

CENTURYLINK, INC
Form DEF 14A
April 11, 2012
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

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 under §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)(4) and 0-11.

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

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

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

Edgar Filing: CENTURYLINK, INC - Form DEF 14A

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Table of Contents

**2012 Notice of Annual Meeting
and Proxy Statement
and
Annual Financial Report**

May 23, 2012

10:00 a.m. local time

100 CenturyLink Drive

Monroe, Louisiana

Table of Contents

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 23, 2012**

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 2012 annual meeting of our shareholders described further herein, (iii) named officers or named executive officers refers to the five executive officers listed in the Summary Compensation Table appearing on page 48 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, (vi) Savvis refers to SAVVIS, Inc., which we acquired on July 15, 2011, and (vii) 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.

Table of Contents

CenturyLink, Inc.

100 CenturyLink Drive

Monroe, Louisiana 71203

Notice of Annual Meeting of Shareholders

TIME AND DATE	10:00 a.m. local time on May 23, 2012
PLACE	Corporate Conference Room CenturyLink Headquarters 100 CenturyLink Drive Monroe, Louisiana
ITEMS OF BUSINESS	(1) Approve charter amendments to: (a) Declassify our board of directors (b) Increase our authorized shares (2) Elect as directors the four nominees named in the accompanying proxy statement on the terms and conditions specified therein (3) Ratify the appointment of KPMG LLP as our independent auditor for 2012

Edgar Filing: CENTURYLINK, INC - Form DEF 14A

(4) Conduct a non-binding advisory vote regarding our executive compensation

(5) Act upon three separate shareholder proposals if properly presented at the meeting

(6) Transact such other business as may properly come before the meeting and any adjournment.

You can vote if you were a shareholder of record on April 4, 2012.

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.

RECORD DATE
PROXY VOTING

Stacey W. Goff

Secretary

April 10, 2012

Table of Contents

	Page
<u>QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING</u>	1
<u>PROPOSED AMENDMENTS TO ARTICLES OF INCORPORATION</u>	3
<u>ELECTION OF DIRECTORS</u>	5
<u>CORPORATE GOVERNANCE</u>	12
<u>Governance Guidelines</u>	12
<u>Independence</u>	13
<u>Committees of the Board</u>	14
<u>Director Nomination Process</u>	15
<u>Compensation Setting Process</u>	17
<u>Risk Oversight</u>	17
<u>Top Leadership Positions and Structure</u>	17
<u>Waivers of Governance Requirements</u>	18
<u>Access to Information</u>	18
<u>RATIFICATION OF THE SELECTION OF THE INDEPENDENT AUDITOR</u>	19
<u>AUDIT COMMITTEE REPORT</u>	20
<u>ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	21
<u>SHAREHOLDER PROPOSALS</u>	22
<u>OWNERSHIP OF OUR SECURITIES</u>	28
<u>Principal Shareholders</u>	28
<u>Executive Officers and Directors</u>	29
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	30
<u>2011 Executive Compensation Highlights</u>	30
<u>Our Compensation Philosophy</u>	31
<u>Pay for Performance</u>	31
<u>Our Compensation Practices</u>	32
<u>Use of Market Data</u>	33
<u>Elements of Compensation</u>	33
<u>Salary</u>	34
<u>Annual Incentive Bonuses</u>	34
<u>Long-Term Equity Incentive Compensation</u>	37
<u>Retention Grants</u>	39
<u>Other Benefits</u>	39
<u>Our Compensation Decision-Making Process</u>	43
<u>Forfeiture of Prior Compensation</u>	46
<u>Stock Ownership Guidelines</u>	46
<u>Use of Employment Agreements</u>	47
<u>Tax Gross-ups</u>	47
<u>Anti-Hedging Policy</u>	47
<u>Other Compensation Matters</u>	47
<u>COMPENSATION COMMITTEE REPORT</u>	48
<u>EXECUTIVE COMPENSATION</u>	48
<u>Overview</u>	48
<u>Incentive Compensation and Other Awards</u>	50
<u>Pension Benefits</u>	53
<u>Deferred Compensation</u>	54
<u>Potential Termination Payments</u>	55
<u>DIRECTOR COMPENSATION</u>	59
<u>PERFORMANCE GRAPH</u>	63
<u>TRANSACTIONS WITH RELATED PARTIES</u>	64
<u>Recent Transactions</u>	64
<u>Review Procedures</u>	64

Table of Contents

	Page
<u>SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	64
<u>ADDITIONAL INFORMATION ABOUT THE MEETING</u>	64
<u>Quorum</u>	64
<u>Vote Required to Elect Directors</u>	64
<u>Vote Required to Adopt Other Proposals at the Meeting</u>	64
<u>Effect of Abstentions</u>	65
<u>Effect of Non-Voting</u>	65
<u>Voting by Participants in Our Benefit Plans</u>	65
<u>Cost of Proxy Solicitation</u>	65
<u>Other Matters Considered at the Meeting</u>	66
<u>Conduct of the Meeting</u>	66
<u>Postponement or Adjournment of the Meeting</u>	66
<u>OTHER MATTERS</u>	66
<u>Shareholder Nominations and Proposals</u>	66
<u>Annual Financial Report</u>	66
<u>Appendix A Proposed Amendments to Articles of Incorporation</u>	A-1
<u>Appendix B Annual Financial Report</u>	B-1

Table of Contents

CenturyLink, Inc.

100 CenturyLink Drive

Monroe, Louisiana 71203

PROXY STATEMENT

April 10, 2012

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

Why am I receiving these proxy materials?

Our Board of Directors is soliciting your proxy to vote at our 2012 annual meeting of shareholders because you owned shares of our stock at the close of business on April 4, 2012, 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 11, 2012. 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,

a proxy or voting instruction card, and

our 2011 annual report furnished in the following two parts: (1) our 2011 Financial Report, which constitutes *Appendix B* to this proxy statement, and (2) our 2011 Review and CEO's Message, prepared as a separate booklet.

Our 2011 annual report is not a part of our proxy soliciting materials.

When and where will the meeting be held?

Edgar Filing: CENTURYLINK, INC - Form DEF 14A

The meeting will be held at 10:00 a.m. local time on Wednesday, May 23, 2012, in the corporate conference room at our corporate headquarters, 100 CenturyLink Drive, Monroe, Louisiana. If you would like directions to the meeting, please see our website, <http://ir.centurylink.com>.

Table of Contents**What matters will be considered at the meeting?**

Shareholders will vote on the following matters at the meeting:

Matter	Board Voting Recommendation	Page Reference
amendments to our charter to:		
declassify our board of directors (Item 1(a))	For	3
increase our authorized shares (Item 1(b))	For	4
election of the four director nominees named herein (Item 2)	For each nominee	5
ratification of the appointment of KPMG LLP as our independent auditor for 2012 (Item 3)	For	19
non-binding advisory vote regarding our executive compensation (Item 4)	For	21
the three shareholder proposals described in this proxy statement if each is properly presented at the meeting (Items 5(a), 5(b) and 5(c))	Against each	22

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. As of the record date, we had 621,235,448 Common Shares and 9,434 Preferred Shares outstanding.

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., you are the shareholder of record of those shares and 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 of 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 23, 2012. 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?

Edgar Filing: CENTURYLINK, INC - Form DEF 14A

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.

Table of Contents

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

Please see Additional Information About the Meeting Voting by Participants in Our Benefit Plans appearing below.

Do I need identification to attend the meeting in person?

Yes. Please bring proper identification, together with the Notice Regarding Availability of Proxy Materials 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.

Where can I find additional information about the conduct of the meeting, voting requirements, and other similar matters relating to the meeting?

Please see Additional Information About the Meeting appearing below.

PROPOSED AMENDMENTS TO ARTICLES OF INCORPORATION

(Items 1(a) and (b) on Proxy or Voting Instruction Card)

At the meeting, we will seek shareholder approval of amendments to our restated articles of incorporation to declassify our Board of Directors and increase our authorized common stock. We refer to these respectively as the declassification charter amendments and the authorized stock charter amendment, and collectively as the charter amendments.

Declassification of the Board (Item 1(a))

General. Our restated articles of incorporation currently provide that our Board of Directors is divided into three classes, with each class being elected every three years. In February 2012, on the recommendation of its Nominating and Corporate Governance Committee, the Board of Directors unanimously adopted resolutions approving amendments to the articles to provide for the annual election of directors.

If the declassification charter amendments are approved by the shareholders at the meeting, the current classified board will be declassified over a two-year period, as follows:

current Class III directors will be elected for a one-year term, and will stand for re-election at our 2013 shareholder meeting,

current Class I directors previously elected in 2010 will serve out their current three-year terms, and stand for election to a one-year term at our 2013 shareholder meeting,

current Class II directors previously elected in 2011 will serve out their current three-year terms, and stand for election to a one-year term at our 2014 shareholder meeting, and

any other director appointed after the meeting by the Board will be appointed for an initial term expiring at the next annual shareholder meeting.

If adopted, this proposal would not change:

the present number of directors,

Edgar Filing: CENTURYLINK, INC - Form DEF 14A

the Board's authority to change that number and to fill any vacancies or newly-created directorships, or

provisions in our articles stating that at all times directors are elected to serve for their respective terms and until their successors have been elected and qualified.

Table of Contents

Article IV of our restated articles of incorporation contains the provisions which will be amended if this proposal is adopted at the meeting. *Appendix A* to this Proxy Statement shows the changes contemplated by the proposed amendments. If adopted, the amendments to our articles will become effective upon the filing of amended and restated articles of incorporation with the Secretary of State of the State of Louisiana, which we intend to do promptly after shareholder approval is obtained. In connection with declassifying the Board in the manner provided above, we also propose to remove from Article IV(A) a provision which presumptively fixes the size of our board at 14, which we believe is no longer necessary or accurate.

Background of Proposal. The proposal is a result of ongoing review of corporate governance matters by the Nominating and Corporate Governance Committee of the Board. The Committee considered the advantages and disadvantages of maintaining the classified board structure.

The Committee considered the view of some shareholders who believe that classified boards have the effect of reducing the accountability of directors to shareholders because classified boards limit the ability of shareholders to evaluate and elect all directors on an annual basis. The Committee in its evaluation gave considerable weight to the approval at the 2011 annual meeting of a shareholder proposal urging the Board to take the necessary steps to elect directors annually.

The Committee also considered benefits of retaining the classified board structure, which has a long history in corporate law. Proponents of a classified structure believe it provides continuity and stability in the management of the business and affairs of a company because a majority of directors always has prior experience as directors of the company. Proponents also assert that classified boards promote long-range planning and independence, and may enhance shareholder value by forcing an entity seeking control of a target company to initiate arms-length discussions with the board of a target company because the entity is unable to replace the entire board in a single election.

Upon the recommendation of the Nominating and Corporate Governance Committee, the Board approved resolutions adopting the declassification charter amendments and recommending that shareholders adopt these amendments to provide for the annual election of directors.

Vote Required. The affirmative vote of the holders of a majority of the outstanding Voting Shares is required to pass this proposal. If the declassification charter amendments are not approved, the Board will remain classified, and directors elected at the meeting will remain Class III directors with three-year terms expiring at our 2015 shareholder meeting.

The Board of Directors recommends a vote FOR this proposal.

Increase in Authorized Shares (Item 1(b))

General. The Board of Directors has adopted, subject to shareholder approval, an amendment to our restated articles of incorporation to provide for an increase in the number of shares of common stock authorized for issuance from 800,000,000 to 1,600,000,000. As of the record date, CenturyLink had 621,235,448 Common Shares issued and outstanding, and approximately 45,763,000 Common Shares reserved for issuance.

Reasons for the Proposed Amendment. Although our management currently has no definitive plans for the issuance of any additional authorized shares, the authorization of additional shares would permit the issuance of shares for future stock dividends, stock splits, possible acquisitions, stock incentive plans, and other appropriate corporate purposes.

Possible Effects of the Proposed Amendment. If the amendment is approved, no further shareholder approval would be required prior to the issuance of the additional Common Shares authorized by the amendment, except as otherwise required by law or the rules of any national securities exchange or association on which our securities are then traded. While adoption of the amendment would not have any immediate dilutive effect on the

Table of Contents

voting power or other rights of our existing shareholders, any future issuances could have a dilutive effect on the equity interests of current shareholders and could potentially have a negative effect on the market price of our Common Shares.

Under some circumstances, it is possible to use unissued shares of common stock for anti-takeover purposes, but we have no present intention to take any such actions. The additional Common Shares authorized by this amendment will not be entitled to preemptive rights nor will existing shareholders have any preemptive right to acquire any of those shares when issued.

If adopted, the amendment to our articles will become effective upon the filing of amended and restated articles of incorporation with the Secretary of State of the State of Louisiana, which we intend to do promptly after shareholder approval is obtained.

Vote Required. The affirmative vote of the holders of two-thirds of the Voting Shares present or represented at the meeting is required to pass this proposal.

The Board of Directors recommends a vote FOR this proposal.

ELECTION OF DIRECTORS

(Item 2 on Proxy or Voting Instruction Card)

The Board of Directors has nominated four candidates for election as directors for a one-year term expiring at the 2013 annual meeting of shareholders, based on the assumption that the shareholders will approve the declassification charter amendments described in Item 1(a) above.

Currently, our board is divided into three classes that serve staggered three-year terms. If the declassification charter amendments described above are not approved by the requisite vote of shareholders, then the directors elected at the 2012 annual meeting of shareholders will be elected for a three-year term ending at the 2015 annual meeting of shareholders. In all cases, the directors will be elected to serve through the end of their respective terms and until their successors have been elected and qualified.

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 Additional Information About the Meeting Vote Required to Elect Directors, each of the four nominees must receive a majority of the votes cast to be elected at the meeting.

In connection with acquiring Qwest on April 1, 2011, we expanded the size of our Board to 16 directors to accommodate the addition of four new directors who had previously served as Qwest directors. In early 2012, the Board discussed the desirability of reducing the number of directors. As a result of these discussions, Charles L. Biggs and James A. Unruh, both former Qwest directors, each agreed not to stand for re-election as a CenturyLink director upon the lapse of his current term expiring at the meeting on May 23, 2012. In addition, Edward A. Mueller, Qwest's former chairman and chief executive officer, has announced his intention to resign from the Board, effective as of the date of the meeting. As a result of these changes, the size of our Board will be reduced from 16 to 13, effective as of the date of 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 one of our other below-listed directors formerly served as a director of Qwest, in each case prior to our acquisitions of those companies.

Table of Contents

Former Class III Directors (for a term expiring in 2013, assuming the adoption of Item 1(a)):

Fred R. Nichols, age 65; 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 67; 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

Laurie A. Siegel, age 56; 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

Table of Contents

Joseph R. Zimmerl, age 58; 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.

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

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

Class I Directors (term expires in 2013):

W. Bruce Hanks, age 57; 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

Edgar Filing: CENTURYLINK, INC - Form DEF 14A

Qualifies as an audit committee financial expert

Prior experience as a director of other publicly-owned companies
C. G. Melville, Jr., age 71; 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

Table of Contents

William A. Owens, age 71; a director since July 1, 2009; non-executive Chairman of the Board of CenturyLink since July 1, 2009; Managing Director and Chairman 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 AEA Investors LLC, Polycom, Inc., Wipro Limited, and Intelius Inc.; formerly a director of Flow Mobile, Unifrax Corporation, and 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 59; 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

Edgar Filing: CENTURYLINK, INC - Form DEF 14A

Former experience as a certified public accountant

Class II Directors (term expires in 2014):

Virginia Boulet, age 58; 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

Table of Contents

Peter C. Brown, age 53; 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 71; 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; formerly a director of Dana Holding Company within the past five years, 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 49; 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 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.

Edgar Filing: CENTURYLINK, INC - Form DEF 14A

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

Table of Contents

Michael J. Roberts, age 61; a director since 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, and a director of Qwest prior to April 1, 2011.

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

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.

William E. Cheek, age 56; 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.

