

CenturyLink™

805 Broadway, 8th Floor
Vancouver, WA 98660

April 28, 2011

Oregon Public Utility Commission
Attn: Filing Center
550 Capitol Street NE, Ste 215
Salem, OR 97301-2551

RE: UM-1484 CenturyLink/Qwest Merger, Condition 15

Dear Commission:

Pursuant to Docket UM 1484, Order No. 11-095 ("Order"), CenturyLink provides the enclosed information to comply with Condition 15 of the Order.

If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

William E. Hendricks III
Senior Corporate Counsel

Enclosures
cc: Service List

Pursuant to docket UM 1484, Order No. 11-095, CenturyLink is providing information in compliance with Retail Condition 15.

15. Within 30 days after the close of the transaction, CenturyLink will notify Commission Staff:

- a) Post-merger CenturyLink's consolidated 2010 Net Debt/ trailing 12-month EBITDA.

The post-merger consolidated 2010 Net Debt/trailing 12 month EBITDA for the post-merger CenturyLink was 2.4.

- b) Post-merger rating agency reports of CenturyLink.

See attached.

- c) Pre-merger stand-alone CenturyLink's price per share as of the Date of Closing of the Transaction.

The closing price per share for stand-alone CenturyLink on March 31, 2011 was \$41.55.

- d) Pre-merger stand-alone Qwest's price per share as of the Date of Closing of the Transaction.

The closing price per share for stand-alone Qwest on March 31, 2011 was \$6.83.

April 1, 2011

Research Update:

CenturyLink Inc. Corporate Credit Rating Lowered To 'BB' On Acquisition Of Qwest Corp.

Primary Credit Analyst:

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Research Update:

CenturyLink Inc. Corporate Credit Rating Lowered To 'BB' On Acquisition Of Qwest Corp.

Overview

- U.S. ILEC CenturyLink recently acquired Qwest Communications in a stock-for-stock transaction.
- We are lowering our long-term corporate credit rating on the company to 'BB' from 'BBB-' post-transaction close.
- We are also lowering CenturyLink's short-term rating to 'B' from 'A-3'.
- In addition, we are affirming and withdrawing our corporate credit rating on Qwest Communications International and Qwest Corp.
- The stable outlook reflects our belief that despite challenging industry conditions, CenturyLink will be able to maintain leverage in the low-3x area over the next year.

Rating Action

On April 1, 2011, Standard & Poor's Ratings Services lowered its corporate credit rating on Monroe, La.-based incumbent local exchange carrier (ILEC) CenturyLink Inc. to 'BB' from 'BBB-'. We also lowered the company's short-term rating to 'B' from 'A-3'.

At the same time, we affirmed and subsequently withdrew the 'BB' corporate credit ratings on Denver-based Qwest Communications International Inc. and its indirect subsidiary Qwest Corp. We removed all the ratings from CreditWatch, where they were placed on April 22, 2010, following the announcement that CenturyLink had agreed to acquire Qwest in a stock-for-stock transaction.

Additionally, we lowered the senior unsecured debt ratings at CenturyLink and its subsidiary Embarq to 'BB' from 'BBB-' and assigned a '3' recovery rating to this debt, which indicates expectations for meaningful (50% to 70%) recovery in the event of payment default. We affirmed the 'BBB-' issue-level ratings at Qwest Corp. (two notches above the corporate credit rating), and the '1' recovery rating on the debt is unchanged. The '1' recovery rating indicates expectations for very high (90% to 100%) recovery in the event of payment default. The issue-level ratings for the Qwest Corp. debt do not incorporate an increase in debt at this entity above the current level of approximately \$8 billion. If the company were to issue new debt at Qwest Corp. and not use the proceeds to refinance existing debt at this entity, we could lower the issue-level ratings and revise the recovery ratings at Qwest Corp.

Finally, we raised the senior unsecured debt ratings at Qwest Communications International and Qwest Capital Funding to 'BB-' from 'B+' and revised the

recovery ratings to '5' from '6'. The '5' recovery rating indicates expectations for modest (10% to 30%) recovery in the event of payment default. Pro forma total debt is about \$19 billion. (For the complete recovery analysis, please see the recovery report on CenturyLink, to be published after this report on RatingsDirect).

Rationale

The ratings on CenturyLink, post-transaction close, reflect significant competition in its core consumer wireline phone business from cable telephony and wireless substitution; our expectation for continued revenue declines because of ongoing access-line losses, which were about 9.5% annually in 2010 on a pro forma basis; integration risk; and an aggressive shareholder-oriented financial policy with a substantial dividend payout, which limits debt reduction.

Tempering factors include a favorable market position as the third-largest ILEC in the U.S., solid operating margins and free cash flow generation, modest growth in high-speed data (HSD) services, which helps mitigate revenue declines from access-line losses, and geographic diversity. We consider the financial risk profile significant, with pro forma adjusted leverage of about 2.9x as of year-end 2010, which we expect to rise to the low-3x range over the next few years.

CenturyLink's acquisition of Qwest creates the largest predominantly wireline telecommunications company in the U.S., with about 15.4 million access lines and 5.3 million broadband customers with operations in 37 states. The transaction increases CenturyLink's scale significantly and provides the company with a robust network, including fiber to the node (FTTN) in about one-third the legacy Qwest's service area. Additionally, the acquisition reduces CenturyLink's dependence on federal and state subsidies for rural markets and switched access revenues from other carriers. These sources of revenue combined will decline to about 7% of total sales from 14% prior to the transaction.

Still, we believe CenturyLink will be challenged to materially improve operating trends in its markets because of secular industry declines. We expect wireless substitution and cable telephony competition will continue to pressure the company's customer base. The Qwest footprint, which will account for about 58% of total access lines, has operations primarily in high-density urban markets with strong competition from cable operators, including Comcast Corp. and Cox Communications Inc. As a result, annualized access-line losses during the fourth quarter of 2010 were 10.8%, including primary consumer line losses of 12.9%. In contrast, legacy CenturyLink's markets are somewhat more insulated from competition, although the June 2009 acquisition of Embarq increased its exposure to triple play competition from the cable providers. Annual access-line losses were high, at about 7.6% at the end of the 2010 fourth quarter, but have improved steadily over the past several quarters.

