

**The Public Utilities Commission of Ohio**  
**TELECOMMUNICATIONS APPLICATION FORM for ROUTINE PROCEEDINGS**  
(Effective: 01/18/2008)

In the Matter of the Joint Application of Qwest )  
Communications International, Inc. and CenturyLink, Inc. for )  
Approval of Indirect Transfer of Control of Qwest )  
Communications Company, LLC )

TRF Docket No. 90-

Case No. 10 - 0717 - **TP** - ACO

**NOTE:** Unless you have reserved a Case # or are filing a Contract, leave the "Case No" fields **BLANK**.

Name of Registrant(s) CenturyLink, Inc.

DBA(s) of Registrant(s) CenturyLink

Address of Registrant(s) P.O. Box 4065 Monroe, LA 71211

Company Web Address www.centurylink.com

Regulatory Contact Person(s) Gary Baki

Phone 614-220-8629

Fax 614-224-3902

Regulatory Contact Person's Email Address gary.s.baki@centurylink.com

Contact Person for Annual Report Mike Mohr

Phone 913-345-7625

Address (if different from above) \_\_\_\_\_

Consumer Contact Information Donna Powell

Phone 800-238-3095

Address (if different from above) CenturyLink Executive and Regulatory Services, Tarboro NC 27886

**And:**

Name of Registrant(s) Qwest Communications International, Inc.

DBA(s) of Registrant(s) None

Address of Registrant(s) 1801 California Street, Suite 5100, Denver, CO 80202

Company Web Address www.qwest.com

Regulatory Contact Person(s) Margie Herlth

Phone: 303-383-6680

Fax: 303-298-8197

Regulatory Contact Person's Email Address marjorie.herlth@qwest.com

Contact Person for Annual Report Christine Motz

Phone:

402-422-7219

Address (if different from above) 1314 Douglas St., 13<sup>th</sup> Floor, Omaha, NE 68102

Consumer Contact Information Roberto Dominguez

Phone: 866-440-8959

Address (if different from above) 1801 California Street, 4<sup>th</sup> Floor, Denver, CO 80202

Motion for protective order included with filing? ☐ Yes ☒ No

Motion for waiver(s) filed affecting this case? ☐ Yes ☒ No [Note: Waivers may toll any automatic timeframe.]

**Section I – Pursuant to Chapter 4901:11-6 OAC – Part I – Please indicate the Carrier Type and the reason for submitting this form by checking the boxes below. *CMRS providers: Please see the bottom of Section II.***

**NOTES:** (1) For requirements for various applications, see the identified section of Ohio Administrative Code Section 4901 and/or the supplemental application form noted.

(2) Information regarding the number of copies required by the Commission may be obtained from the Commission's web site at [www.puco.ohio.gov](http://www.puco.ohio.gov) under the docketing information system section, by calling the docketing division at 614-466-4095, or by visiting the docketing division at the offices of the Commission.

Carrier Type <input type="checkbox"/> Other (explain below)	<input type="checkbox"/> ILEC	<input checked="" type="checkbox"/> CLEC	<input type="checkbox"/> CTS	<input type="checkbox"/> AOS/IOS
<b>Tier 1 Regulatory Treatment</b>				
Change Rates within approved Range	<input type="checkbox"/> TRF <u>1-6-04(B)</u> (0 day Notice)	<input type="checkbox"/> TRF <u>1-6-04(B)</u> (0 day Notice)		
New Service, expanded local calling area, correction of textual error	<input type="checkbox"/> ZTA <u>1-6-04(B)</u> (0 day Notice)	<input type="checkbox"/> ZTA <u>1-6-04(B)</u> (0 day Notice)		
Change Terms and Conditions, Introduce non-recurring service charges	<input type="checkbox"/> ATA <u>1-6-04(B)</u> (Auto 30 days)	<input type="checkbox"/> ATA <u>1-6-04(B)</u> (Auto 30 days)		
Introduce or Increase Late Payment or Returned Check Charge	<input type="checkbox"/> ATA <u>1-6-04(B)</u> (Auto 30 days)	<input type="checkbox"/> ATA <u>1-6-04(B)</u> (Auto 30 days)		
Business Contract	<input type="checkbox"/> CTR <u>1-6-17</u> (0 day Notice)	<input type="checkbox"/> CTR <u>1-6-17</u> (0 day Notice)		
Withdrawal	<input type="checkbox"/> ATW <u>1-6-12(A)</u> (Non-Auto)	<input type="checkbox"/> ATW <u>1-6-12(A)</u> (Auto 30 days)		
Raise the Ceiling of a Rate	Not Applicable	<input type="checkbox"/> SLF <u>1-6-04(B)</u> (Auto 30 days)		
<b>Tier 2 Regulatory Treatment</b>				
Residential - Introduce non-recurring service charges	<input type="checkbox"/> TRF <u>1-6-05(E)</u> (0 day Notice)	<input type="checkbox"/> TRF <u>1-6-05(E)</u> (0 day Notice)		
Residential - Introduce New Tariffed Tier 2 Service(s)	<input type="checkbox"/> TRF <u>1-6-05(C)</u> (0 day Notice)	<input type="checkbox"/> TRF <u>1-6-05(C)</u> (0 day Notice)	<input type="checkbox"/> TRF <u>1-6-05(C)</u> (0 day Notice)	
Residential - Change Rates, Terms and Conditions, Promotions, or Withdrawal	<input type="checkbox"/> TRF <u>1-6-05(E)</u> (0 day Notice)	<input type="checkbox"/> TRF <u>1-6-05(E)</u> (0 day Notice)	<input type="checkbox"/> TRF <u>1-6-05(E)</u> (0 day Notice)	
Residential - Tier 2 Service Contracts	<input type="checkbox"/> CTR <u>1-6-17</u> (0 day Notice)	<input type="checkbox"/> CTR <u>1-6-17</u> (0 day Notice)	<input type="checkbox"/> CTR <u>1-6-17</u> (0 day Notice)	
Commercial (Business) Contracts	Not Filed	Not Filed	Not Filed	
Business Services (see "Other" below)	Detariffed	Detariffed	Detariffed	
Residential & Business Toll Services (see "Other" below)	Detariffed	Detariffed	Detariffed	

## Section I – Part II – Certificate Status and Procedural

Certificate Status	ILEC	CLEC	CTS	AOS/IOS
Certification (See Supplemental ACE form)		<input type="checkbox"/> ACE 1-6-10 (Auto 30 days)	<input type="checkbox"/> ACE 1-6-10 (Auto 30 days)	<input type="checkbox"/> ACE 1-6-10 (Auto 30 days)
Add Exchanges to Certificate	<input type="checkbox"/> ATA 1-6-09(C) (Auto 30 days)	<input type="checkbox"/> AAC 1-6-10(F) (0 day Notice)	CLECs must attach a current CLEC Exchange Listing Form	
Abandon all Services - With Customers	<input type="checkbox"/> ABN 1-6-11(A) (Non-Auto)	<input type="checkbox"/> ABN 1-6-11(A) (Auto 90 day)	<input type="checkbox"/> ABN 1-6-11(B) (Auto 14 day)	<input type="checkbox"/> ABN 1-6-11(B) (Auto 14 day)
Abandon all Services - Without Customers		<input type="checkbox"/> ABN 1-6-11(A) (Auto 30 days)	<input type="checkbox"/> ABN 1-6-11(B) (Auto 14 day)	<input type="checkbox"/> ABN 1-6-11(B) (Auto 14 day)
Change of Official Name (See below)	<input type="checkbox"/> ACN 1-6-14(B) (Auto 30 days)	<input type="checkbox"/> ACN 1-6-14(B) (Auto 30 days)	<input type="checkbox"/> CIO 1-6-14(A) (0 day Notice)	<input type="checkbox"/> CIO 1-6-14(A) (0 day Notice)
Change in Ownership (See below)	<input type="checkbox"/> ACO 1-6-14(B) (Auto 30 days)	<input checked="" type="checkbox"/> ACO 1-6-14(B) (Auto 30 days)	<input type="checkbox"/> CIO 1-6-14(A) (0 day Notice)	<input type="checkbox"/> CIO 1-6-14(A) (0 day Notice)
Merger (See below)	<input type="checkbox"/> AMT 1-6-14(B) (Auto 30 days)	<input type="checkbox"/> AMT 1-6-14(B) (Auto 30 days)	<input type="checkbox"/> CIO 1-6-14(A) (0 day Notice)	<input type="checkbox"/> CIO 1-6-14(A) (0 day Notice)
Transfer a Certificate (See below)	<input type="checkbox"/> ATC 1-6-14(B) (Auto 30 days)	<input type="checkbox"/> ATC 1-6-14(B) (Auto 30 days)	<input type="checkbox"/> CIO 1-6-14(A) (0 day Notice)	<input type="checkbox"/> CIO 1-6-14(A) (0 day Notice)
Transaction for transfer or lease of property, plant or business (See below)	<input type="checkbox"/> ATR 1-6-14(B) (Auto 30 days)	<input type="checkbox"/> ATR 1-6-14(B) (Auto 30 days)	<input type="checkbox"/> CIO 1-6-14(A) (0 day Notice)	<input type="checkbox"/> CIO 1-6-14(A) (0 day Notice)
<b>Procedural</b>				
Designation of Process Agent(s)	<input type="checkbox"/> TRF (0 day Notice)	<input type="checkbox"/> TRF (0 day Notice)	<input type="checkbox"/> TRF (0 day Notice)	<input type="checkbox"/> TRF (0 day Notice)

## Section II – Carrier to Carrier (Pursuant to 4901:1-7), CMRS and Other

Carrier to Carrier	ILEC	CLEC		
Interconnection agreement, or amendment to an approved agreement	<input type="checkbox"/> NAG 1-7-07 (Auto 90 day)	<input type="checkbox"/> NAG 1-7-07 (Auto 90 day)		
Request for Arbitration	<input type="checkbox"/> ARB 1-7-09 (Non-Auto)	<input type="checkbox"/> ARB 1-7-09 (Non-Auto)		
Introduce or change c-t-c service tariffs,	<input type="checkbox"/> ATA 1-7-14 (Auto 30 day)	<input type="checkbox"/> ATA 1-7-14 (Auto 30 day)		
Introduce or change access service pursuant to 07-464-TP-COI	<input type="checkbox"/> ATA (Auto 30 day)			
Request rural carrier exemption, rural carrier suspension or modification	<input type="checkbox"/> UNC 1-7-04 or 1-7-05 (Non-Auto)	<input type="checkbox"/> UNC 1-7-04 or 1-7-05 (Non-Auto)		
Pole attachment changes in terms and conditions and price changes.	<input type="checkbox"/> UNC 1-7-23(B) (Non-Auto)	<input type="checkbox"/> UNC 1-7-05 (Non-Auto)		
<b>CMRS Providers</b> See 4901:1-6-15	<input type="checkbox"/> RCC [Registration & Change in Operations] (0 day)		<input type="checkbox"/> NAG [Interconnection Agreement or Amendment] (Auto 90 days)	
<b>Other*</b> (explain) _____				

\*NOTE: During the interim period between the effective date of the rules and an Applicant's Detariffing Filing, changes to existing business Tier 2 and all toll services, including the addition of new business Tier 2 and all new toll services, will be processed as 0-day TRF filings, and briefly described in the "Other" section above.

All Section I and II applications that result in a change to one or more tariff pages require, at a minimum, the following exhibits. Other exhibits may be required under the applicable rule(s). ACN, ACO, AMT, ATC, ATR and CIO applications see the 4901:1-6-14 Filing Requirements on the Commission's Web Page for a complete list of exhibits.

Exhibit	Description:
A	The tariff pages subject to the proposed change(s) as they exist before the change(s)
B	The Tariff pages subject to the proposed change(s), reflecting the change, with the change(s) marked in the right margin.
C	A short description of the nature of the change(s), the intent of the change(s), and the customers affected.
D	A copy of the notice provided to customers, along with an affidavit that the notice was provided according to the applicable rule(s).

Section III. – Attestation

Registrant hereby attests to its compliance with pertinent entries and orders issued by the Commission.

**AFFIDAVIT**

*Compliance with Commission Rules and Service Standards*

I am an officer/agent of the applicant corporation \_\_\_\_\_, and am authorized to make this statement on its behalf.  
(Name)

I attest that these tariffs comply with all applicable rules, including the Minimum Telephone Service Standards (MTSS) Pursuant to Chapter 4901:1-5 OAC for the state of Ohio. I understand that tariff notification filings do not imply Commission approval and that the Commission's rules, including the Minimum Telephone Service Standards, as modified and clarified from time to time, supersede any contradictory provisions in our tariff. We will fully comply with the rules of the state of Ohio and understand that noncompliance can result in various penalties, including the suspension of our certificate to operate within the state of Ohio.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on (Date) \_\_\_\_\_ at (Location) \_\_\_\_\_

\*(Signature and Title) \_\_\_\_\_ (Date) \_\_\_\_\_

- This affidavit is required for every tariff-affecting filing. It may be signed by counsel or an officer of the applicant, or an authorized agent of the applicant

**VERIFICATION**

I, Joseph R. Stewart

verify that I have utilized the Telecommunications Application Form for Routine Proceedings provided by the Commission and that all of the information submitted here, and all additional information submitted in connection with this case, is true and correct to the best of my knowledge.

\*(Signature and Title) Joseph R. Stewart, Senior Counsel (Date) 5-27-10  
And:

I, Adam L. Sherr

verify that I have utilized the Telecommunications Application Form for Routine Proceedings provided by the Commission and that all of the information submitted here, and all additional information submitted in connection with this case, is true and correct to the best of my knowledge.

\*(Signature and Title) Adam L. Sherr (Date) 5-25-10  
Associate General Counsel

\_\_\_\_\_  
\*Verification is required for every filing. It may be signed by counsel or an officer of the applicant, or an authorized agent of the applicant

Send your completed Application Form, including all required attachments as well as the required number of copies, to:

Public Utilities Commission of Ohio  
Attention: Docketing Division  
180 East Broad Street, Columbus, OH 43215-3793

Or

Make such filing electronically as directed in Case No 06-900-AU-WVR

## List of Exhibits

1. Exhibit 1 - Certificate of Good Standing.
2. Exhibit 2 - List of names, addresses and phone numbers of Officers and Directors.
3. Exhibit 3 - Description of, and rationale for, transaction.
4. Notices: Because the transaction is transparent to customers, no notice is required.

**United States of America  
State of Ohio  
Office of the Secretary of State**

***I, Jennifer Brunner, do hereby certify that I am the duly elected, qualified and present acting Secretary of State for the State of Ohio, and as such have custody of the records of Ohio and Foreign business entities; that said records show QWEST COMMUNICATIONS COMPANY, LLC, a Delaware For Profit Limited Liability Company, Registration Number 871366, filed on May 04, 1994, is currently in FULL FORCE AND EFFECT upon the records of this office.***



*Witness my hand and the seal of the  
Secretary of State at Columbus, Ohio  
this 11th day of May, A.D. 2010*

A handwritten signature in cursive script, appearing to read "Jennifer Brunner".

Ohio Secretary of State

Validation Number: V2010131M034D4

Management Structure						
Qwest Communications Company, LLC						
Entity Name	LLC					
Exported On	5/11/2010					
Name	Title	Address	Phone Number	Hire Date	Status	
Qwest Services Corporation	Member	1801 California Street Denver, CO 80202	303-992-1800	1/2/2008	Active	
Mueller, Edward A	Chief Executive Officer	1801 California Street Denver, CO 80202	303-992-1414	3/2/2009	Active	
Taylor, Teresa A	Executive Vice President & Chief Operating Officer	1801 California Street Denver, CO 80202	303-992-5020	8/31/2009	Active	
Baz, Richard M	Executive Vice President, General Counsel and Chief Administrative Officer	1801 California Street Denver, CO 80202	303-992-4136	3/2/2009	Active	
Eubank, Joseph J	Executive Vice President & Chief Financial Officer	1801 California Street Denver, CO 80202	303-992-1467	3/2/2009	Active	
Thompson, Robert R	Executive Vice President - Wholesale Markets	1801 California Street Denver, CO 80202	303-992-1938	3/2/2009	Active	
Yost, Charles Daniel	Executive Vice President - Mass Markets	1801 California Street Denver, CO 80202	303-992-4082	5/3/2009	Active	
Combs, Stephanie G	Executive Vice President - Corporate Strategy	1801 California Street Denver, CO 80202	303-992-3073	3/2/2009	Active	
Tregemba, Robert D	Executive Vice President - Network Operations	1801 California Street Denver, CO 80202	303-707-8613	3/2/2009	Active	
Amzell, Christopher K	Executive Vice President - Business Markets Group	1801 California Street Denver, CO 80202	303-992-0910	8/31/2009	Active	
Johnston, R. William (Bill)	Senior Vice President, Controller and Chief Accounting Officer	1801 California Street Denver, CO 80202	303-992-3181	3/2/2009	Active	
Porter, Rahn W	Senior Vice President & Treasurer	1801 California Street Denver, CO 80202	303-992-5036	3/2/2009	Active	
Habach, Patrick J	Vice President and Assistant Controller	1801 California Street Denver, CO 80202	303-992-0403	3/2/2009	Active	
Ollinger, Andrew	Vice President - Corporate Tax	1801 California Street Denver, CO 80202	303-308-5636	3/2/2009	Active	
Vac, Nhung K	Vice President & Assistant Treasurer	1801 California Street Denver, CO 80202	303-992-7844	9/16/2009	Active	
Brie, Stephen E	Vice President and Secretary	1801 California Street Denver, CO 80202	303-992-6010	3/2/2009	Active	
McCluskey, Margaret	Assistant Secretary	1801 California Street Denver, CO 80202	303-992-6235	3/2/2009	Active	

# Exhibit 2

Name	Title	Address	Phone Number	Role Start	Status
Pedersen, Christian A.	Assistant Secretary	1801 California Street Denver, CO 80202	303.992-6011	3/2/2009	Active
Randazzo, Joan E.	Assistant Secretary	1801 California Street Denver, CO 80202	303.992-6010	3/2/2009	Active



**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

Joint Application of Qwest Communications  
International, Inc. and CenturyTel, Inc. for  
Approval of Indirect Transfer of Control of  
Qwest Communications Company, LLC

CASE NO. 10-0717-TP-ACO

**APPLICATION FOR EXPEDITED APPROVAL  
OF INDIRECT TRANSFER OF CONTROL OF QWEST COMMUNICATIONS  
COMPANY, LLC**

Qwest Communications International, Inc. (“QCII” or “Qwest”) and CenturyTel, Inc (“CenturyLink”), respectfully request the approval of the indirect transfer of control of QCII’s operating subsidiary, Qwest Communications Company, LLC (“QCC”) to CenturyLink (“the Transaction”). The Transaction meets the requirements of Ohio Rev. Code § 4905.402 and will result in a combined company with greater network and financial resources to provide voice, broadband data, and other advanced communications services to Ohio customers. The combination will result in a company that will have the national breadth and local depth to provide a compelling array of products and services to its customers. The Applicants therefore request that the Commission approve this Application expeditiously and without a hearing to allow Applicants to timely consummate the Transaction. In support, the Applicants state as follows:

**I. INTRODUCTION**

The Transaction combines two leading communications companies with customer-focused, industry-leading capabilities, together with complementary networks and operating

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<sup>1</sup> CenturyTel, Inc. changed its name to “CenturyLink, Inc.” with shareholder approval on May 20, 2010.

footprints. The Transaction is a stock-for-stock transaction that requires no new financing or refinancing and adds no new debt. It will provide the combined company with greater financial resources and access to capital enabling it to invest in networks, systems and employees that can reach more customers with a broad range of innovative products and voice, data and entertainment services over an advanced network. The combination creates a robust, national approximately 180,000 mile fiber network that will allow CenturyLink to meet increasing data traffic demands for robust content and deliver strategic and customized product solutions to business, wholesale, and government customers throughout the nation by combining Qwest's significant national fiber-optic network and data centers and CenturyLink's core fiber network. The Transaction provides the financial, managerial and operational strength to better position the company to offer more customers the full array of broadband products and video entertainment that will enable the company to compete against cable companies and technology substitution within its local regions. Approving the Transaction will promote public convenience and result in the provision of adequate service for a reasonable rate, rental, toll, or charge.

