



**Qwest**  
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June 18, 2010

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PUBLIC SERVICE  
COMMISSION

Mr. Jeff DeRouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602-0615

RE: Informational Notice Pursuant to Adm. Case Nos. 359 and 370  
Qwest Communications International, Inc. – CenturyTel, Inc. Transfer of Control

Dear Mr. DeRouen:

On behalf of Qwest Communications International, Inc. (“QCII”), and its subsidiary, Qwest Communications Company, LLC (“QCC” and together with QCII, “Qwest”), and CenturyLink, Inc. (“CenturyLink”) and its subsidiaries, Embarq Communications, Inc. (“ECI”), CenturyTel Fiber Company II, LLC, and CenturyTel Long Distance, LLC (collectively “CenturyLink-KY”), we are pleased to inform you that on April 21, 2010, Qwest and CenturyLink entered into an Agreement and Plan of Merger that will result in QCII becoming a wholly-owned subsidiary of CenturyLink (“Transaction”). As will be described in more detail below, it is a parent-level transaction that combines two leading communications companies with customer-focused, industry-leading capabilities, together with complementary networks and operating footprints. It results in a financially stronger company that can provide even greater potential for customers to enjoy a better overall customer service experience, the availability of new services, and the increased confidence and satisfaction from a provider that will be better positioned to meet their demands for the long-term.

At the same time, because this is a parent-level transaction only, with no change in the regulated entities that operate in Kentucky, the Commission retains exactly the same regulatory authority over the Qwest and CenturyLink subsidiaries authorized to provide services – QCC, ECI and EQ Payphone – that the Commission possesses immediately prior to the Transaction. In addition, the Transaction is transparent to customers as Qwest and CenturyLink-KY will continue to provide non-basic local and long distance services subject to the same terms and conditions and applicable tariffs as they do now to retail and wholesale customers.<sup>1</sup>

Please accept this as a notice-only description of the Transaction upon which no further action of the Commission is required.

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<sup>1</sup> CenturyLink, Inc. also provides exempted, non-regulated payphone services in Kentucky through its subsidiary, Embarq Payphone Services, Inc.

### **The Transaction**

The merger is a straightforward tax free, stock-for-stock transaction with no new debt or refinancing required.<sup>2</sup> Shareholders of QCII will receive 0.1664 shares of CenturyLink for each share of QCII common stock owned at closing. Upon closing, the shareholders of pre-merger CenturyLink will own approximately 50.5% of post-merger CenturyLink, and the shareholders of pre-merger QCII will own approximately 49.5% of post-merger CenturyLink. Following completion of the Transaction, four directors from the QCII Board will be added to the CenturyLink Board of Directors, including Edward A. Mueller, QCII's Chairman and Chief Executive Officer (CEO). These additions will increase the number of CenturyLink directors from 13 pre-Transaction to 17 post-Transaction.

As stated, the Transaction contemplates a parent-level transfer of control of QCII only. As depicted in the enclosed chart showing the pre- and post-Transaction corporate structure, QCII will become a wholly-owned, first tier subsidiary of CenturyLink, and QCC, ECI and EQ Payphone will continue as separate certificated carriers with no change in corporate structure. Further, because this Transaction is a combination of the parent company only, it is not a transaction in which local exchanges, companies, or assets are being sold, combined or transferred to a new provider, and each subsidiary will continue to have the requisite managerial, technical and financial capability to provide services to its customers.

The combined company's senior leadership team will consist of proven leaders with extensive experience in the telecommunications industry and a successful track record of integration. Glen F. Post, III, the current CEO and President of CenturyLink, will continue to be the CEO and President of the post-merger CenturyLink. R. Stewart Ewing, Jr., the current Chief Financial Officer (CFO) of CenturyLink, will continue to be the CFO of the post-merger CenturyLink. Karen A. Puckett, the current Chief Operating Officer (COO) of CenturyLink, will continue to be COO of post-merger CenturyLink. Finally, Christopher K. Ancell, currently the Executive Vice President of Business Markets Group for Qwest, will be the President of the Business Markets Group for post-merger CenturyLink. Together, these leaders have more than 100 years of experience in the telecommunications industry.

### **Description of CenturyLink**

CenturyLink is a publicly traded Louisiana corporation with headquarters at 100 CenturyLink Drive, Monroe, Louisiana. CenturyLink is included in the Fortune 500's list of America's largest corporations. CenturyLink is a leading provider of high-quality voice and broadband services over its advanced communications networks to consumers and businesses in

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<sup>2</sup> An electronic version of the Merger Agreement is available at <http://www.centurylinkqwestmerger.com/downloads/sec-filings/Qwest-8K%204-22-10.pdf>.

33 states.<sup>3</sup> CenturyLink serves approximately 7 million access lines nationwide, 2.2 million broadband subscribers, and over 553,000 video subscribers.<sup>4</sup> CenturyLink has a successful history of providing services to rural America and has evolved into a company that serves every segment of the consumer and business markets through a complete array of voice and data services.