Following the acquisition, CenturyLink will have some product diversity but we believe the benefits will be limited. While wireline voice services have been under pressure, the company has benefited from growth in digital subscriber lines (DSL) over the past few years, although we expect DSL growth to slow over the next couple of years as this product matures. Legacy CenturyLink's broadband penetration is high relative to its peer group, at about 37%, while Qwest's penetration is lower, at around 33%, and growth in the Qwest markets has slowed materially over the past few quarters. However, we believe CenturyLink has reasonable prospects to improve penetration levels in the legacy Qwest footprint with its more localized and customer-focused operating model.

CenturyLink currently lacks meaningful revenues from video and wireless services but will instead resell services of Verizon Wireless and DIRECTV. This will allow it to offer a "quadruple-play" bundle of voice, DSL, video, and wireless. While we do not view these resale arrangements as favorably as the fully based bundled services offered by Verizon Communications Inc. and AT&T Inc., CenturyLink plans to use Qwest's FTTN platform to deploy Internet protocol (IP) TV service in about one-third of the legacy Qwest markets and bundle it with HSD and telephone services. Although this strategy will likely result in higher success-based capital expenditures and weaker profitability measures, Standard & Poor's believes offering a facilities-based triple play bundle could help reduce churn longer term.

We expect the acquisition of Qwest to enhance CenturyLink's position in the business and enterprise segment, which is somewhat less competitive than the consumer market and has higher revenues per customer and lower churn characteristics. Moreover, CenturyLink should have opportunities to recapture market share in underserved legacy Qwest markets by deploying more IP-based services such as Ethernet. The company will also own 17 data centers and will try to expand its capabilities in this area as bandwidth demands increase among business customers.

The pro forma EBITDA margin for CenturyLink post-transaction is about 42%, meaningfully lower than legacy CenturyLink's stand-alone margin of about 51% because of Qwest's lower margin long-distance business. We believe potential operating synergies of about \$575 million are achievable, representing only about 3% of total revenue, although execution missteps could pressure profitability measures during the integration process. Still, our rating incorporates longer term margin improvement to the mid-40% area.

Pro forma debt to EBITDA is moderate at about 2.9x, although we expect leverage to rise above the 3.0x area over the next year because of lower EBITDA. Leverage is notably higher than for CenturyLink on a stand-alone basis, which had adjusted leverage of about 2.3x for fiscal year ended 2010. We expect the company to generate solid net free cash flow after dividends of about \$1.7 billion to \$1.8 billion in 2011 and 2012, respectively, a portion of which will be consumed by integration expense and pension contributions.

Liquidity

We consider CenturyLink's liquidity adequate under our criteria. On a pro forma basis, cash sources consist of about \$100 million in cash, full availability under the \$1.7 billion senior unsecured revolving credit facility, and our expectation that the company will generate around \$6 billion of annual funds from operations for the next couple of years. Uses of cash are likely to include capital expenditures of at least \$2.5 billion, integration expense of around \$600 million in 2011 and \$300 million in 2012, a sizable common dividend of around \$1.6 billion to \$1.7 billion, and debt maturities of \$825 million in 2011 and \$1.8 billion in 2012. In line with our criteria for the adequate assessment, we expect sources of liquidity to exceed uses by over 1.2x in the near term and 1.0x thereafter and net sources to remain positive, even with a 15% to 20% drop in EBITDA.

The revolving credit facility has a 4.0x total leverage covenant and a 1.5x interest coverage covenant. Additionally, there is a 2.85x leverage covenant at Qwest Corp. We expect that CenturyLink will maintain significantly more than the 20% EBITDA cushion on these covenants, which we associate with adequate liquidity.

Outlook

The outlook is stable. We believe CenturyLink will be challenged to meaningfully improve access-line trends because of competitive pressures from cable telephony and wireless substitution. However, opportunities for growth in video, HSD, and the enterprise segment could help reduce the total revenue decline. Moreover, we believe the company should be able to achieve expected operating synergies, generate meaningful free operating cash flow, and maintain leverage in the low-3x area over the next year. However, an acceleration of access-line losses or a more aggressive financial policy that results in leverage approaching 4x could prompt a downgrade.

We do not consider an upgrade likely given our current view of the business risk profile including secular declines in the core wireline business. Nevertheless, if the company can improve access-line trends to the mid-single-digit area, stabilize revenue, and successfully integrate the acquired properties, such that leverage declines to the mid- to high-2x area on a sustained basis, we could raise the ratings by one notch.

Related Criteria And Research

- Credit FAQ: Top 10 Credit Issues For The U.S. Telecom And Cable Industries In 2011, Feb. 3, 2011
- Industry Report Card: U.S. Telecom Fortunes Mixed, While Cable Remains Resilient For Now, Jan. 24, 2011
- Issuer Ranking: U.S. Telecom And Cable Companies, Strongest To Weakest, Jan. 24, 2011

Research Update: CenturyLink Inc. Corporate Credit Rating Lowered To 'BB' On Acquisition Of Qwest Corp.

- Methodology And Assumptions: Standard & Poor's Standardizes Liquidity Descriptors For Global Corporate Issuers, July 2, 2010
- Key Credit Factors: Business And Financial Risks In The Global Telecommunications, Cable And Satellite Broadcast Industry, Jan. 27, 2009
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009

Ratings List

Downgraded

	To	From
CenturyLink, Inc.		
Corporate Credit Rating	BB/Stable/B	BBB-/Watch Neg/A-3
Senior Unsecured	BB	BBB-/Watch Neg
Recovery Rating	3	3
Commercial Paper	B	A-3/Watch Neg
Embarq Corp.		
Senior Unsecured	BB	BBB-/Watch Neg
Recovery Rating	3	3
Sprint - Florida, Inc.		
Senior Secured	BBB-	BBB+/Watch Neg
Recovery Rating	1	1

Ratings Affirmed And Off CreditWatch

	To	From
Qwest Communications International Inc.		
Corporate Credit Rating	BB/Stable/--	BB/Watch Pos/--
Qwest Corp.		
Corporate Credit Rating	BB/Stable/--	BB/Watch Dev/--
Qwest Corp.		
Senior Unsecured	BBB-	BBB-/Watch Dev
Recovery Rating	1	1

Upgraded; Recovery Ratings Revised

	To	From
Qwest Communications International Inc.		
Senior Unsecured	BB-	B+/Watch Pos
Recovery Rating	5	6
Qwest Capital Funding Inc.		
Senior Unsecured	BB-	B+/Watch Pos
Recovery Rating	5	6
Qwest Services Corp.		
Senior Secured	BB-	B+/Watch Pos

Research Update: CenturyLink Inc. Corporate Credit Rating Lowered To 'BB' On Acquisition Of Qwest Corp.

