CENTURYLINK, INC
Form 10-Q
August 08, 2013

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

FORM 10-Q

ý **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2013

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission File No. 001-7784

CENTURYLINK, INC.
(Exact name of registrant as specified in its charter)

Louisiana	**72-0651161**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
100 CenturyLink Drive, Monroe, Louisiana	**71203**
(Address of principal executive offices)	**(Zip Code)**

(318) 388-9000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.   Yes ý   No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).   Yes ý   No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

On August 1, 2013, there were 600,675,937 shares of common stock outstanding.

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

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CENTURYLINK, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

		Three Months Ended June 30,		Six Months Ended June 30,	
		2013	2012	2013	2012
		(Dollars in millions except per share amounts and shares in thousands)			
OPERATING REVENUES	$	4,525	4,612	9,038	9,222
OPERATING EXPENSES					
Cost of services and products (exclusive of depreciation and amortization)		1,873	1,912	3,669	3,789
Selling, general and administrative		814	835	1,632	1,706
Depreciation and amortization		1,123	1,208	2,240	2,416
Total operating expenses		3,810	3,955	7,541	7,911
OPERATING INCOME		715	657	1,497	1,311
OTHER INCOME (EXPENSE)					
Interest expense		(325)	(335)	(641)	(678)
Net loss on early retirement of debt			(202)		(194)
Other income		4	3	43	15
Total other income (expense)		(321)	(534)	(598)	(857)
INCOME BEFORE INCOME TAX EXPENSE		394	123	899	454
Income tax expense		125	49	332	180
NET INCOME	$	269	74	567	274
BASIC AND DILUTED EARNINGS PER COMMON SHARE					
BASIC	$	.45	.12	.93	.44
DILUTED	$	.44	.12	.92	.44
DIVIDENDS DECLARED PER COMMON SHARE	$	.540	.725	1.080	1.450
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING					
BASIC		604,302	619,887	611,862	619,048
DILUTED		605,602	621,839	613,338	621,095

See accompanying notes to consolidated financial statements.

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CENTURYLINK, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(Dollars in millions)			
NET INCOME	$ 269	74	567	274
OTHER COMPREHENSIVE INCOME:				
Items related to employee benefit plans:				
Change in net actuarial loss, net of $(10), $(3), $(18), and $(6) tax	11	5	24	10
Change in net prior service credit, net of $, $, $(1), and $ tax	1		2	
Auction rate securities marked to market, net of $, $, $, and $(2) tax				3
Foreign currency translation adjustment and other, net of $2, $, $, and $ tax	(5)	(3)	(13)	1
Other comprehensive income	7	2	13	14
COMPREHENSIVE INCOME	$ 276	76	580	288

See accompanying notes to consolidated financial statements.

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CENTURYLINK, INC.

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2013	December 31, 2012
	(Dollars in millions and shares in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 214	211
Accounts receivable, less allowance of $147 and $158	1,900	1,917
Income tax receivable	58	42
Deferred income taxes, net	906	891
Other	570	552
Total current assets	3,648	3,613
NET PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	33,204	32,086
Accumulated depreciation	(14,427)	(13,054)
Net property, plant and equipment	18,777	19,032
GOODWILL AND OTHER ASSETS		
Goodwill	21,744	21,732
Customer relationships, less accumulated amortization of $3,094 and $2,524	6,482	7,052
Other intangible assets, less accumulated amortization of $1,139 and $956	1,762	1,795
Other	841	796
Total goodwill and other assets	30,829	31,375
TOTAL ASSETS	$ 53,254	54,020
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 302	1,205
Accounts payable	1,285	1,207
Accrued expenses and other liabilities		
Salaries and benefits	584	683
Income and other taxes	366	356
Interest	286	268
Other	259	234
Advance billings and customer deposits	666	642
Total current liabilities	3,748	4,595
LONG-TERM DEBT	20,283	19,400
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred income taxes, net	3,980	3,644
Benefit plan obligations, net	5,578	5,844
Other	1,265	1,248
Total deferred credits and other liabilities	10,823	10,736

COMMITMENTS AND CONTINGENCIES (Note 9)			
STOCKHOLDERS' EQUITY			
Preferred stock non-redeemable, $25.00 par value, authorized 2,000 shares, issued and outstanding 7 and 7 shares			
Common stock, $1.00 par value, authorized 1,600,000 and 1,600,000 shares, respectively, issued and outstanding 604,209 and 625,658 shares		604	626
Additional paid-in capital		18,291	19,079
Accumulated other comprehensive income (loss)		(1,688)	(1,701)
Retained earnings		1,193	1,285
Total stockholders' equity		18,400	19,289
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	53,254	54,020

See accompanying notes to consolidated financial statements.

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CENTURYLINK, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30,	
	2013	**2012**
	(Dollars in millions)	
OPERATING ACTIVITIES		
Net income	$ 567	274
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,240	2,416
Deferred income taxes	307	137
Provision for uncollectible accounts	65	103
Gain on sale of intangible assets	(32)	
Long-term debt premium amortization	(32)	(49)
Net loss on early retirement of debt		194
Changes in current assets and current liabilities:		
Accounts receivable	(48)	(64)
Accounts payable	123	(140)
Accrued income and other taxes	(11)	22
Other current assets and other current liabilities, net	(163)	(6)
Retirement benefits	(220)	(163)
Changes in other noncurrent assets and liabilities, net	48	53
Other, net	12	22
Net cash provided by operating activities	2,856	2,799
INVESTING ACTIVITIES		
Payments for property, plant and equipment and capitalized software	(1,410)	(1,305)
Proceeds from sale of intangible assets or property	75	133
Other, net	23	(3)
Net cash used in investing activities	(1,312)	(1,175)
FINANCING ACTIVITIES		
Net proceeds from issuance of long-term debt	1,740	3,361
Payments of long-term debt	(1,018)	(3,630)
Early retirement of debt costs		(324)
Net payments on credit facility	(775)	(27)
Dividends paid	(661)	(905)
Net proceeds from issuance of common stock	40	65
Repurchase of common stock	(867)	(20)
Other, net		7
Net cash used in financing activities	(1,541)	(1,473)
Effect of exchange rate changes on cash and cash equivalents		2
Net increase in cash and cash equivalents	3	153
Cash and cash equivalents at beginning of period	211	128
Cash and cash equivalents at end of period	$ 214	281

Supplemental cash flow information:

Income taxes (paid), net	$	(46)	(31)
Interest (paid) (net of capitalized interest of $18 and $21)	$	(647)	(729)

See accompanying notes to consolidated financial statements.

CENTURYLINK, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(UNAUDITED)

	Six Months Ended June 30,	
	2013	2012
	(Dollars in millions)	
COMMON STOCK, $1.00 par value (represents dollars and shares)		
Balance at beginning of period	$ 626	619
Issuance of common stock through dividend reinvestment, incentive and benefit plans	2	4
Repurchase of common stock	(24)	
Shares withheld to satisfy tax withholdings		(1)
Balance at end of period	604	622
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning of period	19,079	18,901
Issuance of common stock through dividend reinvestment, incentive and benefit plans	38	61
Repurchase of common stock	(845)	
Shares withheld to satisfy tax withholdings	(16)	(19)
Share-based compensation and other, net	35	56
Balance at end of period	18,291	18,999
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
Balance at beginning of period	(1,701)	(1,012)
Other comprehensive income	13	14
Balance at end of period	(1,688)	(998)
RETAINED EARNINGS		
Balance at beginning of period	1,285	2,319
Net income	567	274
Dividends declared	(659)	(905)
Balance at end of period	1,193	1,688
TOTAL STOCKHOLDERS' EQUITY	$ 18,400	20,311

See accompanying notes to consolidated financial statements.

CENTURYLINK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Unless the context requires otherwise, references in this report to "CenturyLink," "we," "us" and "our" refer to CenturyLink, Inc. and its consolidated subsidiaries.

(1) Basis of Presentation

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

Our consolidated balance sheet as of December 31, 2012, which was derived from our audited consolidated financial statements, and our unaudited interim consolidated financial statements provided herein have been prepared in accordance with the instructions for Form 10-Q. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission ("SEC"); however, in our opinion, the disclosures made are adequate to make the information presented not misleading. We believe that these consolidated financial statements include all normal recurring adjustments necessary to fairly present the results for the interim periods. The consolidated results of operations for the first six months of the year are not necessarily indicative of the consolidated results of operations that might be expected for the entire year. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2012.

The accompanying consolidated financial statements include our accounts and the accounts of our subsidiaries over which we exercise control. All intercompany amounts and transactions with our consolidated subsidiaries have been eliminated.

To simplify the overall presentation of our consolidated financial statements, we report immaterial amounts attributable to noncontrolling interests in certain of our subsidiaries as follows: (i) income attributable to noncontrolling interests in other income (expense), (ii) equity attributable to noncontrolling interests in additional paid-in capital and (iii) cash flows attributable to noncontrolling interests in other financing activities.

We also have reclassified certain other prior period amounts to conform to the current period presentation, including the categorization of our segment reporting. See Note 8 Segment Information for additional information. These changes had no impact on total revenues, total operating expenses or net income for any period.

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(2) Goodwill

During the first quarter of 2013, we reorganized our operating segments to support our new operating structure. As of June 30, 2013, we attributed our goodwill balances to our segments as follows:

	June 30, 2013
	(Dollars in millions)
Consumer	$ 10,379
Business	6,243
Wholesale	3,283
Data hosting	1,839
Total goodwill	$ 21,744

For additional information on the reorganization of our segments, see Note 8 Segment Information.

(3) Long-Term Debt and Credit Facilities

Long-term debt, including unamortized discounts and premiums, is as follows:

	Interest Rates	Maturities	June 30, 2013	December 31, 2012
			(Dollars in millions)	
CenturyLink, Inc.				
Senior notes	5.000% - 7.650%	2015 - 2042	$ 7,075	6,250
Credit facility[(1)]	4.250%	2017	45	820
Term loan	2.450%	2019	413	424
Subsidiaries				
Qwest				
Senior notes	6.125% - 8.375%	2014 - 2053	9,192	9,168
Embarq				
Senior notes	7.082% - 7.995%	2016 - 2036	2,669	2,669
First mortgage bonds	6.875% - 8.770%	2013 - 2025	322	322
Other	6.750% - 9.000%	2013 - 2019	200	200
Capital lease and other obligations	Various	Various	683	734
Unamortized (discounts) premiums and other, net			(14)	18
Total long-term debt			20,585	20,605
Less current maturities			(302)	(1,205)
Long-term debt, excluding current maturities			$ 20,283	19,400

(1) The information presented here illustrates the interest rates and maturity on our Credit Facility. The outstanding amount of our Credit Facility borrowings at June 30, 2013 was $45 million with an interest rate of 4.250%.

New Issuances

On May 23, 2013, Qwest Corporation ("QC") issued $775 million aggregate principal amount of 6.125% Notes due 2053, including $25 million principal amount that was sold pursuant to an over-allotment option granted to the underwriters for the offering, in exchange for net proceeds, after deducting underwriting discounts and expenses, of approximately $752 million. The Notes are

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unsecured obligations and may be redeemed, in whole or in part, on or after June 1, 2018 at a redemption price equal to 100% of the principal amount redeemed plus accrued interest.

On March 21, 2013, CenturyLink issued $1 billion aggregate principal amount of 5.625% Notes due 2020 in exchange for net proceeds, after deducting underwriting discounts and expenses, of approximately $988 million. The Notes are unsecured obligations and may be redeemed, in whole or in part, at any time at a redemption price equal to the greater of par or a "make-whole" rate specified in the Notes, plus accrued and unpaid interest to the redemption date. In addition, at any time on or prior to April 1, 2016, we may redeem up to 35% of the principal amount of the Notes at a redemption price equal to 105.625% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of certain equity offerings. Under certain circumstances, we will be required to make an offer to repurchase the Notes at a price of 101% of their aggregate principal amount plus accrued and unpaid interest to the repurchase date.

Repayments

On June 17, 2013, QC paid at maturity the $750 million principal amount of its floating rate Notes.

On April 1, 2013, CenturyLink paid at maturity the $176 million principal amount of its 5.50% Notes.

Covenants

As of June 30, 2013, we believe we were in compliance with the provisions and covenants contained in our Credit Facility and other debt agreements.

Subsequent Events

On July 15, 2013, Embarq Corporation ("Embarq") paid at maturity the $59 million principal amount of its 6.875% Notes.

(4) Severance and Leased Real Estate

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

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

We report the current portion of liabilities for real estate leases that we have ceased using in accrued expenses and other liabilities and report the noncurrent portion in other noncurrent liabilities under deferred credits and other liabilities in our consolidated balance sheets. We report the related expenses in selling, general and administrative expenses in our consolidated statements of operations. At June 30, 2013, the current and noncurrent portions of our leased real estate accrual were $18 million and $103 million, respectively. The remaining lease terms range from 0.17 to 12.5 years, with a weighted average of 8.9 years.

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

	Severance	Real Estate
	(Dollars in millions)	
Balance at December 31, 2012	$ 17	131
Accrued to expense	13	
Payments, net	(18)	(8)
Reversals and adjustments		(2)
Balance at June 30, 2013	$ 12	121

(5) Employee Benefits

Net periodic pension benefit (income) expense included the following components:

	Pension Plans			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(Dollars in millions)			
Service cost	$ 23	23	48	45
Interest cost	135	156	270	312
Expected return on plan assets	(224)	(212)	(448)	(424)
Recognition of prior service cost	1	1	2	2
Recognition of actuarial loss	20	7	40	15
Net periodic pension benefit (income)	$ (45)	(25)	(88)	(50)

Net periodic post-retirement benefit expense (income) included the following components:

	Post-Retirement Benefit Plans			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(Dollars in millions)			
Service cost	$ 6	5	12	11
Interest cost	35	44	70	87
Expected return on plan assets	(10)	(11)	(20)	(22)
Recognition of actuarial loss	1		2	
Net periodic post-retirement benefit expense	$ 32	38	64	76

We report net periodic benefit (income) expense for our qualified pension, non-qualified pension and post-retirement benefit plans in cost of services and products and selling, general and administrative expenses on our consolidated statements of operations.

