

General Information

Year: 2012

1	Legal Name of Respondent:	CenturyTel of Montana, Inc. d/b/a CenturyLink
2	Name Under Which Respondent Does Business:	CenturyTel of Montana, Inc. d/b/a CenturyLink
3	Date of Incorporation:	October 23, 1946
4	Address to send Correspondence Concerning Report:	100 CenturyLink Drive Monroe, La. 71203
5	Person Responsible for This Report:	Ted Hankins Director Regulatory Operations
5a.	Telephone Number:	(318) 388 - 9416
Control Over Respondent		
1	If direct control over the respondent was held by another entity at the end of year provide the following:	
	1a. Name and address of the controlling organization or person: Pacific Corp. Holding, Inc. owned 100% of the voting securities of Pacific Telecom, Inc. until 12/1/97 when these securities were sold to CenturyLink, Inc., 100 CenturyLink Drive, Monroe, La. 71203	
	1b. Means by which control was held: Ownership of voting securities	
	1c. Percent Ownership: 99%	

	Board of Directors		
Line No.	Name of Director and Address (City, State) (a)		Fees Paid During Year (b)
1	Stacey W. Goff	100 CenturyLink Drive, Monroe, LA 71203	None
2	R. Stewart Ewing, Jr.	100 CenturyLink Drive, Monroe, LA 71203	None
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18	Chairman of the Board:	Glen F. Post, III	
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Officers

Year: 2012

Line No.	Title of Officer (a)	Department Over Which Jurisdiction is Exercised (b)	Name and Address of Person Holding Office at Year End (c)
1	Chief Executive Officer and President	Company Wide	Glen F. Post, III, 100 CenturyLink Drive, Monroe, LA 71203
2	Executive Vice President and Chief Operating Officer	"	Karen A. Puckett, 100 CenturyLink Drive, Monroe, LA 71203
3	Executive Vice President and Chief Financial Officer	"	R. Stewart Ewing, Jr., 100 CenturyLink Drive, Monroe, LA 71203
4	Executive Vice President and General Counsel	"	Stacey W. Goff, 100 CenturyLink Drive, Monroe, LA 71203
5	Executive Vice President - IT Services	"	Girish Varma, 930 15th Street, Denver, CO 80202
6	Executive Vice President - Public Policy & Gov't Relations	"	R. Steven Davis, 1801 California Street, Denver, CO 80202
7	CEO, Savvis Operations, & President - EMG	"	James E. Ousley, 930 15th Street, Denver, CO 80202
8	President - Wholesale Operations	"	William E. Check, 100 CenturyLink Drive, Monroe, LA 71203
9	Senior Vice President - Controller and Operations Support	"	David D. Cole, 100 CenturyLink Drive, Monroe, LA 71203
10	Senior Vice President - Network Services	"	Maxine Moreau, 100 CenturyLink Drive, Monroe, LA 71203
11	SVP - Corporate Strategy, Product Development and CTO	"	Olani Matthew Beal, 100 CenturyLink Drive, Monroe, LA 71203
12	Senior Vice President and Treasurer	"	G. Clay Bailey, 100 CenturyLink Drive, Monroe, LA 71203
13	Vice President	"	Jonathan Robinson, 100 CenturyLink Drive, Monroe, LA 71203
14	Secretary	"	Kay C. Buchart, 100 CenturyLink Drive, Monroe, LA 71203
15	Assistant Secretary	"	Carrick Inabnett, 100 CenturyLink Drive, Monroe, LA 71203
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Total Company Balance Sheet

Year: 2012

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		CURRENT ASSETS:		
2	1120	Cash and Equivalents	3,347,685	1,501,854
3	1180	Telecommunications Accounts Receivable - Net	2,182,311	2,347,312
4	1190	Other Accounts Receivable - Net	1,027,592	528,347
5	1200	Notes Receivable - Net		
6	1210	Interest and Dividends Receivable		
7	1220	Materials and Supplies	432	37
8	* 1280	Prepayments	703,726	846,694
9	^ 1290	Prepaid Rents		
10	^ 1300	Prepaid Taxes		
11	^ 1310	Prepaid Insurance		
12	^ 1320	Prepaid Directory Expenses		
13	^ 1330	Other Prepayments	20,076	92,178
14	1350	Other Current Assets		
15		Total Current Assets	7,261,746	5,224,243
16		NONCURRENT ASSETS:		
17	1401	Investments in Affiliated Companies		
18	1402	Investments in Nonaffiliated Companies		
19	1406	Nonregulated Investments	389,350	605,946
20	1407	Unamortized Debt Issuance Expense		
21	1408	Sinking Funds		
22	1410	Other Noncurrent Assets		
23	1438	Deferred Maintenance and Retirements		
24	1439	Deferred Charges	165	5,626
25	1500	Other Jurisdictional Assets - Net		
26		Total Noncurrent Assets	389,514	611,571
27		PROPERTY, PLANT, & EQUIPMENT:		
28	2001	Telecommunications Plant in Service	174,780,689	173,883,630
29	2002	Property Held for Future Telecommunications Use		
30	2003	Plant Under Construction - Short Term	918,237	414,571
31	2004	Plant Under Construction - Long Term		
32	2005	Telecommunications Plant Adjustment		
33	2006	Nonoperating Plant		2,582
34	2007	Goodwill		
35	3100	Accumulated Depreciation	(132,869,148)	(127,658,982)
36	3200	Accumulated Depreciation - Held for Future Use		
37	3300	Accumulated Depreciation - Nonoperating		
38	3400	Accumulated Amortization		
39		Net Property, Plant, & Equipment	42,829,778	46,641,800
40		TOTAL ASSETS	50,481,038	52,477,614

^ Subaccount of account marked with a *.

Total Company Balance Sheet

Year: 2012

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
41		CURRENT LIABILITIES:		
42	4010	Accounts Payable	454,406	646,727
43	4020	Notes Payable		
44	4030	Advance Billing and Payments	1,236,238	1,283,515
45	4040	Customer Deposits	13,354	11,466
46	4050	Current Maturities - Long Term Debt		
47	4060	Current Maturities - Capital Leases		
48	4070	Income Taxes - Accrued	5,075	
49	4080	Other Taxes - Accrued	1,202,231	1,263,904
50	4100	Net Current Deferred Operating Income Taxes		
51	4110	Net Current Deferred Nonoperating Income Taxes		
52	4120	Other Accrued Liabilities	425,642	637,520
53	4130	Other Current Liabilities		
54		Total Current Liabilities	3,336,947	3,843,132
55		LONG-TERM DEBT:		
56	4210	Funded Debt		
57	4220	Premium on Long-Term Debt		
58	4230	Discount on Long-Term Debt		
59	4240	Reacquired Debt		
60	4250	Obligations Under Capital leases		
61	4260	Advances From Affiliated Companies		
62	4270	Other Long-Term Debt		
63		Total Long-Term Debt		
64		OTHER LIABILITIES AND DEFERRED CREDITS:		
65	4310	Other Long-Term Liabilities		
66	4320	Unamort. Oper. Invest. Tax Credits - Net		
67	4330	Unamort. Nonoper. Invest. Tax Credits - Net		
68	4340	Net Noncurrent Deferred Oper. Income Taxes	10,648,629	11,076,927
69	4350	Net Noncurrent Deferred Nonoper. Income Taxes		
70	4360	Other Deferred Credits	1,264,483	2,673,465
71	4370	Other Jurisdictional Liab. and Def. Credits		
72		Total Other Liabilities and Deferred Credits	11,913,112	13,750,392
73		STOCKHOLDERS' EQUITY:		
74	4510	Capital Stock	6,479,000	6,479,000
75	4520	Additional Paid-In Capital	141,016	141,016
76	4530	Treasury Stock	(159,000)	(159,000)
77	4540	Other Capital		
78	4550	Retained Earnings	28,769,964	28,423,075
79		Total Stockholders' Equity	35,230,980	34,884,091
80		TOTAL LIAB. AND STOCKHOLDERS' EQUITY	50,481,038	52,477,614

Total Company Income Statement

Year: 2012

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	14,045,301	14,766,449
3	5080	Network Access Revenues (1)	19,327,713	18,058,978
4	* 5100	Long Distance Message Revenue	131,083	148,381
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue	131,097	148,341
7	^ 5160	Other Long Distance Revenue (14)		40
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	6,488,821	7,208,652
10	^ 5230	Directory Revenue	2,462,821	2,816,570
11	^ 5240	Rent Revenue	288,638	247,998
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue (2)	3,078,709	3,442,666
14	^ 5270	Carrier Billing and Collection Revenue	658,652	701,418
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	(46,838)	199,715
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	40,039,756	39,982,743
18		OPERATING EXPENSES:		
19	6110	Network Support Expense	22,439	45,674
20	6120	General Support Expense	576,977	987,463
21	6210	Central Office Switching Expense	1,826,076	2,145,274
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	554,297	517,706
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense	5,002,697	5,022,582
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense	63,439	37,388
29	6530	Network Operations Expense	1,835,385	2,197,657
30	6540	Access Expense	741,815	458,387
31	6560	Depreciation and Amortization Expense	5,831,772	5,725,672
32	6610	Marketing	986,622	1,323,103
33	6620	Services	2,668,934	3,058,156
34	6710	Executive and Planning	103,189	143,210
35	6720	General and Administrative	2,643,745	2,984,525
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)	22,857,386	24,646,796
38	7100	Other Operating Income and Expense	366	390
39	7200	Operating Taxes	7,995,208	7,401,861
40		Net Operating Income (L.17-L.37+L.38-L.39)	9,187,528	7,934,475
41	7300	Nonoperating Income and Expense	(12,178)	166,160
42	7400	Nonoperating Taxes		
43	7500	Interest and Related Items	6,637	1,037
44	7600	Extraordinary Items		
45	7910	Effects of Juris. Ratemaking Diff. - Net		
46	7990	Nonregulated Net Income	(278,176)	(296,989)
47		NET INCOME (L.40+L.41-L.42-L.43-L.44+L.45-L.46)	9,446,889	8,396,587

^ Subaccount of the account marked with a *.

(1) Includes Interstate Prior Period Adjustments of (\$71,030.75) in 2011, and (\$78,551.19) in 2012.

Includes Intrastate Prior Period Adjustments of \$499,700.34 in 2011, and no adj. in 2012.

(2) Includes Miscellaneous Prior Period Adjustments of \$7,417 in 2011, and \$5,091.70 in 2012.

Montana Total State Income Statement

Year: 2012

Line No.	Acct. No. (a)	N/A - SEE SCHEDULE 4 Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues		
3	5080	Network Access Revenues		
4	* 5100	Long Distance Message Revenue		
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue		
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue		
10	^ 5230	Directory Revenue		
11	^ 5240	Rent Revenue		
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue		
14	^ 5270	Carrier Billing and Collection Revenue		
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue		
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)		
18		OPERATING EXPENSES:		
19	6110	Network Support Expense		
20	6120	General Support Expense		
21	6210	Central Office Switching Expense		
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense		
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense		
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense		
30	6540	Access Expense		
31	6560	Depreciation and Amortization Expense		
32	6610	Marketing		
33	6620	Services		
34	6710	Executive and Planning		
35	6720	General and Administrative		
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)		
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes		
40		Net Operating Income (L.17-L.37+L.38-L.39)		

^ Subaccount of the account marked with a *.

Montana Intrastate Income Statement

Year: 2012

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	14,045,301	14,766,449
3	5080	Network Access Revenues	1,896,264	1,936,655
4	* 5100	Long Distance Message Revenue	131,083	148,381
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue	131,097	148,341
7	^ 5160	Other Long Distance Revenue	(14)	40
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	5,522,466	6,532,610
10	^ 5230	Directory Revenue	2,462,821	2,816,570
11	^ 5240	Rent Revenue	190,129	163,057
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	3,014,616	3,383,168
14	^ 5270	Carrier Billing and Collection Revenue	(145,100)	169,815
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	(38,694)	130,042
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	21,633,808	23,254,052
18		OPERATING EXPENSES:		
19	6110	Network Support Expense	14,581	29,680
20	6120	General Support Expense	374,932	641,675
21	6210	Central Office Switching Expense	985,214	1,157,429
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	299,057	279,315
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense	3,655,596	3,670,126
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense	41,224	24,296
29	6530	Network Operations Expense	1,192,674	1,428,086
30	6540	Access Expense	78,372	(68,105)
31	6560	Depreciation and Amortization Expense	3,485,580	3,445,723
32	6610	Marketing	752,299	1,008,865
33	6620	Services	2,163,422	2,478,923
34	6710	Executive and Planning	72,772	100,996
35	6720	General and Administrative	1,857,194	2,096,587
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)	14,972,916	16,293,596
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	5,379,806	4,971,270
40		Net Operating Income (L.17-L.37+L.38-L.39)	1,281,086	1,989,186

^ Subaccount of the account marked with a *.