## **II. THE TRANSACTION**

On April 21, 2010, Qwest Communications International, Inc., CenturyTel, Inc., and SB44 Acquisition Company ("Acquisition Company") entered into an Agreement and Plan of Merger ("Merger Agreement") which describes the Transaction.<sup>2</sup> CenturyLink is a publicly traded holding company with incumbent local exchange operations in 33 states, including Ohio. Qwest Communications International, Inc. is a publicly traded holding company with incumbent local exchange operations in 14 western and midwestern states and nationwide competitive local

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

### EXHIBIT 3

exchange and interexchange operations. Acquisition Company is a direct, wholly-owned subsidiary of CenturyLink created to effectuate this Transaction. Under the terms of the Merger Agreement, QCII and Acquisition Company will merge, after which QCII will be the surviving entity, and the separate corporate existence of Acquisition Company will cease.<sup>3</sup> Also following completion of the Transaction, four directors from the QCII Board will be added to the CenturyLink Board of Directors, including Edward A. Mueller, QCII's Chairman and Chief Executive Officer (CEO). This addition will increase the number of CenturyLink directors from 13 pre-Transaction to 17 post-Transaction.

Under the terms of the Merger Agreement, QCII will become a wholly-owned, first tier subsidiary of CenturyLink. Attachment 1 of this Application depicts the pre- and post-Transaction corporate structure. As shown, there will be no change in corporate structure of the respective CenturyLink and Qwest operating entities as a result of the Transaction. QCC will remain a subsidiary of QCII. Further, because this Transaction is a combination involving the parent company only, it is not a transaction in which the operating company or assets are being sold, combined, or transferred to a new provider.

The Transaction is a tax free, stock-for-stock business deal with no new debt or refinancing required. Shareholders of QCII will receive 0.1664 shares of CenturyLink for each share of QCII common stock owned at closing. Upon closing, the shareholders of pre-merger CenturyLink will own approximately 50.5% of post-merger CenturyLink and the shareholders of pre-merger QCII will own approximately 49.5% of post-merger CenturyLink. CenturyLink will issue new stock to acquire QCII; it is not paying cash or financing the Transaction through debt.

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<sup>3</sup> QCII will adopt the By-Laws and Certificate of Incorporation of Acquisition Company.

## EXHIBIT 3

The Transaction is a straightforward combination and strengthening of companies that will maintain and enhance current operations. In fact, it has none of the financial or tax structure complexities or characteristics of other recent transactions that have been the subject of criticism by some state commissions. To the contrary, this Transaction does not involve the sale and transfer of regulated companies, exchanges, or assets from one entity to another or the assumption of new debt or refinancing.

The Transaction contemplates a parent-level transfer of control of QCII only. QCC and the CenturyLink entities will continue as separate certificated carriers and each will continue to have the requisite managerial, technical, and financial capability to provide services to their customers. Immediately upon completion of the Transaction, customers will continue to receive service from the same carrier, at the same rates, terms, and conditions and under the same tariffs, price plans, and other regulatory obligations as immediately prior to the Transaction; as such, the Transaction will be transparent to the customers.<sup>4</sup> Any subsequent service or price changes will be made, just as they are now, in accordance with all applicable rules and laws.<sup>5</sup> Moreover, the Transaction does not alter or change the jurisdiction of the Commission over QCC and it remains subject to the same obligations.

### III. PARTIES

#### A. Description of CenturyLink

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<sup>4</sup> The name or d/b/a of one or more entities may change at some future date as a result of the Transaction. At that time, any state-required registrations, filings, or notifications will be provided.

<sup>5</sup> In view of the current rapidly changing communications market, any provider, including post-Transaction CenturyLink, must constantly review its pricing strategy and product mix to respond to marketplace and consumer demands. While rates, terms and conditions will be the same immediately after the Transaction as immediately before the Transaction, prices and product mixes necessarily will change over time as marketplace, technology, and business demands dictate. The affected entities will make such changes only following full compliance with all applicable rules and laws.

### EXHIBIT 3

CenturyLink is a publicly traded Louisiana corporation with headquarters at 100 CenturyLink Drive, Monroe, Louisiana. CenturyLink is included in the Fortune 500's list of America's largest corporations. CenturyLink is a leading provider of high-quality voice and broadband services over its advanced communications networks to consumers and businesses in 33 states.<sup>6</sup> CenturyLink serves approximately 7 million access lines nationwide, 2.2 million broadband subscribers, and over 553,000 video subscribers.<sup>7</sup> CenturyLink has a successful history of providing services to rural America and has evolved into a company that serves every segment of the consumer and business markets through a complete array of voice and data services.

CenturyLink has a local, community-based approach to serving its customers. This community-based approach focuses on allocating decision-making and accountability close to its customer base, under the philosophy that services, bundles, or pricing should suit the customer needs of the particular local area or market. This local market focus allows flexibility and responsiveness in the development of products and bundles to be offered in different geographic areas and has been a proven success. CenturyLink intends to continue and extend its community-based focus under the newly combined company.

CenturyLink has an established track record of successfully integrating companies, including its most recent acquisition of Embarq Corporation. Previous to the Embarq acquisition, CenturyLink had executed on five other transactions wherein it acquired more than two million access lines. And in 2003 and 2005, CenturyLink had acquired significant fiber assets, which are now part of a nationwide, core fiber network that is a key enabler for IPTV and other data traffic. CenturyLink employs a best-in-class view towards company integration, combining the finest

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<sup>6</sup> In addition to Ohio, CenturyLink is an incumbent local exchange provider in Louisiana, Washington, Oregon, Idaho, Montana, Wyoming, Nebraska, Minnesota, Iowa, New Mexico, Colorado, Nevada, Indiana, Michigan, Illinois, Wisconsin, Pennsylvania, New Jersey, Tennessee, Virginia, North Carolina, South Carolina, Florida, Georgia, Alabama, Mississippi, Texas, Arkansas, Oklahoma, Missouri, Kansas, and California.

<sup>7</sup> As of December 31, 2009.

talent and most efficient and successful practices of the two merging companies. In consideration of the talent pool of employees, services, innovation, and commitment to service quality that currently reside in both CenturyLink and Qwest, the combined and integrated company will have an augmented supply of human and technological resources to service rural and urban customers.

Through its ILEC subsidiaries in Ohio, CenturyLink serves approximately 387,000 access lines and provides intrastate interexchange services. These subsidiaries provide regulated retail and wholesale services under the jurisdiction of this Commission. They also provide interconnection services to CLECs through numerous interconnection agreements approved by this Commission.

**B. Description of Qwest**

Qwest Communications International, Inc. is a publicly traded Delaware corporation, with headquarters at 1801 California Street, Denver, Colorado. QCII, through its operating subsidiaries, offers a complete suite of communications services to consumers and businesses, including local, long distance, high speed data, and, through sales relationships with Verizon Wireless and DIRECTV, wireless and video services. QCII is in the Fortune 500's list of America's largest corporations.<sup>8</sup> With its industry-leading national fiber-optic network and world-class customer service, Qwest is the choice of 95% of Fortune 500 companies, offering a full suite of network, data, and voice services for small businesses, large businesses, government agencies, and wholesale customers. Through its subsidiary, Qwest Corp, QCII has incumbent local exchange services in 14 western and midwestern states, serving approximately 10.3 million local access lines.<sup>9</sup>

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<sup>8</sup> QCII's most recent 10K filing to the Securities and Exchange Commission is a public document, available at: : <http://www.fuelteam.wallst.com/modules/secfilings/drawFiling.asp?docKey=136-000119312510032428-1CV9M1A0LSA5RAV3V7GT46DI4S&formType=10-K&date=2/16/2010&docFormat=PDF>

<sup>9</sup> Access lines as of December 31, 2009.

### EXHIBIT 3

Pursuant to re-issued CPCN Certificate No. 90-9005, QCC is authorized by this Commission to provide long distance and competitive local exchange services. In addition to Ohio, QCC provides facilities-based and resold interexchange and competitive local exchange operations nationwide.<sup>10</sup> QCC predominantly provides interexchange services (both retail and wholesale) in Ohio. While QCC serves a handful of business local exchange customers, the vast majority of its customers and revenues stems from long distance voice and data products.

Communications and correspondence for the proceeding herein should be sent to the following individuals:

**On behalf of CenturyLink:**

Joseph R. Stewart, Senior Counsel  
CenturyLink  
50 W. Broad St., Ste. 3600  
Columbus, OH 43215  
614.220.8625 voice  
614.224.3902 fax  
614.975.5637 mobile  
e-mail: [joseph.r.stewart@centurylink.com](mailto:joseph.r.stewart@centurylink.com)

**On behalf of Qwest:**

Adam L. Sherr  
Associate General Counsel, Qwest  
1600 7th Avenue, Room 1506  
Seattle, WA 98191  
206.398.2507 voice  
206.343.4040 fax  
206.551.7615 mobile  
e-mail: [adam.sherr@qwest.com](mailto:adam.sherr@qwest.com)

#### IV. STANDARD OF REVIEW

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<sup>10</sup> QCC is authorized to provide interexchange services in all states and is authorized as a competitive local exchange carrier in the District of Columbia and all states except Alaska.

Ohio Rev. Code § 4905.402 defines the standards the Transaction must meet for the Commission to approve it. In approving this Transaction, the Commission must consider whether the Transaction will promote public convenience and result in the provision of adequate service for a reasonable rate, rental, toll, or charge.” The transfer of control of the parent of QCC satisfies all applicable criteria.

**V. THE TRANSACTION MEETS THE CRITERIA OF OHIO REV. CODE § 4905.402.**

As explained in the attached testimonies of Duane Ring and Lisa Hensley Eckert the Transaction is in the public interest and will provide benefits to consumers of the combined company without any countervailing harms. The communications industry has changed dramatically in the last several years, and the industry continues to experience change at a frenetic pace. Competition, and particularly intermodal competition, is widespread with wireless and wireline carriers competing vigorously for customers. Local wireline carriers face increasing competition from other providers of voice services and from cable operators providing voice, video, and data offerings. As a result of this robustly competitive market environment and the rapidly changing fundamentals of the wireline business, carriers such as Qwest and CenturyLink must adapt to compete more effectively. Wireline businesses now require greater strategic flexibility to bring new products and expanded services to the marketplace more quickly and to enhance customer service. These evolving market dynamics place unique pressures on companies such as Qwest and CenturyLink. The financial strength and flexibility, the more diverse mix of product offerings, the increased scale and stronger product portfolio and the approximately 180,000-mile fiber network combine to position the post-Transaction CenturyLink to better respond to customer demand and effectively compete and provide attractive service and product



### EXHIBIT 3

options for its customer base in a way that meets the unique needs of business, wholesale, government, and residential customers.

Qwest and CenturyLink have complementary local and long distance markets and a strong tradition of customer-centric approach. CenturyLink's regional operating model and targeted marketing focus coupled with Qwest's industry-leading network and strong business, government, and wholesale focus will position the combined company to improve and expand deployment of innovative IP products and services to business customers, to expand broadband availability and increased broadband speeds to consumers, to deploy additional fiber-to-the-cell capabilities, and to offer new video choices to better serve customers.

The communications industry has been, and is expected in the future to be, the subject of rapid and fundamental changes in technology, customer preferences, and the competitive landscape. Rapid changes in technology and customer preferences require equally rapid responses and execution strategies by telecommunications carriers. To respond rapidly and succeed most effectively in this competitive market environment, carriers must have a strategic focus on providing products and services that differentiate them in the market, and they need sufficient scale to execute upon their strategic focus. Even a carrier that knows its customers' preferences cannot compete effectively in today's marketplace without sufficient size and scope to match those preferences with suitable products or services offered at affordable rates. The Transaction will result in a combined enterprise that can achieve greater economies of scale and scope than the two companies operating independently. This, in turn, will enhance the ability of the post-Transaction enterprise to focus more strategically and rapidly respond to customer preferences in providing a full portfolio of quality, advanced communications services that will differentiate the company in the markets it serves.

### EXHIBIT 3

Additionally, with CenturyLink's distinctive expertise in serving smaller, rural areas and Qwest's industry-leading national fiber-optic network, data centers, and enterprise business experience, the post-Transaction enterprise will be positioned to capitalize on its collective knowledge of its local customers' preferences and to deliver innovative technology and product offerings to both its urban and rural markets. Customers will benefit from increased access to those offerings, and the post-merger CenturyLink will benefit from retaining and attracting customers whose needs are satisfied by its offerings, service quality, and customer care. The public interest will be served by the Transaction as it will allow the new company to bring to bear the combined resources of Qwest and CenturyLink on the shared, singular focus of delivering a full portfolio of services that meet the targeted needs of the consumer, business, and wholesale customers served.

Consumers of communications services, including both residential consumers and businesses, have more choices than ever before in the market for local and long distance calling, high speed Internet and other data, video, and wireless services. Intermodal competition to provide these services is now widespread. The two companies combined will be a national telecommunications company serving approximately 17 million access lines, over 5 million broadband customers, over 1.4 million video subscribers, and 850,000 wireless customers.<sup>11</sup> As such, the Transaction will enable the combined company to become a stronger, more viable provider capable of meeting ever-evolving consumer needs competitor. At the same time, the public interest in preserving competition is not harmed as there is no meaningful reduction in competition because Qwest has no incumbent local exchange operations in Ohio. And, where competition exists currently between Qwest and CenturyLink for government or enterprise

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<sup>11</sup> Pro Forma combined customer statistics as of December 31, 2009.

### EXHIBIT 3

customers, there is an abundance of other providers from whom customers may choose, and thus the Transaction will not lessen competition materially in these markets.

Ensuring the continuation of high quality service and customer experience pre- and post-merger is vitally important. Qwest and CenturyLink understand that continuing to meet customer needs is its top priority. The Transaction will not change that focus. To the contrary, the customer service, network, and operations functions that are critical to each company's success today will continue to be key focuses when the Transaction is complete. The post-Transaction company will be staffed to ensure that continuity

As an indirect subsidiary of CenturyLink, post-Transaction QCC will maintain and enhance its capability to provide high quality telecommunications services and to introduce advanced services. Similarly, CenturyLink's operating subsidiaries will continue to provide high quality telecommunications services and to introduce advanced services post-Transaction. The increased scale, more diverse mix of offerings, and stronger product pipeline of the combined company will provide a compelling array of products and services to better serve its post-Transaction customers.

Furthermore, because this is a parent-level transaction only, with no change in the regulated entities, the Transaction will not result in the Commission's losing any of its current authority over QCC or over any CenturyLink entities. To the contrary, immediately upon completion of the Transaction, the Commission retains exactly the same regulatory authority over QCC and CenturyLink subsidiaries that the Commission possesses immediately prior to the Transaction. Nor does the Transaction result in any change to the regulatory status and current obligations of QCC and CenturyLink subsidiaries. Instead, QCC and CenturyLink subsidiaries

remain subject to any existing price regulation, service or reporting obligations, tariffing requirements, and applicable orders, rules, and regulations as they are now. Moreover, because the Transaction results in no direct change to QCC or CenturyLink entities, it is transparent to customers. For example, there is no change in services or rates as a result of the Transaction, and QCC and the CenturyLink subsidiaries will continue to provide local exchange service and to offer long distance service subject to the same rules, regulations, and applicable tariffs or price lists as they do now.<sup>12</sup> Likewise, the terms and prices for existing wholesale services under the CenturyLink ILECs' access tariffs will be unchanged, and there is no impact on the terms of any existing interconnection agreements or on any obligations under the laws governing interconnection.

## **VI. THE COMBINED COMPANY WILL MAINTAIN FINANCIAL, MANAGERIAL, AND OPERATIONAL STRENGTH.**

### **A. Financial Strength of the Combined Company**

One of the Transaction's key benefits is the resulting financial condition of the combined company. A financially stronger company can continue to provide high quality services in rural areas, compete against cable telephony providers, wireless carriers, VoIP offerings, and CLECs, develop more advanced broadband and IP-based services, and provide a more viable third alternative to the large business and enterprise services offered by AT&T and Verizon.

As explained in the attached testimony of Mark Gast, the Transaction offers the financial strength and flexibility for the operating subsidiaries of the post-Transaction CenturyLink to

---

<sup>12</sup>Future rate changes will continue to be governed by the same rules and procedures as today. In every case, the end user and wholesale obligations and regulatory requirements are subject to future modification by Commission and legislative decisions.

continue providing outstanding service and enhanced offerings to customers, while delivering returns to shareholders. For the twelve months ended December 31, 2009, the combined company would have had pro forma revenue of nearly \$20 billion, pro forma EBITDA of approximately \$8.2 billion, and pro forma free cash flow of approximately \$3.4 billion, excluding synergies. The combined company's pro forma net leverage would have been 2.2 times EBITDA for the 12 months ended December 31, 2009, including synergies on a full run-rate basis and excluding integration costs. The Transaction requires no new financing or refinancing and adds no new debt.