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(6) Earnings per Common Share

Basic and diluted earnings per common share for the three and six months ended June 30, 2013 and 2012 were calculated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(Dollars in millions, except per share amounts, shares in thousands)			
Income (Numerator):				
Net income	$ 269	74	567	274
Earnings applicable to non-vested restricted stock		(1)		(1)
Net income applicable to common stock for computing basic earnings per common share	269	73	567	273
Net income as adjusted for purposes of computing diluted earnings per common share	$ 269	73	567	273
Shares (Denominator):				
Weighted average number of shares:				
Outstanding during period	607,755	621,600	615,138	620,670
Non-vested restricted stock	(3,453)	(2,660)	(3,276)	(2,602)
Non-vested restricted stock units		947		980
Weighted average shares outstanding for computing basic earnings per common share	604,302	619,887	611,862	619,048
Incremental common shares attributable to dilutive securities:				
Shares issuable under convertible securities	10	13	10	13
Shares issuable under incentive compensation plans	1,290	1,939	1,466	2,034
Number of shares as adjusted for purposes of computing diluted earnings per common share	605,602	621,839	613,338	621,095
Basic earnings per common share	$ ..45	..12	..93	..44
Diluted earnings per common share	$ .44	.12	.92	.44

Our calculation of diluted earnings per common share excludes shares of common stock that are issuable upon exercise of stock options when the exercise price is greater than the average market price of our common stock during the period. Such potentially issuable shares totaled 2.4 million and 2.3 million for the three and six months ended for both June 30, 2013 and 2012, respectively.

(7) Fair Value Disclosure

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

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent and knowledgeable parties who are willing and able to transact for an asset or liability at the measurement date. We use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs when determining

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fair value and then we rank the estimated values based on the reliability of the inputs used following the fair value hierarchy set forth by the Financial Accounting Standards Board ("FASB").

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

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

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

The following table presents the carrying amounts and estimated fair values of our long-term debt, excluding capital lease obligations, as well as the input level used to determine the fair values:

			June 30, 2013		December 31, 2012	
		Input Level	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
			(Dollars in millions)			
Liabilities	Long-term debt, excluding capital lease obligations	2	$ 19,902	20,680	19,871	21,457

(8) Segment Information

During the first quarter of 2013, we announced a reorganization of our operating segments. Consequently, beginning with the first quarter of 2013, we are reporting the following four segments in our consolidated financial statements: consumer, business, wholesale and data hosting. The primary purpose of the reorganization was to strengthen our focus on the business market while continuing our commitment to our wholesale, hosting and consumer customers. The reorganization combined business sales and operations functions that formerly resided in the enterprise markets network segment and the regional markets segment into the new unified business segment. The remaining customers serviced by the regional markets segment became the new consumer segment.

Consumer. Consists generally of providing strategic and legacy products and services to residential consumers. Our strategic products and services offered to these customers include our broadband, wireless and video services, including our Prism TV services. Our legacy services offered to these customers include local and long-distance service;

Business. Consists generally of providing strategic and legacy products and services to commercial, enterprise, global and government customers. Our strategic products and services offered to these customers include our private line (including special access), broadband, Ethernet, Multiprotocol Label Switching ("MPLS"), Voice over Internet Protocol ("VoIP"), and network management services. Our legacy services offered to these customers include local and long-distance service;

Wholesale. Consists generally of providing strategic and legacy products and services to other communications providers. Our strategic products and services offered to these customers are mainly private line (including special access), dedicated internet access and MPLS. Our legacy services offered to these customers include resale, unbundled network elements ("UNEs") which allow our wholesale customers the use of our network or a combination of our network and

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their own networks to provide voice and data services to their customers, long-distance and switched access services and other services, including billing and collection, pole rental, floor space and database services; and

Data hosting. Consists primarily of providing colocation, managed hosting and cloud hosting services to national and international enterprise and government customers.

We have restated previously reported segment results for the three and six months ended June 30, 2012, due to the above-described restructuring of our business. Segment results are summarized below:

		Three Months Ended June 30,		Six Months Ended June 30,	
		2013	2012	2013	2012
		(Dollars in millions)			
Total segment revenues	$	4,276	4,346	8,532	8,690
Total segment expenses		2,062	2,063	4,007	4,083
Total segment income	$	2,214	2,283	4,525	4,607
Total margin percentage		51.8%	52.5%	53.0%	53.0%
Consumer:					
Revenues	$	1,494	1,540	3,005	3,104
Expenses		551	568	1,077	1,135
Income	$	943	972	1,928	1,969
Margin percentage		63.1%	63.1%	64.2%	63.4%
Business:					
Revenues	$	1,525	1,537	3,029	3,045
Expenses		937	943	1,818	1,853
Income	$	588	594	1,211	1,192
Margin percentage		38.6%	38.6%	40.0%	39.1%
Wholesale:					
Revenues	$	910	946	1,817	1,908
Expenses		301	313	575	625
Income	$	609	633	1,242	1,283
Margin percentage		66.9%	66.9%	68.4%	67.2%
Data hosting:					
Revenues	$	347	323	681	633
Expenses		273	239	537	470
Income	$	74	84	144	163
Margin percentage		21.3%	26.0%	21.1%	25.8%

We categorize our products and services into the following four categories:

Strategic services, which include primarily broadband, private line (including special access which we market to wholesale and business customers), MPLS (which is a data networking technology that can deliver the quality of service required to support real-time voice and video), hosting (including cloud hosting and managed hosting), colocation, Ethernet, video (including resold satellite and our facilities-based video services), VoIP and Verizon Wireless services;

Legacy services, which include primarily local, long-distance, switched access, Integrated Services Digital Network ("ISDN") (which uses regular telephone lines to support voice, video and data

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applications), and traditional wide area network ("WAN") services (which allows a local communications network to link to networks in remote locations);

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

Other revenues, which consist primarily of Universal Service Fund ("USF") revenue and surcharges. Unlike the first three revenue categories, other revenues are not included in our segment revenues.

Our operating revenues for our products and services consisted of the following categories:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
	(Dollars in millions)			
Strategic services	$ 2,164	2,078	4,306	4,136
Legacy services	1,945	2,098	3,919	4,239
Data integration	167	170	307	315
Other	249	266	506	532
Total operating revenues	$ 4,525	4,612	9,038	9,222

Other operating revenues include revenues from universal service funds which allow us to recover a portion of our costs under federal and state cost recovery mechanisms and certain surcharges to our customers, including billings for our required contributions to several USF programs. These surcharge billings to our customers are reflected on a gross basis in our statements of operations (included in both operating revenues and expenses) and aggregated approximately $249 million and $272 million for the six months ended June 30, 2013 and 2012, respectively. We also generate other operating revenues from leasing and subleasing of space in our office buildings, warehouses and other properties. We centrally manage the activities that generate these other operating revenues and consequently these revenues are not included in any of our four segments presented in the segment results table above.

Our segment revenues include all revenues from our strategic, legacy and data integration as described in more detail above. Segment revenues are based upon each customer's classification to an individual segment. We report our segment revenues based upon all services provided to that segment's customers, with the exception of data hosting revenue generated from business and wholesale customers, which is reported in data hosting segment revenues. We report our segment expenses for our four segments as follows:

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

Allocated expenses, which include network expenses, facilities expenses and other expenses such as fleet and real estate expenses.

We do not assign depreciation and amortization expense to our segments, as the related assets and capital expenditures are centrally managed. Similarly, severance expenses, restructuring expenses and, subject to an exception for our data hosting segment, certain centrally managed administrative functions (such as finance, information technology, legal and human resources) are not assigned to our segments. Interest expense is also excluded from segment results because we manage our financing on a total company basis and have not allocated assets or debt to specific segments. Other income (expense) does not relate to our segment operations and is therefore excluded from our segment results. In addition, our assets and capital expenditures are not monitored by or reported to the chief operating decision maker ("CODM") by segment.

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The following table reconciles segment income to net income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(Dollars in millions)			
Total segment income	$ 2,214	2,283	4,525	4,607
Other operating revenues	249	266	506	532
Depreciation and amortization	(1,123)	(1,208)	(2,240)	(2,416)
Other unassigned operating expenses	(625)	(684)	(1,294)	(1,412)
Other income (expense), net	(321)	(534)	(598)	(857)
Income tax expense	(125)	(49)	(332)	(180)
Net income	$ 269	74	567	274

(9) Commitments and Contingencies

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

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

We are vigorously defending against all of the matters described below. As a matter of course, we are prepared both to litigate the matters to judgment, as well as to evaluate and consider all settlement opportunities.

Litigation Matters Relating to CenturyLink and Embarq

In December 2009, subsidiaries of CenturyLink filed two lawsuits against subsidiaries of Sprint Nextel to recover terminating access charges for VoIP traffic owed under various interconnection agreements and tariffs which presently approximate $34 million in the aggregate. The lawsuits allege that Sprint Nextel has breached contracts, violated tariffs, and violated the Federal Communications Act by failing to pay these charges. One lawsuit, filed on behalf of all legacy Embarq operating entities, was tried in federal court in Virginia in August 2010 and, in March 2011, a ruling was issued in our favor and against Sprint Nextel. That ruling was affirmed on appeal, but Sprint has petitioned for further review by the U.S. Supreme Court. As of June 30, 2013, Sprint has paid us approximately $24 million in connection with this lawsuit. The other lawsuit, filed on behalf of all Legacy CenturyLink operating entities, is pending in federal court in Louisiana. In that case, in early 2011 the Court dismissed certain of CenturyLink's claims, referred other claims to the FCC, and stayed the litigation. In April 2012, Sprint Nextel filed a petition with the FCC, seeking a declaratory ruling that CenturyLink's access charges do not apply to VoIP originated calls. We have not deferred revenue related to these matters because we do not believe an adverse outcome is probable based upon current circumstances.

In *William Douglas Fulghum, et al. v. Embarq Corporation, et al.*, filed on December 28, 2007 in the United States District Court for the District of Kansas, a group of retirees filed a putative class action lawsuit challenging the decision to make certain modifications in retiree benefits programs relating to life insurance, medical insurance and prescription drug benefits, generally effective January 1, 2006 and January 1, 2008 (which, at the time of the modifications, was expected to reduce estimated future expenses for the subject benefits by more than $300 million). Defendants include Embarq, certain of its benefit plans, its Employee Benefits Committee and the individual plan administrator of certain of its benefits plans. Additional defendants include Sprint Nextel and certain of its benefit plans. The Court

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certified a class on certain of plaintiffs' claims, but rejected class certification as to other claims. Embarq and other defendants continue to vigorously contest these claims and charges. On October 14, 2011, the *Fulghum* lawyers filed a new, related lawsuit, *Abbott et al. v. Sprint Nextel et al.* CenturyLink/Embarq is not named a defendant in the lawsuit. In *Abbott,* approximately 1,500 plaintiffs allege breach of fiduciary duty in connection with the changes in retiree benefits that also are at issue in the *Fulghum* case. The *Abbott* plaintiffs are all members of the class that was certified in *Fulghum* on claims for allegedly vested benefits (Counts I and III), and the *Abbott* claims are similar to the *Fulghum* breach of fiduciary duty claim (Count II), on which the *Fulghum* court denied class certification. The Court has stayed proceedings in *Abbott* indefinitely. On February 14, 2013, the *Fulghum* court dismissed the majority of the plaintiffs' claims in that case. On July 16, 2013, the *Fulghum* court granted plaintiffs' request to seek interlocutory review by the United States Court of Appeals for the Tenth Circuit. Embarq and the other defendants will defend the appeal, continue to vigorously contest any remaining claims in *Fulghum* and seek to have the claims in the *Abbott* case dismissed on similar grounds. We have not accrued a liability for these matters because we believe it is premature (i) to determine whether an accrual is warranted and, (ii) if so, to determine a reasonable estimate of probable liability.

Litigation Matters Relating to Qwest

On July 16, 2013, Comcast MO Group, Inc. ("Comcast") filed a lawsuit in Colorado state court against Qwest Communications International, Inc. Comcast alleges Qwest breached the parties' 1998 tax sharing agreement ("TSA") when it refused to partially indemnify Comcast for a tax liability settlement Comcast reached with the Commonwealth of Massachusetts in a dispute to which we were not a party. Comcast seeks approximately $80 million in damages, excluding interest. Qwest and Comcast are parties to the TSA in their capacity as successors to the TSA's original parties, U S WEST, Inc., a telecommunications company, and MediaOne Group, Inc., a cable television company, respectively. We have not accrued a liability for this matter because we do not believe that liability is probable.

On September 29, 2010, the trustees in the Dutch bankruptcy proceeding for KPNQwest, N.V. (of which Qwest was a major shareholder) filed a lawsuit in the District Court of Haarlem, the Netherlands, alleging tort and mismanagement claims under Dutch law. Qwest and Koninklijke KPN N.V. ("KPN") are defendants in this lawsuit along with a number of former KPNQwest supervisory board members and a former officer of KPNQwest, some of whom were formerly affiliated with Qwest. Plaintiffs allege, among other things, that defendants' actions were a cause of the bankruptcy of KPNQwest, and they seek damages for the bankruptcy deficit of KPNQwest, which is claimed to be approximately €4.2 billion (or approximately $5.5 billion based on the exchange rate on June 30, 2013), plus statutory interest. Two lawsuits asserting similar claims were previously filed against Qwest and others in federal courts in New Jersey in 2004 and Colorado in 2009; those courts dismissed the lawsuits without prejudice on the grounds that the claims should not be litigated in the United States.

On September 13, 2006, Cargill Financial Markets, Plc and Citibank, N.A. filed a lawsuit in the District Court of Amsterdam, the Netherlands, against Qwest, KPN, KPN Telecom B.V., and other former officers, employees or supervisory board members of KPNQwest, some of whom were formerly affiliated with Qwest. The lawsuit alleges that defendants misrepresented KPNQwest's financial and business condition in connection with the origination of a credit facility and wrongfully allowed KPNQwest to borrow funds under that facility. Plaintiffs allege damages of approximately €219 million (or approximately $285 million based on the exchange rate on June 30, 2013). On April 25, 2012, the court issued its judgment denying the claims asserted by Cargill and Citibank in their lawsuit. Cargill and Citibank are appealing that decision.

We have not accrued a liability for the above matters. Regarding the 2010 proceeding, we believe it is premature to determine whether an accrual is warranted and, if so, a reasonable estimate of our

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probable liability. Regarding the 2006 suit, we do not believe that liability is probable. We will continue to defend against both KPNQwest litigation matters vigorously.