David D. Cole, age 54; Senior Vice President Controller and Operations Support; served as Senior Vice President Operations Support since 1999, and as Controller since April 1, 2011.

R. Stewart Ewing, Jr., age 60; Executive Vice President and Chief Financial Officer.

Table of Contents

Stacey W. Goff, age 46; 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 52; 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.

James E. Ousley, age 66; Chief Executive Officer, Savvis Operations, since July 15, 2011 and President Enterprise Markets Group since March 22, 2012; served as chief executive officer of Savvis from January 2010 to July 2011, as chairman of the board of Savvis from May 2006 to July 2011 and as a director of Savvis from April 2002 to July 2011.

Karen A. Puckett, age 51; Executive Vice President and Chief Operating Officer since July 2009; President and Chief Operating Officer from September 2002 until July 2009.

Table of Contents

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.

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

Edgar Filing: CENTURYLINK, INC - Form DEF 14A

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.

Table of Contents

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 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 and Mr. Gephardt, qualifies as an independent director under the standards referred to above under Governance Guidelines. In making these determinations, the Board, with

Table of Contents

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 of independent judgment by any of these directors.

Committees of the Board

During 2011, the Board of Directors held four regular meetings, six special meetings, and a three-day strategic planning session.

During 2011, the Board's Audit Committee held nine 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 nine times during 2011. 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 four times during 2011. 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 five times during 2011. The Committee is 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](#).

Table of Contents

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

			Nominating and Corporate Governance	Risk Evaluation
	Audit Committee	Compensation Committee	Committee	Committee
Outside Director ⁽¹⁾	Member	Member ⁽²⁾	Member	Member
Charles L. Biggs ⁽³⁾	ü			
Virginia Boulet		ü	Chair	
Peter C. Brown	ü			ü
W. Bruce Hanks	Chair			ü
Gregory J. McCray			ü	ü
C. G. Melville, Jr. Edward A. Mueller ⁽³⁾			ü	Chair ü
Fred R. Nichols		ü	ü	
William A. Owens		ü	ü	
Harvey P. Perry		ü		
Michael J. Roberts	ü			
Laurie A. Siegel		Chair		
James A. Unruh ⁽³⁾				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.
- (3) Term will end at the meeting. See Election of Directors.

The Board has also established a Special Pricing Committee that has authority to approve the terms and offering prices of any CenturyLink securities sold pursuant to our outstanding shelf registration statement. 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](#).

During 2011, all of our directors attended at least 75% of the aggregate number of all meetings of the board and all meetings of the committees on which they served. In addition, each of our directors then in office attended the 2011 annual shareholders' meeting, other than one director who was unable to attend due to a pre-existing scheduling conflict.

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

Edgar Filing: CENTURYLINK, INC - Form DEF 14A

the four nominees listed above under Election of Directors to stand for election as directors, and no shareholders submitted any nominations. For further information on deadlines for submitting nominations for our 2013 annual shareholders meeting, see Other Matters Shareholder Nominations and Proposals.

Table of Contents

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 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. Similarly, in connection with our April 1, 2011 merger with Qwest, we added to our Board four directors who previously served as directors of Qwest, one of whom is expected to continue to serve following the meeting. During the several years preceding the Embarq 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.

Table of Contents

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, 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, in accordance with our October 26, 2008 merger agreement with Embarq. Prior to July 1, 2009, Adm. Owens served 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

Table of Contents

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 and William A. Owens serve on the board of directors of more than two unaffiliated public companies. In connection with appointing both 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:

Restated articles of incorporation

Bylaws

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 3 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, 2012, 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 2012 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 2010 and 2011 services identified below:

	Amount Billed	
	2010	2011
Audit Fees ⁽¹⁾	\$ 4,469,000	\$ 9,782,527
Audit-Related Fees ⁽²⁾	162,570	654,546
Tax Fees ⁽³⁾	732,474	626,628
Other ⁽⁴⁾	27,800	0
Total Fees	\$ 5,391,844	\$ 11,063,701⁽⁵⁾

- (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 \$257,000 in 2010 and \$234,000 in 2011), (ii) assistance with various tax audits (which were approximately \$69,000 in 2010 and \$0 in 2011), (iii) assistance with our acquisition of Embarq (which were approximately \$81,000 in 2010 and \$0 in 2011), (iv) assistance with our acquisition of Qwest (which were \$0 in 2010 and approximately \$67,000 in 2011), and (v) general tax planning, consultation and compliance (which were approximately \$325,000 in both 2010 and 2011).
- (4) Reflects assistance with the Qwest acquisition.
- (5) Reflects the higher costs associated with auditing a larger company following our acquisitions of Qwest and Savvis during 2011.

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 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

Table of Contents

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 \$75,000 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 2010 or 2011.

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 2012 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 2011, 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, 2011.

On April 1, 2011, Charles L. Biggs and Michael J. Roberts, each of whom formerly served as directors of Qwest, replaced William A. Owens and Fred R. Nichols as members of the Audit Committee.

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
Joseph R. Zimmer*

*Charles L. Biggs
Michael J. Roberts*

Table of Contents

ADVISORY VOTE ON EXECUTIVE COMPENSATION

(Item 4 on Proxy or Voting Instruction Card)

As required by the federal securities laws, 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:

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. Following the advisory votes on compensation cast at our 2011 annual shareholders meeting, our Board elected to hold "say-on-pay" votes at each annual meeting until the next required advisory vote of our shareholders regarding the frequency of such votes. 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.*

Table of Contents

SHAREHOLDER PROPOSALS

(Items 5(a), 5(b) and 5(c) 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), 5(b) and 5(c) 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 three proposals requires the affirmative vote of the holders of at least a majority of the Voting Shares present or represented at the meeting.

The Board recommends that you vote AGAINST Items 5(a), 5(b) and 5(c) for the reasons we give after each one.

Bonus Deferral 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, which urges you to vote for this proposal.

RESOLVED, Stockholders of CenturyLink, Inc. (the Company) urge the Compensation Committee to adopt the following bonus deferral policy for senior executives in order to promote a more long-term perspective:

1. Any discretionary bonus and any payment under the Company's Annual Incentive Bonus Plans (a Bonus) that is based on financial measurements (a Financial Metric) whose performance measurement period is one year or shorter shall not be paid in full for a period of three years (a Deferral Period) following the end of the performance measurement period;
2. The Compensation Committee shall develop a methodology for (a) determining what proportion of a Bonus should be paid immediately, (b) adjusting the remainder of the Bonus over the Deferral Period to reflect performance on the Financial Metric(s) during the Deferral Period and (c) paying out the remainder of the Bonus, adjusted if required, during and at the end of the Deferral Period; and
3. The adjustment(s) described above should not require achievement of new performance goals but should focus on the quality and sustainability of the performance on the Financial Metric(s) during the Deferral Period.

The policy should be implemented so as not to violate any existing contractual obligation of the Company or the terms of any compensation or benefit plan currently in effect. It should not have the effect of reducing amounts awarded or earned before the adoption of the policy.

Supporting Statement: As long-term stockholders, we support executive compensation policies that promote the creation of sustainable value. We are concerned that short-term incentive compensation plans can encourage senior executives to manage for the short-term and take on excessive risk. The recent Wall Street financial crisis illustrates what can happen when executives are rewarded for short-term performance without any effort to ensure that the performance is sustainable.

In 2010, Company CEO and President Glen F. Post, Jr., received more than \$1.88 million under the Annual Incentive Bonus Plans. This bonus amount is nearly double his base salary of \$1.0 million. Indeed, the six named

Table of Contents

officers in the 2010 Proxy Statement received more than \$5.48 million under the Annual Incentive Bonus Plans. This amount contrasts with \$3.92 million in base salary for the six executives. We believe that such large, short-term bonuses collectively equal to 139% of base salaries should not be paid over such a limited horizon.

This proposal urges that the Compensation Committee adopt a bonus deferral policy to encourage a longer-term orientation for senior executives. Specifically, the proposal asks that the Compensation Committee develop a system for holding back some portion of each bonus based on short-term financial metrics for a period of three years and adjusting the unpaid portion to account for performance during that three-year period. The Compensation Committee would have discretion to set the precise terms and mechanics of this process.

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

We believe this proposal essentially proposes to eliminate our annual incentive bonus program, which we believe is not in your or the Company's best interests. We believe our current executive compensation program, consisting of a balanced mix of annual cash bonuses and long-term equity awards, achieves the central goal of the proponent's objective to encourage the creation of sustainable shareholder value. Additionally, we believe our negative discretion and clawback policies further achieve the benefits sought by this proposal. Finally, we believe that compensation paid in accordance with this proposal may not be tax deductible under the Internal Revenue Code.

Our balanced mix of annual and long-term programs are better suited to attain our goals and retain our executives. We agree with the proponent that our compensation programs should promote creating sustainable value, but believe our current mix of annual and long-term programs is a more effective means of attaining this goal than the proponent's suggestion of using only multi-year programs. Our complementary mix of cash and equity compensation has been established by the Compensation Committee to drive annual results, while ensuring our executives also remain focused on long-term sustainable financial performance. The current structure rewards executives for consistently achieving strong operating performance in current and future years. Our peers similarly use annual and long-term pay programs, and any failure to offer both could reduce the competitiveness of our overall compensation program and increase the risk of competitors hiring our officers. As more thoroughly described under Compensation Discussion and Analysis, we pay a substantial portion of our executive compensation in the form of long-term equity grants. The Committee, which is composed solely of independent directors, believes these equity grants effectively accomplish the proposal's key objective because the ultimate value of the equity awards will be reduced if our performance declines. Rather than requiring us, in essence, to eliminate our current annual bonus program, we believe it is in your and the Company's best interests to retain our current balanced approach of rewarding executives for attaining both annual and long-term goals.

Our policies further achieve the proponent's goals. To further promote long-term growth and reduce the potential for excessive risk taking and misconduct, the Committee has adopted both negative discretion and clawback policies. With respect to negative discretion, the Committee retains the right to unilaterally reduce the amount of annual bonuses if the Committee believes for any reason that it is unwarranted to pay such amount to any or all of the executives. The Committee has also implemented clawback policies that provide safeguards against inappropriate behavior. We were among the earliest advocates of receiving contractual commitments from our executives to forfeit their incentive compensation if they engage in a broad range of specified behaviors that are detrimental to us. We believe these policies, which are further described below under the heading Compensation Discussion and Analysis, help maintain executive focus on stable and sustainable corporate growth.

Our current programs are more tax efficient. Our annual bonuses are designed to comply with the performance-based exemption for deduction of compensation in excess of \$1 million under Section 162(m) of the Internal Revenue Code. We believe it would be difficult to design an annual incentive plan that complies with the exemption in 162(m) but also delays payment until certain additional performance targets are achieved in the

Table of Contents

future (after the original performance period has ended and the annual performance targets have been met and certified by the Committee). The loss of the exemption under 162(m) by implementing this proposal would be costly to you and the Company.

In short, the Board believes that our complementary policies of issuing tax-deductible annual incentive bonuses and long-term equity incentive compensation, together with its negative discretion and clawback policies, adequately address the concerns of this proposal and are better suited to advancing your and the Company's best interests.

Performance-Based Restricted Stock Proposal (Item 5(b))

The following proposal was submitted by Hazel A. Floyd, 4660 Newton Street, Denver, Colorado 80211, who urges you to vote for this proposal.

RESOLVED, the stockholders of CenturyLink hereby urge the Board to adopt a policy whereby future grants of long-term incentive awards to senior executive officers in the form of Performance-Based Restricted Shares will vest and become payable only if Total Shareholder Return equals or exceeds the median performance of the company peer index selected by the Board.

Supporting Statement: While we commend the Board for tying a substantial portion of long-term equity compensation to the relative performance of CenturyLink's stock, we believe the performance bar is set unreasonably low.

What CenturyLink calls performance-based equity is what golfers call a gimme, in our view.

Large payouts for share price performance as low as the bottom 25th percentile among the companies of the S&P 500 does not adequately align pay with performance, or with shareholder interests, in our view.

Each year the Company's named executive officers receive restricted stock awards with a potential payout between four and eight times base salary. These equity grants are divided equally between time-based and performance-based restricted shares and vest over a three-year performance cycle.

The problem is that the performance-based shares pay out at 50% of Target for relative total shareholder return (TSR) as low as the bottom 25th percentile among S&P 500 companies, which is the peer index selected by the Board.

For example, CEO Glen Post's Target Award for the 2010-2013 performance share cycle was 63,200 shares (valued at \$2.2 million). Mr. Post will receive 50% of Target even if the Company's TSR is outperformed by 75% of the companies in the S&P 500 which is bottom quartile performance. At the high end, Mr. Post could receive 200% of Target (126,400 shares) if CenturyLink ranks among the top 125 (above 75th percentile) at the end of each performance cycle.

Performance-Based Restricted Shares should not vest or pay out, we believe, unless CenturyLink's total shareholder return is at least equal to or above the median relative to the S&P 500 (or other peer index selected by the Board).

A 50% payout for performance at or near the bottom quartile seems particularly unjustified, in our view, because senior executives receive the other half of their long-term incentive compensation in time-based restricted stock. This restricted stock vests after three years regardless of performance. Although justified as a retention incentive, time-based restricted shares pay out even if the executive retires, dies, or terminates without cause or for good reason within two years after a change in control (in the case of CEO Post).

Table of Contents

We believe the structure of CenturyLink's long-term equity compensation is indicative of the Company's pay practices. For example, in the event of termination after a change in control, in addition to the waiver of the performance conditions on both time-based and performance-based restricted shares, the CEO receives a pension parachute granting three years additional age and service credit (2011 proxy, page 81). This is all in addition to a lump sum payout equal to three times his base salary and bonus.

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

We believe implementation of this proposal could impede our ability to furnish competitive compensation packages, encourage detrimental behavior, and interfere with the ability of our independent directors to adopt well-balanced and flexible compensation programs.

Implementation of this proposal would reduce the competitiveness of our pay packages. Based on consultations with our independent compensation consultant, we believe that the vesting thresholds of our performance-based restricted stock conform to prevailing market practices. Our long-term incentive program is designed to award superior pay for superior performance, median pay for median performance and below median pay for below median performance. If our stock price performance is below the 50th percentile among S&P companies, our executives will receive payouts under our performance-based restricted stock lower than their peers, and, if below the 25th percentile, no payouts at all. We believe this approach is fair and competitive with other companies' pay practices. On the other hand, under the proponent's proposal, our executives would receive no performance payouts even if we achieved shareholder returns a small fraction below the mean of our peers. This would make our compensation programs less attractive than those of our peers, and increase the risk of competitors successfully recruiting our executives.

This proposal could encourage detrimental behavior. Under this proposal, if we attain the 250th best shareholder returns compared to the S&P 500 companies, our executives will receive 100% of their targeted incentive compensation, while they would receive none if we only attained the 251st best rating. As such, the program design suggested by this proposal could significantly increase the incentives to engage in excessively risky behavior to increase total shareholder return at the end of an award cycle, leading to unintended and undesirable results.

This proposal restricts our ability to create balanced and flexible pay packages. The Compensation Committee believes that our overall compensation program is well-designed to achieve the objectives of aligning the interests of our shareholders and executives, promoting both short-term and long-term growth and attracting, retaining and motivating high-performing executives. This proposal, on the other hand, promotes the perpetual use of a single metric for performance-based restricted stock. We believe that limiting the Committee's discretion to structure the terms of our long-term incentive compensation, as this proposal suggests, would unduly restrict the Committee's ability to design and administer a competitive compensation program that is in your and the Company's best interest.

In short, the Board believes that the existing compensation opportunities afforded our executives are prudent and competitive with our peer companies, and result in the payment of long-term incentive compensation that is commensurate with our performance.

Political Contributions Proposal (Item 5(c))

The following proposal was submitted by Trillium Asset Management, LLC, 711 Atlantic Avenue, Boston, Massachusetts, 02111-2809.

