a national provider of services to the enterprise market, and has particular strength in serving large business and government customers. Thus, the Transaction gives the combined company an increased prominence in the enterprise and government broadband markets. CenturyLink, by contrast, focuses on businesses with regional and local needs. The transaction will enable post-merger CenturyLink to leverage Qwest's strength in providing complex communications services to large businesses and government entities on a national and global scale to provide a broader array of services to enterprise customers in CenturyLink territories. The combination of Qwest's long-haul network with CenturyLink's fiber rings in metropolitan areas will create a service partner that can offer strategic products to a broader array of businesses, including those seeking access to a nationwide long-distance network. It will also allow for more diverse routing options, provide redundant routing for network reliability purposes, and offer communications and information services that are attractive to businesses in the financial sector, government entities, and other customers who require solutions for highly sensitive data operations.

Q. What qualifications and ability does CenturyLink have to operate the combined company and to continue to provide high quality services to customers?

A. CenturyLink's senior officers are proven leaders in the telecommunications industry and have established a solid, consistent reputation for running a high-performing enterprise that serves customers well. To that end, Glen F. Post, III, the current CEO and President of CenturyLink, will continue to be the CEO and President of the post-merger CenturyLink. R. Stewart Ewing, Jr., the current Chief Financial Officer (CFO) of CenturyLink, will continue to be the CFO of the post-merger CenturyLink. Karen A. Puckett, the current Chief Operating Officer (COO) of CenturyLink, will continue to be COO of post-merger CenturyLink. It is noteworthy that Mr. Post, Mr. Ewing and Ms. Puckett have a combined total of approximately 88-years experience in the communications industry, and have worked together as a continuous senior leadership team at CenturyLink for the past decade. This length of undisturbed leadership continuity is nearly unheard of in an industry such as ours. Also, Christopher K. Ancell, currently the Executive Vice President of Business Markets Group for Qwest, will be the President of the Business Markets Group for post-merger CenturyLink and will continue to lead Qwest's successful, and growing, enterprise business segment.[5] These leaders are industry veterans with a stable base of knowledge, experience and leadership. They have a successful track record of executing on proven business models and localizing service to the benefit of consumers in acquired markets. The CenturyLink leadership team possesses the depth of knowledge, experience and leadership to move this company forward through the next era of change and challenge.

The company's extensive merger and acquisition track record in Oregon and other states also provides a clear indication of its ability to successfully execute on its business plans and provide high quality service. As Mr. Schafer explains in his testimony, CenturyLink has a long history of successfully integrating acquired properties and assets and expanding into new state jurisdictions. These

[5] Additional senior leaders will be announced in the coming months.

successful acquisitions and subsequent integrations have generated benefits for both the company and its customers. The senior management team of CenturyLink is very familiar with and well-equipped to face the challenges and opportunities that an acquisition and integration of this magnitude presents. CenturyLink and its customers will benefit from that continued steady hand as it faces the challenges and opportunities ahead.

Furthermore, ensuring that CenturyLink continues to provide high quality service and customer experience pre- and post-merger is vitally important. CenturyLink understands that continuing to meet customer needs is its top priority. The Transaction will not change that focus. To the contrary, the customer service, network and operations functions that are critical to each company's success today will continue to be key areas of focus when the Transaction is complete, and the post-Transaction company will be staffed to ensure that continuity. Qwest Corp and the CenturyLink Oregon ILECs will continue to be managed by employees with extensive knowledge of the local communications business and with a commitment to the needs of the local community.

Q. Would you comment on CenturyLink's technical expertise?

A. CenturyLink's technical expertise is reflected in the multitude of services it provides today in 33 states and also in its highly skilled workforce, which includes engineers, IT personnel and technicians that have long been operating networks and systems for the benefit of millions of customers. Going forward, the post-Transaction CenturyLink will have a combined pool of technical and operational expertise from both companies from which to draw support, training and the deployment of new and innovative products like IPTV.

Q. How would you describe "the fit" between the two companies, particularly as it relates to a commitment to customer service?

A. CenturyLink and Qwest are holding companies with both unique differences and similarities. Utilizing the strengths of both companies is a key component of the transaction. Their primary focus has been the ownership and operation of subsidiary ILECs on a multi-state basis. Both companies have deep roots in serving and meeting the communication needs of customers by investing heavily in quality, reliable voice and data networks. Both companies and their employees are dedicated to local community involvement and employee volunteerism. Both companies have strong management teams and a base of experienced employees who share the common view that successfully providing high quality communication services in these dynamic times is contingent upon the ability to respond quickly to rapid changes in markets, technology and customer demands.

CenturyLink's region-based, local operating model will reinforce this shared philosophy and will likely be the most noticeable positive change for Qwest customers. As stated in the testimony of CenturyLink Operations witness Schafer, this approach will likely be implemented to ensure that the customer is at the center of everything the company does. This structure has proven successful in driving customer service, responsiveness and accountability closer to the customer and enabling the company to be more proactive and successful in direct response marketing efforts on a market-by-market basis.

Q. Are there other areas where you believe that the Transaction will have positive benefits?

A. Yes, as I mentioned, the Transaction will also have a positive impact on providing competitive choice and responding to customer demands. Healthy competition is in large part driven by the existence of a variety of viable network platforms in a given market. Competition is most robust in markets where there is intermodal competition: that is, where services are being delivered over wireless, wireline, and cable platforms. If any of those platforms is rendered unsustainable, it would negatively impact competition and consumers. The combination of CenturyLink and Qwest network infrastructure and operating experience ensures a stable, capable, reliable network operator will be available to weather long-term technological and competitive changes yet to come.

Q. In your testimony thus far, you have described how the Transaction promotes the public interest. Do you believe there are any potential harms that could result from the merger?

A. No. The Transaction will not disrupt existing service arrangements or regulatory commitments. Both companies have affirmed that existing wholesale and interconnection arrangements and commitments will remain intact, and that the operating companies will honor the terms of existing Commission-ordered regulatory commitments. In this regard, the Transaction will not have any impact on compliance with the regulatory requirements of this Commission. The Transaction will not in any way affect this Commission's jurisdiction over CenturyLink's and Qwest's Oregon subsidiaries, the type of regulation that they are subject to, or any binding regulatory commitments that have been placed by the Commission.

Q. Please summarize your testimony.

A. The Transaction is in the public interest. It is a straightforward, parent-level stock-for-stock transaction without any complex financing structures. It combines two leading communications companies with customer-focused, industry-leading capabilities and complementary networks and operating strengths. Qwest's Oregon subsidiaries will continue to provide services as they do today, but with the added benefit of a financially stronger parent and a more localized approach to service and meeting evolving customer demands. The combined company's senior management team will consist of proven leaders with extensive experience in the industry and a successful track record of transactional integration.

CenturyLink will become stronger, and more diverse and flexible, by leveraging the complementary financial, operational and network strengths of each of the two companies. This will help to ensure and accelerate the continued deployment of advanced, broadband services to the benefit of both residential and business customers and competition in general. The combined company's expertise in bringing high-speed broadband services to market, together with the robust, nationwide fiber network, will also improve its competitive potential in the enterprise business market. In sum, the company will be better positioned for future growth and service to customers amid a rapidly changing and intensely competitive communications environment.

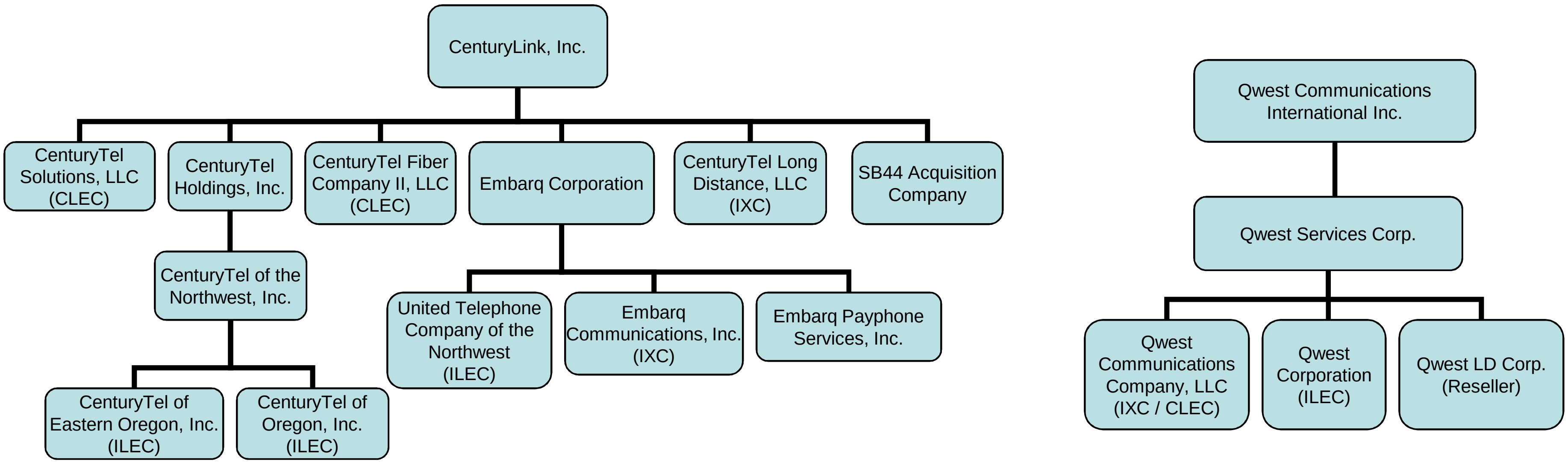
Q. Does this conclude your testimony?

A. Yes.

OREGON

Organizational Structure Diagrams

Pre-Merger

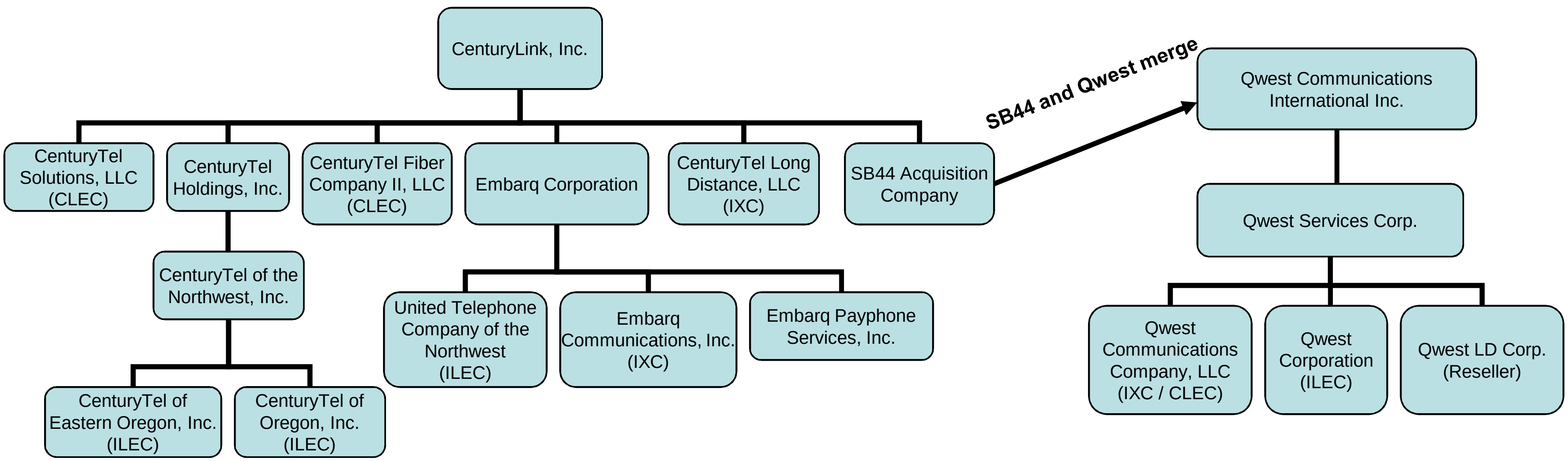


NOTE: CenturyTel, Inc. will change its name to CenturyLink, Inc. on May 20, 2010, assuming shareholder approval.

OREGON

Organizational Structure Diagrams

Merger



Qwest Communications Int'l Inc. is the surviving entity and adopts:

SB44 Certificate of Incorporation

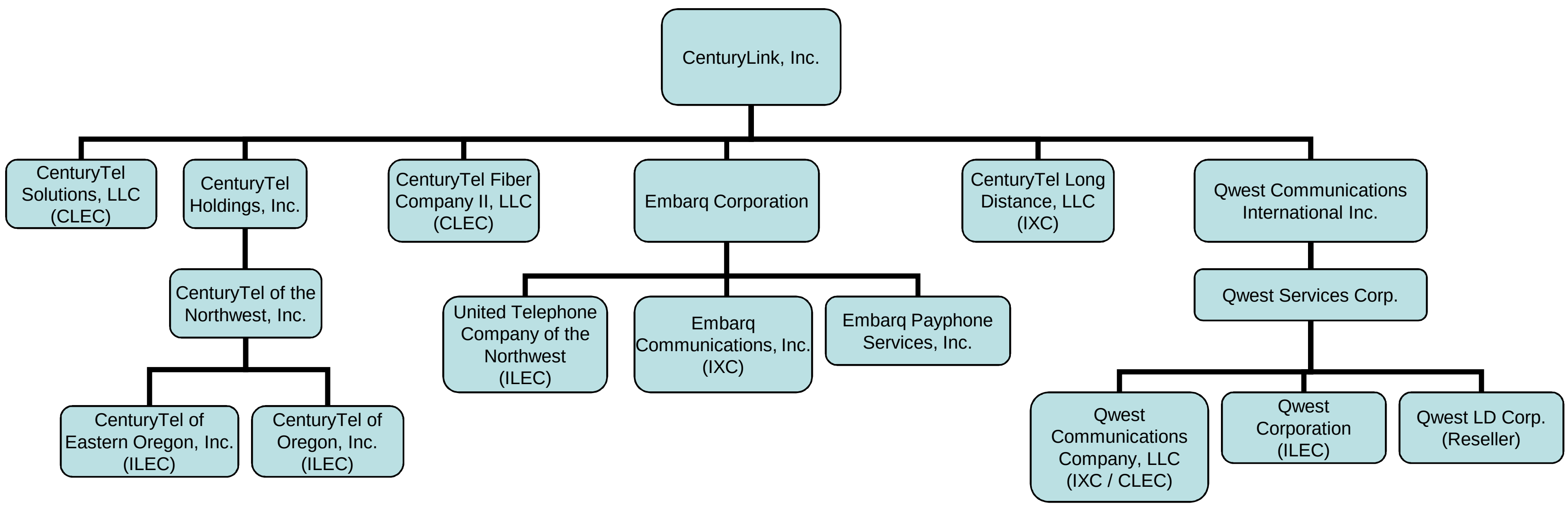
SB44 Bylaws

Qwest Communications Int'l Inc. becomes wholly-owned subsidiary of CenturyLink, Inc.