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

Several putative class actions relating to the installation of fiber optic cable in certain rights-of-way were filed against Qwest on behalf of landowners on various dates and in courts located in 34 states in which Qwest has such cable (Alabama, Arizona, California, Colorado, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, and Wisconsin.) For the most part, the complaints challenge our right to install our fiber optic cable in railroad rights-of-way. The complaints allege that the railroads own the right-of-way as an easement that did not include the right to permit us to install our cable in the right-of-way without the Plaintiffs' consent. Most of the currently pending actions purport to be brought on behalf of state-wide classes in the named Plaintiffs' respective states, although one action pending before the Illinois Court of Appeals purports to be brought on behalf of landowners in Illinois, Iowa, Kentucky, Michigan, Minnesota, Nebraska, Ohio and Wisconsin. In general, the complaints seek damages on theories of trespass and unjust enrichment, as well as punitive damages. After previous attempts to enter into a single nationwide settlement in a single court proved unsuccessful, the parties proceeded to seek court approval of settlements on a state-by-state basis. To date, the parties have received final approval of such settlements in 28 states (Alabama, California, Colorado, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Virginia and Wisconsin), have received preliminary approval of the settlements in two states (Kentucky and Utah), and have not yet received either preliminary or final approval in four states (Arizona, Massachusetts, New Mexico and Texas). We have accrued an amount that we believe is probable for these matters; however, the amount is not material to our consolidated financial statements.

Securities Actions

CenturyLink and certain of its affiliates are defendants in two securities and two shareholder derivative actions. The securities actions are pending in federal court in the Southern District of New York and the derivative actions are pending in federal court in the Eastern and Western Districts of Louisiana, respectively. Plaintiffs in these actions have variously alleged, among other things, that CenturyLink and certain of its current and former officers and directors violated federal securities laws and/or breached fiduciary duties owed to the Company and its shareholders. Plaintiffs' complaints focus on alleged material misstatements or omissions concerning CenturyLink's financial condition and dividend. In addition, CenturyLink's Board of Directors recently received a demand from a shareholder to investigate the shareholder's allegations that the Company made false and misleading disclosures concerning the Company's ability to maintain its dividend and permitted certain officers and directors to engage in improper insider trading.

The matters are in preliminary phases and the Company intends to defend against the filed actions vigorously. We have not accrued a liability for these matters as it is premature (i) to determine whether an accrual is warranted and (ii) if so, to determine a reasonable estimate of probable liability.

Other Matters

From time to time, we are involved in other proceedings incidental to our business, including patent infringement allegations, administrative hearings of state public utility commissions relating

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primarily to rate making, actions relating to employee claims, various tax issues, environmental law issues, grievance hearings before labor regulatory agencies, and miscellaneous third party tort actions. The outcome of these other proceedings is not predictable. However, based on current circumstances we do not believe that the ultimate resolution of these other proceedings, after considering available defenses and insurance coverage, will have a material adverse effect on our financial position, results of operations or cash flows.

(10) Other Financial Information

Other Current Assets

Other current assets reflected on our consolidated balance sheets consisted of the following:

	June 30, 2013	December 31, 2012
	(Dollars in millions)	
Prepaid expenses	$ 299	257
Materials, supplies and inventory	162	125
Assets held for sale		96
Deferred activation and installation charges	62	53
Other	47	21
Total other current assets	$ 570	552

In January 2013, we sold $43 million of our wireless spectrum assets held for sale. The sale resulted in a gain of $32 million, which is recorded as other income on our consolidated statements of operations. During the quarter ended June 30, 2013, we reclassified our remaining $53 million of wireless spectrum assets from held for sale to other intangible assets on our consolidated balance sheet. Although we continue to pursue selling our remaining spectrum assets, we no longer expect to reach agreements with purchasers within the coming twelve months.

Selected Current Liabilities

Current liabilities reflected in our consolidated balance sheets include accounts payable and other current liabilities as follows:

	June 30, 2013	December 31, 2012
	(Dollars in millions)	
Accounts payable	$ 1,285	1,207
Other current liabilities:		
Accrued rent	$ 46	48
Legal reserves	32	39
Unsettled repurchased common shares	18	
Other	163	147
Total other current liabilities	$ 259	234

Included in accounts payable at June 30, 2013 and December 31, 2012 were $237 million and $132 million, respectively, representing book overdrafts.

(11) Labor Union Contracts

Approximately 38% of our employees are members of various bargaining units represented by the Communications Workers of America or the International Brotherhood of Electrical Workers.

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Approximately 12,000, or 26%, of our employees are subject to collective bargaining agreements that expired October 6, 2012, and an additional 1,500 or 3% of our employees are subject to additional collective bargaining agreements that have expired since then. Since the expirations, we have been negotiating the terms of new agreements. In the meantime, the predecessor agreements have been extended, and the applicable unions have agreed to provide us with at least twenty-four hour advance notice before terminating those predecessor agreements. On July 30, 2013, we reached a tentative agreement in our contract negotiations with the Communication Workers of America for a four-year labor contract covering approximately 12,000 of our employees. The new contract must be approved by the union's membership. The union has advised us that it plans to seek this approval before the end of September 2013.

(12) Repurchase of CenturyLink Common Stock

In February 2013, the board of directors authorized us to repurchase up to $2 billion of our outstanding common stock. During the six months ended June 30, 2013, we repurchased 24 million shares of our outstanding common stock in the open market. These shares were repurchased for an aggregate market price of $851 million, or an average purchase price of $35.53 per share. The repurchased common stock has been retired. As of June 30, 2013, we had approximately $1.15 billion in stock remaining available for repurchase under the Stock Repurchase Program. The figures set forth above exclude 0.5 million shares that, as of June 30, 2013, we had agreed to purchase under the program for $18 million, or an average purchase price of $35.27 per share, in transactions that settled early in the third quarter of 2013.

(13) Other Comprehensive Earnings

The table below summarizes changes in our accumulated other comprehensive income (loss) by component:

	Pension Plans	Post-Retirement Benefit Plans	Foreign Currency Translation Adjustment and Other	Total
		(Dollars in millions)		
Balance at December 31, 2012	$ (1,399)	(289)	(13)	(1,701)
Other comprehensive (loss) income before reclassifications			(8)	(8)
Amounts reclassified from accumulated other comprehensive income	13	1		14
Net current-period other comprehensive income (loss)	13	1	(8)	6
Balance at March 31, 2013	$ (1,386)	(288)	(21)	(1,695)
Other comprehensive (loss) income before reclassifications			(6)	(6)
Amounts reclassified from accumulated other comprehensive income	12		1	13
Net current-period other comprehensive income (loss)	12		(5)	7
Balance at June 30, 2013	$ (1,374)	(288)	(26)	(1,688)

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The tables below present information about our reclassifications out of accumulated other comprehensive income (loss) by component:

Three Months Ended March 31, 2013	**(Decrease) Increase in Net Income**	**Affected Line Item in Consolidated Statement of Operations or Footnote Where Additional Information is Presented If The Amount is not Recognized in Net Income in Total**
	(Dollars in millions)	
Amortization of pension & post-retirement plans		
Net actuarial loss	$ (21)	See footnote 5-Employee Benefits
Prior service cost	(1)	See footnote 5-Employee Benefits
Total before tax	(22)	
Income tax expense (benefit)	8	Income tax expense
Net of tax	$ (14)	

Three Months Ended June 30, 2013	**(Decrease) Increase in Net Income**	**Affected Line Item in Consolidated Statement of Operations or Footnote Where Additional Information is Presented If The Amount is not Recognized in Net Income in Total**
	(Dollars in millions)	
Amortization of pension & post-retirement plans		
Net actuarial loss	$ (21)	See footnote 5-Employee Benefits
Prior service cost	(1)	See footnote 5-Employee Benefits
Total before tax	(22)	
Income tax expense (benefit)	10	Income tax expense
Insignificant items	(1)	
Net of tax	$ (13)	

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless the context requires otherwise, references in this report to "CenturyLink," "we," "us" and "our" refer to CenturyLink, Inc. and its consolidated subsidiaries.

All references to "Notes" in this Item 2 refer to the Notes to Consolidated Financial Statements included in Item 1 of this quarterly report.

Certain statements in this report constitute forward-looking statements. See the last paragraph of this Item 2 and "Risk Factors" in Item 1A of Part II of this report for a discussion of certain factors that could cause our actual results to differ from our anticipated results or otherwise impact our business, financial condition, results of operations, liquidity or prospects.

Overview

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") included herein should be read in conjunction with MD&A and the other information included in our Annual Report on Form 10-K for the year ended December 31, 2012, and with the consolidated financial statements and related notes in Item 1 of Part I of this report. The results of operations for the first six months of the year are not necessarily indicative of the results of operations that might be expected for the entire year.

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

At June 30, 2013, we operated 13.3 million access lines in 37 states, served approximately 5.9 million broadband subscribers, and operated 55 data centers throughout North America, Europe and Asia. Our methodology for counting access lines may not be comparable to those of other companies.

During the first quarter of 2013, we announced a reorganization of our operating segments. Consequently, we now report the following four segments in our consolidated financial statements:

Consumer. Consists generally of providing strategic and legacy products and services to residential consumers. Our strategic products and services offered to these customers include our broadband, wireless and video services, including our Prism TV services. Our legacy services offered to these customers include local and long-distance service;

Business. Consists generally of providing strategic and legacy products and services to commercial, enterprise, global and government customers. Our strategic products and services offered to these customers include our private line (including special access), broadband, Ethernet, Multiprotocol Label Switching ("MPLS"), Voice over Internet Protocol ("VoIP"), and network management services. Our legacy services offered to these customers include local and long-distance service;

Wholesale. Consists generally of providing strategic and legacy products and services to other communications providers. Our strategic products and services offered to these customers are mainly private line (including special access), dedicated internet access and MPLS. Our legacy services offered to these customers include resale, unbundled network elements ("UNEs") which

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allow our wholesale customers the use of our network or a combination of our network and their own networks to provide voice and data services to their customers, long-distance and switched access services and other services, including billing and collection, pole rental, floor space and database services; and

Data hosting. Consists primarily of providing colocation, managed hosting and cloud hosting services to national and international enterprise and government customers.

Our segment information does not include capital expenditures, total assets, or certain revenues and expenses that we manage on a centralized basis and are only reviewed by our chief operating decision maker ("CODM") on a consolidated basis. Our segment results are not necessarily indicative of the results of operations that our segments would have achieved had they operated as stand-alone entities during the periods presented. For additional information about our segments, see Note 8 Segment Information to our consolidated financial statements in Item 1 of Part I of this report and "Results of Operations Segment Results" below.

Results of Operations

The following table summarizes the results of our consolidated operations for the three and six months ended June 30, 2013 and 2012.

		Three Months Ended June 30,		Six Months Ended June 30,	
		2013	2012	2013	2012
		(Dollars in millions except per share amounts)			
Operating revenues	$	4,525	4,612	9,038	9,222
Operating expenses		3,810	3,955	7,541	7,911
Operating income		715	657	1,497	1,311
Other income (expense)		(321)	(534)	(598)	(857)
Income tax expense		125	49	332	180
Net income	$	269	74	567	274
Basic earnings per common share	$	..45	..12	..93	..44
Diluted earnings per common share	$	.44	.12	.92	.44

The following table summarizes certain of our selected operational metrics:

	As of June 30,		Increase /	
	2013	2012[(1)]	(Decrease)	% Change
	(in thousands)			
Broadband subscribers[(1)]	5,909	5,766	143	2.5%
Access lines[(1)]	13,331	14,149	(818)	(5.8)%
Employees	46.9	47.1	(0.2)	%

(1) The prior year numbers have been adjusted to include the operational metrics of our wholly owned subsidiary, El Paso County Telephone Company, which had been previously excluded. The increase (in thousands) related to Broadband subscribers and Access lines attributable to El Paso County Telephone Company's inclusion is approximately 3 and 4, respectively.

During the last several years, we have experienced revenue declines (excluding the impact of acquisitions) primarily due to declines in access lines, intrastate access rates and minutes of use. To mitigate these declines, we remain focused on efforts to, among other things:

promote long-term relationships with our customers through bundling of integrated services;

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provide new services, such as video, cloud hosting, managed hosting, colocation and other additional services that may become available in the future due to, among other things, advances in technology or improvements in our infrastructure;

provide our broadband and premium services to a higher percentage of our customers;

pursue acquisitions of additional assets if available at attractive prices;

increase usage of our networks; and

market our products and services to new customers.

Operating Revenues

We currently categorize our products, services and revenues among the following four categories:

Strategic services, which include primarily broadband, private line (including special access which we market to wholesale and business customers), MPLS (which is a data networking technology that can deliver the quality of service required to support real-time voice and video), hosting (including cloud hosting and managed hosting), colocation, Ethernet, video (including our facilities-based video services, which we now offer in eleven markets, and our resold satellite), VoIP and Verizon Wireless services;

Legacy services, which include primarily local, long-distance, switched access, Integrated Services Digital Network ("ISDN") (which uses regular telephone lines to support voice, video and data applications), and traditional wide area network ("WAN") services (which allows a local communications network to link to networks in remote locations);

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

Other revenues, which consists primarily of USF revenue and surcharges. Unlike the first three revenue categories, other revenues are not included in our segment revenues.

The following tables summarize our operating revenues under our current revenue categorization:

	Three Months Ended June 30,		Increase /	
	2013	2012	(Decrease)	% Change
		(Dollars in millions)		
Strategic services	$ 2,164	2,078	86	4%
Legacy services	1,945	2,098	(153)	(7)%
Data integration	167	170	(3)	(2)%
Other	249	266	(17)	(6)%
Total operating revenues	$ 4,525	4,612	(87)	(2)%

Six Months Ended June 30,

	2013	2012	Increase / (Decrease)	% Change
		(Dollars in millions)		
Strategic services	$ 4,306	4,136	170	4%
Legacy services	3,919	4,239	(320)	(8)%
Data integration	307	315	(8)	(3)%
Other	506	532	(26)	(5)%
Total operating revenues	$ 9,038	9,222	(184)	(2)%

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Operating revenues decreased $87 million and $184 million, or 2% and 2%, during the three and six months ended June 30, 2013 as compared to the three and six months ended June 30, 2012. This decrease was primarily attributable to declines in legacy services revenues, which reflected the continuing loss of access lines in our markets. We believe the decline in the number of access lines was primarily due to the displacement of traditional wireline telephone services by other competitive products and services. We estimate that our access lines loss will be between 5.7% and 6.1% in 2013. Our legacy services revenues were also negatively impacted in 2013 by the continued migration of customers to bundled service offerings at lower effective rates. The decreases in our legacy services revenues were partially offset by higher revenues from strategic services revenues. Growth in our broadband, Ethernet, MPLS, facilities-based video and colocation customers accounted for a majority of the growth in strategic services revenues.