Resolved, that the shareholders of CenturyLink (Company) hereby request that the Company provide a report, updated semiannually, disclosing the Company's:

1. Policies and procedures for political contributions and expenditures (both direct and indirect) made with corporate funds.

Table of Contents

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 as well as 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 responsible for the decision(s) to make the political contributions or expenditures.

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

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 Internal Revenue 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. Moreover, 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 \$1.3 million in corporate funds since the 2006 election cycle. (CQ: <http://moneyline.cq.com/pml/home.do> and National Institute on Money in State Politics: <http://www.followthemoney.org/index.phtml>.)

However, relying on publicly available data does not provide a complete picture of the Company's political spending. For example, the Company's payments to trade associations used for political activities are undisclosed and unknown. In some cases, even management does not know how trade associations use their company's money politically. The proposal asks the Company to disclose all of its political spending, including payments to trade associations and other tax exempt organizations used for political purposes. This would bring our Company in line with a growing number of leading companies, including Exelon, Merck and Microsoft that support political disclosure and accountability and present this information on their websites.

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

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

For the second consecutive year, you are being asked to vote on a proposal on this same topic. At last year's annual meeting of shareholders, holders of only 29.7% of the voted shares supported a nearly identical proposal. For the reasons discussed below, we continue to believe that adopting this proposal is unnecessary and unwarranted.

Table of Contents

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.

We also participate in industry trade associations for purposes that include enhancing the public image of our industry, promoting its competitiveness, and developing best practices and standards. Disclosure of our contributions to these associations and other entities we support could be misleading, as in many cases those organizations' political activities are incidental or unrelated to the reasons we support them.

The amount of our expenditures on corporate political contributions is *de minimis* compared to our total expenditures, and we believe the adoption of this proposal would result in an unnecessary and unproductive use of our time and resources. Our limited corporate political contributions are approved by the Senior Vice President, Public Policy & Government Relations in consultation with the appropriate members of the Company's senior management. Our General Counsel provides periodic updates to the Board of Directors on our political contributions.

Moreover, we believe these proposed added burdens would put us at a competitive disadvantage relative to our industry 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.

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

The following table sets forth information regarding ownership of our Common Shares by the persons known to us to have beneficially owned more than 5% of the outstanding Common Shares on December 31, 2011.

Name and Address	Amount and Nature of Beneficial Ownership of Common Shares ⁽¹⁾	Percent of Outstanding Common Shares ⁽¹⁾
Blackrock, Inc. 40 East 52nd Street New York, NY 10022	48,639,970 ⁽²⁾	7.9%
State Street Corporation State Street Financial Center One Lincoln Street Boston, Massachusetts 02111	34,289,305 ⁽³⁾	5.6%

- (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 Questions and Answers About the Meeting How many votes may I cast?
- (2) Based on information contained in a Schedule 13G/A Report dated as of February 13, 2012 that this investor filed with the SEC. In this report, the investor indicated that, as of December 31, 2011, it held sole voting and dispositive power with respect to all of these shares.
- (3) Based on information contained in a Schedule 13G Report dated as of February 9, 2012 that this investor filed with the SEC. In this report, the investor indicated that, as of December 31, 2011, it held shared voting power with respect to 28,831,778 shares and shared dispositive power with respect to all of the 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				
Glen F. Post, III	386,124	502,031	200,000	1,088,155
Karen A. Puckett ⁽⁵⁾	154,454	155,422	75,000	384,876
R. Stewart Ewing, Jr.	86,031	124,251	145,600	355,882
Stacey W. Goff	26,357	88,916	40,500	155,773
Dennis G. Huber	44,012		20,754	64,766
William E. Cheek	47,004	41,061	11,430	99,495
James E. Ousley	366,107	304,078	10,262	680,447
David D. Cole ⁽⁶⁾	105,774	89,287	40,500	235,561
Current Outside Directors:				
Charles L. Biggs ⁽⁷⁾	20,846	4,559	14,976	40,381
Virginia Boulet ⁽⁸⁾	14,784	5,588		20,372
Peter C. Brown	12,652	5,416		18,068
Richard A. Gephardt	2,036	5,416		7,452
W. Bruce Hanks	14,489	5,588		20,077
Gregory J. McCray		5,588		5,588
C.G. Melville, Jr. ⁽⁹⁾	1,584	5,588		7,172
Edward A. Mueller ⁽⁷⁾	33,881	2,396	465,529	501,806
Fred R. Nichols	6,412	5,588		12,000
William A. Owens		10,208		10,208
Harvey P. Perry	61,642	5,588		67,230
Michael J. Roberts	8,126	4,559		12,685
Laurie A. Siegel	12,652	5,416		18,068
James A. Unruh ⁽⁷⁾⁽¹⁰⁾	26,051	4,559	16,307	46,917
Joseph R. Zimmerl ⁽¹¹⁾	19,489	5,588	13,667	38,744
All directors and executive officers as a group (23 persons) ⁽¹²⁾	1,450,507	1,386,691	1,054,525	3,891,723

- (1) This column includes the following number of shares allocated to the individual's account under one of our qualified 401(k) plans: 117,531 Mr. Post; 3,254 Ms. Puckett; 21,511 Mr. Ewing; 4,469 Mr. Goff; 764 Mr. Cheek; 25,385 Mr. Cole; and 4,408 Mr. Mueller. 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 and 2011, 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 .6% of the

Table of Contents

- outstanding Common Shares as of the record date (calculated in accordance with rules of the SEC assuming that all options listed in the table have been exercised for Common Shares retained by the recipient).
- (5) Includes 202 shares held by Ms. Puckett as custodian for the benefit of her children.
 - (6) Includes 6,773 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.
 - (7) Term will end at the meeting. See Election of Directors.
 - (8) Includes 955 shares held by Ms. Boulet as custodian for the benefit of her children.
 - (9) Includes 7,445 shares subject to being pledged as security under a margin account.
 - (10) Includes 330 shares held in a revocable trust, as to which Mr. Unruh has voting and investment power.
 - (11) Includes 5,000 shares held by a private charitable foundation, as to which Mr. Zimmel is a trustee.
 - (12) Includes (i) 6,773 shares held beneficially by the spouse of one of these individuals, as to which beneficial ownership is disclaimed, (ii) 1,157 shares held as custodian for the benefit of children of such individuals, and (iii) 5,300 shares held in either a revocable trust or foundation, all as described further in the notes above.

COMPENSATION DISCUSSION AND ANALYSIS

In this CD&A, we first summarize our Compensation Committee's recent actions, as well as its general compensation philosophy, its commitment to pay for performance compensation, and its compensation and 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.

2011 Executive Compensation Highlights

On July 15, 2011, we completed the last of three transformative mergers that increased our revenues by over 600% in just over two years. Over the past year, the Compensation Committee focused on adapting our executive compensation programs to the far larger and more complex organization resulting from these mergers. While the Committee determined that it was not appropriate to make major compensation changes in 2011, the Committee did adopt a new peer group, broadened the company's bonus targets and took the other steps outlined below to adjust to the company's rapid growth.

As explained further below:

Notwithstanding our management team's active engagement in integrating Embarq into our operations and acquiring Qwest and Savvis, our revenue growth, cash flow growth, EBITDA growth and return on investment over the past one- and three-year periods substantially exceeded those of our peers, as discussed further below under Pay for Performance.

During 2011, upon the recommendation of management, we left executive salaries unchanged from 2010.

Upon the recommendation of management, we left our executives' 2011 target annual incentive bonus opportunities unchanged from 2010, and broadened the scope of our performance targets to better match our strategic goals.

With respect to our executives' 2011 long-term equity incentive compensation, we (i) granted awards with fair values unchanged from 2010, (ii) deferred the payment of all associated dividends until the underlying award is earned and (iii) capped the maximum payment at 100% of target levels in certain circumstances.

Effective January 1, 2011, we restructured our change of control agreements to (i) prospectively reduce cash severance benefits, (ii) eliminate tax gross-up payments and (iii) substantially narrow the circumstances and time frames under which benefits are payable.

Table of Contents

During 2011, we continued to link the substantial majority of our executive compensation to our performance.

Our Compensation Philosophy

We compensate our senior management through a mix of programs designed to be market-competitive and fiscally-responsible.

Our executive compensation programs are designed to:

provide performance-based reward opportunities that support growth and innovation without encouraging excessive risk,

reinforce our business objectives and our creation of long-term shareholder value by making substantial amounts of our executives compensation dependent upon attaining these goals,

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

attract, retain and motivate key executives by providing competitive compensation with an appropriate mix of fixed and variable compensation, short-term and long-term incentives, and cash and equity-based pay,

recognize and support outstanding contributions and results,

manage cost and share dilution, and

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

In the next two sections, we further explain (i) our commitment to pay for performance compensation programs and (ii) other practices we use to achieve our above-referenced compensation goals.

Pay for Performance

We believe that a significant portion of our executives' compensation should be payable only when merited by our 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 dependent 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 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 metrics, the consultant determined that CenturyLink:

scored at or near the 100th percentile of this group in revenue growth, cash flow growth, EBITDA growth, and return on investment over the one- and three-year periods, and

Edgar Filing: CENTURYLINK, INC - Form DEF 14A

in addition, out-performed the 50th percentile of this group in a fifth metric (total shareholder return) over the three-year period. The Committee also noted that:

CenturyLink's acquisition of Embarq, Qwest and Savvis between July 1, 2009 and July 15, 2011 increased our revenues over 600% in just over two years, as noted above,

CenturyLink out-performed its strategic revenue target used as one of the performance goals to set management's 2011 annual bonuses, as discussed further below, and

We accomplished this strong operational performance during a year in which our management team was actively engaged in integrating Embarq into our operations and acquiring Qwest and Savvis.

Table of Contents

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 B* to this proxy statement.

Our Compensation Practices

To assist us in achieving our broad compensation goals, we apply the following practices (many of which are described further elsewhere below):

We weigh variable compensation for our senior executives heavily towards long-term incentives to align compensation with sustained shareholder returns.

Incentive awards are contingent on achieving targets that are established and approved by the Compensation Committee at the beginning of the applicable performance period. All awards are assigned thresholds that define a minimum level of achievement before they are paid, and all award payments are capped at 200% of target.

The Compensation Committee is comprised solely of independent directors. The Committee's independent consultant, Hay Group, provides no other services to us and has no prior relationship with any of our named executive officers.

The peer group of companies used to benchmark our executive compensation levels is carefully reviewed at least annually by the Compensation Committee with input from its independent consultant. Changes to the peer group require Compensation Committee approval.

To help us assess the competitiveness of our pay practices, we benchmark each element of compensation against the 50th percentile of compensation paid to peer executives.

The Compensation Committee annually reviews our executive and broad-based compensation programs to determine whether they encourage behaviors that are excessively risky.

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.

We require our officers and directors to retain a significant investment in our shares under stock ownership guidelines described further below.

We structure awards to be subject to the risk of forfeiture if the executive quits or engages in detrimental activity, and we separately maintain an expansive policy to recoup compensation earned as a result of fraudulent or illegal conduct.

Under our insider trading policy, all employees are prohibited from speculating in our securities or engaging in transactions designed to hedge their ownership interests.

During the past several years, we have also:

eliminated tax gross-up payments to our outside directors under our executive physical program,

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

eliminated the payment of dividends on unvested restricted stock,

eliminated our practice of making separate cash payments in lieu of providing prior perquisites, and

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

Table of Contents

Use of Market Data

We strive to provide total compensation, when targeted levels of performance are achieved, approximately at the median of pay levels provided by a designated group of peer companies selected by our Compensation Committee. We believe that paying executive compensation at competitive levels allows us to attract and retain talented executives, while also enabling us to maintain a competitive cost base with respect to compensation expense.

Based on input from its compensation consultant, the Compensation Committee used the following tools in 2011 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.
Sprint Nextel Corp.	Dish Network Corp.
Liberty Global Inc.	Cablevision Systems Corp.
Comcast Corp.	Telephone & Data Systems Inc.
Level 3 Communications Inc.	US Cellular Corp.
Windstream Corp.	Metropcs Communications Inc.
Global Crossing Ltd.	Frontier Communications Corp.

This 14-company peer group is the same as the peer group we used in 2010, except that we replaced Qwest (which we purchased) with Sprint Nextel and Charter Communications (which completed a bankruptcy reorganization in 2009) with Comcast.

In 2010, the Compensation Committee took initial steps to construct a new peer group that would better correspond to our size, complexity and prospects following the recent mergers. The new peer group, which was formally adopted by the Committee in November 2011, replaced five of the above-listed peer companies with six new companies. Although during early 2011 the Committee primarily used the above-listed 14-company peer group, it also to a lesser degree benchmarked the compensation of our executives against the new 15-company peer group.

For additional information about how we set pay levels, see [Our Compensation Decision-Making Process](#).

Elements of Compensation

Our executive compensation for 2011 had four key elements:

annual cash salary

annual cash bonus

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

benefits under employee or executive benefit programs.

Edgar Filing: CENTURYLINK, INC - Form DEF 14A

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.

Table of Contents

The following table illustrates how our named executive officers' 2011 target compensation was allocated among the three main components of recurring compensation.

Title	Cash Compensation		Equity
	% from Salary	% from Short-Term Incentives	Compensation % from Long-Term Incentives
CEO	15%	19%	66%
Other Named Officers ⁽¹⁾	22%	18%	60%

⁽¹⁾ Reflects only named officers employed throughout 2011.

Each element of our 2011 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 2011 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.

In February 2012, the Committee determined that the executives' salaries were lower, and in certain cases significantly lower, than the 50th percentile salary levels of peer executives, based on data that reflected our recent growth. For several reasons, management recommended that executive salaries should nonetheless remain unchanged. The Committee accepted this recommendation, but believes it will need to eliminate these shortfalls in compensation levels within the next couple of years to ensure that the Company's executive compensation levels are commensurate with the executives' heightened responsibilities to manage a far larger and more complex company.

Annual Incentive Bonuses

General. We award annual cash bonuses to key employees based on performance objectives that, if attained, can reasonably be expected to (i) promote our business objectives, (ii) maintain or increase our long-term

Table of Contents

shareholder value and (iii) correspond to those paid to similarly-situated executives at comparable companies. We currently offer annual incentive bonuses to approximately 12,650, or 28%, of our employees.

The 2011 bonuses paid to our named executive officers were calculated as follows:

Named Officer	2011 Salary	x	Bonus Target %	x	Corporate Performance % (1)	=	Bonus (2)	Actual Award as % of Salary
Glen F. Post, III								
<i>Chief Executive Officer and President</i>	\$ 1,020,800		125%		96%		\$ 1,224,960	120%
Karen A. Puckett								
<i>Executive Vice President and Chief Operating Officer</i>	663,900		85%		96%		541,720	82%
R. Stewart Ewing, Jr.								
<i>Executive Vice President and Chief Financial Officer</i>	598,800		85%		96%		488,591	82%
James E. Ousley								
<i>Chief Executive Officer, SAVVIS Operations, and President Enterprise Markets Group</i>	550,000		110%		92%		257,705 ⁽³⁾	47%
David D. Cole								
<i>Senior Vice President Controller and Operations Support</i>	435,400		65%		96%		271,677	62%

(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 2011 bonuses.

(3) As discussed further below, this amount (i) reflects the incentive bonus paid by CenturyLink to Mr. Ousley with respect to Savvis performance between July 16, 2011 and December 31, 2011, (ii) includes a downward adjustment to reflect the fact that Mr. Ousley served CenturyLink for only 46.3% of the year, and (iii) excludes bonus payments relating to service preceding the Savvis merger on July 15, 2011. For more information, see the Summary Compensation Table appearing below.

These bonus amounts are reflected in the Summary Compensation Table appearing below under the column Non-Equity Incentive Plan Compensation.

