

CENTURYLINK, INC
Form DEF 14A
April 06, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

CENTURYLINK, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**2011 Notice of Annual Meeting
and Proxy Statement
and
Annual Financial Report**

**Wednesday, May 18, 2011
10:00 a.m. local time
100 CenturyLink Drive
Monroe, Louisiana**

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IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 18, 2011

This proxy statement and related materials are available at www.envisionreports.com/ctl.

All references in this proxy statement or related materials to we, us, our or CenturyLink refer to CenturyLink, Inc. In addition, each reference to (i) our executives or executive officers refers to our eight executive officers listed in the tables beginning on page 6 of this proxy statement, (ii) meeting refers to the 2011 annual meeting of our shareholders described further herein, (iii) named officers or named executive officers refers to the six executive officers listed in the Summary Compensation Table appearing on page 68 of this proxy statement (iv) Embarq refers to Embarq Corporation, which we acquired on July 1, 2009, (v) Qwest refers to Qwest Communications International Inc., which we acquired on April 1, 2011, and (vi) SEC refers to the U.S. Securities and Exchange Commission. Unless otherwise provided, all information is presented as of the date of this proxy statement.

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**CenturyLink, Inc.
100 CenturyLink Drive
Monroe, Louisiana 71203**

Notice of Annual Meeting of Shareholders

| | |
|-------------------|---|
| TIME AND DATE | 10:00 a.m. local time on Wednesday, May 18, 2011 |
| PLACE | Corporate Conference Room CenturyLink Headquarters 100 CenturyLink Drive Monroe, Louisiana |
| ITEMS OF BUSINESS | (1) Elect as Class II directors the five nominees named in the accompanying proxy statement (2) Ratify the appointment of KPMG LLP as our independent auditor for 2011 (3) Approve our 2011 Equity Incentive Plan (4) Consider non-binding advisory votes regarding: (a) our executive compensation (b) the frequency of our executive compensation votes (5) Act upon two separate shareholder proposals if properly presented at the meeting (6) Transact such other business as may properly come before the meeting and any adjournment. |
| RECORD DATE | You can vote if you were a shareholder of record on March 21, 2011. |
| PROXY VOTING | Shareholders are invited to attend the meeting in person. Even if you expect to attend, it is important that you vote by telephone or the Internet, or by completing and returning a proxy or voting instruction card. |

Stacey W. Goff
Secretary

April 4, 2011

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CenturyLink, Inc.
100 CenturyLink Drive
Monroe, Louisiana 71203

PROXY STATEMENT

April 4, 2011

GENERAL INFORMATION

Why am I receiving these proxy materials?

Our Board of Directors is soliciting your proxy to vote at our 2011 annual meeting of shareholders because you owned shares of our stock at the close of business on March 21, 2011, the record date for the meeting, and are entitled to vote those shares at the meeting. Our proxy materials are being made available to you on the Internet beginning on or about April 6, 2011. This proxy statement summarizes information regarding matters to be considered at the meeting. You do not need to attend the meeting to vote your shares.

Will I receive a full paper set of proxy materials?

Most shareholders will receive only a written notice of how to access our proxy materials, and will not receive printed copies of the proxy materials unless requested. If you would like to receive a paper copy of our proxy materials, you should follow the instructions for requesting the materials in the notice.

What do our materials include?

The full set of our materials include:

the notice and proxy statement for the meeting,

proxy or voting instruction cards, and

our 2010 annual report furnished in the following two parts: (1) our 2010 Financial Report, which constitutes *Appendix A* to this proxy statement, and (2) our 2010 Review and CEO's Message, prepared as a separate booklet.

Our 2010 annual report is not a part of our proxy soliciting materials.

When and where will the meeting be held?

The meeting will be held at 10:00 a.m. local time on Wednesday, May 18, 2011, in the corporate conference room at our corporate headquarters, 100 CenturyLink Drive, Monroe,

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Louisiana. If you would like directions to the meeting, please see our website, <http://ir.centurylink.com>.

On what matters will I vote at the meeting?

Shareholders will vote on the following items at the meeting:

the election of the five Class II director nominees named in this proxy statement (Item 1);

the ratification of the appointment of KPMG LLP as our independent auditor for 2011 (Item 2);

the approval of our 2011 Equity Incentive Plan, which we refer to below as the Incentive Plan (Item 3);

the consideration of advisory votes regarding:

- our executive compensation (Item 4(a))
- the frequency of our advisory executive compensation votes (Item 4(b))

the two shareholder proposals described in this proxy statement if each is properly presented at the meeting (Items 5(a) and 5(b)); and

any other matters properly brought before the meeting.

What are the Board's voting recommendations?

The Board recommends that you vote your shares:

FOR each of the Class II director nominees, the ratification of KPMG LLP as our independent auditor for 2011, the approval of the Incentive Plan, and the advisory approval of our executive compensation (Items 1 through 4(a));

1 YEAR regarding the frequency of our advisory votes on executive compensation (Item 4(b)); and

AGAINST both shareholder proposals (Items 5(a) and 5(b)).

How many votes may I cast?

You may cast one vote for every share of our common stock or Series L preferred stock that you owned on the record date. Our common stock and Series L preferred stock vote together as a single class on all matters. In this proxy statement, we refer to these shares as our Common Shares and Preferred Shares, respectively, and as our Voting Shares, collectively.

How many votes can be cast by all shareholders?

As of the record date, we had 305,775,354 Common Shares and 9,434 Preferred Shares outstanding, all of which were entitled to one vote per share.

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How many shares must be present to hold the meeting?

Our bylaws provide that the presence at the meeting, in person or by proxy, of a majority of the outstanding Voting Shares constitutes a quorum to organize the meeting.

What is the difference between holding shares as a shareholder of record and as a beneficial owner?

If shares are registered in your name with our transfer agent, Computershare Investor Services L.L.C., (i) you are the shareholder of record with respect to those shares and (ii) you may directly vote these shares, together with any shares credited to your account if you are a participant in our automatic dividend reinvestment and stock purchase service or our employee stock purchase plans.

If your shares are held on your behalf in a stock brokerage account or by a bank or other nominee, you are the beneficial owner of shares held in street name. We have requested that our proxy materials be made available to you by your broker, bank or nominee who is considered the shareholder of record with respect to those shares.

If I am a shareholder of record, how do I vote?

If you are a shareholder of record, you may vote in person at the meeting or by proxy in any of the following three ways:

call 1-800-652-8683 and follow the instructions provided;

log on to the Internet at www.envisionreports.com/ctl and follow the instructions at that site; or

request a paper copy of our proxy materials and, following receipt thereof, mark, sign and date your proxy card and return it to Computershare.

Please note that you may not vote by telephone or the Internet after 1:00 a.m. Central Time on May 18, 2011. You may revoke or change your proxy at any time before it is voted at the meeting by giving a written revocation notice to our secretary, by delivering timely a proxy bearing a later date or by voting in person at the meeting.

If I am a beneficial owner of shares held in street name, how do I vote?

As the beneficial owner, you have the right to instruct your broker, bank or nominee how to vote your shares by using any voting instruction card supplied by them or by following their instructions for voting by telephone, the Internet, or in person.

If I am a benefit plan participant, how do I vote?

If you beneficially own any of our Common Shares by virtue of participating in any retirement plan of CenturyLink or Embarq, then you will receive separate voting instruction cards that will enable you to direct the voting of these shares. These voting instruction cards entitle you, on a confidential basis, to instruct the trustees how to vote the shares allocated to your plan account. Some of the cards will similarly entitle you to direct the voting of a proportionate number of plan shares for which properly executed instructions are not timely

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received and some will require you to act in your capacity as a named fiduciary, which requires you to exercise your voting rights prudently and in the interest of all plan participants. Plan participants who wish to vote should complete and return voting instruction cards in the manner provided by such cards. If you elect not to vote the shares allocated to your accounts, your shares will be voted in the manner specified in the voting instruction cards. Plan participants that wish to revoke their voting instructions must contact the trustee and follow its procedures.

What vote is required to elect a director at the meeting?

Our bylaws provide that each of the five directors nominated to serve as Class II directors will be elected if the number of votes cast in favor of the director exceeds the number of votes withheld with respect to the director. You may vote for all director nominees or withhold your vote for any one or more of the director nominees. If any of the five directors fails to receive a majority of the votes cast at the meeting, our bylaws will require such director to tender his or her resignation to the Board for its consideration.

What vote is required to adopt the other proposals at the meeting?

The affirmative vote of the holders of a majority of the votes cast is required to approve the Incentive Plan, and the affirmative vote of the holders of a majority of the Voting Shares present in person or represented by proxy and entitled to vote at the meeting is required to approve each of the other items submitted to a vote.

If I abstain from voting, what effect will that have on the meeting?

Shares as to which the proxy holders have been instructed to abstain from voting with respect to any particular matter will be treated under the Company's bylaws as not being cast, present or represented for purposes of such vote. Because all matters must be approved by a specified percentage of votes cast or Voting Shares present or represented at the meeting, abstentions will not affect the outcome of any such vote. Shareholders abstaining from voting will, however, be counted as present for purposes of constituting a quorum to organize the meeting.

Can my shares be voted if I do not return the proxy card and do not attend the meeting in person?

Under the rules of the New York Stock Exchange, brokers who hold shares in street name for customers may vote in their discretion on matters considered to be routine when they have not received voting instructions from beneficial owners. Under these rules, brokers who do not receive such instructions will be entitled to vote in their discretion at the meeting with respect to the ratification of the appointment of the independent auditor, but will not be entitled to vote in their discretion with respect to the any of the other matters submitted to a vote. If brokers who do not receive voting instructions do not, or cannot, exercise discretionary voting power (a broker non-vote) with respect to any matter to be considered at the meeting, shares that are not voted will be treated as present for purposes of constituting a quorum to organize the meeting but not present or cast with respect to considering such matter. Because all matters must be approved by a specified percentage of the votes cast or Voting Shares present or represented at the meeting, broker non-votes with respect to these matters will not affect the outcome of the voting.

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What if I do not vote for a proposal on the proxy card I return?

If you properly execute and return a proxy or voting instruction card, your shares will be voted as you specify. If you are a shareholder of record and make no specifications on your validly submitted proxy card, your shares will be voted against the shareholder proposals, in favor of annual advisory votes on executive compensation, and in favor of all other items.

If you are a beneficial owner of shares and do not give voting instructions to your broker, bank or nominee, they will be entitled to vote your shares only to the extent specified in response to the immediately preceding question.

Who pays for soliciting proxies?

We will pay all expenses of soliciting proxies for the meeting. Proxies may be solicited personally, by mail, by telephone or by facsimile by our directors, officers and employees, who will not be additionally compensated therefor. We will also request persons holding Voting Shares in their names for others, such as brokers, banks and other nominees, to forward materials to their principals and request authority for the execution of proxies, and we will reimburse them for their expenses incurred in connection therewith. We have retained Innisfree M&A Incorporated, New York, New York, to assist in the solicitation of proxies, for which we will pay Innisfree fees anticipated to be \$15,000 and will reimburse Innisfree for certain of its out-of-pocket expenses.

Do I need identification to attend the meeting in person?

Yes. Please bring proper identification, together with the notice of Internet availability mailed to you, which will serve as your admission ticket. If your shares are held in street name, please bring acceptable proof of ownership, such as a letter from your broker or an account statement stating or showing that you beneficially owned Voting Shares on the record date.

Could other matters be considered and voted upon at the meeting?

Management has not timely received any notice that a shareholder desires to present any matter for action at the meeting in accordance with our bylaws (which are described in Other Matters Shareholder Nominations and Proposals) other than the shareholder proposals described in this proxy statement, and is otherwise unaware of any matter to be considered by shareholders at the meeting other than those matters specified in the accompanying notice of the meeting. Our proxy and voting instruction cards, however, will confer discretionary voting authority with respect to any other matter that may properly come before the meeting. It is the intention of the persons named therein to vote in accordance with their best judgment on any such matter.

What happens if the meeting is postponed or adjourned?

Your proxy will still be valid and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is voted.

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ELECTION OF DIRECTORS

(Item 1 on Proxy or Voting Instruction Card)

The Board of Directors is fixed at 16 members, which are divided under our articles of incorporation into three classes. Members of the respective classes hold office for staggered terms of three years, with one class elected at each annual shareholders meeting. The shareholders will elect five Class II directors at the meeting. Acting upon the recommendation of its Nominating and Corporate Governance Committee, the Board of Directors has nominated the five individuals listed below to serve as Class II directors.

Unless authority is withheld, all votes attributable to the shares represented by each duly executed and delivered proxy will be cast for the election of each of these below-named nominees. Under our bylaw nominating procedures, these nominees are the only individuals who may be elected at the meeting. For additional information on our nomination process, see Corporate Governance - Director Nomination Process. If for any reason any such nominee should decline or become unable to stand for election as a director, which we do not anticipate, votes will be cast instead for another candidate designated by the Board, without resoliciting proxies.

As discussed further under General Information What vote is required to elect a director at the meeting? , each of the five nominees must receive a majority of the votes cast to be elected at the meeting.

The following tables provide certain information with respect to each nominee, each other director whose term will continue after the meeting, and our executive officers. As discussed further elsewhere herein, four of our below-listed directors formerly served as directors of Embarq and four of our other below-listed directors formerly served as directors of Qwest, in each case prior to our acquisitions of those companies.

Class II Directors (for term expiring in 2014):

Virginia Boulet, age 57; a director since 1995; Special Counsel at Adams and Reese LLP, a law firm, since March 2002; prior to then, practiced as a corporate and securities attorney for Phelps Dunbar, L.L.P. from March 1992 to March 2002 and Jones, Walker, Waechter, Poitevent, Carrère & Denègre L.L.P. from May 1983 to March 1992; currently a director of W&T Offshore, Inc.

Key Qualifications, Experiences and Skills:

Legal experience representing telecommunications companies

Director of another publicly-held company

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Peter C. Brown, age 52; a director since July 1, 2009; Chairman of Grassmere Partners, LLC, a private investment firm, since July 2009; held several executive level positions, including Chairman of the Board, President and Chief Executive Officer, and Chief Financial Officer, with AMC Entertainment Inc., a theatrical exhibition company, from 1991 until his retirement in February 2009; founded Entertainment Properties Trust, a NYSE-listed real estate investment trust, in 1997 and served as its Chairman of the Board of Trustees until 2003; currently a director of Entertainment Properties Trust and Cinedigm Digital Cinema Corporation; formerly a director of National CineMedia, Inc. and Midway Games, Inc. within the past five years and a director of Embarq prior to July 1, 2009.

Key Qualifications, Experiences and Skills:

Experience as a former chief executive of a publicly-held company

Qualifies as an audit committee financial expert

Director of other publicly-held companies

Richard A. Gephardt, age 70; a director since July 1, 2009; President and Chief Executive Officer of Gephardt Group, a multi-disciplined consulting firm, since January 2005; consultant to Goldman Sachs & Co. since January 2005; strategic advisor in the government affairs practice group of DLA Piper between June 2005 and December 2009; senior advisor to FTI Consulting between January 2007 and December 2009; member of the U.S. House of Representatives from 1976 to 2005, representing Missouri's Third District and holding key leadership positions, including House Minority Leader; currently a director of Centene Corporation, Ford Motor Company, Spirit Aerosystems Holdings, Inc. and United States Steel Corporation and a director of Embarq prior to July 1, 2009.

Key Qualifications, Experiences and Skills:

Government and labor relations expertise

Director of other publicly-held companies

Gregory J. McCray, age 48; a director since 2005; Chairman and Chief Executive Officer of Antenova Limited, a British company which develops and markets wireless components, since January 2003; Chairman and Chief Executive Officer of PipingHot Networks, a wireless start-up, from November 2000 to November 2002; Senior Vice President, Customer Operations, at Lucent Technologies from June 1997 to October 2000; Sales Vice

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President, U.S. Eastern Region, at Lucent Technologies from January 1994 to May 1997; held engineering, product management and other managerial roles at AT&T and IBM from May 1984 to December 1993.

Key Qualifications, Experiences and Skills:

- Executive experience in the communications and technology industries
- Experience as a chief executive of privately-held companies
- Engineering expertise
- International business experience

Michael J. Roberts, age 60; a former Qwest director added to our Board on April 1, 2011; Chief Executive Officer and founder of Westside Holdings LLC, a marketing and brand development company; served as President and Chief Operating Officer of McDonald's Corporation, a foodservice retailer, from 2004 to 2006; served as Chief Executive Officer of McDonald's USA during 2004 and as President of McDonald's USA from 2001 to 2004; currently a director of W.W. Grainger, Inc. and Standard Parking Corporation.

Key Qualifications, Experiences and Skills:

- Experience as a chief executive
- Marketing and branding expertise
- Director of other publicly-held companies
- Qualifies as an audit committee financial expert

The Board unanimously recommends a vote FOR each of these nominees.

Class III Directors (term expires in 2012):

Charles L. Biggs, age 70; a former Qwest director added to our Board on April 1, 2011; management consultant with Deloitte & Touche, a professional services firm that provides assurance and advisory, tax and management consulting services, from 1968 until his retirement in 2002; held various management positions at Deloitte & Touche, including National Director of Strategy Services for Deloitte's strategy arm and Chairman of Deloitte/Holt Value Associates; currently a director of Standard Parking Corporation.

Key Qualifications, Experiences and Skills:

- Strategy and management process expertise
- Financial and accounting experience

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Director of another publicly-held company

Qualifies as an audit committee financial expert

Fred R. Nichols, age 64; has served as a director since 2003; retired from Cox Communications, Inc. in February 2000, where he served as Executive Vice President of Operations since August 1999; held various executive positions at TCA Cable TV, Inc. (which was publicly-traded between 1982 and its sale to Cox in 1999) from 1980 to 1999, most notably serving as Chairman, President and Chief Executive Officer from 1997 to 1999 and President and Chief Operating Officer from 1989 to 1997; also served on the executive boards of (i) the National Cable Television Association and the Cable Telecommunications Association, both cable industry trade associations, (ii) Telesynergy, a cable television programming consortium, and (iii) C-SPAN, a cable television network; prior to joining TCA in 1980, worked as a commercial banker for nine years and as a certified public accountant with Peat, Marwick & Mitchell for three years.

Key Qualifications, Experiences and Skills:

Executive experience in the communications industry

Experience as a former chief executive of a publicly-held company

Former experience as a certified public accountant and commercial banker

Harvey P. Perry, age 66; a director since 1990; non-executive Vice Chairman of the Board of Directors of CenturyLink since January 1, 2004; retired from CenturyLink in December 2003; joined CenturyLink in 1984, serving as Secretary and General Counsel for approximately 20 years and Executive Vice President and Chief Administrative Officer for almost five years; prior to then, worked as an attorney in private practice for 15 years.

Key Qualifications, Experiences and Skills:

Prior executive experience with, and historical knowledge of, our company

Legal experience representing telecommunications companies

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Laurie A. Siegel, age 55; a director since July 1, 2009; Senior Vice President of Human Resources and Internal Communications for Tyco International Ltd., a diversified manufacturing and service company, since January 2003; held various positions with Honeywell International Inc. from September 1994 to December 2002, including Vice President of Human Resources Specialty Materials; prior to then, was director of global compensation at Avon Products and a principal of Strategic Compensation Associates; a director of Embarq prior to July 1, 2009.

Key Qualifications, Experiences and Skills:

Executive experience with a multi-national company

Human relations and executive compensation expertise

James A. Unruh, age 70; a former Qwest director added to our Board on April 1, 2011; Principal of Alerion Capital Group, a merchant banking organization focused on private equity, since 1998; held various positions with Unisys Corporation and its predecessors, including Chairman, President and Chief Executive Officer prior to then; currently a director of CSG Systems International, Inc., Prudential Financial, Inc. and Tenet Healthcare Corporation.

Key Qualifications, Experiences and Skills:

Experience as a chief executive of a publicly-held company

Management advisory experience

Financial and accounting experience, including service as chief financial officer of public companies

Director of other publicly-held companies, including prior service on the board of a telecommunications company

Joseph R. Zimmer, age 57; a director since 2003; a business and financial consultant since November 2002; Advisory Director of the Goldman Sachs Group from December 2001 to November 2002; Managing Director of the Communications, Media & Entertainment Group for the Americas in the investment banking division of Goldman, Sachs & Co. from 1999 to 2001, after acting as Managing Director and a co-head of the group from 1992 to 1999; Managing Director in the mergers and acquisitions department of Goldman, Sachs & Co. from 1988 to 1992; currently a director of FactSet Research Systems Inc. and formerly a director of Digitas Inc. within the past five years.

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Key Qualifications, Experiences and Skills:

- Advisory experience in the communications industry
- Investment banking expertise
- Qualifies as an audit committee financial expert
- Director of other publicly-owned companies

Class I Directors (term expires in 2013):

W. Bruce Hanks, age 56; a director since 1992; a consultant with Graham, Bordelon and Co., Inc., an investment management and financial planning company, since December 1, 2005; Athletic Director of the University of Louisiana at Monroe from March 2001 to June 2004; held various executive positions at CenturyLink from August 1980 through March 2001, most notably Chief Operating Officer, Senior Vice President Corporate Development and Strategy, Chief Financial Officer, Senior Vice President Revenues and External Affairs, and President Telecommunications Services; worked as a certified public accountant with Peat, Marwick & Mitchell for three years prior to then; currently an advisory director of IberiaBank Corporation; also served in the past on the executive boards of several telecommunications industry associations and the boards of other publicly-owned companies.

Key Qualifications, Experiences and Skills:

- Prior executive experience with, and historical knowledge of, our company
- Former experience as a certified public accountant
- Qualifies as an audit committee financial expert
- Prior experience as a director of other publicly-owned companies

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C. G. Melville, Jr., age 70; a director since 1968; retired in 1992 after serving as President of Melville Equipment, Inc., a family-owned distributor of marine and industrial equipment, for nearly 30 years; Chief Executive Officer of a family-owned telephone company for six years prior to its sale to CenturyLink in 1968.

Key Qualifications, Experiences and Skills:

Experience owning and managing telecommunications companies

Experience as a former chief executive of family-owned privately-held companies

Edward A. Mueller, age 64; a former Qwest director added to our Board on April 1, 2011; Chairman and Chief Executive Officer of Qwest between August 2007 and April 1, 2011; Chief Executive Officer of Williams-Sonoma, Inc., a specialty retailer of home furnishings, from 2003 until July 2006, and a director of Williams-Sonoma from 1999 until May 2007; prior to then, held a variety of executive level positions with several telecommunications companies, including Ameritech, SBC International Operations, Pacific Bell and Southwest Bell Telephone; currently a director of The Clorox Company and McKesson Corporation; formerly a director of GSC Acquisition Co., Verisign Inc. and Williams-Sonoma Inc. within the past five years; holds a bachelor's degree in civil engineering from the University of Missouri and an executive masters degree in business administration from Washington University.