Ratings Subsequently Withdrawn

	To	From
Qwest Communications International Inc.		
Qwest Corp.		
Corporate Credit Rating	NR/--	BB/Stable/--

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April 5, 2011

Recovery Report: CenturyLink Inc.'s Recovery Rating Profile

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Recovery Report:

CenturyLink Inc.'s Recovery Rating Profile

Overview

- Standard & Poor's Ratings Services is assigning recovery ratings to Monroe, La.-based incumbent local exchange carrier (ILEC) CenturyLink Inc. due to the lowering of its corporate credit rating to 'BB' from 'BBB-' following its acquisition of Denver-based Qwest Communications International Inc. and Qwest Corp. (Qwest).
- We also assigned recovery ratings to and lowered the issue-level ratings (as a result of the downgrade of CenturyLink) on the unsecured debt at subsidiary Embarq.
- At the same time, we affirmed the issue-level and recovery ratings at Qwest Corp. and raised the issue-level and recovery ratings on Qwest Communications International Inc. and Qwest Capital Funding Inc.
- We removed all ratings from CreditWatch, where they were placed on April 22, 2010, following the announcement that CenturyLink and Qwest had signed a definitive agreement under which CenturyLink would acquire Qwest in a tax-free, stock-for-stock transaction.
- We simulate a default during 2016, primarily reflecting significant competition from cable telephony and wireless substitution, leading to declining revenue and ongoing access-line losses and ultimately straining liquidity to the point of payment default.

Table 1

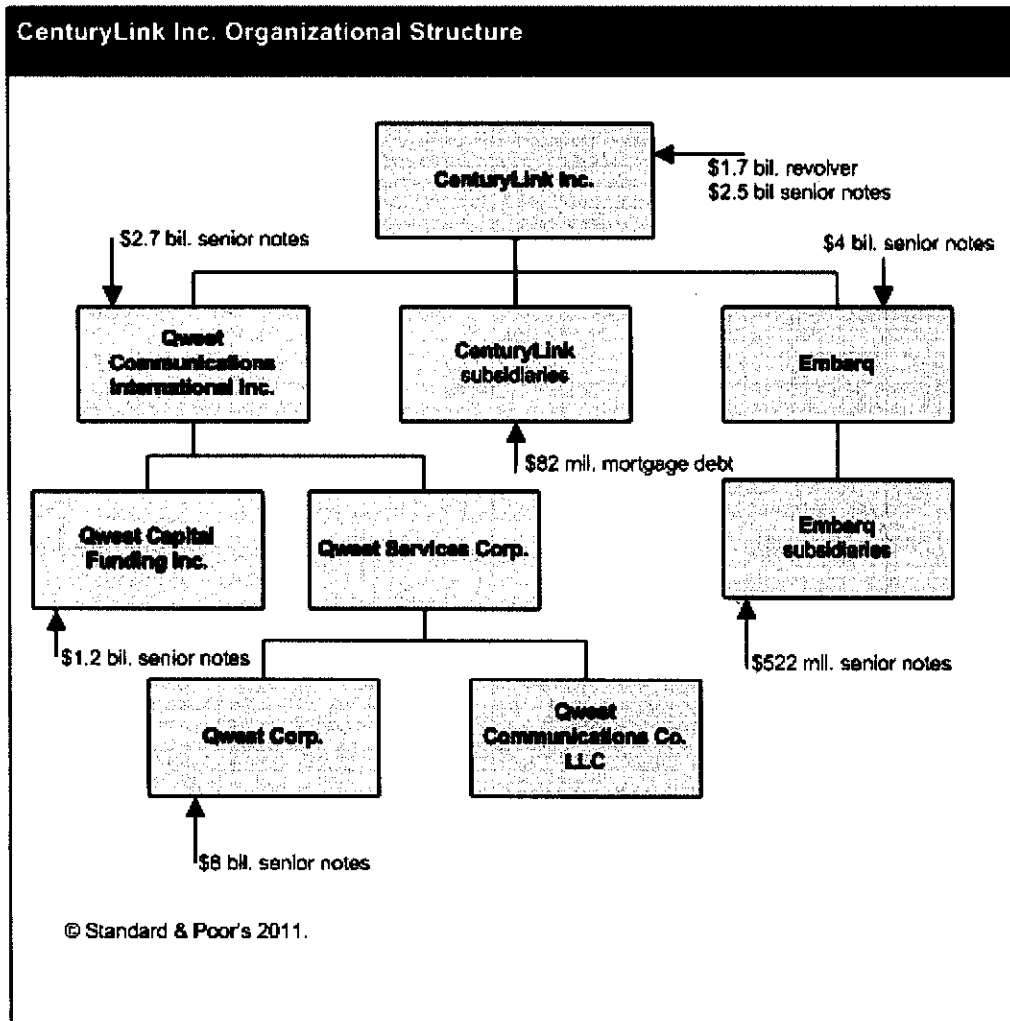
CenturyLink Inc. -- Credit Profile						
Corporate credit rating*	BB/Stable/B					
Estimated gross enterprise value at default	\$20 bil.					
Year of default	2016					
Facility/issue	Outstanding principal at default (Bil. \$)	Issue rating	Recovery rating	Expected recovery (%)	Maturity	
CenturyLink						
\$1.7 bil. revolving credit facility	1.7	N.R.	N.R.	N/A	2015	
Senior unsecured debt	2.5	BB	3	50-70	Various	
Qwest Corp.						
Senior unsecured debt	8.3	BBB-	1	90-100	Various	
QCII						
Senior unsecured debt	2.7	BB-	5	10-30	Various	
QCF						
Senior unsecured debt	1.2	BB-	5	10-30	Various	
Embarq						
Senior unsecured debt	4.6	BB	3*	50-70	Various	

* Although numerically, our recovery analysis indicates very high (90%-100%) recovery, we capped the recovery ratings at '3' given the subsidiary's ability to incur additional debt. N.R.--Not rated. N/A--Not applicable.