Bonus Target Percentages. During the first half of 2011, the Compensation Committee sought to coordinate the annual bonus programs for incumbent CenturyLink officers and incumbent Qwest officers who continued to serve following the April 1, 2011 merger of CenturyLink and Qwest. To this end, the Committee deferred establishing bonus targets until the second quarter of 2011 to enable it to grant all 2011 bonus awards to incumbent CenturyLink and Qwest officers using the same parameters. In connection with establishing target bonus opportunities for 2011 (expressed as a percentage of salary), the Committee used the same target percentages used in 2010 by CenturyLink with respect to its incumbent officers and by Qwest with respect to its incumbent officers. Subject to differences in such historical target percentages, the Committee also attempted to promote internal equity and teamwork by applying the same target bonus percentage to groups of executives with similar responsibility levels.

During 2011, the Compensation Committee determined that it was necessary to broaden the scope of the annual bonus performance targets to more closely align them with our strategic objectives and the growing scale and complexity of our business. Following several months of discussion, in early June 2011, the Compensation Committee elected to base 90% of the senior officers' 2011 annual incentive bonuses on whether we obtained

Table of Contents

minimum, target or maximum threshold levels of the following financial goals for the period commencing April 1, 2011 (the date we acquired Qwest) and ending on December 31, 2011:

Corporate Goal	Performance Levels ⁽¹⁾ (in millions)		
	Minimum	Target	Maximum
Operating Cash Flow ⁽²⁾	\$ 5,429	\$ 5,715 ⁽³⁾	\$ 6,000
Legacy Revenue ⁽⁴⁾	6,320	6,550	6,779
Strategic Revenue ⁽⁵⁾	5,027	5,210	5,392

(1) For the period commencing on April 1, 2011 and ending on December 31, 2011.

(2) Represents operating income plus depreciation and amortization expenses.

(3) Represents the midpoint of a target that ranges from \$5,686 million to \$5,743 million.

(4) Represents revenue generated from local voice access lines, long distance and other services as reported in our publicly-filed financial statements; excludes switched access revenues.

(5) Represents revenue from providing the following services: high speed internet, internet protocol television (IPTV), data hosting, cloud computing, private line/special access, Ethernet/multiprotocol label switching (MPLS), satellite video and voice over internet protocol (VoIP), all as reported in our publicly-filed financial statements.

With respect to our operating cash flow target, attainment of less than 95% of the target amount (the minimum performance level) was designed to result in no bonus payment, and attainment of more than 105% of the target amount (the maximum performance level) was designed to result in twice the bonus payable for attaining the target level of performance. With respect to each of our revenue targets, attainment of less than 96.5% (the minimum performance level) of the target amount was designed to result in no bonus payment, and attainment of more than 103.5% of the target amount (the maximum performance level) was designed to result in twice the bonus payable for attaining the target level of performance. In all 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, the following goals were weighted as follows:

Operating Cash Flow	50%
Legacy Revenue	20%
Strategic Revenue	20%
Integration Achievement	10%

Bonuses payable with respect to integration achievement were based on the Compensation Committee's subjective assessment of our success in attaining conversion, synergy and other integration milestones established by management in connection with combining the operations of Embarq, Qwest and Savvis into our operations. Although the Committee generally prefers to base bonuses on objective performance goals, it determined to utilize subjective assessments of these integration milestones for purposes of the 2011 bonuses principally because measuring success was too dependent on future events and too complex to apply fixed objective goals.

The Committee selected these 2011 metrics because they correlate strongly with our strategic objectives for the following reasons:

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.

Maximizing our legacy revenues permits us to retain scale and financial resources as we explore other revenue sources.

Strategic revenue growth promotes our strategic objective of identifying new or growing revenue sources designed to offset anticipated decreases in our legacy revenues.

Successfully implementing the integration of recently acquired companies into our operations is critical to our ability to fully realize the benefits of these mergers.

Table of Contents

Following our acquisition of Savvis on July 15, 2011, our Compensation Committee separately awarded to Mr. Ousley the opportunity to earn a bonus with respect to the period between July 16, 2011 and December 31, 2011. The Compensation Committee elected to base 60% of this bonus on Savvis' revenues over this period, and 40% on Savvis' adjusted net EBITDA over this period, defined as income from continuing operations before depreciation, amortization, accretion and equity-based compensation, excluding acquisition and integration costs and certain other non-recurring items. These metrics are the same as those used prior to the Savvis merger by Savvis' independent compensation committee to establish bonuses for Savvis' executives, including the bonus paid by Savvis to Mr. Ousley for the portion of 2011 preceding the merger.

Corporate Target Percentage. In February 2012, the Compensation Committee reviewed management's assessment of the company's performance during the last nine months of 2011 as compared to the targets established in June 2011 with respect to each of our executive officers other than James E. Ousley. Based on this process, the Committee determined that the aggregate rate of attaining these goals (referred to in the table below as the Corporate Performance Percentage) was 96%, calculated as follows:

	Percentage Payout Relating to Goal	x	Weighting Factor	=	Corporate Performance Percentage Components
Operating Cash Flow	72.0%		50%		36.0%
Legacy Revenue	80.0%		20%		16.0%
Strategic Revenue	145.0%		20%		29.0%
Integration Achievement	150.0%		10%		15.0%
Corporate Performance Percentage					96.0%

In March 2012, the Committee also reviewed management's assessment of Savvis' performance for the period between July 16, 2011 and December 31, 2011, as compared to the targets established following the Savvis merger. The Committee determined that Savvis had attained 98% of its revenue target of \$542.9 million (weighted at 60%) and 97% of its adjusted net EBITDA target of \$148.6 million (weighted at 40%), which, based on Savvis' payout formulas, resulted in a Corporate Performance Percentage of 92% applicable to Mr. Ousley's bonus for the second half of 2011.

Negative Discretion. Each year, the Committee retains the right to unilaterally reduce, without forfeiting favorable tax treatment of our bonus payments, the amount of the executives' bonuses 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 2011 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 2012, we intend to offer long-term equity incentive compensation awards to approximately 615, or 1%, of our employees.

Table of Contents

Typically we grant equity awards in the first quarter of each year. In 2011, we deferred our executive equity grants until May 2011, which enabled us to make grants pursuant to our new 2011 Equity Incentive Plan authorized the previous week by our shareholders.

2011 Executive Grants. In May 2011, the Committee granted the following number of restricted shares to our named executive officers:

Named Officer ⁽¹⁾	No. of Time-Vested Restricted Shares		No. of Performance Based Restricted Shares ⁽³⁾		Total Fair Value ⁽²⁾
	Shares	Fair Value ⁽²⁾	Shares ⁽³⁾	Fair Value ⁽²⁾	
Glen F. Post, III	52,707	\$ 2,200,000	52,707	\$ 2,200,000	\$ 4,400,000
Karen A. Puckett	22,999	960,000	23,000	960,000	1,920,000
R. Stewart Ewing, Jr.	17,824	744,000	17,825	744,000	1,488,000
David D. Cole	13,224	552,000	13,225	552,000	1,104,000

⁽¹⁾ For information on grants to James E. Ousley, who joined us as an executive officer on July 15, 2011, please see the paragraph below this table.

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

⁽³⁾ Based on the number of restricted shares granted in May 2011. As discussed further below, the actual number of shares that vests in the future may be lower or higher.

On October 7, 2011, the Committee granted to James E. Ousley the following number of shares of time-vested restricted stock for the following purposes:

Type of Grant	No. of Time-Vested Restricted Shares	Fair Value ⁽¹⁾
Normal Annual Incentive Grant ⁽²⁾	81,305	\$ 2,665,991
Retention Grant ⁽³⁾	33,547	1,100,006
	114,852	\$ 3,765,997

⁽¹⁾ Based on the closing trading price of \$32.79 of our common stock on October 7, 2011.

⁽²⁾ Represents an amount of shares equal in value to the restricted stock granted to Mr. Ousley by Savvis in early 2011 prior to it being acquired by CenturyLink.

⁽³⁾ Represents a grant under the retention program described below under Retention Grants.

To further incentivize the Savvis executives to remain employed with us during the integration of Savvis operations into ours, we elected to accelerate the granting of the Savvis executives normal 2012 incentive grants from early 2012 to October 2011. As such, we do not intend to issue any additional equity grants to Mr. Ousley during 2012.

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, expressed in dollars, 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.

Edgar Filing: CENTURYLINK, INC - Form DEF 14A

In determining the size of each officer's 2011 grant, the Committee reviewed market data regarding long-term incentive compensation paid to comparable executives at companies included in the benchmarking data compiled by the independent consultant. Based on this data, the Committee elected to grant long-term equity awards with a total fair value equal to the total fair value of our 2010 long-term incentive awards.

Table of Contents

In establishing equity award levels, we review the equity ownership levels of the recipients and prior awards, primarily to determine if our executives continue to retain adequate equity incentives to remain employed with us and to maximize our future performance. We further 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.

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, including the Committee's recognition of the growing use of restricted stock by our peers and its desire to minimize the dilution associated with our rewards. The Committee also considered the retentive value of restricted stock under varying market conditions, and the loss of accounting advantages formerly associated with stock options. In an effort to increase the link between our performance and executive compensation, since 2010 the Committee has 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](#).

Dividends. In 2011, the Committee determined that all dividends paid with respect to restricted stock awards should be paid to the recipient only upon the vesting of the award. In prior years, some or all of these dividends were paid currently.

Retention Grants

Qwest Merger. 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 August 2010, the Committee made awards under this plan to our executives. Of the total grant date value of these awards, 100% (in the case of the CEO) or 75% (in the case of all other executives) was composed of equity grants, which are reflected as 2010 compensation in our Summary Compensation Table.

Other than our CEO, our executives received 25% of the grant date fair value of their 2010 retention grants in the form of a deferred cash award. Recipients of deferred cash awards received half of their cash payment on April 1, 2011, the closing date of the Qwest acquisition, and the other half on April 1, 2012, provided they remained employed by us on such dates. See our Summary Compensation Table for more information.

Savvis Merger. As described further below under the heading [Other Benefits](#) [Retention Programs](#), Savvis established retention programs for its key personnel and executives in connection with the Savvis merger. As part of Savvis' executive retention program, in late 2011 James E. Ousley received (i) a grant of 33,547 shares of restricted stock, as described further above under the heading [Long-Term Equity Incentive Compensation](#) [2011 Executive Grants](#), and (ii) a deferred cash award of \$825,000, which will be paid in a lump sum on December 31, 2012 if he remains employed through such date (subject to accelerated payment in certain specified circumstances). Mr. Ousley's restricted stock awards are reflected as 2011 compensation in our Summary Compensation Table. Under the SEC's rules, Mr. Ousley's deferred cash payment is not reportable as compensation in our Summary Compensation Table unless and until paid in 2012.

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.

Table of Contents

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 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) 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

Edgar Filing: CENTURYLINK, INC - Form DEF 14A

- (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.

Table of Contents

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 Savvis merger constituted a change of control of Savvis, as defined under Savvis' executive compensation arrangements. Under his amended employment agreement dated September 2, 2011, James E. Ousley is entitled to continue to receive his salary for 18 months if we terminate him without cause or he resigns with good reason. Under these circumstances, Mr. Ousley will also be entitled to receive accelerated vesting of his outstanding equity awards, accelerated payment of his cash retention award described above under the heading Retention Grants - Savvis Merger and a pro-rated portion of his annual bonus, calculated by extrapolating Savvis' full year performance based upon performance through the date of termination. In addition, the amended agreement entitles Mr. Ousley to receive tax gross-up payments designed to reimburse him for all excise and income taxes arising out of payments under his prior or amended agreement in connection with a change of control occurring prior to December 31, 2011.

For more information on our change of control arrangements, see Executive Compensation - Potential Termination Payments - Payments Made Upon a Change of Control.

Severance 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 considered the possibility of adopting a replacement severance plan that would provide severance benefits to our officers who are terminated in the absence of a change of control transaction. During 2012, we expect to continue considering the adoption of a replacement plan that aligns our severance benefits closer to those of our peers.

Under his amended employment agreement, James E. Ousley is entitled to receive the severance benefits described above - Change of Control Arrangements if we terminate him without cause or he resigns with good reason.

In early 2012, we adopted a policy requiring us to seek shareholder approval of any future senior executive severance agreements providing for cash payments, perquisites and accelerated health or welfare benefits with a value greater than 2.99 times the sum of the executive's base salary plus target bonus.

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.

Table of Contents

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.

In connection with being acquired by us, Savvis adopted a broad-based retention program in which key personnel (excluding Savvis executive officers) received a combination of cash and restricted stock awards that vested over time. Shortly after the Savvis merger, six of Savvis executives, including James E. Ousley, received cash and restricted stock awards under a separate executive retention program. For additional information about Mr. Ousley's retention awards, see Retention Grants.

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. 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 2012, 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) 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 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.

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.

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. These apartments have been more cost-effective for us than lodging these individuals in hotel rooms during their visits.

In addition, in connection with our merger with Savvis, we amended and restated Mr. Ousley's employment agreement, which, in both its original and current form, commits us to reimburse Mr. Ousley for work-related expenses associated with commuting from his home in Sedona, Arizona, plus tax gross-ups to the extent those costs were taxable to him.

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

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

Table of Contents

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:

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 variable compensation, 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 acquiring Embarq, Qwest and Savvis over the past couple of years, 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 predecessor companies.

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.

Edgar Filing: CENTURYLINK, INC - Form DEF 14A

The Committee has used Hay Group as its compensation consultant since September 2010. Throughout 2011, Hay Group actively participated in the design and development of our executive compensation programs, and attended all of the Committee's meetings. Hay Group provides no other services to us, and has no prior relationship with any of our named executive officers.

Review Process. Each year, the Committee and its consultant use 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 reviews a wide range of other factors, typically including:

the officer's individual performance, industry experience and particular set of skills,

Table of Contents

- 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 officer's pay and performance 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 and long-term performance of CenturyLink.

In assessing our performance, we typically review how various measures of our 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 establishing all components of compensation, we typically weigh this factor more heavily for salary determinations and less heavily for incentive compensation, 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 executives' 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.

We generally seek to base our executives' annual cash incentive compensation principally upon our company-wide performance. Officers and managers with lower levels of responsibility typically receive incentive compensation that places a greater emphasis on individual, departmental or divisional goals.

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.

Table of Contents

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. We award our executives with a greater proportion of their total compensation in the form of equity grants compared to more junior officers.

Role of CEO and Management 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,

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.

The CEO is also 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.

The CEO and the executive management team recommend to the Compensation Committee and its consultant business goals used in establishing incentive compensation performance targets. In addition, our Senior Vice President, Human Resources, works closely with the Committee and its consultant to ensure that the Committee is provided with appropriate information to discharge its responsibilities.

Assessment of Say on Pay Voting Results. In May 2011, approximately 84% of the votes cast by our shareholders with respect to our say on pay proposal were favorable. Based on conversations with our shareholders and proxy advisory firms, we believe some of the negative votes were attributable to dissatisfaction with (i) our large severance payments during 2010 to former Embarq executives under binding contracts we assumed in connection with the Embarq merger and (ii) our August 2010 retention grants, which our Compensation Committee determined were necessary to provide adequate incentives for our key personnel to remain employed with us through the challenging and critical period of completing the Qwest merger, while at the same time integrating Embarq's operations into ours and developing new strategic products in a challenging environment. We believe these severance payments were legally required, and these retention payments were carefully designed to safeguard us against the risk of key personnel losses. In 2011, we paid substantial amounts of cash and stock compensation to retain key executives at Savvis, who manage a growth business with which we have limited experience. We also remain subject to incumbent Qwest and Savvis agreements that entitle certain of their executives to receive severance payments if they terminate their current employment with us under certain circumstances. We intend to minimize the amounts of these future payments to the extent possible, and intend to continue our ongoing dialog with our shareholders to assist us in structuring compensation programs with broad support.

Table of Contents

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 a diverse mix 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 performance and mitigates the risk of undue focus on our short-term results,

claw-back policies and award caps 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.

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 2012, 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 six 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 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.

Table of Contents

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.