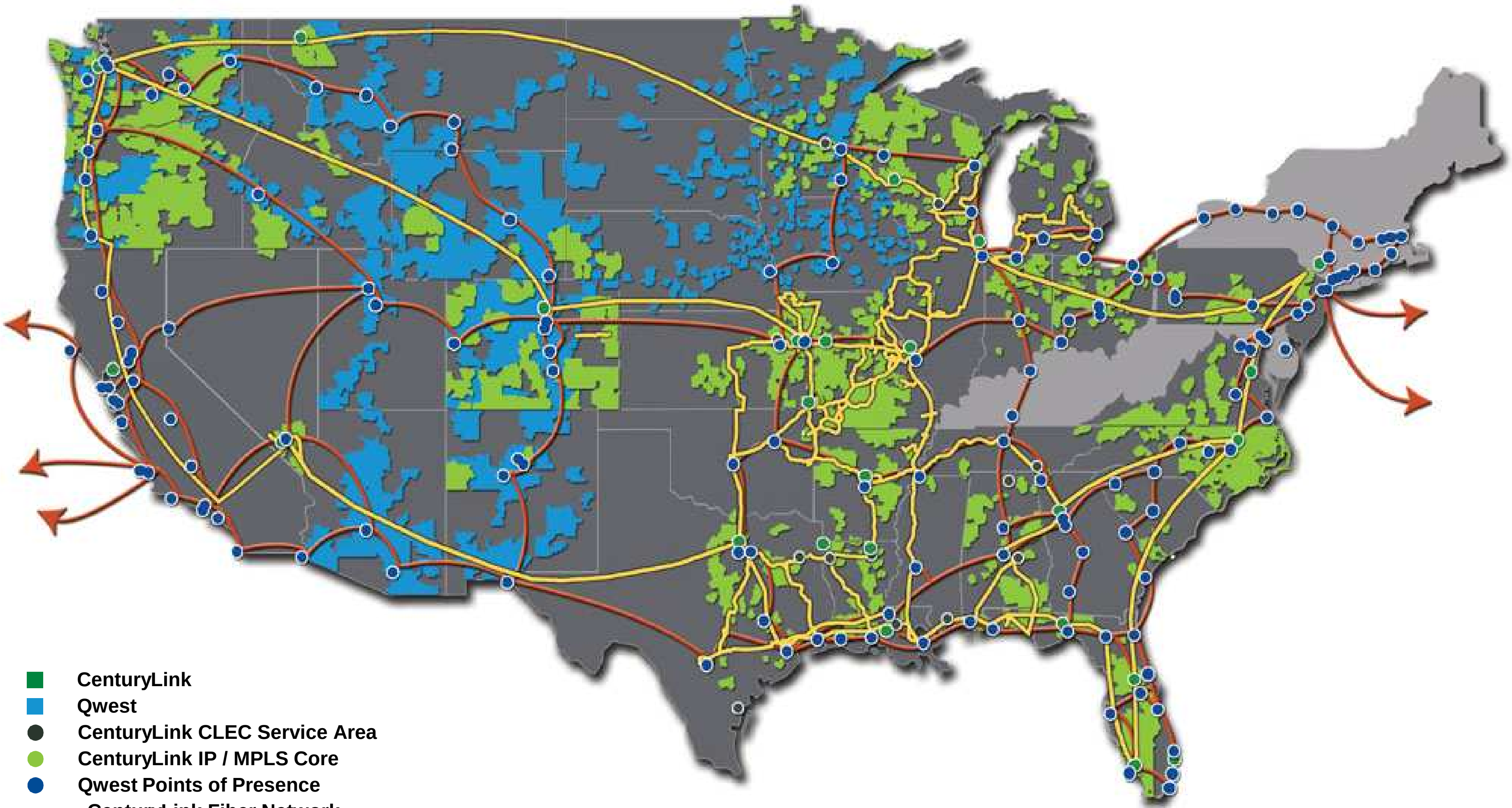
OREGON

Organizational Structure Diagrams

Post - Merger



Local Operating Model / Premier Nationwide Network



- CenturyLink
- Qwest
- CenturyLink CLEC Service Area
- CenturyLink IP / MPLS Core
- Qwest Points of Presence
- CenturyLink Fiber Network
- Qwest Fiber Network

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM ______

In the Matter of

CENTURYLINK, INC.

Application for an Order to Approve the Indirect Transfer of Control of QWEST CORPORATION

DIRECT TESTIMONY OF

TODD SCHAFER

PRESIDENT, MID-ATLANTIC REGION

ON BEHALF OF

CENTURYLINK, INC.

Q. Please state your name and business address.

A. My name is Todd Schafer and my business address is 14111 Capital Blvd, Wake Forest, NC 27587.

Q. Who is your employer and what is your position?

A. I am employed by CenturyLink as the President for the Mid Atlantic Region.

Q. Please describe your educational background, work experience and present responsibilities.

A. In 1987, I graduated with a B.S. from the University of Wisconsin-Stevens Point majoring in both Business Administration-Finance as well as Managerial Accounting. Immediately after graduation, I joined the Audit Division of Arthur Andersen & Co. For 3 ½ years, my role was to perform audit work for various clients.

In 1991, I became the Vice President of Urban Telephone Corporation, a subsidiary of Rochester Telephone Corporation in Clintonville, Wisconsin. Rochester Telephone later changed its name to Frontier Corporation which is now part of Citizens Communications operating under the Frontier brand name.

In 1993, I became the State of Wisconsin General Manager responsible for the five telecommunications companies owned by Frontier in Wisconsin. From 1993 until early 2001, my role as State General Manager was to oversee and lead all activities for the companies in Wisconsin including all the day to day operations, customer service, community relations, financial performance, network investment and performance, competitive and regulatory direction as well as the integration of the five once independently owned and operated companies into Frontier's regional operating model.

In early 2001, I began working for CenturyTel becoming the General Manager for its wireline and wireless operations in eastern Wisconsin and the Upper Peninsula of Michigan. As the General Manager, my responsibility was to lead the eastern Wisconsin market responsible for overall financial performance, level of service, customer facing sales distribution, market competitiveness and network development.

In 2004, I became the Regional Vice President responsible for CenturyTel's Southern Region. From 2004 until June 2009, my role as Regional Vice President was to lead the overall performance of the eight states in the region. Financial performance, level of service, customer facing sales distribution, market competitiveness and daily operations were elements of my responsibility.

Since July 2009, I have been the President of the Mid Atlantic Region of CenturyLink leading the results for the five states in the region. My role is very similar to the role I had for CenturyTel's Southern region but significantly larger in customer and employee counts.

Q. What is the purpose of your testimony?

A. I am testifying in support of the Application filed by CenturyLink, Inc., d/b/a CenturyLink ("CenturyLink") for approval of the indirect merger of CenturyLink's and Qwest Communications International, Inc.'s regulated Oregon incumbent local exchange carrier subsidiaries in Oregon to CenturyLink. My testimony will provide a brief overview and history of CenturyLink, including a description of the company's demonstrated ability to successfully complete the integration process associated with prior acquisitions. In addition, I will describe CenturyLink's highly localized business model which focuses on empowering local personnel to meet the distinct needs of the markets they serve and places the customer at the center of what the company does.

Q. Please give a brief overview and history of CenturyLink.

A. CenturyLink is a holding company that conducts business principally through wholly-owned subsidiaries that offer a broad array of high-quality communications products and services. These products and services are provided to consumers and businesses in 33 states. Headquartered in Monroe, Louisiana, CenturyLink is an S&P 500 company and has been listed in the Fortune 500 list of America's largest corporations. As of December 31, 2009, CenturyLink provided "ILEC" services to over approximately seven million access lines, and high-speed Internet and data transmission services to over 2.2 million customers. With its exceptional network infrastructure, localized approach to service and its commitment to invest in broadband, CenturyLink has been a leading provider of advanced broadband services in the majority of the markets it serves. The company currently employs about 20,000 employees, with 490 in Oregon.

CenturyLink started as a single-exchange, family-run local telephone company in 1930. Throughout the years, CenturyLink has grown its operations into new markets by successfully acquiring and integrating companies, properties, and assets and improving and expanding services in those markets. As I will discuss in more detail below, many of these acquisitions have been relatively large transactions that greatly expanded the then-existing company's size and footprint. The company also acquired significant fiber assets in 2003 and 2005 which has enabled it to develop and grow an extensive high-speed optical core network that provides wholesale and retail fiber transport services to customers all across the United States.

Q. Could you expand upon the wide array of communications services that CenturyLink provides?

A. Yes. These services include a host of local and long-distance voice, high-speed Internet, video entertainment and wholesale local network access services, as well as a variety of broadband and high bandwidth services. In various areas, CenturyLink also offers security monitoring, home networking, data hosting, national and metro Ethernet, systems/network management and other professional, business and information services. To secure its position as a leading provider of advanced broadband services, the company has invested heavily not only to extend its fiber core network, but also to deploy fiber deeper into its local networks. CenturyLink has been a leader in the launching of DSL offerings and is expanding or preparing to expand its Internet protocol television (IPTV) product into additional locations which is made possible by the investment in faster broadband speeds.

Q. You stated that CenturyLink has grown over time in part due to a number of successful, strategic acquisitions. Please describe CenturyLink's consolidation history.

A. CenturyLink is an American business success story. What started as a family run business being operated from the parlor of a residence in northeastern Louisiana, has grown into one of the most well-respected national communications companies in the United States. Over the years, the company has successfully completed and integrated a number of acquisitions which has enabled the company to expand its national footprint and build upon its commitment to provide excellent customer service and to improve its network. With each transaction, the company has been able to increase in size and financial strength, enabling it to improve the range of services, enhance customer service and place itself in a more stable financial position.

Exhibit CTL/201 illustrates a timeline of the various acquisitions. While there are a number of examples which illustrate the company's expertise in this area as shown on Exhibit CTL/201, let me speak to several of the larger ones. In the late 1990's, CenturyLink added approximately 600,000 access lines across twelve states, including Oregon, when it acquired Pacific Telecom, Inc. At that time, the transaction more than doubled the size of the company. Over the next few years, the company engaged in a series of acquisitions that once again doubled the company's size when it added another 1.2 million access lines acquired from GTE, Ameritech, and Verizon, concentrated primarily in Alabama, Arkansas, Missouri, and Wisconsin. These acquisitions significantly expanded its presence in those states and demonstrated the company's ability to not only grow rapidly, but to also successfully integrate and operate nearly two million new access lines serving wholesale, business and residential customers. Most recently, CenturyLink acquired Embarq Corporation ("Embarq") and its 5.4 million access lines, which more than tripled the size of the company.

In each case, the integration efforts have been successful. Billing, financial and customer care system conversions have been executed smoothly and in accordance with established time frames. These efforts have included standardizing key operational processes, making strategic investments in infrastructure, aligning and holding employees accountable, providing advanced technical support in the field, enhancing communication strategies and increasing and streamlining training, among other things. Overall, the company has maintained a sharp focus on accountability and commitment at all levels of management to achieve a successful transition.

CenturyLink's senior executive management team has one of the longest tenures in the industry, and is recognized by the financial community as one of the most successful and experienced in managing mergers and acquisitions. CenturyLink is confident that, with the combined experience and leadership abilities of the management teams, the execution of this integration will be as smooth and successful as the Embarq integration and others have been in the past.

Q. Would you provide examples of that integration process?

A. Absolutely. The best way to describe our approach to integration and other M&A processes is that the entire company works holistically to ensure that all operating units and departments are working in unison to achieve business and integration objectives. Regardless of the size of the acquisition, the company establishes carefully developed integration plans and targeted timelines for all relevant functional areas with clearly defined owners and metrics to measure progress.[1] CenturyLink's integration success is attributable to learning from each transaction, establishing workable schedules and action plans and then executing on those plans. Minimizing customer confusion and disruptions are over-arching goals of our integration process.

[1] A graphic illustration of some of the major tracked milestones associated with integration of the Embarq transaction and anticipated timelines for the Qwest integration is attached hereto as Exhibit Schafer/202.

As an example, on July 1, 2009 CenturyTel closed on its acquisition of the much larger Embarq in a sizeable transaction which created a leading communications service provider which as of the end of 2009 served 7 million access lines, 2.2 million broadband customers and 535,000 video customers in 33 states. The company's significant, focused, and meaningful progress since the CenturyTel/Embarq closing in July 2009 is indicative of its ability to successfully integrate acquisitions and its foresight in anticipating growth as it makes operational or system decisions. For example, several years ago CenturyLink made significant investment in and upgraded its financial and billing systems in order to deliver integrated, customer service and improved levels of financial accountability. These system upgrades were designed to be scalable and support future business expansion which has enabled CenturyLink to quickly and seamlessly reach many key integration milestones. Consequently, very quickly after close, financial and human resource systems were converted. Within months, a phased schedule for converting customer billing systems was implemented. Already, approximately 25 percent of the access lines served by former Embarq systems have been successfully and seamlessly converted to CenturyLink's single integrated retail customer service and billing system. Another 25% of former Embarq access lines are expected to convert by year end

2010, with the remaining access lines converted by the third Quarter of 2011, or within about 24-27 months after closing.

The successful integration of Embarq has not been limited to systems however. Since the closing, CenturyLink has expanded its core fiber network by building or leasing fiber optic transport to connect former Embarq and CenturyTel markets in the western United States with markets on the east coast. As a result, CenturyLink's long-haul network now connects 90 percent of its service areas, reducing costs and creating revenue opportunities from new service opportunities. IPTV has been deployed in former Embarq markets and the company is ramping up its initiative to deploy IPTV in other locations. Broadband deployment has continued with the introduction of new products such as "Pure Broadband." Broadband speeds and additional deployment to unserved areas have increased in multiple markets. And, CenturyLink has been deploying its "triple play" offering to bring more competition to customers in multiple-dwelling-unit buildings—a customer segment that was not a significant focus for former Embarq.

In addition to system conversions and network deployment, the company finalized the budgeting process, completed organizational design and many staffing decisions, and launched a new brand. On the day of closing, the company had its five-region "go-to-market" concept in place and operational. The region concept has successfully brought renewed local focus to all markets. The success of the concept has been defined and demonstrated by a local leadership structure that is focused on the local needs of communities and customers and the importance of maintaining a local market presence.

Q. You mention the effectiveness of CenturyLink's five-region "go-to-market" concept. Please explain the attributes of that operating model in more detail.

A. The region organizational structure brings our business closer to the customer and provides a localized approach. Upon completion of the Embarq transaction, CenturyLink implemented its proven "go-to-market" service delivery model, which presently includes five regions and 22 market clusters in the 33 states in which the company operates.[2] A regional president oversees each of the five regions, and a general manager and various operations managers are assigned to each of the market clusters. This more de-centralized local structure enables a leaner, more efficient central corporate operation. Placing a significant percentage of company leadership in the field creates a clear local market focus,

[2] An illustration of how the regional management approach and its components fit within the overall Go-to-Market Service Delivery Model is attached hereto as Exhibit Schafer/203. A map showing the five regions implemented at close of the Embarq transaction is attached hereto as Exhibit Schafer/204.

which drives operations and service decision-making closer to the customer. Together with CenturyLink's integrated retail customer care and billing system, this model promotes more accountability to the customer. The company is able to provide more direct and localized service and can respond to customers and competition more quickly, on a market-by-market basis. Essentially, this model focuses on empowering local personnel to meet the distinct needs of their markets and places the customer at the center of what the company does.