Legal And Structural Considerations

Capital structure

The pro forma debt structure consists of three substantially distinct credit families, including CenturyLink, Embarq, and Qwest; as the merged entity is an amalgamation of those three former stand-alone companies that rolled over debt securities (Embarq through the June 2009 acquisition and Qwest in the current transaction) into CenturyLink. Given the debt structure and by virtue of certain related isolated guarantees, our recovery analysis assumes creditors of each group will primarily derive recovery in the event of payment default from value we attribute to each individual credit grouping (as detailed in the "Valuation" section below).



Security and guarantee package

CenturyLink: The \$1.7 billion revolving credit facility at CenturyLink is guaranteed on a senior unsecured basis by Qwest Communications International Inc. (QCII) and Qwest Services as well as all current and future subsidiaries of CenturyLink. The revolver is not guaranteed by any subsidiaries of QCII (including Qwest). Although we believe, based on our default valuation, that there may be some residual value available to upstream via the upstream

guarantees (principally from Embarq) in the event of payment default, it is insufficient to materially affect recovery under the revolver or provide any benefit to the rated unsecured notes at CenturyLink.

The various senior unsecured note issuances at CenturyLink are not guaranteed.

Qwest: The notes at Qwest are unguaranteed senior unsecured obligations ranking equally in right of payment with all other unsecured and unsubordinated indebtedness of Qwest.

The \$2.65 billion in notes at QCII are guaranteed on a senior unsecured basis by Qwest Services Corp. (QSC) and Qwest Capital Funding (QCF).

The QCF notes are guaranteed by QCII on a senior unsecured basis.

Embarq: The notes at Embarq are unguaranteed senior unsecured obligations ranking equally in right of payment with all other unsecured and unsubordinated indebtedness of Embarq.

Documentation/covenants

The \$1.7 billion CenturyLink revolving credit facility is to include financial maintenance covenants including maximum total leverage 4.0x and minimum interest coverage of 1.5x. The revolver will also contain a total leverage maintenance covenant for Qwest of 2.85x and a debt incurrence test for Qwest of 2.35x.

Jurisdictional/insolvency regime issues

Because CenturyLink generates most of its revenues within the U.S., our simulated default scenario assumes that insolvency proceedings occur in the U.S., which we consider relatively favorable for creditors. (See "Debt Recovery For Creditors And The Law Of Insolvency In The U.S.," published June 20, 2008, on RatingsDirect.)

Issuer Credit Rating Rationale

For complete corporate credit rating rationale, see the research update on CenturyLink, published earlier today on RatingsDirect.

Recovery Analysis

Table 2

CenturyLink Inc. -- Stressed Valuation						
Simulated default assumptions		Simplified waterfall	Total	Qwest	Embarq	CenturyLink
Year of default	2016	Gross enterprise value at default	\$19.8 bil.	\$10.9 bil.	\$5.9 bil.	\$3.0 bil.
Latest-12-month EBITDA	\$8.1 bil.	Administrative costs	\$1.3 bil.	\$800 mil.	\$400 mil.	\$100 mil.
EBITDA decline to default	51%	Net enterprise value	\$18.5 bil.	\$10.1 bil.	\$5.5 bil.	\$2.9 bil.
EBITDA at default	\$4 bil.	Senior unsecured debt	N/A	\$8.4 bil.	\$4.9 bil.	\$4.4 bil.
Implied enterprise value/EBITDA multiple	5.0x	Recovery expectation	N/A	90%-100%	90%-100%*	50%-70%
		Subordinated unsecured notes and other claims	N/A	\$5.4 bil.**	N/A	N/A
		Recovery expectation	N/A	10%-30%	N/A	N/A

Note: All debt amounts include six months of prepetition interest. * Recovery ratings capped at '3'. ** Includes nondebt claims of \$1.5 billion (consisting of estimated OPEB and rejected operating lease claims). N/A--Not applicable.

In assigning recovery ratings, we simulate a payment default scenario that incorporates a borrower's fundamental business risk and the financial risk inherent in its existing capital structure. Our methodology assumes that all committed debt is fully funded, but generally does not make any assumptions for the addition of any other debt before default.

In reality, companies that are not at risk of default in the near term may change their capital structure before default. However, such changes are not predictable and any changes may affect all aspects of our recovery analysis (i.e., the most likely path to default, valuation given default, and the standing and recovery prospects of different creditors). As a result, our recovery ratings are subject to re-evaluation if a company's capital structure changes materially, which is a key aspect of our ongoing ratings surveillance.

Simulated default scenario

CenturyLink's high-speculative-grade corporate credit rating reflects its position as the third-largest ILEC in the U.S. with about 15.4 million access lines and 5.3 million broadband customers. Also contributing to the rating are solid operating margins and free cash flow generation, some growth from high-speed data (HSD) services, geographic diversity, and moderate leverage. Somewhat offsetting these strengths are the secular decline of the company's core wireline business, an industrywide trend; significant competition from cable telephony and wireless substitution; aggressive financial policies; and integration risk. Based on the company's current capital structure and our assumed increase in borrowing costs, we estimate that EBITDA would need to decline substantially to about \$4 billion to trigger a payment default. At this point, we forecast that the company's cash flow may be insufficient to cover interest expense, required debt amortization, and nondiscretionary maintenance capital spending.

We do not believe that such a precipitous decline is likely to occur in the near term, given the risks the company is currently facing. However, under our simulated default scenario, a decline of this magnitude would likely arise from continued erosion of CenturyLink's customers due to increased competition from the cable companies' triple-play offers and wireless substitution, reducing the company's cash flow and liquidity and resulting in a payment default.

Our simulated default, which we assume occurs during 2016, also envisions:

- A material annual decline in wireline revenues as a result of lost access lines, which the company is unable to offset with growth in digital subscriber lines (DSL);
- Competition in the local telecom market causes margins to decline;
- Capital expenditures decline over time but remain a significant cash requirement, given the company's maintenance requirements and continued need to combat increasing competition with business investment, including deploying new products such as its own video services;
- A 300-basis-point increase in the general level of interest;
- An increase in the cost of capital to reflect market conditions as its financial condition deteriorates;
- A fully drawn revolving credit facility at the time of default; and
- Any debt coming due before the year of default are assumed to be refinanced at the same level within the capital structure.