Montana Intrastate Regulated Income Statement (Revised)

2012

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	13,639,935	14,271,161
3	5080	Network Access Revenues	1,472,365	1,468,716
4	* 5100	Long Distance Message Revenue	112,183	129,481
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue	112,197	129,441
7	^ 5160	Other Long Distance Revenue	(14)	40
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	118,295	124,122
10	^ 5230	Directory Revenue	48,878	54,075
11	^ 5240	Rent Revenue		
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	69,417	70,047
14	^ 5270	Carrier Billing and Collection Revenue		
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	(48,702)	123,650
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	15,391,480	15,869,830
18		OPERATING EXPENSES:		
19	6110	Network Support Expense	14,270	29,046
20	6120	General Support Expense	366,914	627,952
21	6210	Central Office Switching Expense	961,423	1,129,480
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	291,836	272,571
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense	3,582,897	3,597,138
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense	40,342	23,776
29	6530	Network Operations Expense	1,167,170	1,397,548
30	6540	Access Expense	78,372	(68,105)
31	6560	Depreciation and Amortization Expense	3,393,104	3,354,304
32	6610	Marketing	725,646	973,123
33	6620	Services	1,973,349	2,233,511
34	6710	Executive and Planning	69,275	96,143
35	6720	General and Administrative	1,724,142	1,948,187
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)	14,388,740	15,614,674
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	1,173,180	909,749
40		Net Operating Income (L.17-L.37+L.38-L.39)	(170,440)	(654,593)

^ Subaccount of the account marked with a *.

Note 1: This schedule is revised to reflect inclusion of prior period high cost USF receipts and to reapportion income taxes between intrastate and interstate.

Average Rate Base - Total State

Year: 2012

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	170,576,407	169,009,321
2	3100	Accumulated Depreciation	127,705,661	119,957,056
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies	235	1,596
6	4340	Noncurrent Deferred Operating Income Taxes	10,862,778	9,966,808
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)	699,683	777,580
9		Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)	32,707,886	39,864,633

Average Rate Base - Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	110,844,302	109,825,975
2	3100	Accumulated Depreciation	81,107,312	76,186,085
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies	171	1,166
6	4340	Noncurrent Deferred Operating Income Taxes	7,058,874	6,476,653
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)	472,082	527,995
9		Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)	23,150,369	27,692,398

Average Rate Base - Regulated Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	108,473,972	107,477,422
2	3100	Accumulated Depreciation	79,418,774	74,600,000
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies	168	1,143
6	4340	Noncurrent Deferred Operating Income Taxes	6,907,928	6,338,157
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)	451,875	503,851
9		Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)	22,599,313	27,044,259

Notes to Schedule 8

(A) Revenues and expenses were allocated using FCC Part 36 separation rules. Allocation factors are based on 2000 traffic measurements per Separations Freeze Order (i.e. allocations for 2012 are based on the 2000 traffic measurement) which are the most current factors available.

(B) Authorized by Montana Public Commission, Docket 6522, Order Number 4409.

Note: Rate Base Components are calculated using an average of beginning and end of year balances.

Statement of Cash Flows

Year: 2012

Line No.	Item Description (a)	Amount (b)	Amount (c)
1	Increase/(decrease) in Cash & Cash Equivalents		
2	Cash Flows from Operating Activities:		
3	Net Income		9,446,889
4	Reconciliation Adjustments:		
5	Depreciation & Amortization	5,831,772	
6	Provision for Accounts Receivable Losses		
7	Deferred Income Taxes - Net	428,298	
8	Unamortized Investment Tax Credits (ITCs) - Net		
9	Allowance for Funds Used During Construction (AFUDC)		
10	Change in Operating Receivables - Net	(334,243)	
11	Change in Materials, Supplies & Inventories - Net	(395)	
12	Change in Operating Payables & Accrued Liabilities - Net	(192,321)	
13	Change in Other Assets & Deferred Credits - Net	142,968	
14	Change in Other Liabilities & Deferred Credits - Net	(313,864)	
15	Other (explained on back of this page)	(2,265,578)	
16	Total Adjustments		3,296,636
17	Net Cash Provided by/(Used in) Operating Activities		12,743,525
18	Cash Inflows/Outflows From Investing Activities:		
19	Construction/Acquisition of Property, Plant & Equipment (net of	(2,019,751)	
20	AFUDC & Capital Lease Related Acquisitions)		
21	Proceeds from Disposals of Property, Plant & Equipment		
22	Investments In & Advances to Affiliates		
23	Proceeds from Repayment of Advances		
24	Other Investing Activities (explained on back of this page)	222,057	
25	Net Cash Provided by/(Used in) Investing Activities		(1,797,694)
26	Cash Flows from Financing Activities:		
27	Net Incr./(Decr.) in Short-Term Debt, Original maturity <= 3 mo.		
28	Advances from Affiliates		
29	Repayment of Advances from Affiliates		
30	Proceeds from Issuances of Long-Term Debt		
31	Repayment of Long-Term Debt		
32	Payment of Capital Lease Obligations		
33	Proceeds from Issuing Common Stock/Parent Co. Equity Investment		
34	Repurchase of Treasury Shares		
35	Dividends Paid	(9,100,000)	
36	Other Financing Activities (explained on back of this page)		
37	Net Cash Provided by Financing Activities		(9,100,000)
38	Effect of Exchange Rate Changes on Cash		
39	Net Increase/(Decrease) in Cash & Cash Equivalents		1,845,831
40	Cash & Cash Equivalents at Beginning of Period		1,501,854
41	Cash & Cash Equivalents at End of Period		3,347,685

Company Name: CenturyTel of Montana, Inc. d/b/a CenturyLink

SCHEDULE 10

Year: 2012

Receivables and Investments-Affiliated & Nonaffiliated Companies

Line No.	Name of Affiliate or Company (a)	Account 1160 Temporary Investments (b)	Account 1180 Telecom. Accounts Receivable (c)	Account 1181 Accts. Rec. Telecom. Allowance (d)	Account 1190 Other Accounts Receivable (e)	Account 1191 Accounts Receivable Allow. - Other (f)	Account 1200 Notes Receivable (g)	Account 1201 Notes Receivable Allowance (h)	Account 1210 Interest and Dividends Receivable (i)	Account 1401 Investments in Affil. Companies (j)	Account 1402 Investments in Nonaffil. Companies (k)
1	AT&T				(464)						
2	NECA				166,435						
3	All Other Connecting Companies				883,246						
4											
5											
6											
7											
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22											
23											
24											
25											
26											
27											
28											
29	Aggregate of all balances		2,311,489	(278,253)	127,449						
30	Totals		2,311,489	(278,253)	1,176,666						

Net Plant in Service - Detail

Year: 2012

Line No.	Account (a)	Description (b)	Beginning of Year Balance (c)	Additions (d)	Retirements (e)	Sales & Transfers (f)	End of Year Account 2001 Balance (g)	Year End Accumulated Depreciation (h)	End of Year Net Plant Balance (i)
1	*	2110 Land and Support Assets	7,770,590	172,097		(333,379)	7,609,308	5,723,213	1,886,095
2	^	2111 Land	467,745				467,745		467,745
3	^	2112 Motor Vehicles	1,695,699	107,314		(14,417)	1,788,596	1,518,800	269,797
4	^	2113 Aircraft							
5	^	2114 Special Purpose Vehicles							
6	^	2115 Garage Work Equipment							
7	^	2116 Other Work Equipment	840,198	64,028		(6,510)	897,716	678,290	219,426
8	^	2121 Buildings	3,884,785				3,884,785	2,973,232	911,553
9	^	2122 Furniture	10,949				10,949	6,388	4,561
10	^	2123 Office Equipment	179,328			(6,574)	172,754	172,754	-
11	^	2124 General Purpose Computers	691,886	755		(305,878)	386,763	373,750	13,013
12		2211 Analog Electronic Switching							
13		2212 Digital Electronic Switching	32,368,849	31,186			32,400,035	30,009,672	2,390,363
14		2215 Electro-Mechanical Switching							
15		2220 Operator Systems							
16		2231 Radio Systems	6,258				6,258	(34,054)	40,312
17		2232 Circuit Equipment	40,626,324	1,473,686	137,661		41,962,349	33,128,478	8,833,871
18	*	2310 Information Orig & Term Equip							
19	^	2311 Station Apparatus							
20	^	2321 Customer Premises Wiring							
21	^	2341 Large Private Branch Exchanges							
22	^	2351 Public Telephone Term. Equip.							
23	^	2362 Other Terminal Equipment							
24		2411 Poles	1,416,404	8,790	2,541		1,422,654	1,371,551	51,103
25	*	2420 Cable and Wire Facilities	89,889,937	87,756	404,895		89,572,799	61,552,358	28,020,441
26	^	2421 Aerial Cable	10,733,141	87,756	16,787		10,804,110	10,543,433	260,678
27	^	2422 Underground Cable	1,737,221				1,737,221	1,091,677	645,544
28	^	2423 Buried Cable	77,342,439		388,108		76,954,331	49,873,384	27,080,947
29	^	2424 Submarine Cable	5,831				5,831	4,617	1,214
30	^	2425 Deep Sea Cable							
31	^	2426 Intrabuilding Network Cable	71,306				71,306	39,248	32,058
32		2431 Aerial Wire	404,698		419		404,279	404,137	142
33		2441 Conduit Systems	1,400,569	2,438			1,403,007	713,793	689,215
34		Totals	173,883,630	1,775,954	545,516	(333,379)	174,780,689	132,869,148	41,911,541

^ Subaccount of the account marked with a *.

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Company Name: CenturyTel of Montana, Inc. d/b/a CenturyLink

SCHEDULE 12

Analysis of Plant Held for Future Use

Year: 2012

Line No.	Location and Description of Property (a)	Date Included in Account 2002 (b)	Book Cost of Property at Beginning of Year (c)	Additions During the Year (d)	Retirements During the Year (e)	Transfers and Adjustments Charges and (Credits) (f)	Book Cost of Property at End of Year (g)
1	N/A						
2							
3							
4							
5							
6							
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25							
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27							
28							
29							
30	Totals (Sum L.1 to L.29)						

Company Name: CenturyTel of Montana, Inc. d/b/a CenturyLink

SCHEDULE 13

Average Cost of Long Term Debt												Year:2012	
Line No.	Description (a)	Issue Date (b)	Maturity Date (c)	Principal Amount (d)	Gross Proceeds (e)	Net Proceeds (f)	Net Per \$100 (g)	Outstanding Per Balance Sheet (h)	Yield to Maturity (i)	Annual Net Cost (j)	Amortization of Premium or Discount (k)	Total Cost (%) (l)	
1	N/A												
2													
3													
4													
5													
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24													
25													
26													
27													
28													
29													
30	Total												

Year: 2012

Cost of Preferred Stock

Line No.	Description (a)	Date of Issuance (b)	Method of Offering (c)	Call Redemption Price (d)	Par Value Of Issue (e)	Gross Proceeds Amounts (f)	Net Proceeds Amounts (g)	Net Proceeds Per \$100 (h)	Cost of Money (i)	Principal Outstanding (j)	Annual Cost (k)	Embedded Cost (l)
1	Preferred Stock 5% cumulative	12/50	Private	\$100	\$100	7,000	7,000	7,000		4,000	229	
2	authorized & outstanding, 500											
3	shares of \$100 par value.											
4	(includes 460 held in treasury)											
5												
6	Serial Preferred 10% cumulative	12/71	Private	\$110	\$100	38,500	38,500	35,000		25,000	2,792	
7	authorized 100,000 shares of											
8	\$100 par value; 1,800 shares											
9	issued.											
10	(includes 1550 held in treasury)											
11												
12												
13												
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26												
27												
28												
29												
30	Totals (Sum L.1 to L.29)					45,500	45,500	42,000		29,000	3,021	

(A) No Preferred Stock transactions took place in the reporting year.

Analysis of Common Stock

Year: 2012

Line No.	(a)	Avg. Number of Shares Outstanding (b)	Book Value (per share) (c)	Earnings (per share) (d)	Dividends (per share) (e)	Retention Ratio (f)	Market Price High (g) Low (h)	Price/Earnings Ratio (i)
1	Year Ended December 31, 2012	96,000		98.41		(A)	(A)	(A)
2								
3								
4								
5								
6								
7								
8	Month by Month Data:							
9	January		376.41					
10	February		376.36					
11	March		361.89	24.53				
12	April		370.81					
13	May		371.38					
14	June		355.14	22.83				
15	July		361.75					
16	August		362.29					
17	September		345.86	26.65				
18	October		360.73					
19	November		357.60					
20	December		270.14	24.39				
21								
22								
23								

(A) Not Applicable, Common Stock not publicly traded.