Q. Will that model be incorporated into the areas of Qwest's operational structure upon the completion of the Transaction?

A. Yes, we anticipate it likely will, as CenturyLink's structure has proven to be a successful service delivery model. No changes will be made prior to closing, and we will first need to evaluate Qwest's structure and consider adjustment to the configurations necessary to fit the newly merged operations and to ensure that any modifications continue to meet customer expectations.

Q. Has CenturyLink found the locally focused business model approach works well in urban markets as well as rural?

A. Yes. CenturyLink's business model is focused on driving accountability to customers and results of the market at a local level. Markets often differ for many more reasons than population densities as even urban markets have differing levels of competition, customer needs, and unique attributes. For example, while the CenturyLink Ft. Myers, FL and Las Vegas, NV markets are clearly both urban markets, they have varying customer-types, demographics, and competitive activities. Having dedicated General Managers and their local teams in both markets help to more clearly distinguish those unique elements and significantly improves our ability to adjust our specific strategies and tactics to meet the needs of each individual market.

Q. In discussing a more localized service approach, you refer to the company's customer care systems. Do you have any examples of improvements that have enhanced the ability of CenturyLink to provide more targeted, localized customer service?

A. Yes. CenturyLink employs a "neighborhood" approach to customer service call centers that enables customer calls to be matched with associates that are trained to understand the nuances of the state. The neighborhoods are designed and grouped to align available staffing with the needs of the states that are included in that group. Through the neighborhood approach, customer service associates have a focus and an "ownership" of the states for which they are responsible. They understand the service offerings in that region and are even aware of current happenings in the area as the call screens have the ability to provide real time information about the locale so that there is a real connection between the associate and the customer. This is another approach that likely will be adopted during the integration of Qwest.

Q. Does this locally focused approach help you to address the changing nature and challenges of the business that Mr. Jones discusses in his testimony?

A. Absolutely. As Mr. Jones discusses, there is no question that the communication industry has changed dramatically in the last several years. Customers now have more service and provider options and more varied expectations that carriers must meet. While all markets change, markets do not all change in the same way or at the same speeds. As I mentioned, even two markets that share some common characteristics such as the two urban markets of Ft. Myers and Las Vegas, still have unique needs that are best served through a locally focused approach that can more quickly determine and address the changes in the market.

Q. Do you have any concluding remarks?

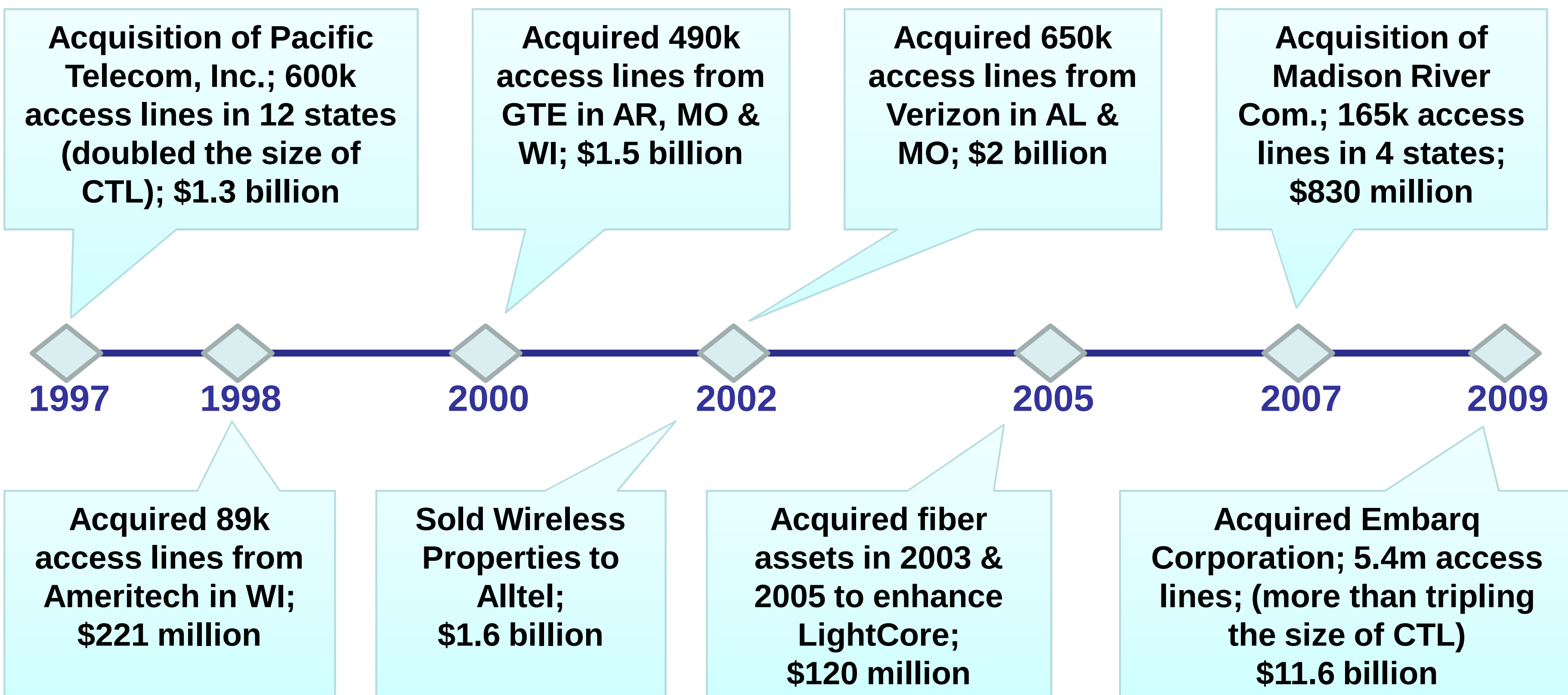
A. Yes. The Transaction brings together two leading communications companies with complementary networks and operating footprints. By building on each company's operational and network strengths, the combined company will have an impressive national presence with the local depth that will allow it to better serve all of its customers. The combination creates a company that will be well-positioned to lead the deployment of advanced services as well as successfully manage the challenging and rapidly changing telecommunications environment.

Q. Does this conclude your testimony?

A. Yes.

CTL/201
Schafer

CenturyLink – Experienced Consolidator



Integration Timelines

CTL/202
Schafer

Embarq Transaction

July 1 -

- Transaction close
- CenturyLink region operating model launch

YE 2010
~ 50% customer conversion completion target

3Q 2011
~ 100% customer conversion completion target

2009 2010 2011 2012

October 2009 -

- Financial & HR systems conversion
- Brand Launch
- OH customer conversion

May 2010 -

- ~ 25% Customer conversions complete (OH & NC)

1H 2011
~100% LD traffic migration target

Qwest Transaction

Anticipate 1H2011 transaction close

Integration process continues

2011 2012

CenturyLink Operating Model

CTL/203
Schafer

Chief Operating Officer

- Marketing
- Sales ILEC/ CLEC
- Region/ GM Structure
- Customer Care
- Operations

•RVP/GM Structure

•Area Ops Manager

•Area Plant Supervisors

•Technicians

•Community Focus

•Local Consumer Distribution:

- Retail stores

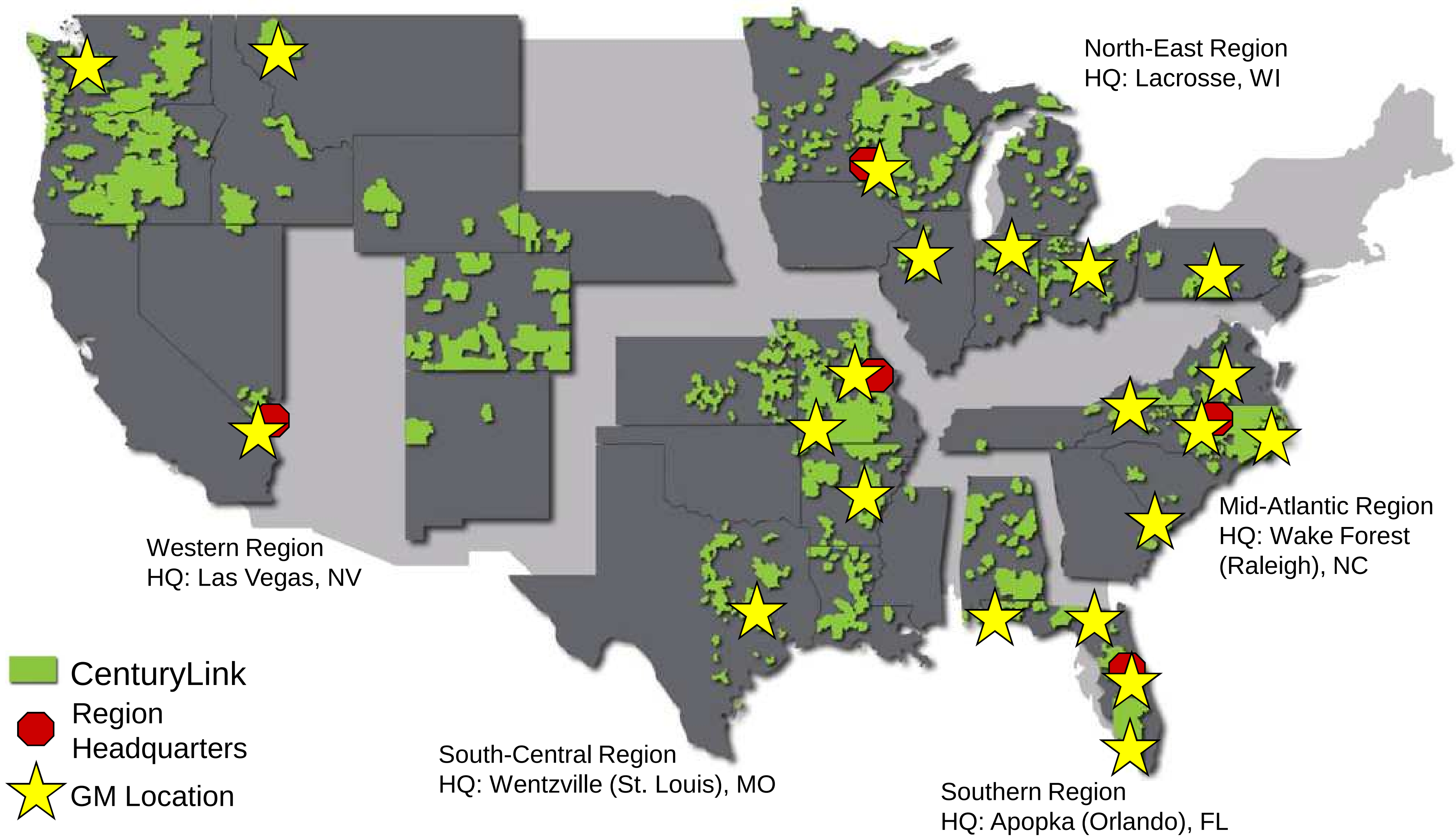
- Door to Door Sales

- Multi Dwelling Unit Sales

Segment Product Roadmap/ Plans → Enterprise Strategy, Sales & Fulfillment → Market Plans Service Delivery Market Intelligence P&L → Sales & Service Fulfillment → Customer Experience/ Life Cycle Repair Network Surveillance Operations Support

Proven Go-to-Market Service Delivery Model

CTL/204
Schafer



BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UM ______

In the Matter of

CENTURYLINK, INC.

Application for an Order to Approve the Indirect Transfer of Control of QWEST CORPORATION

DIRECT TESTIMONY OF

G. CLAY BAILEY

SENIOR VICE PRESIDENT AND TREASURER

ON BEHALF OF

CENTURYLINK, INC.

MAY 21, 2010

Q. Please state your name and business address.

A. My name is G. Clay Bailey and my business address is 100 CenturyLink Drive, Monroe, Louisiana 71203.

Q. Who is your employer and what is your position?

A. I am employed as Senior Vice President and Treasurer for CenturyLink, Inc. ("CenturyLink" or the "Company")

Q. Please describe your educational background, work experience, and present responsibilities.

A. I received a B.B.A. in Accounting from Northeast Louisiana University. I am a Certified Public Accountant (Inactive Status). Upon graduation, I was employed by the accounting firm, KPMG. During my tenure with the firm, I was involved in telecommunication audits. In 1992, I accepted a position with CenturyTel in the area of Government Relations. I held many positions in the area including Vice President, Government Relations. In that position, I was responsible for both federal and state government relations. In 2000, I accepted the position of Vice President and Treasurer. Earlier this year I became Senior Vice President and Treasurer.

Q. What is the purpose of your testimony?

A. I am testifying in support of the Application ("Application") filed by CenturyLink and Qwest Communications International Inc. ("Qwest") with the Oregon Public Utility Commission ("Commission") on May 21, 2010. My testimony will provide a detailed overview of the financial characteristics of the combined company arising from the proposed transaction. Further, my testimony will support and demonstrate that the combination is in the public interest and affirmatively creates benefits for customers and the State of Oregon.

Q. Are other witnesses filing direct testimony in this proceeding?

A. Yes. I have reviewed the testimonies of John Jones and Todd Schafer, representing CenturyLink, and Judy Peppler, representing Qwest, all of which provide detail about other factors that support the proposed merger of CenturyLink with Qwest. My testimony complements those testimonies by providing additional information regarding important financial factors about the two companies and the proposed combination.

Q. Please summarize your testimony.

A. CenturyLink and Qwest announced on April 22, 2010, the two companies' agreement to merge to create one of the largest telecommunications companies in the U.S. From a financial perspective the all-stock transaction is compelling for a number of reasons: (1) no new debt or debt refinancing is required based on the borrowings at the time of the announcement[1]; (2) the transaction is a straightforward stock-for-stock combination that does not involve any financial or tax-structure complexities (e.g., Reverse Morris Trust) similar to those employed in certain recent transactions; (3) the combined company will have increased financial resources with the flexibility to dedicate capital in response to business opportunities, to support ongoing capital investment, or to reduce debt; and (4) the combined company will have what we believe will be investment-grade characteristics based on solid debt coverage ratios, sufficient liquidity, and a manageable debt maturity schedule. The decision to merge is based on a compelling financial rationale and the public interest benefits that flow from the proposed merger. My testimony, therefore, will highlight factors that should give the Commission confidence that this combination is in the public interest, consistent with the State's standard of review and that the merger should be approved. Specifically, I will testify regarding three general subjects:

[1] Qwest does have a credit facility that includes a change of control provision, but no funds were drawn against that facility at the time of the announcement.

1. The financial profile of the two individual companies, as well as the merged company, at the corporate parent level;
2. The financially-based affirmative benefits of the proposed transaction; and
3. Specific financial characteristics of the merged company, including the rationale for a stock-for-stock transaction, the expectations for a strong and improving balance sheet, opportunities for meaningful cost savings due to enhanced scale and efficiencies, and the expected uses of the merged company's annual cash flows.