These attributes help insure that CenturyLink will continue to have a sound capital structure and significant free cash flow generation that will provide the fiscal stability to pursue necessary strategies and to deliver industry leading products and services to customers. As subsidiaries of the combined company, this financial strength will continue to allow QCC and the CenturyLink subsidiaries that offer service in Ohio to have the financial stability and access to capital necessary to continue to invest in networks, systems and employees and to provide reliable services in the ever-increasingly competitive telecommunications marketplace.

**B. Managerial and Technical Capabilities of the Combined Company**

The combined company's senior leadership team will consist of proven leaders with extensive experience in the telecommunications industry and a successful track record of integration. To that end, Glen F. Post, III, the current CEO and President of CenturyLink, will continue to be the CEO and President of the post-merger CenturyLink. R. Stewart Ewing, Jr. the current Chief Financial Officer (CFO) of CenturyLink, will continue to be the CFO of the post-merger CenturyLink. Karen A. Puckett, the current Chief Operating Officer (COO) of CenturyLink, will continue to be COO of post-merger CenturyLink. Finally, Christopher K.

### EXHIBIT 3

Ancell, currently the Executive Vice President of Business Markets Group for QCII, will be the President of the Business Markets Group for post-merger CenturyLink. These executives among them have nearly 100 years of experience in the telecommunications industry, and many years of leadership at their respective companies.

CenturyLink has demonstrated the very best in managerial and technical capability to serve rural and urban America, including the approximately 387,000 access lines in its franchise area in Ohio. As mentioned, Qwest and CenturyLink understand that continuing to meet customer needs is their top priority and that focus will not change. To the contrary, the customer service, network, and operations functions that are critical to each company's success today will continue to be key focuses, and the operations of QCC and CenturyLink that offer service in Ohio will continue to be managed by employees with extensive knowledge of the telecommunications business and with a commitment to the needs of the state. Similar to the CenturyTel/Embarq transaction, the planned integration for this Transaction will combine the best managerial and technical talent from both companies to serve all of the combined company's market segments. Adopting the best operational practices from the merging companies will further enhance the already strong customer centric commitment of the combined company.

Moreover, CenturyLink has a demonstrated ability to acquire and successfully integrate companies, and to combine operational systems and practices, while continuing to provide high quality service to customers. For example, integration activities related to the Embarq transaction show the successful results of careful planning and seamless execution. Financial and other operating systems have been converted and integrated. A phased billing system conversion has enabled legacy-Embarq customers to convert to CenturyLink's state of the art customer service and billing system with no degradation of the customer experience. The CenturyLink brand was

launched with minimal customer confusion, and popular products were expanded throughout the combined footprint.

In sum, the Transaction will enhance the managerial and technical capabilities of the companies to enable them to continue to provide high quality services to the customers of Ohio.

**VII. THE TRANSACTION SHOULD BE APPROVED EXPEDITIOUSLY AND WITHOUT A HEARING.**

The Joint Application is filed pursuant to Ohio Rev. Code § 4905.402(B). That section states, in pertinent part:

No person shall *acquire control, directly or indirectly, of a domestic telephone company or a holding company controlling a domestic telephone company. . .* unless that person obtains the prior approval of the public utilities commission under this section. To obtain approval the person shall file an application with the commission demonstrating that the acquisition will promote the public-convenience and result in the provision of adequate service for a reasonable rate, rental, toll or charge. The application shall contain such information as the commission may require. *If the commission considers a hearing necessary*, it may fix a time and place for hearing. If, after review of the application and after any necessary hearing, the commission is satisfied that approval of the application will promote public convenience and result in the provision of adequate service for a reasonable rate, rental, toll or charge, the commission shall approve the application and make such order as it considers proper.  
O.R.C. § 4905.402(B) (*emphasis added*).

Because the Transaction will result in a new corporate parent of the ultimate parent of QCC, § 4905.402 is applicable. But § 4905.402 (B) does not require a hearing. Instead it permits the Commission to conduct a hearing if it considers one necessary. No hearing is needed in this case because the Transaction is very straightforward.

The Commission has previously approved, without a hearing, a change in control of an Ohio local exchange company. In doing so, the Commission noted:

1. As a result of the change in control, no assignment of the certificates of authority held by the local exchange company would occur;

2. All operating subsidiaries would retain the same corporate relationship with their parent as they had prior to the merger; and
3. After the change in control, customers of the acquired company's operating subsidiaries would receive service under the same terms and conditions and pursuant to the same rates as they were receiving service prior to the transaction.<sup>13</sup>

Because the Transaction meets each of these conditions, no hearing should be held.

The Commission has appropriately exercised its jurisdiction in other cases and determined not to hold hearings when there was a change in control of an Ohio ILEC. In the proposed transaction between Sprint Corporation and MCI WorldCom, the Commission, over the objection of the OCC, determined that hearings were not necessary.<sup>14</sup> In the transaction involving the acquisition by SBC Communications of AT&T Corporation, the Commission determined that hearings were unnecessary.<sup>15</sup> And in the spin off of the Embarq Ohio subsidiaries from Sprint/Nextel, the Commission approved the change in control without a hearing.<sup>16</sup> Finally, the Commission determined that there was no need for a hearing in the merger between Embarq and CenturyTel.<sup>17</sup> Because the Transaction does not involve a change in control of an Ohio ILEC, but an indirect change in control of an IXC and CLEC only (and one with no residential local exchange customers at that), the Commission should make the same decision here and approve the Application without a hearing.

The Applicants respectfully seek expedited approval of this Application. By combining two companies with complementary network footprints and unparalleled commitment to serving

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<sup>13</sup> *In Re Joint Application of Global Crossing Ltd. And Frontier Corporation Pursuant to Section 4905.402, Revised Code, for Consent and Approval of a Transfer of Control of Frontier's Ohio Operating Subsidiaries to Global Crossing Ltd.*, Case No. 99-583-TP-AMT, Finding and Order (PUCO Aug. 12, 1999) at 3-4.

<sup>14</sup> *In the Matter of the Joint Application of MCI WorldCom, Inc. and Sprint Corporation for Approval and Transfer of Control of Sprint Corporation's Ohio Operating Subsidiaries*, Case Nos. 00-249-CT-ZCO, 00-25-TP-ACO, Finding and Order (March 2, 2000) ("MCI/Sprint Merger Order").

<sup>15</sup> *In the Matter of the Joint Application of SBC Communications, Inc. and AT&T Corporation*, Case No. 05-269-TP-ACO, Entry at 6 (May 4, 2005).

<sup>16</sup> *Joint Application of Sprint Nextel Corporation and LTD Holding Company for Approval of Transfer of Control of United Telephone Company of Ohio, Sprint Long Distance, Inc., and United Telephone Company of Indiana, Inc., from Sprint Nextel Corporation to LTD Holding Company*, Case No. 05-1040-TP-ACO, Opinion and Order (Dec. 5, 2005).

<sup>17</sup> *In the Matter of the Joint Application of CenturyTel, Inc. and Embarq Corporation for Approval of a Transfer of Control of United Telephone Company of Ohio, United Telephone Company of Indiana, Inc., and Embarq Communications, Inc.*, PUCO Case No. 08-1267-TP-ACO, Opinion and Order (Feb. 25, 2009).



their customers, the Transaction will create significant economies of scale and scope and give the combined firm greater financial strength and flexibility to compete and to ensure that the combined enterprise is well positioned to weather future economic downturns. Expedited treatment is requested to allow the Applicants to more quickly bring those benefits to its customers and shareholders.

Competitors of CenturyLink and Qwest now have the benefit of planning their competitive responses to the prospective combined company and trying to capitalize on any delay or perceived uncertainty. Expedited treatment of this Application will allow the new company to promptly engage and quickly respond to the ever-changing telecommunications marketplace.

As CenturyLink continues its integration of employees and business and network organizations as a result of its recent merger with Embarq Corporation, expedited approval of the Transaction will allow both integrations to be coordinated and more efficient. And, as with any transaction of this nature, there is also a significant benefit to providing certainty and clarity to employees that can only come with completion of the Transaction.

Accordingly, CenturyLink and Qwest respectfully request that the Commission complete its review of this Application by September 30, 2010 and approve it without a hearing.

## **VIII. CONCLUSION**

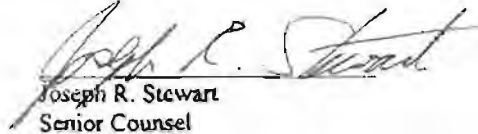
The Transaction is a straightforward, parent-level stock-for-stock transfer of control of QCII. It does not involve complex financial or tax structures nor result in additional debt or new

financing or refinancing conditions. QCC and the CenturyLink subsidiaries will continue to provide services just as they do today, but through a parent with even greater financial strength, a stronger customer-centric and regional operating model, and a robust, national fiber network that will enable it to reach more customers with a broader range of voice, broadband data, and other advanced communications services. Applicants therefore respectfully request that, pursuant to Ohio Rev. Code § 4905.402 and any other applicable law, the Commission approve: (1) the indirect transfer of control of the QCC operating subsidiary; (2) the request for expedited approval without a hearing; and (3) any other relief or approvals required by law.



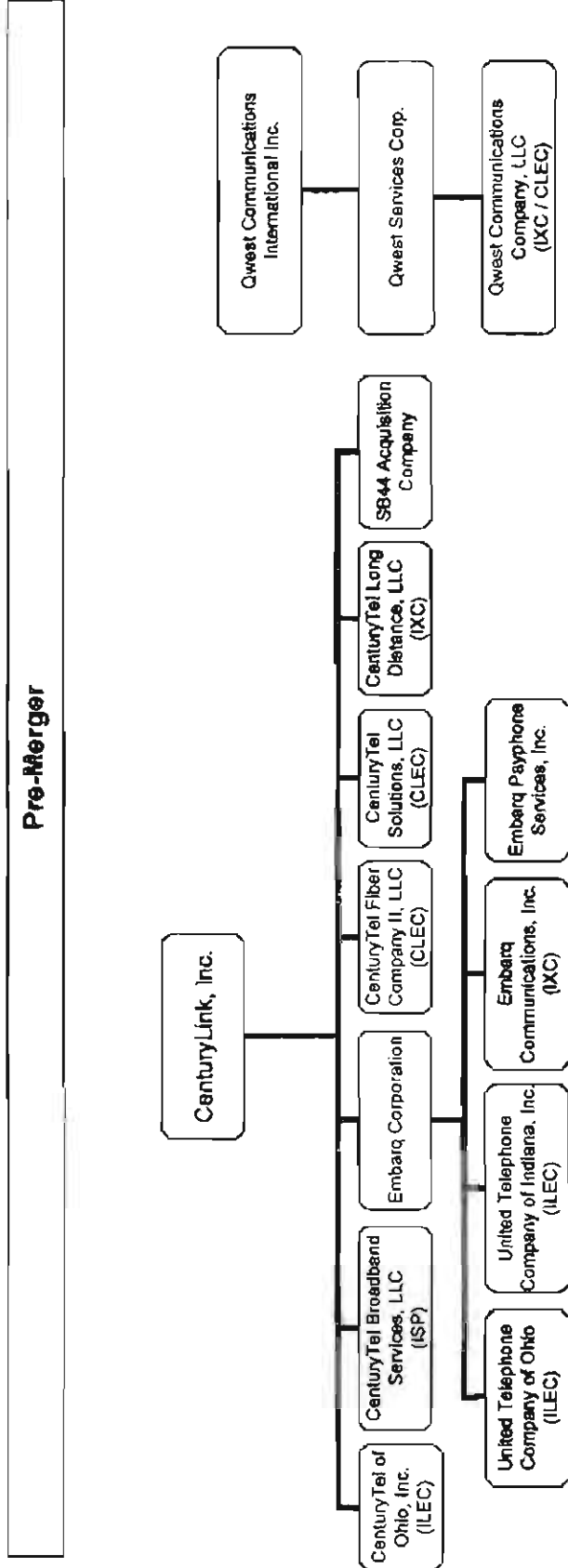
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Respectfully submitted,

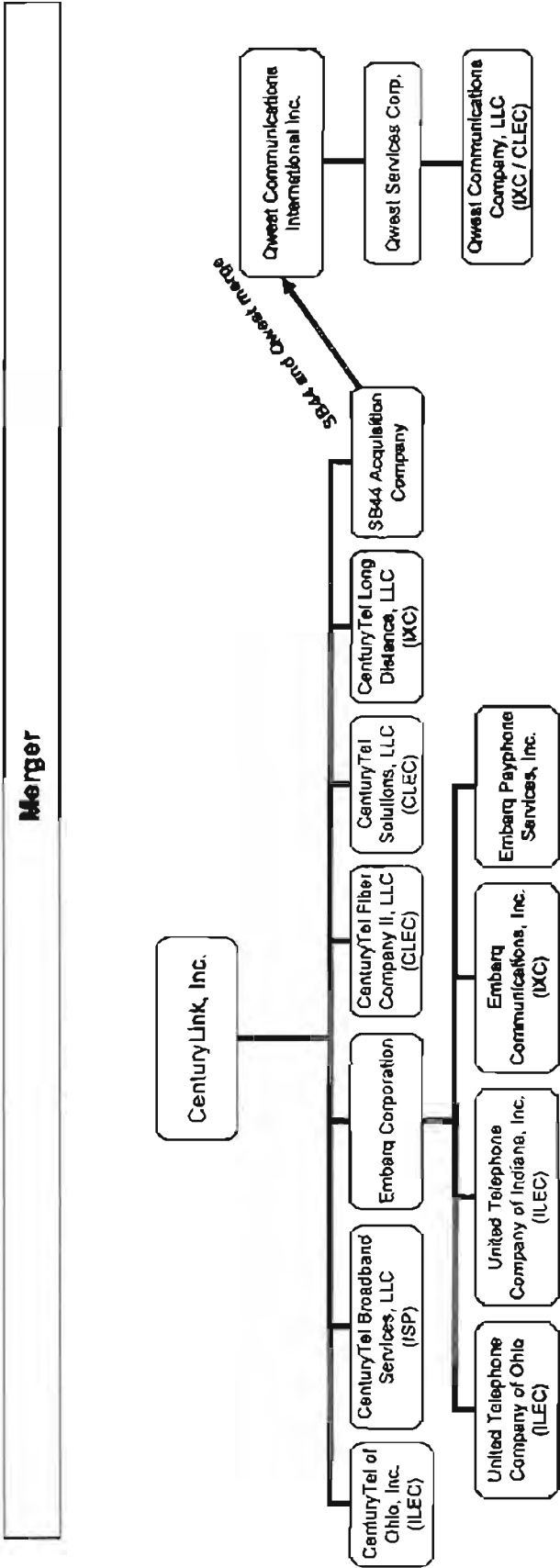


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OHIO  
Organizational Structure Diagrams



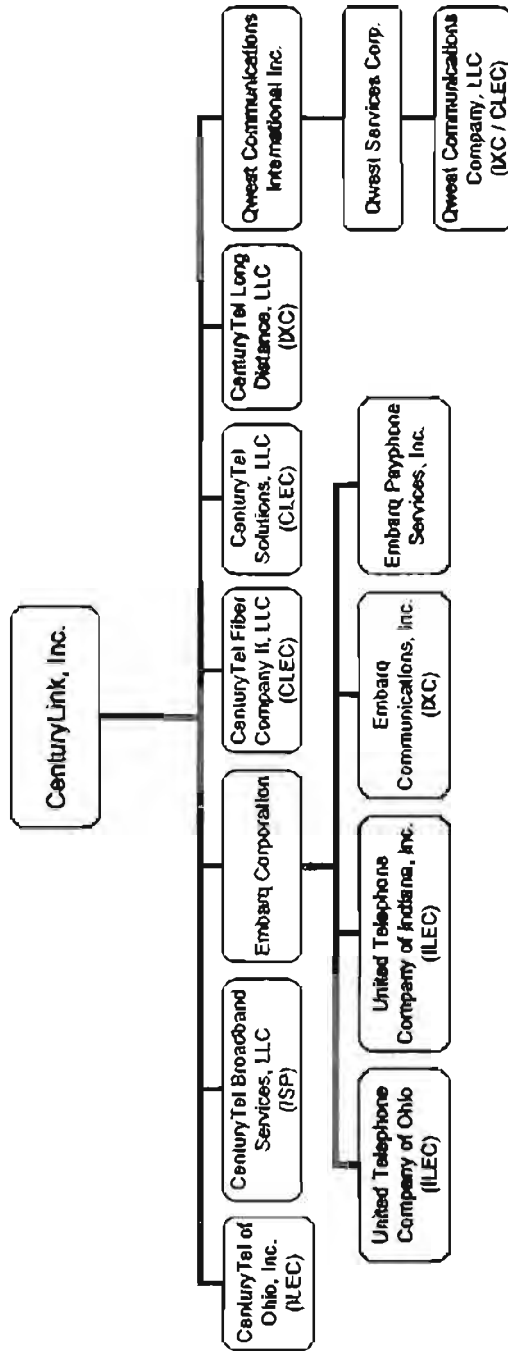
OHIO  
Organizational Structure Diagrams



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

OHIO  
Organizational Structure Diagrams

Post - Merger



**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

**Joint Application of Qwest  
Communications International, Inc. and  
CenturyLink, Inc. for Approval of Indirect  
Transfer of Control of Qwest  
Communications Company, LLC**

**CASE NO. 10-0717-TP-ACO**

**DIRECT TESTIMONY**

**OF**

**LISA HENSLEY ECKERT**

**QWEST COMMUNICATIONS COMPANY**

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1 I. IDENTIFICATION OF WITNESS

2 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION  
3 WITH QWEST CORPORATION.

4  
5 A. My name is Lisa Hensley Eckert, and my business office is 1801 California, 47<sup>th</sup>  
6 floor, Denver, CO 80202. I am employed by Qwest as a Director of Public Policy.

7 Q. PLEASE REVIEW YOUR PRESENT RESPONSIBILITIES.  
8

9 A. I am primarily responsible for Intercarrier Compensation advocacy and strategy for  
10 Qwest's in region (RBOC) and out of region (IXC and CLEC) states. This includes  
11 strategic policy on a variety of IXC and CLEC issues, both internally and  
12 externally. My responsibilities include oversight of regulatory advocacy for various  
13 issues out of region, including presentation of testimony, as in this docket.

14  
15 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND  
16 EMPLOYMENT EXPERIENCE.

17  
18 A. I obtained Bachelor of Science degrees in History, Psychology, and Physical  
19 Anthropology (general social sciences) from Kansas State University. I then  
20 attended and graduated from University of Denver College of Law in December  
21 1995 with a Juris Doctorate. I have been a member of the Colorado Bar since  
22 1996.