Further analysis of our operating revenues by segment is provided below in "Segment Results."

Operating Expenses

Our operating expenses decreased $145 million and $370 million, or 4% and 5% for the three and six months ended June 30, 2013 as compared to June 30, 2012.

The following tables summarize our operating expenses:

		Three Months Ended June 30,		Increase /	
		2013	2012	(Decrease)	% Change
			(Dollars in millions)		
Cost of services and products (exclusive of depreciation and amortization)	$	1,873	1,912	(39)	(2)%
Selling, general and administrative		814	835	(21)	(3)%
Depreciation and amortization		1,123	1,208	(85)	(7)%
Total operating expenses	$	3,810	3,955	(145)	(4)%

		Six Months Ended June 30,		Increase /	
		2013	2012	(Decrease)	% Change
			(Dollars in millions)		
Cost of services and products (exclusive of depreciation and amortization)	$	3,669	3,789	(120)	(3)%
Selling, general and administrative		1,632	1,706	(74)	(4)%
Depreciation and amortization		2,240	2,416	(176)	(7)%
Total operating expenses	$	7,541	7,911	(370)	(5)%

Cost of services and products (exclusive of depreciation and amortization) decreased slightly for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012 primarily due to a decrease in access expenses, maintenance costs and employee benefits costs. These decreases were partially offset by increases in facility cost, network expense and real estate and power cost. Cost of services and products (exclusive of depreciation and amortization) decreased slightly for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012 primarily due to decreases in salaries and wages costs associated with the reduction in headcount, reduction in severance costs related to our recent acquisitions, and decreases in employee benefits costs, professional fees, data integration costs and access expenses. The decreases were partially offset by increases in facility

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cost, network expense and real estate and power cost. We expect our salaries, wages and employee benefits expenses will increase during the second half of 2013 as we hire additional personnel in connection with our growth initiatives.

Selling, general and administrative expenses decreased for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012 primarily due to a reduction in bad debt expense and marketing and advertising costs, which were partially offset by an increase in salaries and wages costs. Selling, general and administrative expenses decreased for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012 primarily due to decreases in salaries and wages costs associated with the reduction in headcount, reduction in severance costs related to our recent acquisitions and a reduction in bad debt expense, partially offset by an unfavorable accounting adjustment for life insurance costs.

Depreciation expense decreased for the three and six months ended June 30, 2013 as compared to the three and six months ended June 30, 2012 primarily due to depreciation rate changes of certain telecommunications equipment. The rate changes are the result of our aged investment in plant becoming fully depreciated or retired at a faster rate than the acquisition of new plant. Amortization expense decreased for the three and six months ended June 30, 2013 as compared to the three and six months ended June 30, 2012 partially due to the use of accelerated amortization for a portion of the customer relationship assets. In addition, amortization of capitalized software is lower due to investment becoming fully amortized faster than new software is acquired.

Further analysis of our operating expenses by segment is provided below in "Segment Results."

Other Consolidated Results

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

	Three Months Ended June 30,			
	2013	**2012**	**Increase / (Decrease)**	**% Change**
		(Dollars in millions)		
Interest expense	$ (325)	(335)	(10)	(3)%
Net loss on early retirement of debt		(202)	(202)	(100)%
Other income (expense)	4	3	1	33%
Total other income (expense)	$ (321)	(534)	(213)	(40)%
Income tax expense	125	49	76	155%

	Six Months Ended June 30,			
	2013	**2012**	**Increase / (Decrease)**	**% Change**
		(Dollars in millions)		
Interest expense	$ (641)	(678)	(37)	(5)%
Net (loss) on early retirement of debt		(194)	(194)	(100)%
Other income (expense)	43	15	28	187%
Total other income (expense)	$ (598)	(857)	(259)	(30)%
Income tax expense	332	180	152	84%

Interest Expense

Interest expense decreased for the three and six months ended June 30, 2013 as compared to the three and six months ended June 30, 2012 primarily due to a lower weighted-average coupon rate on

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the outstanding debt resulting from several debt financing transactions in the past eighteen months. The decrease was partially offset by a reduction in the amortization of debt premiums recorded in connection with our recent acquisitions. See Note 3 Long-term Debt and Credit Facilities and "Liquidity and Capital Resources" below for additional information about our debt.

Other Income (Expense)

Other income reflects certain items not directly related to our core operations, including gains and losses from non-operating asset dispositions and impairments, our share of income from our 49% interest in a cellular partnership, interest income and foreign currency gains and losses. Other income for the three months ended June 30, 2013 remained substantially unchanged as compared to the three months ended June 30, 2012. Other income increased for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012 primarily due to a $32 million gain on the sale of wireless spectrum in January 2013. In the six months ended June 30, 2012 we recorded gains on a sale of our auction rate securities.

Income Tax Expense

The effective tax rate for the six months ended June 30, 2013 was 36.9% compared to 39.7% for the comparative prior year period. The 2013 year-to-date effective tax rate reflects the net impact of a favorable settlement with the Internal Revenue Service of $33 million recorded in the second quarter, which was partially offset by an unfavorable accounting adjustment for nondeductible life insurance costs recorded in the first quarter.

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Segment Results

General

We have restated previously reported segment results due to the above-described reorganization of our business. Segment results are summarized below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(Dollars in millions)			
Total segment revenues	$ 4,276	4,346	8,532	8,690
Total segment expenses	2,062	2,063	4,007	4,083
Total segment income	$ 2,214	2,283	4,525	4,607
Total margin percentage	51.8%	52.5%	53.0%	53.0%
Consumer:				
Revenues	$ 1,494	1,540	3,005	3,104
Expenses	551	568	1,077	1,135
Income	$ 943	972	1,928	1,969
Margin percentage	63.1%	63.1%	64.2%	63.4%
Business:				
Revenues	$ 1,525	1,537	3,029	3,045
Expenses	937	943	1,818	1,853
Income	$ 588	594	1,211	1,192
Margin percentage	38.6%	38.6%	40.0%	39.1%
Wholesale:				
Revenues	$ 910	946	1,817	1,908
Expenses	301	313	575	625
Income	$ 609	633	1,242	1,283
Margin percentage	66.9%	66.9%	68.4%	67.2%
Data hosting:				
Revenues	$ 347	323	681	633
Expenses	273	239	537	470
Income	$ 74	84	144	163
Margin percentage	21.3%	26.0%	21.1%	25.8%

Our segment revenues include all revenues from our strategic services, legacy services and data integration as described in more detail above. Segment revenues are based upon each customer's classification to an individual segment. We report our segment revenues based upon all services provided to that segment's customers, with the exception of data hosting revenue generated from business and wholesale customers, which is reported in data hosting segment revenues. We report our segment expenses for our four segments as follows:

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

Allocated expenses, which include network expenses, facilities expenses and other expenses such as fleet and real estate expenses.

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We do not assign depreciation and amortization expense to our segments, as the related assets and capital expenditures are centrally managed. Similarly, severance expenses, restructuring expenses and, subject to an exception for our data hosting segment, certain centrally managed administrative functions (such as finance, information technology, legal and human resources) are not assigned to our segments. Interest expense is also excluded from segment results because we manage our financing on a total company basis and have not allocated assets or debt to specific segments. In addition, our assets and capital expenditures are not monitored by or reported to the CODM by segment. Other income (expense) does not relate to our segment operations and is therefore excluded from our segment results.

As a result of the change in our operating segments previously discussed, we performed a qualitative assessment of our goodwill and concluded our goodwill assigned to the reporting units prior to the reorganization was not impaired.

Consumer

The operations of our consumer segment have been impacted by several significant trends, including those described below:

Strategic services. We continue to focus on increasing subscribers of our broadband services in our consumer segment. In order to remain competitive, we believe it is important to continually increase our broadband network's scope and connection speeds. As a result, we continue to invest in our broadband network, which allows for the delivery of higher speed broadband services to a greater number of customers. In addition, we continue to refine our broadband marketing efforts as we compete in a maturing market in which most consumers already have broadband services. We also continue to expand our strategic product offerings, including facilities-based video services. The expansion of our facilities-based video service infrastructure requires us to incur start-up expenses in advance of the revenue that this service is expected to generate. Although, over time, we expect that our revenue for facilities-based video services will offset the expenses incurred, the timing of this revenue growth is uncertain. We expect these efforts will improve our ability to compete and increase our strategic revenues;

Legacy services. Our voice revenues have been, and we expect they will continue to be, adversely affected by access line losses. Intense competition and product substitution continue to drive our access line losses. For example, many consumers are substituting cable and wireless voice and electronic mail, texting and social networking services for traditional voice telecommunications services. We expect that these factors will continue to negatively impact our business. As a result of the expected loss of revenues associated with access lines, we continue to offer our customers service bundling and other product promotions to help mitigate this trend, as described below;

Service bundling and product promotions. We offer our customers the ability to bundle multiple products and services. These customers can bundle local services with other services such as broadband, video, long-distance and wireless; and

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

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The following tables summarize the results of operations from our consumer segment:

Consumer Segment

	Three Months Ended June 30, 2013	2012	Increase / (Decrease)	% Change
	(Dollars in millions)			
Segment revenues:				
Strategic services	$ 628	590	38	6%
Legacy services	865	947	(82)	(9)%
Data integration	1	3	(2)	(67)%
Total revenues	1,494	1,540	(46)	(3)%
Segment expenses:				
Direct	435	444	(9)	(2)%
Allocated	116	124	(8)	(6)%
Total expenses	551	568	(17)	(3)%
Segment income	$ 943	972	(29)	(3)%
Segment margin percentage	63.1%	63.1%		

Consumer Segment

	Six Months Ended June 30, 2013	2012	Increase / (Decrease)	% Change
	(Dollars in millions)			
Segment revenues:				
Strategic services	$ 1,248	1,178	70	6%
Legacy services	1,754	1,921	(167)	(9)%
Data integration	3	5	(2)	(40)%
Total revenues	3,005	3,104	(99)	(3)%
Segment expenses:				
Direct	848	889	(41)	(5)%
Allocated	229	246	(17)	(7)%
Total expenses	1,077	1,135	(58)	(5)%
Segment income	$ 1,928	1,969	(41)	(2)%
Segment margin percentage	64.2%	63.4%		

Segment Income

Declines in local and long-distance services revenues associated with access line loss largely contributed to a decrease in our consumer segment income for the three and six months ended June 30, 2013 as compared to the three and six months ended June 30, 2012. The decrease in revenues was partially offset by lower expenses.

Segment Revenues

Consumer revenues decreased 3% for each of the three and six months ended June 30, 2013 as compared to the three and six months ended June 30, 2012. Growth in strategic services revenues partially offset the decline in legacy services revenues. The increase in strategic services revenues is due primarily to volume increases in our facilities-based video services and increases in the number of broadband subscribers, as well as from price increases on various services. Legacy services revenues decreased primarily due to declines in local and long-distance services associated with access line losses resulting from competitive pressures.

Segment Expenses

Consumer expenses decreased for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012 primarily due to decreases in bad debt expense, facility costs, marketing expenses and allocated expenses. The decrease in allocated expenses for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012 was primarily due to reductions in network expenses, including professional fees, and fleet expenses, partially offset by increases in real estate and power. Consumer expenses decreased for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012 primarily due to decreases in bad debt expense, facility costs and allocated expenses. For the six months ended June 30, 2013 as compared to the six months ended June 30, 2012, allocated expenses decreased primarily due to decreases in network expenses, including professional fees and salary and wages, as well as decreases in fleet expenses.

Business

The operations of our business segment have been impacted by several significant trends, including those described below:

Strategic services. Our mix of total segment revenues continues to migrate from legacy services to strategic services as our commercial, enterprise, global and government customers increasingly demand customized and integrated data, Internet and voice services. We offer diverse combinations of emerging technology products and services such as private line, MPLS, and VoIP services. We believe these services afford our customers more flexibility in managing their communications needs and enable us to improve the effectiveness and efficiency of their operations. Although we are experiencing price compression on our strategic services due to competition, we expect strategic revenues from these services to continue to grow during 2013.

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

Data integration. We expect both data integration revenue and the related costs will fluctuate from quarter to quarter as this offering tends to be more sensitive than others to changes in the economy and in spending trends of our federal, state and local government customers, many of whom have recently experienced substantial budget cuts with the prospects of additional future budget cuts.

Operating efficiencies. We continue to evaluate our operating structure and focus. This involves balancing our segment workforce in response to our workload requirements, productivity improvements and changes in industry, competitive, technological and regulatory conditions, while achieving operational efficiencies and improving our processes through automation. We also expect our business segment to benefit indirectly from efficiencies in our company-wide network operations.

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The following tables summarize the results of operations from our business segment:

Business Segment

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Increase / (Decrease)	% Change
	(Dollars in millions)			
Segment revenues:				
Strategic services	$ 617	590	27	5%
Legacy services	742	780	(38)	(5)%
Data integration	166	167	(1)	(1)%
Total revenues	1,525	1,537	(12)	(1)%
Segment expenses:				
Direct	829	829		%
Allocated	108	114	(6)	(5)%
Total expenses	937	943	(6)	(1)%
Segment income	$ 588	594	(6)	(1)%
Segment margin percentage	38.6%	38.6%		

Business Segment

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Increase / (Decrease)	% Change
	(Dollars in millions)			
Segment revenues:				
Strategic services	$ 1,232	1,168	64	5%
Legacy services	1,493	1,567	(74)	(5)%
Data integration	304	310	(6)	(2)%
Total revenues	3,029	3,045	(16)	(1)%
Segment expenses:				
Direct	1,607	1,628	(21)	(1)%
Allocated	211	225	(14)	(6)%
Total expenses	1,818	1,853	(35)	(2)%
Segment income	$ 1,211	1,192	19	2%
Segment margin percentage	40.0%	39.1%		

Segment Income

Business income decreased for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012 primarily due to a greater decline in total revenue as compared to the decline in total expense. Business income increased for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012 primarily due to lower direct expenses.