Q. Please provide a financial overview of the transaction.

A. As of December 31, 2009, CenturyLink and Qwest served local telecommunications markets as incumbent carriers in 37 states. The combined companies served approximately 17 million access lines, approximately 5 million broadband subscribers,[2] and more than one million enterprise customers. At yearend 2009, the combined company had pro forma revenues of $19.8 billion, earnings before interest, taxes, depreciation and amortization ("EBITDA") of approximately $8.2 billion, and free cash flow (cash flow available after all cash

[2] *See* CenturyLink and Qwest Merger Conference Call, April 22, 2010, [hereafter "Merger Conference Call"]; slide 8; available at http://www.centurylinkqwestmerger.com/downloads/presentations/Investor%20Presentation-4-22-10.pdf Select slides from the Merger Conference Call are referred to throughout this testimony. They have been reproduced and attached collectively hereto as Exhibit CTL/301. References to individual slides will refer to them by their original slide number.

operating expenses and capital investment),[3] excluding any estimated synergies, of $3.4 billion.[4] With 2009 pro forma combined net leverage of 2.4 times before synergies and 2.2 times after run-rate estimated synergies (both ratios calculated excluding one-time integration costs),[5] the merged company is expected to have one of the strongest balance sheets in the U.S. telecommunications industry. The transaction is expected to be accretive to CenturyLink's free cash flow at closing, excluding one-time integration costs. The merged company is projected in three-to-five years to have an estimated $625 million in annual run-rate operating and capital synergies,[6] and a reasonable 45% 2009 pro forma dividend payout ratio, including synergies.[7] The combined company will be committed to network investment and appropriate balance sheet improvement (debt reduction), and is expected to produce sufficient operating cash flows to fund a stronger and more competitive business, as competitive threats increase from national companies such as AT&T, Verizon, Comcast, Time Warner Cable and Cox Communications. The testimony will emphasize that CenturyLink is a proven acquirer of telecommunications operations and is capable of creating a strong combined

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[3] *Id.*, slide 8. As indicated in Note (a) on the slide, "CenturyLink free cash flow [is] calculated as net income + D&A – capex. Qwest free cash flow calculated as net income + D&A + deferred income tax – capex."
[4] Merger Conference Call, slide 8.
[5] Merger Conference Call, slide 7. The one-time integration costs include operating costs of $650-$800 million, and capital costs of $150-$200 million to achieve synergies. See Merger Conference Call, slide 13.
[6] Merger Conference Call, slide 6.
[7] Merger Conference Call, slide 7.

company to serve its customers. In short, the proposed transaction will create a carrier with major scope and scale, and the financial resources and flexibility to provide high-quality, competitive communications services to customers and communities across the country.

Q. Can you describe how your testimony relates to the Commission's review of the Transaction?

A. My understanding is that the Oregon law generally grants the Commission authority to approve indirect transfers of certain regulated utilities.[8] In approving this Transaction, the Commission must use a "no harm" standard. This testimony focuses on the financial characteristics of the proposed transaction which demonstrate that the merged company will do no harm to, and in fact will benefit, customers in Oregon.

Regarding the capital structure of the operating subsidiaries, the transaction is structured in a transparent manner that results in no change in the operating entity capital structures. Due to its financial profile—significant scope and scale, strong cash flows, moderate leverage, investment grade credit characteristics, and expanded equity "float" (larger market capitalization and more shares

[8] Please see CenturyLink's Application, at footnote 2, page 2.

outstanding)—the merged company should have improved access to capital on reasonable terms. In short, the proposed transaction will not result in a deterioration of the financial condition of any of the operating companies and will over time improve, not harm, the companies' ability to attract and access capital on reasonable terms.

I. <u>Financial Profile of the Two Individual Companies.</u>

Q. Can you provide a summary of the financial characteristics of CenturyLink?

A. CenturyLink, an S&P 500 company, is headquartered in Monroe, Louisiana. The Company's shares are publicly traded on the New York Stock Exchange under the ticker symbol "CTL." The newly-named Company was formed through the CenturyTel and Embarq merger. CenturyLink, through its wholly-owned operating subsidiaries, is a leading provider of communications services to consumers, businesses, and other carriers. Using its robust communications networks, the Company offers local and long-distance voice, wholesale local network access, high-speed internet, and information and video services in 33 states. As of December 31, 2009, CenturyLink provided incumbent local exchange carrier ("ILEC") services to approximately 7.04 million telephone access lines and 2.24 million broadband subscribers. CenturyLink also operates a fiber transport network that provides wholesale and retail fiber-based transport services in support of other carriers and retail customers. On a pro forma basis—assuming that CenturyTel and Embarq were combined for the full year ending December 31, 2009—the Company generated $7.53 billion in revenues and $3.80 billion in EBITDA, excluding non-recurring items. CenturyLink's net debt (total debt less cash and equivalents) at the end of 2009 was $7.59 billion, and its net debt-to-trailing (previous twelve months) EBITDA was 2.0 times. The Company had an equity market capitalization of $10.83 billion at the end of 2009,[9] resulting in an $18.43 billion total enterprise value (equity market capitalization plus net debt).

Q. Can you provide a summary of the financial characteristics of Qwest?

A. Yes. Qwest is a Delaware corporation with its headquarters in Denver, Colorado. Qwest's shares are publicly traded on the New York Stock Exchange under the ticker symbol "Q." Qwest's ILEC subsidiary, Qwest Corporation ("QC"), serves wholesale and retail customers in the 14-state region of Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming. As of December 31, 2009, Qwest had approximately 10.27 million access lines and 4.70 million video, broadband and wireless connections, including 2.97 million high-

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[9] Market capitalization is based on 299.57 million shares outstanding and a closing price of $36.21 on the New York Stock Exchange on December 31, 2009.

speed lines. Qwest has another subsidiary, Qwest Communications Company, LLC ("QCC"), which operates a national fiber-optic network and provides retail and wholesale data, interexchange and local services. In 2009, the consolidated operations of Qwest generated $12.31 billion in revenues and $4.42 billion in adjusted EBITDA.[10] Qwest's net debt at December 31, 2009, was $11.79 billion, and its net debt-to-trailing EBITDA ratio was 2.7 times. Qwest had an equity market capitalization of $7.19 billion at the end of 2009,[11] resulting in an $18.98 billion total enterprise value.

[10] In Qwest's quarterly earnings releases, the company reports adjusted EBITDA that excludes items not representative of the core ongoing telecommunications operations.
[11] Market capitalization is based on 1.707 billion shares outstanding and a closing price of $4.21 on the New York Stock Exchange on December 31, 2009.

II. Financially-Based Affirmative Benefits of the Transaction.

Q. Please describe the transaction.

A. On April 22, 2010, CenturyLink and Qwest announced that their boards of directors had approved a definitive agreement by which a wholly-owned subsidiary of CenturyLink will merge with Qwest, with Qwest as the surviving entity wholly-owned by CenturyLink. Qwest's subsidiaries also will be indirectly wholly-owned by CenturyLink. In this stock-for-stock combination, Qwest shareholders will receive 0.1664 shares of CenturyLink stock for each of their Qwest shares, and CenturyLink will own 100% of the outstanding stock of Qwest.[12] No new debt financing will be required and, importantly, none of the debt outstanding at the time of the transaction announcement will require refinancing under change of control provisions.[13] At the consummation of the transaction, CenturyLink's pre-merger shareholders will own approximately 50.5% of the post-merger company and Qwest's pre-merger shareholders will own approximately 49.5% of post-merger CenturyLink.[14] The value of the transaction was estimated on the day of the announcement to be approximately $22.4 billion, reflecting a value of approximately $10.6 billion for Qwest's equity

[12] Merger Conference Call, slide 6.
[13] *Id.*, slide 7; Qwest's credit facility does have a change of control provision; however, no funds were drawn on that facility at the time of the merger announcement, so the change of control provision will not result in any refinancing of debt outstanding.
[14] *Id.*, slide 6.

and including Qwest's net debt (total borrowings net of unamortized debt discount, less cash and cash equivalents and short term investments) of approximately $11.8 billion, as of December 31, 2009.[15] The stock-for-stock transaction structure is simple and easily understood, and does not involve any of the financial or tax-structure complexities or characteristics (e.g., Reverse Morris Trust) of other recent transactions. Such a transactional approach should allow policymakers and other interested parties to gain additional comfort that the combination is relatively straightforward and that the financial benefits can be assessed more readily.

Q. What is the rationale for the merger?

A. CenturyLink and Qwest believe that there are numerous important benefits flowing from the proposed transaction, including:

- Enhanced service and product capabilities based on a national 180,000-mile fiber network, a strong product portfolio, and increased scale; expanded competitive offerings, including high-speed Internet, video, data hosting and managed services; as well as fiber-to-cell tower connectivity and other high-bandwidth services;

[15] *Id.*

- Financial strength and flexibility, as the combined company's sound capital structure and free cash flows serve to position the merged company to respond to future opportunities, while permitting ongoing investment in the network, reductions of indebtedness, and appropriate compensation of capital providers; and
- Improved operating and capital efficiency through reductions in corporate overhead and the elimination of duplicative functions and systems.

Q. Can you provide additional detail regarding the financial expectations for the merged company?

A. Yes. First, using pro forma 2009 financials, before any expected synergies, the merged CenturyLink and Qwest would have generated around $3.4 billion in free cash flow[16] after all cash operating expenses and an estimated $2.4 billion in capital investment. Based on this level of free cash flow, after meeting all operating, capital and financial costs, the company expects to have about $1.7 billion in remaining cash flow that could be used for further debt repayment and additional investment.

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[16] *Id.*, slide 8.

Second, CenturyLink and Qwest expect that the merged company will be able to create annual run-rate operating expense synergies of approximately $575 million, fully-recognized over a three-to-five-year period following closing. The companies also project annual run-rate capital expenditure synergies of $50 million, for a total expected increase of $625 million in annual cash flow due to operating and capital synergies.[17] Thus, if it were assumed that CenturyLink and Qwest had been combined in 2009 and full estimated run-rate synergies of $625 million were realized, the merged company would have generated approximately $3.8 billion of free cash flow after operating expenses and capital expenditures. Again, assuming the realization of synergies, the company estimates that, after all costs to run the business (operating, capital and financial), it will have approximately $2.1 billion in annual free cash flow that could be used to reduce debt and to further develop its business. Accordingly, the expected cash flows should provide increased flexibility for ongoing network investments, product development, and retirement of debt.

Q. Are these cost synergies realistic?

A. Yes. CenturyLink has a proven history, based on significant acquisition integration experience, of realizing announcement-day estimated synergies. In

[17] Merger Conference Call, slide 6.

part, this is because CenturyLink focuses on improving costs in acquired companies.

I also note that the estimate of $575 million in operating expense savings is just over 7% of Qwest's 2009 cash operating expenses, while the $625 million of total estimated synergies is less than 8% of Qwest's cash operating expenses.[18] For comparison, the synergy estimates as a percentage of target company cash operating expenses are below 9%, which was the level of expected cost synergies announced when CenturyTel merged with Embarq. Consistent with its history of realizing its operational and financial goals, CenturyLink announced that it was ahead of schedule in achieving synergies in the Embarq transaction. The synergy savings for the proposed transaction also appear realistic when compared with other merger-related ILEC-transaction synergies that generally have been 20%+ of the target company's cash operating expenses in recent years.[19] As a result, CenturyLink believes that the announced synergy estimates for the proposed transaction are achievable.

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[18] Qwest's 2009 revenues of $12.311 billion less adjusted EBITDA of $4.415 billion approximates cash operating expenses of $7.896 billion; estimated operating synergies of $575 million divided by cash operating expenses is 7.3%, while total estimated synergies of $625 million divided by cash operating expenses is 7.9%.
[19] Simon Flannery, *CenturyTel: 1Q10 Preview: Awaiting Embarq Synergy/Integration Update and Additional Color on Qwest Deal,* Morgan Stanley Research, North America, April 29, 2010; attached hereto as Exhibit CTL/302.

Q. Is the proposed transaction motivated by a desire to get larger just for the sake of size?

A. No. The local telecommunications industry is evolving. CenturyLink believes that companies that best serve their customers will be successful because of sufficient scope and scale, efficient operations, and strong network investment realized in part through access to competitively-priced capital. By combining, CenturyLink and Qwest will create a stronger company that has the local and transport resources to compete more effectively with national competitors such as AT&T, Verizon and Comcast, and to deploy more broadly strategic products such as higher-speed data offerings and, in select markets, other services such as IPTV.

Q. Have the companies attempted to identify the specific benefits of new services that might be made available as a result of the Transaction?

A. No. The process of integration is too early at this point to estimate the full extent of the opportunities to provide new products and services to customers and to increase broadband penetration rates in the combined service territory. However, CenturyLink and Qwest believe that, as a combined company, there will be greater potential to roll-out additional services over an advanced network infrastructure, including data products and even IPTV in select markets. In the previous acquisitions or mergers in which CenturyLink has been involved, the Company has been able to improve the range of services offered to customers and to slow the loss of access lines. Illustrating this operating benefit, CenturyLink reported in its 2010 first quarter earnings release that access-line losses had improved by 14% compared with the losses in the fourth quarter of 2009 and by 26% compared to pro forma first quarter 2009 (assuming the Embarq transaction had closed at the beginning of 2009).[20] The improvement has come as the Company integrated the Embarq properties, acquired July 1, 2009. The Company also reported more than 70,000 new high-speed customers were added in the first quarter of 2010. Specifically related to the improvement in Embarq regions, CenturyLink reported that access line loss and high-speed Internet customer growth in the five largest legacy Embarq markets (Nevada, North Carolina, North Florida, Central Florida, and South Florida) have improved since the close of the transaction on July 1, 2009.[21] The Company believes the improvement is tangible evidence of the impact of the customer benefits of the Company's local operating model that moves accountability and decision-

[20] CenturyLink Reports First Quarter 2010 Earnings, May 5, 2010; available at http://ir.centurylink.com/phoenix.zhtml?c=112635&p=irol-newsArticle_Print&ID=1422603&highlight= [hereafter "CenturyLink First Quarter Earnings"]; see, also, CenturyLink Reports Fourth Quarter 2009 Earnings, available at http://phx.corporate-ir.net/External.File?item=UGFyZW50SUQ9MzcwNDQ2fENoaWxkSUQ9MzY3MTIyfFR5cGU9MQ==&t=1. The first quarter 2010 report indicates a loss of 126,000 access lines, which compares with the final quarter of 2009 when CenturyLink reported that it had lost 146,000 lines.

[20] Id.

[21] CenturyLink First Quarter Earnings.

making closer to the customer. In addition, CenturyLink believes that the addition of the Qwest fiber network and its focused Business Markets Group may create opportunities to offer new enterprise and business services to customers in the current CenturyLink service territory. The merged companies' enterprise business is expected to compete more effectively against large communications operators such as AT&T, Verizon, Sprint, Comcast and Time Warner.