23 I joined US WEST (Qwest's RBOC predecessor) in 2000, as a Project Manager in  
24 the Network Organization. I then moved to the Network Technical Regulatory  
25 team from 2001 to 2003, responsible for addressing network-related questions in  
26 the various proceedings on the § 271 applications of Qwest Corporation. In  
27 particular, I worked with external auditors and internal teams to develop  
28 responses to questions regarding internal processes and procedures related to §  
29 271, while supporting the lead witnesses on material issues during the § 271  
30 process.



1 In November 2003, I accepted the position of Director in the Public Policy  
2 Organization, responsible for company-wide Intrastate Inter-carrier Compensation  
3 issues, such as switched access, reciprocal compensation, and SS7 signaling. I  
4 have developed the company-wide advocacy concerning the restructuring of  
5 access rates, its position on the subsidies included in access rates, and how  
6 reforming access should be approached at the state level. In 2006, I took on the  
7 additional responsibility of federal inter-carrier compensation advocacy. In  
8 addition, I am the policy strategist for arbitrage abatement, including access  
9 avoidance and traffic pumping. I advise the IXC and CLEC business units on a  
10 variety of issues.

## 11 **II. INTRODUCTION**

12 **Q. ON WHAT PARTY'S BEHALF ARE YOU FILING TESTIMONY IN THIS**  
13 **PROCEEDING?**

14  
15 A. I am filing testimony of behalf of Qwest Communications Company, LLC  
16 ("QCC") the IXC and CLEC affiliate of the Qwest companies.

17  
18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

19 A. The purpose of my direct testimony is to explain the services and structure of QCC  
20 in Ohio. I will describe the types of customers that QCC serves, the quantities of  
21 services purchased, the amount of facilities, and the number of employees in Ohio.  
22 In addition, I will support our application that the proposed merger transaction  
23 between CenturyLink and Qwest (the "Transaction") is in the public interest and  
24 should be approved. The combined company will be positioned to compete  
25 effectively for customers in the increasingly competitive telecommunications  
26 market, in Ohio and nationally. It is critical to understand that the Transaction will  
27 be seamless to customers, and, as I will describe, all of Qwest's current regulatory

1 obligations and its commitment to customer service will be met on a going-forward  
2 basis.

3  
4 **Q. WHAT IS QWEST'S CORPORATE STRUCTURE, AND WHAT SERVICES**  
5 **DOES QWEST PROVIDE?**

6 A. Qwest Communications International, Inc. ("QCII") is a Delaware corporation  
7 headquartered in Denver, Colorado, with shares publicly traded on the New York  
8 Stock Exchange. QCC is an indirect subsidiary of QCII and provides IXC service  
9 in all 50 states, plus Puerto Rico. QCC also has CLEC certification in all states as  
10 well as the District of Columbia, except Alaska. QCC operates a national fiber-  
11 optic network. Nationally, QCC competes with AT&T, Verizon, and others for  
12 enterprise and government customers. QCC is also one of the three primary  
13 participants in the federal government's Networkx program, along with AT&T and  
14 Verizon. QCC operates an extensive wholesale business and offers network access  
15 to other IXCs, cable companies, ISPs, and resellers. On the retail front, QCC is a  
16 provider of long distance services, in direct competition with AT&T, Verizon, and  
17 Sprint. QCC also has a small number of local business customers as well. This  
18 includes a handful of (resale-based) local business customers in Ohio. None of  
19 those Ohio customers are located in CenturyLink local exchange territory.

20  
21 In Ohio, QCC provides the same services that QCC provides nationally. QCC's  
22 primary focus is on providing long distance and data services. In 2009, a  
23 significant majority of QCC's revenues in Ohio were attributable to interstate and  
24 non-regulated services. QCC provides resold local exchange service to a very small  
25 number of Ohio business customers, but does not provide local exchange service to  
26 residential customers in Ohio.

1 QCC maintains metro fiber rings in order to provide data services for large business  
2 customers. QCC has 1,095 employees (all management) in Ohio. These employees  
3 primarily support the national long distance network and national sales functions.  
4

5 QCII's two operating company affiliates, Qwest Corporation (an RBOC in 14  
6 western and midwestern states) and QLDC (an IXC in the same 14 western states),  
7 are not certificated in Ohio and do not operate in Ohio.<sup>1</sup>  
8

9 **Q. PLEASE DESCRIBE THE QWEST ENTITIES OPERATING IN OHIO**  
10 **THAT ARE IMPACTED BY THIS TRANSACTION.**

11  
12 A. QCC is the only Qwest operating company certificated and operating in Ohio. As  
13 mentioned above, QCC's two operating company affiliates, Qwest Corporation  
14 and QLDC, operate in 14 western and midwestern states, but not in Ohio.

### 15 **III. THE TRANSACTION**

16 **Q. PLEASE BRIEFLY DESCRIBE THE CENTURYLINK-QWEST MERGER**  
17 **TRANSACTION.**

18 A. On April 21 2010, Qwest and CenturyLink entered into an Agreement and Plan of  
19 Merger Agreement ("Merger Agreement"). Under the terms of the Agreement,  
20 QCII will become a wholly owned subsidiary of CenturyLink. QCII's operating  
21 subsidiaries, Qwest Corporation, QCC, and QLDC, will remain subsidiaries of  
22 QCII. Therefore, QCC will continue to operate in the same manner as it does  
23 today. At the retail level, QCC will continue to offer out-of-region (meaning,  
24 outside of Qwest's 14-state RBOC region) long-distance services as well as the  
25 enterprise solutions that it offers today. The business model of QCC in Ohio is

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<sup>1</sup> Qwest Corporation is an RBOC in Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming.

1 complementary to CenturyLink, and to the possible extent they compete in Ohio, it  
2 is in the enterprise and governmental markets in which there are a multitude of  
3 providers. Thus, the proposed merger will have no meaningful effect on  
4 competition.  
5

6 **IV. IMPACT ON CURRENT REGULATORY OBLIGATIONS AND SERVICES**  
7 **TO CUSTOMERS**

8 **Q. HOW WILL THE MERGER IMPACT QCC'S CURRENT OPERATIONS**  
9 **IN OHIO?**

10 A. The Transaction involves a parent-level transfer of control of QCII only. QCC will  
11 continue to operate as a separate carrier and will continue to have the requisite  
12 managerial, technical, and financial capability to provide outstanding services to its  
13 customers. After the Transaction is completed, there may be a change in the names  
14 under which the companies are doing business (i.e., the "d/b/a" name), and certain  
15 billing and back-office operations may be combined, but otherwise the Transaction  
16 will be transparent for customers. Retail end-user and wholesale customers will  
17 continue to receive service from the same carrier that serves them today. In sum,  
18 when the Transaction is completed, the regulated entities will have a new ultimate  
19 parent corporation in CenturyLink, but all else will remain as it is today. Any  
20 changes will be seamless to the customer.  
21

22 **Q. WILL THE POST-MERGER COMPANY PROVIDE SERVICES TO**  
23 **RETAIL AND WHOLESALE CUSTOMERS IN OHIO UNDER THE SAME**  
24 **TERMS AS QWEST PROVIDED THESE SERVICES PRIOR TO THE**  
25 **MERGER?**

26 A. Yes. Services to pre-merger Qwest customers will be provided at the same rates,  
27 terms, and conditions and in accordance with the same tariffs, catalogs, and rate

1 schedules that were in effect prior to the completion of the merger transaction.<sup>2</sup> To  
2 the extent that Qwest wholesale customers purchase services from a contract, all  
3 prices, terms, and conditions of these agreements will remain in effect until they are  
4 renegotiated or expire by their own terms.

5  
6 **V. THE MERGER IS IN THE PUBLIC INTEREST.**

7 **Q. WILL THE COMBINED ENTITY BE BETTER ABLE TO COMPETE IN**  
8 **THE NATIONAL TELECOMMUNICATIONS MARKET?**

9 A. Yes. From a national perspective, the combined company will be significantly  
10 larger than each company alone, and as described in the testimony of Mark Gast,  
11 will have significantly more financial resources. These resources, along with  
12 increased scale and scope, will allow the combined entity to better compete  
13 nationally with the larger well-capitalized players in the market, such as AT&T,  
14 Verizon, Comcast, and many others. In particular, the post-merger entity will have  
15 more resources to compete with these companies in the enterprise business market.  
16 For total year 2009, Qwest total Business Markets Group revenues were \$4.093  
17 billion, compared to \$14.74 billion for AT&T and \$14.988 billion for Verizon.<sup>3</sup> In  
18 terms of revenues for 10 of the top providers,<sup>4</sup> Qwest's share of the business market  
19 is less than 10%, compared to 33% each for AT&T and Verizon. The Transaction  
20 will provide the post-merger entity with the additional financial strength, scale and  
21 scope economies, and geographic coverage to better compete with these providers,

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<sup>2</sup>OH QCC Interexchange Telecommunications Services Rate Schedule No. 1

OH QCC Interexchange Telecommunications Services Tariff No. 7

OH QCC Local Exchange Services Catalog No. 1

OH QCC Local Exchange Services Tariff No. 8

<sup>3</sup> See, 2009 10K reports for Qwest, Verizon, and AT&T.

<sup>4</sup>List includes AT&T, Verizon, Sprint, Cbeyond, Cogent, Global Crossing, Level 3, PAETEC, tw telecom, and XO Communications.

1 and to offer state-of-the-art and innovative services to large business and  
2 government customers throughout the country.

3  
4 **Q. WHAT TYPES OF COMPANIES COMPETE WITH QWEST TODAY IN**  
5 **OHIO?**

6 A. Qwest's primary competitors in Ohio are IXCs and CLECs, such as AT&T,  
7 Verizon, and Sprint and Voice over Internet Protocol ("VoIP") providers such as  
8 Vonage and Google.

9 **VI. CONCLUSION**

10  
11 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

12 A. The Transaction is consistent with the public interest. Competition, both nationally  
13 and locally in Ohio, will be improved by the merger of CenturyLink and Qwest, and  
14 the Transaction will be seamless to consumers.

15  
16 The merger will not result in customer disruption or confusion; the combined  
17 entity's services will continue to be offered under the same regulatory regime that  
18 exists today in Ohio. Additionally, as wholesale customers, CLECs, and  
19 Interexchange Carriers will continue to receive high quality services from the post-  
20 merger company at the rates, terms, and conditions that are contained in current  
21 contracts, interconnection agreements, and wholesale tariffs.

22  
23 The Transaction will result in a combined enterprise that can achieve greater  
24 economies of scale and scope than the two companies operating independently.

1 Finally, the increased scale and scope afforded by the merger will allow the  
2 combined entity to better compete nationally with the larger well-capitalized  
3 players in the market, such as AT&T, Verizon, Comcast, and many others. This  
4 benefits customers by giving them more choices for their communications needs.  
5 Consequently, the Commission should approve the Application, as the Transaction  
6 is consistent with the public interest.


7  
8 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

9 A. Yes.  
10

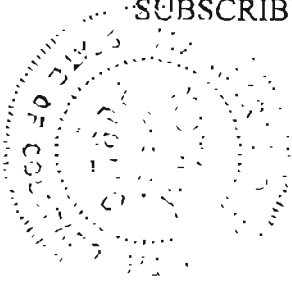
AFFIDAVIT

State of Colorado     )  
                                  ) ss.  
County of Denver     )

I, Lisa Hensley Eckert, being first duly sworn on oath, state that the answers in the foregoing written testimony are true and correct to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
Lisa Hensley Eckert

SUBSCRIBED AND SWORN TO this 21<sup>st</sup> day of May 2010.



  
\_\_\_\_\_  
Notary Public

MY COMMISSION EXPIRES:

9-15-2013



**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

**Joint Application of Qwest Communications  
International, Inc. and CenturyLink, Inc. for  
Approval of Indirect Transfer of Control of  
Qwest Communications Company, LLC**

---

**CASE NO. 10-0717-TP-ACO**

**DIRECT TESTIMONY  
  
OF  
  
DUANE RING  
  
ON BEHALF OF  
  
CENTURYLINK, INC.**

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1     **I.       IDENTIFICATION OF WITNESS**

2     **Q.       PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3     A.       My name is Duane Ring, and my business address is 333 N. Front Street, La  
4               Crosse, WI 54601.

5     **Q.       WHO IS YOUR EMPLOYER AND WHAT IS YOUR POSITION?**

6     A.       I am employed by CenturyLink as the President for North-East Region.

7     **Q.       PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND, WORK  
8               EXPERIENCE, AND PRESENT RESPONSIBILITIES.**

9     A.       In 1981, I graduated with a BBA from the University of Wisconsin-Eau Claire  
10              majoring in Management Information Systems. In 1989, I graduated from the  
11              University of Wisconsin-La Crosse with a Masters Degree in Business  
12              Administration. I was employed out of college by Trane Co. in its Systems  
13              Development Department and subsequently moved into Trane's  
14              Telecommunications Department.  
15  
16              In 1984, I joined a CenturyTel affiliate as a Systems Development Manager. In  
17              1989, I became the Administration Manager at Century Telephone of Wisconsin.  
18              In 1992, I became Division Manager responsible for the La Crosse Division  
19              operation and P&L performance. In 1997, I became Division Vice President  
20              responsible for telephone operations, engineering, and P&L performance for the  
21              states of Wisconsin, Minnesota, and Iowa. In 1999, I became Region Vice  
22              President responsible for a six state region. My role as Region Vice President  
23              was to lead the overall performance of the six states in the region. Financial  
24              performance, service quality, customer-facing sales distribution, engineering,

1 market competitiveness, and daily operations for wireless (until 2002) and  
2 wireline operations were elements of my responsibility.

3  
4 Since July of 2009, I have been President of the North-East Region of  
5 CenturyLink, leading the results for a nine state region, which includes  
6 Minnesota, Iowa, Wisconsin, Illinois, Indiana, Michigan, Ohio, Pennsylvania, and  
7 New Jersey. The core responsibilities are very similar to the role I had as Region  
8 Vice President, but significantly larger in customer and employee counts.  
9

## 10 **II. INTRODUCTION**

### 11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 A. I am testifying in support of the Joint Application ("Application") filed by  
13 CenturyLink, Inc., ("CenturyLink")<sup>1</sup> and Qwest Communications International  
14 Inc. ("Qwest") with the Public Utilities Commission of Ohio ("Commission").  
15 My testimony will provide a brief overview and history of CenturyLink, including  
16 a description of the company's demonstrated ability to successfully complete the  
17 integration process associated with prior acquisitions. In addition, I will describe  
18 CenturyLink's highly localized business model, which focuses on empowering  
19 local personnel to meet the distinct needs of the markets they serve and places the  
20 customer at the center of what the company does. My testimony will also  
21 describe the various benefits of the proposed transaction and show they are  
22 consistent with the overall public interest.  
23

### 24 **Q. ARE OTHER WITNESSES FILING DIRECT TESTIMONY IN THIS**

---

<sup>1</sup> CenturyTel, Inc. changed its name to CenturyLink, Inc. with shareholder approval on May 20, 2010.

1           **PROCEEDING?**

2    A.    Yes. Lisa Hensley Eckert, Director of Public Policy for Qwest, will describe the  
3           Qwest operations in Ohio and the benefits to customers and competition from  
4           achieving a stronger combined company because of this transaction. In addition,  
5           Mark Gast, CenturyLink’s Director - Regulatory Finance and Compliance, will  
6           discuss the financial benefits of the proposed transaction. His testimony discusses  
7           why the proposed transaction will create a financially stronger service provider –  
8           one with a solid balance sheet and greater flexibility to continue investing in local  
9           networks, broadband deployment, and customer service enhancements. The  
10          combined testimony of all the witnesses will demonstrate why this transaction is  
11          good not only for Ohio consumers and businesses, but also for the State of Ohio  
12          as a whole in terms of meeting and advancing telecommunications service needs  
13          in a challenging economic environment.

14

15                   **III.    DESCRIPTION OF THE TRANSACTION**

16   **Q.    PLEASE GENERALLY DESCRIBE THE TRANSACTION SUBJECT TO**  
17   **THIS PROCEEDING.**

18   A.    The proposed transaction (“Transaction”) is a simple stock-for-stock exchange by  
19          which CenturyLink will acquire the Qwest parent corporation. It does not involve  
20          complex financial or tax structures. Nor does it require additional debt or any  
21          refinancing. As further discussed by Mr. Gast, the Transaction is designed to  
22          create a strong and stable company in both the short and long run, with greater  
23          financial resources and access to capital to invest in networks, systems, and  
24          employees. From a financial standpoint, CenturyLink will have the scale and  
25          stability to make necessary ongoing infrastructure investments needed to serve the  
26          next generation of consumers whose preferences are likely to dictate that  
27          communications companies become more innovative, diverse, and faster to

1 market in their product offerings than they are today.

2  
3 The Application and “Agreement and Plan of Merger” (“Merger Agreement”)  
4 describe the Transaction. Simply stated, the Merger Agreement calls for a  
5 business combination at the parent level whereby a subsidiary of CenturyLink  
6 will merge with and into Qwest. The separate existence of the subsidiary will  
7 then cease, and Qwest will continue as a direct, wholly-owned subsidiary of  
8 CenturyLink. Upon closing of the Transaction, Qwest shareholders will receive  
9 0.1664 CenturyLink shares for each share of Qwest common stock they own at  
10 closing. At that time, CenturyLink shareholders are expected to own  
11 approximately 50.5 percent of the combined company, and Qwest shareholders  
12 approximately 49.5 percent. Because of the Transaction, CenturyLink will have  
13 local exchange footprints in 37 states, including in Arizona, Utah, North Dakota,  
14 and South Dakota where CenturyLink currently does not have incumbent local  
15 exchange carrier (“ILEC”) operations.

16  
17 Following completion of the Transaction, four directors from the Qwest Board  
18 will be added to the CenturyLink Board of Directors, including Edward A.  
19 Mueller, Qwest’s Chairman and Chief Executive Officer. This addition will  
20 increase the number of CenturyLink directors from 13 pre-Transaction to 17 post-  
21 Transaction.

22  
23 **Q. HOW WILL THE MERGED ENTITY BE STRUCTURED?**

24 A. The corporate structure of the operating entities will essentially remain as it is  
25 today except that Qwest will be under CenturyLink. Exhibit 3 (Attachment 1) to  
26 the Application accurately illustrates the organizational structure of the relevant  
27 companies before and after closing. As mentioned, the Transaction contemplates

1 a parent-level transfer of control of Qwest so there is no direct effect on Qwest  
2 Communications Company, LLC ("QCC"), Qwest's only regulated operating  
3 subsidiary in Ohio. At closing, Qwest will become a direct, wholly-owned  
4 subsidiary of CenturyLink, and QCC will be indirectly owned and controlled by  
5 CenturyLink, but otherwise will experience no change in its existing corporate  
6 status or structure. In addition, the Transaction changes nothing with respect to  
7 the corporate structure of CenturyLink's regulated operating subsidiaries, as all  
8 remain in place under the same status, structure, ownership, and control as exists  
9 today.