Use of Employment Agreements

We have a long-standing practice of not providing employment agreements to our officers, and none of our long-standing executives has been granted an employment agreement. In connection with our recent mergers, however, we have assumed several employment agreements formerly granted by Embarq, Qwest or Savvis to its officers. In certain instances, we were obligated to make severance payments to certain of those officers when they terminated employment with us. As a condition of re-employing one of Embarq's former executives, we entered into a short-term employment agreement with him in September 2010.

Tax Gross-ups

We eliminated the use of tax gross-up benefits in our executives' change of control agreements and split-dollar insurance policies in 2010, and in our outside directors' executive physical program in early 2012. Consequently, we continue to provide these tax benefits only to a limited number of our officers under legacy employment agreements that are expected to lapse over the next couple of years. Under a legacy agreement with James E. Ousley expiring on December 31, 2012, we made during the second half of 2011 (i) non-recurring tax gross-up payments relating to accelerated change of control benefits and (ii) tax gross-up payments relating to travel expense reimbursements, all of which are explained further in the Summary Compensation Table below. 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). As described further above, we also paid a small portion of our 2011 annual incentive bonuses on terms that did not comply with Section 162(m).

Table of Contents**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, 2011.

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 and (ii) each of our three most highly compensated executive officers other than our principal executive and financial 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.

Summary Compensation Table

Name and Principal Position	Year	Salary	Restricted Stock Awards ⁽¹⁾	Non-Equity Incentive Plan Compensation ⁽²⁾	Change in Pension Value ⁽³⁾	All Other Compensation ⁽⁴⁾	Total
Glen F. Post, III <i>Chief Executive Officer and President</i>	2011	\$ 1,020,800	\$ 4,706,735	\$ 1,224,960	\$ 383,282	\$ 1,218,507	\$ 8,554,284
	2010	1,020,800	9,590,821	1,888,480	661,938	1,414,408	14,576,448
Karen A. Puckett <i>Executive Vice President and Chief Operating Officer</i>	2009	1,009,440	3,817,764	891,619	389,379	1,358,805	7,467,007
	2011	663,872	2,053,858	772,022	210,954	425,264	4,125,970
R. Stewart Ewing, Jr. <i>Executive Vice President and Chief Financial 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
James E. Ousley ⁽⁵⁾ <i>Chief Executive Officer, SAVVIS Operations, and President Enterprise Markets Group</i>	2011	598,764	1,591,731	696,306	259,685	433,133	3,579,619
	2010	598,764	2,936,202	753,245	378,544	658,390	5,325,145
David D. Cole <i>Senior Vice President</i>	2009	588,237	1,193,105	359,895	270,162	466,066	2,877,465
	2011	252,083	3,765,997	257,705		1,641,481	5,917,266
David D. Cole <i>Senior Vice President</i>	2011	435,380	1,180,951	406,389	202,594	254,720	2,480,034
	2010	435,380	2,062,049	418,835	257,598	301,704	3,475,567

Edgar Filing: CENTURYLINK, INC - Form DEF 14A

<i>Controller and</i>	2009	424,853	773,200	260,074	195,604	288,981	1,942,712
<i>Operations Support</i>							

- (1) The amounts shown in this column reflect the fair value of (i) awards of restricted stock made in early 2011, 2010 and 2009 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

Table of Contents

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)). Subject to limited exceptions, we value time-vested restricted shares using a 15-day volume-weighted average price. In 2010 and 2011, a portion of the shares of restricted stock granted to each named executive (other than Mr. Ousley) 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 the restricted stock awards granted to these named executive in 2011, 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, \$6,600,000, Ms. Puckett, \$2,880,000, Mr. Ewing, \$2,232,000, and Mr. Cole, \$1,656,000. See footnote 9 titled

Share-based Compensation of the notes to our audited financial statements included in *Appendix B* 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 (i) cash payments made under our annual incentive bonus plans for actual performance in the respective years and (ii) the portion of Ms. Puckett's, Mr. Ewing's and Mr. Cole's August 2010 deferred cash award that was paid during 2011. For additional information on the most recent bonus payments, see Incentive Compensation and Other Awards 2011 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.
- (4) The amounts shown in this column are comprised of (i) the payment of cash in lieu of previously-offered perquisites for the six months ended June 30, 2009, when these cash payments were terminated, (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 was terminated as of January 1, 2011), (vii) the value of dividends paid on the executives' unvested restricted stock (which is a benefit that was fully phased out by the end of 2011), and (viii) travel expenses pertaining to Mr. Ousley, 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	Tax	Restricted	Travel Expenses	Total
						Insurance Premiums Paid	Reimbursement Payments	Stock Dividends		
Mr. Post	2011	\$	\$ 3,201	\$ 20,846	\$ 102,021	\$ 191,599	\$	\$ 900,839	\$	\$ 1,218,507
	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
Ms. Puckett	2011		3,469		51,572	71,301		298,922		425,264
	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
Mr. Ewing	2011				47,436	131,343		254,355		433,133
	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
Mr. Ousley	2011				8,250	3,810	1,329,880	274,379	25,162	1,641,481
Mr. Cole	2011				29,981	56,825		167,914		254,720
	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

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) James E. Ousley was named as Chief Executive Officer, Savvis Operations, on July 15, 2011 in connection with the closing of the Savvis merger. Prior to such date, Mr. Ousley served as the chief executive officer of Savvis. Except as otherwise expressly provided herein to the contrary, the tables above and the accompanying disclosures below reflect only compensation paid by CenturyLink to Mr. Ousley since July 15, 2011. The amount reported in Non-Equity Incentive Plan Compensation reflects the actual bonus paid to Mr. Ousley under the CenturyLink annual incentive bonus plan for five and a half months in 2011 during which he was a CenturyLink officer. In addition, following the merger, we paid Mr. Ousley \$1,311,411 of tax gross-up payments designed to reimburse him for taxes that were triggered by the partial acceleration of his outstanding equity awards in

Table of Contents

connection with the merger, which is included under All Other Compensation. Under his employment agreement, we reimburse Mr. Ousley for his work-related expenses associated with commuting from his home in Sedona, Arizona, and also reimburse his tax liability for those costs. During the five and a half months of 2011 when Mr. Ousley was a CenturyLink officer, those travel costs were \$25,162 (plus a \$18,469 tax gross-up), all of which are reflected under All Other Compensation. The Summary Compensation Table excludes certain amounts paid to Mr. Ousley after the merger with respect to compensation awarded to Mr. Ousley before the merger, including the payment of \$482,998 for his bonus earned during the first six and a half months of 2011 under Savvis annual incentive plan.

Incentive Compensation and Other Awards

2011 Awards. The table and discussion below summarizes:

the range of potential payouts under incentive bonus awards that (i) were granted to each named officer other than James E. Ousley in June 2011 with respect to performance during the last nine months of 2011 and (ii) were granted to Mr. Ousley in September 2011 with respect to performance during the last five and a half months of 2011, and

grants of (i) time-vested restricted stock and the range of potential payouts under grants of performance-based restricted stock, in each case made to each named officer other than James E. Ousley during 2011 as long-term incentive compensation, and (ii) time-vested restricted stock made to Mr. Ousley in October 2011 as long-term compensation.

Grants of Plan-Based Awards

Name	Type of Award and Grant Date ⁽¹⁾	Range of Payouts Under 2011 Non-Equity Incentive Plan Awards ⁽²⁾			Estimated Future Share Payouts Under Equity Incentive Plan Awards ⁽³⁾			All other Stock Awards: Unvested Shares (#) ⁽⁴⁾	Grant Date Fair Value of Stock Awards (\$) ⁽⁵⁾
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Glen F. Post, III	Annual Bonus	\$ 638,000	\$ 1,276,000	\$ 2,552,000					\$
	T-V Grant (5/31/11)							52,707	2,199,990
	P-B Grant (5/31/11)				26,354	52,707	105,414		2,506,745
Karen A. Puckett	Annual Bonus	282,146	564,291	1,128,583					
	T-V Grant (5/31/11)							22,999	959,978
	P-B Grant (5/31/11)				11,500	23,000	46,000		1,093,880
R. Stewart Ewing, Jr.	Annual Bonus	254,475	508,949	1,017,899					
	T-V Grant (5/31/11)							17,824	743,974
	P-B Grant (5/31/11)				8,913	17,825	35,650		847,757
James E. Ousley	Annual Bonus	140,058	280,115	560,230					
	T-V Grant (10/7/11)							114,852	3,765,997
David D. Cole	Annual Bonus	141,498	282,997	565,994					
	T-V Grant (5/31/11)							13,224	551,970
	P-B Grant (5/31/11)				6,613	13,225	26,450		628,981

(1) T-V means Time-Vested and P-B means Performance-Based.

(2) These columns provide information on the potential bonus payouts approved with respect to 2011 performance. For information on the actual amounts paid based on 2011 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 May 31, 2011 to each named executive other than Mr. Ousley, as described in greater detail below.

Edgar Filing: CENTURYLINK, INC - Form DEF 14A

- (4) Represents time-vested shares of restricted stock granted during 2011, as described in greater detail below.
- (5) Calculated in accordance with FASB ASC Topic 718 (formerly SFAS 123 (R)). During 2011, we valued restricted shares using (i) a 15-day volume-weighted average price of our stock for all time-vested shares issued to our named officers other than Mr. Ousley, (ii) the closing price of our stock on the grant date for time-vested shares issued to Mr. Ousley and (iii) values derived based on probable outcomes using Monte Carlo simulations for all performance-based restricted shares issued to our named officers. See Note 1 to the Summary Compensation Table above for more information.

Table of Contents**Terms of 2011 Restricted Stock Awards.**

May 31, 2011 Awards to Executives. The restricted stock issued to our executive officers on May 31, 2011 consisted of awards of time-vested restricted stock and performance-based restricted stock.

For each named officer, the shares of time-vested restricted stock will vest in three equal installments on May 31 of 2012, 2013, and 2014, subject to the named officer's continued employment with us.

For each named officer, the performance-based restricted shares will, subject to the named officer's continued employment, vest on May 31, 2014, based on our three-year total shareholder return for 2011, 2012 and 2013, as measured against total shareholder return of the S&P 500 companies for the same three-year period.

In addition to the vesting described above, all of these time-vested restricted shares and performance-based restricted shares also vest upon the death or disability of the named officer, and some or all of these shares may under certain circumstances vest or remain subject to future vesting upon the retirement of the named officer at his or her early or normal retirement age. In addition, upon certain terminations of employment following a change of control of the Company, the time-vested restricted shares will vest and the performance-based restricted shares will remain subject to future vesting, all 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 three-year performance period equal to the 50th percentile of the total shareholder return of the companies comprising the S&P 500 Index for the same three-year period. 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	³ 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 amounts or (ii) the target and the maximum amounts. In no event, however, will more than 100% of the shares vest if our total shareholder return for the three-year period is negative. Any contingent right of a named executive officer to receive more than the number of shares actually granted are treated by us as restricted stock units under the terms of the CenturyLink 2011 Equity Incentive Plan.

October 7, 2011 Awards to Mr. Ousley. The restricted stock issued to Mr. Ousley on October 7, 2011 consisted of time-vested restricted stock. Mr. Ousley's shares of time-vested restricted stock will vest on December 31, 2012, subject to Mr. Ousley's continued employment with us. Mr. Ousley's time-vested restricted shares will also vest upon his death or disability, and all of these shares may under certain circumstances vest upon his retirement. In addition, upon certain terminations of employment following a change of control of the Company, all such shares will vest, as described in greater detail under Potential Termination Payments.

Other Terms of Awards. All dividends related to the above-described time-vested and performance-based restricted shares will be paid to the holder only upon the vesting of such shares. Unless and until forfeited, these shares may be voted by the named executive officers.

All of these above-described restricted shares are subject to forfeiture if the officer competes with us or engages in certain other activities harmful to us, all as specified further in the forms of incentive agreements that we have filed with the SEC. See Potential Termination Payments.

Table of Contents

Outstanding Awards. The table below summarizes information on stock options and unvested restricted stock outstanding at December 31, 2011.

Outstanding Equity Awards at December 31, 2011⁽¹⁾

Name	Option Awards				Stock Awards			
	Number of Securities		Option Exercise Price (\$)	Option Expiration Date	Equity Incentive Plan Awards ⁽³⁾		All Other Stock Awards	
	Underlying Unexercised Options	Unexercisable (#) ⁽²⁾			Unvested Shares (#)	Market Value of Unvested Shares (\$)	Unvested Shares (#) ⁽⁴⁾	Market Value of Shares that Have Not Vested
Glen F. Post, III	200,000		\$ 45.90	2/26/2017		\$	11,700	\$ 435,240
							50,956	1,895,563
					63,200	2,351,040	48,833	1,816,588
							42,134	1,567,385
							127,317	4,736,192
Karen A. Puckett	75,000		45.90	2/26/2017	52,707	1,960,700	52,707	1,960,700
							4,400	163,680
							19,110	710,892
					27,579	1,025,939	18,314	681,281
							18,386	683,959
R. Stewart Ewing, Jr.	22,500 ⁽⁵⁾		28.34	2/25/2014	22,999	855,563	22,999	855,563
	62,100 ⁽⁵⁾		33.40	2/17/2015			3,660	136,152
	62,500		35.41	2/20/2016			15,924	592,373
	62,500		45.90	2/26/2017	21,373	795,076	15,261	530,063
							14,249	530,063
James E. Ousley	5,131		30.41	5/14/2014			34,541	1,284,925
	5,131		28.39	5/30/2016	17,824	663,053	17,825	663,090
	246,972		16.18	3/8/2020			189,226	7,039,244
David D. Cole	40,500		45.90	2/26/2017			81,305	3,024,546
							33,547	1,247,948
							2,400	89,280
					15,858	589,918	10,320	383,904
							9,890	367,908
				13,224	491,970	10,572	393,278	
						22,400	833,280	
						13,225	493,086	

- (1) All information on exercisability, vesting and market value is solely as of December 31, 2011. Some of the options or restricted stock listed above may have vested, become exercisable or been exercised since such date.
- (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 and May 31, 2011. 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 2011 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, 2010 or 2011 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, except that Mr. Ousley's

Edgar Filing: CENTURYLINK, INC - Form DEF 14A

restricted stock granted on October 7, 2011 vests on December 31, 2012, as described further herein. 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, 2011.

Table of Contents

2011 Exercises and Vesting. The following table provides information on Common Shares acquired by the named officers during 2011 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 Acquired on Exercise	Value Realized On Exercise ⁽¹⁾	Number of Shares Acquired on Vesting	Value Realized on Vesting ⁽¹⁾
Glen F. Post, III			118,777	\$ 4,811,346
Karen A. Puckett			45,861	1,857,138
R. Stewart Ewing, Jr.			37,667	1,525,553
James E. Ousley ⁽²⁾				
David D. Cole			25,135	1,017,692

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

(2) Limited to equity awards granted to Mr. Ousley by CenturyLink since his commencement of service on July 15, 2011.

Pension Benefits

Amount of Benefits. The following table and discussion summarizes pension benefits payable to the named officers 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 as our Qualified Plan and our Supplemental Plan, respectively.

Pension Benefits

Name ⁽¹⁾	Plan Name	Number of Years Credited Service ⁽²⁾	Present Value of Accumulated Benefit ⁽³⁾	Payments During Last Fiscal Year
Glen F. Post, III	Qualified Plan	13	\$ 1,431,145	\$
	Supplemental Plan	13	1,488,965	
Karen A. Puckett	Qualified Plan	12	814,841	
	Supplemental Plan	12	556,352	
R. Stewart Ewing, Jr.	Qualified Plan	13	1,509,906	
	Supplemental Plan	13	613,855	
David D. Cole	Qualified Plan	13	1,126,530	
	Supplemental Plan	13	277,908	

(1) James E. Ousley does not participate in either our Qualified Plan or our Supplemental Plan.

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

(3) These figures represent accumulated benefits as of December 31, 2011 (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, 2011 using discount rates ranging between 5.5% to 6.0%. See Note 8 titled "Employee Benefits" of the notes to our audited financial statements included in *Appendix B* for additional information.