Key Qualifications, Experiences and Skills:

Executive experience in the telecommunications business

Experience as the chief executive of Qwest and another publicly-held company

Engineering degree

Director of other publicly-held companies

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William A. Owens, age 70; a director since July 1, 2009; non-executive Chairman of the Board of CenturyLink since July 1, 2009; Managing Director, Chairman and Chief Executive Officer of AEA Investors Asia, a private equity company, since April 2006; Vice Chairman, President and Chief Executive Officer of Nortel Networks Corporation, a global supplier of communications equipment, from 2004 to 2005; Chairman and Chief Executive Officer of Teledesic LLC, a satellite communications company, from 1998 to 2003; served in the U.S. military from 1962 to 1996 holding various key leadership positions, including Vice Chairman of the Joint Chiefs of Staff; currently a director of Polycom, Inc., Wipro Limited, and Intelius Inc.; formerly a director of AEA Investors LLC, Flow Mobile, Unifrax Corporation, Amerilink within the past five years; Chairman of the Board of Embarq prior to July 1, 2009.

Key Qualifications, Experiences and Skills:

- Executive experience in the communications industry
- Experience as a former chief executive of publicly-held companies
- Government relations expertise
- International business experience
- Director of other domestic and international publicly-held companies

Glen F. Post, III, age 58; a director since 1985; Chief Executive Officer of CenturyLink since 1992, and President since July 1, 2009 (and from 1990 to 2002); Chairman of the Board of CenturyLink between June 2002 and June 2009; Vice Chairman of the Board of CenturyLink between 1993 and 2002; held various other positions at CenturyLink between 1976 and 1993; most notably Treasurer, Chief Financial Officer and Chief Operating Officer.

Key Qualifications, Experiences and Skills:

- Executive experience in the telecommunications business
- Experience as our chief executive
- Former experience as a certified public accountant

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Executive Officers Who Are Not Directors:

Listed below is information on each of our executive officers who are not directors. Unless otherwise indicated, each person has been engaged in the principal occupation shown for more than the past five years.

Karen A. Puckett, age 50; Executive Vice President and Chief Operating Officer since July 2009; President and Chief Operating Officer from September 2002 until July 2009.

R. Stewart Ewing, Jr., age 59; Executive Vice President and Chief Financial Officer.

Stacey W. Goff, age 45; Executive Vice President, General Counsel and Secretary since July 1, 2009; Senior Vice President, General Counsel and Secretary prior to then.

Dennis G. Huber, age 51; Executive Vice President Network Services since July 1, 2009 (excluding the four-month period between May 2010 and September 2010); held various executive positions at Embarq and its predecessor companies from January 2003 through July 1, 2009, most notably Chief Technology Officer and Senior Vice President, Senior Vice President Corporate Strategy and Development and Senior Vice President of Product Development.

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William E. Cheek, age 55; President Wholesale Operations since July 1, 2009; President Wholesale Markets for Embarq from May 2006 until July 2009; served in this role at the local telecommunications division of Sprint Nextel Corporation from August 2005 until May 2006 and as Assistant Vice President, Strategic Sales and Account Management, in Sprint Business Solutions from January 2004 until July 2005.

Christopher K. Ancell, age 49; President Business Markets Group since April 1, 2011; served as Qwest's Executive Vice President, Business Markets Group between August 2009 and March 31, 2011; from 2004 to August 2009, served as the Vice President of Sales, Western Region, for Qwest's Business Markets Group; prior to then, held several other management positions with Qwest, including Vice President of Sales Support for the Business Markets Group and Vice President of Hosting Sales.

David D. Cole, age 53; Senior Vice President Controller and Operations Support; served as Senior Vice President Operations Support since 1999, and as Controller since April 1, 2011.

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CORPORATE GOVERNANCE

Governance Guidelines

Our Board has adopted corporate governance guidelines, which it reviews at least annually. For information on how you can obtain a complete copy of our guidelines, see - Access to Information below.

Among other things, our corporate governance guidelines provide as follows:

Director Qualifications

The Board of Directors will have a majority of independent directors. The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of new Board members as well as the composition of the Board as a whole.

The Board expects directors who change the job or responsibility they held when they were elected to the Board to volunteer to resign from the Board.

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

No director may serve on more than two other unaffiliated public company boards, unless this prohibition is waived by the Board.

No director may be appointed or nominated to a new term if he or she would be age 75 or older at the time of the election or appointment.

Annually, the Board will determine affirmatively which of our directors are independent for purposes of complying with our corporate governance guidelines and the listing standards of the New York Stock Exchange, or NYSE. A director will not be independent for these purposes unless the Board affirmatively determines that the director does not, either directly or indirectly through the director's affiliates or associates, have a material commercial, banking, consulting, legal, accounting, charitable, familial or other relationship with the Company or its affiliates, other than as a director.

Director Responsibilities

The Board periodically reviews our long-term strategic plans, and annually holds a multi-day strategic planning session.

Unless otherwise determined by the Board, when a management director retires or ceases to be an active employee for any other reason, that director will be considered to have resigned concurrently from the Board.

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Chairman: Lead Outside Director

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

The non-management directors meet in executive session at least quarterly. The lead outside director elected by the independent directors may call additional meetings of the non-management directors at any time. At all times during which the Chairman is a non-executive chair, all of the functions and responsibilities of the lead outside director shall be performed by the non-executive chair.

CEO Evaluation and Management Succession

The Nominating and Corporate Governance Committee conducts an annual review of the CEO's performance and provides a report of its findings to the Board.

The Nominating and Corporate Governance Committee reports periodically to the Board on succession planning.

Recoupment of Compensation

If the Board or any committee of the Board determines that any bonus, incentive payment, commission, equity award or other compensation awarded to or received by an executive officer was based on any financial or operating result that was impacted by the executive officer's knowing or intentional fraudulent or illegal conduct, the Board or a Board committee may recover from the executive officer the compensation it considers appropriate under the circumstances.

Stock Ownership Guidelines

We require our executive officers to beneficially own CenturyLink stock equal in market value to specified multiples of their annual base salary. All executive officers have three years from the date they first become subject to a particular ownership level to attain that target.

We require our outside directors to beneficially own CenturyLink stock equal in market value to five times their annual cash retainer. Outside directors have five years from their election or appointment date to attain that target.

For any year during which an executive or director does not meet his or her ownership target, the executive or director is expected to hold a specified percentage of the CenturyLink stock that the executive or director acquires

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through our equity compensation programs, excluding shares sold to pay taxes associated with the acquisition thereof.

The Compensation Committee administers the guidelines, and may modify their terms and grant hardship exceptions in its discretion.

See Compensation Discussion and Analysis Stock Ownership Guidelines for information on the executive ownership multiples and the holding percentages currently in effect.

Standards of Business Conduct and Ethics

All of our directors, officers and employees are required to abide by our long-standing ethics and compliance policies and programs, which include standards of business conduct.

Any waiver of our policies, principles or guidelines relating to business conduct or ethics for executive officers or directors may be made only by the Board or one of its duly authorized committees.

Other

Directors have full access to our officers and employees.

Like most other NYSE-listed companies, (i) all of the Board's standing committees are comprised solely of independent directors, (ii) we provide orientation for new directors, (iii) we maintain a continuing education program for our directors, and (iv) the Board and each committee conducts annual self-reviews.

Independence

Based on the information made available to it, the Board of Directors has affirmatively determined that each of the directors, with the exception of Mr. Post, qualifies as an independent director under the standards referred to above under Governance Guidelines. In making these determinations, the Board, with assistance from counsel, evaluated responses to a questionnaire completed by each director regarding relationships and possible conflicts of interest. In its review of director independence, the Board considered all known commercial, banking, consulting, legal, accounting, charitable, familial or other relationships any director may have with us.

Some of our directors are employed by or affiliated with companies with which we do business in the ordinary course, either as a service provider, a customer or both. As required under the NYSE listing standards and our Corporate Governance Guidelines, our Board examined the amount spent by us with those companies and by those companies with us. Because in all cases the amount spent fell far below the threshold established in the NYSE listing standards and in our Corporate Governance Guidelines, our Board concluded that the amounts spent did not create a material relationship with us that would interfere with the exercise by any of these directors of his or her independent judgment. In addition, we concluded that Edward A.

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Mueller's service as Chairman and Chief Executive Officer of Qwest prior to its acquisition by us on April 1, 2011 does not impair his independence as a CenturyLink director.

Committees of the Board

During 2010, the Board of Directors held four regular meetings, eight special meetings, and a three-day strategic planning session.

During 2010, the Board's Audit Committee held seven meetings. The Audit Committee is currently composed of five independent directors, all of whom the Board has determined to be audit committee financial experts, as defined under the federal securities laws. The Audit Committee's functions are described further below under Audit Committee Report.

The Board's Compensation Committee met ten times during 2010. The Compensation Committee is currently composed of five directors, all of whom qualify as non-employee directors under Rule 16b-3 promulgated under the Securities Exchange Act of 1934 and all of whom, other than Harvey P. Perry, qualify as outside directors under Section 162(m) of the Internal Revenue Code. The Compensation Committee is described further below under Compensation Discussion and Analysis.

The Board's Nominating and Corporate Governance Committee (which we refer to below as the Nominating Committee) met six times during 2010. The Nominating Committee is responsible for, among other things, (i) recommending to the Board nominees to serve as directors and officers, (ii) monitoring the composition and size of the Board and its committees, (iii) periodically reassessing our corporate governance guidelines described above, (iv) leading the Board in its annual review of the Board's performance, and (v) reviewing annually the Chief Executive Officer's performance, reporting to the Board on succession planning for senior executive officers and appointing an interim CEO if the Board does not make such an appointment within 72 hours of the CEO dying or becoming disabled. For information on the director nomination process, see Director Nomination Process below.

The Board also maintains a Risk Evaluation Committee, which met four times during 2010, described further below under the heading Risk Oversight.

Each of the committees listed above is composed solely of independent directors under the standards referred to above under Governance Guidelines.

The table below lists the Board's standing committees and their membership.

| | Audit Committee Member | Compensation Committee Member⁽²⁾ | Nominating and Corporate Governance Committee Member | Risk Evaluation Committee Member |
|---------------------------------------|---------------------------------------|--|---|---|
| Outside Director⁽¹⁾ | | | | |
| Charles L. Biggs | ü | | | |
| Virginia Boulet | | ü | Chair | |
| Peter C. Brown | ü | | | ü |
| W. Bruce Hanks | Chair | | | ü |
| Gregory J. McCray | | | ü | ü |
| C. G. Melville, Jr. | | | ü | Chair |
| Edward A. Mueller | | | | ü |
| Fred R. Nichols | | ü | ü | |

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| | Audit Committee Member | Compensation Committee Member⁽²⁾ | Nominating and Corporate Governance Committee Member | Risk Evaluation Committee Member |
|---------------------------------------|---------------------------------------|--|---|---|
| Outside Director⁽¹⁾ | | | | |
| William A. Owens | | ü | ü | |
| Harvey P. Perry | | ü | | |
| Michael J. Roberts | ü | | | |
| Laurie A. Siegel | | Chair | | |
| James A. Unruh | | | | ü |
| Joseph R. Zimmel | ü | | | |

(1) Except as noted below, Glen F. Post, III does not serve on any board committees. Richard A. Gephardt does not serve on any board committees.

(2) The Compensation Committee maintains an Incentive Awards Subcommittee comprised of Ms. Boulet, Mr. Nichols, Mr. Owens and Ms. Siegel.

The Board has also established a Special Pricing Committee that has authority to approve the terms and offering prices of any securities sold pursuant to our outstanding shelf registration statements. This *ad hoc* committee is comprised of Peter C. Brown, W. Bruce Hanks, Glen F. Post, III and Joseph R. Zimmel.

If you would like additional information on the responsibilities of the committees listed above, please refer to the committees' respective charters, which can be obtained in the manner described below under - Access to Information.

We expect all of our directors to attend our annual shareholders' meetings. Each of our directors then in office attended the 2010 annual shareholders' meeting, other than one former director whose term expired at the meeting, and two other directors who were attending a funeral and graduation ceremony, respectively.

Director Nomination Process

Nominations for the election of directors at our annual shareholders' meetings may be made by the Board (upon the receipt of recommendations of the Nominating Committee) or by any shareholder of record who complies with our bylaws. Under our bylaws, any shareholder of record interested in making a nomination generally must deliver written notice to the Company's secretary not more than 180 days and not less than 90 days in advance of the first anniversary of the preceding year's annual shareholders meeting. For the meeting this year, the Board has nominated the five nominees listed above under Election of Directors to stand for election as Class II directors, and no shareholders submitted any nominations. For further information on deadlines for submitting nominations for our 2012 annual shareholders meeting, see Other Matters - Shareholder Nominations and Proposals.

The written notice required to be sent by any nominating shareholder must include (i) the name, age, business address and residential address of the nominating shareholder and any other person acting in concert with such shareholder, (ii) a representation that the nominating shareholder is a record holder of Voting Shares, and intends to make his nomination in person, (iii) a description of all agreements among the nominating shareholder, any person acting in concert with him, each proposed nominee and any other person pursuant to which the

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nomination or nominations are to be made and (iv) various biographical information about each proposed nominee, including principal occupation, holdings of Voting Shares and other information required to be disclosed in our proxy statement. The notice must also be accompanied by the written consent of each proposed nominee to serve as a director if elected, and an affidavit certifying that each proposed nominee meets the qualifications for service specified in the bylaws and summarized below. We may require a proposed nominee to furnish other reasonable information or certifications. Shareholders interested in bringing before a shareholders meeting any matter other than a director nomination should consult our bylaws for additional procedures governing such requests. We may disregard any nomination or submission of any other matter that fails to comply with these bylaw procedures.

The Nominating Committee will consider candidates nominated by shareholders in accordance with our bylaws. Upon receipt of any such nominations, the Committee will review the submission for compliance with our bylaws, including determining if the proposed nominee meets the bylaw qualifications for service as a director. These provisions disqualify any person who fails to respond satisfactorily to any inquiry for information to enable us to make certifications required by the Federal Communications Commission under the Anti-Drug Abuse Act of 1988, or who has been arrested or convicted of certain specified drug offenses or engaged in actions that could lead to such an arrest or conviction.

In the past, the Nominating Committee has considered director candidates suggested by Committee members, other directors, senior management and shareholders. In connection with our July 1, 2009 merger with Embarq, we added to our Board seven directors who previously served as directors of Embarq, four of whom continue to serve. During the several years preceding the merger, the Nominating Committee retained, on an as-needed basis and at our expense, national search firms to help identify potential director candidates, including three directors added to the Board between 2003 and 2005. With respect to this year's meeting, all of the nominees are incumbent directors with several years of prior service on our Board or the boards of Embarq or Qwest. The Nominating Committee may retain search firms from time to time in the future to help identify potential director candidates.

Under our corporate governance guidelines, the Nominating Committee assesses director candidates based on their independence, diversity, character, skills and experience in the context of the needs of the Board. Although the guidelines permit the Nominating Committee to adopt additional selection guidelines or criteria, it has chosen not to do so. Instead, the Nominating Committee periodically assesses skills and characteristics then required by the Board based on its membership and needs at the time of the assessment. In evaluating the needs of the Board, the Nominating Committee considers the qualification of incumbent directors and consults with other members of the Board and senior management. In addition, the Nominating Committee seeks candidates committed to representing the interests of all shareholders and not any particular constituency. The Nominating Committee believes this flexible approach enables it to respond to changes caused by director retirements and industry developments.

In connection with assessing the needs of the Board, the Committee has sought individuals who possess skill and experience in a diverse range of fields. The Committee also has sought a mix of individuals from inside and outside of the communications industry. The table above listing biographical data about our directors includes a listing of the key qualifications, experiences and skills that the Committee and Board reviewed in connection with nominating or re-nominating them for service on the Board.

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In connection with determining the current composition of the Board, the Nominating Committee assessed the diverse range of skills and experience of our directors outlined above, coupled with the judgment that each has exhibited and the knowledge of our operations that each has acquired in connection with their service on the Board. Although it does not have a formal diversity policy, the Nominating Committee believes that our directors possess a diverse range of backgrounds, perspectives, skills and experiences.

Although we do not have a history of receiving director nominations from shareholders, the Nominating Committee envisions that it would evaluate any such candidate on the same terms as other proposed nominees, but would place a substantial premium on retaining incumbent directors who are familiar with our management, operations, business, industry, strategies and competitive position, and who have previously demonstrated a proven ability to provide valuable contributions to the Board and CenturyLink.

Compensation Setting Process

The Compensation Committee hires consulting firms to assist it in setting executive and director compensation. In late 2010, the Committee retained Hay Group, following a nationwide search to replace PricewaterhouseCoopers LLC, which advised the Committee for the previous six years. For additional information on the processes used by the Committee to set executive compensation and payments made to the Committee's consultants, see Compensation Discussion and Analysis.

Risk Oversight

Our Board oversees our company's risk management function, which is a coordinated effort among our business units, our internal audit department and our risk management personnel. Our Board provides this oversight primarily through its Risk Evaluation Committee, which is responsible for assisting management to identify, monitor, and manage risks to our business, properties and employees. The Risk Evaluation Committee is also responsible for overseeing our ethics and compliance program. In addition to receiving reports from the Risk Evaluation Committee, the Board monitors risk in connection with overseeing our corporate strategies and operations and by receiving reports from the other committees of the Board, particularly the Audit Committee with respect to financial, tax and accounting risks and the Compensation Committee with respect to compensation risks. For a discussion of the Compensation Committee's risk analysis, see Compensation Discussion and Analysis Our Compensation Decision-Making Process Risk Assessment.

Top Leadership Positions and Structure

Admiral William A. Owens serves as our Chairman and lead outside director. As explained further on our website, you may contact Adm. Owens by writing a letter to the Chairman and Lead Outside Director, c/o Post Office Box 5061, Monroe, Louisiana 71211 or by sending an email to boardinquiries@centurylink.com. As indicated above, the non-management directors meet in executive session at least quarterly.

Adm. Owens was appointed as our Chairman and lead outside director on July 1, 2009, as required under our October 26, 2008 merger agreement with Embarq. In May 2010, the Board re-elected Adm. Owens to serve in these capacities. Prior to July 1, 2009, Adm. Owens served

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as chairman of Embarq, and, prior to that, as the chief executive of a communications equipment provider and a satellite company. We believe Adm. Owens' service as our Chairman has facilitated the post-merger integration of the management and operations of CenturyLink and Embarq.

The Board believes that the separation of the Chairman and CEO positions has functioned effectively over the past couple of years. Separating these positions allows our CEO to have primary responsibility for the operational leadership and strategic direction of our business, while allowing our Chairman to lead the Board in its fundamental role of providing guidance to and independent oversight of management. While our by-laws and corporate governance guidelines do not require our Chairman and CEO positions to be separate, the Board believes that delegating responsibilities between Adm. Owens, as Chairman, and Mr. Post, as CEO, is the appropriate leadership structure for our company at this time. Our Board, however, periodically reviews its leadership structure and may make such changes in the future as it deems appropriate. The Board believes that its programs for overseeing risk would be effective under a variety of top leadership structures, and, accordingly, this factor has not materially affected its current choice of structure.

Waivers of Governance Requirements

Members of our Board are subject to our Corporate Governance Guidelines, which, among other things, prohibit a director from serving on more than two additional unaffiliated public company boards. In addition to serving on our Board, Richard A. Gephardt, William A. Owens and James A. Unruh serve on the board of directors of more than two unaffiliated public companies. In connection with appointing each of them to the Board, the Board waived compliance by each such individual with the above-described service limitation, subject to the understanding that this waiver permits such individuals to serve only on the boards of the unaffiliated companies on which they were then serving, unless and until the individual is permitted to accept a new directorship under our Corporate Governance Guidelines then in effect due to any future reductions in the number of the individual's directorships, any future changes in such guidelines, or any future additional waivers granted by the Board.

Access to Information

The following documents are posted on our website at www.centurylink.com:

Corporate governance guidelines

Charters of our Board committees

Corporate ethics and compliance program documents, including the CenturyLink Code of Conduct.

Table of Contents**RATIFICATION OF THE SELECTION OF THE INDEPENDENT AUDITOR****(Item 2 on Proxy or Voting Instruction Card)**

The Audit Committee of the Board has appointed KPMG LLP as our independent auditor for the fiscal year ending December 31, 2011, and we are submitting that appointment to our shareholders for ratification on an advisory basis at the meeting. Although shareholder ratification of KPMG's appointment is not legally required, we are submitting this matter to the shareholders, as in the past, as a matter of good corporate practice.

If the shareholders fail to vote on an advisory basis in favor of the appointment, the Audit Committee will reconsider whether to retain KPMG LLP, and may appoint that firm or another without re-submitting the matter to the shareholders. Even if the shareholders ratify the appointment, the Audit Committee may, in its discretion, select a different independent auditor at any time during the year if it determines that such a change would be in the Company's best interests. In connection with selecting the independent auditor, the Audit Committee reviews the auditor's qualifications, control procedures, cost, proposed staffing, prior performance and other relevant factors.

In connection with the audit of the 2011 financial statements, we entered into an engagement letter with KPMG LLP which sets forth the terms by which KPMG will provide audit services to us. Any future disputes between KPMG and us under that letter will be subject to certain specified alternative dispute resolution procedures.