10 **Q. PLEASE IDENTIFY THE CENTURYLINK ENTITIES IN THE STATE**  
11 **OF OHIO THAT ARE REGULATED BY THE COMMISSION.**

12 A. There are three CenturyLink subsidiaries, United Telephone Company of Ohio  
13 d/b/a CenturyLink, United Telephone Company of Indiana, Inc. d/b/a  
14 CenturyLink, and CenturyTel of Ohio, Inc. d/b/a CenturyLink, currently  
15 certificated by the Commission to provide local exchange service to residential  
16 and business customers. CenturyTel Solutions is authorized to provide resold  
17 long distance services and competitive local exchange services. CenturyTel Long  
18 Distance, LLC d/b/a CenturyLink and Embarq Communications, Inc. d/b/a  
19 CenturyLink Communications are authorized to provide long distance services.  
20 None of these entities is experiencing a change in control because of this  
21 Transaction. The control of these companies will remain with CenturyLink,  
22 where it resides today.

23 **Q. WILL THE TRANSACTION RESULT IN ANY CHANGES IN THE**  
24 **MANNER IN WHICH THE CENTURYLINK REGULATED ENTITIES**  
25 **ARE REGULATED OR CERTIFICATED BY THE COMMISSION**  
26 **TODAY?**

27 A. No, these entities will retain the same individual corporate identities and continue

1 to exist as they do today under the ownership and control of CenturyLink. As a  
2 result, each of these companies will maintain its current operating authority and  
3 will continue to abide by all applicable statutes, rules, regulations, Commission  
4 orders, commitments, and tariffs or pricelists, as applicable, under which they are  
5 currently regulated.

6  
7 In addition, the Transaction will be seamless to customers. Immediately after the  
8 Transaction, customers will continue to receive the same full range of high quality  
9 products and services at the same rates, terms, and under the same conditions as  
10 they did immediately before the close of the Transaction. Any subsequent  
11 service, term, or price changes will be made, just as they are now, in accordance  
12 with applicable rules and laws. CenturyLink has been successful in past  
13 acquisitions in minimizing customer confusion and helping to make the  
14 integration of acquired companies as seamless and customer-friendly as possible.

15  
16 **Q. WHAT AUTHORITY ARE THE JOINT APPLICANTS SEEKING FROM**  
17 **THE COMMISSION IN THIS PROCEEDING?**

18 A. The Joint Applicants seek a finding by the Commission that the Transaction meets  
19 the requirements of Ohio Rev. Code § 4905.402. Specifically, the Applicants ask  
20 the Commission to recognize that the Transaction will promote public  
21 convenience and result in the provision of adequate service for a reasonable rate,  
22 rental, toll, or charge. My testimony, along with that of the other witnesses for  
23 Qwest and CenturyLink, shows that the Transaction satisfies the requirements of  
24 Ohio Rev. Code § 4905.402.

25  
26 **Q: WOULD YOU COMMENT ON THE CHANGING NATURE OF THE**  
27 **COMMUNICATIONS BUSINESS AND THE CHALLENGES FACED BY**



1           **PROVIDERS?**

2    A.    The communications industry has changed dramatically in the last several years.  
3           It continues to experience change at a frenetic pace. Consumers are constantly  
4           seeking innovative technologies and alternative modes of communication as they  
5           experience the benefits of more convenient and ubiquitous ways to communicate  
6           and obtain data and video. Competition for voice, Internet, data, and video is  
7           widespread with increasing competition from wireless companies, cable  
8           operators, and VoIP providers. The pressure on all of these companies to invest  
9           and innovate is intense.

10          The evolving market and technology dynamics have significantly altered the  
11          fundamentals of operating a wireline business. Carriers such as Qwest and  
12          CenturyLink have no choice but to adapt and grow if they are to compete more  
13          effectively and survive. Our business will require greater and greater strategic  
14          flexibility to bring new products on line, and will need to do so more quickly. We  
15          will need to be stronger and have greater product and revenue diversity as we  
16          develop expanded broadband services and higher speeds. We need to have the  
17          national breadth and local depth to provide more new and innovative IP products  
18          such as IPTV and other video choices, VoIP services, enhanced fiber-to-the-cell  
19          tower connectivity, and other high bandwidth services. As a combined company,  
20          with complementary strengths and operating footprints, we will have greater  
21          potential to effectively reach more types of customers with a broader range of  
22          competitive products and connectivity solutions than either company could  
23          standing alone.

24

25    **Q.    HOW DOES THE TRANSACTION HELP TO PROVIDE THAT**  
26    **OPPORTUNITY TO THE BENEFIT OF CUSTOMERS?**

1     A.     First, the Transaction brings together two leading communications companies  
2           with complementary network and operating areas, resulting in a balanced urban  
3           and rural footprint.<sup>2</sup> The combined enterprise will have over 17 million telephone  
4           access lines and serve over five million high-speed internet customers across 37  
5           states. It creates a truly nationwide platform for high-speed internet deployment  
6           by merging Qwest's long-haul fiber network with CenturyLink's complementary  
7           long-haul fiber network and its core metropolitan rings. Combined, it gives  
8           CenturyLink approximately 180,000 route miles of fiber,<sup>3</sup> which will enable a  
9           more diverse mix of product offerings and an enhanced ability to reach customers  
10          with those products. The combined network will be a key differentiator in our  
11          industry, and it will heighten the ability to compete for broadband Internet  
12          services as well as for the customer-desired "triple play" of broadband, voice, and  
13          video.

14  
15         A key benefit will come from leveraging each company's operational and  
16         network strengths, resulting in a company with an impressive national presence  
17         and local depth. CenturyLink has proven the effectiveness of its region-based  
18         local market focus. Qwest has industry-leading enterprise, government, and  
19         wholesale customer capabilities. The merger of these complementary and  
20         additive strengths will increase the likelihood of bringing to market, at an  
21         accelerated pace, more advanced services and compelling choices for customers.

22  
23         The increased capabilities of the combined company will also diversify the

---

<sup>2</sup> CenturyLink's local-service network operates in 33 states while Qwest's local network operates in 14 mostly Western states. The merger will enable the companies to have complementary local exchange footprints in 10 of the combined 37 states. Additionally, CenturyLink will be able to provide voice and advanced telecom services in four additional states: Arizona, Utah, North Dakota, and South Dakota.

<sup>3</sup> An illustrative map is attached as Exhibit DR-1.

1 company's revenue structure and thereby create a stronger competitor. The  
2 company will be better situated, both financially and operationally, with more  
3 flexibility to meet the challenges of a rapidly changing and intensely competitive  
4 communications environment.

5

6 The bottom line is that the combined company will be better-positioned to lead  
7 the deployment of advanced services as well as successfully manage its transition  
8 to a new era in a challenging and rapidly changing telecommunications  
9 environment. The result is a win not only for the company, but also for its  
10 customers and the communities it serves.

11

12 **Q. CAN YOU PROVIDE A MORE CONCRETE EXAMPLE OF THE**  
13 **POTENTIAL BENEFITS THAT CAN BE DERIVED FROM**  
14 **LEVERAGING THE COMPLEMENTARY STRENGTHS OF THESE**  
15 **TWO COMPANIES?**

16 A. As I mentioned, Qwest is a national provider of services to the enterprise market,  
17 and has particular strength in serving large business and government customers.  
18 Thus, the Transaction gives the combined company an increased prominence in  
19 the enterprise and government broadband markets. CenturyLink focuses on  
20 businesses with regional and local needs. The transaction will enable post-merger  
21 CenturyLink to build on Qwest's strength in providing complex communications  
22 services to large businesses and government entities on a national and global scale  
23 to provide a broader array of services to enterprise customers in CenturyLink  
24 territories. For much of the country, the combination of Qwest's long-haul  
25 network with CenturyLink's fiber rings in metropolitan areas will create a service  
26 partner that can offer strategic products to a broader array of businesses, including  
27 those seeking access to a nationwide long-distance network. Where the networks

1 are geographically complementary, it will also allow for more diverse routing  
2 options, provide redundant routing for backup purposes, and offer other  
3 communications and information services that are attractive to businesses in the  
4 financial sector, government entities, and other customers who require solutions  
5 for highly sensitive data operations.

6  
7 **Q. WHAT QUALIFICATIONS AND ABILITY DOES CENTURYLINK**  
8 **HAVE TO OPERATE THE COMBINED COMPANY AND TO**  
9 **CONTINUE TO PROVIDE HIGH QUALITY SERVICES TO**  
10 **CUSTOMERS?**

11 A. CenturyLink's senior officers are proven leaders in the telecommunications  
12 industry and have established a solid, consistent reputation for running a high-  
13 performing enterprise that serves customers well. To that end, Glen F. Post, III,  
14 the current CEO and President of CenturyLink, will continue to be the CEO and  
15 President of the post-merger CenturyLink. R. Stewart Ewing, Jr. the current  
16 Chief Financial Officer (CFO) of CenturyLink, will continue to be the CFO of the  
17 post-merger CenturyLink. Karen A. Puckett, the current Chief Operating Officer  
18 (COO) of CenturyLink, will continue to be COO of post-merger CenturyLink. It  
19 is noteworthy that Mr. Post, Mr. Ewing, and Ms. Puckett have a combined total of  
20 approximately 88-years experience in the communications industry, and have  
21 worked together at CenturyLink for the past decade—nearly unheard of in an  
22 industry such as ours. Also, Christopher K. Ancell, currently the Executive Vice  
23 President of Business Markets Group for Qwest, will be the President of the  
24 Business Markets Group for post-merger CenturyLink and will continue to lead  
25 Qwest's successful and growing enterprise business segment.<sup>4</sup> All of these

---

<sup>4</sup> Additional senior leaders will be announced in the coming months.

1 leaders possess the depth of knowledge, experience, and leadership to move this  
2 company forward through the next era of change and challenge.

3  
4 The company's extensive merger and acquisition track record also provides a  
5 clear indication of its ability to successfully execute on its business plans and  
6 provide high quality service. CenturyLink has a long history of successfully  
7 integrating acquired properties and assets, and expanding into new state  
8 jurisdictions. These successful acquisitions and subsequent integrations have  
9 generated benefits for both the company and its customers. The senior  
10 management team of CenturyLink is very familiar with and well-equipped to face  
11 the challenges and opportunities that the acquisition and integration of this  
12 magnitude present. CenturyLink will benefit from that continued steady hand as  
13 it faces the challenges and opportunities ahead.

14  
15 Furthermore, ensuring that CenturyLink continues to provide high quality service  
16 and customer experience pre- and post-merger is vitally important. CenturyLink  
17 understands that continuing to meet customer needs is its top priority. The  
18 Transaction will not change that focus. To the contrary, the customer service,  
19 network, and operations functions that are critical to each company's success  
20 today will continue to be key areas of focus when the Transaction is complete,  
21 and the post-Transaction company will be staffed to ensure that continuity.

22  
23 **Q. WOULD YOU COMMENT ON CENTURYLINK'S TECHNICAL**  
24 **EXPERTISE?**

25 A. CenturyLink's technical expertise is reflected in the multitude of services it  
26 provides today in 33 states and in its highly skilled workforce, which includes  
27 engineers, IT personnel, and technicians that have long been operating networks

1 and systems for the benefit of millions of customers. Going forward, the post-  
2 Transaction CenturyLink will have a combined pool of technical expertise from  
3 both companies from which to draw support, training, and the deployment of new  
4 and innovative products like IPTV.

5  
6 **Q. HOW WOULD YOU DESCRIBE “THE FIT” BETWEEN THE TWO**  
7 **COMPANIES, PARTICULARLY AS IT RELATES TO A COMMITMENT**  
8 **TO CUSTOMER SERVICE?**

9 A. CenturyLink and Qwest are holding companies with complementary cultures.  
10 Their primary focus has been the ownership and operation of subsidiary ILECs on  
11 a multi-state basis. Both companies have deep roots in serving and meeting the  
12 communication needs of customers by investing heavily in quality, reliable voice  
13 and data networks. Both companies and their employees are dedicated to local  
14 community involvement and employee volunteerism. Both companies have  
15 strong management teams and a base of experienced employees who share the  
16 common view that successfully providing high quality communication services in  
17 these dynamic times is contingent upon the ability to respond quickly to rapid  
18 changes in markets, technology, and customer demands.

19  
20 CenturyLink’s region-based, local operating model will reinforce this shared  
21 philosophy. This approach will likely be implemented to ensure that the customer  
22 is at the center of everything the company does. This structure has proven  
23 successful in driving customer service, responsiveness, and accountability closer  
24 to the customer and enabling the company to be more proactive and successful in  
25 direct response marketing efforts on a market-by-market basis.

26  
27 **Q. ARE THERE OTHER AREAS WHERE YOU BELIEVE THAT THE**

1           **TRANSACTION WILL HAVE POSITIVE BENEFITS?**

2    **A.**     Yes, as I mentioned, the Transaction will also have a positive impact on the state  
3           of competition. Healthy competition is in large part driven by the existence of a  
4           variety of viable network platforms in a given market. Competition is most robust  
5           in markets where there is intermodal competition: that is, where services are  
6           being delivered over wireless, wireline, and cable platforms. The combination of  
7           CenturyLink and Qwest network infrastructure and operating experience ensures  
8           that a stable, capable, reliable network operator will be available to weather long-  
9           term technological and competitive changes yet to come.

10  
11   **Q.**     **IN YOUR TESTIMONY THUS FAR, YOU HAVE DESCRIBED HOW**  
12           **THE TRANSACTION PROMOTES THE PUBLIC INTEREST. DO YOU**  
13           **BELIEVE THERE ARE ANY POTENTIAL HARMS THAT COULD**  
14           **RESULT FROM THE MERGER?**

15   **A.**     No. The Transaction will not disrupt existing service arrangements or regulatory  
16           obligations. Both companies have affirmed that existing wholesale and  
17           interconnection arrangements and requirements will remain intact, and that the  
18           operating companies will honor the terms of existing Commission-ordered  
19           regulatory requirements. In this regard, the Transaction will not have any impact  
20           on compliance with the regulatory requirements of this Commission. The  
21           Transaction will not in any way affect this Commission's jurisdiction over QCC  
22           or the CenturyLink ILECs, the type of regulation that they are subject to, or any  
23           binding regulatory obligations imposed by the Commission. Moreover, as  
24           described in Mr. Gast's testimony, the Transaction will not impair the financial  
25           status of the operating subsidiaries, prevent them from attracting capital at fair  
26           and reasonable terms, or impair the ability of any of those entities to provide safe,  
27           reasonable, and adequate service.

1  
2 Furthermore, the Transaction will not eliminate meaningful competition,  
3 especially for local services, in Ohio as CenturyLink and Qwest primarily  
4 compete in different markets today. While CenturyLink has approximately  
5 387,000 local access lines in its local serving areas in Ohio, QCC has only a  
6 handful of business, local exchange customers and no residential, local exchange  
7 customers. QCC instead focuses mostly on providing long distance and data  
8 services, as explained in the testimony of Qwest witness Lisa Hensley Eckert.

9 **Q. PLEASE GIVE A BRIEF OVERVIEW AND HISTORY OF**  
10 **CENTURYLINK.**

11 A. CenturyLink is a holding company that conducts business principally through  
12 wholly-owned subsidiaries that offer a broad array of high-quality  
13 communications products and services. These products and services are provided  
14 to consumers and businesses in 33 states. Headquartered in Monroe, Louisiana,  
15 CenturyLink is an S&P 500 company and is on the Fortune 500 list of America's  
16 largest corporations. As of December 31, 2009, CenturyLink provided ILEC  
17 services over approximately seven million access lines, and high-speed Internet  
18 and data transmission services to over 2.2 million customers. With its exceptional  
19 network infrastructure, localized approach to service and its commitment to invest  
20 in broadband, CenturyLink has been a leading provider of advanced broadband  
21 services in the majority of the markets it serves. The company currently employs  
22 about 20,000 employees.

23 CenturyLink started as a single-exchange, family-run local telephone company in  
24 1930. Throughout the years, CenturyLink has grown its operations into new  
25 markets by successfully acquiring and integrating companies, properties, and  
26 assets and improving and expanding services in those markets. As I will discuss



1 in more detail below, many of these acquisitions have been relatively large  
2 transactions that greatly expanded the then-existing company's size and footprint.  
3 The company also acquired significant fiber assets in 2003 and 2005. Those  
4 acquisitions have enabled it to develop and grow an extensive, high-speed optical  
5 core network that provides wholesale and retail fiber transport services to  
6 customers all across the United States.

7 **Q. COULD YOU EXPAND UPON THE WIDE ARRAY OF**  
8 **COMMUNICATIONS SERVICES THAT CENTURYLINK PROVIDES?**

9 A. Yes. These services include a host of local and long-distance voice, high-speed  
10 Internet, video entertainment, and wholesale local network access services, as  
11 well as a variety of broadband and high bandwidth services. In various areas,  
12 CenturyLink also offers security monitoring, home networking, data hosting,  
13 national and metro Ethernet, systems/network management, and other  
14 professional, business, and information services. To secure its position as a  
15 leading provider of advanced broadband services, the company has invested  
16 heavily, not only to extend its fiber core network, but also to deploy fiber deeper  
17 into its local networks. CenturyLink has been a leader in the launching of DSL  
18 offerings and is expanding or preparing to expand its IPTV product into additional  
19 locations. That expansion is made possible by the investment in faster broadband  
20 speeds.

21 **IV. CENTURYLINK'S CONSOLIDATION HISTORY**

22 **Q. YOU HAVE STATED THAT CENTURYLINK HAS GROWN OVER**  
23 **TIME IN PART DUE TO A NUMBER OF SUCCESSFUL, STRATEGIC**  
24 **ACQUISITIONS. PLEASE DESCRIBE CENTURYLINK'S**  
25 **CONSOLIDATION HISTORY.**

1 A. CenturyLink is an American business success story. What started as a family run  
2 business, being operated from the parlor of a residence in northeastern Louisiana,  
3 has grown into one of the most well-respected national communications  
4 companies in the United States. Over the years, the company has successfully  
5 completed and integrated a number of acquisitions that have enabled the company  
6 to expand its national footprint and build upon its commitment to provide  
7 excellent customer service and to improve its network. With each transaction, the  
8 company has been able to increase in size and financial strength, enabling it to  
9 improve the range of services, enhance customer service, and place itself in a  
10 more stable financial position.