Table of Contents

CenturyLink Pension Plans. With limited exceptions, we froze our Qualified Plan and Supplemental Plan as of December 31, 2010, which means that no additional monthly pension benefits have accrued under such plans since that date (although service after that date continues to count towards vesting and benefit eligibility and a limited transitional benefit continues to accrue through 2015).

Prior to this freezing of benefit accruals, the aggregate amount of a participant's total monthly pension benefit under the Qualified Plan and Supplemental Plan was 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, where final average pay was defined as 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. Effective December 31, 2010, the Qualified Plan and Supplemental Plan were amended to cease all future benefit accruals under the above formula (except where a collective bargaining agreement provides otherwise). In lieu of additional accruals under the above-described formula, each affected participant's accrued benefit as of December 31, 2010 is scheduled to increase 4% per year, compounded annually through the earlier of December 31, 2015 or the termination of the participant's employment.

Under both of these CenturyLink retirement plans, average monthly compensation is determined based on the participant's salary plus annual cash incentive bonus. Although the pension benefits described above are provided through separate plans, we 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 enhanced annuities are not part of the normal retirement benefit and were not impacted by the plan freeze.

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.

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.

Table of Contents**Non-Qualified Deferred Compensation**

Name ⁽¹⁾	Aggregate Balance at December 31, 2010	Executive Contributions in 2011 ⁽²⁾	CenturyLink Contributions in 2011 ⁽³⁾	Aggregate Earnings in 2011 ⁽⁴⁾	Aggregate Withdrawals/ Distributions	Aggregate Balance at December 31, 2011
Glen F. Post, III	\$ 1,501,849	\$ 216,242	\$ 94,509	\$ (35,770)		\$ 1,776,830
Karen A. Puckett	604,618	83,813	48,891	(7,672)		729,650
R. Stewart Ewing, Jr.	489,621	65,772	38,860	15,359		609,612
David D. Cole	392,115	55,186	23,018	(2,950)		467,369

- (1) James E. Ousley does not participate in this plan.
- (2) All of these amounts in this column reflect contributions by the officer of salary paid in 2011 and reported as 2011 salary compensation in the Summary Compensation Table.
- (3) This column includes our match of the officer's contribution under the terms of the plan. We have reflected all of these amounts as 2011 compensation in the column of the Summary Compensation Table labeled All Other Compensation.
- (4) Aggregate earnings in 2011 include interest, dividends and distributions earned with respect to deferred compensation invested by the officers in the manner described in the text below.

Under our Supplemental Dollars & Sense Plan, certain of our senior officers may defer up to 25% of their salary in excess of the federal limit on annual contributions to qualified 401(k) plans. For every dollar that participants contribute to this plan up to 6% of their excess salary, we add an amount equal to the total matching percentage then in effect for matching contributions made by us under our qualified 401(k) plan (which for 2011 equaled the sum of all of the initial 1% contributed and half of the next 5% contributed). All amounts contributed under this supplemental plan by the participants or us may be invested by the participants in the same broad array of money market and mutual funds offered under our qualified 401(k) plan. Participants may change their investments in these funds at any time. We reserve the right to transfer benefits from the Supplemental Dollars & Sense Plan to our qualified 401(k) or retirement plans to the extent allowed under Treasury regulations and other guidance. The value of benefits transferred to our qualified plans directly offsets the value of benefits in the Supplemental Dollars & Sense Plan. Participants in the Supplemental Dollars & Sense Plan normally receive payment of their account balances in a lump sum once they cease working full-time for us.

Potential Termination Payments

The materials below discuss payments and benefits that our officers are eligible to receive if they (i) resign or retire, (ii) are terminated by us, with or without cause, (iii) die or become disabled or (iv) become entitled to termination benefits following a change of control of CenturyLink.

Notwithstanding the information appearing below, you should be aware that our officers have agreed to forfeit their equity compensation awards (and profits derived therefrom) if they compete with us or engage in other activity harmful to our interests while employed with us or within 18 months after termination. Certain other compensation might also be recoverable by us under certain circumstances after termination of employment. See Compensation Discussion and Analysis Forfeiture of Prior Compensation for more information.

Payments Made Upon All Terminations. Regardless of the manner in which our employees' employment terminates prior to a change of control, they are entitled to receive amounts earned during their term of employment (subject to the potential forfeitures discussed above). With respect to each such terminated employee, such amounts include his or her:

salary and unused vacation pay through the date of termination, payable immediately in cash

restricted stock that has vested

Table of Contents

benefits accrued and vested under our qualified and supplemental defined benefit pension plans, with payouts generally occurring at early or normal retirement age

benefits held in our qualified and supplemental defined contribution plans, which the employee is generally free to receive at the time of termination

rights to continued health care benefits to the extent required by law.

Payments Made Upon Voluntary or Involuntary Terminations. In addition to benefits described under the heading immediately above, employees terminated by us without cause prior to a change of control are also entitled to:

exercise all vested options within 190 days of the termination date

keep all unvested time-vested restricted stock if approved by our Compensation Committee

if the termination qualifies as a layoff, (i) a cash severance payment in the amount described under Compensation Discussion and Analysis Other Benefits Reduction in Force Benefits, (ii) receipt of their annual target incentive bonus, and (iii) outplacement assistance benefits.

None of the benefits listed immediately above are payable if the employee resigns or is terminated for cause, except that resigning employees are entitled to exercise their vested options within 190 days and employees terminated for cause could request the Compensation Committee to accelerate their unvested time-vested restricted stock (which is unlikely to be granted).

Payments Made Upon Retirement. Employees who retire in conformity with our retirement policies are entitled to:

exercise all of their options, all of which accelerate upon retirement, within three years of their retirement date

keep all unvested time-vested restricted stock if approved by our Compensation Committee

payment of their annual target incentive bonus

post-retirement life, health and welfare benefits

all of the benefits described under the heading Payments Made Upon All Terminations.

In addition, an employee who retires from the Company will continue to vest in his or her unvested performance-based restricted stock for the remainder of the applicable performance period. If the employee takes early retirement, this continued vesting opportunity only applies to a reduced pro rata number of unvested shares, based on the number of days he or she was employed during the performance period.

Payments Made Upon Death or Disability. Upon death or disability, officers (or their estates) are generally entitled to (without duplication of benefits):

payments under our disability or life insurance plans, as applicable

exercise all of their options, all of which accelerate upon death or disability, within two years

keep all of their time-vested restricted stock, whether vested or unvested

payment of their annual target incentive bonus

continued rights to receive (i) life, health and welfare benefits at early or normal retirement age, in the event of disabilities of employees with ten years of prior service, or (ii) health and welfare benefits payable to surviving eligible dependents, in the event of death of employees meeting certain age and service requirements

Table of Contents

all of the benefits described under the heading **Payments Made Upon All Terminations**, except that (i) upon death benefits under our retirement plans are generally available only to surviving spouses and (ii) benefits payable to mentally disabled employees under our nonqualified defined benefit retirement plans may be paid prior to retirement age.

Payments Made Upon a Change of Control. We have entered into agreements that entitle each of our executive officers who are terminated without cause or resign under certain specified circumstances within certain specified periods following any change in control of CenturyLink to (i) receive a lump sum cash severance payment equal to a multiple of such officer's annual cash compensation, (ii) receive such officer's currently pending bonus, and (iii) continue to receive, subject to certain exceptions, certain welfare benefits for certain specified periods. See **Compensation Discussion and Analysis Other Benefits Change of Control Arrangements** for (i) a description of the benefits under our prior and current change of control agreements and (ii) information on the benefits payable to James E. Ousley under an employment agreement that we assumed, and subsequently amended, in connection with our acquisition of Savvis.

Under CenturyLink's above-referenced agreements, a change in control of CenturyLink would be deemed to occur upon (i) any person (as defined in the Securities Exchange Act of 1934) becoming the beneficial owner of 30% or more of the outstanding Common Shares, (ii) a majority of our directors being replaced, (iii) consummation of certain mergers, substantial asset sales or similar business combinations, or (iv) approval by the shareholders of a liquidation or dissolution of CenturyLink. The definition of change of control under Mr. Ousley's amended employment agreement is substantially similar.

The above-referenced agreements provide the benefits described above if we terminate the officer without cause or the officer resigns with good reason, which we describe further under the heading **Compensation Discussion and Analysis Other Benefits Change of Control Arrangements**. Except as otherwise described under such heading, all of the severance arrangements for our executives are substantially similar. We have filed copies or forms of these agreements with the SEC.

In the event of a change in control of CenturyLink, our pre-2011 benefit plans generally provide, among other things, that all restrictions on outstanding restricted stock will lapse and all outstanding stock options will become fully exercisable. In addition, participants in the supplemental defined benefit plan whose service is terminated within two years of the change in control will receive a cash payment equal to the present value of their plan benefits (after providing age and service credits of up to three years if the participant is terminated by us without cause or resigns with good reason), determined in accordance with actuarial assumptions specified in the plan. Certain account balances under our qualified retirement plans will also fully vest upon a change of control of CenturyLink.

Under the terms of our 2011 Equity Incentive Plan, incentives granted thereunder will not vest, accelerate, become exercisable or be deemed fully paid unless otherwise provided in a separate agreement, plan or instrument. We do not intend to provide in the future for any such accelerated recognition of benefits upon a change of control, unless the holder of incentives is also terminated by us without cause or resigns with good reason.

Estimated Potential Termination Payments. The table below provides estimates of the value of payments and benefits that would become payable if our current executives named below were terminated in the manner described below, in each case based on various assumptions, the most significant of which are described in the table's notes.

As a result of our recent mergers, each of our executives named below is currently entitled to severance benefits if we terminate the officer without cause or the officer resigns with good reason. See **Compensation Discussion and Analysis Other Benefits Change of Control Arrangements**.

Table of Contents**Potential Termination Payments**

Name	Type of Termination Payment ⁽²⁾	Type of Termination of Employment ⁽¹⁾			Termination Upon a Change of Control ⁽⁴⁾
		Retirement ⁽³⁾	Disability	Death	
Glen F. Post, III	Annual Bonus	\$ 1,276,000	\$ 1,276,000	\$ 1,276,000	\$ 1,276,000
	Equity Awards ⁽⁵⁾	15,327,838	17,269,631	17,269,631	17,269,631
	Pension and Welfare ⁽⁶⁾				649,800
	Cash Severance ⁽⁷⁾				6,706,999
		\$ 16,603,838	\$ 18,545,631	\$ 18,545,631	\$ 25,902,430
Karen A. Puckett	Annual Bonus	\$	\$ 818,191	\$ 818,191	\$ 818,191
	Equity Awards ⁽⁵⁾		6,639,881	6,639,881	6,639,881
	Pension and Welfare ⁽⁶⁾				142,800
	Cash Severance ⁽⁷⁾				3,194,428
		\$	\$ 7,458,072	\$ 7,458,072	\$ 10,795,300
R. Stewart Ewing, Jr.	Annual Bonus	\$ 646,921	\$ 646,921	\$ 646,921	\$ 646,921
	Equity Awards ⁽⁵⁾	4,760,476	5,417,150	5,417,150	5,417,150
	Pension and Welfare ⁽⁶⁾				336,700
	Cash Severance ⁽⁷⁾				2,721,671
		\$ 5,407,397	\$ 6,064,071	\$ 6,064,071	\$ 9,122,442
James E. Ousley	Annual Bonus	\$	\$ 605,000	\$ 605,000	\$ 605,000
	Equity Awards ⁽⁵⁾	11,394,395	11,394,395	11,394,395	11,394,395
	Pension and Welfare ⁽⁶⁾				22,857
	Cash Severance ⁽⁷⁾				825,000
		\$ 11,394,395	\$ 11,999,395	\$ 11,999,395	\$ 12,847,252
David D. Cole	Annual Bonus	\$	\$ 408,510	\$ 408,510	\$ 408,510
	Equity Awards ⁽⁵⁾		3,778,525	3,778,525	3,778,525
	Pension and Welfare ⁽⁶⁾				764,700
	Cash Severance ⁽⁷⁾				1,822,941
		\$	\$ 4,187,035	\$ 4,187,035	\$ 6,774,676

(1) All data in the table reflects estimates of the value of payments and benefits assuming the named officer was terminated on December 31, 2011. The closing price of the Common Shares on such date was \$37.20. The table reflects only estimates of amounts earned or payable through or at such date based on various assumptions. Actual amounts can be determined only at the time of termination. If a named officer voluntarily resigns or is terminated with cause, he or she will not be entitled to any special or accelerated benefits, but will be entitled to receive various payments or benefits that vested before the termination date. The table reflects potential payments based upon a physical disability; additional benefits may be payable in the event of a mental disability.

(2) As further described above, upon termination of employment, the named officers may become entitled to receive certain special, accelerated or enhanced benefits, including, subject to certain exceptions, the right to receive payment of their annual cash incentive bonus, an acceleration under certain circumstances of the vesting of their outstanding equity awards, current or enhanced pension and welfare benefits, or cash severance payments. The table excludes (i) payments or benefits made under broad-based plans or arrangements generally available to all salaried full-time employees and (ii) benefits, awards or amounts that the officer was entitled to receive prior to termination of employment.

(3)

Edgar Filing: CENTURYLINK, INC - Form DEF 14A

Of the named officers, only Messrs. Post and Ewing are eligible to retire early under CenturyLink's defined benefit pension plans described above under the heading "Executive Compensation - Pension Benefits." The amounts reflected under the "Retirement" column do not reflect the amount of lifetime annuity payments payable upon early retirement. Assuming early retirement as of December 31, 2011, Messrs. Post and Ewing would have been entitled to monthly annuity payments of approximately \$20,028.51 and \$14,139.16, respectively, over their lifetimes, some of which, in the case of Mr. Ewing, may be payable to his ex-wife under a qualified domestic relations order. For further information, see the other footnotes below.

Table of Contents

- (4) The information in this column assumes each named officer became entitled at December 31, 2011 to the benefits under CenturyLink's agreements in existence on such date described above under "Payments Made Upon a Change of Control" upon an involuntary termination without cause or resignation with "good reason". As described further under such heading, some of these benefits will accrue immediately upon a change of control, regardless of whether the officer's employment terminates. All amounts are based on several assumptions.
- (5) The information in this row (i) reflects the benefit to the named officer arising out of the accelerated vesting of his or her stock options and restricted stock caused by the termination of employment (or, in certain cases, a change of control), based upon the intrinsic method of valuation, (ii) assumes that the Compensation Committee would not approve the acceleration of the named officer's restricted stock in the event of an involuntary termination, and (iii) assumes that the Compensation Committee would approve the acceleration of such restricted stock in the event of the early retirement of Messrs. Post or Ewing or the retirement of Mr. Ousley.
- (6) The information in this row reflects only the incremental benefits that accrue upon an event of termination, and excludes benefits that were vested on December 31, 2011. For information on the present value of the named officers' accumulated benefits under our defined benefit pension plans, see "Pension Benefits," and for information on the aggregate balances of the named officers' non-qualified deferred compensation, see "Deferred Compensation." As indicated above, the named officer would also be entitled to receive a distribution of his or her 401(k) benefits and various other broad-based benefits.
- (7) The information in this row excludes, in the case of disability or death, payments made by insurance companies. For each of Ms. Puckett and Messrs. Ewing and Cole, this amount includes the accelerated payment of the last installment of his or her August 23, 2010 deferred cash retention award, which are described further under "Compensation Discussion and Analysis" "Retention Grants."

DIRECTOR COMPENSATION

Overview. The table and the discussion below summarizes how we compensated our outside directors in 2011.

