General Information

Year: **2011**

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 Regulatory Operations Director
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: 2011

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 - Network Services	"	Dennis G. Huber, 5454 West 10th Street, Overland Park, KS, 66211
6	Executive Vice President - Corporate Strategy and Development	"	Stephanie G. Comfort, 930 15th Street, Denver, CO, 80202
7	President - Wholesale Operations	"	William E. Cheek, 100 CenturyLink Drive, Monroe, LA 71203
8	President - Business Markets Group	"	Christopher K. Ancell, 930 15th Street, Denver, CO, 80202
9	Senior Vice President - Controller and Operations Support	"	David D. Cole, 100 CenturyLink Drive, Monroe, LA 71203
10	Senior Vice President - Public Policy and Government Relations	"	R. Steven Davis, 1801 California Street, Denver, CO, 80202
11	Executive Vice President - IT Services	"	Girish Varma, 930 15th Street, Denver, CO, 80202
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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Company Name: CenturyTel of Montana, Inc. d/b/a CenturyLink

SCHEDULE 3

Total Company Balance Sheet

Year: 2011

Line No.		Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1			**CURRENT ASSETS:**		
2		1120	Cash and Equivalents	1,501,854	3,718,668
3		1180	Telecommunications Accounts Receivable - Net	2,347,312	2,758,592
4		1190	Other Accounts Receivable - Net	528,347	1,397,067
5		1200	Notes Receivable - Net		
6		1210	Interest and Dividends Receivable		
7		1220	Materials and Supplies	37	3,155
8	*	1280	Prepayments	846,694	711,327
9	^	1290	Prepaid Rents		
10	^	1300	Prepaid Taxes		
11	^	1310	Prepaid Insurance		
12	^	1320	Prepaid Directory Expenses		
13	^	1330	Other Prepayments	92,178	82,452
14		1350	Other Current Assets		
15			**Total Current Assets**	5,224,243	8,588,809
16			**NONCURRENT ASSETS:**		
17		1401	Investments in Affiliated Companies		
18		1402	Investments in Nonaffiliated Companies		
19		1406	Nonregulated Investments	605,946	612,615
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	5,626	3,515
25		1500	Other Jurisdictional Assets - Net		
26			**Total Noncurrent Assets**	611,571	616,129
27			**PROPERTY, PLANT, & EQUIPMENT:**		
28		2001	Telecommunications Plant in Service	173,883,630	171,566,705
29		2002	Property Held for Future Telecommunications Use		
30		2003	Plant Under Construction - Short Term	414,571	191,761
31		2004	Plant Under Construction - Long Term		
32		2005	Telecommunications Plant Adjustment		
33		2006	Nonoperating Plant	2,582	2,582
34		2007	Goodwill		
35		3100	Accumulated Depreciation	(127,658,982)	(122,771,982)
36		3200	Accumulated Depreciation - Held for Future Use		
37		3300	Accumulated Depreciation - Nonoperating		
38		3400	Accumulated Amortization		
39			**Net Property, Plant, & Equipment**	46,641,800	48,989,066
40			**TOTAL ASSETS**	52,477,614	58,194,004

^ Subaccount of account marked with a *.

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

Total Company Balance Sheet

Year: 2011

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
41		**CURRENT LIABILITIES:**		
42	4010	Accounts Payable	646,727	578,266
43	4020	Notes Payable		
44	4030	Advance Billing and Payments	1,283,515	1,351,869
45	4040	Customer Deposits	11,466	23,115
46	4050	Current Maturities - Long Term Debt		
47	4060	Current Maturities - Capital Leases		
48	4070	Income Taxes - Accrued		
49	4080	Other Taxes - Accrued	1,263,904	1,336,766
50	4100	Net Current Deferred Operating Income Taxes		
51	4110	Net Current Deferred Nonoperating Income Taxes		
52	4120	Other Accrued Liabilities	637,520	526,555
53	4130	Other Current Liabilities		
54		**Total Current Liabilities**	3,843,132	3,816,571
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	11,076,927	8,856,690
69	4350	Net Noncurrent Deferred Nonoper. Income Taxes		
70	4360	Other Deferred Credits	2,673,465	3,802,748
71	4370	Other Jurisdictional Liab. and Def. Credits		
72		**Total Other Liabilities and Deferred Credits**	13,750,392	12,659,437
73		**STOCKHOLDERS' EQUITY:**		
74	4510	Capital Stock	6,479,000	6,680,000
75	4520	Additional Paid-In Capital	141,016	141,016
76	4530	Treasury Stock	(159,000)	(130,500)
77	4540	Other Capital		
78	4550	Retained Earnings	28,423,075	35,027,480
79		**Total Stockholders' Equity**	34,884,091	41,717,996
80		**TOTAL LIAB. AND STOCKHOLDERS' EQUITY**	52,477,614	58,194,004