Q. Are there other financial benefits that will result from the proposed transaction?

A. Yes. The proposed transaction will diversify and therefore reduce the financial risk of the merged company. The effect of combining differing geographies and markets is to lower the potential impact of operating and financial risk for the consolidated merged company by reducing its exposure to any single risk.

Q. Is CenturyLink's management able to acquire and integrate Qwest's operations without harming customers as synergies are achieved?

A. CenturyLink's management team, as described in other testimonies, not only has remained stable over more than a decade, but has proven itself capable in executing multiple customer-focused acquisitions of communications operations.

The record is clear in terms of CenturyLink's acquisition history and the resulting customer benefits. Those transactions include (i) Pacific Telecom Inc. (1997), (ii) the Wisconsin properties acquired from Ameritech (1998), (iii) two sets of Verizon acquisitions (2000 and 2002) that added significant operations in Wisconsin, Missouri, Arkansas and Alabama, (iv) the Madison River acquisition (2007), and (v) the merger with Embarq (2009). In all of those transactions, CenturyLink achieved projected synergies and reduced overall debt levels, all while providing an excellent level of service to its customers. The result has been superior operations, strong financial performance and, most importantly, a higher level of customer benefits in terms of services and products.

Q. Can you comment on CenturyLink's history in terms of increased levels of debt in previous acquisitions, followed by consistent reductions in debt levels?

A. Yes. The pattern is that CenturyLink has added debt at the time of acquisitions and consistently has reduced those debt levels as increased cash generation permitted the Company to make significant debt repayments and strengthen its balance sheet. At the time of the Pacific Telecom Inc. acquisition in 1997, CenturyLink's debt-to-total capitalization ratio rose to 67%. By 1999, the Company had reduced that leverage ratio to 54%. The following year, in conjunction with CenturyLink's purchase of Verizon rural telephone operations in Wisconsin, Missouri and Arkansas, the debt-to-total capitalization ratio rose to 63%. However, in 2002, when CenturyLink purchased more Verizon properties in Missouri and Alabama, the Company's debt-to-total capitalization, even after that acquisition, had been reduced to 54% and then it declined further to 42% by 2005. The ratio rose again to 47% in 2007 when the Company completed the Madison River transaction and engaged in certain share repurchase programs. However, the trend is evident as from 1997 to 2007 the debt-to-total capitalization ratio declined by twenty percentage points (approximately 2,000 basis points from 67% to 47%). The current debt-to-total capitalization ratio is 45% in the wake of the Embarq transaction. The history demonstrates a clear commitment on the part of the Company to reduce leverage and maintain a strong balance sheet.

Viewed in terms of CenturyLink's net debt-to-operating cash flow (EBITDA) ratio, which is probably the better financial metric, the trends are also clear. In 2001, following the 2000 acquisition of Verizon lines, CenturyLink had a net debt-to-operating cash flow ratio of 3.6 times; as of yearend 2009, that ratio had been reduced to 2.0 times (on a pro forma basis assuming in the full-year EBITDA that the CenturyTel-Embarq combination occurred at the beginning of that year). So, while CenturyLink has committed to acquisitions that raised the Company's leverage, the Company has been prudent and successful at rapidly reducing proportionate debt levels following those transactions, even as the Company maintained investment grade ratings. In fact, Moody's Investors Service ("Moody's") affirmed CenturyLink's rating on the day of the Qwest merger announcement, noting that "CenturyTel management's commitment to an investment grade rating and its historically balanced use of free cash flow between debt reduction and shareholder returns."[22] CenturyLink intends to apply this same discipline in strengthening the merged company's balance sheet following consummation of the proposed transaction.

Q. Does the merger with Qwest include incremental financial risks because the Embarq transaction was only consummated at the end of June, 2009?

A. CenturyLink believes that the integration-related risks are manageable for several reasons. First, the Embarq transition is progressing nicely as described in more detail in the testimony of Todd Schafer. Also, as noted earlier, the combination of CenturyTel and Embarq has resulted in strong performance metrics. Illustrating the successful integration in terms of operations, within four

[22] Moody's Investors Service, *Rating Action: Moody's changes CenturyTel's outlook to negative; reviews Qwest's ratings for upgrade*, April 22, 2010 [hereafter "Moody's, April 2010]; attached hereto as Exhibit CTL/303.

months after the Embarq closing, CenturyLink had converted 100% of the financial, accounting and human resources systems. As of today, the Company has completed the billing and customer care conversions for the Ohio and North Carolina Embarq operations, representing approximately 25% of the Embarq customer base. By yearend 2010, CenturyLink expects to have approximately 50% of the Embarq customer base converted to the CenturyLink billing and customer care platform, with a target for 100% conversion by the third quarter of 2011. As such, with the proposed Qwest transaction targeted to close in the first half of 2011, the Company expects that the beginning of the Qwest integration process will dovetail with the expected completion of the Embarq integration.

Second, while there is no quantification at this time, CenturyLink and Qwest managements believe that the integration of Qwest could further accelerate operating improvements as the transport businesses of the two companies are combined to increase data capabilities and better serve higher concentrations of customers, particularly in regions where service territories are adjacent.

III. Specific Financial Characteristics of the Merged Company.

Q. Why is the transaction structured as a stock-for-stock combination?

A. The two companies chose to avoid incurring any additional debt. Thus, the price[23] for the transaction will be paid in equity shares issued from CenturyLink to Qwest shareholders. With a stock-for-stock combination, CenturyLink and Qwest can avoid new acquisition-related debt or refinancing of existing debt.[24]

Q. Can you offer perspective on the pro forma balance sheet of the combined company?

A. Yes. The merged company will have among the strongest balance sheets in the industry. Pro forma 2009 net debt-to-EBITDA was 2.4 times before synergies and 2.2 times after synergies on a full run-rate basis, excluding integration costs. These leverage ratios compare favorably with other major ILECs in the industry. Windstream's 2009 net leverage ratio was 3.3 times, Frontier's pro forma (assuming the completion of the pending combination with Verizon's operations) 2009 ratio was 2.6 times, while Qwest's standalone 2009 net leverage

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[23] The transaction premium is estimated to be approximately 15% using the share prices of Qwest and CenturyLink at the New York Stock Exchange close of the day before the announcement; the imputed price for Qwest shares was $6.02, which was 0.1664 times CenturyLink's $36.20 close on Wednesday, April 21 was ; Qwest shares had closed at $5.24 that same day.

[24] As noted earlier, Qwest does have a credit facility, with no balance outstanding at the time of the merger announcement, that includes a change of control provision; however, given that there is no balance outstanding, no debt refinancing will be required.

was 2.7 times.[25] CenturyLink has been clear that an investment grade rating is important even if it is necessary to incur relatively more debt temporarily (and to incur a lower rating for a period) in a strategic acquisition. The longer-term commitment is clear—that the Company seeks through this transaction to realize improved cash flows and a balance sheet that is stronger even than its capitalization today.

Q. Is the merged company expected to have the ability to reduce its leverage through debt repayments using free cash flow from operations as CenturyLink has done in the past?

A. As noted previously, the pro forma combined 2009 free cash flow before synergies and after operating expenses and capital expenditures is approximately $3.4 billion.[26] After pro forma dividends, it is estimated that there will be a remainder of approximately $1.7 billion of free cash flow that could be used to further reduce debt. If the merged company achieves its synergy goals, the Company expects to have approximately $2.1 billion in free cash flow after costs to run the business. Based on these cash flows, CenturyLink expects to reduce the merged company's leverage after the transaction closes, as the Company has in past transactions.

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[25] Merger Conference Call, slide 12.
[26] Merger Conference Call, slide 8.

Q. Is Qwest in the process of reducing debt in 2010?

A. Yes, Qwest has been taking steps to strengthen its capital position, and we believe the merger will support further deleveraging after the two companies are combined. In the first quarter 2010, Qwest reduced total long-term borrowings by $1.5 billion, making meaningful progress toward the company's announced $3.5 billion planned reduction through the first quarter of 2011.[27] The reduction is part of an ongoing deleveraging program that has lowered Qwest's net debt (total borrowings - net of unamortized debt discount, less cash, cash equivalents and short-term investments) by $1.1 billion from the first quarter of 2009 to the end of the first quarter of 2010.

Q. What will be the investment rating assigned the merged company at the time the transaction is completed?

A. The credit rating agencies have not yet indicated definitively the expected ratings and will not do so until the transaction is consummated. The rating agencies will evaluate various factors in addition to the merged company's financial condition, including their assessment of the overall industry conditions, other market factors, the ratios of the merged company, and their judgment about any regulatory conditions or risks that are added in the approval process. At this

[27] *Q1 2010 Qwest Communications Earnings Conference Call*, Transcript, May 5, 2010.

time, CenturyLink is rated as investment grade, while Qwest's ILEC is investment-grade rated and the Qwest holding company has a credit rating at the highest level of non-investment grade debt. On the day of the announcement of the merger, the credit-rating agency, Moody's, indicated that Qwest's ratings were under review for an upgrade in light of the combination, and it affirmed a Baa3 investment grade rating on CenturyTel while it altered its outlook to negative on the standalone CenturyTel.[28] Standard & Poor's Ratings Services ("S&P") also indicated on the day of the announcement that Qwest's BB rating was on CreditWatch with positive implications, indicating a possible upgrade, and that CenturyTel's BBB- rating (investment grade) was on CreditWatch with the potential for a downgrade.[29] CenturyLink believes that Qwest's rating may be improved and, even if CenturyLink's debt temporarily were downgraded by one or more of the rating agencies (meaning the Company may be "split-rated," with its credit rated investment grade by one or several rating agencies and non-investment grade by the other rating agencies), the Company's record of strengthening its balance sheet is clear. The Company repeatedly has affirmed its target of maintaining or achieving an investment grade rating. The goal is to make the Company stronger for the longer term, and the combination with

[28] Moody's, April 2010.
[29] Standard & Poor's, *CenturyTel 'BBB-' Rating On Watch Negative On Deal To Acquire Qwest Communications; Qwest 'BB' Rating On Watch Positive, April 22, 2010; p. 2;* attached hereto as Exhibit CTL/304.

Qwest makes the two companies better prepared financially to serve customers in the future.

Q. In addition to reducing debt, how will the merged company use its free cash flow?

A. As I testified above, CenturyLink is confident that it will have the flexibility with increased cash flows to invest in the network and expects to continue to target broadband deployment. It is also becoming clear that other data-intensive services are an important part of the consumer bundle. Plans to deploy such services have not yet been finalized, but, illustrating an ongoing commitment to consumers, the Company did announce as part of its first quarter 2010 earnings conference call that it expects to deploy IPTV service in five new markets by early 2011 (in addition to its current deployments in Columbia and Jefferson City, Missouri, and LaCrosse, Wisconsin). To be more specific, both CenturyLink and Qwest have invested heavily in their respective fiber networks and electronics over the last few years. Based on the 2009 pro forma combined figures, merged company capital expenditures were approximately $2.4 billion.

Q. Does the level of dividend payments put the merged company at risk to fall short of its operating obligations?

A. No. In fact, an insufficient dividend might put the merged company at risk if CenturyLink were unable to attract competitively-priced debt or equity. The merged company's pro forma dividend payout ratio (dividends paid divided by free cash flow after operating costs and capital expenditures are paid), based on 2009 figures and before any assumed synergies, is estimated to be a reasonable 50.4%.[30] Assuming that the estimated synergies are achieved, the payout ratio, based on pro forma 2009 cash flows, would have been 45.1%. The payout ratio is conservative in terms of the industry practice as is apparent when compared with other independent carriers such as pro forma Frontier (assuming the pending acquisition of Verizon assets in 14 states) at 60% and Windstream at 53% at the end of 2009.[31] Additionally, the combined company's estimated payout ratio compares favorably with AT&T's 2009 ratio of 57% and Verizon's ratio of 67%.[32] Therefore, the merged company's cash flows will be used to balance network investment, operating requirements and opportunities, as well as to preserve access to competitively-priced capital. And, based on the 2009 pro forma combined data, the merged company will be able to fund all of its

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[30] Merger Conference Call, slide 7.

[31] Merger Conference Call, slide 12.

[32] AT&T's 2009 payout ratio is based on dividends of $9.67 billion and free cash flow of $17.11 billion; Verizon's 2009 dividends were $5.27 billion while the free cash flow was $7.669 billion (after adjusting to exclude Vodafone's minority ownership of 45% ($6.649 billion) of Verizon Wireless' free cash flow).

required uses while still generating meaningful additional free cash flows for discretionary uses.

Q. Please summarize your testimony.

A. CenturyLink believes that the financial benefits of the proposed transaction, and indeed the other benefits outlined by other witnesses, are compelling. The proposed transaction creates a company with more capacity to introduce services that are beneficial to customers in urban and rural regions. The combined company is likely to have the highest-rated credit of any major ILEC except the largest two carriers (which notably also own the nation's dominant wireless operations). The merged company is expected to be financially stronger in terms of increased cash flows generated through combined operations and enhanced by synergies. The improved cash flows may result in improved debt ratings for Qwest, and may result in an investment grade rating for the merged company—if not immediately, then not long thereafter, as the merged company uses its free cash flows to reduce debt. The financial strength will permit the merged company to take advantage of emerging opportunities and to respond to competitive and economic conditions.