Segment Revenues

Business revenues decreased slightly for the three and six months ended June 30, 2013 as compared to the three and six months ended June 30, 2012. This decrease primarily reflected lower revenues from legacy services driven by access line losses and lower data integration revenues due to

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lower sales of data integration equipment. The strategic services growth came from increases in Ethernet and MPLS services, which were partially offset by decreases in private line services.

Segment Expenses

Business expenses decreased for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012 primarily due to decreases in equipment and maintenance costs, bad debt expense and allocated expenses, partially offset by increases in professional fees and facility costs. Allocated expenses decreased for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012 primarily due to decreases in network expenses, including professional fees, partially offset by increases in real estate expenses. Business expenses decreased for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012 primarily due to decreases in salaries, wages and benefits, equipment and maintenance costs, bad debt expense and allocated expenses, partially offset by increases in professional fees and facility costs. Allocated expenses decreased for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012 primarily due to decreases in network expenses, including professional fees and salaries and wages, partially offset by increases in real estate and power expenses.

Wholesale

The operations of our wholesale segment have been impacted by several significant trends, including those described below:

Strategic services. Demand for our private line services (including special access) has begun to decline due to our customers' optimization of their networks, industry consolidation and technological migration. While we expect that these factors will continue to negatively impact our wholesale segment, we believe the bandwidth consumption growth in our fiber-based special access services provided to wireless carriers for backhaul will partially offset the decline in copper-based special access services provided to wireless carriers as they migrate to Ethernet services, although the timing and magnitude of this technological migration is uncertain;

Legacy services. Our access, local services and long-distance revenues have been and we expect will continue to be adversely affected by customer migration to more technologically advanced services, declining demand for traditional voice services, industry consolidation and price compression, including regulation and rate reductions. For example, wholesale consumers are substituting cable, wireless and VoIP services for traditional voice telecommunications services, resulting in continued access revenue loss. Our switched access revenues have been and will continue to be impacted by changes related to the Connect America and Intercarrier Compensation Reform order ("CAF order") adopted by the Federal Communications Commission ("FCC") on October 27, 2011 that we believe will substantially increase the pace of reductions in the amount of switched access revenues we receive in our wholesale segment. Conversely, the FCC instituted an access recovery charge that allows us to recover the majority of these lost revenues directly from end users in our Consumer and Business segments. We expect these factors will continue to adversely impact our wholesale segment; and

Operating efficiencies. We continue to evaluate our operating structure and focus. This involves balancing our segment workforce in response to our workload requirements, productivity improvements and changes in industry, competitive, technological and regulatory conditions. We also expect our wholesale segment to benefit indirectly from enhanced efficiencies in our company-wide network operations.

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The following tables summarize the results of operations from our wholesale segment:

Wholesale Segment

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Increase / (Decrease)	% Change
	(Dollars in millions)			
Segment revenues:				
Strategic services	$ 572	575	(3)	(1)%
Legacy services	338	371	(33)	(9)%
Total revenues	910	946	(36)	(4)%
Segment expenses:				
Direct	49	45	4	9%
Allocated	252	268	(16)	(6)%
Total expenses	301	313	(12)	(4)%
Segment income	$ 609	633	(24)	(4)%
Segment margin percentage	66.9%	66.9%		

Wholesale Segment

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Increase / (Decrease)	% Change
	(Dollars in millions)			
Segment revenues:				
Strategic services	$ 1,145	1,157	(12)	(1)%
Legacy services	672	751	(79)	(11)%
Total revenues	1,817	1,908	(91)	(5)%
Segment expenses:				
Direct	79	93	(14)	(15)%
Allocated	496	532	(36)	(7)%
Total expenses	575	625	(50)	(8)%
Segment income	$ 1,242	1,283	(41)	(3)%
Segment margin percentage	68.4%	67.2%		

Segment Income

Declines in both strategic and legacy services revenues largely contributed to a decrease in our wholesale segment income for the three and six months ended June 30, 2013 as compared to the three and six months ended June 30, 2012. The decreases in segment expenses did not fully offset the declines in segment revenue for the comparable periods.

Segment Revenues

Wholesale revenues decreased for the three and six months ended June 30, 2013 as compared to the three and six months ended June 30, 2012. These decreases reflect lower revenues from both legacy and strategic services. The decreases in legacy services revenues reflect continuing declines in access, long-distance and local services volumes and revenues due to the substitution of cable, wireless and VoIP services for traditional voice telecommunications services. The declines in strategic services

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revenues were due to decreases in our private line and special access services revenues, partially offset by an increase in Ethernet revenues.

Segment Expenses

Wholesale expenses declined for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012 primarily due to decreases in access expenses, facility costs and allocated expenses, which were partially offset by increases in external commissions. Allocated expenses for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012 decreased primarily due to decreases in network expenses, including professional fees. Wholesale expenses declined for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012 primarily due to decreases in salaries and wages as a result of reductions in headcount, lower facility costs and reduced access costs and allocated expenses, which were partially offset by increases in external commissions. Allocated expenses for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012 decreased primarily due to decreases in network expenses, including professional fees and salaries and wages, as well as decreases in fleet expenses.

Data Hosting

The operations of our data hosting segment could be impacted by several significant trends, including those described below:

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

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

Network services. Network services are comprised of our hosting area network products supporting colocation and managed hosting service offerings. Network services also include managed VPN and bandwidth services. Segment income for these services has been relatively flat due to pricing pressures on VPN and bandwidth services, offset by increases in hosting area network services.

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

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The following tables summarize the results of operations from our data hosting segment, which are all categorized as strategic services:

Data Hosting Segment

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Increase / (Decrease)	% Change
	(Dollars in millions)			
Segment revenues	$ 347	323	24	7%
Segment expenses	273	239	34	14%
Segment income	$ 74	84	(10)	(12)%
Segment margin percentage	21.3%	26.0%		

Data Hosting Segment

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Increase / (Decrease)	% Change
	(Dollars in millions)			
Segment revenues	$ 681	633	48	8%
Segment expenses	537	470	67	14%
Segment income	$ 144	163	(19)	(12)%
Segment margin percentage	21.1%	25.8%		

Segment Income

Segment income declined for the three and six months ended June 30, 2013 as compared to the three and six months ended June 30, 2012. The decline was due to increased investment in growth programs such as savvisdirect and data center expansion which included an increase in headcount.

Segment Revenues

Data hosting revenues, which are all categorized as strategic services, increased for the three and six months ended June 30, 2013 as compared to the three and six months ended June 30, 2012 primarily due to the impact of the acquisition of CIBER ITO Services ("CIBER"), which is reported in managed hosting services, and growth in colocation revenues. For the three and six months ended June 30, 2013, CIBER accounted for approximately $15 million and $29 million, respectively, of the increases in data hosting revenues.

Segment Expenses

Data hosting expenses increased for the three and six months ended June 30, 2013 as compared to the three and six months ended June 30, 2012. Higher employee related costs resulting from the CIBER acquisition accounted for approximately $15 million and $29 million of the increases for the three and six months ended June 30, 2013, respectively. In addition, increases in professional fees, network expenses, employee benefits costs and real estate and power costs, as well as our continuing investment in cloud growth initiatives via savvisdirect, contributed to the increases in data hosting expenses.

Liquidity and Capital Resources

Overview

At June 30, 2013, we held cash and cash equivalents of $214 million and we had $1.955 billion available under our $2.0 billion revolving credit facility (referred to as our "Credit Facility", which is

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described further below). At June 30, 2013, cash and cash equivalents of $71 million were held in foreign bank accounts for the purpose of funding our foreign operations. Due to various factors, access to foreign cash is generally more restrictive than access to domestic cash.

We and our board of directors monitors our use of cash throughout the year, but with enhanced scrutiny early each year in connection with the review of annual budgets. In connection with our budgeting process in early 2013, our executive officers and board of directors reviewed our sources and potential uses of cash over the next several years, including among other things the previously-disclosed effect of the anticipated depletion of our federal net operating loss carryforwards by 2015. In connection therewith, the board of directors determined that reducing our quarterly dividend rate beginning in 2013, together with implementing a share repurchase program, would enhance our long-term ability to balance our multiple objectives of growing our business, honoring our debt and pension commitments, and returning cash to our shareholders. Based on the current capital allocation objectives approved by our board in early 2013, during the last six months of 2013 we anticipate expending cash of between $1.5 billion and $1.6 billion for capital investment in property, plant and equipment and capitalized software and $660 million or less for dividends on our common stock, based on the current quarterly common stock dividend rate of $0.54. We have debt maturities of approximately $120 million over the remainder of 2013, and we also anticipate expending cash for repurchasing common stock, but the amount will largely depend on market conditions.

We will continue to monitor our future sources and uses of cash, and anticipate that we will make adjustments to our capital allocation strategies when, as and if determined by our board of directors. We may also draw on our revolving credit facility as a source of liquidity for operating activities and to give us additional flexibility to finance capital investments, repayments of debt, pension contributions, dividends or stock repurchases.

Capital Expenditures

We incur capital expenditures on an ongoing basis in order to enhance and modernize our networks, compete effectively in our markets and expand our service offerings. We evaluate capital expenditure projects based on a variety of factors, including expected strategic impacts (such as forecasted revenue growth, operating, productivity, expense or service impacts) and our expected return on investment. The amount of capital investment is influenced by, among other things, demand for our services and products, cash flow generated by operating activities, cash required for other purposes and regulatory considerations. We estimate our total capital expenditures during the remainder of 2013 to be approximately $1.5 billion to $1.6 billion.

Our capital expenditures continue to be focused on our strategic services such as video, broadband and managed hosting services as well as our continuing investment in "fiber to the tower" initiatives. For more information on capital spending, see Items 1 and 1A of our Annual Report on Form 10-K for the year ended December 31, 2012.

In 2012 and early 2013, we accepted approximately $35 million from Round 1 of Phase 1 of the FCC's Connect America Fund ("CAF") established by Congress to help telecommunications carriers defray the cost of providing broadband access to remote customers. We intend to use the funds to deploy broadband service for up to 45,000 homes in unserved rural areas principally in Colorado, Minnesota, New Mexico, Virginia and Washington. In 2013, the FCC announced another round of CAF funding and we are eligible to receive at least $90 million of additional funding under Round 2 of Phase 1 of CAF. We are currently evaluating how much of this funding to accept.

Debt and Other Financing Arrangements

On July 15, 2013, our subsidiary Embarq paid at maturity the $59 million principal amount of its 6.875% Notes. Approximately $50 million of Embarq 6.750% Notes will mature on August 15, 2013.

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Subject to market conditions, we expect to continue to issue debt securities from time to time in the future to refinance a substantial portion of our maturing debt, including issuing QC debt securities to refinance its maturing debt. The availability, interest rate and other terms of any new borrowings will depend on the ratings assigned to us and QC by credit rating agencies, among other factors.

Following our announcement on February 13, 2013 of changes in our capital allocation plans, two credit agencies downgraded CenturyLink's debt credit ratings. As of the date of this report, the credit ratings for the senior unsecured debt of CenturyLink, Inc. and Qwest Corporation were as follows:

Agency	CenturyLink, Inc.	Qwest Corporation
Standard & Poor's	BB	BBB-
Moody's Investors Service, Inc.	Ba2	Baa3
Fitch Ratings	BB+	BBB-

We believe the CenturyLink downgrades raised our borrowing costs and could under certain circumstances limit our access to the capital markets. Additional downgrades of CenturyLink's senior unsecured debt ratings could under certain circumstances incrementally increase the cost of our borrowing under the Credit Facility, among other things. For further discussion of the potential impacts of additional downgrades of the credit ratings relating to us, QC or any of our other subsidiaries, see "Risk Factors Risks Affecting our Liquidity and Capital Resources" in Item 1A of Part II of this report.

Dividends

We currently expect to continue our current practice of paying quarterly cash dividends in respect of our common stock subject to our board of director's discretion to modify or terminate this practice at any time. In early 2013, our board of directors approved a 25.5% reduction in our quarterly common stock dividend rate to $0.54 per share, which we believe resulted in a dividend payout rate that is more sustainable over the long-term, and thereby increases our flexibility to balance our multiple objectives of managing our business, paying our fixed commitments and returning cash to our shareholders. At this rate of $0.54 per share, we anticipate our total dividends paid each quarter will be $330 million or less, depending on how much stock we repurchase in future periods and excluding the impact of any currently unforeseen share issuances. See "Risk Factors Risks Affecting Our Business" in Item 1A of Part II of this report and the discussion of our stock repurchase program below.

Stock Repurchase Program

In February 2013, the board of directors authorized us to repurchase up to $2 billion of our outstanding common stock. As of June 30, 2013, we had approximately $1.15 billion in stock remaining available for repurchase under the Stock Repurchase Program (excluding 0.5 million common shares that, as of June 30, 2013, we had agreed to purchase under the program for $18 million in transactions that settled early in the third quarter of 2013). As of August 6, 2013, we had repurchased 28.3 million common shares for an aggregate market price of $1.01 billion and an average purchase price of $35.56 per share. The repurchased common stock has been retired. We expect to continue executing this share repurchase program primarily in open market transactions, subject to market conditions and other factors. For additional information on repurchases made during the three months ended June 30, 2013, see Item 2 of Part II of this report.

Credit Facilities

Our $2.0 billion amended and restated revolving credit facility matures in April 2017. The Credit Facility has 18 lenders, with commitments ranging from $2.5 million to $181 million and allows us to

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obtain revolving loans and to issue up to $400 million of letters of credit, which upon issuance will reduce the amount available for other extensions of credit. Interest is assessed on borrowings using either the LIBOR or the base rate (each as defined in the Credit Facility) plus an applicable margin between 1.25% and 2.25% per annum for LIBOR loans and 0.25% and 1.25% per annum for base rate loans depending on our then current senior unsecured long-term debt rating. Our obligations under the Credit Facility are currently guaranteed by five of our subsidiaries. At June 30, 2013, we had $45 million in borrowings and no letters of credit outstanding under the Credit Facility.