Company Name: CenturyTel of Montana, Inc. d/b/a CenturyLink

SCHEDULE 16

Capital Stock and Funded Debt Reacquired or Retired During the Year

Year: 2012

Line No.	Description of Security (a)	Call or Retirement Date (b)	Number of Shares (c)	Principal Amount (d)	Reacquisition or Retirement Cost (e)	Gain or (Loss) (f)	Retirement or Reacquisition (g)
1	N/A						
2							
3							
4							
5							
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27							
28							
29							
30	Totals (Sum L.1 to L.29)						

Total Company Expense Matrix

Line No.	Acct. No.	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
1	6110	Network Support Expense	9,099	2,733	42	10,565	-	22,439
2	6112	Motor Vehicle Expense	4,719	1,639	11	(2,706)	-	3,663
3	6113	Aircraft Expense	4,379	1,094	31	11,542	-	17,046
4	6114	Special Purpose Vehicles Expense						-
5	6115	Garage Work Equipment Expense						-
6	6116	Other Work Equipment Expense				1,729		1,729
7	6120	General Support Expense	67,534	23,119	102,573	383,751	-	576,977
8	6121	Land and Building Expense	39,202	11,945	70,848	338,079	-	460,074
9	6122	Furniture and Artworks Expense						-
10	6123	Office Equipment Expense						-
11	6124	General Purpose Computers Expense	28,332	11,174	31,725	45,673		116,904
12	6210	Central Office Switching Expense	771,067	293,549	1,723	759,737	-	1,826,076
13	6211	Analog Electronic Expense						-
14	6212	Digital Electronic Expense						-
15	6215	Electro-Mechanical Expense	771,067	293,549	1,723	759,737	-	1,826,076
16	6220	Operator Systems Expense						-
17	6230	Central Office Transmission Expense	207,133	83,460	95	263,609	-	554,297
18	6231	Radio Systems Expense						-
19	6232	Circuit Equipment Expense	207,133	83,460	95	263,609	-	554,297
20	6310	Information Origination/Termination Expense	-	-	-	-	-	-
21	6311	Station Apparatus Expense						-
22	6341	Large Private Branch Exchange Expense						-
23	6351	Public Telephone Terminal Equipment Exp.						-
24	6362	Other Terminal Equipment Expense						-
25	6410	Cable and Wire Facilities Expense	1,781,689	713,297	1,487,558	1,020,153	-	5,002,697
26	6411	Poles Expense	5,782	2,133	200,206	2,889		211,010
27	6421	Aerial Cable Expense	282,266	123,407	184	126,754		532,611
28	6422	Underground Cable Expense	650	234	0	168		1,052
29	6423	Buried Cable Expense	1,492,990	587,523	1,287,168	889,901		4,257,583
30	6424	Submarine Cable Expense						-
31	6425	Deep Sea Cable Expense						-
32	6426	Intrabuilding Network Cable Expense						-
33	6431	Aerial Wire Expense						-
34		Subtotals	2,836,522	1,116,158	1,591,991	2,437,374	-	7,982,045

Total Company Expense Matrix

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
35	^ 6441	Conduit Systems Expense				441		441
36	6510	Other Property Expenses	15,758	4,004	96	43,581		63,439
37	* 6530	Network Operations Expense	958,450	271,964	5,583	599,388	-	1,835,385
38	^ 6531	Power Expense				190,203		190,203
39	^ 6532	Network Administration Expense	257,605	65,598	1,899	173,256		498,358
40	^ 6533	Testing Expense	296,559	82,126	2,790	128,796		510,270
41	^ 6534	Plant Operations Expense	200,099	64,645	281	48,938		313,963
42	^ 6535	Engineering Expense	204,187	59,595	614	58,195		322,591
43	6540	Access Expense				741,815		741,815
44	6561	Depreciation - Telecomm. Plant in Service				5,831,772		5,831,772
45	6562	Depreciation-Prop. for Future Telecom. Use						-
46	6563	Amortization Expense - Tangible						-
47	6564	Amortization Expense - Intangible						-
48	6565	Amortization - Other						-
49	* 6610	Marketing	402,058	101,330	659	482,574		986,622
50	^ 6611	Product Management	104,357	25,543	288	120,273		250,461
51	^ 6612	Sales	297,701	75,787	372	149,829		523,689
52	^ 6613	Product Advertising				212,472		212,472
53	6621	Call Completion Services				1,846		1,846
54	6622	Number Services				148,273		148,273
55	6623	Customer Services	1,249,402	443,685	3,326	822,402		2,518,814
56	6711	Executive	53,517	17,836	88	31,748		103,189
57	6712	Planning						-
58	6721	Accounting and Finance	103,734	37,229	662	81,848		223,472
59	6722	External Relations	83,165	19,820	593	114,751		218,330
60	6723	Human Relations	48,318	11,372	868	61,002		121,560
61	6724	Information Management	386,114	100,278	8,082	1,018,097		1,512,570
62	6725	Legal	56,374	9,569	138	91,660		157,741
63	6726	Procurement	24,641	5,639	37	4,907		35,224
64	6727	Research and Development						-
65	6728	Other General and Administrative	88,571	32,422	57	253,797		374,848
66	6790	Provision for Uncollectible Notes Receivable						-
67		Totals	6,306,624	2,171,306	1,612,181	12,767,275	-	22,857,386

^ Subaccount of the account marked with a *.

Total State Expense Matrix

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
1	*	Network Support Expense	NOT APPLICABLE					
2	^	Motor Vehicle Expense						
3	^	Aircraft Expense						
4	^	Special Purpose Vehicles Expense						
5	^	Garage Work Equipment Expense						
6	^	Other Work Equipment Expense						
7	*	General Support Expense						
8	^	Land and Building Expense						
9	^	Furniture and Artworks Expense						
10	^	Office Equipment Expense						
11	^	General Purpose Computers Expense						
12	*	Central Office Switching Expense						
13	^	Analog Electronic Expense						
14	^	Digital Electronic Expense						
15	^	Electro-Mechanical Expense						
16		Operator Systems Expense						
17	*	Central Office Transmission Expense						
18	^	Radio Systems Expense						
19	^	Circuit Equipment Expense						
20	*	Information Origination/Termination Expense						
21	^	Station Apparatus Expense						
22	^	Large Private Branch Exchange Expense						
23	^	Public Telephone Terminal Equipment Exp.						
24	^	Other Terminal Equipment Expense						
25	*	Cable and Wire Facilities Expense						
26	^	Poles Expense						
27	^	Aerial Cable Expense						
28	^	Underground Cable Expense						
29	^	Buried Cable Expense						
30	^	Submarine Cable Expense						
31	^	Deep Sea Cable Expense						
32	^	Intrabuilding Network Cable Expense						
33	^	Aerial Wire Expense						
34		Subtotals	#VALUE!					#VALUE!

^ Subaccount of the account marked with a *

Total State Expense Matrix

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
35	^	Conduit Systems Expense						
36		Other Property Expenses						
37	*	Network Operations Expense						
38	^	Power Expense						
39	^	Network Administration Expense						
40	^	Testing Expense						
41	^	Plant Operations Expense						
42	^	Engineering Expense						
43		Access Expense						
44		Depreciation - Telecomm. Plant in Service						
45		Depreciation-Prop. for Future Telecom. Use						
46		Amortization Expense - Tangible						
47		Amortization Expense - Intangible						
48		Amortization - Other						
49	*	Marketing						
50	^	Product Management						
51	^	Sales						
52	^	Product Advertising						
53		Call Completion Services						
54		Number Services						
55		Customer Services						
56		Executive						
57		Planning						
58		Accounting and Finance						
59		External Relations						
60		Human Relations						
61		Information Management						
62		Legal						
63		Procurement						
64		Research and Development						
65		Other General and Administrative						
66		Provision for Uncollectible Notes Receivable						
67		Totals	#VALUE!					#VALUE!

^ Subaccount of the account marked with a *.

Pension Costs

Year: 2012

1	Plan Name			
2	Defined Benefit Plan? <u> X </u>	Defined Contribution Plan? <u> </u>		
3	Actuarial Cost Method? <u> </u>	IRS Code: <u> </u>		
4	Annual Contribution by Employer: <u> </u>	Is the Plan Over Funded? <u> </u>		
5				
	Item	Current Year	Last Year	% Change
6	Change in Benefit Obligation	See Note (A) Below		
7	Benefit obligation at beginning of year			
8	Service cost			
9	Interest Cost			
10	Plan participants' contributions			
11	Amendments			
12	Actuarial Gain			
13	Acquisition			
14	Benefits paid			
15	Benefit obligation at end of year			
16	Change in Plan Assets			
17	Fair value of plan assets at beginning of year			
18	Actual return on plan assets			
19	Acquisition			
20	Employer contribution			
21	Plan participants' contributions			
22	Benefits paid			
23	Fair value of plan assets at end of year			
24	Funded Status			
25	Unrecognized net actuarial loss			
26	Unrecognized prior service cost			
27	Prepaid (accrued) benefit cost			
28				
29	Weighted-average Assumptions as of Year End			
30	Discount rate			
31	Expected return on plan assets			
32	Rate of compensation increase			
33				
34	Components of Net Periodic Benefit Costs			
35	Service cost			
36	Interest cost			
37	Expected return on plan assets			
38	Amortization of prior service cost			
39	Recognized net actuarial loss			
40	Net periodic benefit cost			
41				
42	Montana Intrastate Costs:			
43	Pension Costs	229,513	186,155	23.29%
44	Pension Costs Capitalized	12,751	10,342	23.29%
45	Accumulated Pension Asset (Liability) at Year End			
46	Number of Company Employees:			
47	Covered by the Plan	66	83	-20.48%
48	Not Covered by the Plan	1		
49	Active	66	83	-20.48%
50	Retired	48	86	-44.19%
51	Deferred Vested Terminated			

(A) This information is not available on an individual basis. Information regarding the pension plan is summarized in the attached copy of Footnote 8 of CenturyLink, Inc. 2012 Form 10-K.

our initial estimates. We report the current portion of liabilities for ceased-use real estate leases in accrued expenses and other liabilities and report the noncurrent portion in deferred credits and other liabilities in our consolidated balance sheets. We report the related expenses in selling, general and administrative expenses in our consolidated statements of operations. At December 31, 2012, the current and noncurrent portions of our leased real estate accrual were \$19 million and \$112 million, respectively. The remaining lease terms range from 0.1 to 13.0 years, with a weighted average of 9.0 years.

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

	Severance	Real Estate
	(Dollars in millions)	
Balance at December 31, 2010	\$ 18	6
Accrued to expense	132	6
Liabilities assumed in Qwest acquisition	20	168
Payments, net	(133)	(21)
Balance at December 31, 2011	37	153
Accrued to expense	96	2
Payments, net	(113)	(24)
Reversals and adjustments	(3)	—
Balance at December 31, 2012	\$ 17	131

Our severance expenses for the year ended December 31, 2011 included \$12 million of share-based compensation associated with the accelerated vesting of stock awards that occurred in connection with workforce reductions relating to the acquisition of Qwest.

(8) Employee Benefits

Pension, Post-Retirement and Other Post-Employment Benefits

We sponsor several defined benefit pension plans, which in the aggregate cover a substantial portion of our employees including separate plans for Legacy CenturyLink, Legacy Qwest and Legacy Embarq employees. Until such time as we elect to integrate the Qwest and Embarq benefit plans with ours, we plan to continue to operate these plans independently. Pension benefits for participants of these plans who are represented by a collective bargaining agreement are based on negotiated schedules. All other participants' pension benefits are based on each individual participant's years of service and compensation. We use a December 31 measurement date for all our plans. In addition to these tax qualified pension plans, we also maintain non-qualified pension plans for certain former highly compensated employees. We maintain post-retirement benefit plans that provide health care and life insurance benefits for certain eligible retirees. We also provide other post-employment benefits for eligible former employees.

Pension

In connection with the acquisition of Qwest on April 1, 2011, we assumed defined benefit pension plans sponsored by Qwest for its employees. Based on a valuation analysis, we recognized a \$490 million net liability at April 1, 2011 for the unfunded status of the Qwest pension plans, reflecting projected benefit obligations of \$8.3 billion in excess of the \$7.8 billion fair value of plan assets.

Current funding laws require a company with a plan shortfall to fund the annual cost of benefits earned in addition to a seven-year amortization of the shortfall. Our funding policy for the pension plans is to make contributions with the objective of accumulating sufficient assets to pay all qualified

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pension benefits when due under the terms of the plans. The accounting unfunded status of our qualified pension plans was \$2.5 billion as of December 31, 2012.

We made cash contributions of approximately \$32 million in 2012 to our qualified pension plans. During the first quarter of 2013, we made a series of cash contributions totaling \$147 million to our qualified pension plans. Based on current laws and circumstances, we do not expect any further required contributions to these plans for the remainder of 2013.

In 2010, to align our benefit structure closer to those offered by our competitors, we froze our Legacy CenturyLink and Legacy Embarq pension benefit accruals for our non-represented employees at December 31, 2010. Such action resulted in a reduction of our benefit obligation of approximately \$110 million and resulted in the recognition of a curtailment gain of approximately \$21 million in 2010. Prior to their acquisition on April 1, 2011, Qwest had frozen its pension benefit accruals for non-represented employees.

Other Post-Retirement Benefits

Our post-retirement health care plans provide post-retirement benefits to qualified retirees. The post-retirement health care plans we assumed as part of our acquisitions of Qwest and Embarq provide post-retirement benefits to qualified retirees and allow (i) eligible employees retiring before certain dates to receive benefits at no or reduced cost and (ii) eligible employees retiring after certain dates to receive benefits on a shared cost basis. The post-retirement health care plans are primarily funded by us and we expect to continue funding these post-retirement obligations as benefits are paid. Our plans use a December 31 measurement date.

In connection with the acquisition of Qwest on April 1, 2011, we assumed post-retirement benefit plans sponsored by Qwest for certain of its employees. At April 1, 2011, we recognized a \$2.5 billion liability for the unfunded status of Qwest's post-retirement benefit plans, reflecting estimated accumulated post-retirement benefit obligations of \$3.3 billion in excess of the \$762 million fair value of the plan assets.

No contributions were made to the post-retirement trusts in 2012 or 2011, and we do not expect to make a contribution in 2013.

A change of 100 basis points in the assumed initial health care cost trend rate would have had the following effects in 2012:

	100 Basis Points Change	
	Increase	(Decrease)
	(Dollars in millions)	
Effect on the aggregate of the service and interest cost components of net periodic post-retirement benefit expense (statement of operations)	\$ 3	(3)
Effect on benefit obligation (balance sheet)	77	(70)

We expect our health care cost trend rate to decrease by 0.25% per year from 6.75% in 2013 to an ultimate rate of 4.50% in 2022. Our post-retirement health care expense, for certain eligible Legacy Qwest retirees and certain eligible Legacy CenturyLink retirees, is capped at a set dollar amount. Therefore, those health care benefit obligations are not subject to increasing health care trends after the effective date of the caps.