Q. Does this conclude your testimony?

A. Yes.

Transaction Summary

Transaction Structure:	**All stock combination**
Fixed Exchange Ratio:	**0.1664 shares of CenturyLink stock per share of Qwest stock**
Pro Forma Ownership:	**50.5% CenturyLink shareholders / 49.5% Qwest shareholders**
Transaction Value:	**$22.4 billion, including net debt of $11.8 billion as of 12/31/2009**
Estimated Synergies:	**Approximately $625 million of annual run-rate synergies (a)**
Estimated Transaction Multiples (b):	**5.1x / 4.5x 2009 EBITDA (before / after run-rate synergies); 5.9x / 4.8x 2009 Free Cash Flow (c) (before / after run-rate synergies)**

(a) $575 million of run-rate operating expense synergies and $50 million of run-rate capital expenditure synergies
(b) Based on the latest public filings; Equity value based on fully diluted shares using treasury stock method
(c) Qwest free cash flow calculated as net income + D&A + deferred income tax – capex; Multiple after run-rate synergies includes after-tax opex and capex synergies

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Qwest

Transaction Summary (cont'd)

Financing:	**No new financing or refinancing required**
Pro Forma 2009 Net Leverage:	**2.4x (before synergies) / 2.2x (after run-rate synergies)**
Dividend Policy:	**Maintain CenturyLink annual dividend of $2.90 per share** • **2009 pro forma payout ratio ~50.4% (before synergies) / ~45.1% (after run-rate synergies)**
Closing Conditions:	**HSR, FCC, certain state regulatory approvals; CenturyLink and Qwest shareholder approvals; and other customary closing conditions**
Anticipated Closing:	**First half 2011**

Compelling for Shareholders

Transformational transaction will create a nationwide, industry-leading communications company

- **Pro forma 2009: revenue - $19.8 billion; EBITDA - $8.2 billion; free cash flow [(a)] - $3.4 billion**
- **Extensive broadband capabilities with 173,000-mile fiber network**
- **Premier enterprise services to 95% of the Fortune 500 companies**
- **Strong local and national operator serving 5 million broadband customers and 17 million access lines across 37 states**
- **Enhanced ability to competitively roll out strategic products such as IPTV and other high-bandwidth services**

Note: Pro forma metrics reflect sum of actual 2009 figures and do not include synergies

(a) CenturyLink free cash flow calculated as net income + D&A – capex. Qwest free cash flow calculated as net income + D&A + deferred income tax – capex

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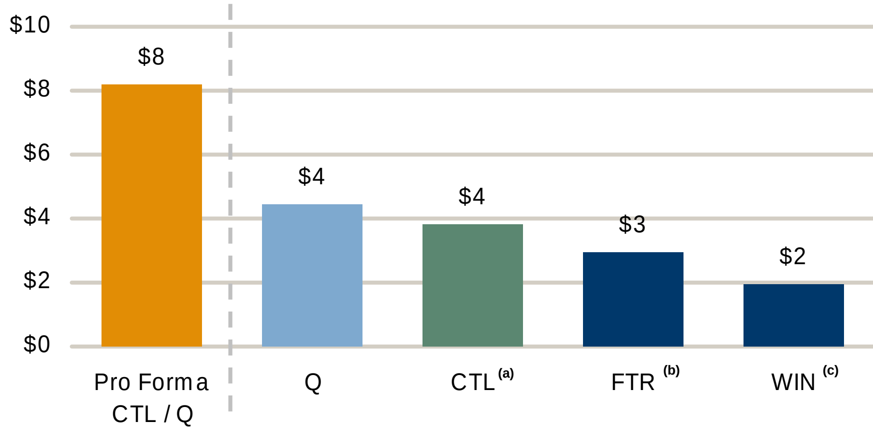
Qwest.

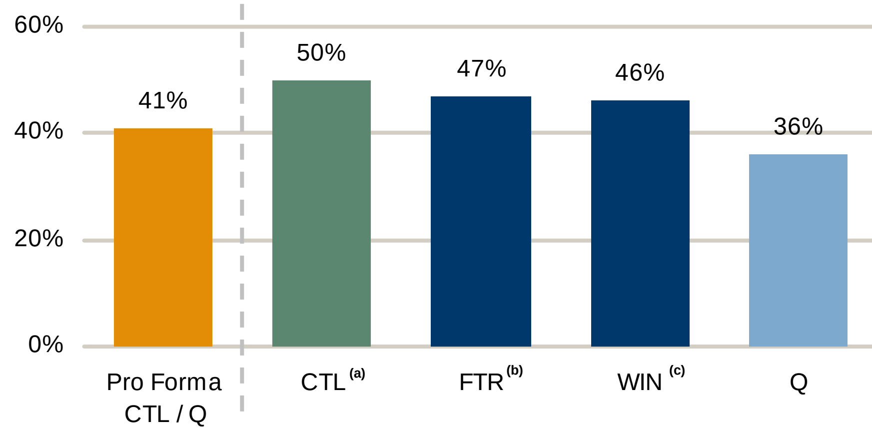
Attractive Financial Profile

2009 EBITDA

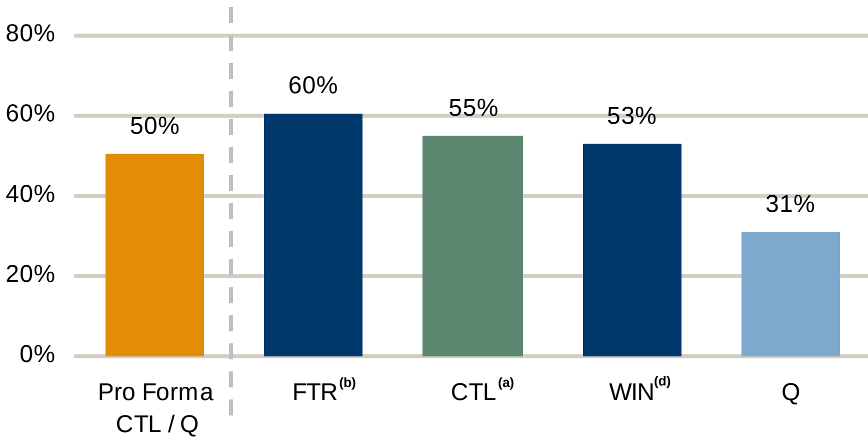
($ in billions)



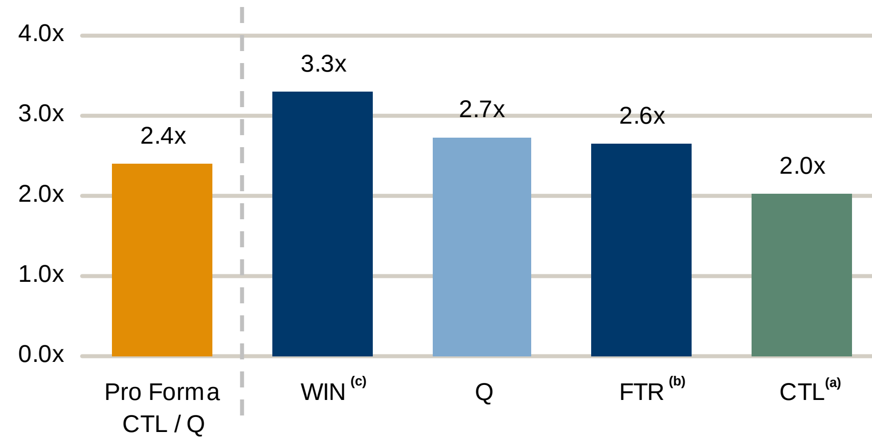
2009 EBITDA % Margin



2009 Dividend Payout Ratio



2009 Net Leverage



Source: Company filings
(a) Pro forma for CenturyTel's acquisition of Embarq
(b) Pro forma for Frontier's acquisition of Verizon assets
(c) Pro forma for Windstream's acquisition of Nuvox; Not pro forma for acquisition of Iowa Telecom
(d) Windstream payout ratio as reported and not pro forma for acquisition of Nuvox or Iowa Telecom

Estimated Synergies & Integration Costs

Operating Cost Synergies	• Corporate Overhead • Network and Operational Efficiencies • IT Support • Increased Purchasing Power • Advertising / Marketing	**~$575 million annually**
Capex Synergies		**~$50 million annually**
Integration Costs	• One-time operating costs to achieve synergies • One-time capital costs to achieve synergies	**$650 - $800 million** **$150 - $200 million**

CenturyLink™ Qwest

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April 29, 2010

Stock Rating
++

Industry View
Attractive

CenturyTel

1Q10 Preview: Awaiting Embarq Synergy/Integration Update and Additional Color on Qwest Deal

Investment conclusion: CenturyLink (formerly CenturyTel) has a track record of beating and raising annual guidance when it releases quarterly results; only in two out of the last 16 quarters (2Q09 and 3Q09, before and after closing the Embarq deal) it did not do so (see side table). As such, we expect management to increase its 2010 EPS guidance ($3.10 to $3.20) when it reports 1Q results next Wednesday. Last's week announcement of CenturyLink's deal with Qwest implies that the integration of the Embarq properties is tracking ahead of schedule, and thus, management has more visibility into 2010 earnings.

On the Qwest transaction itself, we expect to get some additional granularity during the call around synergy targets and timeframes as well as details on the state approval process, including what states will need to grant formal approval to the deal and likely timelines. (For more on our views on the deal please see "*CenturyLink/Qwest Merger Creates a New Scale Player in Telecom"* published on April 23, 2010.)

What's new: 1Q results are due on Wednesday, May 5 (call: 11:30AM ET, dial-in: 866-219-5631). Our 1Q EPS estimate of $0.89 is three cents above FactSet consensus and one cent above the top end of the $0.84-$0.88 guidance.

Where we differ: We remain concerned about secular pressures facing the wireline sector, but believe that CenturyLink is well positioned, given its merger driven strategy. We are already seeing signs of a recovery in legacy Embarq's consumer segment and we believe that a recovering economy could help demand recover in the enterprise sector.

What's next: Qwest and Windstream will also release 1Q results on Wednesday. We'll get a full picture of the RLEC space once Frontier reports on Thursday.

Key Ratios and Statistics

Reuters: CTL.N Bloomberg: CTL US
Telecom Services / United States of America

Price target	**++**
Shr price, close (Apr 29, 2010)	$34.10
Mkt cap, curr (mm)	$10,198
52-Week Range	$37.15-26.72

Fiscal Year ending	**12/08**	**12/09**	**12/10e**	**12/11e**
ModelWare EPS ($)	**3.35**	**3.78**	**3.35**	**3.21**
Prior ModelWare EPS ($)	**-**	**-**	**-**	**-**
P/E	**8.2**	**9.6**	**10.2**	**10.6**
Consensus EPS ($)§	**3.37**	**3.60**	**3.25**	**3.20**
Div yld (%)	10.2	7.7	8.5	8.7

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).
§ = Consensus data is provided by FactSet Estimates.
e = Morgan Stanley Research estimates
++ = Stock Rating, Price Target or Estimates are not available or have been removed due to applicable law and/or Morgan Stanley policy.

Guidance – A History of Beat and Raise, Partly Helped by Buyback Activity

ANNUAL GUIDANCE					DIFFERENCE vs 1Q GUIDANCE	
DATE	YEAR	RANGE LOW	RANGE HIGH	ACTUAL	LOW-END	HIGH-END
2-Feb-06	2006	2.20	2.35			
27-Apr-06		2.30	2.40			
27-Jul-06		2.35	2.45			
2-Nov-06		2.45	2.50	2.53	0.33	0.18
15-Feb-07	2007	2.60	2.70			
3-May-07		2.75	2.85			
2-Aug-07		2.90	3.00			
1-Nov-07		3.00	3.05	3.17	0.57	0.47
14-Feb-08	2008	2.90	3.00			
1-May-08		3.05	3.20			
31-Jul-08		3.20	3.30			
27-Oct-08		3.28	3.33	3.37	0.47	0.37
19-Feb-09	2009	3.20	3.30			
30-Apr-09		NA	NA			
6-Aug-09		3.20	3.30			
5-Nov-09		3.45	3.50	3.50	0.30	0.20
25-Feb-10	2010	3.10	3.20			

Source: Company data, Morgan Stanley Research

Morgan Stanley does and seeks to do business with companies covered in Morgan Stanley Research. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of Morgan Stanley Research. Investors should consider Morgan Stanley Research as only a single factor in making their investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

1Q Preview: Awaiting Embarq Synergy/Integration Update and Additional Color on Qwest Deal

Investment Debates

1. Are the Embarq and Qwest synergy targets realistic?

Market view: **Yes.** Investors are comfortable with the synergy realization at Embarq, while the Qwest synergy target looks conservative.

Our view: **They seem conservative.** Management's commentary points to an earlier than expected realization of Embarq synergies. We would not rule out if the target/timing ($375M within the first 3 years) is updated in the next months. The Qwest cost synergies also look conservative when compared to other deals (7.3% of Qwest's 2009 cash opex compared to 10.3% in the Embarq deal and +20% in other recent telecom deals).

Where we could be wrong: (1) The Embarq and Qwest deals are much larger and involve more urban properties than prior deals. (2) Deterioration of macro trends forces synergy realignment. (3) Qwest management has already taken a large portion of costs out of the business.

2. Can Revenue Generating Unit (RGU) erosion be stemmed?

Market view: **Not really.** Footprint is now more urban/suburban with Embarq and will be more so with Qwest.

Our view: **Difficult; but data points are increasingly encouraging.** Generally agree with consensus. RGU erosion could ultimately impact revenues, profitability and FCF. Yet, we have seen encouraging line loss trends at AT&T and Verizon, suggesting a trough in urban markets is a possibility. CenturyLink has had very good results in Embarq's footprint with only 6 months after closing the deal. In 4Q, the annual RGU rate of decline was 5.0%, a marked improvement from the 5.5% seen in 3Q and the lowest since 4Q08.

Where we could be wrong: Unemployment is not under control yet; in March, the unemployment rate in Nevada and Florida stood at 13.4% and 12.3%, up from 13.2% and 12.2% respectively in February

3. Is the dividend sustainable?

Market view: **Mixed.** Secular pressures are ultimately a risk to FCF generation. Video/wireless strategies are uncertain and also a risk.

Our view: **It is sustainable.** The Embarq deal is expected to be FCF accretive in the first full year after closing. The Qwest deal is expected to be FCF accretive immediately after closing. Moreover, management decided to leave the dividend unchanged, but more importantly, the payout ratio is expected to be relatively unchanged too. The proforma 2009 FCF, including synergies, was $3.4B, implying a 45.1% dividend payout. With respect to the video and wireless strategy, management has a track record of being prudent in launching new products, and it may very well choose, in the case of wireless, to expand the existing 'agency' relationship that exists between Qwest and Verizon Wireless.

Where we could be wrong: Management pursues a facilities based wireless strategy and either purchases more spectrum that the FCC is looking to redeploy, or to acquires a national wireless operator.

Morgan Stanley is acting as financial advisor to Qwest Communications International Inc. ("Qwest") in connection with its merger with CenturyTel Inc. ("CenturyTel"), as announced on April 22, 2010. The proposed merger is subject to the approval of CenturyTel and Qwest shareholders, as well as regulatory approvals and other customary closing conditions.

This report and the information provided herein is not intended to (i) provide voting advice, (ii) serve as an endorsement of the proposed transaction, or (iii) result in the procurement, withholding or revocation of a proxy or any other action by a security holder.

Qwest has agreed to pay fees to Morgan Stanley for its financial services, including transaction fees that are subject to the consummation of the proposed transaction.

Please refer to the notes at the end of the report.

Exhibit 1

Morgan Stanley 1Q10 Estimates

CenturyLink	1Q09	4Q09	1Q10E
EPS	**$0.95**	**$0.96**	**$0.89**
Revenue ($M)	**1,910**	**1,839**	**1,810**
% growth	na	-6.9%	-5.2%
EBITDA ($M)	**960**	**944**	**912**
% margin	50.3%	51.3%	50.4%
Capex ($M)	**96**	**337**	**217**
% of Rev	5.0%	18.3%	12.0%
Access lines (000)	**7,543**	**7,039**	**6,901**
% growth	na	-8.8%	-8.5%
Incremental losses (000)	(172)	(146)	(138)
% growth	16.7%	-24.2%	-19.8%
DSL subs (000)	**2,117**	**2,236**	**2,284**
Net adds (000)	64	47	48
% growth	-31.9%	27.0%	-25.0%
FCF (OCF - capex)	**809**	**334**	**420**
Dividend Payout %	21%	63%	52%
FCF (calc by company)	**558**	**306**	**402**
Dividend Payout %	31%	68%	54%

Source: Company data, Morgan Stanley Research

Questions for Management

Qwest deal: Can you provide us with a more granular detail on synergy targets and expected realization timelines? What states require an approval and what are the likely timelines? When do you expect to file the proxy?