The following table lists the aggregate fees and costs billed to us by KPMG and its affiliates for the 2009 and 2010 services identified below:

| | Amount Billed | |
|-----------------------------------|---------------|--------------|
| | 2009 | 2010 |
| Audit Fees ⁽¹⁾ | \$ 4,925,000 | \$ 4,469,000 |
| Audit-Related Fees ⁽²⁾ | 118,000 | 162,570 |
| Tax Fees ⁽³⁾ | 296,000 | 732,474 |
| Other ⁽⁴⁾ | | 27,800 |
| Total Fees | \$ 5,339,000 | \$ 5,391,844 |

- (1) Includes the cost of (i) services rendered in connection with auditing our annual consolidated financial statements, (ii) auditing our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, (iii) reviewing our quarterly financial statements, (iv) auditing the financial statements of several of our telephone subsidiaries, and (v) services rendered in connection with reviewing our registration statements and issuing related comfort letters.
- (2) Includes the cost of auditing our benefit plans and general accounting consulting services.
- (3) Includes costs associated with (i) assistance in preparing income tax returns and related matters (which were approximately \$128,000 in 2009 and \$257,000 in 2010), (ii) assistance with various tax audits (which were approximately \$28,000 in 2009 and \$69,000 in 2010), (iii) assistance with our acquisition of Embarq (which were approximately \$80,000 in 2009 and \$81,000 in 2010), and (iv) general tax planning, consultation and compliance (which were approximately \$60,000 in 2009 and \$325,000 in 2010).
- (4) Reflects assistance with the Qwest acquisition.

The Audit Committee maintains written procedures that require it to annually review and pre-approve the scope of all services to be performed by our independent auditor. This review includes an evaluation of whether the provision of non-audit services by our independent auditor

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is compatible with maintaining the auditor's independence in providing audit and audit-related services. The Committee's procedures prohibit the independent auditor from providing any non-audit services unless the service is permitted under applicable law and is pre-approved by the Audit Committee or its Chairman. The Chairman is authorized to pre-approve projects expected to cost no more than \$75,000, provided the total cost of all projects pre-approved by the Chairman during any fiscal quarter does not exceed \$125,000. The Audit Committee has pre-approved the Company's independent auditor to provide up to \$40,000 per quarter of miscellaneous permitted tax services that do not constitute discrete and separate projects. The Chief Financial Officer is required periodically to advise the full Committee of the scope and cost of services not pre-approved by the full Committee. Although applicable regulations waive these pre-approval requirements in certain limited circumstances, the Audit Committee did not use these waiver provisions in either 2009 or 2010.

KPMG has advised us that one or more of its partners will be present at the meeting. We understand that these representatives will be available to respond to appropriate questions and will have an opportunity to make a statement if they desire to do so.

Ratification of KPMG's appointment as our independent auditor for 2011 will require the affirmative vote of at least a majority of the voting power present or represented at the meeting.

The Board unanimously recommends a vote FOR this proposal.

AUDIT COMMITTEE REPORT

Management is responsible for our internal controls and the financial reporting process. Our independent auditor is responsible for performing an independent audit of our consolidated financial statements and the effectiveness of our internal control over financial reporting, and to issue reports thereon. The Committee's responsibility is to monitor and oversee these processes, and to appoint the independent auditor.

In this context, the Committee has met and held discussions with management and our internal auditors and independent auditor for 2010, KPMG LLP. Management represented to the Committee that our consolidated financial statements were prepared in accordance with generally accepted U.S. accounting principles. The Committee has reviewed and discussed with management and KPMG the consolidated financial statements, and management's report and KPMG's report and attestation on internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. The Committee also discussed with KPMG matters required to be discussed by Statement on Auditing Standards No. 61, as amended.

KPMG also provided to the Committee the written disclosures required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with audit committees concerning independence. The Committee discussed with KPMG that firm's independence, and considered the effects that the provision of non-audit services may have on KPMG's independence.

Based on and in reliance upon the reviews and discussions referred to above, and subject to the limitations on the role and responsibilities of the Committee referred to in its charter, the Committee recommended that the Board of Directors include the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2010.

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If you would like additional information on the responsibilities of the Audit Committee, please refer to its charter, which you can obtain in the manner described above under Corporate Governance Access to Information.

Submitted by the Audit Committee of the Board of Directors.

W. Bruce Hanks (Chair)

Peter C. Brown

*Fred R. Nichols**

*William A. Owens**

Joseph R. Zimmel

* *Committee member through April 1, 2011, when Mr. Nichols and Mr. Owens were replaced on the Committee by Charles L. Biggs and Michael J. Roberts.*

**PROPOSAL TO APPROVE THE
CENTURYLINK 2011 EQUITY INCENTIVE PLAN
(Item 3 on Proxy or Voting Instruction Card)**

General

Our Board believes that our growth depends upon the efforts of our officers, directors, employees, consultants, and advisors, and that the proposed CenturyLink 2011 Equity Incentive Plan (the Incentive Plan) will provide an effective means of attracting and retaining qualified key personnel while encouraging long-term focus on maximizing shareholder value. The Incentive Plan has been adopted by our Board, subject to approval by our shareholders at the meeting.

The principal features of the Incentive Plan are summarized below. This summary is qualified in its entirety, however, by reference to the full text of the Incentive Plan, which is attached to this proxy statement as *Appendix B*.

Purpose of the Proposal

We believe that providing officers, directors, employees, consultants and advisors with a proprietary interest in the growth and performance of our company is crucial to stimulating individual performance while at the same time enhancing shareholder value. While we believe that employee equity ownership is a significant contributing factor in achieving superior corporate performance, we recognize that increasing the number of available shares under incentive plans may potentially dilute the equity ownership of our current shareholders.

Accordingly, we intend the Incentive Plan to replace all four of our currently active long-term equity incentive plans: the Amended and Restated CenturyLink 1983 Restricted Stock Plan (the 1983 Plan), the Amended and Restated CenturyLink 2005 Management Incentive Compensation Plan (the 2005 Plan), the Amended and Restated CenturyLink 2005 Directors Stock Plan (the Director Plan), and the Amended and Restated CenturyLink Legacy Embarq 2008 Equity Incentive Plan (the Legacy Embarq Plan). In addition, although we assumed certain outstanding equity awards in connection with our merger with Qwest, which closed on April 1, 2011, we do not intend to issue future grants from the Qwest Equity Incentive Plan (the Qwest Plan), provided that our shareholders approve the Incentive Plan.

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As of April 4, 2011, the first full trading day following the closing of our merger with Qwest, an aggregate of 19,469,105 shares remained available for grant under our four active long-term equity incentive plans. However, the majority of these shares available for issuance are attributable to the Legacy Embarq Plan, which cannot be used to make grants to anyone who was employed by CenturyLink or our then-existing subsidiaries on the day prior to the closing of our merger with Embarq. Certain of our other current plans contain other restrictions on their use.

The Incentive Plan is designed to provide us with a single, state-of-the-art equity plan that is free of the restrictions and limitations contained in our current plans. We believe that adoption of the Incentive Plan is integral to our continued ability to attract, retain, and motivate key personnel and directors in a manner aligned with the interests of our shareholders.

Terms of the Incentive Plan

Administration of the Incentive Plan. The Compensation Committee of our Board or a subcommittee thereof (the Committee) will generally administer the Incentive Plan, and has the authority to make awards under the Incentive Plan, including setting the terms of the awards. The Committee will also generally have the authority to interpret the Incentive Plan, to establish any rules or regulations relating to the Incentive Plan that it determines to be appropriate, and to make any other determination that it believes necessary or advisable for proper administration of the Incentive Plan. Subject to the limitations specified in the Incentive Plan, the Committee may delegate its authority to our Chief Executive Officer or his designee with respect to grants to employees or consultants who are not subject to Section 16 of Exchange Act or Section 162(m) of the Internal Revenue Code (the Code).

Eligibility. Key employees, officers, and directors of CenturyLink and our consultants or advisors will be eligible to receive awards (Incentives) under the Incentive Plan. Based on current estimates, we anticipate that approximately 160 officers and up to 15 non-employee directors (Outside Directors) will be eligible to receive Incentives under the Incentive Plan. Currently, 85 officers and 11 Outside Directors participate in at least one of our existing incentive plans. Incentives under the Incentive Plan may be granted in any one or a combination of the following forms: incentive stock options under Section 422 of the Code, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, and other stock-based awards. Each of these types of Incentives is discussed in more detail in Types of Incentives below.

Shares Issuable through the Incentive Plan. A total of 30,000,000 of our Common Shares are authorized for issuance under the Incentive Plan. This figure represented approximately 5.0% of our 599.8 million Common Shares outstanding immediately following the closing of our merger with Qwest on April 1, 2011. The closing price of a Common Share, as quoted on the NYSE, was \$41.03 on April 1, 2011.

Limitations and Adjustments to Shares Issuable under the Incentive Plan. Incentives relating to no more than 600,000 Common Shares may be granted to a single participant in any fiscal year. Grants of restricted stock, restricted stock units, or other stock-based amounts are generally subject to minimum vesting periods, except that grants of up to an aggregate of 1,500,000 Common Shares may be made without compliance with these minimums. These minimum vesting periods, as well as certain exceptions, are discussed below under Restricted

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Stock. A maximum of 30,000,000 Common Shares may be issued upon exercise of options intended to qualify as incentive stock options under the Code.

For purposes of determining the maximum number of Common Shares available for delivery under the Incentive Plan, shares that are not delivered because an Incentive is forfeited, canceled, or settled in cash will not be counted. With respect to stock appreciation rights paid in shares, all shares to which the stock appreciation rights relate are counted against the Incentive Plan limits, rather than the net number of shares delivered upon exercise of the stock appreciation rights.

Proportionate adjustments will be made to all of the share limitations provided in the Incentive Plan, including shares subject to outstanding Incentives, in the event of any recapitalization, reclassification, stock dividend, stock split, combination of shares, or other comparable change in our Common Shares, and the terms of any Incentive will be adjusted to the extent appropriate to provide participants with the same relative rights before and after the occurrence of any such event.

Amendments to the Incentive Plan. Our Board may amend or discontinue the Incentive Plan at any time. However, our shareholders must approve any amendment to the Incentive Plan that would:

materially increase the number of Common Shares that may be issued through the Incentive Plan,

materially increase the benefits accruing to participants,

materially expand the classes of persons eligible to participate,

expand the types of awards available for grant,

materially extend the term of the Incentive Plan,

materially reduce the price at which Common Shares may be offered through the Incentive Plan, or

permit the repricing of an option or stock appreciation right.

Duration of the Incentive Plan. No Incentives may be granted under the Incentive Plan after May 18, 2021.

Types of Incentives. Each of the types of Incentives that may be granted under the Incentive Plan is described below.

Stock Options. A stock option is a right to purchase Common Shares from CenturyLink. The Committee will determine the number and exercise price of the options, and the time or times that the options become exercisable, provided that the option exercise price may not be less than the fair market value of a Common Share on the date of grant, except for an option granted in substitution of an outstanding award in an acquisition transaction. The term of an option will also be determined by the Committee, but may not exceed ten years. The Committee may accelerate the exercisability of any stock option at any time. As noted above, the Committee

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may not, without the prior approval of our shareholders, decrease the exercise price for any outstanding option after the date of grant. In addition, an outstanding option may not, as of any date that the option has a per share exercise price that is greater than the then-current fair market value of a Common Share, be surrendered to us as consideration for the grant of a new option with a lower exercise price, another Incentive, a cash payment, or Common Shares, unless approved by our shareholders. Incentive stock options will be subject to certain additional requirements necessary in order to qualify as incentive stock options under Section 422 of the Code.

The option exercise price may be paid:

in cash or by check,

in Common Shares,

through a cashless exercise arrangement with a broker approved by CenturyLink,

through a net exercise procedure if approved by the Committee, or

in any other manner authorized by the Committee.

Stock Appreciation Rights. A stock appreciation right, or SAR, is a right to receive, without payment to CenturyLink, a number of Common Shares determined by dividing the product of the number of shares as to which the stock appreciation right is exercised and the amount of the appreciation in each share by the fair market value of a share on the date of exercise of the right. The Committee will determine the base price used to measure share appreciation (which may not be less than the fair market value of a Common Share on the date of grant), whether the right may be paid in cash, and the number and term of stock appreciation rights, provided that the term of a SAR may not exceed ten years. The Committee may accelerate the exercisability of any SAR at any time. The Incentive Plan restricts decreases in the base price and certain exchanges of SARs on terms similar to the restrictions described above for options.

Restricted Stock. The Committee may grant Common Shares subject to restrictions on sale, pledge, or other transfer by the recipient for a certain restricted period. Generally, the restricted period must be a minimum of three years, except for shares vesting based on the attainment of performance goals, shares granted to Outside Directors, and shares issued in payment of amounts earned under our annual incentive plan. If the vesting of the shares is subject to the future attainment of specified performance goals, the restricted period for employees, consultants, or advisors must be at least one year. In addition to the previously described exceptions, an aggregate total of 1,500,000 Common Shares may be issued in connection with restricted stock, restricted stock units, or other stock-based awards without compliance with these minimum vesting periods.

All shares of restricted stock will be subject to such restrictions as the Committee may provide in an agreement with the participant, including provisions that may obligate the participant to forfeit the shares to us in the event of termination of employment or if specified performance goals or targets are not met. Subject to restrictions provided in the participant s

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incentive agreement and the Incentive Plan, a participant receiving restricted stock shall have all of the rights of a shareholder as to such shares, including the right to receive dividends.

Restricted Stock Units. A restricted stock unit, or RSU, represents the right to receive from CenturyLink one Common Share on a specific future vesting or payment date. All RSUs will be subject to such restrictions as the Committee may provide in an agreement with the participant, including provisions that may obligate the participant to forfeit the RSUs in the event of termination of employment or if specified performance goals or targets are not met. Subject to the restrictions provided in the incentive agreement and the Incentive Plan, a participant receiving RSUs has no rights of a shareholder until Common Shares are issued to the participant. Restricted stock units may be granted with dividend equivalent rights. Restricted stock units are subject to the same minimum vesting requirements and exceptions described above for restricted stock.

Other Stock-Based Awards. The Incentive Plan also permits the Committee to grant to participants awards of Common Shares and other awards that are denominated in, payable in, valued in whole or in part by reference to, or are otherwise based on the value of, or the appreciation in value of, Common Shares (other stock-based awards). The Committee has discretion to determine the times at which such awards are to be made, the size of such awards, the form of payment, and all other conditions of such awards, including any restrictions, deferral periods, or performance requirements. Other stock-based awards are subject to the same minimum vesting requirements and exceptions described above for restricted stock.

Performance Goals for Section 162(m) Awards. Performance-based compensation does not count toward the \$1 million limit on CenturyLink's federal income tax deduction for compensation paid to each of its most highly-compensated executive officers. Grants of restricted stock, restricted stock units, or other stock-based awards that we intend to qualify as performance-based compensation under Section 162(m) must be made subject to the achievement of pre-established performance goals. The pre-established performance goals, as provided in the Incentive Plan, will be based upon any or a combination of the following criteria applied to CenturyLink or one or more of our divisions, subsidiaries, or lines of business: return on equity, cash flow, assets, or investment; shareholder return; target levels of, or changes in, revenues, operating income, cash flow, cash provided by operating activities, earnings, or earnings per share; achievement of business or operational goals, such as market share, customer growth, customer satisfaction, new product or services revenue, or business development; strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market share, market penetration, or geographic business expansion goals, objectively-identified project milestones, production volume levels, costs targets, and goals relating to acquisitions or divestitures; or an economic value-added measure. At the time it sets performance goals, the Committee may define cash flow, revenues, and the other terms listed above as it sees fit. For any performance period, the performance goals may be measured on an absolute basis or relative to a group of peer companies selected by the Committee, relative to internal goals or industry benchmarks, or relative to levels attained in prior years. Performance measurements may be adjusted as specified under the Incentive Plan to exclude the effects of non-recurring transactions or changes in accounting standards.

Our Committee may use different targets from time to time within the realm of the Incentive Plan's performance goals listed above. The regulations under Section 162(m) require that the material terms of the performance goals be re-approved by our shareholders every five

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years. To qualify as performance-based compensation, grants of restricted stock, restricted stock units, and other stock-based awards will be required to satisfy the other applicable requirements of Section 162(m).

Termination of Employment. In the event that a participant ceases to be an employee of CenturyLink or its subsidiaries or to provide services to us for any reason, including death, disability, early retirement, or normal retirement, any Incentives may be exercised, shall vest, or shall expire at such times as may be determined by the Committee and as provided in the applicable incentive agreement.

Change in Control. Upon a change in control of CenturyLink, as defined in the Incentive Plan, all outstanding Incentives granted under the Incentive Plan will remain outstanding in accordance with their terms, unless otherwise provided in the applicable incentive agreement, or unless the Committee takes specific action permitted by the Incentive Plan.

In the event of a change of control of CenturyLink, the Incentive Plan permits the Committee to take a variety of actions regarding outstanding Incentives. Within certain time periods and under certain conditions, the Committee may:

require that all outstanding Incentives be exercised by a certain date;

require the surrender to CenturyLink of some or all outstanding Incentives in exchange for a stock or cash payment for each Incentive equal in value to the per share change of control value, calculated as described in the Incentive Plan, over the exercise or base price;

make any equitable adjustment to outstanding Incentives as the Committee deems necessary to reflect our corporate changes; or

provide that an Incentive shall become an Incentive relating to the number and class of shares of stock or other securities or property (including cash) to which the participant would have been entitled in connection with the change of control transaction if the participant had been a shareholder.

Transferability of Incentives. No Incentives granted under the Incentive Plan may be transferred, pledged, assigned, or otherwise encumbered by a participant except: (a) by will; (b) by the laws of descent and distribution; (c) if permitted by the Committee and so provided in the relevant Incentive Agreement, pursuant to a domestic relations order, as defined in the Code; or (d) as to options only, if permitted by the Committee and so provided in the relevant incentive agreement, to immediate family members or to a partnership, limited liability company or trust for which the sole owners, members or beneficiaries are the participant or immediate family members.

Tax Withholding. We may withhold from any payments or share issuances under the Incentive Plan, or collect as a condition of payment, any taxes required by law to be withheld. The participant may, but is not required to, satisfy his or her withholding tax obligation by electing to deliver currently-owned Common Shares, or to have us withhold shares from the shares the participant would otherwise receive, in either case having a value equal to the minimum amount required to be withheld. This election must be made prior to the date on which

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the amount of tax to be withheld is determined. The Committee has the right to disapprove of any such election, except for participants who are subject to Section 16 of the Exchange Act.

Purchase of Incentives. The Committee may approve the repurchase by CenturyLink of an unexercised or unvested Incentive from the holder by mutual agreement, so long as the repurchase would not constitute the repricing of an option or SAR.

Federal Income Tax Consequences

The federal income tax consequences related to the issuance of the different types of Incentives that may be awarded under the Incentive Plan are summarized below. Participants who are granted Incentives under the Incentive Plan should consult their own tax advisors to determine the tax consequences based on their particular circumstances.

Stock Options. A participant who is granted a stock option normally will not realize any income, nor will we normally receive any deduction for federal income tax purposes, in the year the option is granted.

When a non-qualified stock option granted through the Incentive Plan is exercised, the participant will realize ordinary income measured by the difference between the aggregate purchase price of the shares acquired and the aggregate fair market value of the shares acquired on the exercise date and, subject to the limitations of Section 162(m) of the Code, we will be entitled to a deduction in the year the option is exercised equal to the amount the participant is required to treat as ordinary income.

An employee generally will not recognize any income upon the exercise of any incentive stock option, but the excess of the fair market value of the shares at the time of exercise over the option price will be an item of tax preference, which may, depending on particular factors relating to the employee, subject the employee to the alternative minimum tax imposed by Section 55 of the Code. The alternative minimum tax is imposed in addition to the federal individual income tax, and it is intended to ensure that individual taxpayers do not completely avoid federal income tax by using preference items. An employee will recognize capital gain or loss in the amount of the difference between the exercise price and the sale price on the sale or exchange of shares acquired pursuant to the exercise of an incentive stock option, provided the employee does not dispose of such shares within two years from the date of grant and one year from the date of exercise of the incentive stock option (the holding periods). An employee disposing of such shares before the expiration of the holding periods will recognize ordinary income generally equal to the difference between the option price and the fair market value of the shares on the date of exercise. The remaining gain, if any, will be capital gain. We will not be entitled to a federal income tax deduction in connection with the exercise of an incentive stock option, except where the employee disposes of the shares received upon exercise before the expiration of the holding periods.

If the exercise price of a non-qualified option is paid by the surrender of previously-owned shares, the basis and the holding period of the previously-owned shares carry over to the same number of shares received in exchange for the previously-owned shares. The compensation income recognized on exercise of these options is added to the basis of the shares received. If the exercised option is an incentive stock option and the shares surrendered were acquired through the exercise of an incentive stock option and have not been held for the holding

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periods, the optionee will recognize income on such exchange, and the basis of the shares received will be equal to the fair market value of the shares surrendered. If the applicable holding period has been met on the date of exercise, there will be no income recognition and the basis and the holding period of the previously owned shares will carry over to the same number of shares received in exchange, and the remaining shares will begin a new holding period and have a zero basis.

Stock Appreciation Rights. Generally, a participant who is granted a stock appreciation right under the Incentive Plan will not recognize any taxable income at the time of the grant. The participant will recognize ordinary income upon exercise equal to the amount of cash or the fair market value of the shares received on the day they are received.

In general, there are no federal income tax deductions allowed to CenturyLink upon the grant of stock appreciation rights. Upon the exercise of the stock appreciation right, however, we will be entitled to a deduction equal to the amount of ordinary income that the participant is required to recognize as a result of the exercise, provided that the deduction is not otherwise disallowed under Section 162(m) of the Code.

Restricted Stock. Unless the participant makes an election to accelerate recognition of the income to the date of grant under Section 83(b) (as described below), the participant will not recognize income, and we will not be allowed a tax deduction, at the time the restricted stock award is granted. When the restrictions lapse, the participant will recognize ordinary income equal to the fair market value of the shares as of that date, and we will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Section 162(m) of the Code. If the participant files an election under Section 83(b) of the Code within 30 days of the date of grant of restricted stock, the participant will recognize ordinary income as of the date of the grant equal to the fair market value of the shares as of that date, and we will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Section 162(m). Any future appreciation in the shares will be taxable to the participant at capital gains rates. If the shares are later forfeited, however, the participant will not be able to recover the tax previously paid pursuant to a Section 83(b) election.

Restricted Stock Units. A participant will not be deemed to have received taxable income upon the grant of restricted stock units. The participant will be deemed to have received taxable ordinary income at such time as shares are distributed with respect to the restricted stock units in an amount equal to the fair market value of the shares distributed to the participant. Upon the distribution of shares to a participant with respect to restricted stock units, we will ordinarily be entitled to a deduction for federal income tax purposes in an amount equal to the taxable ordinary income of the participant, subject to any applicable limitations under Section 162(m) of the Code. The basis of the shares received will equal the amount of taxable ordinary income recognized by the participant upon receipt of such shares.