Valuation

We believe that if CenturyLink were to default, there would continue to be a viable business model, reflecting ongoing demand for telephony and broadband services. As a result, lenders would achieve the greatest recovery value through reorganization rather than liquidation. Valuation assumptions include:

- An emergence multiple of 5x (consistent with where we mark other wireline companies and lower than current market multiples reflecting stressed scenario);
- Administrative claims of 7% of enterprise value; and
- Nondebt claims of approximately \$1.5 billion (principally unfunded OPEB claims and assumed rejected operating leases).

Outcome

Our projected net emergence enterprise value (after administrative expenses) totals about \$18.5 billion. We allocate the value based on projected cash flow contribution of the Qwest, Embarq, and CenturyLink entities at default. On a net basis, we allocated about \$10.1 billion of value to the Qwest entities, which results in the expectation for very high (90%-100%) recovery in the event of payment default for Qwest bondholders and a recovery rating of '1'. We do not expect the company to incur incremental debt at Qwest. Should the company do so, we would revise the recovery rating to '3' which is the cap we typically ascribe to the unsecured debt issuances of 'BB' category credits. We maintain our '1' recovery ratings for the unsecured notes at Qwest because they are first in line with respect to the value at Qwest, which we consider significant and sufficient to fully cover the notes in the event of default.

We allocated \$5.5 billion of net enterprise value to the Embarq entities. Although numerically, this results in the expectation for very high (90%-100%) recovery, we capped the recovery ratings at Embarq at '3' given the subsidiary's ability to incur additional debt.

Finally, we allocated about \$2.9 billion of value to the CenturyLink entities. Although the revolver benefits from upstream guarantees from certain Qwest and Embarq entities, we do not project sufficient residual value at those entities to have an impact sufficient to differentiate between the revolver and unguaranteed unsecured debt. Based on our valuation, we expect unsecured debtholders at CenturyLink to recover meaningfully (50-70%), and have assigned a recovery rating of '3'.

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FitchRatings

FITCH AFFIRMS CENTURYLINK'S RATINGS; ASSIGNS STABLE OUTLOOK

Fitch Ratings-Chicago-22 March 2011: Fitch Ratings has affirmed the Issuer Default Ratings (IDRs) of CenturyLink, Inc. (CenturyLink) (NYSE: CTL) at 'BBB-', removed the rating from Rating Watch Negative and assigned a Stable Outlook. In addition, once the transaction closes, Fitch will upgrade Qwest Communications International Inc.'s (QC) IDR to 'BBB-' from 'BB', remove the rating from Rating Watch Positive and assign it a Stable Outlook. A full list of other rating actions is shown below.

The actions reflect Fitch's review of the Rating Watch status following the placement of the companies' ratings on Rating Watch on April 22, 2010. CenturyLink and Qwest Communications International, Inc. (Qwest) have an agreement to merge in an all-stock transaction. The Federal Communications Commission (FCC) approved the transaction on March 18, 2011 and the Public Utility Commission of Oregon is the only remaining approval needed. The transaction is expected to close on April 1, 2011.

Fitch notes that as a result of the higher business risk, in order to maintain an investment-grade rating, CenturyLink would have to demonstrate the ability to maintain leverage materially below Fitch's investment-grade rating threshold of 3.0 times (x) for a traditional rural local exchange carrier (RLEC) and, to sustain financial flexibility, its dividend payout as a percentage of free cash flow (FCF) would have to be no greater than 55%. Fitch believes that to maintain an investment grade rating as the company has transitioned away from being an RLEC, its revenue profile would have to return to growth, and leverage would need to be maintained at a level of 2.5x or below. In addition, Fitch believes CenturyLink would need to display a dividend payout of 55% or less in order to maintain financial flexibility. Fitch would evaluate the payout in the context of growth initiatives.

The rating recommendation is based on the expectations that CenturyLink will demonstrate a very gradual improvement in its revenue profile in combination with solid leverage for the rating category, strong free cash flows and strong liquidity. Low cash tax payments arising from bonus depreciation and Qwest's net operating loss payments contribute to FCF levels remaining strong while the company incurs front-end-loaded integration costs even before material synergies are captured. These supporting factors are balanced against the decline of traditional voice and long distance revenues, primarily in the consumer sector, from wireless substitution and moderate levels of continuing cable telephony substitution.

Eventual revenue stability: Fitch expects CenturyLink's revenue to reach a level of stability in the 2014-2015 timeframe through the continued growth of high-speed data and certain advanced business services. Fitch expects a modest but growing level of revenues from facilities-based video to contribute stability to the consumer revenue base. Fitch notes that higher penetration of advanced data services and facilities-based video services have gradually stabilized the wireline revenue streams of other large incumbent local exchange carriers. In total, Fitch expects these revenues and new product offerings will grow in the mid- to high-single digits, and reach a point where they offset the declines in the traditional legacy voice services. In the aggregate, Fitch expects revenue declines to be in the low single digits by 2012, as the most exposed revenue stream--consumer voice--is declining in importance. Fitch would re-evaluate the Rating Outlook if revenues were not making progress to stability.

Financial performance: Pro forma for the acquisition of Qwest, net leverage for 2010 as well as 2009 net leverage (Embarq pro forma for the whole year), excluding synergies, was relatively strong and stable at approximately 2.3x and 2.4x, respectively. On a stand-alone basis, CenturyLink's gross leverage was 2.1x for 2010 even after Embarq merger integration costs and the M&A costs for the Qwest transaction.

Fitch expects gross debt/EBITDA to approximate 2.5x or less in 2011, and gradually decline thereafter as debt is reduced. Fitch's expectations exclude integration and merger-related costs, which would be at their peak levels in the first year after the merger, and any noncash, mark-to-market write-up of Qwest's debt. On a net leverage basis, Fitch believes by 2012 leverage could reach 2.2x. At year-end 2010, on a pro forma basis the company had \$18.73 billion in net debt. By 2012, Fitch's expectations call for a decline in net debt to slightly more than \$16 billion.

Operating environment: Secular issues are having a great impact on voice revenues which have become a commodity in the residential market and substitutable by wireless services or cable telephony providers. However, in Fitch's view, these issues are likely to have a lessening effect on overall results given they are becoming a smaller proportion of the revenue base. Pro forma, residential lines are less than 61% of the total, down from 73% for CenturyLink in 2008 (before Embarq and Qwest).