11 Exhibit DR-2, which I have attached and made part of testimony, illustrates a  
12 timeline of the various acquisitions. While Exhibit DR-2 shows a number of  
13 examples that illustrate the company's expertise in this area, let me speak to  
14 several of the larger ones. In the late 1990's, CenturyLink added approximately  
15 600,000 access lines across twelve states when it acquired Pacific Telecom, Inc.  
16 That transaction more than doubled the size of the company. Over the next few  
17 years, the company once again doubled its size when it acquired another 1.2  
18 million access lines from GTE, Ameritech, and Verizon, concentrated primarily in  
19 Alabama, Arkansas, Missouri, and Wisconsin. These acquisitions significantly  
20 expanded its presence in those states and demonstrated the company's ability not  
21 only to grow rapidly, but also to successfully integrate and operate nearly two  
22 million new access lines serving wholesale, business, and residential customers.  
23 Most recently, CenturyLink acquired Embarq Corporation ("Embarq") and its 5.4  
24 million access lines, which more than tripled the size of the company.

25 In each case, the integration efforts have been successful. Billing, financial, and  
26 customer care system conversions have been executed smoothly and in

1 accordance with established time frames. These efforts have included  
2 standardizing key operational processes, making strategic investments in  
3 infrastructure, aligning and holding employees accountable, providing advanced  
4 technical support in the field, enhancing communication strategies, and increasing  
5 and streamlining training, among other things. Overall, the company has  
6 maintained a sharp focus on accountability and commitment at all levels of  
7 management to achieve a successful transition.

8 CenturyLink's senior executive management team has one of the longest tenures  
9 in the industry. It is recognized by the financial community as one of the most  
10 successful and experienced in managing mergers and acquisitions. CenturyLink  
11 is confident that, with the combined experience and leadership abilities of the  
12 management teams, the execution of this integration will be as smooth and  
13 successful as the Embarq integration and others have been in the past.

14 **Q. WOULD YOU PROVIDE EXAMPLES OF THAT INTEGRATION**  
15 **PROCESS?**

16 A. Absolutely. The best way to describe our approach to integration is that the entire  
17 company works holistically to ensure that all operating units and departments are  
18 working in unison to achieve business and integration objectives. Regardless of  
19 the size of the acquisition, the company establishes carefully developed  
20 integration plans and targeted timelines for all relevant functional areas with  
21 clearly defined owners and metrics to measure progress.<sup>5</sup> CenturyLink's  
22 integration success is attributable to learning from each transaction, establishing  
23 workable schedules and action plans, and then executing on those plans.  
24 Minimizing customer confusion and disruptions are over-arching goals of our

---

<sup>5</sup> A graphic illustration of some of the major tracked milestones associated with integration of the Embarq transaction is attached hereto as Exhibit DR-3.

1 integration process.

2 As an example, on July 1, 2009 CenturyTel closed on its acquisition of the much  
3 larger Embarq in a sizeable transaction that created a leading communications  
4 service provider which, as of the end of 2009, had 7 million access lines, 2.2  
5 million broadband customers, and 535,000 video customers in 33 states. The  
6 company's significant, focused, and meaningful progress since the  
7 CenturyTel/Embarq closing in July 2009 is indicative of its ability to successfully  
8 integrate acquisitions and its foresight in anticipating growth as it makes  
9 operational or system decisions. For example, several years ago CenturyLink  
10 made significant investment in and upgraded its financial and billing systems in  
11 order to deliver integrated customer service and improved levels of financial  
12 accountability. These system upgrades were made with an eye towards future  
13 expansion and have enabled CenturyLink to quickly and seamlessly reach many  
14 key integration milestones. Consequently, very quickly after close, financial and  
15 human resource systems were converted. Within months, a phased schedule for  
16 converting customer billing systems was implemented. Already, approximately  
17 25 percent of the access lines served by former Embarq systems have been  
18 successfully and seamlessly converted to CenturyLink's integrated retail customer  
19 service and billing system. Another 25% of former Embarq access lines are  
20 expected to convert by year end 2010, with the remaining access lines converted  
21 by the third quarter of 2011, or within about 24-27 months after closing.

22 The successful integration of Embarq has not been limited to systems, however.  
23 Since the closing, CenturyLink has expanded its core fiber network by building or  
24 leasing fiber optic transport to connect former Embarq and CenturyTel markets in  
25 the western United States with markets on the east coast. As a result,  
26 CenturyLink's long-haul network now connects 90 percent of its service areas,

1 reducing costs and creating new revenue and service opportunities. IPTV has  
2 been deployed in former Embarq markets, and the company is ramping up its  
3 initiative to deploy IPTV in other locations. Broadband deployment has  
4 continued with the introduction of new products such as “Pure Broadband.”  
5 Broadband speeds and additional deployment to unserved areas have increased in  
6 multiple markets. And CenturyLink has been deploying its “triple play” offering  
7 to bring more competition to customers in multiple-dwelling-unit buildings—a  
8 customer segment that was not a significant focus for former Embarq.

9  
10 In addition to system conversions and network deployment, the company  
11 finalized the budgeting process, completed organizational design and many  
12 staffing decisions, and launched a new brand. On the day of closing, the company  
13 had its five-region “go-to-market” concept in place and operational. The region  
14 concept has successfully brought renewed local focus to all markets. The success  
15 of the concept has been defined and demonstrated by a local leadership structure  
16 that focuses on the local needs of communities and customers and the importance  
17 of maintaining a local market presence.

## 18 **V. CENTURYLINK’S REGIONAL “GO-TO-MARKET” MODEL**

19 **Q. YOU MENTION THE EFFECTIVENESS OF CENTURYLINK’S FIVE-**  
20 **REGION “GO-TO-MARKET” CONCEPT. PLEASE EXPLAIN THE**  
21 **ATTRIBUTES OF THAT OPERATING MODEL IN MORE DETAIL.**

22 **A.** The region organizational structure brings our business closer to the customer and  
23 provides a localized approach. Upon completion of the Embarq transaction,  
24 CenturyLink implemented its proven “go-to-market” service delivery model,  
25 which presently includes five regions and 22 market clusters in the 33 states in

1       which the company operates.<sup>6</sup> A regional president oversees each of the five  
2       regions, and a general manager and various operations managers are assigned to  
3       each of the market clusters. This more de-centralized local structure enables a  
4       leaner, more efficient corporate operation. Placing a significant percentage of  
5       company leadership in the field creates a clear local market focus, which drives  
6       operations and service decision-making closer to the customer. Together with  
7       CenturyLink's integrated retail customer care and billing system, this model  
8       promotes more accountability to the customer. The company is able to provide  
9       more direct and localized service and can respond to customers and competition  
10      more quickly, on a market-by-market basis. Essentially, this model focuses on  
11      empowering local personnel to meet the distinct needs of their markets and places  
12      the customer at the center of what the company does.

13   **Q.    WILL THAT MODEL BE INCORPORATED INTO THE AREAS OF**  
14   **QWEST'S OPERATIONAL STRUCTURE UPON THE COMPLETION OF**  
15   **THE TRANSACTION?**

16   A.    Yes, we anticipate it likely will, as CenturyLink's structure has proven to be a  
17   successful service delivery model. No changes can or will be made before  
18   closing, and we will first need to evaluate Qwest's structure and consider  
19   adjustments to the configurations necessary to fit the newly merged operations  
20   and to ensure that any modifications continue to meet customer expectations.

21   **Q.    HAS CENTURYLINK FOUND THE LOCALLY FOCUSED BUSINESS**  
22   **MODEL APPROACH WORKS WELL IN URBAN MARKETS AS WELL**  
23   **AS RURAL?**

---

<sup>6</sup> An illustration of how the regional management approach and its components fit within the overall Go-to-Market Service Delivery Model is attached as Exhibit DR-4. A map showing the five regions implemented at close of the Embarq transaction is attached as Exhibit DR-5.

1 A. Yes. CenturyLink's business model is focused on driving accountability to  
2 customers and results of the market at a local level. Markets often differ for many  
3 more reasons than population densities. Even urban markets have unique  
4 attributes with differing levels of competition and different customer needs. For  
5 example, while the CenturyLink Ft. Myers, FL and Las Vegas, NV markets are  
6 both urban markets, they have varying customer-types, demographics, and  
7 competitive activities. Having dedicated General Managers and their local teams  
8 in both markets helps to more clearly distinguish those unique elements and  
9 significantly improves our ability to adjust our specific strategies and tactics to  
10 meet the needs of each individual market.

11 **Q. IN DISCUSSING A MORE LOCALIZED SERVICE APPROACH, YOU**  
12 **REFER TO THE COMPANY'S CUSTOMER CARE SYSTEMS. DO YOU**  
13 **HAVE ANY EXAMPLES OF IMPROVEMENTS THAT HAVE**  
14 **ENHANCED THE ABILITY OF CENTURYLINK TO PROVIDE MORE**  
15 **TARGETED, LOCALIZED CUSTOMER SERVICE?**

16 A. Yes. CenturyLink employs a "neighborhood" approach to customer service call  
17 centers that enables customer calls to be matched with associates that are trained  
18 to understand the nuances of the state. The neighborhoods are designed and  
19 grouped to align available staffing with the needs of the states that are included in  
20 that group. Through the neighborhood approach, customer service associates have  
21 a focus and an "ownership" of the states for which they are responsible. They  
22 understand the service offerings in that region and are even aware of current  
23 happenings in the area as the call screens have the ability to provide real time  
24 information about the locale so that there is a real connection between the  
25 associate and the customer. This is another approach that likely will be continued  
26 during the integration of Qwest.

1   **Q.    DOES THIS LOCALLY FOCUSED APPROACH HELP YOU TO**  
2       **ADDRESS THE CHANGING NATURE AND CHALLENGES OF THE**  
3       **BUSINESS?**

4    A.    Absolutely. There is no question that the communications industry has changed  
5           dramatically in the last several years. Customers now have more service and  
6           provider options and more varied expectations that carriers must meet. While all  
7           markets change, markets do not all change in the same way or at the same speeds.  
8           As I mentioned, even two markets that share some common characteristics, such  
9           as the two urban markets of Ft. Myers and Las Vegas, still have different needs  
10          that are best served through a locally focused approach that can more quickly  
11          determine and address the changes in the market.

## 12   **VI.   CONCLUSION**

13   **Q.    DO YOU HAVE ANY CONCLUDING REMARKS?**

14   A.    Yes. The Transaction is in the public interest. It is a straightforward, parent-level  
15          stock-for-stock transaction without any complex financing structures. It combines  
16          two leading communications companies with customer-focused, industry-leading  
17          capabilities and complementary networks and operating strengths. QCC will  
18          continue to provide services as it does today, but with the added benefit of a  
19          financially stronger parent and a more localized approach to service and meeting  
20          evolving customer demands. The combined company's senior management team  
21          will consist of proven leaders with extensive experience in the industry and a  
22          successful track record of transactional integration.

23  
24          CenturyLink will become stronger, more diverse and flexible, by leveraging the  
25          complementary financial, operational, and network strengths of each of the two



1 companies. This will help to ensure and accelerate the continued deployment of  
2 advanced, broadband services to the benefit of both residential and business  
3 customers and competition in general. The combined company's expertise in  
4 bringing high-speed broadband services to market, together with the robust,  
5 nationwide fiber network, will also improve its competitive potential in the  
6 enterprise business market. In sum, the company will be better positioned for  
7 future growth and service to Ohio customers amid a rapidly changing and  
8 intensely competitive communications environment.

9  
10 By building on each company's operational and network strengths, the combined  
11 company will have an impressive national presence with the local depth that will  
12 allow it to better serve all of its customers. The combination creates a company  
13 that will be well-positioned to lead the deployment of advanced services, as well  
14 as successfully manage the challenging and rapidly changing telecommunications  
15 environment in order to provide safe, reasonable, and reliable service to its  
16 customers.

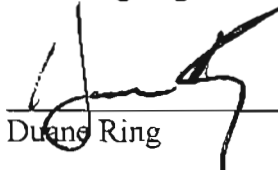
17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

18 **A. Yes.**

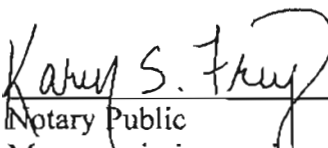
Verification

State of Wisconsin    )  
                                      )  
County of LaCrosse    )

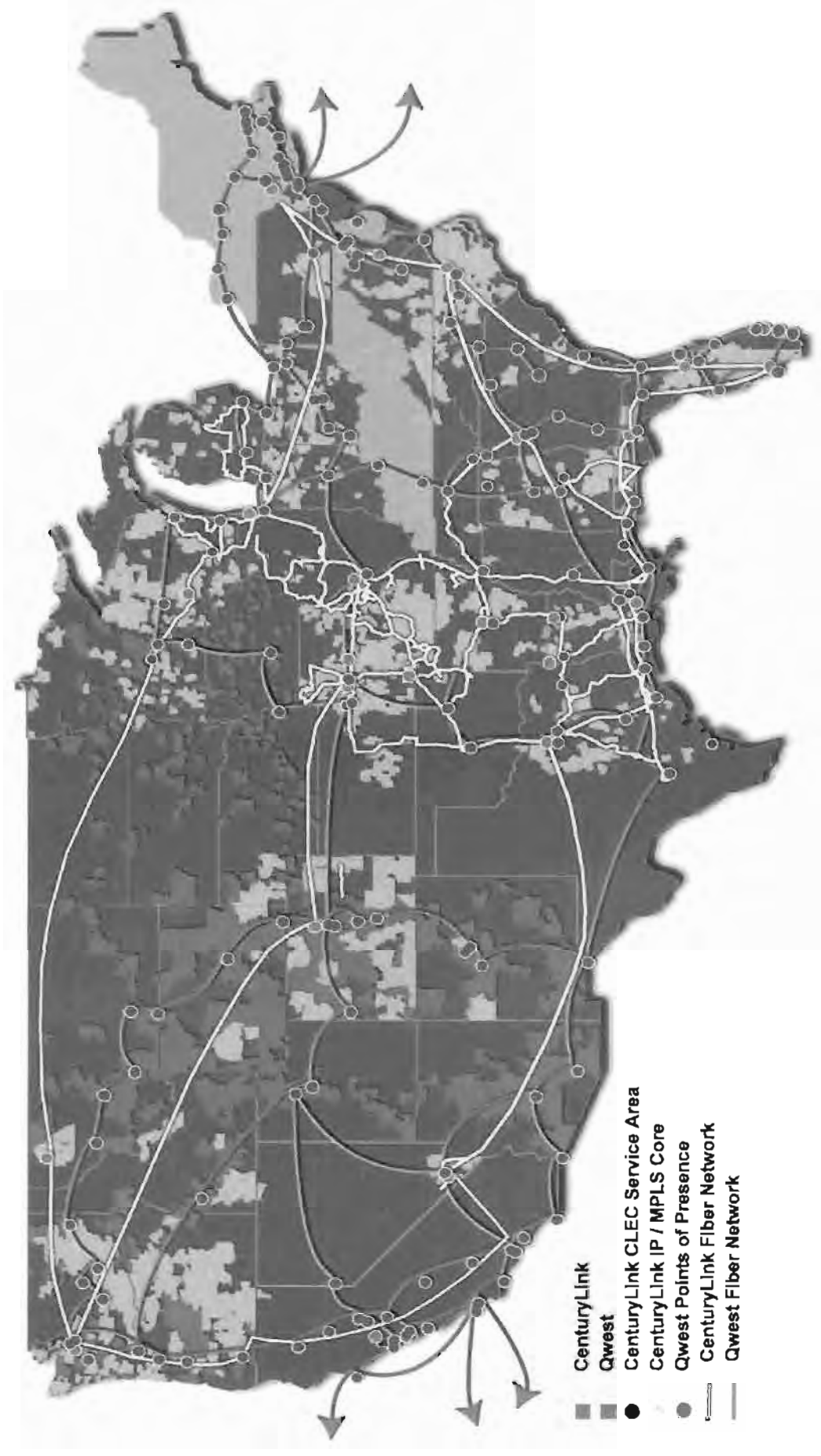
The foregoing direct testimony is true and correct to the best of my knowledge.

  
\_\_\_\_\_  
Duane Ring

Subscribed and sworn to before me this 24<sup>th</sup> day of May 2010.