Other Stock-Based Awards. Generally, a participant who is granted any other stock-based award under the Incentive Plan will recognize ordinary income at the time the cash or Common Shares associated with the award are received. If shares are received, the ordinary income will be equal to the excess of the fair market value of the shares received over any amount paid by the participant in exchange for the shares.

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In the year that the participant recognizes ordinary taxable income in respect of such award, we will be entitled to a deduction for federal income tax purposes equal to the amount of ordinary income that the participant is required to recognize, provided that the deduction is not otherwise disallowed under Section 162(m) of the Code.

Section 409A. If any Incentive constitutes non-qualified deferred compensation under Section 409A of the Code, it will be necessary that the Incentive be structured to comply with Section 409A of the Code to avoid the imposition of additional tax, penalties, and interest on the participant.

Tax Consequences of a Change of Control. If, upon a change of control of CenturyLink, the exercisability, vesting, or payout of an Incentive is accelerated, any excess on the date of the change of control of the fair market value of the shares or cash issued under accelerated Incentives over the purchase price of such shares, if any, may be characterized as parachute payments (within the meaning of Section 280G of the Code) if the sum of such amounts and any other such contingent payments received by the employee exceeds an amount equal to three times the base amount for such employee. The base amount generally is the average of the annual compensation of the employee for the five years preceding such change in ownership or control. An excess parachute payment, with respect to any employee, is the excess of the parachute payments to such person, in the aggregate, over and above such person's base amount. If the amounts received by an employee upon a change of control are characterized as parachute payments, the employee will be subject to a 20% excise tax on the excess parachute payment and we will be denied any deduction with respect to such excess parachute payment.

The foregoing discussion summarizes the federal income tax consequences of Incentives that may be granted under the Incentive Plan based on current provisions of the Code, which are subject to change. This summary does not cover any foreign, state, or local tax consequences.

Equity Compensation Plan Information

Pre-Merger As of December 31, 2010. The following table provides information as of December 31, 2010 about our equity compensation plans under which Common Shares are authorized for issuance:

| | (a) | (b) | (c) |
|--|---|---|--|
| Plan Category | Number of securities to be issued upon exercise of outstanding options and rights | Weighted-average exercise price of outstanding options and rights | Number of securities remaining available for future issuance under plans (excluding securities reflected in column (a)) ⁽¹⁾ |
| Equity compensation plans approved by shareholders | 1,450,330 | \$ 40.97 | 4,341,420 ⁽²⁾ |
| Equity compensation plans not approved by shareholders | 224,498 ⁽³⁾ | | 19,117,776 ⁽⁴⁾ |
| Totals | 1,674,828 | \$ 40.97 ⁽⁵⁾ | 23,459,196 |

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- (1) The shares available for issuance reflected in this column relate to five plans: (i) our employee stock purchase plan (discussed in Note 2 below), (ii) the 1983 Plan, the 2005 Plan, and the Directors Plan, each of which was approved by our shareholders; and (iii) our Legacy Embarq Plan, which was approved by Embarq, but not CenturyLink, shareholders (a description of which follows this chart). The 1983 Plan, the 2005 Plan, the Directors Plan, and the Legacy Embarq Plan are our current equity compensation plans. If our shareholders approve the Incentive Plan at the meeting, no additional shares will be issued in the future from any of these four plans.
- (2) This amount includes 3,990,091 shares remaining to be granted under our shareholder-approved employee stock purchase plan.
- (3) Represents restricted stock units outstanding under the Legacy Embarq Plan, described in greater detail below. In connection with our merger with Embarq, we also assumed certain awards then-outstanding under other predecessor plans of Embarq and its former parent company, but have no intention of making further awards under those plans. In addition to the numbers listed in the table, 3,589,955 of our Common Shares are issuable under option awards granted under those plans with an weighted average exercise price of \$38.29 per share and a weighted average remaining term of 3.7 years.
- (4) These amounts represent Common Shares that remained available for issuance under the Legacy Embarq Plan at December 31, 2010. See Note 1 above.
- (5) The weighted average remaining term of these options is 5.2 years.

In connection with our merger with Embarq, which closed on July 1, 2009, we assumed the Legacy Embarq Plan. The Legacy Embarq Plan was approved by Embarq's shareholders on May 1, 2008 and no new grants may be made under the Plan after May 1, 2018, although awards made prior to that date may remain outstanding beyond that date. In accordance with NYSE rules, we will not make grants from the Legacy Embarq Plan to those employees and directors who were employed prior to the merger by CenturyLink or our then-existing subsidiaries. The Legacy Embarq Plan is administered by our Compensation Committee, which may delegate some of its authority to the chief executive officer, subject to certain exceptions. As noted in the table above, an aggregate of 19.1 million Common Shares (as adjusted pursuant to the merger agreement) was available for issuance under the Legacy Embarq Plan at December 31, 2010. Currently under the Legacy Embarq Plan, the Committee may make awards of qualified or nonqualified stock options with a maximum term of 10 years, restricted stock, or restricted stock units, stock appreciation rights, performance shares, and other stock units. Each share awarded as a stock option or stock appreciation right reduces the maximum number of available plan shares by one share, while each share issued as any other type of award reduces the maximum by three shares. Shares surrendered in payment of the exercise price of options or stock appreciation rights or in payment of withholding taxes are not eligible for reissuance under the Legacy Embarq Plan. No participant may be granted more than 1,370,000 shares in options or stock appreciation rights and 685,000 shares of all other award types in a calendar year. In addition, the maximum cash-based award under the Legacy Embarq Plan that may be paid, credited or vested to a participant in any calendar year is \$7.5 million. Our Board amended the Legacy Embarq Plan in early 2010 to, among other things, reflect these merger-adjusted share limitations and conform the administration and change of control provisions to those of our other outstanding equity incentive plans.

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As noted above, if shareholders approve the Incentive Plan as proposed, we will make no future issuances under the Legacy Embarq Plan, any of our other three current equity compensation plans (the 1983 Plan, the 2005 Plan, or the Director Plan), or the Qwest Plan (information for which appears in Note 4 to the table below).

Post-Merger As of April 4, 2011. As of April 4, 2011, the first full trading day following the closing of our merger with Qwest, we had approximately (i) 599.8 million outstanding Common Shares, (ii) 12.0 million outstanding options with a weighted average exercise price of \$36.46 and a weighted average term of 4.6 years and (iii) 2.3 million outstanding unvested full-value awards (including issued but unvested restricted shares). These figures reflect all equity awards assumed in connection with the Qwest merger.

The following table provides updated information about our equity compensation plans and outstanding awards as of April 4, 2011.

| | (a) | (b) | (c) |
|--|---|---|--|
| Plan Category | Number of securities to be issued upon exercise of outstanding options and rights | Weighted-average exercise price of outstanding options and rights | Number of securities remaining available for future issuance under plans (excluding securities reflected in column (a)) ⁽¹⁾ |
| Equity compensation plans approved by shareholders | 1,388,605 | \$ 41.22 | 4,190,261 ⁽²⁾ |
| Equity compensation plans not approved by shareholders | 111,499 ⁽³⁾⁽⁴⁾ | | 19,117,776 ⁽⁵⁾ |
| Totals | 1,500,104 | \$ 41.22 ⁽⁶⁾ | 23,308,037 |

(1) The shares available for issuance reflected in this column relate to five plans: (i) our employee stock purchase plan (discussed in Note 2 below), (ii) the 1983 Plan, the 2005 Plan, and the Directors Plan, each of which was approved by our shareholders; and (iii) our Legacy Embarq Plan, which was approved by Embarq, but not CenturyLink, shareholders (a description of which appears above this chart). The 1983 Plan, the 2005 Plan, the Directors Plan, and the Legacy Embarq Plan are our current equity compensation plans. If our shareholders approve the Incentive Plan at the meeting, no additional shares will be issued in the future from any of these four plans. See Note 3 for information regarding other outstanding options assumed in connection with our merger with Embarq and Note 4 for information regarding outstanding options assumed in connection with our merger with Qwest.

(2) This amount includes 3,838,932 shares remaining to be granted under our shareholder-approved employee stock purchase plan.

(3) Represents restricted stock units outstanding under the Legacy Embarq Plan, described in greater detail above this chart. In connection with our merger with Embarq, we also assumed certain awards then-outstanding under other predecessor plans of Embarq and its former parent company, but have no intention of making further awards under those plans. In addition to the numbers listed in the table, 3,236,761 of our Common Shares are issuable under option awards granted under those plans with an weighted average exercise price of \$38.96 per share and a weighted average remaining term of 2.9 years.

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- (4) In connection with our merger with Qwest, we assumed certain awards then-outstanding under the Qwest Plan, which was approved by Qwest, but not CenturyLink, shareholders. We do not intend to make future awards under the Qwest Plan, unless the Incentive Plan is not approved by the shareholders at the meeting. In addition to the numbers listed in the table, 7,341,657 of our Common Shares are issuable under option awards granted under the Qwest Plan with a weighted average exercise price of \$34.46 per share and a weighted average remaining term of 5.3 years.
- (5) These amounts represent Common Shares that remained available for issuance under the Legacy Embarq Plan at April 4, 2011. See Note 1 above.
- (6) The weighted average remaining term of these options is 5.1 years.

Vote Required

Approval of the Incentive Plan requires the affirmative vote of the holders of at least a majority of the votes cast with respect to the proposal. See General Information. If the Incentive Plan is not approved, we will continue to use our four existing incentive plans.

The Board unanimously recommends a vote FOR this proposal.

ADVISORY VOTES ON EXECUTIVE COMPENSATION

AND THE FREQUENCY OF SUCH VOTES

(Items 4(a) and 4(b) on Proxy or Voting Instruction Cards)

In accordance the Dodd-Frank Wall Street Reform and Consumer Protection Act enacted in July 2010 (the Dodd-Frank Act), we are providing you with the opportunity to vote on a non-binding, advisory resolution to approve the compensation of our named executive officers as disclosed in this proxy statement pursuant to the rules of the SEC.

As described in detail below under the heading Compensation Discussion and Analysis , our executive compensation programs are designed to provide compensation that is competitive with our peer companies and is necessary to keep intact and strengthen our leadership team. Under these programs, our named executive officers are rewarded for achieving specific annual and long-term goals, as well as increased shareholder value. We believe this structure aligns executive pay with our financial performance and the creation of sustainable shareholder value. The Compensation Committee of our Board continually reviews our executive compensation programs to ensure they achieve the goals of aligning our compensation with current market practices and your interests as shareholders. For additional information on our executive compensation, we urge you to read the Compensation Discussion and Analysis and Executive Compensation sections of this proxy statement.

We ask you to indicate your support for the compensation of our named executive officers as described in this proxy statement. This proposal, commonly known as a say-on-pay proposal, gives you the opportunity to express your views. This advisory vote is not intended to address any specific item of compensation, but rather the overall compensation policies and practices with respect to our named executive officers as described in this proxy statement. Accordingly, we intend to submit the following resolution for an advisory shareholder vote at the meeting:

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RESOLVED, that the shareholders of CenturyLink, Inc. approve, on an advisory basis, the overall compensation of CenturyLink's named executive officers, as described in CenturyLink's proxy statement for this annual shareholder meeting, including the Compensation Discussion and Analysis, the summary compensation table and the other related tables and disclosures.

While this say-on-pay vote is advisory and will not be binding on our Company or the Board, it will provide valuable information to our Compensation Committee regarding shareholder sentiment about our executive compensation. We invite shareholders who wish to communicate with our Board on executive compensation or any other matters to contact us as provided under Corporate Governance Top Leadership Positions and Structure.

Approval of this proposal will require the affirmative vote of at least a majority of the voting power present or represented at the meeting.

The Board recommends that you vote to approve the overall compensation of our named executive officers by voting FOR this resolution.

Frequency of Advisory Votes on Executive Compensation

Also in accordance with the Dodd-Frank Act, we are providing you with the opportunity to cast a non-binding, advisory vote on whether the advisory votes to approve our executive compensation should occur every one, two or three years.

We believe that say-on-pay votes should be conducted every year so that you may annually express your views on our executive compensation programs. An annual advisory vote is consistent with our policy of seeking input from you on corporate governance and executive compensation matters. We understand you may have different views as to what is the best compensation approach for our executives, and we believe annual advisory votes will facilitate a continued dialogue. Please be aware, however, that in many cases it may not be appropriate or feasible to change our executive compensation programs in consideration of any one year's advisory vote on executive compensation by the time of the following year's annual meeting of shareholders.

The accompanying proxy or voting instruction cards permit you to cast an advisory vote regarding whether you prefer the shareholders to cast an advisory vote upon executive compensation every one, two or three years. The option that receives the highest number of votes cast will be the alternative deemed selected by our shareholders. This say-on-frequency vote is advisory only, and the Board may ultimately decide that it is in the best interests of our shareholders to hold an advisory vote on executive compensation more or less frequently than the option selected by our shareholders. However, the Board intends to take into consideration the outcome of the vote when making future decisions about how frequently to schedule our advisory say-on-pay votes.

The Board recommends that you vote to hold an advisory vote on executive compensation every YEAR.

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SHAREHOLDER PROPOSALS

(Items 5(a) and 5(b) on Proxy or Voting Instruction Card)

We periodically receive suggestions from our shareholders, some as formal shareholder proposals. We give careful consideration to all suggestions, and assess whether they promote the best long-term interests of CenturyLink and its shareholders.

We expect Items 5(a) and 5(b) to be presented by shareholders at the meeting. Following SEC rules, we are reprinting the proposals and supporting statements as they were submitted to us, other than minor formatting changes. We take no responsibility for them. On request to the Secretary at the address listed under Other Matters Annual Financial Report, we will provide information about the sponsors' shareholdings, as well as the names, addresses, and shareholdings of any co-sponsors. Adoption of each of these two proposals requires the affirmative vote of at least a majority of the voting power present or represented at the meeting.

The Board recommends that you vote AGAINST Items 5(a) and 5(b) for the reasons we give after each one. Political Contributions Report Proposal (Item 5(a))

The following proposal was submitted by the Communications Workers of America Members General Fund, 501 Third Street, N.W., Washington, D.C. 20001-2797.

Resolved, that the shareholders of CenturyLink, Inc. (Company) hereby request that the Company provide a report, updated semi-annually, disclosing the Company's:

1. Policies and procedures for political contributions and expenditures (both direct and indirect) made with corporate funds;
2. Monetary and non-monetary contributions and expenditures (direct and indirect) used to participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, and used in any attempt to influence the general public, or segments thereof, with respect to elections or referenda. The report shall include:
 - a. An accounting through an itemized report that includes the identity of the recipient and the amount paid to each recipient and the amount paid to each recipient of the Company's funds that are used for political contributions or expenditures as described above; and
 - b. The title(s) of the person(s) in the Company who participated in making the decisions to make the political contribution or expenditure.

The report shall be presented to the board of directors' audit committee or other relevant oversight committee and posted on the Company's website.

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Supporting Statement: As long-term shareholders of CenturyLink, we support transparency and accountability in corporate spending on political activities. These include any activities considered intervention in any political campaign under the IRS Code, such as direct and indirect political contributions to candidates, political parties, or political organizations; independent expenditures; or electioneering communications on behalf of federal, state or local candidates.

Disclosure is consistent with public policy, in the best interest of the company and its shareholders, and critical for compliance with federal ethics laws. The Supreme Court's Citizens United decision recognized the importance of political spending disclosure for shareholders when it said "[D]isclosure permits citizens and shareholders to react to the speech of corporate entities in a proper way. This transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages. Gaps in transparency and accountability may expose the company to reputational and business risks that could threaten long-term shareholder value.

CenturyLink contributed at least \$324,000 in corporate funds since the 2002 election cycle, according to the Center for Political Accountability. During the same time frame, the Company spent at least \$239,000 on state politics.

Publicly available data does not provide a complete picture of the Company's political expenditures. CenturyLink's payments to trade associations used for political activities are undisclosed and unknown. In many cases, even management does not know how trade associations use their company's money politically. The proposal asks the Company to disclose all political spending, including payments to trade associations and other tax exempt organizations for political purposes. This would bring CenturyLink in line with a growing number of leading companies, including Aetna, American Electric Power and Microsoft that support political disclosure and accountability and present this information on their websites.

The Company's Board and its shareholders need complete disclosure to be able to fully evaluate the political use of corporate assets. We urge support for this critical governance reform.

The Board recommends that you vote AGAINST this proposal for the following reasons:

We are subject to extensive federal, state and local regulation. Consequently, the actions of national, state and local officials significantly affect many aspects of our operations that directly affect our profitability and competitiveness. We seek to be an effective participant in this political process by making prudent political contributions to advance our business objectives and your interests, and are fully committed to complying with all laws governing these contributions. Historically, we have not contributed more than \$5,000 annually to any particular candidate.

The contributions of our political action committees are subject to comprehensive regulation by the federal government, including the obligation to file detailed periodic reports that are publicly available from the Federal Election Commission. Additional information on our political contributions is publicly available under applicable state law. We believe that federal and state disclosures provide significant information about our political contributions.

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The amount of our expenditures on corporate political contributions is *de minimis* compared to our total expenditures and the adoption of this proposal would result in an unnecessary and unproductive use of our time and resources. Moreover, these proposed added burdens would be applicable only to us and would put us at a competitive disadvantage relative to our peers. We welcome transparency, but believe any expanded reporting requirements should apply equally to all participants in the political process, not just us.

In short, we already provide extensive public reports of our relatively modest contributions in full compliance with the law, and believe that requesting us to do more is unwarranted, unnecessary and counterproductive.

Board Declassification Proposal (Item 5(b))

The following proposal was submitted by the Board of Trustees of the International Brotherhood of Electrical Workers Pension Benefit Fund, 900 Seventh Street, N.W., Washington, D.C. 20001.

Resolved, that the shareholders of CenturyLink (the Company) urge that the Board of Directors take the necessary steps to declassify the Board of Directors for the purpose of establishing annual elections for directors. The Board of Directors declassification shall be done in a manner that does not affect the unexpired terms of directors previously elected.

Supporting Statement: In our opinion, the election of corporate directors is a primary avenue for shareholders to influence corporate affairs and ensure management is accountable to the Company's shareholders. However, under the classified voting system at the Company, individual directors face election only once every three years, and shareholders only vote on roughly one-third of the Board of Directors each year. In our opinion, such a system serves to insulate the Board of Directors and management from shareholder input and the consequences of poor financial performance.

By eliminating the classified Board of Directors, we believe shareholders can register their views annually on the performance of the Board of Directors and each individual director. We feel this will promote a culture of responsiveness and dynamism at the Company, qualities necessary to meet the challenges of increasing shareholder value.

We submit that by introducing annual elections and eliminating the classified Board of Directors at the Company, management and the Board of Directors will be more accountable to shareholders. We believe that by aligning the interest of the Board of Directors and management with the interests of shareholders, our Company will be better equipped to enhance shareholder value.

For the above reasons, we urge a vote FOR the resolution.

The Board recommends that you vote AGAINST this proposal for the following reasons:

After careful consideration of this shareholder proposal, and on the recommendation of the Nominating and Corporate Governance Committee, the Board has concluded that it is in our best interests to maintain our current classified board structure.

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Under our organizational documents, the Board is divided into three classes, with directors elected to staggered three-year terms. Approximately one-third of the Company's directors stand for election each year and the entire Board can be replaced over the course of three annual meetings. As described further below, we believe our classified board structure strengthens the Board's independence, enhances its ability to develop effective long-term strategies addressing complex industry challenges, and bolsters its ability to safeguard shareholder value.

Independence. We believe that electing directors to three-year terms, rather than one-year terms, enhances the independence of our outside directors by providing them with a longer term of office. This structure insulates them against pressures from special interest groups who might have an agenda contrary to the long-term interests of all shareholders, and ensures that, for any particular matter brought before our Board, roughly two-thirds of the directors have terms extending beyond the next shareholder meeting. Consequently, we believe our current classified board structure allows directors to focus on our long-term interests instead of being perpetually distracted by an annual re-nomination process, leading to greater independence and better governance.

Stability, Continuity and Experience. Our classified board promotes stability and continuity by ensuring that a majority of our directors at any given time have prior experience with us. Our industry has changed substantially in a limited number of years due to sweeping changes in the regulatory, technological and competitive landscape and widespread consolidation. Consequently, we believe that it takes several years for our new directors to become fully conversant in the complexities of our operations and strategic objectives. Of our 16 directors, (i) four have served only a couple of days since our acquisition of Qwest on April 1, 2011, (ii) four more have served only since July 1, 2009, when we acquired Embarq, and (iii) three more have served less than eight years. We believe our current three-year terms are tailored to enable these and future directors to develop substantive knowledge about our specific operations and goals, which better positions them to make long-term strategic decisions that are in the best interest of our shareholders. If our Board were declassified, it could be wholly replaced by directors unfamiliar with our history and strategies. Our classified board structure allows for orderly change, with new directors with fresh perspectives benefitting from interaction with experienced directors.

A classified board structure also assists us in attracting and retaining highly qualified directors who are willing to commit the time and resources necessary to understand our operations and competitive environment, particularly given our two recent mergers. We believe that agreeing to serve a three-year term demonstrates a nominee's commitment to us over the long-term.

Accountability. We strongly disagree with the proponent's claim that annual elections for each director are necessary to promote accountability. All directors are required to uphold their fiduciary duties to us and our shareholders, regardless of the length of their term. Accountability depends on the selection of experienced and committed individuals, not on whether they serve terms of one year or three years.

The Board is committed to sound corporate governance practices that foster the independence and accountability of our directors, and regularly re-examines these practices. In the past couple of years, we have demonstrated this commitment by taking several steps,

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including adopting a majority vote standard for director elections, installing a non-executive Chairman of the Board and implementing director stock ownership requirements.

The proponent claims annual elections will prevent us from being insulated from poor financial performance, which we believe ignores the leading role we have played in consolidating the rural telephone industry and our historic out-performance of the market. Far from our board structure being a problem, we believe the continuity of our board has contributed to our success over the years in building long-term shareholder value under challenging circumstances.

Protection Against Unfair and Abusive Takeover Practices. Our classified board reduces our vulnerability to abusive takeover tactics that may not be in the best interests of our shareholders. A classified board structure encourages potential acquirers to initiate arms-length negotiations with seasoned directors. Because only one-third of our directors are elected at any annual meeting of shareholders, at least two annual meetings would be required to replace a majority of the Board and to dismantle other shareholder protection measures. This gives the directors the time and leverage necessary to evaluate the adequacy and fairness of any takeover proposal, consider alternative proposals, and to ultimately negotiate the best result for all shareholders. The classified board structure does not prevent or preclude unsolicited takeover attempts, but it empowers the incumbent directors to negotiate terms to maximize the value of the transaction for all shareholders.