CenturyLink indicates 35% of 2010 pro forma revenue came from consumer services, of which a material proportion consists of high-speed data services. Fitch believes that as CenturyLink's high-speed data product continues to grow at a moderate pace, in combination with the deployment of facilities-based video in its own and legacy Qwest service areas, consumer revenue can be stabilized. In 2010, the consumer wireline businesses of AT&T, Inc. and Verizon Communications, Inc. reached a relatively stable point as revenues from high-speed data and facilities-based video have grown beyond 40%.

In Fitch's view secular issues are not having the impact on the provision of business services as in providing services to consumers, as the level of wireless substitution is lower and there is growth in demand for data and IP services in the business sector. A portion of the reduction in business lines is recaptured in data revenues due to technology shifts. In addition, wireline carriers are experiencing growth in demand for fiber-to-the-cell tower backhaul services given the rapid demand growth for wireless data services.

Proposed synergies: CenturyLink estimates operating cost synergies approximating \$575 million will be realized over a three- to five-year time period and that capital expense savings approximating \$50 million will be achieved within two years. In Fitch's view, CenturyLink's estimate is reasonable, approximating 8% of Qwest's 2010 cash operating expenses, which is a bit less than the original expectations for the Embarq transaction and is much lower than expectations in other recent rural local exchange carrier transactions. In developing its view of CenturyLink's potential synergy realization, Fitch has assumed the majority of the synergies will not be attained until early 2013.

Integration expenses: Fitch expects integration costs to be in line with CenturyLink's announced \$650 million-\$800 million in terms of operating costs and \$150 million-\$200 million in terms of capital costs, with such amounts front-end loaded.

Regulatory approval process: In Fitch's assessment, the conditions placed on the merger by the regulatory approval process are manageable. Such conditions were largely as anticipated based on previous acquisitions in the industry. Such conditions include the expansion of broadband services into underserved areas as well as the implementation of increased broadband speeds. The commitment with the FCC, which could exceed \$1 billion in total over a seven-year period, is manageable in the company's normal mid-\$2 billion annual capital budget and a substantial portion likely reflects the continuation of past broadband spending. In addition, the companies reached agreements with competitive local exchange carriers (CLECs) where they agreed to continue to maintain wholesale operating systems (the systems CLECs interface with), and interconnection agreements for certain minimum periods of time. Notice would be provided to competitors before transitioning wholesale interfaces.

Aspects of the transaction supporting the recommendation:

--Increased scale allowing for increased investment in areas that support stronger revenue growth. Such areas include facilities-based video (IPTV), data hosting, wireless services, and potentially a

broader range of strategic acquisitions. Also the scale should provide for increased business opportunities where, on a combined basis they will be in a stronger bidding position than on a standalone basis.

--Free cash flows likely to be relatively strong, based on expected capital spending levels and reduced cash taxes, enabling the company to reduce debt and retain stable credit metrics. Strong FCF is critical as the company transitions to intermediate-term revenue growth.

--After the acquisition, CenturyLink's exposure to the federal universal service funding program will decline to approximately 2% of revenue from 4%, and switched access revenues from 8% to 4%, both of which have been under considerable pressure.

Pro forma CenturyLink's total debt was \$19.3 billion at Dec. 31, 2010, and cash and equivalents amounted to approximately \$545 million. Financial flexibility will be provided through a revolving credit facility that will be expanded to \$1.7 billion from \$1 billion upon the close of the transaction. The revolving credit facility matures in January 2015. The principal financial covenants in CenturyLink's facility limit debt to EBITDA for the past four quarters to no more than 4.0x and EBITDA to interest plus preferred dividends (with the terms as defined in the agreement) to no less than 1.5x. QC has a maintenance covenant of 2.85x and an incurrence covenant of 2.35x. The new facility is guaranteed by Embarq, and upon the close of the transaction, will be guaranteed by QCII and QSC.

Fitch believes pro forma CenturyLink has the financial flexibility to manage upcoming maturities due to its FCF and credit facilities. For the remainder of 2011, debt maturities total \$825 million (excluding the \$280 million on CenturyLink's credit facility as of Feb. 28, 2011), in 2012 a total of \$1.8 billion matures, and in 2013 nearly \$1.5 billion matures. Going forward, Fitch expects CenturyLink to refinance debt at QC, and will also issue debt at the CenturyLink level. Similar to its financing strategy with Embarq, CenturyLink will no longer issue debt at QCII or QCF. CenturyLink has a universal shelf registration available for the issuance of debt and equity securities, as well as a \$1.5 billion authorized commercial paper program. The company effectively limits borrowing under the program to the amount available under the credit facility. There was no commercial paper outstanding as of Dec. 31, 2010.

Fitch estimates pro forma FCF in 2011 will be in the \$1.1 billion to \$1.3 billion range, after dividends, capital spending, and the after-tax effect of modest contributions to the pension plan.

Fitch affirms the following CenturyLink ratings with a Stable Outlook:

CenturyLink

- Long-Term IDR at 'BBB-';
- Senior Unsecured revolving credit facility at 'BBB-';
- Senior Unsecured debt at 'BBB-';
- Short-Term IDR at 'F3';
- Commercial paper at 'F3'.

Embarq Corp.

- Long-Term IDR at 'BBB-';
- Sr. unsecured notes at 'BBB-'.

Carolina Telephone & Telegraph (CT&T)

- IDR at 'BBB-';
- Debentures at 'BBB-'.

Embarq - Florida, Inc. (EFL)

- IDR ' at 'BBB-';
- First mortgage bonds at 'BBB'.

Fitch maintains the following ratings on Rating Watch Positive:

Qwest Communications International, Inc.

- IDR 'BB';

--Senior Unsecured Notes (guaranteed by QSC 'BB+').

Qwest Corporation
--IDR 'BB'.

Qwest Services Corporation (QSC)
--IDR 'BB'.

Qwest Capital Funding
--IDR 'BB';
--Senior unsecured notes 'BB'.

Fitch affirms the following ratings with a Stable Outlook:

Qwest Communications International, Inc.
--Senior Secured Credit Facility at 'BBB-'.

Qwest Corporation
--Senior unsecured notes at 'BBB-'.

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Applicable Criteria and Related Research:
--'Corporate Rating Methodology' (Aug. 16, 2010);
--'Rating Global Telecoms Companies' (Sept. 16, 2010).