Expected Cash Flows

The qualified pension, non-qualified pension and post-retirement health care benefit payments and premiums and life insurance premium payments are paid by us or distributed from plan assets. The estimated benefit payments provided below are based on actuarial assumptions using the demographics of the employee and retiree populations and have been reduced by estimated participant contributions.

	Pension Plans	Post-Retirement Benefit Plans (Dollars in millions)	Medicare Part D Subsidy Receipts
Estimated future benefit payments:			
2013	\$ 1,051	377	(25)
2014	1,006	370	(26)
2015	996	358	(28)
2016	985	348	(29)
2017	972	338	(31)
2018			
2022	4,626	1,511	(173)

Net Periodic Benefit Expense

The measurement date used to determine pension, non-qualified pension and post-retirement health care and life insurance benefits is December 31. The actuarial assumptions used to compute the net periodic benefit expense for our qualified pension, non-qualified pension and post-retirement benefit plans are based upon information available as of the beginning of the year, as presented in the following table.

	Pension Plans			Post-Retirement Benefit Plans		
	2012	2011 ⁽¹⁾	2010	2012	2011 ⁽²⁾	2010
Actuarial assumptions at beginning of year:						
Discount rate	4.25% - 5.10%	5.00% - 5.50%	5.50% - 6.00%	4.60% - 4.80%	5.30%	5.70% - 5.80%
Rate of compensation increase	3.25%	3.25%	3.50% - 4.00%	N/A	N/A	N/A
Expected long-term rate of return on plan assets	7.50%	7.50% - 8.00%	8.25% - 8.50%	6.00% - 7.50%	7.25%	7.25%
Initial health care cost trend rate	N/A	N/A	N/A	8.00%	8.50%	8.00%
Ultimate health care cost trend rate	N/A	N/A	N/A	5.00%	5.00%	5.00%
Year ultimate trend rate is reached	N/A	N/A	N/A	2018	2018	2014

N/A—Not applicable(1)

This column does not consider Qwest's actuarial assumptions for its pension plan as of the beginning of the year due to the acquisition date of April 1, 2011. Qwest had the following actuarial assumptions as of April 1, 2011: discount rate of 5.40%; expected long-term rate of return on plan assets 7.50%; and a rate of compensation increase of 3.50%.

(2)

This column does not consider Qwest's actuarial assumptions for its post-retirement benefit plan as of the beginning of the year due to the acquisition date of April 1, 2011. Qwest had the following actuarial assumptions as of April 1, 2011: discount rate of 5.30%; expected long-term rate of return on plan assets of 7.50%; initial health care cost trend rate of 7.50% and ultimate health care trend rate of 5.00% to be reached in 2016.

Net periodic pension expense, which includes the effects of the Qwest acquisition subsequent to April 1, 2011, included the following components:

	Pension Plans		
	Years Ended December 31,		
	2012	2011 ⁽¹⁾	2010
	(Dollars in millions)		
Service cost	\$ 87	70	61
Interest cost	625	560	246
Expected return on plan assets	(847)	(709)	(283)
Curtailment gain	—	—	(21)
Settlements	—	1	—
Amortization of unrecognized prior service cost	4	2	2
Amortization of unrecognized actuarial loss	35	13	17
Net periodic pension (income) expense	\$ (96)	(63)	22

(1)

Includes \$58 million of income related to the Qwest plans subsequent to the April 1, 2011 acquisition date.

Net periodic post-retirement benefit expense, which includes the effects of the Qwest acquisition subsequent to April 1, 2011, included the following components:

	Post-Retirement Plans		
	Years Ended December 31,		
	2012	2011 ⁽¹⁾	2010
	(Dollars in millions)		
Service cost	\$ 22	18	15
Interest cost	173	152	32
Expected return on plan assets	(45)	(41)	(4)
Amortization of unrecognized prior service cost	—	(2)	(3)
Amortization of unrecognized actuarial loss	—	—	1
Net periodic post-retirement benefit expense	\$ 150	127	41

(1)

Includes \$92 million related to the Qwest plans subsequent to the April 1, 2011 acquisition date.

Benefit Obligations

The actuarial assumptions used to compute the funded status for the plans are based upon information available as of December 31, 2012 and December 31, 2011 and are as follows:

	Pension Plans		Post-Retirement Benefit Plans	
	December 31,		December 31,	
	2012	2011	2012	2011
Actuarial assumptions at end of year:				
Discount rate	3.25% - 4.20%	4.25% - 5.10%	3.60%	4.60% - 4.80%
Rate of compensation increase	3.25%	3.25%	N/A	N/A
Initial health care cost trend rate	N/A	N/A	6.75% / 7.50%	7.25% / 8.00%
Ultimate health care cost trend rate	N/A	N/A	4.50%	5.00%
Year ultimate trend rate is reached	N/A	N/A	2022 / 2024	2018

N/A—Not applicable

The following table summarizes the change in the benefit obligations for the pension and post-retirement benefit plans:

	Pension Plans Years Ended December 31,		
	2012	2011	2010
	(Dollars in millions)		
Change in benefit obligation			
Benefit obligation at beginning of year	\$ 13,596	4,534	4,182
Service cost	87	70	61
Interest cost	625	560	246
Plan amendments	14	12	4
Acquisitions	—	8,267	—
Actuarial loss	1,565	930	427
Curtailment gain	—	—	(110)
Benefits paid by company	(5)	(16)	(5)
Benefits paid from plan assets	(1,001)	(761)	(271)
Benefit obligation at end of year	\$ 14,881	13,596	4,534

Post-Retirement Benefit Plans
Years Ended December 31,

	2012	2011	2010
	(Dollars in millions)		
Change in benefit obligation			
Benefit obligation at beginning of year	\$ 3,930	558	582
Service cost	22	18	15
Interest cost	173	152	32
Participant contributions	86	64	14
Plan amendments	—	31	—
Acquisitions	—	3,284	—
Direct subsidy receipts	19	22	1
Actuarial loss (gain)	260	153	(32)
Benefits paid by company	(268)	(219)	(45)
Benefits paid from plan assets	(147)	(133)	(9)
Benefit obligation at end of year	\$ 4,075	3,930	558

Our aggregate accumulated benefit obligation as of December 31, 2012, 2011 and 2010 was \$18.956 billion, \$17.499 billion and \$4.509 billion, respectively.

Plan Assets

We maintain plan assets for our qualified pension plans and certain post-retirement benefit plans. The qualified pension plan assets are used for the payment of pension benefits and certain eligible plan expenses. The post-retirement benefit plan's assets are used to pay health care benefits and premiums on behalf of eligible retirees and to pay certain eligible plan expenses. The expected rate of return on plan assets is the long-term rate of return we expect to earn on the plans' assets. The rate of return is determined by the strategic allocation of plan assets and the long-term risk and return forecast for each asset class. The forecasts for each asset class are generated primarily from an analysis of the long-term expectations of various third party investment management organizations. The expected rate of return on plan assets is reviewed annually and revised, as necessary, to reflect changes in the financial markets and our investment strategy. The following tables summarize the change in the fair value of plan assets for the pension and post-retirement benefit plans:

Pension Plans
Years Ended December 31,

	2012	2011	2010
	(Dollars in millions)		
Change in plan assets			
Fair value of plan assets at beginning of year	\$ 11,814	3,732	3,220
Return on plan assets	1,476	479	483
Acquisitions	—	7,777	—
Employer contributions	32	587	300
Settlements	—	—	—
Benefits paid from plan assets	(1,001)	(761)	(271)
Fair value of plan assets at end of year	\$ 12,321	11,814	3,732

Post-Retirement Benefit Plans
Years Ended December 31,

	2012	2011	2010
	(Dollars in millions)		
Change in plan assets			
Fair value of plan assets at beginning of year	\$ 693	54	57
Actual gain on plan assets	80	4	6
Acquisitions	—	768	—
Employer contributions	—	—	—
Participant contributions	—	—	—
Benefits paid from plan assets	(147)	(133)	(9)
Fair value of plan assets at end of year	\$ 626	693	54

Pension Plans: Our investment objective for the pension plan assets is to achieve an attractive risk-adjusted return over time that will provide for the payment of benefits and minimize the risk of large losses. Our pension plan investment strategy is designed to meet this objective by broadly diversifying plan assets across numerous strategies with differing expected returns, volatilities and correlations. The pension plan assets have target allocations of 55% to interest rate sensitive investments and 45% to investments designed to provide higher expected returns than the interest rate sensitive investments. Interest rate sensitive investments include 35% of plan assets targeted primarily to long-duration investment grade bonds, 13.5% targeted to high yield, emerging market bonds and convertible bonds and 6.5% targeted to diversified strategies, which primarily have exposures to global government, corporate and inflation-linked bonds, as well as some exposures to global stocks and commodities. Assets expected to provide higher returns than the interest rate sensitive assets include broadly diversified equity investments with targets of approximately 14% to U.S. stocks and 14% to developed and emerging market non-U.S. stocks. Approximately 12% is allocated to other private markets investments including funds primarily invested in private equity, debt and hedge funds. Real estate investments are targeted at 5% of plan assets. At the beginning of 2013, our expected annual long-term rate of return on pension assets is assumed to be 7.5%.

Post-Retirement Benefit Plans: Our investment objective for the post-retirement benefit plan assets is to achieve an attractive risk-adjusted return and minimize the risk of large losses over the expected life of the assets. Investment risk is managed by broadly diversifying assets across numerous strategies with differing expected returns, volatilities and correlations. Our investment strategy is designed to be consistent with the investment objective, with particular focus on providing liquidity for the reimbursement of our union-represented employees post-retirement health care costs. The post-retirement benefit plan assets have target allocations of 35% to equities and 65% to non-equity investments. Specific target allocations within these broad categories are allowed to vary to provide liquidity in order to meet reimbursement requirements. Equity investments are broadly diversified with exposure to publicly traded U.S., non-U.S. and emerging market stocks and private equity. While no new private equity investments have been made in recent years, the percent allocation to existing private equity investments is expected to increase as liquid, publicly traded stocks are drawn down for the reimbursement of health care costs. The 65% non-equity allocation includes investment grade bonds, high yield bonds, convertible bonds, emerging market debt, real estate, hedge funds, private debt and diversified strategies. At the beginning of 2013, our expected annual long-term rate of return on post-retirement benefit plan assets is assumed to be 7.5%.

Permitted investments: Plan assets are managed consistent with the restrictions set forth by the Employee Retirement Income Security Act of 1974, as amended, which requires diversification of assets and also generally prohibits defined benefit and welfare plans from investing more than 10% of their

assets in securities issued by the sponsor company. At December 31, 2012 and 2011, the pension and post-retirement benefit plans did not directly own any shares of our common stock or any of our debt.

Derivative instruments: Derivative instruments are used to reduce risk as well as provide return. The pension and post-retirement benefit plans use exchange traded futures to gain exposure to equity and Treasury markets consistent with target asset allocations. Interest rate swaps are used in the pension plans to reduce risk relative to measurement of the benefit obligation, which is sensitive to interest rate changes. Foreign exchange forward contracts and total return swaps are used primarily to manage currency exposures. Credit default swaps are used to manage credit risk exposures in a cost effective and targeted manner relative to transacting with physical corporate fixed income securities. Options are currently used to manage interest rate exposure taking into account the implied volatility and current pricing of the specific underlying market instrument. Some derivative instruments subject the plans to counterparty risk. We closely monitor counterparty exposure and mitigate this risk by diversifying the exposure among multiple high credit quality counterparties, requiring collateral and limiting exposure by periodically settling contracts.

The gross notional exposure of the derivative instruments directly held by the plans is shown below. The notional amount of the derivatives corresponds to market exposure but does not represent an actual cash investment.

	Gross Notional Exposure			
	Pension Plans		Post-Retirement Benefit Plans	
	Years Ended December 31,			
	2012	2011	2012	2011
	(Dollars in millions)			
Derivative instruments:				
Exchange-traded U.S. equity futures	\$ 302	535	30	12
Exchange-traded non-U.S. equity futures	1	4	—	—
Exchange-traded Treasury futures	1,763	1,512	—	19
Interest rate swaps	1,471	635	—	—
Total return swaps	—	110	—	51
Credit default swaps	495	201	—	—
Foreign exchange forwards	726	635	21	23
Options	768	917	—	—

Fair Value Measurements: Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent and knowledgeable parties who are willing and able to transact for an asset or liability at the measurement date. We use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs when determining fair value and then we rank the estimated values based on the reliability of the inputs used following the fair value hierarchy set forth by the FASB. For additional information on the fair value hierarchy, see Note 11—Fair Value Disclosure.

At December 31, 2012, we used the following valuation techniques to measure fair value for assets. There were no changes to these methodologies during 2012:

Level 1—Assets were valued using the closing price reported in the active market in which the individual security was traded.

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Level 2—Assets were valued using quoted prices in markets that are not active, broker dealer quotations, net asset value of shares held by the plans and other methods by which all significant input were observable at the measurement date.

Level 3—Assets were valued using unobservable inputs in which little or no market data exists as reported by the respective institutions at the measurement date.

The tables below presents the fair value of plan assets by category and the input levels used to determine those fair values at December 31, 2012. It is important to note that the asset allocations do not include market exposures that are gained with derivatives.