Declassification of the Board would undercut these benefits and could make us a target for unsolicited hostile overtures from investor groups focusing on short-term financial gains. In particular, in recent years hedge funds and other activist investors have increasingly used the threat of a proxy fight to pressure boards to take actions that produce short-term gains at the expense of strategies designed to achieve meaningful long-term shareholder value. We believe classified board structures have been shown to be an effective means of protecting long-term shareholder interests against these types of abusive tactics.

Our shareholders should be aware that this proposal is simply a request that our Board take the necessary steps to declassify the Board. Declassification of the Board requires an amendment to our articles of incorporation which must be adopted pursuant to the procedures set forth therein. A vote in favor of this proposal, therefore, would constitute a recommendation that the Board initiate this amendment process. For all the reasons stated above, however, the Board does not believe that such an amendment is in your best interests.

Table of Contents**OWNERSHIP OF OUR SECURITIES****Principal Shareholders**

The following table sets forth information regarding ownership of our Common Shares by each person known to us to have beneficially owned more than 5% of the outstanding Common Shares or to have controlled more than 5% of the total voting power on December 31, 2010.

| Name and Address | Amount and Nature of Beneficial Ownership of Common Shares⁽¹⁾ | Percent of Outstanding Common Shares⁽¹⁾ |
|--|---|---|
| Capital Research Global Investors 333 South Hope Street Los Angeles, California 90071 | 32,511,374 ⁽²⁾ | 10.7% |
| BlackRock, Inc. 40 East 52 nd Street New York, New York 10022 | 20,564,379 ⁽³⁾ | 6.78% |
| State Street Corporation State Street Financial Center One Lincoln Street Boston, Massachusetts 02111 | 15,308,559 ⁽⁴⁾ | 5.1% |

- (1) Determined in accordance with Rule 13d-3 of the SEC based upon information furnished by the person or persons listed. In addition to Common Shares, we have outstanding Preferred Shares that vote together with the Common Shares as a single class on all matters. One or more persons beneficially own more than 5% of the Preferred Shares; however, the percentage of total voting power held by such persons is immaterial. For additional information regarding the Preferred Shares, see [General Information](#) [How many votes may I cast?](#)
- (2) Based on information contained in a Schedule 13G Report dated as of February 11, 2011 that this investor filed with the SEC. In this report, the investor indicated that, as of December 31, 2010, it held sole voting power and sole dispositive power with respect to all of these shares.
- (3) Based on information contained in a Schedule 13G Report dated as of February 3, 2011 that this investor filed with the SEC. In this report, the investor indicated that, as of December 31, 2010, it held sole voting power and sole dispositive power with respect to all of these shares.
- (4) Based on information contained in a Schedule 13G Report dated as of February 11, 2011 that this investor filed with the SEC. In this report, the investor indicated that, as of December 31, 2010, it held shared voting power and shared dispositive power with respect to all of these shares.

Table of Contents**Executive Officers and Directors**

The following table sets forth information, as of the record date, regarding the beneficial ownership of Common Shares by our executive officers and directors. Except as otherwise noted, all beneficially owned shares are held with sole voting and investment power and are not pledged to third parties.

| Name | Components of Total Shares Owned | | | Total Shares Beneficially Owned ⁽⁴⁾ |
|---|---|--|---|--|
| | Unrestricted Shares Beneficially Owned ⁽¹⁾ | Unvested Restricted Stock ⁽²⁾ | Options or Rights Exercisable Within 60 Days ⁽³⁾ | |
| Current Executive Officers⁽⁵⁾ | | | | |
| Glen F. Post, III | 354,982 | 344,140 | 200,000 | 899,122 |
| Karen A. Puckett ⁽⁶⁾ | 114,420 | 126,085 | 75,000 | 315,505 |
| R. Stewart Ewing, Jr. | 54,178 | 105,008 | 145,600 | 304,786 |
| Stacey W. Goff | 34,156 | 70,884 | 40,500 | 145,540 |
| David D. Cole ⁽⁷⁾ | 89,215 | 71,440 | 40,500 | 201,155 |
| Dennis G. Huber | 49,100 | 75,000 | 55,578 | 179,678 |
| William E. Cheek | 26,810 | 32,712 | 49,775 | 109,297 |
| Current Outside Directors⁽⁸⁾ | | | | |
| Virginia Boulet ⁽⁹⁾ | 7,499 | 6,403 | | 13,902 |
| Peter C. Brown | 10,616 | 5,056 | | 15,672 |
| Richard A. Gephardt | | 5,056 | | 5,056 |
| W. Bruce Hanks | 11,278 | 6,403 | | 17,681 |
| Gregory J. McCray | | 6,403 | | 6,403 |
| C.G. Melville, Jr. ⁽¹⁰⁾ | 7,990 | 6,403 | | 14,393 |
| Fred R. Nichols | 3,597 | 6,403 | | 10,000 |
| William A. Owens | 15,202 | 10,952 | | 26,154 |
| Harvey P. Perry | 49,461 | 6,403 | | 55,864 |
| Laurie A. Siegel | 10,616 | 5,056 | | 15,672 |
| Joseph R. Zimmer ⁽¹¹⁾ | 16,714 | 6,403 | 13,667 | 36,784 |
| All directors and executive officers as a group (23 persons) ⁽¹²⁾ | 855,834 | 896,210 | 620,620 | 2,372,664 |
| Former Executive Officer: | | | | |
| Thomas A. Gerke | 211,847 | 77,564 | 392,339 | 681,750 |

(1) This column includes (i) the following number of shares allocated to the officer's account under our qualified 401(k) plan: 109,251 Mr. Post; 3,066 Ms. Puckett; 21,511 Mr. Ewing; 4,212 Mr. Goff; and 31,309 Mr. Cole and (ii) 707 shares allocated to Mr. Cheek's account under one of Embarq's retirement plans. Participants in these plans are entitled to direct the voting of their plan shares, as described in greater detail elsewhere herein.

(2) Reflects (i) for all shares listed, unvested shares of Restricted Stock over which the person holds sole voting power but no investment power and (ii) with respect to our performance-based restricted stock granted in 2010, the number of shares that will vest if we attain target levels of performance.

- (3) Reflects shares that the person has the right to acquire within 60 days of the record date pursuant to options granted under our incentive compensation plans; does not include shares that might be issued under restricted stock units if our performance exceeds target levels.
- (4) None of the persons named in the table beneficially owns more than 1% of the outstanding Common Shares. The shares beneficially owned by all directors and executive officers as a group constituted 0.8% of the outstanding Common Shares as of

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the record date (in each case calculated in accordance with rules of the SEC assuming that all options or units listed in the table have been exercised for or converted into Common Shares retained by the recipient).

- (5) This list excludes one of our current executive officers, Christopher K. Ancell, who was named as one of our executives on April 1, 2011 in connection with our acquisition of Qwest and who beneficially owned no Common Shares on the record date. In connection with our acquisition of Qwest, each of the shares of Qwest common stock and rights to acquire such stock held by Mr. Ancell converted into Common Shares and rights to acquire Common Shares on April 1, 2011.
- (6) Includes 202 shares held by Ms. Puckett as custodian for the benefit of her children.
- (7) Includes 6,383 plan shares beneficially held by Mr. Cole's wife, one of our former employees, in her accounts under our qualified 401(k) plan, as to which Mr. Cole disclaims beneficial ownership.
- (8) This list excludes four of our current outside directors, Charles L. Biggs, Edward A. Mueller, Michael J. Roberts and James A. Unruh, all of whom were added to the board on April 1, 2011 in connection with our acquisition of Qwest and none of whom beneficially owned Common Shares on the record date (excluding for these purposes 330 shares indirectly held by Mr. Unruh in a passive investment trust). In connection with our acquisition of Qwest, each of the shares of Qwest common stock and rights to acquire such stock held by these four outside directors converted into Common Shares and rights to acquire Common Shares on April 1, 2011.
- (9) Includes 955 shares held by Ms. Boulet as custodian for the benefit of her children.
- (10) Includes 7,445 shares subject to being pledged as security under a margin account.
- (11) Includes 5,000 shares held by a private charitable foundation, as to which Mr. Zimmel is a trustee.
- (12) Includes (i) 6,383 shares held of record or beneficially by the spouses of certain of these individuals, as to which beneficial ownership is disclaimed, and (ii) 1,157 shares held as custodian for the benefit of children of such individuals.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

The Board and its Compensation Committee believe our senior officers comprise one of the top management teams in the telecommunications industry, a view which we believe is shared by many others. As a result of our acquisition of Embarq on July 1, 2009 and Qwest on April 1, 2011, our management team has successfully overseen the acquisition of two companies much larger than us, resulting in a nearly 700% increase of our revenues in less than two years. Our executive compensation programs are designed principally to:

keep intact and strengthen our leadership team,

provide performance-based reward opportunities that support growth without encouraging excessively risky behavior,

align the interests of our executives and shareholders by providing a majority of our executive compensation in the form of long-term equity grants, and

recognize and support outstanding effort, contributions and results.

In this CD&A, we first summarize our Compensation Committee's recent decisions and changes in practices, as well as its general compensation philosophy, its commitment to pay for performance practices and its benchmarking

practices. We then describe our various elements of compensation in detail. Finally, we discuss in detail our compensation decision-making process and various other compensation-related matters.

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Recent Compensation Decisions

Recently, the Compensation Committee reviewed data confirming that CenturyLink has substantially outperformed peer companies based on eight separate metrics measured over one and three-year periods. See Pay for Performance below.

Each of the following recent key compensation decisions of the Compensation Committee are discussed in greater detail further below.

In February 2010, executive base salaries were left unchanged, with one exception for an executive with a below-market salary.

We awarded annual bonuses for 2010 performance to our named executive officers in amounts equal to 148% of the target bonus amounts as a result of out-performing our 2010 operating cash flow and 2010 end-user revenue goals.

In March 2010, the Committee granted long-term equity incentive compensation awards having higher aggregate grant date fair values than those granted in 2009, reflecting the Committee's desire to provide long-term compensation at market competitive rates and to recognize the increased scope and complexity of the executives' roles following the Embarq acquisition.

In August 2010, the Committee made retention grants to our key employees designed to ensure continuity of leadership during the period of completing the acquisition of Qwest and integrating it into our operations. Except for the grant to our CEO, who received 100% of his retention award in the form of restricted stock, each of our top executives received a quarter of the value of his or her retention grant in the form of a deferred cash award and three-quarters in the form of restricted stock.

In early 2011, the Committee once again left executive base salaries unchanged and authorized bonuses for 2011 using the same target percentages of base salary used to determine 2010 bonuses.

Recent Changes in Compensation Practices

Over the past year, the Committee refined our executive compensation structure and processes in response to changes in market practices and shareholder input. Among other things, we:

reduced our benchmark for target salaries from the 75th to the 50th percentile of salaries paid to peer executives,

restructured our change of control agreements with executives to, among other things, eliminate tax gross-ups, generally reduce the amount of cash severance payable thereunder, eliminate the executives' ability to unilaterally request payments during window periods one year after a change of control, and reduce the period of time following a change of control during which severance benefits are available,

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eliminated tax gross-up payments on our split-dollar insurance policies for executives,

adopted an anti-hedging policy applicable to our employees and directors,

further increased our emphasis on performance-based compensation by granting performance-based restricted stock as part of our annual long-term incentive compensation awards,

adopted mandatory stock ownership guidelines for our executives and outside directors,

engaged an independent compensation consultant who provides no other services to us, and

incorporated clawback provisions into a wider array of our incentive awards.

In the past several years, we have also:

eliminated our practice of making separate cash payments in lieu of providing perquisites that we terminated in 1999, and

discontinued our supplemental executive retirement plan, and froze benefit accruals under our defined benefit plans for non-represented employees.

General Compensation Philosophy

We generally compensate our senior management through a mix of salary, annual bonuses, long-term equity compensation and employee benefits designed to be market-competitive and fiscally-responsible, and to reward annual and long-term performance that we believe correlates with maintaining and increasing long-term shareholder value. We review the compensation paid to comparable executives at peer companies to help us achieve these goals and ensure the competitiveness of our pay practices.

Our general compensation philosophy includes the following key precepts:

Substantial amounts of our executives' compensation are dependant on our performance and are subject to the risk of forfeiture if the executives quit or engage in detrimental activity.

With respect to each component of compensation, we generally seek to pay compensation at the 50th percentile of compensation paid to comparable employees at other companies within our peer group and as compared to broader survey data.

We generally seek to base our executives' annual cash incentive compensation principally upon our company-wide performance.

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Officers and managers with lower levels of responsibility typically receive incentive compensation that places a greater emphasis on individual, departmental or divisional goals.

We seek to align the interests of our senior managers with the long-term interests of shareholders through award opportunities that can result in ownership of our Common Shares, with top executives receiving a greater proportion of their total compensation in the form of equity grants compared to more junior officers.

In connection with determining the amounts of our performance-based incentive compensation, we seek to monitor the reasonableness of these programs by comparing the aggregate amount of compensation potentially payable thereunder to the total amount of shareholder return or value created by virtue of attaining targeted levels of performance.

Whenever possible, we attempt to promote teamwork and internal equity by offering the same compensation to executives whom we expect to make roughly equivalent contributions.

Pay for Performance

Currently, all of our executives' annual bonus compensation and half of their long-term equity incentive compensation is payable only if we attain certain specified goals, thereby placing a substantial portion of executive compensation at risk. The other half of our executives' long-term equity incentive compensation is currently paid in time-vested restricted stock, the value of which is dependant on our performance over an extended vesting period designed to create additional incentives for our executives to focus on sustainable, long-term growth.

As part of the Compensation Committee's assessment of the executives' performance, it requested its independent consultant to measure CenturyLink's performance against its 14-company peer group discussed below based on eight separate metrics (growth in revenues, cash flow, EBITDA and diluted earnings per share; return on equity, investment and capital; and total shareholder return) over one and three-year periods. Reviewing data on these 16 separate metrics, the consultant determined that:

CenturyLink out-performed the 50th percentile of this group in 14 of the 16 metrics,

CenturyLink out-performed the 75th percentile of this group in 9 of the 16 metrics, and

CenturyLink scored at or near the 100th percentile of this group in 6 of the 16 metrics.

The Committee also noted that:

CenturyLink's acquisition of Embarq on July 1, 2009 and Qwest on April 1, 2011 resulted in a nearly 700% increase in our revenues in less than two years, as noted above,

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CenturyLink out-performed both of its operational targets used to set management's 2010 annual bonuses, as discussed further below, and

CenturyLink accomplished this strong operational performance at the same time that its management team was immersed in integrating Embarq into its operations and negotiating the acquisition of Qwest.

For further information on the performance goals selected by our Compensation Committee, see below Annual Incentive Bonuses and Long-Term Equity Incentive Compensation. For more information on our recent financial performance, see Appendix A to this proxy statement.

Use of Market Pay Data

We strive to set executive compensation at competitive levels. This involves, among other things, establishing compensation levels that are generally consistent with levels at other peer companies with which we compete for talent.

Based on input from its compensation consultant, the Committee used the following tools in 2010 to benchmark the compensation of our executives against individuals who work in similarly-situated positions at comparable companies:

survey data compiled by the compensation consultant containing compensation information about a broad range of public companies generally similar in size to us, and

compensation data publicly disclosed by the following 14-company peer group:

| | |
|----------------------------|-----------------------------|
| DirecTV Group Inc | Time Warner Cable Inc |
| Qwest Communications | Dish Network Corp |
| Liberty Global Inc | Cablevision Systems Corp |
| Charter Communications | Telephone & Data Systems |
| Level 3 Communications Inc | US Cellular Corp |
| Windstream Corp | Metropcs Communications Inc |
| Global Crossing Ltd | Frontier Communications |

In November 2010, the Committee revised its peer group for prospective use in early 2011 by (i) replacing Qwest with Sprint Nextel and (ii) replacing Charter Communications (which completed a Chapter 11 bankruptcy reorganization in 2009) with Comcast. Following the Qwest merger, the Committee intends to substantially reconfigure the peer group so that it better corresponds to the size and operations of the combined company.

For additional information about how we set pay levels, see Our Compensation Decision-Making Process.

Elements of Compensation

Our executive compensation for 2010 had five key elements:

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annual cash salary

annual cash bonus

long-term incentive awards, consisting of time-vested and performance-based restricted stock

one-time retention awards relating to the Qwest acquisition, generally consisting of deferred cash awards and time-vested restricted stock

benefits under employee or executive benefit programs.

The following table illustrates how our senior officers' 2010 compensation was allocated among the three main components of recurring compensation (excluding the one-time retention awards granted in August 2010).

| | Cash Compensation | | Equity Compensation |
|-------------------------|-------------------|------------------|---------------------|
| | % from | % from | % from Long-Term |
| | Salary | Short-Term Bonus | Incentives |
| CEO | 8.2% | 15.1% | 76.7% |
| COO | 13.1% | 16.5% | 70.4% |
| Other Executive VPs | 13.7% | 14.8% | 71.5% |
| Senior VP | 14.9% | 14.4% | 70.7% |
| Executive Vice Chairman | 16.9% | 25.2% | 57.9% |

Each element of our 2010 compensation is discussed further under the headings below. In each case, more information on how we determined specific pay levels is located under the heading "Our Compensation Decision-Making Process."

Salary

In early 2010 the Committee determined that the executives' then-prevailing salaries remained generally in alignment with their targeted 50th percentile salary levels based on data compiled by its compensation consultant. The Committee accepted management's recommendation to maintain the salaries of each of our executive officers without change, with one exception for an executive with a below-market salary.

As described further below under the heading "Retention Grants", the Committee awarded retention grants to key employees in the second half of 2010. Although retention was the primary goal of these awards, the Committee also believed they constituted an initial interim step towards reducing pay disparities between our executives and those of Qwest and other larger companies.

In February 2011, the Committee again accepted management's recommendation to maintain executive base salaries at 2010 levels.

Table of Contents**Annual Incentive Bonuses**

General. We award annual cash bonuses to key employees based on performance objectives that, if attained, can reasonably be expected to maintain or increase our long-term shareholder value and to correspond to those paid to similarly-situated executives at comparable companies. We currently offer annual incentive bonuses to approximately 2,180, or 11%, of our employees.

The 2010 bonuses paid to our named executive officers were calculated as follows:

| | 2010 | | Bonus | | Corporate | | Bonus | Actual |
|--|-------------|---|--------|---|--------------------|---|--------------------------|----------------------|
| | Salary | x | Target | x | Performance | = | (²) | Award |
| | | | % | | % (¹) | | | as % of |
| | | | | | | | | Salary |
| Current Executives: | | | | | | | | |
| Glen F. Post, III <i>Chief Executive Officer and President</i> | \$1,020,800 | | 125% | | 148% | | \$1,888,480 | 185% |
| Karen A. Puckett <i>Executive Vice President and Chief Operating Officer</i> | 663,900 | | 85% | | 148% | | 835,151 | 126% |
| R. Stewart Ewing, Jr. <i>Executive Vice President and Chief Financial Officer</i> | 598,800 | | 85% | | 148% | | 753,245 | 126% |
| David D. Cole <i>Senior Vice President Controller and Operations Support</i> | 435,400 | | 65% | | 148% | | 418,835 | 96% |
| Dennis G. Huber <i>Executive Vice President Network Services</i> | 405,500 | | 65% | | 148% | | 254,363 (³) | 63% (³) |
| Former Executive: | | | | | | | | |
| Thomas A. Gerke <i>Executive Vice Chairman</i> | 900,000 | | 100% | | 148% | | 1,332,000 | 148% |

(1) Calculated as discussed below under Corporate Target Percentage.

(2) The Committee has discretion to reduce the amount payable to the executive officers in accordance with this calculation, but choose not to with respect to these 2010 bonuses.

(3) Calculated by multiplying \$390,091, which is the amount of the full annual bonus Mr. Huber would have received for a full year of service, by 65%, which is the portion of the year in which Mr. Huber was employed by us; excludes an additional bonus payment made to Mr. Huber as one of the components of the cash severance

payments made to him under the terms of his severance arrangements with Embarq.
These bonus amounts are reflected in the Summary Compensation Table appearing below under the column
Non-Equity Incentive Plan Compensation.

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Bonus Target Percentages. For 2010, the Compensation Committee increased the target bonus percentages from those used in 2009 to enable us to offer bonus opportunities generally comparable to those offered by our peers and to reflect the increased scope and complexity of the executives' roles following the Embarq acquisition. The Committee also sought to promote internal equity and teamwork by applying the same target bonus percentage to groups of executives with similar responsibility levels.

In March 2010, the Compensation Committee elected to base the amount of the senior officers' 2010 annual incentive bonuses on whether we attained minimum, target or maximum threshold levels of 2010 operating cash flow (established at approximately \$3.374, \$3.552 and \$3.730 billion, respectively) and 2010 end-user revenues (established at approximately \$5.033, \$5.298 and \$5.483 billion, respectively). In each case, attainment of less than 95% of the target amount was designed to result in no bonus payment, and attainment of more than 105% of the target amount was designed to result in twice the bonus payable for attaining the target level of performance. For these purposes, (i) operating cash flow meant our operating income plus depreciation and amortization, excluding pension and post-employment benefit costs, and (ii) end-user revenues meant our total operating revenues less network access revenues and certain other smaller revenue components included in the category described as other revenue in Appendix A to this proxy statement. In both cases, we adjusted these amounts to eliminate the effects of extraordinary or non-recurring transactions in accordance with procedures further described below. For purposes of calculating the aggregate bonus payment, attainment of the operating cash flow and end-user revenue targets were weighed 60% and 40%, respectively.

The Committee selected these two 2010 metrics because both correlate strongly with our strategic objectives, and maintaining and increasing shareholder value. We believe (i) strong operating cash flow enables us to, among other things, fund capital initiatives to expand our business opportunities, to pay an attractive dividend, and to meet our debt obligations, and (ii) revenue targets promote our strategic objective of identifying new revenue sources designed to offset weakness in our incumbent telephone business.