Under the Credit Facility, we, and our indirect subsidiary, Qwest Corporation, must maintain a debt to EBITDA (earnings before interest, taxes, depreciation and amortization, as defined in our Credit Facility) ratio of not more than 4.0:1.0 and 2.85:1.0, respectively, as of the last day of each fiscal quarter for the four quarters then ended. The Credit Facility also contains a negative pledge covenant, which generally requires us to secure equally and ratably any advances under the Credit Facility if we pledge assets or permit liens on our property for the benefit of other debtholders. The Credit Facility also has a cross payment default provision, and the Credit Facility and certain of our debt securities also have cross acceleration provisions. When present, these provisions could have a wider impact on liquidity than might otherwise arise from a default or acceleration of a single debt instrument. To the extent that our EBITDA is reduced by cash settlements or judgments, including in respect of any of the matters discussed in Note 9 Commitments and Contingencies to our consolidated financial statements in Item 1 of Part I of this report, our debt to EBITDA ratios under certain debt agreements could be adversely affected. This could reduce our financing flexibility due to potential restrictions on incurring additional debt under certain provisions of our debt agreements or, in certain circumstances, could result in a default under certain provisions of such agreements.

We also maintain a revolving letter of credit facility which enables us to provide letters of credit under terms that may be more favorable than those under the Credit Facility. At June 30, 2013, our outstanding letters of credit totaled $123 million under this facility, which is terminable at will by either party.

Future Contractual Obligations

For information regarding our estimated future contractual obligations, see the MD&A discussion included in our Annual Report on Form 10-K for the year ended December 31, 2012.

Pension and Post-retirement Benefit Obligations

We are subject to material obligations under our existing defined benefit pension plans and other post-retirement benefit plans. The accounting unfunded status of our plans is measured annually at December 31. See Note 5 Employee Benefits to our consolidated financial statements in Item 1 of Part I of this report for additional information about our pension and other post-retirement benefit arrangements.

Benefits paid by our qualified pension plans are paid through a trust that holds all plan assets. In the first quarter of 2013, we made cash contributions to the trust totaling $147 million. Based on current laws and circumstances, we do not expect any further required contributions to the plans for the remainder of 2013. The amount of required contributions to our plans in 2014 and beyond will depend on a variety of factors, most of which are beyond our control, including earnings on plan investments, prevailing interest rates, demographic experience, changes in plans benefits and changes in funding laws and regulations.

Certain of our post-retirement health care and life insurance benefits plans are unfunded. Several trusts hold assets that are used to help cover the health care costs of certain retirees. As of December 31, 2012, the fair value of the trust assets was $626 million; however, a portion of these assets is comprised of investments with restricted liquidity. We estimate that the more liquid assets in

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the trust will be adequate to provide continuing reimbursements for covered post-retirement health care costs for approximately four years. Thereafter, covered benefits will be paid either directly by us or from the trusts as the remaining assets become liquid. The actual number of years that our more liquid assets will fund covered benefits could be substantially shorter or longer than projected depending on returns on plan assets, the timing of maturities of illiquid plan assets and future changes in benefits.

Our estimated annual long-term rate of return on the pension plans trust assets is 7.50% and for the post-retirement plans trust assets ranges from 5.34% to 7.50% based on the assets currently held; however, actual returns could vary widely in any given year.

Net Operating Loss Carryforwards

We are currently using federal net operating losses ("NOLs") to offset a portion of our federal taxable income. We expect to deplete a significant portion of these NOLs and certain other deferred tax attributes by 2014, and substantially all of these tax benefits by 2015. Once our NOLs are fully utilized, we expect that the amounts of our cash flows dedicated to the payment of federal taxes will increase substantially. The amounts of those payments will depend upon many factors, including future earnings, tax law changes and future tax circumstances. For additional information, see "Risk Factors Risks Relating to our Recent Acquisitions" appearing in Item 1A of Part II of this report.

Historical Information

The following table summarizes our cash flow activities:

	Six Months Ended June 30,		Increase /
	2013	2012	(Decrease)
	(Dollars in millions)		
Net cash provided by operating activities	$ 2,856	2,799	57
Net cash used in investing activities	(1,312)	(1,175)	137
Net cash used in financing activities	(1,541)	(1,473)	68

Net cash provided by operating activities increased due primarily to higher consolidated earnings and changes in accounts payable, which were substantially offset by changes in other current assets and current liabilities. Our consolidated financial statements in Item 1 of Part I in this report provide information about the components of net income and differences between net income and net cash provided by operating activities. For additional information about our operating results, see "Results of Operations" above.

Net cash used in investing activities increased primarily due to increased payments for property, plant and equipment and less proceeds from the sale of intangible assets or property.

Net cash used in financing activities increased due primarily to a significant increase in stock repurchases (due to our recently announced buyback program) offset substantially by a decrease in net debt paydowns, payment of early retirement of debt costs in 2012 with none in 2013, and a decrease in dividends paid due to our recently announced reduction.

On June 17, 2013, QC paid at maturity the $750 million principal amount of its floating rate Notes.

On May 23, 2013, QC issued approximately $775 million aggregate principal amount of 6.125% Notes due 2053 including $25 million principal amount that was sold pursuant to an over-allotment option granted to the underwriters for the offering in exchange for net proceeds, after deducting underwriting discounts and expenses, of $752 million. The Notes are unsecured obligations and may be redeemed, in whole or in part, on or after June 1, 2018 at a redemption price equal to 100% of the principal amount redeemed plus accrued interest.

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On April 1, 2013, CenturyLink paid at maturity the $176 million principal amount of its 5.50% Notes.

On March 21, 2013, CenturyLink issued $1 billion aggregate principal amount of 5.625% Notes due 2020 in exchange for net proceeds, after deducting underwriting discounts and expenses, of approximately $988 million. The Notes are unsecured obligations and may be redeemed, in whole or in part, at any time at a redemption price equal to the greater of par or a "make-whole" rate specified in the Notes, plus accrued and unpaid interest to the redemption date. In addition, at any time on or prior to April 1, 2016, we may redeem up to 35% of the principal amount of the Notes at a redemption price equal to 105.625% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of certain equity offerings. Under certain circumstances, we will be required to make an offer to repurchase the Notes at a price of 101% of their aggregate principal amount plus accrued and unpaid interest to the repurchase date.

During the six months ended June 30, 2013, we repurchased 24 million shares of the company's outstanding common stock in the open market. These shares were repurchased for an aggregate market price of $851 million, or an average purchase price of $35.53 per share. The repurchased common stock has been retired.

Certain Matters Related to Acquisitions

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

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

The table below summarizes the portions of this premium recognized as a reduction to interest expense or extinguished during the periods indicated:

	Six Months Ended June 30, 2013	From April 1, 2011 thru December 31, 2012	Total Since Acquisition
		(Dollars in millions)	
Amortized	$ 34	240	274
Extinguished[1]		235	235
Total premiums recognized	$ 34	475	509

(1) See "Debt and Other Financing Arrangements" for more information

The remaining premium of $184 million as of June 30, 2013 will reduce interest expense in future periods, unless otherwise extinguished.

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Other Matters

CenturyLink has cash management arrangements with certain of its principal subsidiaries, in which substantial portions of the subsidiaries' cash is regularly advanced to CenturyLink. In accordance with generally accepted accounting principles, these advances are eliminated as intercompany transactions. Although CenturyLink periodically repays these advances to fund the subsidiaries' cash requirements throughout the year, at any given point in time we may owe a substantial sum to our subsidiaries under these advances, which are not recognized on our consolidated balance sheets.

We also are involved in various legal proceedings that could have a material adverse effect on our financial position. See Note 9 Commitment and Contingencies to our consolidated financial statements in Item 1 of Part I of this report for the current status of such legal proceedings, including matters involving Qwest.

Market Risk

We are exposed to market risk from changes in interest rates on our variable rate long-term debt obligations and fluctuations in certain foreign currencies. We seek to maintain a favorable mix of fixed and variable rate debt in an effort to limit interest costs and cash flow volatility resulting from changes in rates.

From time to time, we have used derivative instruments to (i) lock-in or swap our exposure to changing or variable interest rates for fixed interest rates or (ii) to swap obligations to pay fixed interest rates for variable interest rates. As of June 30, 2013, we had no such instruments outstanding. We have established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative instrument activities. We do not hold or issue derivative financial instruments for trading or speculative purposes. Management periodically reviews our exposure to interest rate fluctuations and implements strategies to manage the exposure.

There were no material changes to market risks arising from changes in interest rates for the six months ended June 30, 2013, when compared to the disclosures provided in our Annual Report on Form 10-K for the year ended December 31, 2012.

Off-Balance Sheet Arrangements

We have no special purpose or limited purpose entities that provide off-balance sheet financing, liquidity, or market or credit risk support and we do not engage in hedging or other similar activities that expose us to any significant liabilities that are not (i) reflected on the face of the consolidated financial statements, (ii) disclosed in Note 15 Commitments and Contingencies to our consolidated financial statements in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2012 or (iii) discussed under the heading "Market Risk" above.

Other Information

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

Certain of the industry and market data (such as the size of certain markets and our position within these markets) used throughout this report are based on independent industry publications, government publications, reports by market research firms or other published independent sources.

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Some market data and statistical information are also based on our good faith estimates, which are derived from our review of internal surveys, as well as the independent sources listed above. This information may prove to be inaccurate because of the method by which we obtain some of the data for our estimates or because this information cannot always be verified with certainty due to the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties. As a result, although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy and completeness.

In addition to historical information, this MD&A includes certain forward-looking statements that are based on current expectations only, and are subject to a number of risks, uncertainties and assumptions, many of which are beyond our control. Actual events and results may differ materially from those anticipated, estimated, projected, expressed or implied if one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect. Factors that could affect actual results include but are not limited to: the timing, success and overall effects of competition from a wide variety of competitive providers; the risks inherent in rapid technological change; the effects of ongoing changes in the regulation of the communications industry (including the outcome of regulatory or judicial proceedings relating to intercarrier compensation, access charges, universal service, broadband deployment and net neutrality); our ability to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages; our ability to effectively adjust to changes in the communications industry and changes in the composition of our markets and product mix caused by our recent acquisitions; our ability to successfully integrate recently-acquired operations into our incumbent operations, including the possibility that the anticipated benefits from our recent acquisitions cannot be fully realized in a timely manner or at all, or that integrating the acquired operations will be more difficult, disruptive or costly than anticipated; our ability to use net operating loss carryovers of Qwest in projected amounts; our ability to effectively manage our expansion opportunities, including retaining and hiring key personnel; possible changes in the demand for, or pricing of, our products and services, including our ability to effectively respond to increased demand for high-speed broadband services; our ability to successfully introduce new product or service offerings on a timely and cost-effective basis; our continued access to credit markets on favorable terms; our ability to collect our receivables from financially troubled communications companies; any adverse developments in legal or regulatory proceedings involving us; our ability to pay common share dividends in accordance with past practices, which may be affected by changes in our cash requirements, capital spending plans, cash flows or financial position; unanticipated increases or other changes in our future cash requirements, whether caused by unanticipated increases in capital expenditures, increases in pension funding requirements or otherwise; the effects of adverse weather; other risks referenced in this report (including in "Risk Factors" in Item 1A of Part II of this report) or from time to time in other of our filings with the SEC; and the effects of more general factors such as changes in interest rates, in tax rates, in accounting policies or practices, in operating, medical, pension or administrative costs, in general market, labor or economic conditions, or in legislation, regulation or public policy. These and other uncertainties related to our business and our recent acquisitions are described in greater detail in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2012, as updated and supplemented by our subsequent SEC reports, including this report. You should be aware that new factors may emerge from time to time and it is not possible for us to identify all such factors nor can we predict the impact of each such factor on the business or the extent to which any one or more factors may cause actual results to differ from those reflected in any forward-looking statements. You are further cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We undertake no obligation to update any of our forward-looking statements for any reason.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Liquidity and Capital Resources Market Risk" in Item 2 above for quantitative and qualitative disclosures about market risk.

ITEM 4. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

The effectiveness of our or any system of disclosure controls and procedures is subject to certain limitations, including the exercise of judgment in designing, implementing and evaluating the controls and procedures, the assumptions used in identifying the likelihood of future events and the inability to eliminate misconduct completely. As a result, there can be no assurance that our disclosure controls and procedures will detect all errors or fraud. By their nature, our or any system of disclosure controls and procedures can provide only reasonable assurance regarding management's control objectives.

Our Chief Executive Officer, Glen F. Post, III, and our Chief Financial Officer, R. Stewart Ewing, Jr., have evaluated the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the "Exchange Act") at June 30, 2013. Based on the evaluation, Messrs. Post and Ewing concluded that our disclosure controls and procedures are designed, and are effective, to provide reasonable assurance that the information required to be disclosed by us in the reports that we file under the Exchange Act is timely recorded, processed, summarized and reported and to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including Messrs. Post and Ewing, in a manner that allows timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during the second quarter of 2013 that materially affected, or that we believe are reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information contained in Note 9 Commitments and Contingencies included in Item 1 of Part I of this report is incorporated herein by reference.

ITEM 1A. RISK FACTORS

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

Risks Affecting Our Business

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

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

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

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

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

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

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

For additional information on the risks of increased expenditures, see "Risk Factors Risks Affecting our Liquidity and Capital Resources Our business requires us to incur substantial capital and operating expenses, which reduces our available free cash flow."

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

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

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

- an increased focus on selling a broader range of higher-growth strategic services, which are described in detail in Item 2 of Part I of this report;
- an increased focus on serving a broader range of business, governmental and wholesale customers;
- greater use of service bundles; and
- acquisitions to increase our scale and strengthen our product offerings, including new products and services provided by our data hosting segment.

However, some of these strategic services generate lower profit margins than our traditional services, and some can be expected to experience slowing growth as increasing numbers of our existing or potential customers subscribe to these newer products. Moreover, we cannot assure you that the revenues generated from our new offerings will offset revenue losses associated from reduced sales of our legacy products. Similarly, we cannot assure you that our new service offerings will be as successful as anticipated, or that we will be able to continue to grow through acquisitions. In addition, our reliance on third parties to provide certain of these strategic services could constrain our flexibility, as described further below.

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

Approximately 38% of our employees are members of various bargaining units represented by the Communications Workers of America or the International Brotherhood of Electrical Workers.