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Corporate Rating Methodology
http://www.fitchratings.com/creditrating/reports/report_frame.cfm?rpt_id=546646
Rating Global Telecoms Companies - Sector Credit Factors
http://www.fitchratings.com/creditrating/reports/report_frame.cfm?rpt_id=550205

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FitchRatings

FITCH UPGRADES QWEST'S RATINGS; ASSIGNS STABLE OUTLOOK

Fitch Ratings-Chicago-01 April 2011: Fitch Ratings has upgraded the Issuer Default Rating (IDR) of Qwest Communications International, Inc. (Qwest) to 'BBB-' from 'BB'. Fitch has also removed Qwest's ratings from Rating Watch Positive and assigned a Stable Rating Outlook. A full list of rating actions is shown below.

The actions reflect Fitch's review of Qwest's ratings following the placement on Rating Watch Positive on April 22, 2010 upon the announcement of CenturyLink, Inc.'s (CenturyLink) (NYSE: CTL) and Qwest's agreement to merge in an all-stock transaction. The transaction closed on April 1, 2011.

On March 22, 2011, Fitch affirmed the IDR of CenturyLink at 'BBB-', removed the company's ratings from Rating Watch Negative and assigned a Stable Outlook. For the rating rationale, see 'Fitch Affirms CenturyLink's Ratings; Assigns Stable Outlook', March 22, 2011'.

Fitch has upgraded, removed from Rating Watch Positive, and assigned a Stable Outlook to the following ratings:

Qwest Communications International, Inc.

--IDR to 'BBB-' from 'BB';

--Senior Unsecured Notes (guaranteed by QSC) to 'BBB-' from 'BB+'.

Qwest Corporation

--IDR to 'BBB-' from 'BB'.

Qwest Services Corporation (QSC)

--IDR to 'BBB-' from 'BB'.

Qwest Capital Funding

--IDR to 'BBB-' from 'BB';

--Senior unsecured notes to 'BBB-' from 'BB'.

Fitch affirms the following ratings with a Stable Outlook:

Qwest Corporation

--Senior unsecured notes at 'BBB-'.

Fitch has withdrawn the following ratings as the facility was terminated upon the merger:

Qwest Communications International, Inc.

--Senior Secured Credit Facility at 'BBB-'.

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Applicable Criteria and Related Research:
--'Corporate Rating Methodology' (Aug. 16, 2010);
--'Rating Global Telecoms Companies' (Sept. 16, 2010).

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http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=546646
Rating Global Telecoms Companies - Sector Credit Factors
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=550205

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MOODY'S

INVESTORS SERVICE

Rating Action: Moody's affirms CenturyLink as Baa3

Global Credit Research - 01 Apr 2011

Qwest Subsidiaries Upgraded, Outlook stable

New York, April 01, 2011 -- Moody's Investors Service has affirmed its Baa3 senior unsecured and Prime-3 short term debt ratings for CenturyLink, Inc. ("CenturyLink") on the close of its acquisition of Qwest Communications International Inc. ("QCII"). Additionally, Moody's has upgraded QCII and Qwest Capital Funding Inc. ("QCF") to Baa3 from Ba2 and Ba3 prior respectively. Moody's ratings for Qwest Corporation ("QC"), the ILEC subsidiary of QCII, remain unchanged at Baa3.

Moody's has also changed the outlook for CenturyLink to stable from negative. These rating actions conclude Moody's review of the ratings for QCII which was begun upon the announcement of this merger.

RATINGS RATIONALE

The upgrade of Qwest's ratings reflect the improved financial flexibility resulting from its acquisition by investment grade rated CenturyLink, our view that the merger will be positive to the credit profile of Qwest as the combination of the two companies can better leverage Qwest's national fiber network while reducing costs and our expectation that leverage at the QCII level will decline steadily as maturing debt at this entity and at QCF is paid down over time.

Moody's senior vice president Dennis Saputo said, "the stabilization of the company's rating outlook is based on the relatively strong operating performance of CenturyLink and Qwest over the last several quarters and CenturyLink's success in achieving the targeted synergies from the Embarras merger." Moody's believes that the challenges associated with another large acquisition so soon after the prior one are manageable given the company's long track record of successfully integrating large purchases and that the company will continue to manage its balance sheet and liquidity in a manner consistent with an investment grade rated company. "CenturyLink's acquisition of Qwest creates large economies of scale and the potential for strong free cash flow generation," Saputo continued.

CenturyLink's Baa3 rating 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. While the acquisition of Qwest significantly increases CenturyTel's exposure to more competitive urban/suburban markets (Moody's estimates that 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. 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 Network contract. The combined company is expected to generate significant free cash flow, especially after anticipated synergies. The rating also reflects management's commitment to an investment grade rating and its historically balanced use of free cash flow between debt reduction and shareholder returns.

Moody's believes that if realized, the synergies from the merger could offset the expected decline in cash flows over the rating horizon caused by access-line erosion and slowing broadband growth. In addition, enhanced operating scale and strong free cash flow generation affords the Company the ability to spend capital to improve its competitive position and develop product offerings, such as wireless services and IPTV.

The rating also considers the significant execution risks of integrating a much larger company (Qwest is roughly twice the size of CenturyLink) with an extensive geographical footprint, and sustaining revenue growth while continuing to realize synergies from headcount reductions and system conversions.

Moody's anticipates that the combined company will have total debt (Moody's adjusted) of \$23 billion and leverage of just over 3.0x at year end 2011. The merger is expected to offer cost savings opportunities of up to \$625 million annually, which, combined with flat to slightly lower revenues, will result in leverage falling below 3.0x by year-end 2012 and 2.7x by year-end 2013. Moody's does not anticipate leverage declining materially once merger synergies are fully realized as the 2.7x Debt to EBITDA ratio (Moody's adjusted) is close to management's target leverage metric. We anticipate share repurchases will remain the primary use of excess cash flows and that the majority of debt will be refinanced at maturity once leverage hits about 2.7x.

The merged company will have operations in 37 states with 15 million access lines and over 5 million broadband subscribers. Qwest's exposure to business clients and more dense urban markets will increase the company's exposure to competitive markets, but will also reduce risk associated with universal service subsidies.