Fair Value of Pension Plan Assets at December 31, 2012				
	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Investment grade bonds (a)	\$ 830	1,555	—	\$ 2,385
High yield bonds (b)	—	1,303	59	1,362
Emerging market bonds (c)	199	396	—	595
Convertible bonds (d)	—	374	—	374
Diversified strategies (e)	—	655	—	655
U.S. stocks (f)	1,225	119	—	1,344
Non-U.S. stocks (g)	1,212	178	—	1,390
Emerging market stocks (h)	111	193	—	304
Private equity (i)	—	—	711	711
Private debt (j)	—	—	465	465
Market neutral hedge funds (k)	—	906	—	906
Directional hedge funds (k)	—	340	194	534
Real estate (l)	—	223	337	560
Derivatives (m)	(5)	3	—	(2)
Cash equivalents and short-term investments (n)	—	750	—	750
Total investments	\$ 3,572	6,995	1,766	12,333
Accrued expenses				(12)
Total pension plan assets				\$ 12,321

Fair Value of Post-Retirement Plan Assets
at December 31, 2012

	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Investment grade bonds (a)	\$ 22	86	—	\$ 108
High yield bonds (b)	—	90	—	90
Emerging market bonds (c)	—	40	—	40
Convertible bonds (d)	—	2	—	2
Diversified strategies (e)	—	72	—	72
U.S. stocks (f)	55	—	—	55
Non-U.S. stocks (g)	58	1	—	59
Emerging market stocks (h)	—	20	—	20
Private equity (i)	—	—	45	45
Private debt (j)	—	—	6	6
Market neutral hedge funds (k)	—	41	—	41
Directional hedge funds (k)	—	24	—	24
Real estate (l)	—	21	28	49
Cash equivalents and short-term investments (n)	5	21	—	26
Total investments	\$ 140	418	79	637
Accrued expenses				(1)
Reimbursement accrual				(10)
Total post-retirement plan assets				\$ 626

The tables below presents the fair value of plan assets by category and the input levels used to determine those fair values at December 31, 2011. It is important to note that the asset allocations do

not include market exposures that are gained with derivatives. Investments include dividend and interest receivable, pending trades, trades payable and accrued expenses.

Fair Value of Pension Plan Assets at December 31, 2011

	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Investment grade bonds (a)	\$ 694	2,206	—	\$ 2,900
High yield bonds (b)	—	541	79	620
Emerging market bonds (c)	—	295	—	295
Convertible bonds (d)	—	337	—	337
Diversified strategies (e)	—	489	—	489
U.S. stocks (f)	401	944	—	1,345
Non-U.S. stocks (g)	994	459	—	1,453
Emerging market stocks (h)	102	136	—	238
Private equity (i)	—	—	791	791
Private debt (j)	—	—	461	461
Market neutral hedge funds (k)	—	620	188	808
Directional hedge funds (k)	—	268	183	451
Real estate (l)	—	48	535	583
Derivatives (m)	12	(5)	—	7
Cash equivalents and short-term investments (n)	13	1,183	—	1,196
Total investments	\$ 2,216	7,521	2,237	11,974
Dividends and interest receivable				32
Pending trades receivable				436
Accrued expenses				(8)
Pending trades payable				(620)
Total pension plan assets				\$ 11,814

Fair Value of Post-Retirement Plan Assets
at December 31, 2011

	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Investment grade bonds (a)	\$ 45	100	—	\$ 145
High yield bonds (b)	—	61	—	61
Emerging market bonds (c)	—	33	—	33
Convertible bonds (d)	—	30	—	30
Diversified strategies (e)	—	62	—	62
U.S. stocks (f)	64	4	—	68
Non-U.S. stocks (g)	62	2	—	64
Emerging market stocks (h)	—	17	—	17
Private equity (i)	—	—	60	60
Private debt (j)	—	—	8	8
Market neutral hedge funds (k)	—	67	—	67
Directional hedge funds (k)	—	20	—	20
Real estate (l)	—	19	26	45
Cash equivalents and short-term investments (n)	5	20	—	25
Total investments	\$ 176	435	94	\$ 705
Dividends and interest receivable				3
Pending trades receivable				23
Accrued expenses				(15)
Pending trades payable				(23)
Total post-retirement plan assets				\$ 693

The plans' assets are invested in various asset categories utilizing multiple strategies and investment managers. For several of the investments in the tables above and discussed below, the plans own units in commingled funds and limited partnerships that invest in various types of assets. Interests in commingled funds are valued using the net asset value ("NAV") per unit of each fund. The NAV reported by the fund manager is based on the market value of the underlying investments owned by each fund, minus its liabilities, divided by the number of shares outstanding. Commingled funds held by the plans that can be redeemed at NAV within a year of the financial statement date are generally classified as Level 2. Investments in limited partnerships represent long-term commitments with a fixed maturity date, typically ten years. Valuation inputs for these limited partnership interests are generally based on assumptions and other information not observable in the market and are classified as Level 3 investments. The assumptions and valuation methodologies of the pricing vendors, account managers, fund managers and partnerships are monitored and evaluated for reasonableness. Below is an overview of the asset categories, the underlying strategies and valuation inputs used to value the assets in the preceding tables:

(a) *Investment grade bonds* represent investments in fixed income securities as well as commingled bond funds comprised of U.S. Treasury securities, agencies, corporate bonds, mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities. Treasury securities are valued at the bid price reported in the active market in which the security is traded and are classified as Level 1. The valuation inputs of other investment grade bonds primarily utilize observable market information and are based on a spread to U.S. Treasury securities and consider yields available on comparable securities of issuers with similar credit ratings. The primary observable inputs include references to the new issue market for similar securities, the secondary trading markets and dealer quotes. Option adjusted spread models are

utilized to evaluate securities such as asset backed securities that have early redemption features. These securities are classified as Level 2. The commingled funds are valued at NAV based on the market value of the underlying fixed income securities using the same valuation inputs described above. The commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

(b) *High yield bonds* represent investments in below investment grade fixed income securities as well as commingled high yield bond funds. The valuation inputs for the securities primarily utilize observable market information and are based on a spread to U.S. Treasury securities and consider yields available on comparable securities of issuers with similar credit ratings. These securities are classified as Level 2. The commingled funds are valued at NAV based on the market value of the underlying high yield instruments using the same valuation inputs described above. Commingled funds that can be redeemed at NAV within a year of the financial statement date are classified as Level 2. Commingled funds that cannot be redeemed at NAV or that cannot be redeemed at NAV within a year of the financial statement date are classified as Level 3.

(c) *Emerging market bonds* represent investments in securities issued by governments and other entities located in developing countries as well as commingled emerging market bond funds. The valuation inputs for the securities utilize observable market information and are primarily based on dealer quotes or a spread relative to the local government bonds. These securities are classified as Level 2. The commingled funds are valued at NAV based on the market value of the underlying emerging market bonds using the same valuation inputs described above. The commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

(d) *Convertible bonds* primarily represent investments in corporate debt securities that have features that allow the debt to be converted into equity securities under certain circumstances. The valuation inputs for the individual convertible bonds primarily utilize observable market information including a spread to U.S. Treasuries and the value and volatility of the underlying equity security. Convertible bonds are classified as Level 2.

(e) *Diversified strategies* represent an investment in a commingled fund that primarily has exposures to global government, corporate and inflation linked bonds, global stocks and commodities. The commingled fund is valued at NAV based on the market value of the underlying investments. The valuation inputs utilize observable market information including published prices for exchange traded securities, bid prices for government bonds, and spreads and yields available for comparable fixed income securities with similar credit ratings. This fund can be redeemed at NAV within a year of the financial statement date and is classified as Level 2.

(f) *U.S. stocks* represent investments in stocks of U.S. based companies as well as commingled U.S. stock funds. The valuation inputs for U.S. stocks are based on the last published price reported on the major stock market on which the securities are traded and are classified as Level 1. The commingled funds are valued at NAV based on the market value of the underlying investments using the same valuation inputs described above. These commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

(g) *Non-U.S. stocks* represent investments in stocks of companies based in developed countries outside the U.S. as well as commingled funds. The valuation inputs for non-U.S. stocks are based on the last published price reported on the major stock market on which the securities are traded and are classified as Level 1. The commingled funds are valued at NAV based on the market value of the underlying investments using the same valuation inputs described above. These commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

(h) *Emerging market stocks* represent investments in a registered mutual fund and commingled funds comprised of stocks of companies located in developing markets. Registered mutual funds are valued at the last published price reported on the major market on which the mutual funds are traded and are classified as Level 1. The commingled funds are valued at NAV based on the market value of the underlying investments using the same valuation inputs described previously for individual stocks. These commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

(i) *Private equity* represents non-public investments in domestic and foreign buy out and venture capital funds. Private equity funds are structured as limited partnerships and are valued according to the valuation policy of each partnership, subject to prevailing accounting and other regulatory guidelines. The partnerships use valuation methodologies that give consideration to a range of factors, including but not limited to the price at which investments were acquired, the nature of the investments, market conditions, trading values on comparable public securities, current and projected operating performance, and financing transactions subsequent to the acquisition of the investments. These valuation methodologies involve a significant degree of judgment. Private equity investments are classified as Level 3.

(j) *Private debt* represents non-public investments in distressed or mezzanine debt funds. Mezzanine debt instruments are debt instruments that are subordinated to other debt issues and may include embedded equity instruments such as warrants. Private debt funds are structured as limited partnerships and are valued according to the valuation policy of each partnership, subject to prevailing accounting and other regulatory guidelines. The valuation of underlying fund investments are based on factors including the issuer's current and projected credit worthiness, the security's terms, reference to the securities of comparable companies, and other market factors. These valuation methodologies involve a significant degree of judgment. Private debt investments are classified as Level 3.

(k) *Market neutral hedge funds* hold investments in a diversified mix of instruments that are intended in combination to exhibit low correlations to market fluctuations. These investments are typically combined with futures to achieve uncorrelated excess returns over various markets. *Directional hedge funds* —This asset category represents investments that may exhibit somewhat higher correlations to market fluctuations than the market neutral hedge funds. Investments in hedge funds include both direct investments and investments in diversified funds of funds. Hedge Funds are valued at NAV based on the market value of the underlying investments which include publicly traded equity and fixed income securities and privately negotiated debt securities. The hedge funds are valued by third party administrators using the same valuation inputs previously described. Hedge funds that can be redeemed at NAV within a year of the financial statement date are classified as Level 2. Hedge fund investments that cannot be redeemed at NAV or that cannot be redeemed at NAV within a year of the financial statement date are classified as Level 3.

(l) *Real estate* represents investments in commingled funds and limited partnerships that invest in a diversified portfolio of real estate properties. These investments are valued at NAV according to the valuation policy of each fund or partnership, subject to prevailing accounting and other regulatory guidelines. The valuation inputs of the underlying properties are generally based on third-party appraisals that use comparable sales or a projection of future cash flows to determine fair value. Real estate investments that can be redeemed at NAV within a year of the financial statement date are classified as Level 2. Real estate investments that cannot be redeemed at NAV or that cannot be redeemed at NAV within a year of the financial statement date are classified as Level 3.

(m) *Derivatives* include the market value of exchange traded futures contracts which are classified as Level 1, as well as privately negotiated over-the-counter swaps that are valued based

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on the change in interest rates or a specific market index and classified as Level 2. The market values represent gains or losses that occur due to fluctuations in interest rates, foreign currency exchange rates, security prices, or other factors.

(n) *Cash equivalents and short-term investments* represent investments that are used in conjunction with derivatives positions or are used to provide liquidity for the payment of benefits or other purposes. U.S. Treasury Bills are valued at the bid price reported in the active market in which the security is traded and are classified as Level 1. The valuation inputs of other securities are based on a spread to U.S. Treasury Bills, the Federal Funds Rate, or London Interbank Offered Rate and consider yields available on comparable securities of issuers with similar credit ratings and are classified as Level 2. The commingled funds are valued at NAV based on the market value of the underlying investments using the same valuation inputs described above. These commingled funds can be redeemed at NAV within a year of the financial statement date and are classified as Level 2.

Concentrations of Risk: Investments, in general, are exposed to various risks, such as significant world events, interest rate, credit, foreign currency and overall market volatility risk. These risks are managed by broadly diversifying assets across numerous asset classes and strategies with differing expected returns, volatilities and correlations. Risk is also broadly diversified across numerous market sectors and individual companies. Financial instruments that potentially subject the plans to concentrations of counterparty risk consist principally of investment contracts with high quality financial institutions. These investment contracts are typically collateralized obligations and/or are actively managed, limiting the amount of counterparty exposure to any one financial institution. Although the investments are well diversified, the value of plan assets could change materially depending upon the overall market volatility, which could affect the funded status of the plans.