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Approximately 12,000 or 26%, of our employees are subject to collective bargaining agreements that expired October 6, 2012, and an additional 1,500 or 3% of our employees are subject to additional collective bargaining agreements that have expired since then. Since the expirations, we have been negotiating the terms of new agreements. In the meantime, the predecessor agreements have been extended, and the applicable unions have agreed to provide us with at least twenty-four hour advance notice before terminating those predecessor agreements. On July 30, 2013, we reached a tentative agreement in our contract negotiations with the Communication Workers of America for a four-year labor contract covering approximately 12,000 of our employees. The new contract must be approved by the union's membership. The union has advised us that it plans to seek this approval before the end of September 2013.

We may be unable to reach new agreements, and union employees may engage in strikes, work slowdowns or other labor actions, which could materially disrupt our ability to provide services and result in increased cost to us. In addition, new labor agreements may impose significant new costs on us, which could impair our financial condition or results of operations in the future. To the extent they contain benefit provisions, these agreements may also limit our flexibility to change benefits in response to industry or competitive changes. In particular, the post-employment benefits provided under these agreements could cause us to incur costs not faced by many of our competitors, which could ultimately hinder our competitive position.

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

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

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

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

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

To be successful, we will need to continue providing our customers with a high-capacity, reliable and secure network. We face the risk, as does any company, of a security breach or significant disruption of our IT infrastructure and related systems (including our billing systems). As a communications and IT company, we face an added risk that a security breach or other significant disruption of our public networks or IT infrastructure and related systems that we develop, install, operate and maintain for certain of our business and governmental customers could lead to material interruptions or curtailments of service. Moreover, due to the nature of our customers and services, we face a heightened risk that a security breach or disruption could result in unauthorized access to our customers' proprietary or classified information on our public networks or internal systems or the systems that we operate and maintain for certain of our customers.

We make significant efforts to maintain the security and integrity of these types of information and systems and maintain contingency plans in the event of security breaches or other system disruptions. Nonetheless, we cannot assure you that our security efforts and measures will prevent unauthorized access to our systems, loss or destruction of data (including confidential client information), account takeovers, unavailability of service, computer viruses, malware, or other forms of cyber attacks or similar events. These threats may derive from human error, fraud, malice or sabotage on the part of employees, third parties or other nations, or could result from accidental technological failure. Similar to other large telecommunications companies, we have been subject to a variety of security breaches and cyber attacks, although to date none of these have resulted in a material adverse effect on our operating results or financial condition. We cannot assure you, however, that future security breaches or disruptions would not be successful or damaging, especially in light of the growing frequency and sophistication of cyber attacks and intrusions. We may be unable to anticipate all potential types of attacks or intrusions or to implement adequate security barriers or other preventative measures, and any resulting damages could be material.

Additional risks to our network and infrastructure include:

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

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

- disrupt the proper functioning of these networks and systems and therefore our operations or those of certain of our customers;
- result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of ours, our customers or our customers' end users, including trade secrets, which others could use for competitive, disruptive, destructive or otherwise harmful purposes and outcomes;
- require significant management attention or financial resources to remedy the damages that result or to change our systems, including expenses to repair systems, add new personnel or develop additional protective systems;

require us to offer expensive incentives to retain existing customers or subject us to claims for contract breach, damages, credits, fines, penalties, termination or other remedies, particularly with respect to service standards set by state regulatory commissions; or

result in a loss of business, damage our reputation among our customers and the public generally, subject us to additional regulatory scrutiny or expose us to litigation.

Likewise, our ability to expand and update our information technology infrastructure in response to our growth and changing needs is important to the continued implementation of our new service offering initiatives. Our inability to expand or upgrade our technology infrastructure could have adverse consequences, which could include the delayed implementation of new service offerings, increased acquisition integration costs, service or billing interruptions, and the diversion of development resources.

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

Increases in broadband usage may cause network capacity limitations, resulting in service disruptions, reduced capacity or slower transmission speeds for our customers.

Video streaming services and peer-to-peer file sharing applications use significantly more bandwidth than traditional Internet activity such as web browsing and email. As utilization rates and availability of these services continue to grow, our high-speed Internet customers may use much more bandwidth than in the past. If this occurs, we could be required to make significant capital expenditures to increase network capacity in order to avoid service disruptions, service degradation or slower transmission speeds for our customers. Alternatively, we could choose to implement network management practices to reduce the network capacity available to bandwidth-intensive activities during certain times in market areas experiencing congestion, which could negatively affect our ability to retain and attract customers in affected markets. While we believe demand for these services may drive high-speed Internet customers to pay for faster broadband speeds, we may not be able to recover the costs of the necessary network investments. This could result in an adverse impact to our operating margins, results of operations and financial condition.

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

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

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

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

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

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

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

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

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

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

Decisions on whether, when and in which amounts to make any future dividend distributions will remain at all times entirely at the discretion of our board of directors, which reserves the right to change or terminate our dividend practices at any time and for any reason. Based on current circumstances, we plan to continue our current dividend practices. However, you should be aware that these practices are reviewed periodically and are subject to change for reasons that may include any of the following factors:

- we may not have enough cash to pay such dividends due to changes in our cash requirements, capital spending plans, stock purchase plans, cash flows or financial position;

- the effects of regulatory reform, including any changes to intercarrier compensation, Universal Service Fund or special access rules;

- our desire to maintain or improve the credit ratings on our debt;

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- the amount of dividends that we may distribute to our shareholders is subject to restrictions under Louisiana law and is limited by restricted payment and leverage covenants in our credit facilities and, potentially, the terms of any future indebtedness that we may incur; and

- the amount of dividends that our subsidiaries may distribute to us is subject to restrictions imposed by state law, restrictions that have been or may be imposed by state regulators in connection with obtaining necessary approvals for our acquisitions, and restrictions imposed by the terms of credit facilities applicable to certain subsidiaries and, potentially, the terms of any future indebtedness that these subsidiaries may incur.

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

Our current dividend practices could limit our ability to pursue growth opportunities, repurchase stock or retire debt.

The current practice of our board of directors to continue to pay common share dividends reflects an intention to distribute to our shareholders a substantial portion of our cash flow. As a result, we may not retain a sufficient amount of cash to apply to other transactions that could be beneficial to our shareholders or debtholders, including stock buybacks, debt prepayments or capital expenditures that strengthen our business. In addition, our ability to pursue any material expansion of our business through acquisitions or increased capital spending will depend more than it otherwise would on our ability to obtain third party financing. We cannot assure you that such financing will be available to us at terms that are as favorable as those from which we previously benefited, at terms that are acceptable to us or at all.

We rely on a limited number of key suppliers, vendors, landlords and other third parties to operate our business, as well as a limited number of financial institutions to fund our revolving credit requirements.

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

We rely on eighteen financial institutions to provide us with access to revolving credit under our credit facility. If one or more of these lenders default on their funding commitments, our access to revolving credit could be adversely affected.

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

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

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

We depend on key members of our senior management team.

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

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

As a holding company, substantially all of our income and operating cash flow is dependent upon the earnings of our subsidiaries and their distribution of those earnings to us in the form of dividends, loans or other payments. As a result, we rely upon our subsidiaries to generate the funds necessary to meet our obligations, including the payment of amounts owed under our long-term debt. Our subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts owed by us or, subject to limited exceptions for tax-sharing or cash management purposes, to make any funds available to us to repay our obligations, whether by dividends, loans or other payments. State law applicable to each of our subsidiaries restricts the amount of dividends that they may pay. Restrictions that have been or may be imposed by state regulators (either in connection with obtaining necessary approvals for our acquisitions or in connection with our regulated operations), and restrictions imposed by credit agreements applicable to certain of our subsidiaries may limit the amount of funds that our subsidiaries are permitted to transfer to us, including the amount of dividends that may be paid to us. Moreover, our rights to receive assets of any subsidiary upon its liquidation or reorganization will be effectively subordinated to the claims of creditors of that subsidiary, including trade creditors. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources" in Item 2 of Part I of this report for further discussion on these matters.

Risks Relating to our Recent Acquisitions

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

We have incurred, and expect to continue to incur, substantial expenses in connection with the integration of Qwest's business, operations, networks, systems, technologies, policies and procedures with our own. We have integrated a number of our systems, and we continue to work towards completing the planned integration of our remaining systems. While we have assumed that a certain level of transaction and integration expenses will be incurred, there are a number of factors beyond our control that could affect the total amount or the timing of our integration expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time.

We may be unable to integrate successfully into Legacy CenturyLink our recently-acquired operations and realize the anticipated benefits of our recent acquisitions.

Our recent acquisitions involved the combination of companies which previously operated as independent public companies. We have devoted, and will continue to devote, significant management

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attention and resources to integrating the business practices and operations of Legacy CenturyLink, Qwest and Savvis. We may encounter difficulties in the integration process, including the following:

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

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

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

- the additional complexities of combining companies with different histories, regulatory restrictions, sales forces, marketing strategies, product markets and customer bases;

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

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

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

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

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

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

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

At December 31, 2012, we had approximately $4.7 billion of federal net operating losses, or NOLs, which relate primarily to pre-acquisition losses of Qwest. These NOLs can be used to offset our future federal and certain taxable income.

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

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

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

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

A significant majority of the data centers we acquired in the Qwest and Savvis acquisitions are leased and have lease terms that expire between 2013 and 2031. The majority of these leases provide us with the opportunity to renew the lease at our option for periods generally ranging from five to ten years. Many of these renewal options, however, provide that rent for the renewal period will be equal to the fair market rental rate at the time of renewal. If the fair market rental rates are significantly higher than our current rental rates, we may be unable to offset these costs by charging more for our services, which could have a negative impact on our financial results. Also, it is possible that a landlord may insist on other financially unfavorable renewal terms or, where no further option to renew exists, elect not to renew altogether.

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

Prior to acquiring Qwest on April 1, 2011, substantially all of our operations were historically conducted within the continental United States. Although Qwest has historically conducted some operations overseas, the acquisition of Savvis on July 15, 2011, increased the importance of international operations to our future operations, growth and prospects.

As a result of our recent acquisitions, our foreign operations are subject to varying degrees of regulation in each of the foreign jurisdictions in which we provide services. Local laws and regulations, and their interpretation and enforcement, differ significantly among those jurisdictions, and can change significantly over time. Future regulatory, judicial and legislative changes or interpretations may have a material adverse effect on our ability to deliver services within various foreign jurisdictions. Many of these foreign laws and regulations relating to communications services are more restrictive than U.S. laws and regulations, particularly those relating to content distributed over the Internet. For example,

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the European Union has enacted a data retention system that, once implemented by individual member states, will involve requirements to retain certain Internet protocol, or IP, data that could have an impact on our operations in Europe. Moreover, national regulatory frameworks that are consistent with the policies and requirements of the World Trade Organization have only recently been, or are still being, enacted in many countries. Accordingly, many countries are still in the early stages of providing for and adapting to a liberalized telecommunications market. As a result, in these markets we may encounter more protracted and difficult procedures to obtain licenses necessary to provide the full set of products we offer.

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

- tax, licensing, currency, political or other business restrictions or requirements;
- import and export restrictions;
- longer payment cycles and problems collecting accounts receivable;
- additional U.S. and other regulation of non-domestic operations, including regulation under the Foreign Corrupt Practices Act, or FCPA, as well as other anti-corruption laws;
- fluctuations in currency exchange rates;
- the ability to secure and maintain the necessary physical and telecommunications infrastructure; and
- challenges in staffing and managing foreign operations.

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

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

Any additional future acquisitions by us would subject us to additional business, operating and financial risks, the impact of which cannot presently be evaluated, and could adversely impact our capital structure or financial position.

From time to time in the future we may pursue other acquisition opportunities. To the extent we acquire a business that is highly leveraged or is otherwise subject to a high level of risk, we may be affected by the currently unascertainable risks of that business. Accordingly, there is no current basis for you to evaluate the possible merits or risks of any particular business or assets that we may acquire. In addition, the financing of any future acquisition completed by us could adversely impact our capital structure or financial position, as any such financing would likely include the issuance of additional securities or the borrowing of additional funds. Except as required by law or applicable securities exchange listing standards, we do not expect to ask our shareholders to vote on any proposed acquisition. Moreover, we generally do not announce our acquisitions until we have entered into a preliminary or definitive agreement.

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Risks Relating to Legal and Regulatory Matters

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

As described in Note 9 Commitments and Contingencies to our consolidated financial statements in Item 1 of Part I of this report, the KPNQwest matters present material and significant risks to us. In the aggregate, the plaintiffs in the KPNQwest matters seek billions of dollars in damages. We continue to defend against these matters vigorously and are currently unable to provide any estimate as to the timing of their resolution.

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

There are other material proceedings pending against us, as described in the above-referenced Note 9. Depending on their outcome, any of these matters could have a material adverse effect on our financial position or operating results. We can give you no assurances as to the impact of these matters on our operating results or financial condition.

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

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

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

Risks associated with recent changes in federal regulation. On October 27, 2011, the FCC adopted the Connect America and Intercarrier Compensation Reform order ("CAF order") intended

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to reform the existing regulatory regime to recognize ongoing shifts to new technologies, including VoIP, and gradually re-direct federal universal service funding to foster nationwide broadband coverage. This initial ruling provides for a multi-year transition over the next decade as intercarrier compensation charges are reduced, federal universal service funding is explicitly targeted to broadband deployment, and subscriber line charges paid by end user customers are gradually increased. We expect these changes will substantially increase the pace of reductions in the amount of switched access revenues we receive in our wholesale business, while creating opportunities for increases in federal Universal Service Fund ("USF") and retail revenue streams. Several judicial challenges to the CAF order are pending and additional future challenges are possible, any of which could alter or delay the FCC's proposed changes. In addition, based on the outcome of the FCC proceedings, various state commissions may consider changes to their universal service funds or intrastate access rates. Moreover, rulemaking designed to implement the CAF order is not complete, and several FCC proceedings relating to the order remain pending. For these and other reasons, we cannot predict the ultimate impact of these proceedings at this time.

In addition, during the last few years Congress or the FCC has initiated various other changes, including (i) broadband stimulus projects, support funds and similar plans and (ii) new "network neutrality" rules. The FCC is also considering changes in the regulation of special access services. Any of these recent or pending initiatives could adversely affect our operations or financial results.

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

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

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

For over 15 years, Congress and the FCC have taken several steps that have resulted in increased competition among communications service providers. Many of the FCC's regulations remain subject to judicial review and additional rulemakings, thus making it difficult to determine the ultimate impact of these changes on us and our competitors.