2011 Compensation of Outside Directors

Name	Fees Earned or Paid in Cash	Stock Awards ^{(1),(2)}	All Other Compensation ⁽³⁾	Total
Charles L. Biggs ⁽⁴⁾	\$ 70,000	\$ 100,000	\$ 4,705	\$ 174,705
Virginia Boulet	121,500	100,000	11,585	233,085
Peter C. Brown	101,500	100,000	10,234	211,734
Richard A. Gephardt	79,500	100,000	10,234	189,734
W. Bruce Hanks	134,000	100,000	19,760	253,760
Gregory J. McCray	108,500	100,000	11,585	220,085
C. G. Melville, Jr.	118,500	100,000	11,585	230,085
Edward A. Mueller ⁽⁴⁾	65,500	100,000		165,500
Fred R. Nichols	109,500	100,000	11,585	221,085
William A. Owens	103,500	300,000	14,509	418,009
Harvey P. Perry	194,000	100,000	16,585	310,585
Michael J. Roberts ⁽⁴⁾	65,000	100,000	4,705	169,705
Laurie A. Siegel	99,000	100,000	10,234	209,234
James A. Unruh ⁽⁴⁾	67,500	100,000	4,705	172,205
Joseph R. Zimmer	98,500	100,000	11,585	210,085

- (1) The amounts shown in this column reflect the fair value of these awards on the date of grant determined under FASB ASC Topic 718 (formerly SFAS 123(R)). These grants vest over three-year periods (subject to accelerated vesting in certain limited circumstances), except that Mr. Owens received a grant of \$200,000 for serving as Chairman of the Board that will vest on May 31, 2012. See "Cash and Stock Payments."

Table of Contents

- (2) The following table sets forth, for each outside director, the total number of outstanding shares of unvested restricted stock and stock options held by them as of December 31, 2011 (excluding equity awards granted to certain of the individuals listed below prior to their commencement of service on our board following the Qwest merger):

Name	Unvested Restricted Stock	Stock Options
Charles L. Biggs	2,396	
Virginia Boulet	5,588	
Peter C. Brown	5,416	
Richard A. Gephardt	5,416	
W. Bruce Hanks	5,588	
Gregory J. McCray	5,588	
C. G. Melville, Jr.	5,588	
Edward A. Mueller	2,396	
Fred R. Nichols	5,588	
William A. Owens	10,208	
Harvey P. Perry	5,588	
Michael J. Roberts	2,396	
Laurie A. Siegel	5,416	
James A. Unruh	2,396	
Joseph R. Zimmer	5,588	13,667

- (3) Includes (i) the amount of dividends paid on unvested stock (which is a benefit that has been discontinued) and (ii) reimbursements for the cost of an annual physical examination, as follows:

Name	Dividends on Unvested Restricted Stock	Physical Exam Reimbursement	Total
Charles L. Biggs	\$ 4,705	\$	\$ 4,705
Virginia Boulet	11,585		11,585
Peter C. Brown	10,234		10,234
Richard A. Gephardt	10,234		10,234
W. Bruce Hanks	16,227	3,533	19,760
Gregory J. McCray	11,585		11,585
C. G. Melville, Jr.	11,585		11,585
Edward A. Mueller			
Fred R. Nichols	11,585		11,585
William A. Owens	14,509		14,509
Harvey P. Perry	11,585	5,000	16,585
Michael J. Roberts	4,705		4,705
Laurie A. Siegel	10,234		10,234
James A. Unruh	4,705		4,705
Joseph R. Zimmer	11,585		11,585

The amounts reflected above for physical exam reimbursements include travel expenses and payments made to compensate the directors for taxes payable as a result of receiving such reimbursements. Except as otherwise noted in this footnote, the chart above does not reflect (i) reimbursements for travel expenses or (ii) any benefits associated with participating in recreational activities scheduled during board retreats. For additional information, see Compensation Discussion and Analysis Other Benefits Perquisites.

- (4) On April 1, 2011, Messrs. Biggs, Mueller, Roberts and Unruh ceased serving as directors of Qwest and commenced service on our board. The term of Messrs. Biggs, Mueller and Unruh will end at the meeting. See Election of Directors.

Edgar Filing: CENTURYLINK, INC - Form DEF 14A

In late 2011, the Compensation Committee concluded that our director compensation lagged the median compensation paid to directors at peer companies, based on survey data compiled by the Committee's independent consultant. Based on this data, the Board approved increases in November 2011 in the cash and equity compensation payable to our outside directors. In early 2012, management recommended that they receive no increases in their compensation, even though their compensation was lower than the 50th percentile compensation levels of peer executives. In connection with accepting this recommendation, the Board elected to

Table of Contents

defer implementation of the previously-authorized increases in the outside directors' cash compensation. The Board intends to keep this deferral in place until such time as it determines that it is appropriate to implement the previously-authorized increases in cash compensation.

Cash and Stock Payments.

Each director who is not employed by us (whom we refer to as outside directors or non-management directors) is paid an annual fee plus additional amounts for attending various other board or committee meetings. These fees are summarized below:

	Current Rate⁽¹⁾	New Rate (Deferred)⁽¹⁾
Annual fee	\$ 50,000	\$ 65,000
Fee for attending each regular board meeting	2,000	2,000
Fee for attending each special board meeting ⁽²⁾	2,500	2,000
Fee for attending each committee meeting	1,500	2,000
Fee for attending separate director education programs	2,500	2,000

⁽¹⁾ For further information, see Overview.

⁽²⁾ Includes each day of the Board's annual planning session.

Currently, the Chairman of the Board receives supplemental board fees at the rate of \$200,000 per year payable in shares of restricted stock. The restricted stock issued to the Chairman on May 31, 2011 vests May 31, 2012, subject to accelerated vesting under certain limited circumstances. The Chairman's duties are set forth in our Corporate Governance Guidelines. See Corporate Governance.

Currently, Harvey Perry, in his capacity as non-executive Vice Chairman of the Board, receives supplemental board fees at the rate of \$100,000 cash per year. The Vice Chairman's current duties include, among others, (i) assisting the Chairman by facilitating communications among the directors and monitoring the activities of the Board's committees, (ii) serving at the Chairman's request on the board of any company in which we have an investment, (iii) monitoring our strategies and (iv) performing certain executive succession functions.

We pay supplemental board fees to the chairs of each of our committees. These annual supplemental board fees are summarized below:

	Current Rate⁽¹⁾	New Rate (Deferred)⁽¹⁾
Chair of Audit Committee	\$ 20,000	\$ 25,000
Chair of Compensation Committee	10,000	18,750
Chair of Nominating Committee	10,000	15,000
Chair of Risk Evaluation Committee	10,000	12,500

⁽¹⁾ For further information, see Overview.

During 2011 the Compensation Committee authorized each outside director to receive shares of Restricted Stock valued at \$100,000 (based on the average closing price of the Common Shares during the 15 trading day period preceding the date of issuance) that vest over a three-year period. Based on changes approved by the Board on November 15, 2011, the Compensation Committee authorized in early 2012 a grant valued at \$115,000 that vests after one year, payable to each outside director serving on the day after our 2012 annual meeting.

Other Benefits. Each outside director is entitled to be reimbursed (i) for expenses incurred in attending board and committee meetings, (ii) for expenses incurred in attending director education programs and (iii) up to \$5,000 per year for the cost of an annual physical examination, plus related travel expenses and the estimated

Table of Contents

income taxes incurred by the director in connection with receiving these medical reimbursement payments. In February 2012, we eliminated the right of each outside director to be reimbursed for the estimated income taxes incurred by such director in connection with receiving these medical reimbursement payments.

Our bylaws require us to indemnify our directors and officers so that they will be free from undue concern about personal liability in connection with their service to CenturyLink. We have signed agreements with each of those individuals contractually obligating us to provide these indemnification rights. We also provide our directors with customary directors and officers liability insurance.

Directors may use our aircraft in connection with company-related business. However, under our aircraft usage policy, neither directors nor their families may use our aircraft for personal trips (except on terms generally available to all of our employees in connection with a medical emergency). We have arranged a charter service that our outside directors can use at their cost for their personal air travel needs. None of our directors have used this charter service since 2007.

Table of Contents**PERFORMANCE GRAPH**

The graph below compares the cumulative total shareholder return on the Common Shares with the cumulative total return of the S&P 500 Index and the S&P Integrated Telecommunications Index for the period from December 31, 2006 to December 31, 2011, in each case assuming (i) the investment of \$100 on January 1, 2007 at closing prices on December 31, 2006, and (ii) reinvestment of dividends.

	2006	2007	December 31,		2010	2011
			2008	2009		
CenturyLink	\$ 100.00	\$ 95.50	\$ 67.23	\$ 97.19	\$ 133.65	\$ 116.21
S&P 500 Index	100.00	105.49	66.47	84.06	96.74	98.76
S&P Telecom Index ⁽¹⁾	100.00	118.10	88.44	94.13	111.84	120.90

⁽¹⁾ The S&P Integrated Telecommunication Services Index consists of AT&T Inc., CenturyLink, Frontier Communications Corporation, Verizon Communications and Windstream Corporation. The index is publicly available.

Table of Contents

TRANSACTIONS WITH RELATED PARTIES

Recent Transactions

In exchange for integration consulting services rendered to us in 2011, we paid fees of approximately \$246,000 to Gephardt Group Labor Advisory, LLC. Richard A. Gephardt, one of our directors, is the Chief Executive Officer and President, and a principal, of Gephardt Group Labor Advisory, LLC.

During 2011 we paid Michael S. Mueller, a senior portfolio manager at Savvis, total gross compensation of approximately \$243,585, consisting of approximately \$156,600 in salary, \$31,300 in annual incentive bonuses and restricted stock with a grant date fair value of \$55,685. Mr. Mueller is the son of Edward A. Mueller, a director of ours since April 1, 2011, and has been an employee of Savvis since July 21, 2008.

We are one of the largest employers in Monroe, Louisiana and in several of our other markets, and, as such, employ personnel related by birth or marriage throughout our organization. Several of our executive officers or directors have family members employed by us, although, none of them (other than Michael S. Mueller) earn compensation in excess of the \$120,000 threshold that would require detailed disclosures under the federal proxy rules.

Review Procedures

Early each year, our director of internal audit distributes to the Audit Committee a written report listing our payments to vendors, including a list of transactions with our directors, officers or employees. This annual report permits the independent directors to assess and discuss our related party transactions. Although we have no formal written pre-approval procedure governing related party transactions, our CEO typically seeks approval of the board before engaging in any new related party transaction involving significant sums or risks.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The Securities Exchange Act of 1934 requires our executive officers and directors, among others, to file certain beneficial ownership reports with the Securities and Exchange Commission. During 2011, (i) William E. Cheek filed late a Form 4 in connection with vesting of his restricted shares, (ii) Dennis G. Huber filed late two Form 4s in connection with sales of his Common Shares, (iii) James E. Ousley filed late a Form 4 in connection with his October 2011 equity grant, and (iv) Edward A. Mueller filed an incomplete Form 4 that was amended and re-filed two days late in connection with a sale of his Common Shares.

ADDITIONAL INFORMATION ABOUT THE MEETING

Quorum

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.

Vote Required to Elect Directors

Our bylaws provide that each of the four director nominees 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 four 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.

Vote Required to Adopt Other Proposals at the Meeting

With respect to all other items submitted to a vote, the affirmative vote of the holders of (i) a majority of the outstanding Voting Shares is required to approve the declassification charter amendments, (ii) two-thirds of the Voting Shares present in person or represented by proxy and entitled to vote at the meeting is required to approve the authorized stock charter amendment and (iii) 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.

Table of Contents

Effect of Abstentions

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. Your abstention from voting with respect to the declassification charter amendments will have the same effect as a vote against that proposal. Because all other matters must be approved by a specified percentage of the 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 be counted as present for purposes of constituting a quorum to organize the meeting.

Effect of Non-Voting

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 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 below.

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 authorized stock charter amendment and the ratification of the appointment of the independent auditor, but will not be entitled to vote in their discretion with respect to 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. Broker non-votes with respect to the declassification charter amendments will have the same effect as a vote against that proposal. Because all other matters to be considered at the meeting 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.

Voting by Participants in Our Benefit Plans

If you beneficially own any of our Common Shares by virtue of participating in any retirement plan of CenturyLink, Embarq or Qwest, then you will receive a separate voting instruction card that will enable you to direct the voting of these shares. This voting instruction card entitles you, on a confidential basis, to instruct the trustees how to vote the shares allocated to your plan account. The plans require you to act as a named fiduciary, which requires you to exercise your voting rights prudently and in the interests of all plan participants. Plan participants who wish to vote should complete and return the voting instruction card in accordance with its instructions. If you elect not to vote the shares allocated to your accounts, your shares will be voted in the same proportion as voted shares regarding each of the items submitted to a vote at the meeting. Plan participants that wish to revoke their voting instructions must contact the trustee and follow its procedures.

Cost of Proxy Solicitation

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.

Table of Contents

Other Matters Considered 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 below 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.

Conduct of the Meeting

The Chairman has broad responsibility and legal authority to conduct the meeting in an orderly and timely manner. This authority includes establishing rules for shareholders who wish to address the meeting. Copies of these rules will be available at the meeting. The Chairman may also exercise broad discretion in recognizing shareholders who wish to speak and in determining the extent of discussion on each item of business. In light of the number of business items on this year's agenda and the need to conclude the meeting within a reasonable period of time, we cannot assure that every shareholder who wishes to speak on an item of business will be able to do so.

Postponement or Adjournment of the Meeting

The Chairman may postpone or adjourn the meeting. 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.

OTHER MATTERS

Shareholder Nominations and Proposals

In order to be eligible for inclusion in our 2013 proxy materials pursuant to the federal proxy rules, any shareholder proposal to take action at such meeting must be received by our Secretary by December 11, 2012, and must comply with applicable federal proxy rules. In addition, our bylaws require shareholders to furnish timely written notice of their intent to nominate a director or bring any other matter before a shareholders meeting, whether or not they wish to include their proposal in our proxy materials. In general, notice must be received by our Secretary between November 24, 2012 and February 22, 2013 and must contain specified information concerning, among other things, the matters to be brought before such meeting and concerning the shareholder proposing such matters. (If the date of the 2013 annual meeting is more than 30 days earlier or later than May 23, 2013, notice must be received by our Secretary within 15 days of the earlier of the date on which notice of such meeting is first mailed to shareholders or public disclosure of the meeting date is made.) For additional information on these procedures, see *Corporate Governance* - *Director Nomination Process*.

Annual Financial Report

Appendix B includes our Annual Financial Report, which is excerpted from portions of our Annual Report on Form 10-K for the year ended December 31, 2011 that we filed with the Securities and Exchange Commission on February 28, 2012. In addition, we have provided you with a copy of or access to a separate booklet titled *2011 Review and CEO's Message*. Neither of these documents is a part of our proxy soliciting materials.

Table of Contents

You may obtain a copy of our Form 10-K report without charge by writing to Stacey W. Goff, Secretary, CenturyLink, Inc., 100 CenturyLink Drive, Monroe, Louisiana 71203, or by visiting our website at www.centurylink.com.

You may view online this proxy statement and related materials at www.envisionreports.com/ctl.

By Order of the Board of Directors

Stacey W. Goff

Secretary

Dated: April 10, 2012

Table of Contents

APPENDIX A
to Proxy Statement

Proposed Declassification

Charter Amendments

If the Declassification Charter Amendments are adopted, Sections A, B and C of Article IV of our restated articles of incorporation would be amended and restated as follows:*

ARTICLE IV

Directors

A. **Number of Directors.** The business and affairs of this Corporation shall be managed under the direction of the Board of Directors. The number of directors comprising the Board of Directors of this Corporation (exclusive of directors who may be elected by the holders of any one or more series of Preferred Stock voting separately) shall be ~~14 unless otherwise~~ determined from time to time by resolution adopted by the affirmative votes of both (i) 80% of the directors then in office and (ii) a majority of the Continuing Directors (as defined in Article V(D)), voting as a separate group, provided, however, that no decrease in the number of directors shall shorten the term of any incumbent director.