The table below presents a rollforward of the pension plan assets valued using Level 3 inputs:

Pension Plan Assets Valued Using Level 3 Inputs								
	High Yield Bonds	Private Equity	Private Debt	Market Neutral Hedge Fund	Directional Hedge Funds	Real Estate	Other	Total
(Dollars in millions)								
Balance at December 31, 2010	\$ 1	1	3	—	161	162	3	330
Net acquisitions (dispositions)	96	755	453	185	30	318	(3)	1,874
Actual return on plan assets:								
(Losses) gains relating to assets sold during the year	(12)	197	13	3	(1)	9	—	209
(Losses) gains relating to assets still held at year-end	(5)	(202)	(6)	—	(7)	26	—	(196)
Balance at December 31, 2011	79	791	461	188	183	535	—	2,237
Net transfers	(12)	—	—	(188)	—	(105)	—	(305)
Acquisitions	1	70	120	—	—	18	—	209
Dispositions	(11)	(109)	(102)	—	—	(121)	—	(343)
Actual return on plan assets:								
Gains relating to assets sold during the year	—	3	1	—	—	—	—	4
Gains (losses) relating to assets still held at year-end	2	(44)	(15)	—	11	10	—	(36)
Balance at December 31, 2012	\$ 59	711	465	—	194	337	—	1,766

The table below presents a rollforward of the post-retirement plan assets valued using Level 3 inputs:

Post-Retirement Plan Assets Valued Using Level 3 Inputs				
	Private Equity	Private Debt	Real Estate	Total
(Dollars in millions)				
Balance at December 31, 2010	\$ —	—	—	—
Net acquisitions	55	8	24	87
Actual return on plan assets:				
Gains relating to assets sold during the year	33	1	—	34
(Losses) gains relating to assets still held at year-end	(28)	(1)	2	(27)
Balance at December 31, 2011	60	8	26	94
Acquisitions	1	—	—	1
Dispositions	(15)	(3)	(1)	(19)
Gains (losses) relating to assets sold during the year	4	2	(1)	5
(Losses) gains relating to assets still held at year-end	(5)	(1)	4	(2)
Balance at December 31, 2012	\$ 45	6	28	79

Certain gains and losses are allocated between assets sold during the year and assets still held at year-end based on transactions and changes in valuations that occurred during the year. These allocations also impact our calculation of net acquisitions and dispositions.

For the year ended December 31, 2012, the investment program produced actual gains on qualified pension and post-retirement plan assets of \$1.555 billion as compared to the expected returns of \$892 million for a difference of \$663 million. For the year ended December 31, 2011, the investment program produced actual gains on pension and post-retirement plan assets of \$483 million as compared to the expected returns of \$750 million for a difference of \$267 million. The short-term annual returns on plan assets will almost always be different from the expected long-term returns and the plans could experience net gains or losses, due primarily to the volatility occurring in the financial markets during any given year.

Unfunded Status

The following table presents the unfunded status of the pensions and post-retirement benefit plans:

	Pension Plans		Post-Retirement Benefit Plans	
	Years Ended December 31,		Years Ended December 31,	
	2012	2011	2012	2011
	(Dollars in millions)			
Benefit obligation	\$ (14,881)	(13,596)	(4,075)	(3,930)
Fair value of plan assets	12,321	11,814	626	693
Unfunded status	(2,560)	(1,782)	(3,449)	(3,237)
Current portion of unfunded status	\$ (6)	—	(160)	(164)
Non-current portion of unfunded status	\$ (2,554)	(1,782)	(3,289)	(3,073)

The current portion of our post-retirement benefit obligations is recorded on our consolidated balance sheets in accrued expenses and other current liabilities—salaries and benefits.

Accumulated Other Comprehensive (Loss) Income—Recognition and Deferrals

The following tables present cumulative items not recognized as a component of net periodic benefits expense as of December 31, 2011, items recognized as a component of net periodic benefits expense in 2012, additional items deferred during 2012 and cumulative items not recognized as a component of net periodic benefits expense as of December 31, 2012. The items not recognized as a

component of net periodic benefits expense have been recorded on our consolidated balance sheets in accumulated other comprehensive loss:

As of and for the Years Ended December 31,					
	2011	Recognition of Net Periodic Benefits Expense	Deferrals	Net Change in AOCI	2012
(Dollars in millions)					
Accumulated other comprehensive (loss) income:					
Pension plans:					
Net actuarial (loss) gain	\$ (1,335)	35	(936)	(901)	(2,236)
Prior service (cost) benefit	(29)	4	(13)	(9)	(38)
Deferred income tax benefit (expense)	526	(15)	364	349	875
Total pension plans	(838)	24	(585)	(561)	(1,399)
Post-retirement benefit plans:					
Net actuarial loss	(221)	—	(225)	(225)	(446)
Prior service (cost) benefit	(21)	—	(1)	(1)	(22)
Deferred income tax benefit	92	—	87	87	179
Total post-retirement benefit plans	(150)	—	(139)	(139)	(289)
Total accumulated other comprehensive (loss) income	\$ (988)	24	(724)	(700)	(1,688)

The following table presents estimated items to be recognized in 2013 as a component of net periodic benefit expense of the pension, non-qualified pension and post-retirement benefit plans:

	Pension Plans	Post-Retirement Plans
(Dollars in millions)		
Estimated recognition of net periodic benefit expense in 2013:		
Net actuarial loss	\$ (81)	(4)
Prior service cost	(5)	
Deferred income tax benefit	33	2
Estimated net periodic benefit expense to be recorded in 2013 as a component of other comprehensive income (loss)	\$ (53)	(2)

Medicare Prescription Drug, Improvement and Modernization Act of 2003

We sponsor post-retirement health care plans with several benefit options that provide prescription drug benefits that we deem actuarially equivalent to or exceeding Medicare Part D. We recognize the impact of the federal subsidy received under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 in the calculation of our post-retirement benefit obligation and net periodic post-retirement benefit expense.

Other Benefit Plans

Health Care and Life Insurance

We provide health care and life insurance benefits to essentially all of our active employees. We are largely self-funded for the cost of the health care plan. Our health care benefit expenses for current employees were \$360 million, \$377 million and \$190 million for the years ended December 31, 2012, 2011 and 2010, respectively. Union-represented employee benefits are based on negotiated collective bargaining agreements. Employees contributed \$113 million, \$90 million and \$47 million for the years ended December 31, 2012, 2011 and 2010, respectively. Our group life insurance plans are fully insured and the premiums are paid by us.

401(k) Plan

We sponsor qualified defined contribution benefit plans covering substantially all of our employees. Under these plans, employees may contribute a percentage of their annual compensation up to certain maximums, as defined by the plans and by the Internal Revenue Service ("IRS"). Currently, we match a percentage of employee contributions in cash. At December 31, 2012 and December 31, 2011, the assets of the plans included approximately 10 million and 9 million shares of our common stock, respectively, as a result of the combination of previous employer match and participant directed contributions. We recognized expenses related to these plans of \$76 million, \$70 million and \$17 million and for the years ended December 31, 2012, 2011 and 2010, respectively.

Deferred Compensation Plans

We sponsored non-qualified unfunded deferred compensation plans for various groups that included certain of our current and former highly compensated employees. The plans have been frozen, and the participants are no longer allowed to defer compensation into the plans. The value of assets and liabilities related to these plans was not significant.

(9) Share-based Compensation

We maintain equity programs that allow our Board of Directors (through its Compensation Committee or our Chief Executive Officer as its delegate) to grant incentives to certain employees and our outside directors in any one or a combination of several forms, including incentive and non-qualified stock options, stock appreciation rights, restricted stock awards, restricted stock units and market and performance shares. Stock options generally expire ten years from the date of grant. We also offer an ESPP, which allows eligible employees to purchase our common stock at a 15% discount based on the lower of the beginning or ending stock price during recurring six month offering periods.

Acquisitions

Upon the July 15, 2011, closing of our acquisition of Savvis, and pursuant to the terms of the acquisition agreement, we assumed certain obligations under Savvis' share-based compensation arrangements. Specifically:

- all Savvis stock options outstanding immediately prior to the acquisition were vested in full and were converted into 2,420,532 fully vested CenturyLink stock options, and
- all non-vested Savvis restricted stock units outstanding immediately prior to the acquisition converted into an aggregate 1,080,070 non-vested CenturyLink awards.

We estimate the aggregate fair value of the assumed Savvis share-based compensation arrangements was \$123 million, of which \$98 million was attributable to services performed prior to the acquisition date and was included in the cost of the acquisition. The fair value of CenturyLink shares

Other Post Employment Benefits (OPEBS)

Item	Current Year	Last Year	% Change
1 Regulatory Treatment:			
2 Commission authorized - most recent			
3 Docket number: _____			
4 Order number: _____			
5 Amount recovered through rates			
6 Weighted-average Assumptions as of Year End			
7 Discount rate			
8 Expected return on plan assets			
9 Medical Cost Inflation Rate			
10 Actuarial Cost Method			
11 Rate of compensation increase			
12 List each method used to fund OPEBs (ie: VEBA, 401(h)) and if tax advantaged:			
13			
14			
15 Describe any Changes to the Benefit Plan:			
16			
17 TOTAL COMPANY			
18 Change in Benefit Obligation			
19 Benefit obligation at beginning of year			
20 Service cost			
21 Interest Cost			
22 Plan participants' contributions			
23 Amendments			
24 Actuarial Gain			
25 Acquisition			
26 Benefits paid			
27 Benefit obligation at end of year			
28 Change in Plan Assets			
29 Fair value of plan assets at beginning of year			
30 Actual return on plan assets			
31 Acquisition			
32 Employer contribution			
33 Plan participants' contributions			
34 Benefits paid			
35 Fair value of plan assets at end of year			
36 Funded Status			
37 Unrecognized net actuarial loss			
38 Unrecognized prior service cost			
39 Prepaid (accrued) benefit cost			
40 Components of Net Periodic Benefit Costs			
41 Service cost			
42 Interest cost			
43 Expected return on plan assets			
44 Amortization of prior service cost			
45 Recognized net actuarial loss			
46 Net periodic benefit cost	271,556	325,144	-16.48%
47 Accumulated Post Retirement Benefit Obligation			
48 Amount Funded through VEBA			
49 Amount Funded through 401(h)			
50 Amount Funded through Other _____			
51 TOTAL			
52 Amount that was tax deductible - VEBA			
53 Amount that was tax deductible - 401(h)			
54 Amount that was tax deductible - Other _____			
55 TOTAL			

(A) The actuary provides information on a total plan basis only. Information regarding the OPEB plan is included in the attached copy of Footnote 8 of the CenturyTel, Inc. 2012 Form 10-K behind Schedule 19. Page 23

Year: 2012

Other Post Employment Benefits (OPEBS) Continued

	Item	Current Year	Last Year	% Change
1	Number of Company Employees:			
2	Covered by the Plan	71	83	-14.46%
3	Not Covered by the Plan	1		
4	Active	67	83	-19.28%
5	Retired	5	75	-93.33%
6	Spouses/Dependants covered by the Plan	53	6	783.33%
7	Montana			
8	Change in Benefit Obligation			
9	Benefit obligation at beginning of year			
10	Service cost			
11	Interest Cost			
12	Plan participants' contributions			
13	Amendments			
14	Actuarial Gain			
15	Acquisition			
16	Benefits paid			
17	Benefit obligation at end of year			
18	Change in Plan Assets			
19	Fair value of plan assets at beginning of year			
20	Actual return on plan assets			
21	Acquisition			
22	Employer contribution			
23	Plan participants' contributions			
24	Benefits paid			
25	Fair value of plan assets at end of year			
26	Funded Status			
27	Unrecognized net actuarial loss			
28	Unrecognized prior service cost			
29	Prepaid (accrued) benefit cost			
30	Components of Net Periodic Benefit Costs			
31	Service cost			
32	Interest cost			
33	Expected return on plan assets			
34	Amortization of prior service cost			
35	Recognized net actuarial loss			
36	Net periodic benefit cost			
37	Accumulated Post Retirement Benefit Obligation			
38	Amount Funded through VEBA			
39	Amount Funded through 401(h)			
40	Amount Funded through other _____			
41	TOTAL			
42	Amount that was tax deductible - VEBA			
43	Amount that was tax deductible - 401(h)			
44	Amount that was tax deductible - Other			
45	TOTAL			
46	Montana Intrastate Costs:			
47	Pension Costs			
48	Pension Costs Capitalized			
49	Accumulated Pension Asset (Liability) at Year End			
50	Number of Montana Employees:			
51	Covered by the Plan			
52	Not Covered by the Plan			
53	Active			
54	Retired			
55	Spouses/Dependants covered by the Plan			

(A) The actuary provides information on a total plan basis only. Information regarding the OPEB plan is included in the attached copy of Footnote 8 of the CenturyTel, Inc. 2012 Form 10-K behind Schedule 19. Page 24

Payments for Services to Persons Other Than Employees

Year: 2012

Line No.	Name of Recipient (a)	Nature of Service (b)	Total Company Cost (c)	Total State Cost (d)	Intrastate Cost (e)
1	911 Datamaster	Switching Services	52,699	52,699	28,433
2	Flathead Janitorial, Inc.	Janitorial Services	82,323	82,323	53,495
3	Montana Dept. of Revenue	Public Service Reg. Fee and	34,594	34,594	34,594
4		Consumer Council Fee			
5	Montana One Call Center	Locating & Utility Services	26,198	26,198	19,144
6	One Call Locators, Ltd.	Locating & Utility Services	158,872	158,872	116,093
7	Johnson Controls, Inc.	Bldg. Maintenance- Heat & A/C	63,517	63,517	41,275
8	Rocky Mountain Contractors	C & W Maintenance	75,010	75,010	54,812
9	Iconnect Montana, LLC	Switching Services	41,548	41,548	22,416
10	Vision Net Inc.	Warrantee & Switching Services	913,333	913,333	492,771
11	Complete Power, LLC	Battery Installation	60,286	60,286	39,175
12	Dialogic Communciations	Data Back-up	74,296	74,296	48,279
13	The Berry Company	Directory Services	133,971	133,971	94,113
14					
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48					
49	Total		1,716,647	1,716,647	1,044,598