  
\_\_\_\_\_  
Notary Public  
My commission expires 3/25/2012

# Local Operating Model / Premier Nationwide Network



# CenturyLink – Experienced Consolidator

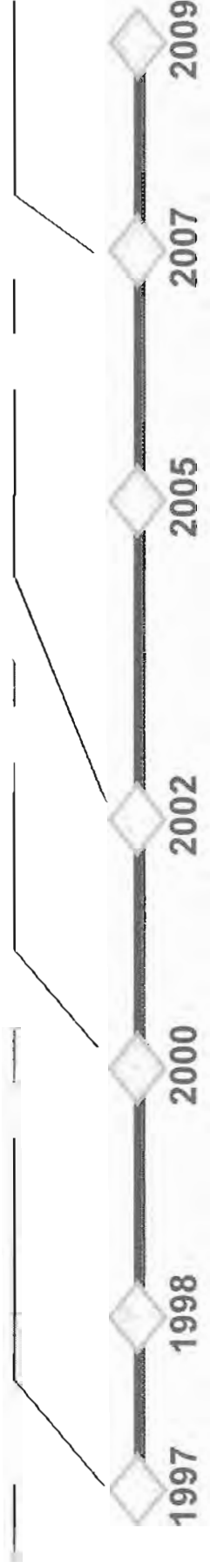
Exhibit DR-2

**Acquisition of Pacific Telecom, Inc.;** 600k access lines in 12 states (doubled the size of CTL); \$1.3 billion

**Acquired 490k access lines from GTE in AR, MO & WI;** \$1.5 billion

**Acquired 650k access lines from Verizon in AL & MO;** \$2 billion

**Acquisition of Madison River Com.;** 165k access lines in 4 states; \$830 million



**Acquired 89k access lines from Ameritech in WI;** \$221 million

**Sold Wireless Properties to Alltel;** \$1.6 billion

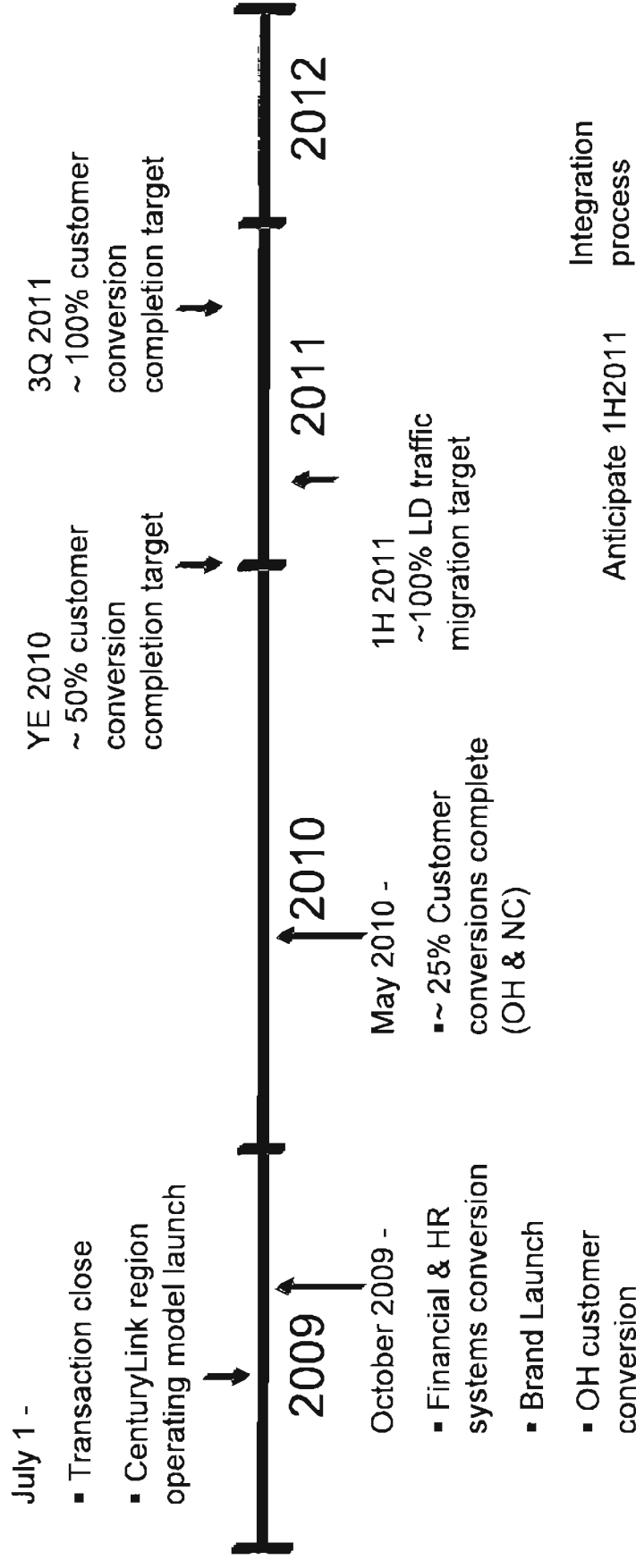
**Acquired fiber assets in 2003 & 2005 to enhance LightCore;** \$120 million

**Acquired Embarq Corporation;** 5.4m access lines; (more than tripling the size of CTL) \$11.6 billion

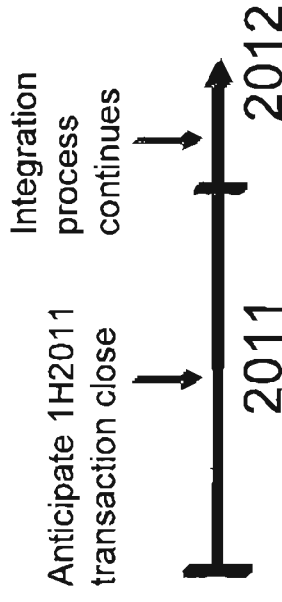
# Integration Timelines

Exhibit DR-3

## Embarq Transaction

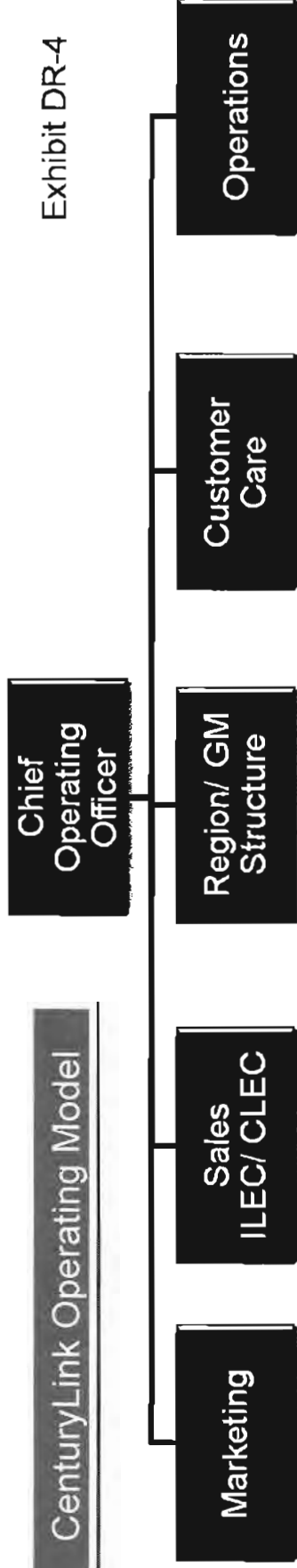


## Qwest Transaction



# CenturyLink Operating Model

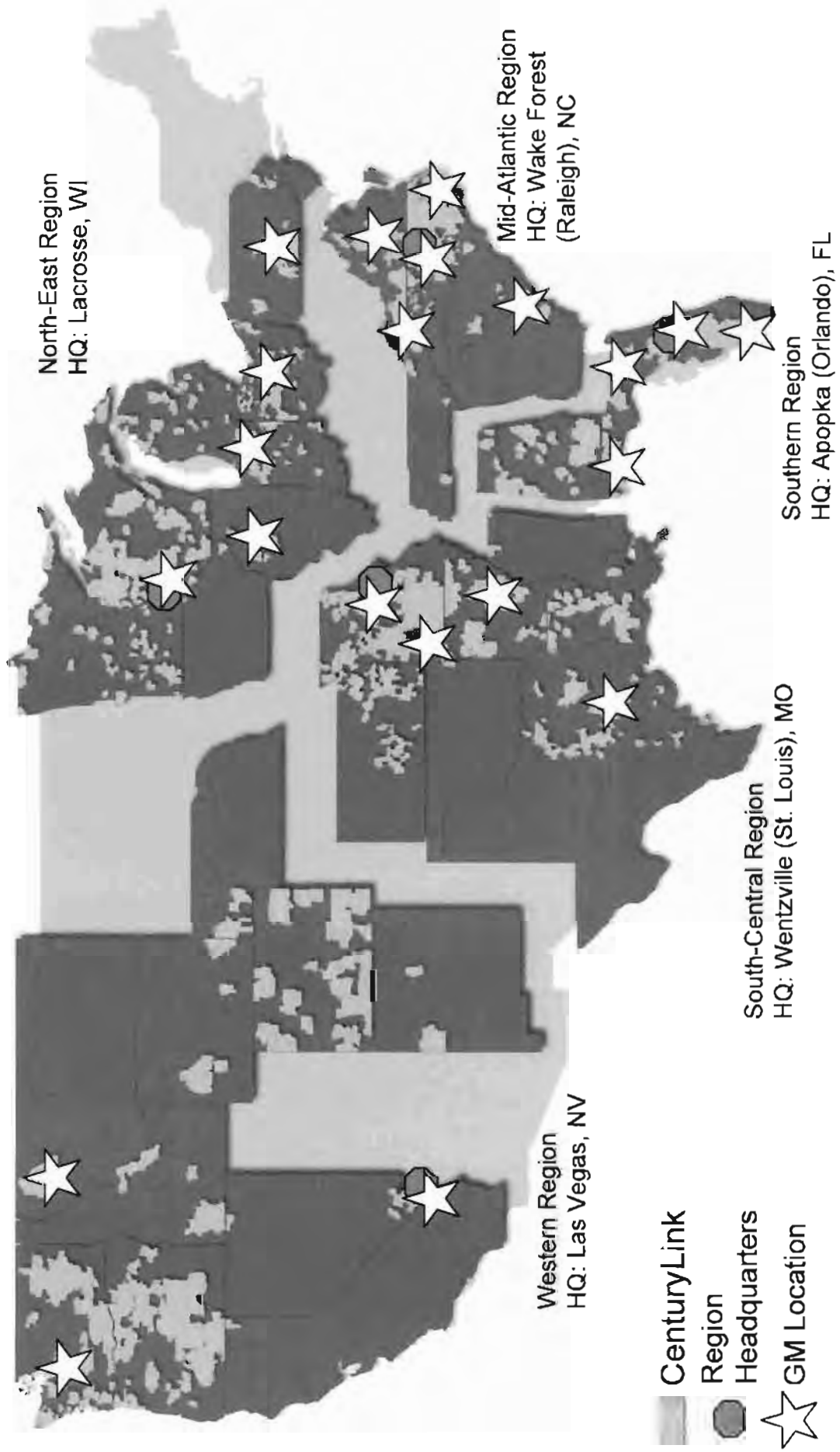
Exhibit DR-4



- RVP/GM Structure
- Area Ops Manager
- Area Plant Supervisors
- Technicians
- Community Focus
- Local Consumer Distribution:
- Retail stores
- Door to Door Sales
- Multi Dwelling Unit Sales



***Proven Go-to-Market Service Delivery Model***



**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

**Joint Application of Qwest  
Communications International, Inc. and  
CenturyLink, Inc. for Approval of Indirect  
Transfer of Control of Qwest  
Communications Company, LLC**

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**CASE NO. 10-0717-TP-ACO**

**DIRECT TESTIMONY OF  
MARK A. GAST**



1   **I.     Introduction**

2  
3   **Q.     Please state your name and business address.**

4   A.     My name is Mark A. Gast, and my business address is 5454 West 110<sup>th</sup> Street,  
5           Overland Park, Kansas 66211.

6  
7   **Q.     Who is your employer and what is your position?**

8   A.     I am employed as Director – Regulatory Finance and Compliance by  
9           CenturyLink, Inc. (“CenturyLink” or the “Company”).

10  
11   **Q.    Please describe your educational background, work experience, and present**  
12       **responsibilities.**

13   A.     After graduating with a Bachelor of Science in Business Administration with a  
14           major in Accounting in 1976, I earned a Masters in Business Administration from  
15           the University of Kansas in 1977. In 1987, I graduated from the University of  
16           Missouri – Kansas City with a Masters of Science in Accounting. From 1978 to  
17           1981, I worked in the audit and tax departments of KPMG, a large international  
18           public accounting firm. From 1981 to 1987, I worked as Tax Manager for Duke  
19           Energy. I began my career with CenturyLink or predecessor companies in 1987  
20           and have held various managerial tax, budget, and finance positions in the  
21           Finance department. From January 1, 1998 through June 30, 2009, I was Director  
22           – Regulatory Finance and Reporting. I assumed my present position as Director –  
23           Regulatory Finance and Compliance in July 2009. I have been a Certified Public  
24           Accountant since 1977 and a Certified Management Accountant since 1991. I am

1 a member of the American Institute of CPAs, Kansas Society of CPAs, and  
2 Institute of Management Accountants.

3

4 **Q. What is the purpose of your testimony?**

5 A. I am testifying in support of the Joint Application (“Application”) filed by  
6 CenturyLink and Qwest Communications International Inc. (“Qwest”) with the  
7 Public Utilities Commission of Ohio (“Commission”) simultaneously with my  
8 testimony. My testimony will provide a detailed overview of the financial  
9 characteristics of the proposed merger of CenturyLink and Qwest (the  
10 “Transaction”). Further, my testimony will support and demonstrate that the  
11 combination will promote public convenience and result in the provision of  
12 adequate service for a reasonable rate, rental, toll, or charge.

13

14 **Q. Are other witnesses filing direct testimony in this proceeding?**

15 A. Yes. I have reviewed the testimonies of Duane Ring, representing CenturyLink,  
16 and Lisa Hensley Eckert, representing Qwest, both of which provide detail about  
17 other factors that support the proposed merger of CenturyLink with Qwest. My  
18 testimony complements those testimonies by providing additional information  
19 regarding important financial factors about the two companies and the proposed  
20 combination.

21

22 **II. Overview of Testimony**

23 **Q. Please provide an overview of your testimony.**

1 A. CenturyLink and Qwest announced on April 22, 2010, the two companies'  
2 agreement to merge. From a financial perspective the all-stock Transaction is  
3 compelling for a number of reasons: (1) no new debt or debt refinancing is  
4 required based on the borrowings at the time of the announcement;<sup>1</sup> (2) the  
5 Transaction is a straightforward stock-for-stock combination that does not involve  
6 any financial or tax-structure complexities (e.g., Reverse Morris Trust) similar to  
7 those employed in certain recent transactions; (3) the combined company will  
8 have increased financial resources to reduce debt with the flexibility to dedicate  
9 capital in response to business opportunities and support ongoing capital  
10 investment; and (4) the combined company will have what we believe will be  
11 investment-grade characteristics based on solid debt coverage ratios, sufficient  
12 liquidity, and a manageable debt maturity schedule. My testimony, therefore, will  
13 highlight factors that should give the Commission confidence that this  
14 combination is in the public interest, consistent with the State's standard of  
15 review and that the merger should be approved. Specifically, I will testify  
16 regarding five general subjects:

- 17 1. A financial overview of the proposed Transaction (Section IV of this  
18 testimony);
- 19 2. The financial profile of the two individual companies, as well as the  
20 merged company, at the corporate parent level (Section V);
- 21 3. The financial benefits of the proposed Transaction (Section VI);

---

<sup>1</sup> Qwest does have a credit facility that includes a change of control provision, but no funds were drawn against that facility at the time of the announcement.

- 1           4.       Specific financial characteristics of the merged company, including the  
2                   benefit of the stock-for-stock Transaction, the expectations for a strong  
3                   and improving balance sheet, opportunities for meaningful cost savings  
4                   due to enhanced scale and efficiencies, and the expected uses of the  
5                   merged company's annual cash flows (Section VII); and  
6           5.       The financial effects of the proposed Transaction on CenturyLink's and  
7                   Qwest's regulated operating subsidiaries in Ohio (Section VIII).

8

9   **Q.     Can you describe how your testimony aids the Commission's review of the**  
10 **proposed Transaction?**

11   A.     My understanding is that the State of Ohio grants the Commission authority to  
12           approve the transfer requested in the Application filed by CenturyLink and Qwest.  
13           In approving this Transaction, the Commission must consider whether the  
14           Transaction will promote public convenience and result in the provision of  
15           adequate service for a reasonable rate, rental, toll, or charge. This testimony  
16           focuses on the financial characteristics of the proposed Transaction, which  
17           demonstrate that the merged company will have more financial resources to serve  
18           customers and the public interest.

19

20 **III.    Description of the Proposed Transaction**

21

22 **Q.     Please describe the proposed Transaction.**

1     A.    On April 22, 2010, CenturyLink and Qwest announced a definitive agreement by  
2           which a wholly-owned subsidiary of CenturyLink will merge with Qwest, with  
3           Qwest as the surviving entity, wholly-owned by CenturyLink. Qwest's  
4           subsidiaries also will be indirectly wholly-owned by CenturyLink. In this stock-  
5           for-stock combination, Qwest shareholders will receive 0.1664 shares of  
6           CenturyLink stock for each of their Qwest shares, and CenturyLink will own  
7           100% of the outstanding stock of Qwest.<sup>2</sup> No new debt financing will be required  
8           and, importantly, none of the debt outstanding at the time of the Transaction  
9           announcement will require refinancing under change of control provisions.<sup>3</sup> At  
10          the consummation of the Transaction, CenturyLink's pre-merger shareholders  
11          will own approximately 50.5% of the post-merger company and Qwest's pre-  
12          merger shareholders will own approximately 49.5% of post-merger CenturyLink.<sup>4</sup>

13  
14     **Q.    Why is the Transaction structured as a stock-for-stock combination?**

15     A.    The two companies aimed to avoid incurring any additional debt. Thus, the price<sup>5</sup>  
16          for the Transaction will be paid in equity shares issued from CenturyLink to

---

<sup>2</sup> See CenturyLink and Qwest Merger Conference Call, April 22, 2010, [hereafter "Merger Conference Call"]; slide 6; available at <http://www.centurylinkqwestmerger.com/downloads/presentations/Investor%20Presentation-4-22-10.pdf>; Select slides from the Merger Conference Call are referred to throughout this testimony. They have been reproduced and attached collectively hereto as Exhibit MAG-1. References to individual slides will refer to them by their original slide number.

<sup>3</sup> *Id.*, slide 7; Qwest's credit facility does have a change of control provision; however, no funds were drawn on that facility at the time of the merger announcement, so the change of control provision will not result in any refinancing of debt outstanding.

<sup>4</sup> *Id.*, slide 6.

<sup>5</sup> The transaction premium is estimated to be approximately 15% using the share prices of Qwest and CenturyLink at the New York Stock Exchange close of the day before the announcement; the imputed price for Qwest shares was \$6.02, which was 0.1664 times CenturyLink's \$36.20 close on Wednesday, April 21; Qwest shares had closed at \$5.24 that same day.

1 Qwest shareholders. The exchange of stock-for-stock allows CenturyLink and  
2 Qwest to avoid new acquisition-related debt or refinancing of existing debt.<sup>6</sup>  
3

4 **Q. Is the Transaction financially complex?**

5 A. No. The stock-for-stock Transaction structure is simple and easily understood,  
6 and does not involve any of the financial or tax-structure complexities or  
7 characteristics (e.g., Reverse Morris Trust) of other recent transactions. The  
8 simplicity of the Transaction should allow policymakers and other interested  
9 parties to gain additional comfort that the combination is relatively  
10 straightforward and that the financial benefits can be assessed more readily.  
11

12 **IV. Financial Overview of the Transaction**

13 **Q. Please provide a financial overview of the Transaction.**

14 A. As of December 31, 2009, CenturyLink and Qwest served local  
15 telecommunications markets as incumbent carriers in 37 states. The combined  
16 companies served approximately 17 million access lines, approximately 5 million  
17 broadband subscribers,<sup>7</sup> and more than one million enterprise customers. At year  
18 end 2009, the combined company had pro forma revenues of \$19.8 billion,  
19 earnings before interest, taxes, depreciation and amortization (“EBITDA”) of  
20 approximately \$8.2 billion, and free cash flow (cash flow available after all cash

---

<sup>6</sup> As noted earlier, Qwest does have a credit facility, with no balance outstanding at the time of the merger announcement, that includes a change of control provision; however, given that there is no balance outstanding, no debt refinancing will be required.

<sup>7</sup> Merger Conference Call, slide 8.