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"Net neutrality" legislation or regulation could limit our ability to operate our high-speed data business profitably and to manage our broadband facilities efficiently.

In order to continue to provide quality high-speed data service at attractive prices, we believe we need the continued flexibility to respond to changing consumer demands, to manage bandwidth usage efficiently and to invest in our networks. The FCC's "net neutrality" regulations, which are currently on appeal to the federal circuit court, could adversely impact our ability to operate our high-speed data network profitably and to undertake the upgrades and implement network management practices that may be needed to continue to provide high quality high-speed data services, and could therefore negatively impact our ability to compete effectively.

We may be liable for the material that content providers distribute over our network.

The law relating to the liability of private network operators for information carried on, stored or disseminated through their networks is still unsettled. As such, we could be exposed to legal claims relating to content disseminated on our networks. Claims could challenge the accuracy of materials on our network, or could involve matters such as defamation, invasion of privacy or copyright infringement. If we need to take costly measures to reduce our exposure to these risks, or are required to defend ourselves against such claims, our financial results could be negatively affected.

We are subject to significant regulations that limit our flexibility.

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

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

We may be required to obtain from municipal authorities operating franchises to install or expand facilities. Some of these franchises may require us to pay franchise fees. These franchising requirements generally apply to our fiber transport and competitive local exchange carrier operations, and to our facilities-based video services. These requirements could delay us in expanding our operations or increase the costs of providing these services.

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

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

For a more thorough discussion of the regulatory issues that may affect our business, see "Regulation" in Item 1of Part I of our Annual Report on Form 10-K for the year ended December 31, 2012.

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Risks Affecting our Liquidity and Capital Resources

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

We continue to carry significant debt. As of June 30, 2013, our consolidated debt was approximately $20.6 billion. Approximately $2.7 billion of our debt securities come due over the next thirty-six months.

Our significant levels of debt can adversely affect us in several other respects, including (i) limiting the ability of CenturyLink and its subsidiaries to access the capital markets, (ii) exposing CenturyLink and its subsidiaries to the risk of credit rating downgrades, as described further below in the next captioned risk factor, (iii) hindering our flexibility to plan for or react to changing market, industry or economic conditions, (iv) limiting the amount of cash flow available for future operations, acquisitions, dividends, stock repurchases or other uses, (v) making us more vulnerable to economic or industry downturns, including interest rate increases, and (vi) placing us at a competitive disadvantage compared to less leveraged competitors. The effects of each of these factors could be intensified if we increase our borrowings.

We expect to periodically require financing to meet our debt obligations as they come due. While we currently believe that we will have access to financial resources sufficient to meet or refinance our obligations when they come due, we cannot fully anticipate our future financial condition or the future condition of the credit markets or the economy generally. Due to the unstable economy and credit markets, we may not be able to refinance maturing debt at terms that are as favorable as those from which we previously benefited, at terms that are acceptable to us or at all. We may also need to obtain additional financing or investigate other methods to generate cash (such as further cost reductions or the sale of assets) under a variety of circumstances, including if revenues and cash provided by operations decline, if economic conditions weaken, if competitive pressures increase, if regulatory requirements change, if we are required to contribute a material amount of cash to our pension plans, if we are required to begin to pay other post-retirement benefits significantly earlier than anticipated, if our payments for federal taxes increase faster or in greater amounts than currently anticipated, if we become subject to significant judgments or settlements in one or more of the matters discussed in Note 9 Commitments and Contingencies to our consolidated financial statements in Item 1 of Part I of this report, if we engage in any acquisitions or if we undertake substantial capital projects or other initiatives that increase our cash requirements. We can give no assurance that this additional financing will be available on terms that are acceptable to us or at all.

Certain of our debt instruments have cross payment default or cross acceleration provisions. When present, these provisions could have a wider impact on liquidity than might otherwise arise from a default or acceleration of a single debt instrument. Any such event could adversely affect our ability to conduct business or access the capital markets and could adversely impact our credit ratings. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources" in Item 2 of Part I of this report for additional information about our credit facility.

Any downgrade in the credit ratings of us or our affiliates could limit our ability to obtain future financing, increase our borrowing costs and adversely affect the market price of our existing debt securities or otherwise impair our business, financial condition and results of operations.

Nationally recognized credit rating organizations have issued credit ratings relating to our long-term debt and the long-term debt of several of our subsidiaries. There can be no assurance that any rating assigned to any of these debt securities will remain in effect for any given period of time or that any such ratings will not be lowered, suspended or withdrawn entirely by a rating agency if, in that rating agency's judgment, circumstances so warrant. A downgrade of any of these credit ratings could

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adversely affect the market price of some or all of our outstanding debt securities, limit our access to the capital markets or otherwise adversely affect the availability of other new financing on favorable terms, if at all, result in more restrictive covenants in agreements governing the terms of any future indebtedness that we may incur, increase our cost of borrowing, and impair our business, financial condition and results of operations.

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

The terms of our debt instruments and the debt instruments of our subsidiaries permit additional indebtedness. Additional debt may be necessary for many reasons, including those discussed immediately above. Incremental borrowings on terms that impose additional financial risks could exacerbate the other risks described in this report.

Our business requires us to incur substantial capital and operating expenses, which reduce our available free cash flow.

Our business is capital intensive, and we anticipate that our capital requirements will continue to be significant in the coming years. As discussed further under "Risk Factors Risks Affecting Our Business Increases in broadband usage may cause network capacity limitations, resulting in service disruptions, reduced capacity or slower transmission speeds for our customers," increased bandwidth consumption by consumers and businesses have placed increased demands on the transmission capacity of our networks. If we determine that our networks must be expanded to handle these increased demands, we may be required to make substantial capital expenditures, even though there is no assurance that the return on our investment will be satisfactory. In addition, many of our growth initiatives are capital intensive and changes in technology could require further spending. In addition to investing in expanded networks, new products or new technologies, we must from time to time replace some of the equipment that supports our traditional services as that equipment ages, even though the revenue base from those services is not growing. While we believe that our planned level of capital expenditures will meet both our maintenance and core growth requirements, this may not be the case if demands on our network continue to accelerate or other circumstances underlying our expectations change. Increased spending could, among other things, adversely affect our operating margins, cash flows, results of operations and financial position.

Similarly, we continue to anticipate incurring substantial operating expenses to support our incumbent services and growth initiatives. Although we have successfully reduced our operating expenses over the past few years, we may be unable to further reduce these costs, even if revenues in some of our lines of business are decreasing. If so, our operating margins will be adversely impacted.

We are subject to material obligations under our existing defined benefit pension plans and other post-retirement benefit plans, much of which is currently unfunded.

We are currently subject to material obligations under our defined benefit pension plans and other post-retirement benefit plans. As of December 31, 2012, our pension plans and the trust for our other post-retirement benefit plans were substantially underfunded from an accounting standpoint. See Note 5 Employee Benefits to our consolidated financial statements in Item 1 of Part I of this report.

The funded status of our qualified pension plans is the difference between the value of plan assets and the benefit obligation. Adverse changes in interest rates or market conditions, among other assumptions and factors, could cause a significant increase in our benefit obligation or a significant decrease in the value of plan assets. These adverse changes could require us to contribute a material amount of cash to our pension plans or could accelerate the timing of required cash payments. The actual amount of required contributions to our plans in future periods will depend on a variety of

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factors, including earnings on plan investments, prevailing interest and discount rates, demographic experience, changes in plans benefits and changes in funding laws and regulations. Any future material cash contributions could have a negative impact on our liquidity by reducing our cash flows.

As noted above, certain of our post-retirement health care and life insurance benefits plans are substantially unfunded.

For more information on our obligations under our defined benefit pension plans and other post-retirement benefit plans, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Pension and Post-retirement Benefit Obligations" in Item 2 of Part I of this report.

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

We have a significant amount of indebtedness that we intend to refinance over the next several years, principally through the issuance of debt securities of CenturyLink, Qwest Corporation or both. Our ability to arrange additional financing will depend on, among other factors, our financial position, performance, and credit ratings, as well as prevailing market conditions and other factors beyond our control. Prevailing market conditions could be adversely affected by the ongoing disruptions in the European sovereign debt markets, the failure of the United States to reduce its deficit in amounts deemed to be sufficient, possible further downgrades in the credit ratings of the U.S. debt, contractions or limited growth in the economy or other similar adverse economic developments in the U.S. or abroad. Instability in the global financial markets has from time to time resulted in periodic volatility in the capital markets. This volatility could limit our access to the credit markets, leading to higher borrowing costs or, in some cases, the inability to obtain financing on terms that are acceptable to us, or at all. Any such failure to obtain additional financing could jeopardize our ability to repay, refinance or reduce debt obligations.

Other Risks

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

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires management to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. Our critical accounting policies, which are described in "Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates" in Item 7 of Part II of our Annual Report on Form 10-K for the year ended December 31, 2012, describe those significant accounting policies and methods used in the preparation of our consolidated financial statements that are considered "critical" because they require judgments, assumptions and estimates that materially impact our consolidated financial statements and related disclosures. As a result, if future events or assumptions differ significantly from the judgments, assumptions and estimates in our critical accounting policies, these events or assumptions could have a material impact on our consolidated financial statements and related disclosures.

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

A substantial number of our facilities are located in Florida, Alabama, Louisiana, Texas, North Carolina, South Carolina and other coastal states, which subjects them to the risks associated with severe tropical storms, hurricanes and tornadoes, including downed telephone lines, flooded facilities, power outages, fuel shortages, damaged or destroyed property and equipment, and work interruptions.

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Although we maintain property and casualty insurance on our plant (excluding our outside plant) and may under certain circumstances be able to seek recovery of some additional costs through increased rates, only a portion of our additional costs directly related to such hurricanes and natural disasters have historically been recoverable. We cannot predict whether we will continue to be able to obtain insurance for hazard-related damages or, if obtainable and carried, whether this insurance will be adequate to cover our losses. In addition, we expect any insurance of this nature to be subject to substantial deductibles and to provide for premium adjustments based on claims. Any future hazard-related costs and work interruptions could adversely affect our operations and our financial condition.

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

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

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

Effective for tax years beginning after 2012, The Taxpayer Relief Act of 2012 results in certain high-income taxpayers being subject to increased tax rates on dividends and capital gains. Additionally, these high-income taxpayers are also subject to a 3.8% Medicare tax on net investment income. These or other potential increases in tax rates could reduce demand for our stock, which could potentially depress its trading price.

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

A number of provisions in our agreements and organizational documents and various provisions of applicable law may delay, defer or prevent a future takeover of CenturyLink unless the takeover is approved by our board of directors. Several of our debt instruments require us to offer to repay our debt incurred thereunder in the event of a change of control, which could render any such transaction more expensive to a potential acquiror. For additional information, please see our Registration Statement on Form 8-A/A filed with the SEC July 1, 2009. This could deprive our shareholders of any related takeover premium.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

In February 2013, our board of directors authorized the repurchase of up to an aggregate of $2 billion of our outstanding common shares. The new repurchase program terminates on February 13, 2015. During the three months ended June 30, 2013, we repurchased approximately 13 million shares of our outstanding common stock in the open market. These shares were repurchased for an aggregate market price of $465 million, or an average purchase price of $36.33 per share. The common stock repurchased has been retired.

The following table contains information about shares of our previously-issued common stock that were repurchased under our Stock Repurchase Program:

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
Period				
April 2013	6,027,697	$ 36.33	6,027,697	$ 1,395,278,910
May 2013	3,439,978	37.37	3,439,978	1,266,721,555
June 2013	3,342,093	35.25	3,342,093	1,148,925,149
Total	12,809,768	36.33	12,809,768	

The following table contains information about shares of our previously-issued common stock that we withheld from delivering during the second quarter of 2013 to employees to satisfy their tax obligations related to stock-based awards:

	Total Number of Shares Withheld for Taxes	Average Price Paid Per Share
Period		
April 2013	67,255	$ 35.13
May 2013	52,608	34.23
June 2013	82	35.43
Total	119,945	

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ITEM 6. EXHIBITS

Exhibits identified in parentheses below are on file with the SEC and are incorporated herein by reference. All other exhibits are provided as part of this electronic submission.

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of October 26, 2008, by and among CenturyLink, Inc., Embarq Corporation and Cajun Acquisition Company (incorporated by reference to Exhibit 99.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on October 30, 2008).
2.2	Agreement and Plan of Merger, dated as of April 21, 2010, by and among CenturyLink, Inc., its subsidiary SB44 Acquisition Company, and Qwest Communications International Inc. (incorporated by reference to Exhibit 2.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on April 27, 2010).
2.3	Agreement and Plan of Merger, dated as of April 26, 2011, by and among CenturyLink, Inc., SAVVIS, Inc. and Mimi Acquisition Company (incorporated by reference to Exhibit 2.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on April 27, 2011).
3.1	Amended and Restated Articles of Incorporation of CenturyLink, Inc., as amended through May 23, 2012 (incorporated by reference to Exhibit 3.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on May 30, 2012).
3.2	Bylaws of CenturyLink, Inc., as amended and restated through November 4, 2010 (incorporated by reference to Exhibit 3.2 of CenturyLink, Inc.'s Quarterly Report on Form 10-Q for the period ended

	September 30, 2010 (File No. 001-07784) filed with the Securities and Exchange Commission on November 5, 2010).	
4.1	Form of common stock certificate (incorporated by reference to Exhibit 4.10 of CenturyLink, Inc.'s Registration Statement on Form S-3 filed with the Securities and Exchange Commission on March 2, 2012 (Registration No. 333-179888)).	
4.2	Instruments relating to CenturyLink, Inc.'s Revolving Credit Facility.	
	a.	Amended and Restated Credit Agreement, dated as of April 6, 2012, by and among CenturyLink, Inc. and the lenders and agents named therein (incorporated by reference to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on April 11, 2012).
	b.*	Guarantee Agreement, dated as of April 6, 2012, by and among the guarantors named therein (incorporated by reference to Exhibit 4.2 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on April 11, 2012).
4.3	Instruments relating to CenturyLink, Inc.'s Term Loan.	
	a.	Credit Agreement, dated as of April 18, 2012, by and among CenturyLink, Inc., the several banks and other financial institutions or entities from time to time parties thereto, and CoBank, ACB, as administrative agent (incorporated by reference to Exhibit 4.1 of CenturyLink, Inc.'s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on April 20, 2012).

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