In Kentucky, CenturyLink's subsidiary, ECI is authorized to operate as a reseller of intrastate interexchange telephone service throughout the state pursuant to Filing No. TFS2006-00167; EQ Payphone is an authorized payphone service provider in the state pursuant to AC 359.

### **Qwest and its Regulated Entities**

Qwest Communications International, Inc., is a publicly-traded Delaware corporation, with headquarters at 1801 California Street, Denver, Colorado. Through its operating subsidiaries, Qwest offers a complete suite of communications services to consumers and businesses, including local, long distance, high speed data services, and, through sales relationships with Verizon Wireless and DIRECTV, wireless and video products. QCII is in the Fortune 500's list of America's largest corporations. It has an industry-leading national fiber-optic network and world-class customer service and is the choice of 95% of Fortune 500 companies, offering a full suite of network, data and voice services for small and large businesses, government agencies, and wholesale customers. Through its subsidiary, Qwest Corporation, QCII, provides incumbent local exchange services in 14 western and midwestern states, serving approximately 10.3 million local access lines.<sup>5</sup>

In Kentucky, QCC provides long distance and competitive local exchange services pursuant to authorization granted in Case Numbers 97-089, 10090, 94-366, 94-409 and 89-299. In addition to Kentucky, QCC provides interexchange and competitive local exchange operations nationwide.<sup>6</sup>

### **The Transaction will be Beneficial to Customers**

The communications industry has changed dramatically in the last several years, and the industry continues to experience change at a frenetic pace. Competition, and particularly intermodal competition, is widespread with wireless and wireline carriers competing vigorously

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<sup>3</sup> CenturyLink is an incumbent local exchange provider in Louisiana, Washington, Oregon, Idaho, Montana, Wyoming, Nebraska, Minnesota, Iowa, New Mexico, Colorado, Nevada, Ohio, Indiana, Michigan, Illinois, Wisconsin, Pennsylvania, New Jersey, Tennessee, Virginia, North Carolina, South Carolina, Florida, Georgia, Alabama, Mississippi, Texas, Arkansas, Oklahoma, Missouri, Kansas, and California.

<sup>4</sup> All customer or access line numbers are as of December 31, 2009.

<sup>5</sup> Qwest is an incumbent local exchange provider in Colorado, Washington, Oregon, Idaho, Montana, Wyoming, Nebraska, North Dakota, South Dakota, Minnesota, Iowa, Utah, Arizona, New Mexico.

<sup>6</sup> QCC is authorized to provide interexchange services in all states and is authorized as a competitive local exchange carrier in the District of Columbia and all states except Alaska.

for customers. Local wireline carriers face increasing competition from other providers of voice services and from cable operators providing voice, video and data offerings. As a result of this robustly competitive market environment and the rapidly changing fundamentals of the wireline business, carriers such as Qwest and CenturyLink must adapt to compete more effectively. Wireline businesses now require greater strategic flexibility to bring new products and expanded services to the marketplace more quickly and to enhance customer service. These evolving market dynamics place unique pressures on companies such as Qwest and CenturyLink.

This Transaction offers the financial strength and flexibility for the operating subsidiaries of the post-Transaction CenturyLink to continue providing outstanding service and enhanced offerings to customers, while delivering returns to shareholders. For the twelve months ended December 31, 2009, the combined company would have had pro forma revenue of nearly \$20 billion, pro forma EBITDA of approximately \$8.2 billion, and pro forma free cash flow of approximately \$3.4 billion, excluding synergies. The combined company's pro forma net leverage would have been 2.2 times EBITDA for the 12 months ended December 31, 2009, including synergies on a full run-rate basis and excluding integration costs. The Transaction requires no new financing or refinancing and adds no new debt. These attributes help insure that CenturyLink will continue to have a sound capital structure and significant free cash flow generation that will provide the fiscal stability to pursue necessary strategies and to deliver industry leading products and services to customers. This financial strength and flexibility, the more diverse mix of product offerings, the increased scale and stronger product portfolio and the resulting fiber network combine to position the post-Transaction CenturyLink to better compete against cable companies and technology substitution within its local regions—and nationally—to meet the needs of business, wholesale, government and residential customers.

The post-Transaction company will be positioned to capitalize on its collective knowledge of its local customers' preferences and to deliver innovative technology and product offerings to both its urban and rural markets. CenturyLink has a local, community-based approach to serving its customers that focuses on allocating decision-making and accountability close to its customer base. CenturyLink intends to continue and extend its local market focus under the newly combined company. This operating model and targeted marketing coupled with Qwest's industry-leading network and strong business, government and wholesale focus will position the combined company to improve and expand deployment of innovative IP and voice products and services to its customers.

Qwest and CenturyLink understand that continuing to meet customer needs is its top priority and that ensuring the continuation of high quality service and customer experience pre- and post-merger is vitally important. That focus does not change. With the added financial strength resulting from the Transaction, Qwest and CenturyLink operating subsidiaries that offer service in Kentucky will have the financial stability and access to capital necessary to continue to invest in networks, systems and employees that provide high quality and reliable services in the ever-increasingly competitive telecommunications marketplace.