Subscriber Line Usage Data

Year: 2012

Line No.	Description (a)	This Year (b)	% of Total (c)	Last Year (d)	% of Total (e)
1	Toll Usage:				
2	Interstate, InterLATA	110,856,708	82.38%	123,334,282	82.37%
3	Interstate, IntraLATA	1,169	0.00%	1,824	0.00%
4	Total Interstate Usage	110,857,877	82.38%	123,336,106	82.37%
5	Intrastate, InterLATA	8,496,058	6.31%	9,568,663	6.39%
6	Intrastate, IntraLATA	15,209,254	11.30%	16,830,133	11.24%
7	Total Intrastate Usage	23,705,312	17.62%	26,398,796	17.63%
8	Total Toll Usage	134,563,189	100.00%	149,734,902	100.00%
9	Centrex				
10	Local				
11	Total Minutes	134,563,189	100.00%	149,734,902	100.00%

Central Office and Access Line Statistics (Revised)

2012

Line No.	Wire Center (a)	Type of Office (b)	Residential (c)	ISDN (d)	ADSL (e)	Lifeline Customers (f)	Residential LMS Customers (g)	Single Line Business (h)	Multi-Line Business (i)	Customer Owned Coin (j)	Company Owned Coin (k)	Other (l)	% of Lines w/ T. Tone (m)	Total Access Lines (n)
1	Big Fork	Digital	2,305			238		176	288			237		3,026
2	Columbia Falls	Digital	2,339	10		726		164	363		1	729		3,606
3	Elmo	Digital	550			182		17	19			5		591
4	Finley Point	Digital	248			87		6	7			1		262
5	Hungry Horse	Digital	733			331		57	59			32		881
6	Kalispell	Digital	11,923	281		4,854		937	2,717		2	3,463		19,323
7	Lakeside	Digital	777			68		39	74			47		937
8	Marion	Digital	338			37		11	17			9		375
9	McGregor Lake	Digital	118			23		5	17			12		152
10	Olney	Digital	120			65		13	12			11		156
11	Polson	Digital	2,083	17		1,207		175	496			583		3,354
12	Somers	Digital	470			65		27	45			35		577
13	Swan Lake	Digital	155					7	4					166
14	Whitefish	Digital	3,596	37		799		253	687			1,109		5,682
15	Yellow Bay	Digital	198			19		6	6			5		215
33	Total		25,953	345		8,701		1,893	4,811		3	6,298		39,303

NOTE: Additional blank schedules are being provided for your convenience.

Central Office and Access Line Statistics

Year 2012

Line No.	Wire Center (a)	Type of Office (b)	Residential (c)	ISDN (d)	ADSL (e)	Lifeline Customers (f)	Resident LMS Customers (g)	Single Line Business (h)	Multi-Line Business (i)	Customer Owned Coin (j)	Company Owned Coin (k)	Other (l)	% of Lines w/ T. Tone (m)	Total Access Lines (n)
1	AMSTERDAM	DIGITAL	517	0		1	8	30	82	0		3	100.0%	641
2	ANACONDA	DIGITAL	1,278	0		30	65	122	544	3		101	100.0%	2,143
3	BELGRADE	DIGITAL	1,744	164		16	28	209	1,155	5		148	100.0%	3,469
4	BILLINGS MAIN	DIGITAL	6,287	2,838		215	238	761	4,307	82		2,547	100.0%	17,275
5	BILLINGS WEST	DIGITAL	4,549	1,033		70	141	333	2,334	11		1,155	100.0%	9,626
6	BOULDER	DIGITAL	340	0		6	4	33	118	5		44	100.0%	550
7	BOZEMAN	DIGITAL	5,965	2,354		48	159	796	4,404	13		1,329	100.0%	15,068
8	BRIDGER	DIGITAL	285	0		5	6	15	80	1		6	100.0%	398
9	BUTTE	DIGITAL	2,026	907		71	64	271	1,484	37		395	100.0%	5,255
10	BUTTE SOUTH	DIGITAL	1,546	276		31	47	109	836	7		281	100.0%	3,133
11	CANYON FERRY	DIGITAL	589	0		2	24	18	53	0		9	100.0%	695
12	CASCADE	DIGITAL	611	0		1	26	23	85	0		5	100.0%	751
13	CLANCY	DIGITAL	386	0		1	8	17	51	0		4	100.0%	467
14	CLYDE PARK	DIGITAL	384	0		3	9	28	56	0		26	100.0%	506
15	COLSTRIP	DIGITAL	426	69		0	1	46	169	0		79	100.0%	790
16	COLUMBUS	DIGITAL	813	0		2	13	69	341	2		68	100.0%	1,308
17	CONRAD	DIGITAL	376	0		5	3	34	123	1		24	100.0%	566
18	COOKE CITY	DIGITAL	194	0		0	25	9	85	5		2	100.0%	320
19	CORVALLIS	DIGITAL	1,606	0		21	21	54	303	0		44	100.0%	2,049
20	CUT BANK	DIGITAL	480	0		13	4	67	467	0		114	100.0%	1,145
21	DARBY	DIGITAL	1,022	0		27	43	59	189	16		97	100.0%	1,453
22	DEER LODGE	DIGITAL	744	0		11	15	76	307	4		88	100.0%	1,245
23	DILLON	DIGITAL	1,117	0		26	20	156	652	3		226	100.0%	2,200
24	DUTTON	DIGITAL	133	0		1	5	15	46	0		3	100.0%	203
25	EAST GLACIER PARK	DIGITAL	164	0		0	4	12	98	2		26	100.0%	306
26	EAST HELENA	DIGITAL	1,284	0		20	35	75	153	0		28	100.0%	1,595
27	FAIRVIEW	DIGITAL	93	0		0	0	12	23	0		25	100.0%	153
28	FORSYTH	DIGITAL	99	0		1	2	14	46	1		25	100.0%	188
29	FRENCHTOWN	DIGITAL	1,058	23		9	12	43	119	0		16	100.0%	1,280
30	FROMBERG	DIGITAL	206	0		2	3	16	39	0		1	100.0%	267
31	Subtotal Page 1		36,322	7,664	0	638	1,033	3,522	18,749	198	0	6,919		75,045

Central Office and Access Line Statistics

Year 2012

Line No.	Wire Center (a)	Type of Office (b)	Residential (c)	ISDN (d)	ADSL (e)	Lifeline Customers (f)	Resident LMS Customers (g)	Single Line Business (h)	Multi-Line Business (i)	Customer Owned Coin (j)	Company Owned Coin (k)	Other (l)	% of Lines w/ T. Tone (m)	Total Access Lines (n)
1	GALLATIN GATEWAY	DIGITAL	630	0		1	15	29	129	0		15	100.0%	819
2	GARDNER	DIGITAL	374	0		2	15	39	212	0		83	100.0%	725
3	GLEN DIVE	DIGITAL	362	0		3	2	35	220	0		188	100.0%	810
4	GREAT FALLS	DIGITAL	6,254	2,316		194	331	718	4,398	60		1,521	100.0%	15,792
5	HAMILTON	DIGITAL	2,470	0		66	64	276	1,281	3		399	100.0%	4,559
6	HARDIN	DIGITAL	824	0		18	14	78	365	6		145	100.0%	1,450
7	HAVRE	DIGITAL	1,323	0		21	30	184	1,021	8		462	100.0%	3,049
8	HELENA MAIN	DIGITAL	4,391	3,167		87	179	541	3,770	30		993	100.0%	13,158
9	HELENA NORTH	DIGITAL	1,097	0		3	23	65	123	0		12	100.0%	1,323
10	JOLIET	DIGITAL	655	0		3	6	28	87	0		22	100.0%	801
11	LAUREL	DIGITAL	1,480	0		16	23	128	489	5		151	100.0%	2,292
12	LEWISTOWN	DIGITAL	897	0		13	27	72	250	0		170	100.0%	1,429
13	LIVINGSTON	DIGITAL	1,883	0		32	47	228	938	6		211	100.0%	3,345
14	LOLO	DIGITAL	1,548	46		16	24	86	226	5		20	100.0%	1,971
15	MANHATTAN	DIGITAL	462	46		7	9	31	108	1		6	100.0%	670
16	MILES CITY	DIGITAL	377	0		7	3	39	326	3		197	100.0%	952
17	MILLTOWN	DIGITAL	269	46		6	9	24	66	6		2	100.0%	428
18	MISSOULA MAIN	DIGITAL	6,527	2,175		221	252	767	3,801	51		2,294	100.0%	16,088
19	MISSOULA SOUTH	DIGITAL	1,169	0		16	24	64	214	1		22	100.0%	1,510
20	OPPORTUNITY	DIGITAL	187	0		4	3	12	31	1		23	100.0%	261
21	PARK CITY	DIGITAL	394	0		2	4	25	38	0		4	100.0%	467
22	POWELL	DIGITAL	0	0		0	0	0	2	0		0	100.0%	2
23	PRAY	DIGITAL	532	0		2	16	22	112	1		5	100.0%	690
24	RED LODGE	DIGITAL	1,211	0		6	89	128	509	0		48	100.0%	1,991
25	ROBERTS	DIGITAL	202	0		5	4	12	37	0		2	100.0%	262
26	SHELBY	DIGITAL	169	0		4	4	28	203	7		101	100.0%	516
27	SHEPHERD	DIGITAL	631	115		7	13	34	109	0		4	100.0%	913
28	SIDNEY	DIGITAL	170	0		2	3	15	157	0		61	100.0%	408
29	ST MARY	DIGITAL	61	0		1	1	9	128	12		48	100.0%	260
30	STEVENSVILLE	DIGITAL	1,977	0		32	43	120	411	1		36	100.0%	2,620
31	Subtotal Page 2		38,526	7,911	0	797	1,277	3,837	19,761	207	0	7,245		79,561

Central Office and Access Line Statistics

Year 2012

Line No.	Wire Center (a)	Type of Office (b)	Residential (c)	ISDN (d)	ADSL (e)	Lifeline Customers (f)	Resident LMS Customers (g)	Single Line Business (h)	Multi-Line Business (i)	Customer Owned Coin (j)	Company Owned Coin (k)	Other (l)	% of Lines w/ T. Tone (m)	Total Access Lines (n)
1	TERRY	DIGITAL	2	0		0	0	8	13	0	0	0	100.0%	23
2	THREE FORKS	DIGITAL	725	23		8	16	67	283	2	2	24	100.0%	1,148
3	TOWNSEND	DIGITAL	851	0		15	22	72	269	3	3	50	100.0%	1,282
4	ULM	DIGITAL	213	0		1	5	11	33	0	0	3	100.0%	266
5	VAUGHN	DIGITAL	520	0		4	8	21	55	0	0	7	100.0%	615
6	VICTOR	DIGITAL	743	0		13	18	31	144	0	0	66	100.0%	1,015
7	WARM SPRINGS	DIGITAL	58	0		1	2	13	52	14	14	28	100.0%	168
8	WEST GLACIER	DIGITAL	288	0		3	20	22	123	16	39	39	100.0%	511
9	WEST YELLOWSTONE	DIGITAL	547	0		3	32	112	514	1	1	178	100.0%	1,387
10	WHITEHALL	DIGITAL	931	0		15	16	64	241	1	1	20	100.0%	1,288
11	WIBAUX	DIGITAL	70	0		1	1	7	11	0	0	0	100.0%	90
12	WILLSALL	DIGITAL	329	0		0	8	14	59	0	0	1	100.0%	411
13	WOLF CREEK	DIGITAL	182	0		0	14	18	48	2	2	2	100.0%	266
14														
15														
16														
17														
18														
19														
20	Subtotal Page 3		5,459	23	0	64	162	460	1,845	39	0	418		8,470
21														
22	MONTANA		80,307	15,598	0	1,499	2,472	7,819	40,355	444	0	14,582		163,076

Central Office and Switch Information

Line No.	Wire Center (a)	Office Configuration (Host, Remote, Stand alone) (b)	Type of Switch (c)	Switch Vendor/ Manufacturer (d)	Switch Model No. (e)	Switch Line Capacity (f)	Year Deployed (g)
1	Bigfork	Remote	Digital	NORTEL	DUAL RSC	3,200	1985
2	Columbia Falls	Remote	Digital	NORTEL	DUAL RSC	5,120	1988
3	Elmo	Remote	Digital	NORTEL	RLCM	640	1990
4	Finley Point	Remote	Digital	NORTEL	RLCM	640	1990
5	Hungry Horse	Remote	Digital	NORTEL	RSC	1,280	1989
6	Kalispell	Host	Digital	NORTEL	DMS100	50,400	1981
7	Lakeside	Remote	Digital	NORTEL	RSC	1,920	1990
8	Marion(MT)	Remote	Digital	ALCATEL	LITESPAN 2000	600	1999
9	McGregor Lake	Remote	Digital	NORTEL	RLCM	640	1995
10	Olney	Remote	Digital	ALCATEL	LITESPAN 2000	700	1999
11	Polson	Remote	Digital	NORTEL	DUAL RSCS	4,352	1993
12	Somers	Remote	Digital	NORTEL	RSC	1,280	1995
13	Swan Lake	Remote	Digital	ALCATEL	LITESPAN 2000	700	1999
14	Whitefish	Remote	Digital	NORTEL	DUAL RSCS	7,680	1994
15	Yellow Bay	Remote	Digital	NORTEL	RLCM	640	1989
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NOTE: Additional blank schedules are being provided for your convenience.