Corporate Target Percentage. In February 2011, the Compensation Committee reviewed management's assessment of our performance in 2010 as compared to the targets established in March 2010. Based on this process, the Committee determined that the aggregate rate of attaining these goals (referred to in the table above as the Corporate Performance Percentage) was 148%, calculated as follows:

| | | | | | | | | |
|---|---|--------------------|---|---|---|--------------------|---|--|
| Payout Percentage Relating to Operating Cash Flow Goal ⁽¹⁾ | x | Weighing Factor | + | Payout Percentage Relating to End- User Revenue Goal ⁽¹⁾ | x | Weighing Factor | = | Corporate Performance Percentage |
| 166.8% | | 60% | | 118.6% | | 40% | | 148% |

- (1) With respect to each goal, the company exceeded the target goal (which is designed to result in a payout percentage of 100%) but did not attain the maximum goal (which is designed to result in a payout percentage of 200%).

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Negative Discretion. Each year, the Committee retains the right to unilaterally reduce, but not increase, the amount of the bonus calculated using the processes described above if the Committee believes for any reason that it is unwarranted to pay such amount to any or all of the executives. With respect to the 2010 bonus payments, the Committee determined that there was no basis for effecting any such reductions.

Non-Executive Bonuses. Compared to our executive officers, the remainder of our senior officers have more diverse and individualized sets of performance goals. When an officer or manager has responsibility for a particular business unit, division or region, the performance goals are typically heavily weighted toward the operational performance of those units or areas. Other individuals may receive individual performance goals. Depending on the level of seniority, these individuals may also receive a portion of their bonus based on overall corporate performance. As discussed below under the heading - Our Compensation Decision-Making Process, the CEO approves the performance goals of substantially all of the non-executive officers under the general supervision of the Compensation Committee.

Long-Term Equity Incentive Compensation

General. Our shareholder-approved long-term incentive compensation programs authorize the Compensation Committee to grant stock options, restricted stock, restricted stock units and various other stock-based incentives to key personnel. We believe stock incentive awards (i) encourage key personnel to focus on our long-term performance, (ii) strengthen the relationship between compensation and growth in the market price of the Common Shares and thereby align management's financial interests with those of the shareholders and (iii) help attract and retain talented personnel. During the first half of 2011, we intend to offer long-term equity incentive compensation awards to approximately 250, or 1%, of our employees.

2010 Executive Grants. In March 2010, the Committee granted the following number of restricted shares to our named executive officers:

| Name ⁽¹⁾ | No. of | | No. of | | Total Fair Value ⁽²⁾ |
|----------------------------|-------------------------------|---------------------------|-------------------------------------|---------------------------|---------------------------------|
| | Time-Vested Restricted Shares | Fair Value ⁽²⁾ | Performance Based Restricted Shares | Fair Value ⁽²⁾ | |
| Current Executives: | | | | | |
| Glen F. Post, III | 63,200 | \$2,200,000 | 63,200 | \$2,200,000 | \$4,400,000 |
| Karen A. Puckett | 27,578 | 960,000 | 27,579 | 960,000 | 1,920,000 |
| R. Stewart Ewing, Jr. | 21,373 | 744,000 | 21,373 | 744,000 | 1,488,000 |
| David D. Cole | 15,857 | 552,000 | 15,858 | 552,000 | 1,104,000 |
| Former Executive: | | | | | |
| Thomas A. Gerke | 38,782 | \$1,350,000 | 38,782 | \$1,350,000 | \$2,700,000 |

(1) Dennis G. Huber, an executive officer serving under a short-term employment arrangement described below, did not receive an equity grant in March 2010. For a description of the equity grant made to Mr. Huber under his short-term employment arrangement, see Other Benefits Change of Control Arrangements.

(2) For purposes of this chart, we value both time-vested and performance-based restricted shares by multiplying the number of shares granted to the executive by the 15-day volume-weighted average closing price of our Common Shares prior to the grant date. In the Summary Compensation Table, however, our performance-based

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restricted shares are valued as of the grant date based on probable outcome as required by SEC rules. See footnote 1 to the Summary Compensation Table for more information.

For more information on these grants, please see below Executive Compensation Incentive Compensation and Other Awards.

Amount of Awards. Each year, the Committee generally determines the size of equity grants based on the recipient's responsibilities, performance and duties, and on information furnished by the Committee's compensation consultant regarding equity incentive practices among comparable companies.

In determining the size of each officer's 2010 grant, the Committee reviewed market data regarding long-term incentive compensation paid to comparable executives at companies in the survey and peer group data compiled by the independent consultant. Based on this data, the Committee determined that our executives were being provided long-term compensation at below market rates. The amounts shown above for 2010 reflect increases in long-term incentive compensation amounts over 2009 levels designed to address this deficiency for each of our executives other than the CEO. For the CEO, the Committee elected to achieve the same goal over a two-year period through its 2010 and 2011 grants. The Committee also made some adjustments to reflect internal fairness considerations.

In establishing equity award levels, we review the equity ownership levels of the recipients and prior awards, but do not place great weight on this factor. We believe each annual grant of long-term compensation should match prevailing market practices in order for our compensation packages to remain competitive from year to year, and to mitigate the risk of competitors offering compensation packages to our executives that have superior long-term incentives. Moreover, the accumulation of substantial awards (awarded in reasonable annual increments) significantly increases (i) each executive's motivation to increase our share price and remain employed by us, (ii) the alignment of the interests of the executives and our shareholders and (iii) the likelihood that our executives will reject competing job offers that trigger equity forfeitures. For these reasons, we do not place great weight on equity ownership levels or prior grants in connection with granting new awards.

Types of Awards. We strive to pay equity compensation in forms that create appropriate incentives to optimize performance at reasonable cost, that minimize enterprise risk, and that are competitive with incentives offered by other companies. Since 2008, the Committee has elected to issue all of our long-term equity compensation grants in the form of restricted stock for a variety of reasons discussed in our prior proxy statements, including the Committee's recognition of the growing use of restricted stock by our peers. In an effort to increase the link between our performance and executive compensation, in both 2010 and 2011 the Committee issued half of the value of the executives' long-term awards in the form of performance-based restricted stock, with the other half being in the form of time-vested restricted stock.

For information on the vesting terms of our equity awards, see Executive Compensation Incentive Compensation and Other Awards Outstanding Awards.

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As contemplated under our merger agreement with Qwest, we implemented in mid-2010 a retention program designed to ensure that over 200 of our top officers and managers had adequate incentives to remain employed with us through completion of the Qwest acquisition and the critical period of integration thereafter. In connection with implementing this plan, in August 2010 the Committee made deferred cash and equity grants to our executives. One-quarter of the grant date fair value of each executive grant consisted of a deferred cash award, with the remainder payable in shares of time-vested restricted stock, except for the CEO, who received all of his award in restricted stock.

Recipients of deferred cash awards received half of their cash payment on April 1, 2011, the closing date of the Qwest acquisition, and will be entitled to receive the other half on April 1, 2012, the first anniversary of such date, provided they remain employed by us on such date. The restricted stock awards will vest in three equal installments on April 1, 2012, 2013 and 2014, constituting the first, second and third anniversaries of the Qwest closing date. For more information on these restricted stock awards, please see below **Executive Compensation Incentive Compensation and Other Awards**.

Listed below is additional information on the retention grants made to our named executive officers in August 2010:

| Name ⁽¹⁾ | Number of Shares of Restricted Stock ⁽²⁾ | Deferred Cash Award | Total Award Value ⁽²⁾ |
|-----------------------|--|---------------------------|-------------------------------------|
| Glen F. Post, III | 127,317 | \$ 0 | \$4,593,597 |
| Karen A. Puckett | 38,296 | 460,603 | 1,842,323 |
| R. Stewart Ewing, Jr. | 34,541 | 415,431 | 1,661,670 |
| David D. Cole | 22,400 | 269,423 | 1,077,615 |

(1) Neither Dennis G. Huber, whose short-term employment arrangements are described further below, nor Thomas A. Gerke, who resigned December 15, 2010, received retention grants in August 2010.

(2) Based on the 15-day volume-weighted average closing price of our Common Shares prior to the grant date.

The above-listed restricted stock grants are reflected under the **Restricted Stock Awards** column of the Summary Compensation Table appearing elsewhere below in this proxy statement. Under applicable SEC reporting rules, the deferred cash awards will not be reportable by us as compensation in our proxy compensation tables until paid. Therefore, the deferred cash awards are not reflected in this year's Summary Compensation Table.

Other Benefits

As a final component of executive compensation, we provide a broad array of benefits designed to be competitive, in the aggregate, with similar benefits provided by our peers. We summarize these additional benefits below.

Retirement Plans. We maintain one or more traditional qualified defined benefit retirement plans for most of our employees who have completed at least five years of service, plus one or more traditional qualified defined contribution 401(k) plans for a similar group of our employees. With respect to these qualified plans, we maintain nonqualified plans that permit our

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officers to receive or defer supplemental amounts in excess of federally-imposed caps that limit the amount of benefits highly-compensated employees are entitled to receive under qualified plans. When we assess overall compensation levels for our senior management, we review the benefits expected to be received under these retirement plans, but primarily focus on establishing compensation programs that are competitive with our peers. Additional information regarding our retirement plans is provided in the tables and accompanying discussion included below under the heading Executive Compensation.

Effective January 1, 2011, we changed the retirement benefits that we offer to our employees as part of our ongoing process to align overall benefits for our legacy Embarq and CenturyLink employees. In addition to changes to the benefits offered under certain of our 401(k) plans, we froze benefit accruals under our defined benefit pension plans for non-represented employees as of December 31, 2010. These changes align our retirement benefits closer to those offered by our competitors, many of whom have previously effected similar changes over the past several years.

Change of Control Arrangements. As described in more detail under Executive Compensation Potential Termination Payments Payments Made Upon a Change of Control, in 2000 we entered into agreements under which we agreed to provide cash and other severance benefits to each of our executive officers who is terminated under certain specified circumstances following a change of control of CenturyLink.

Effective January 1, 2011, the Compensation Committee restructured these predecessor agreements to prospectively reduce benefits to more closely align them with current market practices. If triggered, benefits under the restructured agreements include payment of (i) a lump sum cash severance payment equal to a multiple of the officer's annual cash compensation, (ii) the officer's annual bonus, based on actual performance and the portion of the year served, and (iii) certain continued welfare benefits for a limited period.

We believe these benefits enhance shareholder value because:

prior to a takeover, these protections help us to recruit and retain talented officers and to help maintain the productivity of our workforce by alleviating concerns over economic security, and

during or after a takeover, these protections (i) help our personnel, when evaluating a possible business combination, to focus on the best interest of CenturyLink and its shareholders, and (ii) reduce the risk that personnel will accept job offers from competitors during takeover discussions.

Under our restructured agreements, change of control benefits are payable to our executive officers if within a certain specified period following a change in control (referred to as the protected period) the officer is terminated without cause or resigns with good reason, which is defined to include a diminution of responsibilities, an assignment of inappropriate duties, and a transfer of the officer exceeding 50 miles. We have filed with the SEC copies of our restructured change of control agreements.

The table below shows, both for the original agreements and the restructured agreements, (i) the length of the protected period afforded to officers following a change of control and (ii)

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the multiple of salary and bonus payment and years of welfare benefits to which officers will be entitled if change of control benefits become payable under such agreements and related policies:

| | Original Arrangements | | | Restructured Arrangements | | |
|------------------|-----------------------------|---|------------------------------------|---------------------------|---|------------------------------------|
| | Protected Period | Multiple of Annual Cash Compensation | Years of Welfare Benefits | Protected Period | Multiple of Annual Cash Compensation | Years of Welfare Benefits |
| CEO | 3 years | 3 times | 3 years | 2 years | 3 times | 3 years |
| Other Executives | 3 years | 3 times | 3 years | 1.5 years | 2 times | 2 years |
| Other Officers | 1-2 years ⁽¹⁾ | 1-2 times ⁽¹⁾ | 1-2 years ⁽¹⁾ | 1 year | 1 time | 1 year |

(1) The original arrangements provided two years (or two times) for our most senior non-executive officers, 1.5 years (or 1.5 times) for the next level of senior officers, and one year (or one time) for all other officers.

The recent restructured agreements also prospectively:

eliminated the prior right of executives to be reimbursed for taxes imposed as a result of receiving their change of control benefits,

eliminated the prior right of executives to unilaterally request full payment of their severance benefits during window periods arising one year after a change of control, regardless of whether the executive had been adversely impacted by the transaction, and

narrowed the rights of executives to claim that they have good reason to resign with full severance benefits.

Completion of the Embarq merger constituted a change of control of CenturyLink, as defined under our predecessor change of control agreements. In connection with the Embarq merger, all of CenturyLink's named executive officers agreed to waive some, but not all, of their rights under their predecessor change of control agreements, which continue to govern their rights with respect to the change of control resulting from the Embarq merger. Our directors also waived certain rights to accelerated vesting of their outstanding equity awards in connection with the Embarq closing. For more information on these waivers and certain benefit plan amendments implemented in connection with the Embarq acquisition, please see our April 5, 2010 proxy statement.

Completion of the Embarq merger also constituted a change of control of Embarq, as defined under Embarq's severance arrangements. Prior to being amended in connection with the merger, these severance arrangements were generally similar in nature to CenturyLink's restructured agreements. In connection with the Embarq merger, Thomas A. Gerke, Dennis G. Huber and four other of Embarq's legacy senior officers entered into agreements permitting them to resign with severance benefits (in most cases at 1.5 or 2.0 times their annual compensation) during window periods of varying lengths beginning at various specified dates following the merger. On May 3, 2010, Dennis G. Huber resigned and began receiving severance pay under his agreement. Thereafter, at our request, Mr. Huber agreed to rejoin us as an executive officer beginning on September 7, 2010 principally to assist us in consummating the Qwest acquisition and overseeing the initial phases of the post-closing integration of our systems with those of

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Qwest. Mr. Huber's employment agreement dated September 7, 2010 contemplates that he will continue in this role until the earlier of (i) one year after the Qwest closing date, (ii) 30 days after we have hired his replacement or (iii) May 1, 2012. In connection with entering into this agreement, we granted Mr. Huber 75,000 shares of time-based restricted stock, which will vest on the earlier of the dates specified in the prior sentence, assuming he remains employed with us through such date. Effective December 15, 2010, Thomas A. Gerke resigned and shortly thereafter began receiving severance pay under his agreement.

For more information on our change of control arrangements, see [Executive Compensation](#) [Potential Termination Payments](#) [Payments Made Upon a Change of Control](#).

Reduction in Force Benefits. Historically, we have paid severance benefits to non union full-time employees who are terminated in connection with a reduction in force. The amount of any applicable severance payment was based on the terminated employee's tenure with us and willingness to waive claims, and could range from two to 52 weeks of the terminated employee's base salary or wages.

During 2011, we plan to adopt a replacement severance plan that will provide severance benefits to our officers who are terminated in the absence of a change of control transaction. We believe this replacement plan will help us retain and attract key employees, and align our severance benefits closer to those of our peers.

Retention Programs. In connection with the Embarq merger, CenturyLink and Embarq both adopted retention programs that pay cash awards to various employees who agree to remain employed for certain specified periods to assist with the post-closing integration of the companies. Executive officers did not participate in these programs.

For similar reasons, both CenturyLink and Qwest adopted retention plans after entering into the Qwest merger agreement. As noted above, our executive officers received awards in August 2010 under the retention plan we implemented in connection with the Qwest acquisition.

Perquisites. Officers are entitled to be reimbursed for the cost of an annual physical examination, plus related travel expenses.

Under our aircraft usage policy, the CEO may use our aircraft for personal travel without reimbursing us, and each other executive officer may use our aircraft for up to \$10,000 per year in personal travel without reimbursing us. In all such cases, personal travel is permitted only if aircraft is available and not needed for superseding business purposes. For purposes of valuing and reporting the use of our aircraft, we determine the incremental cost of aircraft usage on an hourly basis, calculated in accordance with applicable guidelines of the SEC. The incremental cost of this usage, which may be substantially different than the cost as determined under alternative calculation methodologies, is reported in the Summary Compensation Table appearing below under the heading [Executive Compensation](#). Each year the Compensation Committee receives a report on the personal use of aircraft by senior management, and determines whether or not to alter our aircraft usage policy in any way. In early 2011, the Committee elected to retain our aircraft usage policy. In connection with making this election, the Committee determined that the policy was (i) providing valuable and cost-effective benefits to our executives residing in a small city with limited commercial airline service and (ii)

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enabling our executives to travel in a manner that we believe is more expeditious than commercial airline service.

In 2006, the Compensation Committee approved restructured insurance arrangements with our executive officers that obligate us to pay premiums on the executive officers' respective supplemental life insurance policies sufficient to provide the same death benefits available under the predecessor agreements, and entitle the executive officers to purchase additional post-retirement coverage at their cost. In mid-2010, we eliminated the right of executives to receive related tax gross-up cash payments in amounts equal to the taxes incurred as a result of our premium payments.

We maintain a pool of several corporate apartments in Monroe, Louisiana for use by our employees based in other states who are required regularly or periodically to work in our headquarters offices in Monroe. We believe these apartments have been more cost-effective for us than lodging these individuals in hotel rooms during their visits. We pay approximately \$800 per month for each such corporate apartment, while our negotiated hotel rate in Monroe is approximately \$100 per night. Several of our employees, including Messrs. Gerke and Huber, have stayed in these apartments while working from our Monroe headquarters. Because we require Mr. Huber, as a condition of his employment, to work from our Monroe headquarters at least three days per week, we have provided him an apartment from the pool for his sole use. Given that he spends an average of ten nights in Monroe each month, there is no aggregate incremental cost to us to provide Mr. Huber with this benefit.

Most years, we organize one of our regular board meetings and related committee meetings as a board retreat scheduled over a long weekend, typically in an area where we conduct operations. The spouses of our directors and executive officers are invited to attend, and we typically schedule recreational activities for those who are able and willing to participate.

For more information on the items under this heading, see the Summary Compensation Table appearing below under the heading Executive Compensation.

Other Employee Benefits. We maintain a stock purchase plan that enables most of our employees to purchase Common Shares on attractive terms. We also maintain certain broad-based employee welfare benefit plans in which the executive officers are generally permitted to participate on terms that are either substantially similar to those provided to all other participants or which provide our executives with enhanced benefits upon their death or disability. We also maintain a supplemental disability plan designed to ensure disability payments to our officers in the event payments are unavailable from our disability insurer.

Our Compensation Decision-Making Process

Role of Compensation Committee. The Compensation Committee of our Board establishes, implements, administers and monitors our executive compensation programs, subject to the Board's oversight. Specifically, the Committee (or a subcommittee thereof) approves the compensation payable to each executive officer, as well as any other senior officer as defined in the Committee's charter.

As described further below, the Compensation Committee's compensation decision-making process requires a careful balancing of a wide range of factors, including:

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the group and individual performance and responsibilities of our executives,
the competitive compensation practices of other companies,
the performance of our company in relation to our peers and our internal goals,
the risk characteristics of our compensation programs, and
our strategic and financial imperatives.

Except with respect to annual cash bonuses, the Committee has not historically used quantitative formulas to determine compensation or assign weights to the various factors considered.

The Compensation Committee also establishes, implements, administers and monitors our director cash and equity compensation programs.

Since the completion of our acquisition of Embarq on July 1, 2009, the Committee has focused generally on comprehensively reviewing our compensation philosophy, strategies, policies and practices to ensure they:

are appropriate for the larger combined company,

further link our pay to company performance,

further reflect prevailing best practices, and

reduce differences in the prior pay practices of the two predecessor companies.

In anticipation of the Qwest acquisition, the Committee has taken preliminary steps towards achieving these goals, but most of the implementation of these initiatives are expected to occur in the future.

Role of Compensation Consultants. The Committee engages the services of a compensation consultant to assist in the design and review of executive compensation programs, to determine whether the Committee's philosophy and practices are reasonable and compatible with prevailing practices, and to provide guidance on specific compensation levels based on industry trends and practices.

The Committee changed its compensation consultant in late 2010. Prior to the change, PricewaterhouseCoopers LLP, or PwC, had served as the Committee's consultant since 2004. Before the Embarq merger, PwC did not conduct any material amount of non-compensation consulting work for us. Since 2009, however, management has retained PwC to provide a variety of merger, human resources, and systems integration services, first with respect to the Embarq merger and more recently with respect to the Qwest merger. PwC also provided sales and use tax consulting services during 2009.

The table below sets forth the amount of fees paid to PwC the last two years for compensation consulting and all other services.

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| | Compensation | | |
|------|--------------|--------------|-------------|
| | Consulting | All Other | |
| | Services | Services | Total Fees |
| 2009 | \$ 161,000 | \$ 5,991,000 | \$6,152,000 |
| 2010 | 315,000 | 2,570,000 | 2,885,000 |

Following the completion of the Embarq merger in mid-2009, the Committee undertook a comprehensive search to retain a compensation consultant for the combined company. The Committee elected to use PwC for one more year, in part due to PwC's ability to provide continuity through the first post-merger compensation review process. In mid-2010, the Committee commenced a new nationwide search for a compensation consultant. In September 2010, the Committee selected Hay Group as its new consultant. During 2010, the total amount paid to Hay Group was approximately \$41,000, all of which was for compensation consulting services. CenturyLink does not intend to engage Hay Group for any non-compensation consulting services. None of our executives have any prior relationships with Hay Group.

Review Process. In each year since 2005, the Committee and PwC used benchmarking data to determine median amounts of salary, annual bonuses and equity compensation paid to executives comparable to ours. In determining how much to compensate each officer, the Committee also extensively reviewed a wide range of other factors, including:

- the officer's individual performance and particular set of skills,
- the anticipated degree of difficulty of replacing the officer with someone of comparable experience and skill,
- the role the officer plays in maintaining a cohesive management team and improving the performance of others,
- the role the officer may have played in any recent extraordinary corporate achievements,
- the length of the officer's service with us and within the telecommunications industry,
- the officer's pay relative to other officers and employees,
- the officer's prior compensation in recent years and, to a limited degree, his or her accumulated wealth under our programs,
- the financial community's assessment of management's performance, and
- the recent performance of CenturyLink.

In assessing our performance, we typically review how our actual revenues, cash flows, net income and other measures of financial performance relate to amounts previously projected by us or market participants, as well as the results of peer telecommunications companies. We also assess operational benchmarks, such as our access line losses or customer growth in relation to our competitors. Although we assess each officer's individual performance in connection with

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establishing all components of compensation, we typically weigh this factor more heavily for salary determinations and less heavily for bonuses, which tend to be allocated among the officers primarily on the basis of their level of responsibility and pay grade.