Lastly, CenturyLink has an established track record of successfully integrating companies, including its most recent acquisition of Embarq Corporation.<sup>7</sup> CenturyLink employs a best-in-class view towards company integration, combining the finest talent and most efficient and successful practices of the two merging companies. In consideration of the talent pool of employees, services, innovation, and commitment to service quality that currently resides in both CenturyLink and Qwest, the combined and integrated company will have an augmented supply of human and technological resources to service rural and urban customers.

### **Commission Authority**

As stated previously, the Commission will retain the same regulatory authority over QCC and CenturyLink-KY that the Commission possesses now. QCC and CenturyLink-KY will continue to provide non-basic local exchange and long distance services subject to the same rules, regulations, and orders, as modified by any future Commission and legislative decisions, as they do now.<sup>8</sup>

The parties respectfully submit that approval of this Transaction by this Commission is not needed and this letter is submitted for informational purposes to provide notice of the Transaction to comply with the Commission's notice requirements set forth in Administrative Cases No. 359 and 370<sup>9</sup>, and to answer any concerns you may have. Please do not hesitate to contact us should you have any questions regarding this notice or if you require additional information. The Transaction is subject to shareholder and regulatory approvals as well as other customary closing conditions.

Sincerely,



Douglas Hsiao,  
Corporate Counsel

Enclosure

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<sup>7</sup> Previous to the Embarq acquisition, CenturyLink had acquired five wireline companies totaling more than two million access lines, and fiber assets.

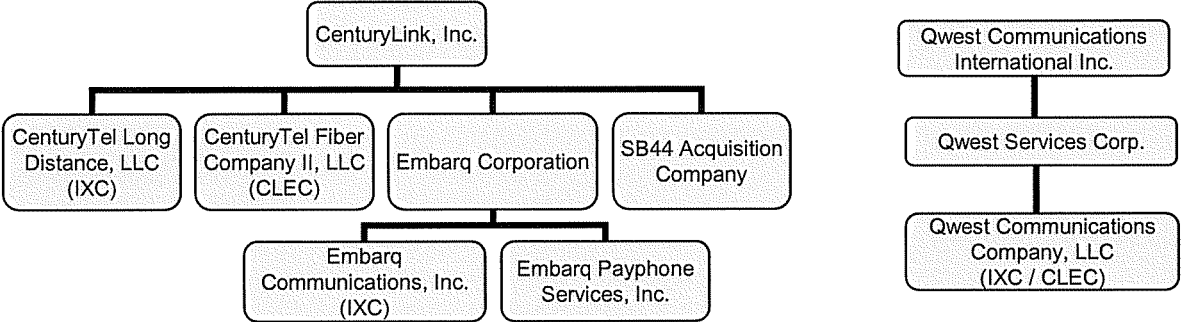
<sup>8</sup> Future end user rate changes will continue to be governed by the same rules and procedures as today, again, as modified from time to time by any future Commission or legislative actions.

<sup>9</sup> In its June 21, 1996 Order in Administrative Case 359, the Commission determined pursuant to KRS 278.512 and 278.514 to relax various market entry and exit requirements, including those related to changes in control, on interexchange carriers. In 1998, in Administrative Case No. 370, this deregulatory aspect of the Order was extended to CLECs by implication when the Commission exempted CLECs from any requirement to file formal applications to begin operations.

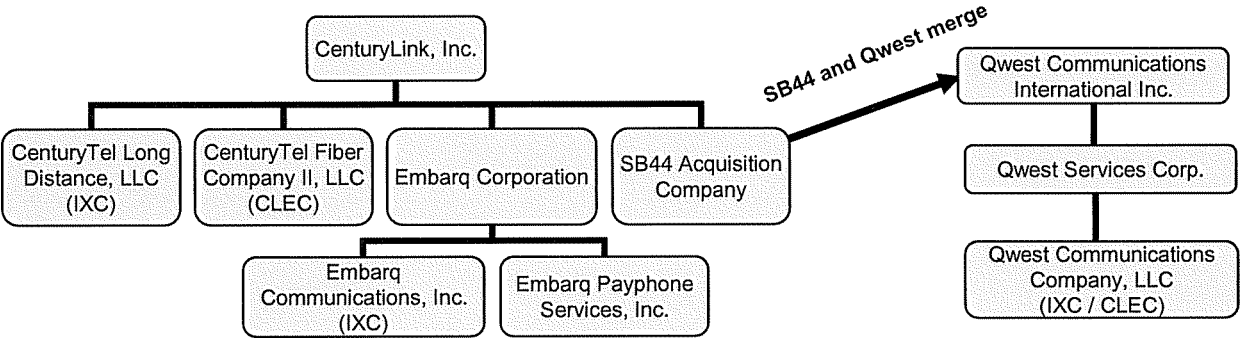
# KENTUCKY

## Organizational Structure Diagrams

### Pre-Merger



### Merger



Qwest Communications Int'l Inc. is the surviving entity and adopts:  
 SB44 Certificate of Incorporation  
 SB44 Bylaws  
 Qwest Communications Int'l Inc. becomes wholly-owned subsidiary of CenturyLink, Inc.

### Post-Merger