Construction Budget - Montana

Year: 2013

Line No.	Description (a)	2013 (b)
1	Central Office Assets:	
2		
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25		
26		
27	Total Switching and Central Office Projects over \$500,000	
28	Miscellaneous Central Office Projects not over \$500,000	N/A
29	Total Central Office Budget (Total of Line 27 & Line 28)	N/A
30	Other Projects over \$500,000:	
31		
32		
33		
34		
35		
36		
37		
38		
39		
40		
41	Total Other Projects over \$500,000	
42	Miscellaneous projects not over \$500,000	N/A
43	Total Construction Budget (Total of Lines 29, 41 & 42)	N/A

Construction budgets aren't maintained at an individual company basis; however, Montana total state construction expenditures are provided on schedule 25a.

Montana Total State Construction Expenditures

Line No.	FCC Part 32 Account No. (a)	Description (b)	This Year (c)	Last Year (d)	Percent Change (e)
1	2110	General Support Assets	-	153,884	-100.00%
2	2210	Central Office Assets	28,891	544,186	-94.69%
3	2220	Operator Systems			
4	2230	Central Office Transmission	1,682,835	1,617,928	4.01%
5	2310	Information/Termination Assets			
6	2410	Cable and Wire Facilities Assets	888,536	898,951	-1.16%
7	2680	Amortizable Tangible Assets			
8	2690	Intangibles			
9		Total Construction Expenditures	2,600,261	3,214,949	-19.12%

Montana Employee Counts

Year: 2012

Line No.	Category (a)	Beginning of Year (b)	End of Year (c)
1	Vice President and Managers	3	3
2	Supervisors & Superintendents	6	6
3	Comm. Technicians	9	9
4	Plant Technicians	19	19
5	Cable Technicians	5	5
6	Engineers/Drafting	6	6
7	Facility & Test Board Technicians	1	1
8	Special Apparatus Technicians		
9	Commercial & General	12	12
10	Secretaries	2	2
11	LAN Administrator	1	1
12	Plant Support Technicians	6	6
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14			
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42			
43	Totals (Sum of Lines 1 through 42)	70	70

Compensation of Top 10 Montana Based Employees

Year: 2012

Line No.	Name/Title (a)	Base Salary (b)	Bonuses (c)	Other Compensation (d)	Total Compensation (e)	Total Compensation Last Year (f)	% Increase Total Compensation (g)
1	In order to protect the privacy interests of the company's employees, this schedule has historically been submitted as confidential and subject to protective order. In the past the company has submitted the information on Schedule 27 under separate cover subject to the protective order currently in place. According to Docket Number N2011.3.27 (Waiver of Annual Report Salary Schedule Filing), the company not required to provide this schedule.						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11	Totals (Sum L.1 to L.10)						

Compensation of Top 5 Corporate Employees - SEC Information

Line No.	Name/Title (a)	Base Salary (b)	Bonuses (c)	Other Compensation (d)	Total Compensation (e)	Total Compensation Last Year (f)	% Increase Total Compensation (g)
1	Note: CenturyTel of Montana, Inc. does not submit SEC information. See Schedule 27, Compensation of Top 10 Montana based employees.						
2							
3							
4							
5							
6	Totals (Sum L.1 to L.5)						

Montana Composite Statistics

Year: 2012

Line No.	Account No.	Description (a)	Amount (b)
1		Plant (Intrastate Only) (000 Omitted)	
2	2001	Plant in Service	110,844
3	2003 - 2004	Construction Work in Progress	433
4	2005	Plant Acquisition Adjustments	
5	2002	Plant Held for Future Use	
6	1220	Materials & Supplies	
7		(Less):	
8	3100 - 3400	Depreciation & Amortization Reserves	(81,107)
9	4360.2	Contributions in Aid of Construction	
10		NET BOOK COSTS	30,170
11		Revenues & Expenses (Intrastate Only) (000 Omitted)	
12	5000 - 5300	Operating Revenues	21,634
13	6560	Depreciation & Amortization Expenses	3,486
14		Federal & State Income Taxes	4,070
15		Other Taxes	1,310
16		Other Operating Expenses	11,487
17		TOTAL Operating Expenses	20,353
18		Net Operating Income	1,281
19		Other Income	
20		Other Deductions	
21		NET INCOME	1,281
22		Access Lines in Service (Intrastate Only)	
23		Residential Access Lines	25,953
24		Business Access Lines	6,704
25		PBX Access Lines	1,880
26		Other Access Lines	4,766
27		Total Number of Access Lines	39,303
28		Average Number of Calls Per Access Line	
29		Local Calls	N/A
30		Toll Calls (Intra- or Interstate)	134,563,189
31		Total Number of Calls Per Access Line (Total of Line 29 & Line 30 divided by Line 27)	3,424
32		Other Statistics (Intrastate Only)	
33		Average Residential Monthly Bill	N/A
34		Gross Plant Investment per Access Line (Line 2 divided by Line 27)	2.82

Depreciation - Montana Intrastate Regulated

Year: 2012

Line No.	Acct No. (a)	Description (b)	Composite Rate % (c)	Total Expense \$ (d)
1	2112	Motor Vehicles	16.20%	56,949
2	2114	Special Purpose Vehicles		
3	2115	Garage Work Equipment		
4	2116	Other work Equipment	9.38%	62,665
5	2121	Buildings	3.04%	118,097
6	2122	Furniture	8.19%	897
7	2123.1	Office Support Equipment	13.06%	
8	2123.2	Company Communications Equipment	23.44%	
9	2124	General Purpose Computers	17.26%	5,693
10	2211	Analog Electronic Switching Equipment		
11	2212	Digital Electronic Switching Equipment	9.39%	705,909
12	2215	Step By Step Switching Equipment		
13	2215	Crossbar Switching Equipment		
14	2220	Operator System		
15	2231	Radio Systems	9.39%	16
16	2232	Circuit DDS		
17	2232	Circuit Digital	9.39%	1,312,432
18	2232	Circuit Analog		
19	2351	Public Telephone Terminating Equipment		
20	2362	Other Terminal Equipment		
21	2411	Poles	11.29%	10,030
22	2421	Aerial Cable Metallic	9.32%	43,134
23	2421	Aerial Cable Nonmetallic	9.32%	13,206
24	2422	Underground Cable Metallic	3.41%	52,877
25	2422	Underground Cable Nonmetallic	3.41%	6,362
26	2423	Buried Cable Metallic	4.43%	2,972,071
27	2423	Buried Cable Nonmetallic	4.43%	436,308
28	2424	Submarine Cable Metallic	3.30%	192
29	2424	Submarine Cable Nonmetallic		
30	2426	Intrabuilding Network Cable Metallic	4.43%	1,689
31	2426	Intrabuilding Network Cable Nonmetallic		
32	2431	Aerial Wire	9.09%	22
33	2441	Conduit Systems	2.37%	33,223
34				
35		COMPOSITE TOTAL		15,831,772
36				
37	Please list the Montana Public Service Commission Docket Order No. approving these depreciation rates			
38				
39	Docket Number 83.9.88 Order Number 5052			
40				

Amortization - Montana Intrastate Regulated

Year: 2012

Line No.	Acct No. (a)	Description (b)	Composite Rate % (c)	Total Expense \$ (d)
1				
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28				
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32				
33				
34				
35		COMPOSITE TOTAL		
36				
37	Please list the Montana Public Service Commission Docket Order No. approving these amortization rates			
38				
39	Docket Number _____ Order Number _____			
40				

Montana Regulatory Capital Structure & Costs

Year: 2012

Line No.	Description (a)	% Cap. Str. (b)	% Cost Rate (c)	Weighted Cost (d)
	Commission Accepted - Most Recent			
1	Docket Number 92.7.32			
2	Order Number 5638C			
3				
4	Common Equity			
5	Preferred Stock			
6	Long Term Debt			
7	Other			
8	Total			
9				
10	Actual at Year End			
11				
12	Common Equity 35,201,980	99.92%	13.700%	13.69%
13	Preferred Stock 29,000	0.08%	9.310%	0.01%
14	Long Term Debt			
15	Other			
16	Total 35,230,980	100.00%		13.70%

Network Access - Charges and Revenues

Year: 2012

Line No.	Description (a)	Access Charges Paid (b)	Access Revenues Received (c)
1	Montana - Total State	(78,372)	19,327,713
2			
3	Montana - Intrastate	(78,372)	1,896,264
4			
5	Montana - Intrastate Regulated	(78,372)	1,421,227
6			
7			
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13			

Affiliate Transactions - Products & Services Provided to Utility

Year: 2012

Line No.	Affiliate Name (a)	Products & Services (b)	Method to Determine Price (c)	Charges to Utility (d)	% Total Affil. Revenues (e)	Charges to MT Utility (f)
1	CenturyTel Service Group, LLC	Management, Accounting, Operating and Miscellaneous Services & Supplies	Contract Year - 2003	2,405,667		2,405,667
2						
3						
4	Qwest Corporation	"	Contract Year - 2011	1,903,440		1,903,440
5	United Telephone Company of Pennsylvania, LLC	"	Contract Year - 2011	50,167		50,167
6	CenturyTel Holdings Missouri, Inc.	"	Contract Year - 2002	69,197		69,197
7	Embarq Management Company	"		1,466,341		1,466,341
8	Embarq Network Company, LLC	"		642,506		642,506
9	Embarq Mid-Atlantic Management Services Company	"		122,819		122,819
10	Embarq Midwest Management Services Company	"		192,744		192,744
11	United Telephone Company of the Northwest	"	Contract Year - 2009	432,888		432,888
12	Embarq Florida, Inc. - Central Florida	"	Contract Year - 2009	188,267		188,267
13	All Other			200,709		200,709
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29						
30	TOTAL			\$7,674,745		\$7,674,745

Affiliate Transactions - Products & Services Provided by Utility

Year: 2012

Line No.	Affiliate Name (a)	Products & Services (b)	Method to Determine Price (c)	Charges to Affiliate (d)	% Total Affil. Revenues (e)	Charges to MT Utility (f)
1	CenturyTel Broadband Services, LLC	Management, Billing & Coll.,	Contract Year - 2001	5,557,538	65.3%	5,557,538
2	CenturyTel Long Distance, LLC	Operating, DSL, and	Contract Year - 2001	736,274	8.6%	736,274
3	CenturyTel Service Group, LLC	Miscellaneous Services	Contract Year - 2003	55,946	0.7%	55,946
4	CenturyTel Fiber Company II, LLC	"	"	1,015,811	11.9%	1,015,811
5	Qwest Communications Company, LLC	"	Contract Year - 2011	638,669	7.5%	638,669
6	CenturyTel Long Distance Montana, Inc.	"	"	400,847	4.7%	400,847
7	All Other	"	"	108,528	1.3%	108,528
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28						
29						
30	TOTAL			\$8,513,612		\$8,513,612

Montana Intrastate Regulated Earned Rate of Return (Revised)

2012

Line No.	Description Rate Base (a)	This Year (b)	Last Year (c)	Percent Change (d)
1				
2	2001 Plant in Service	108,473,972	107,477,422	0.93%
3	2002 Prop. Held for Future Telecommunications Use			
4	3100-3200 (Less) Accumulated Depreciation	(79,418,774)	(74,600,000)	6.46%
5	Plant in Service	29,055,198	32,877,422	-11.63%
6				
7	Additions			
8	1220 Materials & Supplies	168	1,143	-85.30%
9	1280 Prepayments			
10	Other Additions	451,875	503,851	-10.32%
11	TOTAL Additions	452,043	504,994	-10.49%
12				
13	Deductions			
14	4100 Current Deferred Operating Income Taxes			
15	4320 Unamortized Operating Investment Tax Credits			
16	4340 Noncurrent Deferred Operating Income Taxes	6,907,928	6,338,157	8.99%
17	Customer Advances for Construction			
18	Other Deductions			
19	TOTAL Deductions	6,907,928	6,338,157	8.99%
20	TOTAL Rate Base	22,599,313	27,044,259	-16.44%
21				
22	Net Earnings	(170,440)	(654,593)	73.96%
23				
24	Rate of Return on Average Rate Base	-0.754%	-2.420%	68.84%
25				
26	Rate of Return on Average Equity	-0.486%	-1.709%	71.55%
27				
28	Major Normalizing Adjustments & Commission			
29	<u>Ratemaking adjustments to Utility Operations</u>			
30				
31				
32				
33				
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37				
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40				
41				
42				
43	Adjusted Rate of Return on Average Rate Base			
44				
45	Adjusted Rate of Return on Average Equity			

Note 1: This schedule is revised to reflect inclusion of prior period high cost USF receipts and to reapportion income taxes between intrastate and interstate.

Other Taxes Paid

Year: 2012

Line No.	Description (a)	Last Year (b)	This Year (c)
1	Montana Telephone Company License Tax	714,303	672,071
2	Montana Public Service Commission Tax	58,530	6,911
3	Montana Consumer Counsel Tax	17,695	4,687
4	911 Emergency Telephone Fee	519,110	486,838
5	Montana Telecommunications Access Service (TDD)	52,246	49,005
6	Montana Corporate License Tax	556,322	433,310
7	Personal Property Tax		
8	Real Property Tax	2,090,547	2,055,394
9			
10			
11			
12	Total	4,008,753	3,708,216

SCHEDULE 37

Universal Service Funds Received

Year: 2012

Line No.	Description (a)	Last Year (b)	This Year (c)
13	Funds received from Montana Sources	N/A	N/A
14	Funds received from Federal Sources	N/A	51,138
15			
16			
17			
18			
19			
20			
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22			
23			
24	Total		51,138