Each year, we compile lists of compensation data relating to each of our executives. These tally sheets include the executive's salary, annual cash incentive award, equity-based compensation, perquisites, pension benefit accruals and other compensation. These tally sheets also show the executive's holdings of our Common Shares and accumulated unrealized gains under prior equity-based compensation awards. The Compensation Committee uses these tally sheets to (i) review the total annual compensation of the executive officers, (ii) assess the executive officers' wealth accumulation from our compensation programs and (iii) assure that the Committee has a comprehensive understanding of our compensation programs.

Annual Bonus Procedures. With the assistance of management and its compensation consultant, the Compensation Committee sets bonus targets annually, and, under special circumstances, more frequently than annually. For several years, the Committee has administered our annual bonus program substantially in the manner outlined above under Annual Incentive Bonuses. The Committee is responsible for approving for each year (i) the performance objectives, (ii) the minimum, target and maximum threshold levels of performance, (iii) the weighing of the performance objectives, (iv) the amount of bonus payable if the target level of performance is attained and (v) the finally determined amount of the bonus payments. Upon completion of the fiscal year, our actual operating results are adjusted in accordance with the Committee's long-standing written procedures designed to eliminate the effects of extraordinary or non-recurring transactions that were not known, anticipated or quantifiable on the date the performance goals were established. Then the specific bonus payments are calculated for that fiscal year using the formulas approved the prior year by the Committee. These determinations and calculations are provided in writing to the Committee for its review and approval. Since 2010, our Internal Audit Department has reviewed these determinations and calculations.

Under our annual bonus programs, the Committee may pay the annual bonuses in cash or stock. Since 2000, the Committee has paid these bonuses entirely in cash, principally to diversify our compensation mix and prevent us from over-relying on equity grants.

Annual Equity Grant Procedures. As explained further above, annual grants of stock awards to executives are typically made during the first quarter after we publicly release our earnings. Grants of stock awards to newly hired executive officers who are eligible to receive them are made at the next regularly scheduled Committee meeting following their hire date. Although we are not currently granting options, we maintain policies controlling when and how option exercise prices are determined. These policies are summarized in our prior proxy statements.

Role of CEO in Compensation Decisions. Although the Compensation Committee is responsible for all executive compensation decisions, each year it receives the CEO's recommendations, particularly with respect to executive salaries. The Committee, in particular, values the CEO's input and judgment regarding:

the relative strengths and weakness of the other executives and their recent performance,

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the role these executives play in achieving our operational and strategic goals,

internal equity issues that could impact cohesion, teamwork or the overall viability of the executive group, and

the relative vulnerability of executives to job solicitations from competitors.

The Committee considers the CEO's recommendations as one of the many factors it uses to establish compensation levels for each executive.

In addition, the CEO is responsible for approving the annual salaries and bonuses of our non-executive officers, including approval of appropriate annual performance goals for such officers. The CEO also approves all equity compensation awards to the non-executive officers, acting under authority delegated by the Compensation Committee in accordance with our long-term incentive plans. The Committee oversees these processes and receives an annual report from the CEO.

Risk Assessment. As part of its duties, the Compensation Committee assesses risks arising out of our employee compensation policies and practices. Based on its most recent assessment, the Committee does not believe that the risks arising from our compensation policies and practices are reasonably likely to materially adversely affect us. In reaching this determination, we have taken into account the risk exposures of our operations and the following design elements of our compensation programs and policies:

our balance of annual and long-term compensation elements at the executive and management levels,

our use of performance metrics that create incentives for management to attain goals well aligned with the shareholders' interests,

the multi-year vesting of equity awards which promotes focus on our long-term operational and financial performance,

claw-back policies that provide safeguards against inappropriate behavior, and

bonus arrangements that are generally subject to the negative discretion of either the Committee (for executive officers) or senior management (for other key employees).

We believe these features, as well as the stock ownership requirements for our executive officers, result in a compensation program that aligns our executives' interests with those of our shareholders and does not promote excessive risk-taking on the part of our executives or other employees.

Discontinuance of Supplemental Executive Retirement Plan

As noted above, in early 2008 we decided to discontinue our Supplemental Executive Retirement Plan by freezing future benefit accruals and permitting participants to receive in January 2009 a lump sum distribution of the present value of their accrued plan benefits. For

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additional information on the effects of these actions, please see our Summary Compensation Table appearing below and our proxy statement dated April 5, 2010.

Forfeiture of Prior Compensation

For over 10 years, all recipients of our equity compensation grants have been required to contractually agree to forfeit certain of their awards (and to return to us any cash, securities or other assets received by them upon the sale of Common Shares they acquired through certain prior equity awards) if at any time during their employment with us or within 18 months after termination of employment they engage in activity contrary or harmful to our interests. The Compensation Committee is authorized to waive these forfeiture provisions if it determines in its sole discretion that such action is in our best interests. We have filed with the SEC copies of our form of equity incentive agreements containing these forfeiture provisions. Our 2010 Executive Officers Short-Term Incentive Plan contains substantially similar forfeiture provisions.

In addition, our Corporate Governance Guidelines authorize the Board to recover compensation from an executive officer if the Board determines that any bonus, incentive payment, equity award or other compensation received by the executive was based on any financial or operating result that was impacted by the executive's knowing or intentional fraudulent or illegal conduct. In addition, certain laws enacted in 2002 would require our CEO and CFO to reimburse us for incentive compensation paid or trading profits earned following the release of financial statements that are subsequently restated due to material noncompliance with SEC reporting requirements caused by misconduct. Additional laws enacted in 2010, which are expected to become effective in mid-2011, will require all of our current or former executive officers to make similar reimbursement payments in connection with certain financial statement restatements, irrespective of whether such executives were involved with the mistake that caused the restatement.

Stock Ownership Guidelines

Under our current stock ownership guidelines, the CEO is required to beneficially own CenturyLink stock equal in market value to at least five times his annual base salary, and all other executive officers are required to beneficially own CenturyLink stock valued at least three times their annual base salary. Each executive officer has three years to attain these targets.

Under our recently-enacted director stock ownership guidelines, each outside director must beneficially own CenturyLink stock equal in market value to five times the annual cash retainer payable to outside directors. Each outside director has five years from the date they are elected or appointed to attain this target.

For any year during which an executive or outside director does not meet his or her ownership target, the executive or director is expected to hold 65% of the CenturyLink stock that he or she acquires through our equity compensation programs, excluding shares sold to pay related taxes.

For additional information on our stock ownership guidelines, see Governance Guidelines.

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Use of Employment Agreements

We have a long-standing practice of not providing employment agreements to our officers, although in connection with the Embarq merger we assumed several employment agreements applicable to legacy Embarq executives and became obligated to potentially make severance payments to key employees under their change of control agreements under the circumstances described above. We also entered into a short-term employment agreement with Dennis Huber in September 2010 for the purposes specified above.

Tax Gross-ups

After eliminating in 2010 the use of tax gross-up benefits in our executives change of control agreements and split-dollar insurance policies, we continue to provide these tax benefits only (i) to a limited number of our officers under legacy employment agreements that will lapse over the next couple of years and (ii) to our outside directors under our executive physical program described below under Director Compensation. We do not intend to provide tax gross-up benefits in any new compensation programs.

Anti-Hedging Policy

Under our insider trading policy, our employees and directors may not:
purchase or sell short-term options with respect to CenturyLink shares,

engage in short sales of CenturyLink shares, or

engage in hedging transactions involving CenturyLink shares which allow employees to fix the value of their CenturyLink shareholdings without all the risks of ownership or cause them to no longer have the same interests or objectives as our other shareholders.

Other Compensation Matters

To the extent that it is practicable and consistent with our executive compensation objectives, we seek to comply with Section 162(m) of the Internal Revenue Code and the regulations adopted thereunder in order to preserve the tax deductibility of performance-based compensation in excess of \$1 million per taxable year to each of our officers. However, if compliance with Section 162(m) conflicts with our compensation objectives or is contrary to the best interests of the shareholders, we will pursue those objectives, regardless of the attendant tax implications. In each of the last several years, we granted time-vested restricted stock that did not qualify as performance-based compensation under Section 162(m).

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COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management the report included above under the heading Compensation Discussion and Analysis. Based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis report be included in this proxy statement and incorporated into our Annual Report on Form 10-K for the year ended December 31, 2010.

Submitted by the Compensation Committee of the Board of Directors.

Laurie A. Siegel (Chair)

Fred R. Nichols

Harvey P. Perry

Virginia Boulet

William A. Owens

EXECUTIVE COMPENSATION

Overview

The following table sets forth certain information regarding the compensation of (i) our principal executive and financial officers, (ii) each of our four most highly compensated executive officers other than our principal executive and financial officers and (iii) one of our former executive officers. In this proxy statement, we sometimes refer to these individuals as the named officers. Following this table is additional information regarding incentive compensation, pension benefits, deferred compensation and potential termination payments pertaining to the named officers. For additional information on the compensation summarized below and other benefits, see Compensation Discussion and Analysis.

Table of Contents**Summary Compensation Table**

| Name and Principal Position | Year | Salary | Restricted | Non-Equity | Change in | All Other Compensation ⁽⁴⁾ | Total |
|--|------|-------------|-----------------------------|----------------------------------|------------------------------|---------------------------------------|--------------|
| | | | Stock Awards ⁽¹⁾ | Plan Compensation ⁽²⁾ | Pension Value ⁽³⁾ | | |
| Current Executives: | | | | | | | |
| Glen F. Post, III <i>Chief Executive Officer and President</i> | 2010 | \$1,020,800 | \$9,590,821 | \$1,888,480 | \$ 661,938 | \$1,414,408 | \$14,576,448 |
| | 2009 | 1,009,440 | 3,817,764 | 891,619 | 389,379 | 1,358,805 | 7,467,007 |
| | 2008 | 1,000,000 | 4,651,009 | 864,500 | 6,759,670 | 1,079,056 | 14,354,235 |
| Karen A. Puckett <i>Executive Vice President and Chief Operating Officer</i> | 2010 | 663,872 | 3,562,356 | 835,151 | 300,080 | 469,696 | 5,831,156 |
| | 2009 | 654,023 | 1,431,789 | 488,957 | 219,612 | 476,597 | 3,270,978 |
| | 2008 | 640,772 | 1,744,265 | 468,725 | 1,770,115 | 447,375 | 5,071,252 |
| R. Stewart Ewing, Jr. <i>Executive Vice President and Chief Financial Officer</i> | 2010 | 598,764 | 2,936,202 | 753,245 | 378,544 | 658,390 | 5,325,145 |
| | 2009 | 588,237 | 1,193,105 | 359,895 | 270,162 | 466,066 | 2,877,465 |
| | 2008 | 574,924 | 1,453,463 | 344,092 | 2,778,643 | 484,084 | 5,635,206 |
| Dennis G. Huber ⁽⁵⁾ <i>Executive Vice President Network Services</i> | 2010 | 307,453 | 2,703,750 | 254,363 | 195,475 | 1,752,412 ⁽⁶⁾ | 5,213,453 |
| David D. Cole <i>Senior Vice President Controller and Operations Support</i> | 2010 | 435,380 | 2,062,049 | 418,835 | 257,598 | 301,704 | 3,475,567 |
| | 2009 | 424,853 | 773,200 | 260,074 | 195,604 | 288,981 | 1,942,712 |
| | 2008 | 412,828 | 941,958 | 247,078 | 1,591,316 | 270,634 | 3,463,814 |
| Former Executive: | | | | | | | |
| Thomas A. Gerke ⁽⁷⁾ <i>Former Executive Officer</i> | 2010 | 896,553 | 3,066,493 | 1,332,000 | 349,151 | 8,289,354 ⁽⁸⁾ | 13,933,551 |
| | 2009 | 431,035 | | 535,364 | 214,908 | 285,237 | 1,466,544 |

(1) Except as otherwise noted for Mr. Huber and Mr. Gerke, the amounts shown in this column reflect the fair value of (i) awards of restricted stock made in early 2010, 2009 and 2008 in connection with our program of making annual long-term incentive compensation grants and (ii) additional awards of restricted stock made in August 2010 in connection with a retention program designed to incentivize and retain our top personnel through the completion date of the Qwest acquisition and the initial integration period thereafter. In all such instances, the fair value of the award has been determined as of the date of grant under FASB ASC Topic 718 (formerly SFAS 123(R)). We value time-vested restricted shares using a 15-day volume-weighted average price. In 2010, a portion of the shares of restricted stock granted to each named executive (other than Mr. Huber) were performance-based restricted shares, which are valued as of the grant date based on probable outcome using

Monte Carlo simulations. The aggregate value of all restricted stock awards granted to each named executive in 2010, measured as of the grant date using a 15-day volume-weighted average price and assuming maximum performance of his or her performance-based restricted shares, would be as follows: Mr. Post, \$12,388,053, Ms. Puckett, \$4,783,003, Mr. Ewing, \$3,882,171, Mr. Huber, \$2,703,750, Mr. Cole, \$2,763,924, and Mr. Gerke, \$4,782,984. See footnote 15 titled "Stock Compensation Plans" of the notes to our audited financial statements included in *Appendix A* for an explanation of material assumptions that we used to calculate the fair value of these stock awards.

- (2) The amounts shown in this column reflect cash payments made under our annual incentive bonus plans for actual performance in the respective years. For additional information on the most recent bonus payments, see *Incentive Compensation and Other Awards 2010 Awards* below.
- (3) Reflects the net change during each of the years reflected in the present value of the executives' accumulated benefits under the defined benefit plans discussed under "Pension Benefits." Notwithstanding footnote 7 below, the amount shown in the table above for Mr. Gerke reflects the change during the full year of 2009 in the present value of his accumulated benefits under the Embarq Pension Plan and Embarq SERP (described further under "Pension Benefits"), both of which CenturyLink assumed in connection with the Embarq merger. The 2008 increases in value are attributable primarily to enhancements made to our Supplemental Executive Retirement Plan in connection with discontinuing the plan and distributing account balances to each executive. For additional information, see "Compensation Discussion and Analysis - Discontinuance of Supplemental Executive Retirement Plan."
- (4) The amounts shown in this column are comprised of (i) the payment of cash in lieu of previously-offered perquisites for all periods through June 30, 2009, (ii) reimbursements for the cost of an annual physical examination, (iii) personal use of our aircraft, (iv) contributions or other allocations to our defined contribution plans, (v) the payment of premiums on life insurance policies, (vi) cash payments to compensate the executives for any taxes incurred upon receipt of such life insurance premium payments (which is a benefit that has been discontinued, effective January 1, 2011), (vii) the value of dividends paid on the

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executives unvested restricted stock, and (viii) certain severance benefits described further in footnotes 6 and 8 below, in each case for and on behalf of the named officers as follows:

| Name | Year | Cash Allowance | Physical Exam | Aircraft Use | Contributions to Plans | Life Insurance Premiums Paid | Tax Reimbursement Payments | Restricted Stock Dividends | Severance Benefits | Total |
|----------------------------|------|----------------|---------------|--------------|------------------------|------------------------------|----------------------------|----------------------------|--------------------|-------------|
| Current Executives: | | | | | | | | | | |
| Mr. Post | 2010 | \$ | \$3,264 | \$ 6,940 | \$74,926 | \$191,599 | \$129,606 | \$1,008,073 | \$ | \$1,414,408 |
| | 2009 | 18,763 | 2,290 | 11,500 | 76,528 | 213,316 | 144,297 | 892,111 | | 1,358,805 |
| | 2008 | 34,320 | 4,536 | 15,000 | 94,340 | 193,901 | 131,164 | 605,795 | | 1,079,056 |
| Ms. Puckett | 2010 | | | 2,420 | 3,064 | 42,531 | 28,770 | 392,911 | | 469,696 |
| | 2009 | 15,280 | 2,891 | 3,525 | 45,931 | 44,258 | 29,938 | 334,774 | | 476,597 |
| | 2008 | 27,950 | 4,930 | 3,300 | 54,234 | 71,515 | 48,376 | 237,070 | | 447,375 |
| Mr. Ewing | 2010 | | | | 37,425 | 175,655 | 118,821 | 326,489 | | 658,390 |
| | 2009 | 15,280 | 3,124 | 4,350 | 38,214 | 75,304 | 50,939 | 278,855 | | 466,066 |
| | 2008 | 27,950 | | | 43,993 | 128,122 | 86,668 | 197,351 | | 484,084 |
| Mr. Huber | 2010 | | | | 3,675 | | | 119,619 | 1,629,118 | 1,752,412 |
| Mr. Cole | 2010 | | | | 27,148 | 33,896 | 22,929 | 217,731 | | 301,704 |
| | 2009 | 15,280 | | 5,400 | 27,547 | 35,531 | 24,035 | 181,188 | | 288,981 |
| | 2008 | 27,950 | | | 31,589 | 49,119 | 33,226 | 128,750 | | 270,634 |
| Former Executive: | | | | | | | | | | |
| Mr. Gerke | 2010 | | | | 3,675 | | | 521,710 | 7,763,969 | 8,289,354 |
| | 2009 | | | | 145 | | | 285,092 | | 285,237 |

Our cash allowance payments were eliminated in mid-year 2009. In addition to these benefits, we provide Mr. Huber with an apartment dedicated to his sole use from our pool of corporate apartments because we require him to spend at least two days a week at our Monroe headquarters office. For the reasons discussed elsewhere herein, there is no aggregate incremental cost to provide this benefit to Mr. Huber. The amounts shown in the chart above do not reflect any benefits associated with participating in recreational activities scheduled during board retreats. For additional information, see Compensation Discussion and Analysis Other Benefits Perquisites.

- (5) Prior to July 1, 2009, Dennis G. Huber served as an executive of Embarq. Mr. Huber did not receive any long-term incentive compensation grants in connection with our annual grant program in 2010 or any retention grant of restricted stock in August 2010, but did receive a one-time grant of 75,000 shares of restricted stock in connection with entering into his employment agreement dated September 7, 2010. This agreement is discussed further above under Compensation Discussion and Analysis Change of Control Arrangements.
- (6) As noted in footnote 4 above, includes severance benefits valued at \$1,629,118 that accrued in favor of Mr. Huber in connection with his termination of service on May 3, 2010, consisting of (i) \$607,500 of cash severance payments payable bi-weekly between May 2010 and November 2011, (ii) \$273,375 of cash payments

intended to compensate Mr. Huber for foregone bonuses, payable in 2010 and 2011, (iii) \$52,855 of health and welfare benefits, including outplacement services and cash payments to compensate Mr. Huber for estimated federal income taxes payable as a result of receiving these benefits, and (iv) \$695,388 of accrued value attributable to the accelerated vesting of Mr. Huber's equity awards over the severance period. For more information on accrued benefits payable to Mr. Huber in connection with this termination of service, see Potential Termination Payments below.

- (7) Thomas A. Gerke served as Executive Vice Chairman between July 1, 2009 and December 15, 2010. Prior to July 1, 2009, Mr. Gerke served as Chief Executive Officer and President of Embarq. Except as otherwise expressly provided herein to the

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contrary, the table above and the accompanying disclosures below reflect 2009 compensation paid by CenturyLink to Mr. Gerke since July 1, 2009. Mr. Gerke did not receive either a long-term incentive compensation grant in connection with our annual grant program in 2009 or a retention grant of restricted stock in August 2010, but did receive a long-term incentive compensation grant in connection with our annual grant program in 2010.

- (8) As noted in footnote 4 above, includes severance benefits valued at \$7,763,969 that accrued in favor of Mr. Gerke in connection with his termination of service on December 15, 2010, consisting of (i) 1,800,000 of cash severance payments to be paid bi-weekly over the two-year severance period, (ii) \$1,440,000 of cash payments intended to compensate Mr. Gerke for foregone bonuses, paid in two equal installments in March 2012 and March 2013, (iii) a \$122,467 cash payment compensating Mr. Gerke for accrued, unused vacation time, paid in early 2011, (iv) \$67,756 of health and welfare benefits, including outplacement services and cash payments to compensate Mr. Gerke for estimated federal income taxes payable as a result of receiving these benefits, and (v) \$4,333,746 of accrued value attributable to the accelerated vesting of Mr. Gerke's equity awards over the severance period. For more information on accrued benefits payable to Mr. Gerke in connection with this termination of service, see Potential Termination Payments below.

Incentive Compensation and Other Awards

2010 Awards. The table and discussion below summarizes:

the range of potential payouts under incentive bonus awards that were granted in March 2010 with respect to performance during 2010,

grants of time-vested restricted stock and the range of potential payouts under grants of performance-based restricted stock, in each case made on March 8, 2010 as long-term incentive compensation,

grants of time-vested restricted stock made on August 23, 2010 pursuant to a retention program, and

a one-time grant of time-vested restricted stock made on September 7, 2010 to one of our executive officers under this short-term employment agreement.