The long term viability of wire line only carriers relies upon their ability to transform from regulated, voice-centric businesses to de-regulated broadband focused providers. Carriers like CenturyLink will continue to lose subscribers to wireless substitution and competition from cable providers. Wireless substitution, once confined to voice services, could threaten broadband as wireless data speeds continue to increase.

CenturyLink continues to invest in broadband services and claims that the combined company will have the capability to provide 5 Mb per second data throughput to almost 60% of its access line footprint. CenturyLink will introduce IPTV services in selected markets and continue to push video services in the former Qwest footprint. Moody's believes that CenturyLink will continue to invest capital into higher speed broadband and video services to remain relevant in the consumer market. However, this investment, combined with the company's rich dividend, will limit future debt repayment.

The addition of Qwest brings a strong enterprise business service offering to CenturyLink. Qwest's long-haul transport network will offer expense savings and allow for growth of enterprise customer revenues. Qwest's higher business services revenues will also result in a more balanced mix of revenues for the new company. CenturyLink's enterprise revenues will increase to almost 40% of total revenues from less than 25% prior to the merger. USF and switched access revenues will represent less than 10% of total revenues versus almost 15% prior, lowering the potential impact of an adverse regulatory change to the current subsidy rules.

CenturyLink's Prime-3 short-term debt rating reflects its modest cash balance, ample committed back-up facility, manageable near-term debt maturities and our expectation for significant free cash flow over the next 12-18 months. In January of 2011, CenturyLink entered into a \$1.7 billion (after deal close) 4-year revolving credit facility. The facility has financial covenants which require total company leverage to remain below 4.0x, interest coverage of at least 1.5x. The facility is guaranteed by Embarq Corp., QCII and Qwest Services Corp. ("QSC"), and requires that leverage at Qwest Corp. remain below 2.85x.

Moody's could raise CenturyLink's ratings if the company can grow revenues, EBITDA and cash flow, while sustaining debt to EBITDA close to 2.0x and FCF to debt above 10%. Moody's believes that achieving this growth is dependent on the company's ability to successfully implement its local market strategy in the very large Qwest markets, develop and deploy competitive broadband and video product offerings in all its large markets, grow market share in the enterprise segment (where it currently has about a 5% market share), capitalize on new growth opportunities (i.e. Fiber to the cell tower), realize the targeted synergies while continuing to cut costs above and beyond these synergies.

Moody's could downgrade CenturyLink's long-term rating if the Company's operating performance deteriorates and its EBITDA continues to decline, such that the merged entity is unable to sustain financial leverage (Total debt-to-EBITDA, Moody's adjusted) of less than 3.0x and if the free cash flow generation falls into low single digit percent of total debt, both on a sustained basis.

Moody's believes that a sustained decline in EBITDA (excluding one-time items) exceeding a rate of 3% could put enormous pressure on CenturyLink's ability to repay debt while continuing to return cash to shareholders, stay competitive and maintain leverage consistent with an investment grade rating.

Negative rating pressure could develop if CenturyLink's integration with Qwest adversely affects the operating performance of the combined company, resulting in a weakened competitive position, evidenced by a rapid acceleration in access-line losses, or if the Company's liquidity becomes strained as a result of significant delays in realizing merger synergies.

In addition, the rating could be lowered if management's financial policies no longer remain supportive of a strong balance sheet consistent with an investment grade rating.

The last rating action for CenturyLink was on April 22, 2010 when the company's outlook was changed to negative. Moody's last rating action for Qwest was on August 13, 2010 when the company's ratings were raised.

The principal methodology used in rating CenturyLink was Moody's Global Telecommunications Industry, published in December 2010 and available on www.moody's.com. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

CenturyLink, headquartered in Monroe, Louisiana, is a regional communications company engaged primarily in providing telephone and broadband services in various, predominately rural, regions of the United States. The company served approximately 7.0 million total access lines in 33 states as of December 31, 2010.

Moody's has taken the following rating actions:

Issuer: CenturyLink, Inc.

..Senior Unsecured -- Baa3 (unchanged)

..Short Term Rating -- P3 (unch.)

..Outlook -- Stable from Negative

Issuer: Embarq Corp.

..Senior Unsecured -- Baa3 (unch.)

..Outlook -- Stable from Negative

Issuer: Embarq Florida, Inc.

..First Mortgage Bonds - Baa1 (unch.)

..Outlook -- Stable from Negative

Issuer: Centel Capital Corp.

..Bkd Senior Unsecured Baa2 (unch.)

..Outlook -- Stable from Negative

Issuer: Carolina Telephone & Telegraph Company

..Senior Unsecured Baa1 (unch.)

..Outlook -- Stable from Negative

Issuer: United Telephone Co. of Pennsylvania

..First Mortgage Bonds Baa1 (unch.)

..Outlook -- Stable from Negative

Issuer: Qwest Communications Int'l. Inc. (QCII)

..CFR / Sr. Unsecured – withdrawn

..PDR - withdrawn

..Senior Unsecured (Gtd. by QSC) – Baa3 from Ba2

..Speculative Grade Liquidity Rating – withdrawn

..Outlook – Stable from Under Review

Issuer: Qwest Capital Funding Corp. (QCF)

..Senior Unsecured – Baa3 from Ba3

..Outlook – Stable from Under Review

Issuer: Qwest Corp. (QC)

..Senior Unsecured – Baa3 (unch.)

..Outlook – Stable from Under Review

The principal methodology used in this rating was Global Telecommunications Industry rating methodology published in December 2010.

REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: parties involved in the ratings, parties not involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

Moody's Investors Service considers the quality of information available on the issuer or obligation satisfactory for the purposes of maintaining a credit rating.

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Please see the Credit Policy page on Moodys.com for the methodologies used in determining ratings, further information on the meaning of each rating category and the definition of default and recovery.

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INVESTORS SERVICE

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CERTIFICATE OF SERVICE

UM 1484

I hereby certify that on the 28th day of April, 2011, I served the foregoing CENTURYLINK'S LETTER TO THE OREGON PUBLIC UTILITY COMMISSION REGARDING RETAIL CONDITION 15, in the above entitled docket on the following persons via e-mail, and via U.S. Mail by mailing a correct copy to them in a sealed envelope, with postage prepaid, addressed to them at their regular office address shown below, and deposited in the U.S. Post Office at Portland, Oregon.

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DATED this 28th day of April, 2011.

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