Embarq integration/synergies: Management expected to realize additional incremental operating cost synergies of approx. $10M in 1Q10 and approx. $200M for the full year. Any updates on this?

Once the North Carolina conversion is completed, which states will follow? Is management still expecting to have 80% of the integration done by the end of 2010? When is it expected to be completed?

Economy: How did the economic environment play out in 1Q10? Management mentioned that it had seen some stabilization in Las Vegas and Florida markets. Is this still the case?

Guidance: Any updates/changes to the 2010 outlook (refer to Exhibit 2)? When providing 2010 guidance, management said it expected $0.08 to $0.10 in pressure related to reduced interstate USF revenue and $0.06 to $0.08 in pressure from the “expected migration of network traffic from a wireless carrier customer”. Any updates?

Broadband stimulus/Regulatory: What are the company’s thoughts on the FCC’s National Broadband Plan released in March?

Spectrum: The Company mentioned that it plans to do a trial with LTE, “sometime toward the end of the year”. Any updates on this?

Cable/wireless competition: What percentage of access lines were lost to cable versus wireless substitution? Did cable competition increase/decrease in the quarter?

Leverage: What is the company’s target leverage?

Uses of cash: Management believed that the company should pay off approx. $500M of debt maturities this year and address the best use of FCF next year, when there are no significant debt maturities. Is this still the case?

Broadband/Access Lines: The Company added 47,000 high-speed customers in 4Q09. Any updates for 1Q10? How did net adds trend in the Embarq markets? Any updates on the rate of line loss in the most urban markets?

Pension: CenturyLink expected to make a voluntary pre-tax contribution of $300M to one of its pension plans in 1Q10. Any updates?

Video/IPTV: How did video adds trend in 1Q10? Management mentioned that CenturyLink plans to launch IPTV in five additional markets in 2010. Does the Qwest deal change these plans?

Wireless strategy: Any updates to management’s wireless strategy, and in particular to the intended use of the 700MHz spectrum?

Regulatory/Other: What are management’s expectations on dividend taxation, bonus depreciation, and the national broadband plan implementation?

Exhibit 2

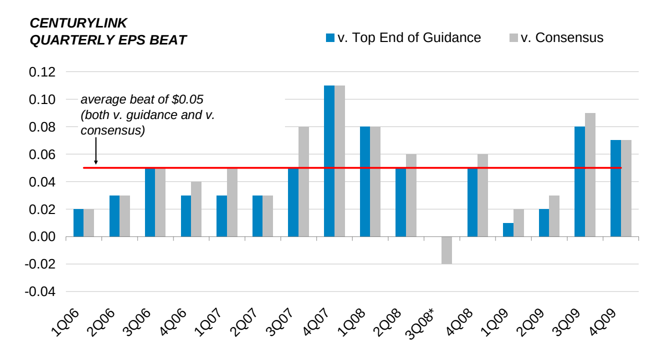
Guidance vs. Morgan Stanley Estimates

2010	Guidance	MS
Operating revenues	5.5% to 6.5% lower than 2009 pro forma	-5.7%
EPS	$3.10 to 3.20	$3.35
FCF	$1.475B to $1.525B	$1.556B
Capex	$825M to $875M	$852M
Implied Y/Y change	-12.8% to -17.7%	-15.0%
Div Payout	57% to 59%	56%
Line loss	7.5% to 8.5%	-7.9%
1Q10	**Guidance**	**MS**
Revenues	$1.77B to $1.80B	$1.81B
EPS	$0.84 to $0.88	$0.89

Source: Company data, Morgan Stanley Research

Exhibit 3

Average Quarterly EPS Beat of 5 Cents Since 1Q06



Source: Company data, Morgan Stanley Research
* In 3Q08 management noted that earnings from its interest in an unconsolidated wireless partnership were ~$4M lower for than it had anticipated, due to 2007 audit adjustments recorded by the partnership's general partner late in 3Q. Excluding the adjustments, diluted EPS in 3Q08 would have been $0.025 higher and would have likely beat consensus and the top end of the guidance range.

Morgan Stanley is currently acting as financial advisor to Verizon Wireless with respect to the proposed acquisition of certain of its wireless assets by AT&T, Inc. and Atlantic Tele-Network, as required by the conditions of the regulatory approvals granted for Verizon Wireless' purchase of Alltel Corporation earlier this year. The proposed acquisitions are subject to customary regulatory approvals, as well as other customary closing conditions. Verizon Wireless has agreed to pay fees to Morgan Stanley for its financial services. Please refer to the notes at the end of the report.

Exhibit 4

CenturyLink Pro-forma Income Statement

	Pro-Forma for EQ						Pro-Forma for EQ							
	2008 (1)	2009	2010E	2011E	2012E	2013E	1Q09	2Q09	3Q09	4Q09	1Q10E	2Q10E	3Q10E	4Q10E
Total revenues	**8,236**	**7,530**	**7,098**	**6,910**	**6,709**	**6,517**	**1,910**	**1,906**	**1,874**	**1,839**	**1,810**	**1,785**	**1,760**	**1,743**
% growth	-3.2%	na	-5.7%	-2.6%	-2.9%	-2.9%	na	na	na	-6.9%	-5.2%	-6.3%	-6.1%	-5.2%
% growth q/q							-3.4%	-0.2%	-1.7%	-1.9%	-1.6%	-1.4%	-1.4%	-1.0%
Operating Expenses														
Cost of services and products	2,669	2,552	2,417	2,363	2,308	2,255	636	629	683	604	608	611	602	596
% growth	0.5%	na	-5.3%	-2.2%	-2.3%	-2.3%	na	na	na	na	-4.4%	-3.0%	-11.8%	-1.3%
% of revenues	32.4%	33.9%	34.0%	**34.2%**	**34.4%**	**34.6%**	33.3%	33.0%	36.4%	32.8%	**33.6%**	**34.2%**	**34.2%**	**34.2%**
Selling, general and administrative	1,722	1,177	1,146	1,119	1,100	1,082	313	310	262	292	290	287	285	284
% growth	-13.8%	na	-2.6%	-2.3%	-1.7%	-1.7%	na	na	na	na	-7.6%	-7.3%	8.9%	-2.7%
% of revenues	20.9%	15.6%	16.1%	**16.2%**	**16.4%**	**16.6%**	16.4%	16.3%	14.0%	15.9%	**16.0%**	**16.1%**	**16.2%**	**16.3%**
Depreciation and amortization	1,647	1,463	1,408	1,401	1,394	1,387	372	372	362	356	355	353	351	349
% growth	-6.2%	-11.2%	-3.8%	-0.5%	-0.5%	-0.5%	na	na	na	na	-4.6%	-5.3%	-3.1%	-2.0%
Total expenses	**6,037**	**5,192**	**4,971**	**4,884**	**4,802**	**4,724**	**1,322**	**1,312**	**1,307**	**1,252**	**1,252**	**1,251**	**1,238**	**1,229**
% growth	-5.8%	-14.0%	-4.3%	-1.8%	-1.7%	-1.6%	na	na	na	-8.6%	-5.2%	-4.7%	-5.2%	-1.8%
% revenues	73.3%	69.0%	70.0%	70.7%	71.6%	72.5%	69.2%	68.8%	69.7%	68.1%	69.2%	70.1%	70.3%	70.5%
Total operating income	**2,198**	**2,338**	**2,128**	**2,027**	**1,907**	**1,794**	**589**	**594**	**568**	**587**	**558**	**535**	**522**	**513**
% growth	4.9%	6.3%	-9.0%	-4.7%	-5.9%	-6.0%	na	na	na	-3.3%	-5.3%	-10.1%	-8.1%	-12.6%
% margin	26.7%	31.0%	30.0%	29.3%	28.4%	27.5%	30.8%	31.2%	30.3%	31.9%	30.8%	29.9%	29.7%	29.5%
EBITDA	**3,845**	**3,801**	**3,535**	**3,428**	**3,301**	**3,180**	**960**	**967**	**930**	**944**	**912**	**887**	**873**	**863**
% growth	-0.2%	-1.2%	-7.0%	-3.0%	-3.7%	-3.7%	-3.0%	0.0%	3.3%	-4.6%	-5.0%	-8.2%	-6.1%	-8.6%
% margin	46.7%	50.5%	49.8%	49.6%	49.2%	48.8%	50.3%	50.7%	49.6%	51.3%	50.4%	49.7%	49.6%	49.5%
Other income (expense)														
Interest expense	(605)	(572)	(549)	(522)	(507)	(470)	(144)	(140)	(143)	(144)	(141)	(137)	(136)	(135)
Other income and expense	35	30	17	17	17	17	6	6	9	9	5	4	4	4
Income before taxes	**1,629**	**1,796**	**1,595**	**1,522**	**1,417**	**1,341**	**450**	**460**	**434**	**452**	**421**	**401**	**390**	**383**
Income tax expense	(607)	(670)	(594)	(566)	(527)	(499)	(168)	(173)	(164)	(165)	(157)	(149)	(145)	(142)
% PBT (implied tax rate)	37.3%	37.3%	37.2%	37.2%	37.2%	37.2%	37.3%	37.5%	37.9%	36.4%	37.2%	37.2%	37.2%	37.2%
% Statutory Tax Rate	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Net income (total)	**1,022**	**1,126**	**1,002**	**956**	**890**	**842**	**282**	**288**	**269**	**287**	**265**	**252**	**245**	**240**
% growth	14.9%	na	-11.0%	-4.6%	-6.9%	-5.4%	na	na	na	1.3%	-6.2%	-12.4%	-9.0%	-16.3%
% margin	12.4%	15.0%	14.1%	13.8%	13.3%	12.9%	14.8%	15.1%	14.4%	15.6%	14.6%	14.1%	13.9%	13.8%
Noncontrolling interests		(1)	(1.8)	(2)	(2)	(2)	(0.2)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
NI (loss) to common shareholders	1,022	1,125	1,000	954	888	840	282	287	269	287	264	251	245	240
% growth	14.4%	na	-11.1%	-4.6%	-6.9%	-5.4%	na	na	na	1.2%	-6.3%	-12.5%	-9.1%	-16.4%
% margin	12.4%	14.9%	14.1%	13.8%	13.2%	12.9%	14.8%	15.1%	14.4%	15.6%	14.6%	14.1%	13.9%	13.8%
EPS - Basic	**$3.37**	**$3.79**	**$3.35**	**$3.21**	**$3.00**	**$2.86**	**$0.95**	**$0.97**	**$0.90**	**$0.96**	**$0.89**	**$0.84**	**$0.82**	**$0.80**
% growth	19.8%	na	-11.5%	-4.2%	-6.5%	-4.9%	12.5%	14.6%	26.3%	-0.1%	-7.3%	-13.0%	-9.1%	-16.2%
EPS - Diluted	**3.35**	**3.78**	**3.35**	**3.21**	**3.00**	**2.86**	**0.95**	**0.97**	**0.90**	**0.96**	**0.89**	**0.84**	**0.82**	**0.80**
% growth	21.6%	na	-11.3%	-4.2%	-6.5%	-4.9%	na	na	na	-0.3%	-7.2%	-12.9%	-9.1%	-16.0%
Diluted shares outstanding	305	298	298	297	296	294	295.7	297.3	298.4	299.3	298.6	298.6	298.4	298.0
% growth y/y	-5.9%	-2.3%	0.2%	-0.4%	-0.5%	-0.5%	-7.0%	-3.6%	0.1%	1.5%	1.0%	0.4%	0.0%	-0.4%
% growth q/q							0.3%	0.5%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%

Source: Company data, Morgan Stanley Research. (1) 2008 proforma by us; 1Q09 and 2Q09 are proforma calculated by us. 2009 is proforma provided by the company
E= Morgan Stanley Research estimates

Exhibit 5

CenturyLink Pro-forma Balance Sheet

	Pro-Forma for EQ						Pf Company	Pf MS						
	2008	2009	2010E	2011E	2012E	2013E	1Q09	2Q09	3Q09	4Q09	1Q10E	2Q10E	3Q10E	4Q10E
Assets														
Cash and cash equivalents	350	162	384	1,048	1,081	673	156	41	531	162	117	155	259	384
Accounts receivable	750	686	650	632	614	596	638	740	671	686	675	665	656	650
Other current assets	345	276	262	255	247	240	258	290	256	276	272	268	264	262
Total current assets	**$1,445**	**$1,124**	**$1,295**	**$1,935**	**$1,942**	**$1,510**	**1,052**	**1,070**	**1,458**	**1,124**	**1,063**	**1,089**	**1,179**	**1,295**
Gross PP&E	30,125	15,557	16,409	17,335	18,274	19,199	30,103	30,323	15,609	15,557	15,774	15,988	16,199	16,409
Accumulated depreciation	(19,818)	(6,460)	(7,867)	(9,268)	(10,662)	(12,049)	(20,030)	(20,381)	(6,245)	(6,460)	(6,814)	(7,167)	(7,518)	(7,867)
Net PPE	10,307	9,097	8,541	8,066	7,612	7,151	10,073	9,942	9,363	9,097	8,960	8,821	8,681	8,541
Goodwill	7,880	10,252	10,252	10,252	10,252	10,252	9,615	9,615	10,034	10,252	10,252	10,252	10,252	10,252
Investments and other assets	2,044	2,090	2,090	2,090	2,090	2,090	2,219	2,219	2,102	2,090	2,090	2,090	2,090	2,090
Total assets	**21,676**	**22,563**	**22,178**	**22,344**	**21,896**	**21,003**	**22,959**	**22,846**	**22,957**	**22,563**	**22,365**	**22,252**	**22,202**	**22,178**
Liabilities														
STDebt and current maturities of LTD	22	500	25	25	25	25	22	22	769	500	250	100	50	25
Accounts payable	443	395	390	381	372	364	370	436	332	395	398	399	394	390
Accrued expenses and other liabilities	889	812	798	780	764	748	918	824	1048	812	814	814	804	798
Total current liabilities	**$1,354**	**$1,707**	**$1,213**	**$1,186**	**$1,161**	**$1,136**	**1,310**	**1,281**	**2,149**	**1,707**	**1,462**	**1,314**	**1,248**	**1,213**
Long-term debt	9,037	7,254	7,254	7,420	7,053	6,299	8,120	7,956	7,455	7254	7,254	7,254	7,254	7,254
Deferred credits and other liabilities	3,809	4,135	4,135	4,135	4,135	4,135	4,334	4,334	3,989	4135	4,135	4,135	4,135	4,135
Total liabilities	**14,201**	**13,096**	**12,602**	**12,742**	**12,349**	**11,570**	**13,764**	**13,571**	**13,593**	**13,096**	**12,850**	**12,702**	**12,637**	**12,602**
Shareholders' equity														
Common stock	295	299	299	299	299	299	297	297	297	299	299	299	299	299
Paid-in capital	4,839	6,014	6,014	6,014	6,014	6,014	5,867	5,867	5959	6014	6014	6014	6014	6014
Treasury Stock	0	0	(25)	(75)	(125)	(175)	0	0	0	0	0	0	-12.5	-25
Accumulated OCI (net of tax)	(897)	(85)	(85)	(85)	(85)	(85)	(117)	(117)	(112)	(85)	(85)	(85)	(85)	(85)
Retained earnings	3,238	3,233	3,368	3,443	3,439	3,373	3,143	3,223	3212	**3,233**	3,281	3,316	3,344	3,368
Non-controlling interest	0	6	6	6	6	6	5	5	7	6	6	6	6	6
Total shareholders' equity	**7,475**	**9,467**	**9,577**	**9,602**	**9,548**	**9,432**	**9,195**	**9,275**	**9,364**	**9,467**	**9,515**	**9,550**	**9,565**	**9,577**
Total liabilities and SE	**21,676**	**22,563**	**22,178**	**22,344**	**21,896**	**$21,003**	**22,959**	**22,846**	**22,957**	**22,563**	**22,365**	**22,252**	**22,202**	**22,178**