1 operating expenses and capital expenditures),<sup>8</sup> excluding any estimated synergies,  
2 of \$3.4 billion.<sup>9</sup> With 2009 pro forma combined net leverage of 2.4 times before  
3 synergies and 2.2 times after run-rate estimated synergies (both ratios calculated  
4 excluding one-time integration costs),<sup>10</sup> the merged company is expected to have  
5 one of the strongest balance sheets in the U.S. telecommunications industry. The  
6 transaction is expected to be accretive to CenturyLink's free cash flow at closing,  
7 excluding one-time integration costs. The merged company is projected in three-  
8 to-five years to have an estimated \$625 million in annual run-rate operating and  
9 capital synergies.<sup>11</sup> The combined company will be committed to network  
10 investment and appropriate balance sheet improvement (debt reduction), and is  
11 expected to produce sufficient operating cash flows to fund a stronger and more  
12 competitive business, as competitive threats increase from national companies  
13 such as AT&T, Verizon, Comcast, Time Warner Cable, and Cox  
14 Communications. In short, the proposed transaction will create a carrier with  
15 major scope and scale, and the financial resources and flexibility to provide high-  
16 quality, communications services to customers and communities in Ohio and  
17 across the country.

---

<sup>8</sup> *Id.*, slide 8. As indicated in Note (a) on the slide, "CenturyLink free cash flow [is] calculated as net income + D&A – capex. Qwest free cash flow calculated as net income + D&A + deferred income tax – capex."

<sup>9</sup> *Id.*, slide 8.

<sup>10</sup> *Id.*, slide 7. The one-time integration costs include operating costs of \$650-\$800 million, and capitalization costs of \$150-\$200 million to achieve synergies. See Merger Conference Call, slide 13.

<sup>11</sup> *Id.*, slide 6.

1     **V.     Financial Characteristics of CenturyLink and Qwest**

2     **Q.     Can you provide a summary of the financial characteristics of CenturyLink?**

3     A.     CenturyLink, an S&P 500 company, is headquartered in Monroe, Louisiana. The  
4           Company's shares are publicly traded on the New York Stock Exchange under the  
5           ticker symbol "CTL." The newly-named Company was formed through the  
6           CenturyTel and Embarq merger. CenturyLink, through its wholly-owned  
7           operating subsidiaries, is a leading provider of communications services to  
8           consumers, businesses, and other carriers. Using its robust communications  
9           networks, the Company offers local and long-distance voice, wholesale local  
10          network access, high-speed internet, and information and video services in 33  
11          states. As of December 31, 2009, CenturyLink provided incumbent local  
12          exchange carrier ("ILEC") services to approximately 7.04 million telephone  
13          access lines and 2.24 million broadband subscribers. CenturyLink also operates a  
14          fiber transport network that provides wholesale and retail fiber-based transport  
15          services in support of other carriers and retail customers. On a pro forma basis—  
16          assuming that CenturyTel and Embarq were combined for the full year ending  
17          December 31, 2009—the Company generated \$7.53 billion in revenues and \$3.80  
18          billion in EBITDA, excluding non-recurring items. CenturyLink's net debt (total  
19          debt less cash and equivalents) at the end of 2009 was \$7.59 billion, and its net  
20          debt-to-trailing (previous twelve months) EBITDA was 2.0 times. The Company  
21          had an equity market capitalization of \$10.83 billion at the end of 2009,<sup>12</sup>

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<sup>12</sup> Market capitalization is based on 299.189 million shares outstanding and a closing price of \$36.21 on the New York Stock Exchange on December 31, 2009.



1 resulting in an \$18.42 billion total enterprise value (equity market capitalization  
2 plus net debt).

3  
4 **Q. Can you provide a summary of the financial characteristics of Qwest?**

5 A. Yes. Qwest is a Delaware corporation with its headquarters in Denver, Colorado.  
6 Qwest's shares are publicly traded on the New York Stock Exchange under the  
7 ticker symbol "Q." Qwest's ILEC subsidiary, Qwest Corporation ("QC"), serves  
8 wholesale and retail customers in the 14-state region of Arizona, Colorado, Idaho,  
9 Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon,  
10 South Dakota, Utah, Washington, and Wyoming. As of December 31, 2009,  
11 Qwest has approximately 10.27 million access lines and 4.70 million video,  
12 broadband, and wireless connections, including 2.97 million high-speed lines.  
13 Qwest has another subsidiary, Qwest Communications Company, LLC ("QCC"),  
14 which operates a national fiber-optic network and provides retail and wholesale  
15 data, interexchange, and local services. In 2009, the consolidated operations of  
16 Qwest generated \$12.31 billion in revenues and \$4.42 billion in adjusted  
17 EBITDA.<sup>13</sup> Qwest's net debt at December 31, 2009, was \$11.79 billion, and its  
18 net debt-to-trailing EBITDA ratio was 2.7 times. Qwest had an equity market  
19 capitalization of \$7.28 billion at the end of 2009,<sup>14</sup> resulting in a \$19.07 billion  
20 total enterprise value.

21

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<sup>13</sup> In Qwest's quarterly earnings releases, the company reports adjusted EBITDA that excludes items not representative of its core ongoing telecommunications operations.

<sup>14</sup> Market capitalization is based on 1.729 billion shares outstanding and a closing price of \$4.21 on the New York Stock Exchange on December 31, 2009.

1 **VI. Financial Benefits of the Proposed Transaction**

2 **Q. What are the benefits of the merger?**

3 A. CenturyLink and Qwest believe that there are numerous important benefits  
4 flowing from the proposed Transaction, including:

- 5 • Enhanced service and product capabilities based on a national  
6 approximately 180,000-mile fiber network, a strong product portfolio, and  
7 increased scale; expanded competitive offerings, including high-speed  
8 Internet, video, data hosting and managed services; as well as fiber-to-cell  
9 tower connectivity and other high-bandwidth services;
- 10 • Financial strength and flexibility, as the combined company's sound  
11 capital structure and free cash flows serve to better position the merged  
12 company to respond to future opportunities, while permitting ongoing  
13 investment in the network, reductions of indebtedness, and appropriate  
14 compensation of capital providers; and
- 15 • Improved operating and capital efficiency through reductions in corporate  
16 overhead and the elimination of duplicative functions and systems.

17  
18 **Q. Can you provide additional detail regarding the financial expectations for the**  
19 **merged company?**

20 A. Yes. First, using pro forma 2009 financials, before any expected synergies, the  
21 merged CenturyLink and Qwest companies would have generated around \$3.4  
22 billion in free cash flow<sup>15</sup> after all cash operating expenses and an estimated \$2.4

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<sup>15</sup> Merger Conference Call, slide 8.

1 billion in capital investment. Based on this level of free cash flow, after meeting  
2 all operating, capital, and financial costs, the company expects to have about \$1.7  
3 billion in remaining cash flow that could be used for further debt reduction and  
4 additional investment.

5  
6 Second, CenturyLink and Qwest expect that the merged company will be able to  
7 create annual run-rate operating expense synergies of approximately \$575 million,  
8 fully-recognized over a three-to-five-year period following closing. The  
9 companies also project annual run-rate capital expenditure synergies of \$50  
10 million, for a total expected increase of \$625 million in annual cash flow due to  
11 operating and capital synergies.<sup>16</sup> Thus, assuming that CenturyLink and Qwest  
12 had been combined in 2009 and full estimated run-rate synergies of \$625 million  
13 were realized, the merged company would have generated approximately \$3.8  
14 billion of free cash flow after operating expenses and capital expenditures.  
15 Accordingly, the expected cash flows should provide increased flexibility for  
16 additional network investments, product development, and reduction of debt.

17  
18 **Q. Are there financial benefits to increasing the size of the Company as a result**  
19 **of this Transaction?**

20 A. Yes. The local telecommunications industry is evolving. CenturyLink believes  
21 that companies that best serve their customers will be successful because of  
22 sufficient scope and scale, efficient operations, and strong network investment  
23 realized in part through access to competitively-priced capital. By combining,

---

1 CenturyLink and Qwest will create a stronger company that has the local and  
2 transport resources to compete more effectively with national competitors such as  
3 AT&T, Verizon, and Comcast, and to deploy more broadly strategic products  
4 such as higher-speed data offerings.

5  
6 **Q. Are there other financial benefits that will result from the proposed**  
7 **Transaction?**

8 A. Yes. The proposed Transaction will diversify and therefore reduce the financial  
9 risk of the merged company. The effect of combining differing geographies and  
10 markets is to lower the potential impact of operating and financial risk for the  
11 consolidated merged company by reducing its exposure to any single risk.

12

13 **VII. Specific Financial Characteristics of the Merged Company**

14 **Q. Can you offer perspective on the pro forma balance sheet of the combined**  
15 **company?**

16 A. Yes. The merged company will have among the strongest balance sheets in the  
17 industry. Pro forma 2009 net debt-to-EBITDA was 2.4 times before synergies  
18 and 2.2 times after synergies on a full run-rate basis, excluding integration costs.  
19 These leverage ratios compare favorably with other similarly-situated ILECs in  
20 the industry. Windstream's 2009 net leverage ratio was 3.3 times, Frontier's pro  
21 forma 2009 ratio was 2.6 times. CenturyLink has been clear that an investment  
22 grade rating is important even if it is necessary to incur relatively more debt  
23 temporarily (and to incur a lower rating for a period) in a strategic acquisition.

1 While the rating agencies will not determine the combined company's final  
2 ratings until after the Transaction closes, the combined company is expected to  
3 have financial metrics consistent with investment-grade rated telecommunications  
4 companies. The longer-term commitment is clear—that the Company seeks  
5 through this Transaction to realize improved cash flows to reduce debt and  
6 improve the combined companies' balance sheet over time.

7  
8 **Q. Is the merged company expected to have the ability to reduce its leverage**  
9 **through debt reductions using free cash flow from operations as**  
10 **CenturyLink has done in the past?**

11 A. As noted previously, the pro forma combined 2009 free cash, flow before  
12 synergies and after operating expenses and capital expenditures, is approximately  
13 \$3.4 billion.<sup>17</sup> After pro forma dividends, it is estimated that there will be a  
14 remainder of approximately \$1.7 billion of free cash flow that could be used to  
15 further reduce debt. If the merged company achieves its synergy goals, the  
16 Company expects to have approximately \$2.1 billion in free cash flow after costs  
17 to run the business. Based on these cash flows, CenturyLink expects to reduce the  
18 merged company's leverage after the Transaction closes, as the Company has in  
19 past transactions.

20  
21 **Q. What will be the investment rating assigned the merged company at the time**  
22 **the Transaction is completed?**

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<sup>17</sup> Merger Conference Call, slide 8.

1 A. The credit rating agencies will not assign ratings until the Transaction closes. In  
2 the time period before consummation of the merger, both companies are reducing  
3 debt and improving their respective balance sheets. At close, the rating agencies  
4 will evaluate the combined companies' balance sheet and financial metrics in the  
5 context of overall industry conditions, other market factors, and the agencies'  
6 judgment about any regulatory conditions or risks that are added in the approval  
7 process. At this time, CenturyLink is rated as investment grade, while Qwest's  
8 ILEC is investment-grade rated, and the Qwest holding company has a credit  
9 rating at the highest level of non-investment grade debt. The Company is  
10 committed to maintaining investment grade metrics. The goal is to make the  
11 Company stronger for the longer term, and the combination with Qwest makes the  
12 two companies better prepared financially to serve customers in the future.

13

14 **Q. In addition to reducing debt, how might the merged company use its free**  
15 **cash flow?**

16 A. As I testified above, CenturyLink is confident that it will have the flexibility with  
17 increased cash flows to invest in the network and expects to continue to target  
18 broadband deployment. It is also becoming clear that other data-intensive  
19 services are an important part of the consumer bundle. Plans to deploy such  
20 services have not yet been finalized, but, illustrating an ongoing commitment to  
21 consumers, the Company did announce as part of its first quarter 2010 earnings  
22 conference call that it expects to deploy IPTV service in five new markets by  
23 early 2011 (in addition to its current deployments in Columbia and Jefferson City,

1 Missouri, and LaCrosse, Wisconsin). To be more specific, both CenturyLink and  
2 Qwest have invested heavily in their respective fiber networks and electronics  
3 over the last few years. Based on the 2009 pro forma combined figures, the  
4 merged company capital expenditures were approximately \$2.4 billion.

5  
6 **VIII. Financial Effects of the Transaction on CenturyLink's and Qwest's**  
7 **Regulated ILEC Operating Subsidiaries in Ohio**

8 **Q. What regulated ILEC subsidiaries of CenturyLink and Qwest provide**  
9 **telecommunications services in Ohio?**

10 A. The regulated operating ILEC subsidiaries of CenturyLink in Ohio include United  
11 Telephone Company of Ohio d/b/a CenturyLink, United Telephone Company of  
12 Indiana, Inc. d/b/a CenturyLink, and CenturyTel of Ohio, Inc. d/b/a CenturyLink.  
13 Qwest does not have any regulated ILEC operating subsidiaries in Ohio.

14  
15 **Q. Will the Transaction change the legal structure of these operating**  
16 **subsidiaries?**

17 A. No. After the Transaction, Qwest (the parent company of the Qwest operating  
18 subsidiaries) will be a wholly-owned subsidiary of CenturyLink. The Qwest  
19 operating subsidiaries will continue to be subsidiaries of Qwest; and the  
20 CenturyLink operating subsidiaries will continue to be subsidiaries of  
21 CenturyLink.

22

1   **Q.     Will the Transaction change the capital structure of CenturyLink’s or**  
2       **Qwest’s operating subsidiaries?**

3   A.    No. The Transaction is a simple, transparent exchange of one parent company’s  
4       stock for the other parent company’s stock. It causes no change in the capital  
5       structures of the parent companies’ operating subsidiaries. Consummation of the  
6       Transaction should have no effect on the operating subsidiaries’ balance sheets or  
7       capital structures.

8

9   **Q.     Will the operating subsidiaries in Ohio benefit from the Transaction?**

10  A.    Absolutely. The operating subsidiaries will benefit from the improved financial  
11       position and credit quality of the merged company. Due to its financial profile—  
12       significant scope and scale, strong cash flows, moderate leverage, investment  
13       grade credit characteristics, and expanded equity “float” (larger market  
14       capitalization and more shares outstanding)—the merged company is expected to  
15       have improved access to capital on reasonable terms. In short, the proposed  
16       Transaction will not result in a deterioration of the financial condition of any of  
17       the operating companies in Ohio and will over time improve, not harm, the  
18       companies’ ability to attract and access capital on reasonable terms.

19

20  **IX.    Summary of Testimony**

21  **Q.     Please summarize your testimony.**

22  A.    CenturyLink believes that the financial benefits of the proposed Transaction, and  
23       indeed the other benefits outlined by other witnesses, are compelling. The



1       proposed Transaction creates a company with more capacity to introduce services  
2       that are beneficial to customers in urban and rural regions. The combined  
3       company is likely to have the highest-rated credit of any similarly-situated ILEC.  
4       The merged company is expected to be financially stronger in terms of increased  
5       cash flows generated through combined operations and enhanced by synergies.  
6       The improved cash flows may result in improved debt ratings for Qwest, and may  
7       result in an investment grade rating for the merged company—if not immediately,  
8       then not long thereafter, as the merged company uses its free cash flows to reduce  
9       debt. The financial strength will permit the merged company to take advantage of  
10      emerging opportunities and to respond to competitive and economic conditions.

11

12   **Q.     Does this conclude your testimony?**

13   **A.     Yes.**

State of Kansas       )  
                                  )  
County of Johnson    )       ss.

I, Mark A. Gast, being first duly cautioned and sworn, state that the foregoing testimony is true and correct to the best of my knowledge.

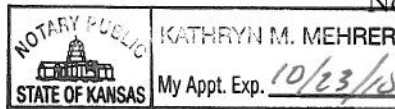
Mark A. Gast  
(signature)

Sworn to and subscribed before me this 21<sup>st</sup> day of May 2010.

Kathryn M. Mehrer

Notary Public

My Commission Expires \_\_\_\_\_



# Transaction Summary

<b>Transaction Structure:</b>	<b>All stock combination</b>
<b>Fixed Exchange Ratio:</b>	<b>0.1664 shares of CenturyLink stock per share of Qwest stock</b>
<b>Pro Forma Ownership:</b>	<b>50.5% CenturyLink shareholders / 49.5% Qwest shareholders</b>
<b>Transaction Value:</b>	<b>\$22.4 billion, including net debt of \$11.8 billion as of 12/31/2009</b>
<b>Estimated Synergies:</b>	<b>Approximately \$625 million of annual run-rate synergies <sup>(a)</sup></b>
<b>Estimated Transaction Multiples <sup>(b)</sup>:</b>	<b>5.1x / 4.5x 2009 EBITDA (before / after run-rate synergies); 5.9x / 4.8x 2009 Free Cash Flow <sup>(c)</sup> (before / after run-rate synergies)</b>



**CenturyLink**

- (a) \$575 million of run-rate operating expense synergies and \$50 million of run-rate capital expenditure synergies  
 (b) Based on the latest public filings; Equity value based on fully diluted shares using treasury stock method  
 (c) Qwest free cash flow calculated as net income + D&A + deferred income tax – capex; Multiple after run-rate synergies includes after-tax opex and capex synergies



# Transaction Summary (cont'd)

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**Financing:** No new financing or refinancing required

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**Pro Forma 2009 Net Leverage:** 2.4x (before synergies) / 2.2x (after run-rate synergies)

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**Dividend Policy:** Maintain CenturyLink annual dividend of \$2.90 per share

- 2009 pro forma payout ratio ~50.4% (before synergies) / ~45.1% (after run-rate synergies)

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**Closing Conditions:** HSR, FCC, certain state regulatory approvals; CenturyLink and Qwest shareholder approvals; and other customary closing conditions

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**Anticipated Closing:** First half 2011

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# Compelling for Shareholders

**Transformational transaction will create a nationwide, industry-leading communications company**

- **Pro forma 2009: revenue - \$19.8 billion; EBITDA - \$8.2 billion; free cash flow <sup>(a)</sup> - \$3.4 billion**
- **Extensive broadband capabilities with 173,000-mile fiber network**
- **Premier enterprise services to 95% of the Fortune 500 companies**
- **Strong local and national operator serving 5 million broadband customers and 17 million access lines across 37 states**
- **Enhanced ability to competitively roll out strategic products such as IPTV and other high-bandwidth services**



**CenturyLink™**

**Note: Pro forma metrics reflect sum of actual 2009 figures and do not include synergies**

**(a) CenturyLink free cash flow calculated as net income + D&A – capex. Qwest free cash flow calculated as net income + D&A + deferred income tax – capex**



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**Case No(s). 10-0717-TP-ACO**

Summary: Application of Qwest Communications International, Inc. and CenturyLink, Inc. for Approval of Indirect Transfer of Control of Qwest Communications Company, LLC electronically filed by Gary Baki on behalf of CenturyLink, Inc. and Qwest Communications International, Inc.