Table of Contents**Grants of Plan-Based Awards**

| Name | Type of Award and Grant Date ⁽¹⁾ | Range of Payouts Under 2010 Non- | | | Estimated Future Share Payouts Under Equity Incentive Plan Awards ⁽³⁾ | | | All other Stock Awards: | Grant Date Fair Value of Stock Awards |
|----------------------------|--|--|--------------------------------------|---|---|---|--|--|--|
| | | Equity Incentive Plan Threshold (\$) | Equity Incentive Plan Target (\$) | Equity Incentive Plan Awards ⁽²⁾ Maximum (\$) | Equity Incentive Plan Awards ⁽³⁾ Threshold (#) | Equity Incentive Plan Awards ⁽³⁾ Target (#) | Equity Incentive Plan Awards ⁽³⁾ Maximum (#) | Unvested Shares (#) ⁽⁴⁾ | (\$) ⁽⁵⁾ |
| Current Executives: | | | | | | | | | |
| Glen F. Post, III | Annual Bonus | \$638,000 | \$1,276,000 | \$2,552,000 | | | | | \$ |
| | T-V Grant (3/8/10) | | | | | | | 63,200 | 2,199,992 |
| | P-B Grant (3/8/10) | | | | 31,600 | 63,200 | 126,400 | | 2,797,232 |
| | Retention Grant | | | | | | | 127,317 | 4,593,597 |
| Karen A. Puckett | Annual Bonus | 282,146 | 564,291 | 1,128,583 | | | | | |
| | T-V Grant (3/8/10) | | | | | | | 27,578 | 959,990 |
| | P-B Grant (3/8/10) | | | | 13,790 | 27,579 | 55,158 | | 1,220,647 |
| | Retention Grant | | | | | | | 38,296 | 1,842,323 |
| R. Stewart Ewing, Jr. | Annual Bonus | 254,475 | 508,949 | 1,017,899 | | | | | |
| | T-V Grant (3/8/10) | | | | | | | 21,373 | 743,994 |
| | P-B Grant (3/8/10) | | | | 10,687 | 21,373 | 42,746 | | 945,969 |
| | Retention Grant | | | | | | | 34,541 | 1,661,670 |
| David D. Cole | Annual Bonus | 141,499 | 282,997 | 565,994 | | | | | |
| | T-V Grant (3/8/10) | | | | | | | 15,857 | 551,982 |
| | P-B Grant (3/8/10) | | | | 7,929 | 15,858 | 31,716 | | 701,875 |
| | Retention Grant | | | | | | | 22,400 | 1,077,615 |
| Dennis G. Huber | Annual Bonus ⁽⁶⁾ | 85,934 | 171,867 | 343,734 | | | | | |
| | T-V Grant (9/7/10) ⁽⁷⁾ | | | | | | | 75,000 | 2,703,750 |
| Former Executive: | | | | | | | | | |
| Thomas A. Gerke | Annual Bonus | | | | | | | | |
| | T-V Grant (3/8/10) | 450,000 | 900,000 | 1,800,000 | | | | | |
| | P-B Grant (3/8/10) | | | | 19,391 | 38,782 | 77,564 | 38,782 | 1,350,001 |

(1) T-V means Time-Vested and P-B means Performance-Based ; all reference to Retention Grant means the award of time-vested restricted stock granted on August 23, 2010.

(2) These columns provide information on the potential bonus payouts approved with respect to 2010 performance. For information on the actual amounts paid based on 2010 performance criteria, see the column of the Summary

Compensation Table labeled Non-Equity Incentive Plan Compensation. As described further below, the failure to meet the minimum threshold levels of performance would result in no annual bonus payment.

- (3) Represents performance-based shares of restricted stock granted on March 8, 2010 to each named executive except Mr. Huber, as described in greater detail below.
- (4) Represents time-vested shares of restricted stock granted on March 8, 2010 and August 23, 2010, as described in greater detail below.
- (5) Calculated in accordance with FASB ASC Topic 718 (formerly SFAS 123 (R)). We value time-vested shares using a 15-day volume-weighted average price, while performance-based shares are valued based on probable outcome using Monte Carlo simulations. See Note 1 to the Summary Compensation Table above for more information.
- (6) Reflects Mr. Huber's range of potential payouts adjusted to reflect his service as an employee for 65% of the year.
- (7) For additional information on Mr. Huber's restricted stock grant on September 7, 2010, see footnote 5 to the Summary Compensation Table above.

Terms of 2010 Restricted Stock Awards.

March 8, 2010 Grants. The restricted stock issued to our executive officers on March 8, 2010 consisted of awards of time-vested restricted stock and performance-based restricted stock.

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For each named officer, the shares of time-vested restricted stock will vest in three equal installments on March 15 of 2011, 2012, and 2013, subject to the named officer's continued employment. The holders of these time-vested restricted shares receive current dividends when paid with respect to such shares.

For each named officer, half of the performance-based restricted shares will vest on March 15, 2012, based on our two-year total shareholder return for 2010 and 2011 as measured against the total shareholder return of the companies comprising the S&P 500 Index for the same period. The other half will vest on March 15, 2013, based on our three-year total shareholder return for 2010, 2011 and 2012, as measured against total shareholder return of the S&P 500 companies for the same period. All dividends related to these performance-based restricted shares are paid to the holder only upon the vesting of such shares.

In addition to the vesting described above, all of these time-vested restricted shares and performance-based restricted shares also vest upon certain terminations of employment or a change of control of the Company, as described in greater detail under Potential Termination Payments.

In the preceding Grants of Plan-Based Awards table, the number of performance-based restricted shares listed under the target column for each named executive officer represents the number of shares actually granted to that officer and that will vest if we perform at the targeted performance level, which is attaining total shareholder return over the two- and three-year performance periods equal to the 50th percentile of the total shareholder return of the companies comprising the S&P 500 Index for the same periods. Each named executive officer has the opportunity to receive a greater or lesser number of shares depending on our total shareholder return in relation to that of the S&P 500 companies, as illustrated further below:

| Performance Level | Company's Percentile Rank | Payout as % of Target Award |
|--------------------------|----------------------------------|------------------------------------|
| Maximum | ≥ 75 th percentile | 200% |
| Target | 50 th percentile | 100% |
| Threshold | 25 th percentile | 50% |
| Below Threshold | < 25 th percentile | 0% |

Amounts will be prorated if our rank is between (i) the threshold and the target or (ii) the target and the maximum.

August 23, 2010 Retention Award Grants. The time-vested restricted stock issued to our executive officers on August 23, 2010 was issued pursuant to a retention program that we established in connection with our merger agreement with Qwest dated April 21, 2010. See Compensation Discussion and Analysis Retention Grants. These shares will vest in three equal installments on April 1, 2012, 2013 and 2014, constituting the first, second and third anniversaries of the Qwest closing date. The holders of these restricted shares receive current dividends when paid with respect to such shares.

Other. All of these above-described awards are subject to forfeiture if the officer competes with us or engages in certain other activities harmful to us, all as specified further in

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the forms of incentive agreements that we have filed with the SEC. See Potential Termination Payments.

Outstanding Awards. The table below summarizes information on stock options and unvested restricted stock outstanding at December 31, 2010.

Outstanding Equity Awards at December 31, 2010⁽¹⁾

| Name | Option Awards | | | | Stock Awards | | | |
|--------------------------------|---------------------------------|----------------------------------|----------------------------|------------------------|-----------------------|--------------------------------------|------------------------------------|---|
| | Number of Securities Underlying | | | | Equity Incentive Plan | | All Other Stock Awards | |
| | Unexercised Options | | | | Awards ⁽³⁾ | | Awards | |
| | Exercisable (#) | Unexercisable (#) ⁽²⁾ | Option Exercise Price (\$) | Option Expiration Date | Unvested Shares (#) | Market Value of Unvested Shares (\$) | Unvested Shares (#) ⁽⁴⁾ | Market Value of Shares that Have Not Vested |
| Current Executives | | | | | | | | |
| Glen F. Post, III | 200,000 | | \$ 45.90 | 2/26/2017 | | \$ | 11,700 | \$ 540,189 |
| | | | | | | | 23,400 | 1,080,378 |
| | | | | | | | 76,434 | 3,528,958 |
| | | | | | | | 97,666 | 4,509,239 |
| | | | | | 63,200 | 2,917,944 | 63,200 | 2,917,944 |
| | | | | | | | 127,317 | 5,878,226 |
| Karen A. Puckett | 75,000 | | 45.90 | 2/26/2017 | | | 4,400 | 203,148 |
| | | | | | | | 8,800 | 406,296 |
| | | | | | | | 28,665 | 1,323,463 |
| | | | | | | | 36,628 | 1,691,115 |
| | | | | | 27,579 | 1,273,322 | 27,578 | 1,273,276 |
| | | | | | | | 38,296 | 1,768,126 |
| R. Stewart Ewing, Jr. | 22,500 ⁽⁵⁾ | | 28.34 | 2/25/2014 | | | 3,660 | 168,982 |
| | 62,100 ⁽⁵⁾ | | 33.40 | 2/17/2015 | | | 7,320 | 337,964 |
| | 62,500 | | 35.41 | 2/20/2016 | | | 23,886 | 1,102,817 |
| | 62,500 | | 45.90 | 2/26/2017 | | | 30,522 | 1,409,201 |
| | | | | | 21,373 | 986,791 | 21,373 | 986,791 |
| | | | | | | | 34,541 | 1,594,758 |
| Dennis G. Huber ⁽⁶⁾ | 24,097 | | 66.71 | 5/11/2011 | | | 18,291 | 844,495 |
| | 20,754 | | 41.19 | 2/22/2017 | | | 75,000 | 3,462,750 |
| | | 10,727 | 30.62 | 3/02/2018 | | | | |

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| | | | | | | | |
|--------------------------------|--------|--------|-----------|-----------|-----------|--------|-----------|
| David D. Cole | 40,500 | 45.90 | 2/26/2017 | | | 2,400 | 110,808 |
| | | | | | | 4,800 | 221,616 |
| | | | | | | 15,480 | 714,712 |
| | | | | | | 19,780 | 913,243 |
| | | | | 15,858 | 732,164 | 15,857 | 732,118 |
| | | | | | | 22,400 | 1,034,208 |
| Former | | | | | | | |
| Executive: | | | | | | | |
| Thomas A. Gerke ⁽⁷⁾ | 11,809 | 66.71 | 5/11/2011 | | | 73,494 | 3,393,218 |
| | 3,614 | 33.65 | 2/11/2012 | 38,782 | 1,790,565 | 38,782 | 1,790,565 |
| | 3,635 | 35.11 | 2/19/2012 | | | | |
| | 13,007 | 35.11 | 3/27/2013 | | | | |
| | 5,804 | 24.72 | 2/10/2014 | | | | |
| | 11,609 | 24.34 | 2/10/2014 | | | | |
| | 67,530 | 36.30 | 2/08/2015 | | | | |
| | 95,304 | 32.90 | 2/07/2016 | | | | |
| | 49,414 | 41.19 | 2/22/2017 | | | | |
| | 87,512 | 43,101 | 30.62 | 3/02/2018 | | | |

(1) All information on exercisability, vesting and market value is solely as of December 31, 2010. Some of the options or restricted stock listed above may have vested, become exercisable or been exercised since such date.

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- (2) Our options generally vest at a rate of one-third per year over the first three years of the ten-year option term. Our options expiring in 2014 and 2015 vested one-third immediately with the remainder vesting over the following two years. Also, in late 2005, the Company accelerated the vesting of all then-outstanding options. In addition, our options accelerate and become immediately exercisable in full upon a change of control of CenturyLink or if the recipient dies, becomes disabled or retires.
- (3) Represents the performance-based portion of the restricted shares granted on March 8, 2010. The chart above assumes that we will perform at target levels such that all performance-based shares granted to each named executive will vest fully. See 2010 Awards above.
- (4) All shares listed under this column with a grant date preceding 2009 are shares of restricted stock that generally vest at a rate of 20% per year during the first five years after their grant date. All shares listed under this column with a 2009 or 2010 grant date are shares of restricted stock that generally vest at a rate of one-third per year during the first three years after that grant date. In addition, vesting of our restricted stock accelerates upon a change of control of CenturyLink or upon termination of the officer's employment as a result of death or disability, or, if permitted by the Compensation Committee, retirement or termination by CenturyLink, subject to certain exceptions.
- (5) In 2006, Mr. Ewing transferred to his ex-wife options entitling her to purchase up to 185,000 Common Shares in the aggregate, of which 121,000 options have been exercised as of December 31, 2010.
- (6) Except for the restricted stock granted to Mr. Huber by CenturyLink on September 7, 2010, all awards listed for Mr. Huber were granted by Embarq and assumed by us in connection with the Embarq merger.
- (7) Except for the restricted stock granted to Mr. Gerke by CenturyLink on March 8, 2010, all awards listed for Mr. Gerke were granted by Embarq and assumed by us in connection with the Embarq merger.

2010 Exercises and Vesting. The following table provides information on Common Shares acquired by the named officers during 2010 in connection with the exercise of options and the vesting of restricted stock.

Option Exercises and Stock Vested

| Name | Option Awards | Stock Awards | | |
|--------------------------------------|----------------------|----------------------------|---------------------|---------------------------|
| | Number of Shares | Value Realized | Number of Shares | Value Realized |
| | Acquired on Exercise | On Exercise ⁽¹⁾ | Acquired on Vesting | on Vesting ⁽¹⁾ |
| Current Executives: | | | | |
| Glen F. Post, III | \$ 652,666 | \$5,637,543 | 109,411 | \$3,782,830 |
| Karen A. Puckett | 210,000 | 1,710,078 | 41,069 | 1,419,941 |
| R. Stewart Ewing, Jr. ⁽²⁾ | | | 34,203 | 1,182,552 |
| Dennis G. Huber | 24,088 | 150,141 | 37,127 | 1,286,094 |
| David D. Cole | 189,001 | 1,460,589 | 22,250 | 769,286 |
| Former Executive: | | | | |
| Thomas A. Gerke | | | 130,143 | 5,262,555 |

(1) Based on the closing price of the Common Shares on the applicable exercise or vesting date.

- (2) Excludes 80,000 shares acquired by the ex-wife of Mr. Ewing during 2010 (resulting in a value realized upon exercise of \$980,028) with respect to options transferred to her in 2006.

Pension Benefits

Amount of Benefits. The following table and discussion summarizes pension benefits payable to the named officers (other than Dennis G. Huber and Thomas A. Gerke) under (i) our retirement plan qualified under Internal Revenue Code Section 401(a), which permits most of our employees (including officers) who have completed at least five years of service to receive pension benefits upon attaining early or normal retirement age, and (ii) our nonqualified supplemental plan, which is designed to pay supplemental retirement benefits to officers in amounts equal to the benefits such officers would otherwise forego due to federal limitations on compensation and benefits under qualified plans. We refer to these defined benefit plans below

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as our Qualified Plan and our Supplemental Plan, respectively. The following table and discussion also summarizes pension benefits payable to Dennis G. Huber and Thomas A. Gerke under Embarq's qualified retirement plan and nonqualified supplemental executive retirement plan. We refer to these defined benefits plans below as the Embarq Pension Plan and the Embarq SERP, respectively.

Pension Benefits

| Name | Plan Name | Number of Years Credited Service⁽¹⁾ | Present Value of Accumulated Benefit⁽²⁾ | Payments During Last Fiscal Year |
|----------------------------|-----------------------|---|---|---|
| Current Executives: | | | | |
| Glen F. Post, III | Qualified Plan | 12 | \$1,256,777 | \$ |
| | Supplemental Plan | 12 | 1,280,051 | |
| Karen A. Puckett | Qualified Plan | 10 | 688,562 | |
| | Supplemental Plan | 10 | 471,677 | |
| R. Stewart Ewing, Jr. | Qualified Plan | 12 | 1,333,756 | |
| | Supplemental Plan | 12 | 530,320 | |
| Dennis G. Huber | Embarq Qualified Plan | 23 | 308,369 | |
| | Embarq SERP | 23 | 390,852 | |
| David D. Cole | Qualified Plan | 12 | 966,538 | |
| | Supplemental Plan | 12 | 235,306 | |
| Former Executive: | | | | |
| Thomas A. Gerke | Embarq Qualified Plan | 16 | 294,611 | |
| | Embarq SERP | 16 | 744,869 | |

(1) In accordance with our plans and practices, these figures correspond to the named officers' tenure at CenturyLink or Embarq and its predecessors, unless otherwise noted in the discussion below.

(2) These figures represent accumulated benefits as of December 31, 2010 (assuming the executive remains employed by us and begins receiving retirement benefits at the normal retirement age of 65), discounted from the normal retirement age to December 31, 2010 using discount rates ranging between 5.5% to 6.0%. See Note 12 titled "Defined Benefit and Other Retirement Plans" of the notes to our audited financial statements included in *Appendix A* for additional information.

CenturyLink Pension Plans. The aggregate amount of a participant's total monthly pension payment under the Qualified Plan and Supplemental Plan is equal to the participant's years of service since 1999 (up to a maximum of 30 years) multiplied by the sum of (i) 0.5% of his final average pay plus (ii) 0.5% of his final average pay in excess of his compensation subject to Social Security taxes. For these purposes, "final average pay" means the participant's average monthly compensation during the 60 consecutive month period within his last ten years of employment in which he received his highest compensation.

Under both of these CenturyLink retirement plans, the compensation upon which benefits are based equals the aggregate amount of the participant's salary and annual cash incentive bonus. Although the pension benefits described

above are provided through separate plans, we

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reserve the right to transfer benefits from the Supplemental Plan to the Qualified Plan to the extent allowed under Treasury regulations and other guidance. The value of benefits transferred to the Qualified Plan directly offsets the value of benefits in the Supplemental Plan. In 2005, 2006 and 2007, we transferred pension benefits to the Qualified Plan, the incremental value of which will be payable to the recipients in the form of enhanced annuities or supplemental benefits.

The normal form of benefit payment under both of the CenturyLink retirement plans is (i) in the case of unmarried participants, a monthly annuity payable for the life of the participant, and (ii) in the case of married participants, an actuarially equivalent monthly annuity payable for the lifetime of the participant and a survivor annuity payable for the lifetime of the spouse upon the participant's death. Participants may elect optional forms of annuity benefits under each plan and, in the case of the Qualified Plan, an annuity that guarantees ten years of benefits, all of which are actuarially equivalent in value to the normal form of benefit. The enhanced annuities described in the prior paragraph may be paid in the form of a lump sum, at the participant's election.

The normal retirement age is 65 under the Qualified Plan and the Supplemental Plan. Participants may receive benefits under both of these plans upon early retirement, which is defined as attaining age 55 with five years of service. Under both of these plans, the benefit payable upon early termination is calculated under formulas that pay between 60% to 100% of the base plan benefit and 48% to 92% of the excess plan benefit, in each case with the lowest percentage applying to early retirement at age 55 and proportionately higher percentages applying to early retirement after age 55. For additional information on early retirement benefits, please see the early retirement provisions of our pension plans, copies of which are filed with the SEC.

Glen Post and Stewart Ewing are currently eligible for early retirement under the Qualified Plan and Supplemental Plan.

Prior to 2008, we maintained a nonqualified supplemental executive retirement plan. In early 2008 we discontinued this plan by freezing future benefit accruals and permitting participants to receive in January 2009 a lump sum distribution of the present value of their accrued plan benefits. Each of the named officers received a lump sum payment in January 2009, and none has any remaining benefits under this plan.

Embarq Pension Plans. As noted above, Dennis G. Huber and Thomas A. Gerke are participants in the Embarq Pension Plan and Embarq SERP, both of which we intend to maintain as separate plans in the near term.

Embarq Pension Plan. The Embarq Pension Plan is a broad-based, tax-qualified defined benefit pension plan that provides benefits to eligible employees of Embarq and its subsidiaries. Generally, all active Embarq employees are eligible to participate in this plan. Benefits under the Embarq Pension Plan are based on each participant's number of years of credited service and the participant's eligible compensation. The years of credited service for Mr. Huber and Mr. Gerke are based only on their service while eligible for participation in the Embarq Pension Plan.

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A participant's eligible compensation under the Embarq Pension Plan is equal to base salary and certain annual short-term incentive compensation, plus any sales commissions and sales bonus compensation amounts. The amount of compensation recognized under the Embarq Pension Plan is limited by the compensation limit under the Internal Revenue Code (which was \$245,000 in 2010). The amount of benefits provided under the Embarq Pension Plan are limited by the benefit limits of the Internal Revenue Code (which for 2010 was \$195,000 expressed in the form of an annual annuity beginning at normal retirement age).

For all participants, benefits under the Embarq Pension Plan, expressed as an annual annuity beginning at normal retirement age, are equal to (i) 1.5% times average eligible annual compensation for the 60 months ending December 31, 1993, times years of service through December 31, 1993, plus (ii) 1.5% times eligible compensation earned after 1993 to the date of retirement or termination. Mr. Huber was employed by Embarq's predecessor prior to 1993, and is therefore eligible for benefits calculated under both portions of this formula. Mr. Gerke was employed after 1993, and is eligible for benefits calculated under only the second portion of this formula.

Participants who are at least age 55 and have 10 or more years of service are eligible to elect a reduced early retirement benefit. In accordance with the provisions of the Embarq Pension Plan, there is a 5% per year reduction in the participant's accrued benefit for each year the benefit commences prior to the employee's normal retirement date. Also, in the event a participant is involuntarily terminated, not for cause, as a result of a workforce reduction, plant closing or job elimination, and the sum of the participant's age and whole years of service equals at least 75, the participant would be eligible for special early retirement benefits. There is a 2.5% per year reduction in the participant's accrued benefit for each year the special early retirement benefit commences prior to the participant's normal retirement date.

Benefits for Mr. Huber and Mr. Gerke and most other participants under the Embarq Pension Plan are payable only in the form of an annuity with monthly benefit payments. Benefits under this plan are funded by an irrevocable tax-exempt trust.

Embarq SERP. Embarq's SERP is an unfunded, nonqualified defined benefit pension plan designed to provide benefits to eligible employees of Embarq and its subsidiaries whose benefits under the Embarq Pension Plan are limited by the restrictions of the Internal Revenue Code. Benefits under the Embarq SERP are based on each participant's number of years of credited service and the participant's eligible compensation.

A participant's years of credited service under the Embarq SERP are based on the years an employee participates in the Embarq Pension Plan unless a participant has previously received a lump sum distribution of Embarq SERP benefits.

A participant's eligible compensation under the Embarq SERP is the same as eligible compensation under the Embarq Pension Plan, but without considering the compensation limits of the Internal Revenue Code.

The Embarq SERP provides a benefit equal to the portion of a participant's benefit that would be accrued under the Embarq Pension Plan at the same rate of accrual if the Internal Revenue Code limitations on amounts of benefits and compensation under the Embarq Pension

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Plan were disregarded. In particular, the benefits for each of Mr. Huber and Mr. Gerke under the Embarq SERP, expressed as an annual annuity beginning at normal retirement age, are equal to 1.5% times eligible compensation earned to the date of retirement or termination, minus the accumulated annual annuity provided under the Embarq Pension Plan beginning on his normal retirement age.

Participants who are at least age 55 and have 10 or more years of service are eligible to receive early retirement benefits, which are reduced on the same basis as the benefit accrued under the Embarq Pension Plan.

The benefits to Mr. Huber and Mr. Gerke under the Embarq SERP are payable only in the form of an annuity with monthly benefit payments. The Embarq SERP is unfunded and maintained as a book reserve account, and participants are general creditors with respect to the payment of their benefits.

Recent Developments. As further discussed above in Compensation Discussion and Analysis Other Benefits Retirement Plans, we froze benefit accruals under our defined benefit pension plans for non-represented employees as of December 31, 2010.

Deferred Compensation

The following table and discussion provides information on our Supplemental Dollars & Sense Plan, which is designed to permit officers to defer a portion of their salary in excess of the amounts that may be deferred under federal law governing qualified 401(k) plans.

Non-Qualified Deferred Compensation