~~B. Classification. The Board of Directors, other than those who may be elected by the holders of any one or more series of Preferred Stock voting separately, shall be divided, with respect to the time during which they shall hold office, into three classes, designated Class I, II and III, as nearly equal in number as possible. Any increase or decrease in the number of directors shall be apportioned by the Board of Directors so that all classes of directors shall be as nearly equal in number as possible. At each annual meeting of shareholders, directors chosen to succeed those whose terms then expire shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election and until their successors are duly elected and qualified.~~

B. Term. All directors elected by shareholders at and after the 2012 annual meeting of shareholders shall hold office until the next annual meeting of shareholders and until their successors are duly elected and qualified. Directors whose terms do not expire at the 2012 annual meeting of shareholders shall hold office until the annual meeting for the year in which the director's term expires and until their successors are duly elected and qualified.

C. **Vacancies.** Except as provided in Article IV(G) hereof, any vacancy on the Board (including any vacancy resulting from an increase in the authorized number of directors or from a failure of the shareholders to elect the full number of authorized directors) may, notwithstanding any resulting absence of a quorum of directors, be filled only by the Board of Directors, acting by vote of both (i) a majority of the directors then in office and (ii) a majority of all the Continuing Directors, voting as a separate group, and any director so appointed shall serve until the next shareholders' meeting held for the election of directors of the class to which he shall have been appointed and until his successor is duly elected and qualified.

* New language is shown in bold face type; removed language is shown as being stricken.

Table of Contents

APPENDIX B
to Proxy Statement

CENTURYLINK, INC.
ANNUAL FINANCIAL REPORT
December 31, 2011

B-1

Table of Contents

INDEX TO FINANCIAL ANNUAL REPORT

December 31, 2011

The materials included in this Appendix B are excerpted from Items 5, 6, 7 and 8 of our Annual Report on Form 10-K for the year ended December 31, 2011, which we filed with the Securities and Exchange Commission on February 28, 2012. Please see the Form 10-K for additional information about our business and operations.

<u>Information on Our Trading Price and Dividends</u>	B-3
<u>Selected Financial Data</u>	B-4
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	B-6
<u>Consolidated Financial Statements and Supplementary Data</u>	B-33
<u>Report of Management</u>	B-33
<u>Report of Independent Registered Public Accounting Firm</u>	B-34
<u>Report of Independent Registered Public Accounting Firm</u>	B-35
<u>Consolidated Statements of Operations</u>	B-36
<u>Consolidated Statements of Comprehensive (Loss) Income</u>	B-37
<u>Consolidated Balance Sheets</u>	B-38
<u>Consolidated Statements of Cash Flows</u>	B-39
<u>Consolidated Statements of Stockholders' Equity</u>	B-40
<u>Notes to Consolidated Financial Statements*</u>	B-41

* All references to Notes in this Appendix B refer to these Notes.

Table of Contents**INFORMATION ON OUR TRADING PRICE AND DIVIDENDS**

Our common stock is listed on the New York Stock Exchange (NYSE) and the Berlin Stock Exchange and is traded under the symbol CTL and CYT, respectively. The following table sets forth the high and low reported sales prices on the NYSE along with the quarterly dividends, for each of the quarters indicated.

	Sales prices		Dividend per
	High	Low	common share
2011			
First quarter	\$ 46.78	39.45	.725
Second quarter	43.49	38.66	.725
Third quarter	41.32	31.75	.725
Fourth quarter	38.01	31.16	.725
2010			
First quarter	\$ 37.00	32.98	.725
Second quarter ⁽¹⁾	36.73	14.16	.725
Third quarter	40.00	32.92	.725
Fourth quarter	46.87	39.18	.725

- (1) During the widely-publicized temporary market disruption that occurred on the afternoon of May 6, 2010, our common stock momentarily traded as low as \$14.16 in markets other than the NYSE. The opening and closing prices of our common stock on May 6, 2010, were \$34.48 and \$33.52, respectively.

Common stock dividends during 2011 and 2010 were paid each quarter.

As described in greater detail in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2011, the declaration and payment of dividends is at the discretion of our Board of Directors, and will depend upon our financial results, cash requirements, future prospects and other factors deemed relevant by our Board of Directors.

At February 21, 2012, there were approximately 175,000 stockholders of record although there were significantly more beneficial holders of our common stock. At February 21, 2012, the closing stock price of our common stock was \$39.43.

Table of Contents**SELECTED FINANCIAL DATA**

The following table of selected consolidated financial data should be read in conjunction with and are qualified by reference to the consolidated financial statements and notes thereto and the accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations in Items 8 and 7, respectively, of our Annual Report on Form 10-K for the year ended December 31, 2011.

The table of selected financial data shown below is derived from our audited consolidated financial statements. These historical results are not necessarily indicative of results that you can expect for any future period.

The results of operations include Savvis for periods after July 15, 2011, Qwest for periods after April 1, 2011 and Embarq for periods after July 1, 2009.

Selected financial information from the consolidated statements of operations data is as follows:

	2011	Years Ended December 31, ⁽¹⁾			2007
		2010	2009	2008	
	(Dollars in millions, except per share amounts				
	and shares in thousands)				
Operating revenues	\$ 15,351	7,042	4,974	2,600	2,656
Operating expenses	\$ 13,326	4,982	3,741	1,878	1,863
Operating income	\$ 2,025	2,060	1,233	721	793
Income before income tax expense	\$ 948	1,531	813	561	620
Net income	\$ 573	948	647	366	418
Basic earnings per common share	\$ 1.07	3.13	3.23	3.53	3.79
Diluted earnings per common share	\$ 1.07	3.13	3.23	3.52	3.71
Dividends declared per common share	\$ 2.90	2.90	2.80	2.1675	.26
Weighted average basic common shares outstanding	532,780	300,619	198,813	102,268	109,360
Weighted average diluted common shares outstanding	534,121	301,297	199,057	102,560	112,787

- (1) See Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2011 for a discussion of unusual items affecting the results as of the years ended December 31, 2011, 2010 and 2009.

Selected financial information from the consolidated balance sheets is as follows:

	2011	December 31,			2007
		2010	2009	2008	
	(Dollars in millions)				
Net property, plant and equipment	\$ 19,436	8,754	9,097	2,896	3,108
Goodwill	\$ 21,724	10,261	10,252	4,016	4,011
Total assets	\$ 56,139	22,038	22,563	8,254	8,185
Total long-term debt ⁽¹⁾	\$ 21,836	7,328	7,754	3,315	3,014
Total stockholders' equity	\$ 20,827	9,647	9,467	3,168	3,416

- (1) Total long-term debt is the sum of current maturities of long-term debt and long-term debt on our consolidated balance sheets. For total obligations, see Management's Discussion and Analysis of Financial Condition and Results of Operations Future Contractual Obligations in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2011.

Table of Contents

Selected financial information from the consolidated statements of cash flows is as follows:

	2011	Years Ended December 31,			2007
		2010	2009	2008	
		(Dollars in millions)			
Net cash provided by operating activities	\$ 4,201	2,045	1,574	853	1,030
Net cash used in investing activities	(3,647)	(859)	(679)	(389)	(619)
Net cash used in financing activities	(577)	(1,175)	(976)	(255)	(402)
Payments for property, plant and equipment and capitalized software	(2,411)	(864)	(755)	(287)	(326)

The following table presents certain selected consolidated operating data as of the following dates:

	2011 ⁽¹⁾	December 31,			2007
		2010	2009 ⁽²⁾	2008	
		(in thousands)			
Broadband subscribers	5,554	2,349	2,186	626	541
Access lines	14,584	6,489	7,025	2,025	2,152

(1) In connection with our Qwest acquisition on April 1, 2011, we acquired approximately 9.0 million telephone access lines and approximately 3.0 million broadband subscribers.

(2) In connection with our Embarq acquisition on July 1, 2009, we acquired approximately 5.4 million telephone access lines and approximately 1.5 million broadband subscribers.

Table of Contents

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

Certain statements in this Appendix B constitute forward-looking statements. See Special Note Regarding Forward-Looking Statements in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2011 for factors relating to these statements and see Risk Factors in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2011 for a discussion of certain risk factors applicable to our business, financial condition and results of operations.

Overview

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

At December 31, 2011, we operated 14.584 million access lines in 37 states, and served 5.554 million broadband subscribers. During 2011, we updated our methodology for counting access lines and broadband subscribers. Our access line methodology includes only those access lines that we use to provide services to external customers and excludes lines used solely by us and our affiliates. Our methodology also excludes unbundled loops and includes stand-alone broadband subscribers. Our methodology for counting access lines may not be comparable to those of other companies.

Our consolidated financial statements include the accounts of CenturyLink, Inc. (CenturyLink) and its majority-owned subsidiaries. These subsidiaries include SAVVIS, Inc. (Savvis) as of July 15, 2011, Qwest Communications International Inc. (Qwest) as of April 1, 2011 and Embarq Corporation (Embarq) as of July 1, 2009 (See Note 2 Acquisitions). Due to the significant size of these acquisitions, direct comparisons of our results of operations for the years ended December 31, 2011, 2010 and 2009 are less meaningful than usual. We discuss below, under Segment Results , certain trends that we believe are significant, even if they are not necessarily material to the combined company.

In the discussion that follows, we refer to the business that we operated prior to the Qwest acquisition (including Embarq's business) as Legacy CenturyLink and refer to the incremental business activities that we now operate as a result of the Savvis acquisition as Legacy Savvis and the Qwest acquisition as Legacy Qwest. Due to the magnitude of our recent acquisitions in relation to Legacy CenturyLink operations, in the combined company variance discussions below we have separately reflected the impacts of both the Legacy Qwest and Legacy Savvis operations for enhanced visibility, although we actively manage the combined company through our four segments, as discussed further below.

Table of Contents

We have incurred operating expenses related to our acquisitions of Savvis in July 2011, Qwest in April 2011 and Embarq in July 2009. These expenses are reflected in cost of services and products and selling, general and administrative expenses in our consolidated statements of operations as summarized below.

	Years Ended December 31,		
	2011	2010	2009
(Dollars in millions)			
Cost of services and products:			
Integration and other expenses associated with acquisitions	\$ 43	37	
Severance expenses, accelerated recognition of share-based awards and retention compensation associated with acquisitions	24	12	6
	\$ 67	49	6
Selling, general and administrative:			
Expenses incurred to effect acquisitions	\$ 79	13	65
Integration and other expenses associated with acquisitions	172	64	86
Severance expenses, accelerated recognition of share-based awards and retention compensation associated with acquisitions	149	19	114
	\$ 400	96	265

This table does not include costs incurred by Qwest or Savvis prior to being acquired by us. Based on current plans and information, we estimate that, in relation to our Qwest acquisition, we will incur approximately \$800 million to \$1 billion of operating expenses associated with transaction and integration costs (which includes approximately \$393 million of the expenses noted above) and approximately \$200 million of capital expenditures associated with integration activities (which includes approximately \$24 million of capital expenditures incurred through December 31, 2011).

Upon the discontinuance of regulatory accounting effective July 1, 2009, we recorded a one-time, non-cash extraordinary gain that aggregated approximately \$217 million before income tax expense (\$136 million after-tax). See Note 14 Discontinuance of Regulatory Accounting for more information.

For several years prior to 2011, we reported our operations as a single segment. In connection with our acquisitions of Savvis on July 15, 2011 and Qwest on April 1, 2011, we have reorganized our business into the following operating segments:

Regional markets, which consists primarily of providing products and services to residential consumers, small to medium-sized businesses and regional enterprise customers;

Business markets, which consists primarily of providing products and services to enterprise and government customers;

Wholesale markets, which consists primarily of providing products and services to other communications providers; and

Savvis operations, which consists primarily of providing hosting and network services primarily to business customers provided by Legacy Savvis. The business markets segment currently provides some of the same services as our Savvis operations segment, and we may reclassify in the future the revenues and expenses associated with those services as part of our Savvis operations segment. We will continue to classify those services as part of the business markets segment until we are able to further integrate Legacy Savvis.

Table of Contents

Due to system limitations, it is impracticable to report 2009 segment information using our current segment view. As such, only 2010 financial data has been revised under our new segment structure described above.

We now report financial information separately for each of these segments; however, our segment information does not include capital expenditures, total assets, or certain revenues and expenses that we manage on a centralized basis. As we continue to integrate our recent acquisitions, we may make further changes to the way we assess performance and make decisions about allocating resources, which could change our segment reporting. Our segment results are not necessarily indicative of the results of operations that our segments would have achieved had they operated as stand-alone entities during the periods presented. For additional information about our segments, see Note 13 Segment Information and Results of Operations Segment Results below.

RESULTS OF OPERATIONS

The following table summarizes the results of our consolidated operations for the years ended December 31, 2011, 2010 and 2009, presented in a manner that we believe will be useful for understanding the relevant trends affecting our business. Our operating results include operations of Savvis for periods after July 15, 2011, Qwest for periods after April 1, 2011 and Embarq for periods after July 1, 2009.

	Years Ended December 31,		
	2011	2010	2009
	(Dollars in millions except		
	per share amounts)		
Operating revenues	\$ 15,351	7,042	4,974
Operating expenses	13,326	4,982	3,741
Operating income	2,025	2,060	1,233
Other income (expense)	(1,077)	(529)	(420)
Income tax expense	375	583	302
Extraordinary item, net of income tax expense			136
Net income	\$ 573	948	647
Employees	49,200	20,300	20,200
BASIC AND DILUTED EARNINGS PER COMMON SHARE			
Before extraordinary item	\$ 1.07	3.13	2.55
Extraordinary item			.68
Basic and diluted earnings per common share	\$ 1.07	3.13	3.23

The lower levels of net income in 2011 were primarily attributable to the acquisition of Qwest as of April 1, 2011, which resulted in substantial acquisition, severance and integration expenses, as presented in the table under the Overview section above. Legacy Savvis and Legacy Qwest post-acquisition operations, which included substantial severance and integration expenses and significant acquisition accounting adjustments to depreciation and amortization expense based on preliminary valuation estimates (see Note 2 Acquisitions and Note 3 Goodwill, Customer Relationships and Other Intangible Assets), did not contribute significantly to our consolidated net income in 2011. Our current preliminary valuation estimates of our recently acquired assets and liabilities are subject to change as we finalize our estimates of acquisition date fair value, including those related to assets under capital leases, which may result in material changes to depreciation expense. Within our Legacy CenturyLink business, growth in strategic services revenues (which we describe further below) did not fully offset lower revenues from other services and products, further contributing to the decreases in consolidated net income.

Table of Contents

Diluted earnings per common share in 2011 was substantially lower than the amounts for the corresponding periods of 2010 and 2009 due to decreases in net income, as well as increases in the weighted average number of outstanding common shares. The increase in outstanding shares during 2011 was primarily attributable to the issuance of 294 million shares in connection with the Qwest acquisition on April 1, 2011 and the issuance of 14.313 million shares in connection with the Savvis acquisition on July 15, 2011.

The following table summarizes our broadband subscribers and access lines:

	Years Ended December 31,		
	2011	2010	2009
	(in thousands)		
Operational metrics:			
Broadband subscribers	5,554	2,349	2,186
Access lines	14,584	6,489	7,025

During the last several years, we have experienced revenue declines primarily due to declines in access lines, intrastate access rates and minutes of use. Prior to our acquisition, Qwest had experienced similar declines in its revenues. To mitigate these declines, we remain focused on efforts to, among other things:

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

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

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

pursue acquisitions of additional communications properties if available at attractive prices;

increase usage of our networks; and

market our products and services to new customers.

Operating Revenues

During 2011, we revised the way we categorize our products and services. We currently categorize our products, services and revenues among the following four categories:

Strategic services, which include primarily private line (including special access which we market to business customers who require dedicated equipment to transmit large amounts of data between sites), broadband, hosting (including cloud hosting and managed hosting), colocation, multi protocol line switching (MPLS) (which is a data networking technology that can deliver the quality of service required to support real-time voice and video), video (including DIRECTV), voice over Internet Protocol (VoIP) and Verizon Wireless services;