Source: Company data, Morgan Stanley Research. E= Morgan Stanley Research estimates

Exhibit 6

CenturyLink Pro-forma Cash Flow Statement

	Pro-Forma for EQ						Pro-Forma for EQ							
	2008	2009	2010E	2011E	2012E	2013E	1Q09	2Q09	3Q09	4Q09	1Q10E	2Q10E	3Q10E	4Q10E
Operating activities from continuing operations														
Net income	1,135	1,125	1,000	954	888	840	282	287	269	287	264	251	245	240
Adjustments to reconcile net income to net cash provided	0	0												
	0	0												
Income from discontinued operations, net of tax	0	26					26	0						
Depreciation and amortization	1,527	1,463	1,408	1,401	1,394	1,387	372	372	362	356	355	353	351	349
Income from unconsolidated cellular entities	(12)	(0)					(1)	0						
Minority interest	0	0												
Deferred income taxes	166	233					96	9	12	116				
Nonrecurring gains and losses	76	40					40	0						
Changes in current assets and current liabilities:	0	0												
Accounts receivable	(13)	(89)	36	17	18	18	64	(5)	25	(173)	11	9	9	6
Accounts payable	(169)	65	(5)	(9)	(9)	(9)	50	15			3	2	(6)	(4)
Other accrued taxes	(65)	31	(14)	(18)	(17)	(16)	19	12			2	0	(10)	(6)
Other current assets and other current liabilities, net	(15)	(6)	14	7	7	7	(15)	9			4	4	4	3
Increase (decrease) in other noncurrent assets	(147)	25					(17)	1	(11)	52				
Other, net	119	(21)					(11)	14	(57)	33				
Net cash (used in) - operating activities cont. ops	**2,601**	**2,891**	**2,439**	**2,352**	**2,282**	**2,227**	**905**	**714**	**601**	**671**	**639**	**619**	**593**	**588**
Investing activities from continuing operations	0	0												
Acquisitions, net of cash acquired	(149)	637	0				0	0	419	218	0	0	0	0
Payments for property, plant and equipment (Capex)	(962)	(1,003)	(852)	(926)	(939)	(925)	(96)	(283)	(286)	(337)	(217)	(214)	(211)	(209)
Proceeds from sale of assets	44	12					12	0						
Investment in unconsolidated cellular entities	0	0					0	0						
Other, net	14	7					7	0						
Net cash(used in) - investing activities cont. ops	**(1,053)**	**(347)**	**(852)**	**(926)**	**(939)**	**(925)**	**(76)**	**(283)**	**133**	**(120)**	**(217)**	**(214)**	**(211)**	**(209)**
Financing activities from continuing operations	0	0												
Proceeds from issuance (payments) of debt	144	(1,306)	(475)	167	(368)	(754)	(747)	(335)	246	(470)	(250)	(150)	(50)	(25)
Proceeds from issuance (repurchases) of common stock	(829)	153	(25)	(50)	(50)	(50)	(0)	4	93	57	0	0	(13)	(13)
Cash dividends	(624)	(758)	(865)	(879)	(892)	(906)	(170)	(170)	(209)	(209)	(216)	(216)	(216)	(216)
Other, net	8	(821)					(106)	**(45)**	**(373)**	**(298)**				
Net cash (used in) - financing activites cont. ops	**(1,301)**	**(2,733)**	**(1,365)**	**(762)**	**(1,310)**	**(1,709)**	**(1,023)**	**(546)**	**(243)**	**(921)**	**(467)**	**(366)**	**(279)**	**(254)**
Net increase (decrease) in cash and cash equivalents	**247**	**(189)**	**222**	**664**	**33**	**(408)**	**(194)**	**(115)**	**491**	**(369)**	**(45)**	**38**	**103**	**125**
Cash at the beginning of period	103	350	162	384	1,048	1,081	350	156	41	531	162	117	155	259
Cash at the end of period	**$350**	**$162**	**$384**	**$1,048**	**$1,081**	**$673**	**$156**	**$41**	**$531**	**$162**	**$117**	**$155**	**$259**	**$384**
One time items related to EQ acq/integrations									121					
Adj Div Payout as % of FCF (OCF - capex)	**38.1%**	**40.2%**	**54.5%**	**61.6%**	**66.4%**	**69.6%**	**21%**	**40%**	**28%**	**63%**	**51%**	**53%**	**57%**	**57%**
Dividend Payout (as defined by CTL)	**39.3%**	**47.8%**	**55.6%**	**61.5%**	**66.5%**	**69.6%**	**31%**	**45%**	**61%**	**68%**	**54%**	**56%**	**56%**	**57%**

Source: Company data, Morgan Stanley Research. E= Morgan Stanley Research estimates

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Industry Coverage:Telecom Services

Company (Ticker)	Rating (as of)	Price* (04/29/2010)
Simon Flannery		
AT&T, Inc. (T.N)	O (03/08/2006)	$26.14
American Tower Corp. (AMT.N)	E (03/12/2009)	$41.05
BCE Inc. (BCE.TO)	O (11/21/2008)	C$30.88
CenturyTel (CTL.N)	++	$34.1
Cincinnati Bell Inc. (CBB.N)	E (11/03/2006)	$3.46
Clearwire Corporation (CLWR.O)	U (12/08/2008)	$7.7
Crown Castle Corp. (CCI.N)	O (11/11/2009)	$38.34
Equinix Inc. (EQIX.O)	E (05/13/2009)	$101.35
FairPoint Communications (FRCMQ.PK)	NA (10/29/2007)	$.08
Frontier Communications Corp (FTR.N)	E (05/07/2007)	$8.07
Iowa Telecom (IWA.N)	E (11/25/2009)	$16.95
Leap Wireless (LEAP.O)	E (08/07/2009)	$18.5
Level 3 Communications, Inc. (LVLT.O)	U (02/14/2008)	$1.53
MetroPCS Communications (PCS.N)	E (08/07/2009)	$7.79
Neutral Tandem, Inc. (TNDM.O)	E (01/22/2010)	$17.45
PAETEC Holding Corp. (PAET.O)	E (06/26/2008)	$5.28
Qwest Communications Int'l (Q.N)	++	$5.28
Rackspace Hosting, Inc. (RAX.N)	O (09/23/2009)	$18.39
Rogers Communications, Inc. (RCIb.TO)	O (04/27/2005)	C$35.84
SAVVIS Inc. (SVVS.O)	E (04/28/2010)	$18.98
SBA Communications (SBAC.O)	E (03/12/2009)	$35.5
Sprint Nextel Corporation (S.N)	U (10/19/2009)	$4.39
TELUS Corp. (T.TO)	E (12/19/2008)	C$37.94
Telephone & Data Systems (TDS.N)	U (02/19/2009)	$35.33
US Cellular Corporation (USM.N)	E (03/10/2009)	$42.78
Verizon Communications (VZ.N)	E (01/22/2009)	$29.22
Windstream Corp. (WIN.O)	O (04/17/2006)	$11.14
tw telecom inc (TWTC.O)	E (06/26/2008)	$17.88

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's changes CenturyTel's outlook to negative; reviews Qwest's ratings for upgrade

Global Credit Research - 22 Apr 2010

Approximately $23 billion of Debt Affected

New York, April 22, 2010 -- Moody's Investors Service has affirmed the Baa3 long-term and Prime-3 short-term debt ratings of CenturyTel, Inc. ("CenturyTel" or the "Company") and changed the rating outlook to negative following the announcement that CenturyTel plans to acquire Qwest in a stock-for-stock transaction. In connection with the announcement, Moody's also placed the ratings of Qwest Communications International Inc. ("QCII") and its subsidiaries under review for upgrade.

Under the terms of the agreement, Qwest shareholders will receive 0.1664 CenturyTel shares for each share of Qwest common stock they own. The transaction reflects an enterprise value of approximately $25 billion, including the planned assumption of about $14 billion of Qwest's debt. The companies anticipate closing this transaction in the first half of 2011. CenturyTel expects that after a few years it will be able to generate significant expense savings from the merger, initially estimated at about $575 million annually. Non-recurring integration costs will likely be in the $1.0 billion range, spread over several years. While broadband deployment is likely to remain a strategic priority of the new company, approximately $50 mm of capital spending synergies are also possible, bringing total annual synergies to $625mm. The merger will produce a company with operations in 37 states, 17 million access lines and 5 million broadband customers.

The affirmation of CenturyTel's ratings reflects Moody's expectations that the combined company's pro forma leverage will remain between 2.8 and 3.0 times Debt to EBITDA (Moody's adjusted, before synergies) over the next two to three years and that its dividend payout ratio will decline modestly, although the absolute level of dividends will increase. Moody's Senior Vice President Dennis Saputo said "While the acquisition of Qwest significantly increases CenturyTel's exposure to more competitive urban/suburban markets (about 80% of Qwest's access lines are in five metropolitan markets), the enhanced scale of the Company, combined with the addition of Qwest's national state-of-the-art fiber optic network, is expected to generate meaningful expense and capital efficiencies, especially those related to transport costs, network expansion and new product development." He added, "The new company should be able to capitalize on growth in enterprise services revenues, especially as the economy rebounds and given Qwest's selection as one of three carriers competing for the U.S. Government's Networx contract." The combined company is expected to generate significant free cash flow, especially after anticipated synergies. The rating affirmation also reflects CenturyTel management's commitment to an investment grade rating and its historically balanced use of free cash flow between debt reduction and shareholder returns.

The negative rating outlook for CenturyTel reflects the considerable execution risks in integrating a sizeable company so soon after another large acquisition (Embarq in July 2009) while confronting the challenges of a secular decline in the wireline industry. The negative outlook also considers the possibility that the Company may not realize planned synergies in a timely manner, especially if competitive intensity increases.

The affirmation of CenturyTel's Prime-3 short-term debt rating reflects its sizeable cash balance, ample committed back-up facilities, manageable near-term debt maturities and our expectation that it will generate significant free cash flow over the next 12 to 18 months.

The review of Qwest's ratings will evaluate the ability of the company to improve its operating performance and continue to reduce its leverage in light of the secular challenges confronting the sector and the potential distraction caused by working toward closing the merger. Positive rating pressure could develop prior to the merger based on improved fundamentals, specifically, if the company can sustain stable EBITDA over the foreseeable future. Qwest's rating might also be upgraded further if the company is acquired by CenturyTel.

Before the transaction can close, several regulatory approvals, including those of numerous state Public Utility Commissions, are required and conditions may be imposed by some of these states' regulatory authorities, or the FCC. Moody's affirmation of CenturyTel's ratings assumes that any condititions that may be imposed will not have a material impact on the Company's financial profile.

The Obama administration and Federal Communication Commission have proposed comprehensive reforms of inter-carrier compensation and universal service rules as part of an effort to expand broadband deployment, especially to un-served and under-served markets. "While the details of the final regulatory overhaul are far from clear and could change significantly over time, Moody's believes that the proposed merger of these two companies is likely to reduce the combined company's exposure to an adverse decision since the merger lowers the percentage of universal service and access revenues in the new company", added Saputo.

Moody's has taken the following rating actions:

On Review for Possible Upgrade:

..Issuer: Qwest Communications International Inc.

....Probability of Default Rating, Placed on Review for Possible Upgrade, currently Ba2

....Corporate Family Rating, Placed on Review for Possible Upgrade, currently Ba2

....Multiple Seniority Shelf, Placed on Review for Possible Upgrade, currently (P)Ba3

....Senior Unsecured Conv./Exch. Bond/Debenture, Placed on Review for Possible Upgrade, currently B1

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Upgrade, currently a range of B2 to Ba3

..Issuer: Qwest Corporation

....Senior Unsecured Bank Credit Facility, Placed on Review for Possible Upgrade, currently Ba1

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Upgrade, currently a range of Ba1 to Baa1

..Issuer: Qwest Services Corp.

....Senior Secured Bank Credit Facility, Placed on Review for Possible Upgrade, currently Ba3

..Issuer: Mountain States Telephone and Telegraph Co.

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Upgrade, currently Ba1

..Issuer: Northwestern Bell Telephone Company

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Upgrade, currently Ba1

..Issuer: Qwest Capital Funding, Inc.

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Upgrade, currently B1

Outlook Actions:

..Issuer: CenturyTel, Inc

....Outlook, Changed To Negative From Stable

..Issuer: Embarq Corporation

....Outlook, Changed To Negative From Stable

..Issuer: Embarq Florida, Inc.

....Outlook, Changed To Negative From Stable

..Issuer: Carolina Telephone & Telegraph Company

....Outlook, Changed To Negative From Stable

..Issuer: Centel Capital Corp.

....Outlook, Changed To Negative From Stable

..Issuer: United Telephone Co. of Pennsylvania

....Outlook, Changed To Negative From Stable

..Issuer: Qwest Communications International Inc.

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Qwest Corporation

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Qwest Services Corp.

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Qwest Capital Funding, Inc.

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Mountain States Telephone and Telegraph Co.

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Northwestern Bell Telephone Company

....Outlook, Changed To Rating Under Review From Stable

Please refer to Moodys.com for additional research.

Moody's most recent rating action for CenturyTel was on September 14, 2009, at which time Moody's assigned a Baa3 rating to the company's Series P and Series Q note offerings.

Moody's most recent rating action for Qwest Communications International was on January 7, 2010, at which time Moody's assigned a Ba3 rating to the company's new note issuance.

The principal methodology used in rating CenturyTel and Qwest was Moody's Global Telecommunications Industry rating methodology, which can be found at www.moodys.com in the Rating Methodologies sub-directory under the Research and Ratings tab(December 2007, document #106465). Other methodologies and factors that may have been considered in the process of rating these issuers can also be found in the Rating Methodologies sub-directory on Moody's website.

CenturyTel, Inc., headquartered in Monroe, Louisiana is a regional communications company that served approximately 7.0 million total access lines in 33 states as of December 31, 2009.

Qwest , headquartered in Denver, CO. is a RBOC and nationwide inter-exchange carrier (IXC). It served about 10.3 million access lines in 14 western states as of December 31, 2009.

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