Total Company Income Statement

Year: 2011

Line No.		Acct. No. (a)	Description (b)		This Year (c)	Last Year (d)
1			**REVENUES:**			
2		5000	Basic Local Service Revenues		14,766,449	15,603,735
3		5080	Network Access Revenues	(1)	18,058,978	18,213,981
4	*	5100	Long Distance Message Revenue		148,381	150,631
5	^	5110	Unidirectional Long Distance Revenue			
6	^	5120	Long Distance Private Network Revenue		148,341	150,632
7	^	5160	Other Long Distance Revenue		40	(1)
8	^	5169	Other Long Distance Revenue Settlements			
9	*	5200	Miscellaneous Revenue		7,208,652	7,502,853
10	^	5230	Directory Revenue		2,816,570	3,281,669
11	^	5240	Rent Revenue		247,998	274,275
12	^	5250	Corporate Operations Revenue			
13	^	5260	Miscellaneous Revenue	(2)	3,442,666	3,216,785
14	^	5270	Carrier Billing and Collection Revenue		701,418	730,125
15	^	5280	Nonregulated Revenue			
16		5300	Uncollectible Revenue		199,715	283,313
17			**Total Revenues (L.2+L.3+L.4+L.9-L.16)**		39,982,743	41,187,886
18			**OPERATING EXPENSES:**			
19		6110	Network Support Expense		45,674	30,661
20		6120	General Support Expense		987,463	805,275
21		6210	Central Office Switching Expense		2,145,274	1,759,999
22		6220	Operator Systems Expense			
23		6230	Central Office Transmission Expense		517,706	704,793
24		6310	Information Origination/Termination Expense			
25	*	6410	Cable and Wire Facilities Expense		5,022,582	5,051,022
26	^	6431	Aerial Wire Expense			
27	^	6441	Conduit Systems Expense			
28		6510	Other Property, Plant & Equipment Expense		37,388	93,559
29		6530	Network Operations Expense		2,197,657	2,326,033
30		6540	Access Expense		458,387	888,168
31		6560	Depreciation and Amortization Expense		5,725,672	7,391,561
32		6610	Marketing		1,323,103	1,432,624
33		6620	Services		3,058,156	3,073,218
34		6710	Executive and Planning		143,210	261,475
35		6720	General and Administrative		2,984,525	3,482,380
36		6790	Provision for Uncollectible Notes Receivable			
37			**Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)**		24,646,796	27,300,768
38		7100	Other Operating Income and Expense		390	415
39		7200	Operating Taxes		7,401,861	6,205,399
40			**Net Operating Income (L.17-L.37+L.38-L.39)**		7,934,475	7,682,135
41		7300	Nonoperating Income and Expense		166,160	(27,196)
42		7400	Nonoperating Taxes			
43		7500	Interest and Related Items		1,037	2,007
44		7600	Extraordinary Items			
45		7910	Effects of Juris. Ratemaking Diff. - Net			
46		7990	Nonregulated Net Income		(296,989)	(459,571)
47			**NET INCOME (L.40+L.41-L.42-L.43-L.44+L.45-L.46)**		8,396,587	8,112,503

^ Subaccount of the account marked with a *.

(1) Includes Interstate Prior Period Adjustments of ($20,486) in 2010 and $(71,030.75) in 2011.
Includes Intrastate Prior Period Adjustments of $123,227 in 2010 and $499,700.34 in 2011.

(2) Includes Miscellaneous Prior Period Adjustments of $3,364 in 2010 and $7,417 in 2011.

Montana Total State Income Statement

Year: 2011

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: 2011

Line No.		Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1			**REVENUES:**		
2		5000	Basic Local Service Revenues	14,766,449	15,603,735
3		5080	Network Access Revenues	1,936,655	2,916,226
4	*	5100	Long Distance Message Revenue	148,381	150,631
5	^	5110	Unidirectional Long Distance Revenue		
6	^	5120	Long Distance Private Network Revenue	148,341	150,632
7	^	5160	Other Long Distance Revenue	40	(1)
8	^	5169	Other Long Distance Revenue Settlements		
9	*	5200	Miscellaneous Revenue	6,532,610	6,798,199
10	^	5230	Directory Revenue	2,816,570	3,281,669
11	^	5240	Rent Revenue	163,057	188,035
12	^	5250	Corporate Operations Revenue		
13	^	5260	Miscellaneous Revenue	3,383,168	3,156,629
14	^	5270	Carrier Billing and Collection Revenue	169,815	171,866
15	^	5280	Nonregulated Revenue		
16		5300	Uncollectible Revenue	130,042	226,129
17			**Total Revenues (L.2+L.3+L.4+L.9-L.16)**	23,254,052	25,242,662
18			**OPERATING EXPENSES: (1)**		
19		6110	Network Support Expense	29,680	20,905
20		6120	General Support Expense	641,675	549,054
21		6210	Central Office Switching Expense	1,157,429	1,087,357
22		6220	Operator Systems Expense		
23		6230	Central Office Transmission Expense	279,315	440,919
24		6310	Information Origination/Termination Expense		
25	*	6410	Cable and Wire Facilities Expense	3,670,126	3,651,293
26	^	6431	Aerial Wire Expense		
27	^	6441	Conduit Systems Expense		
28		6510	Other Property, Plant & Equipment Expense	24,296	63,790
29		6530	Network Operations Expense	1,428,086	1,584,478
30		6540	Access Expense	(68,105)	308,047
31		6560	Depreciation and Amortization Expense	3,445,723	4,516,985
32		6610	Marketing	1,008,865	1,092,374
33		6620	Services	2,478,923	2,434,524
34		6710	Executive and Planning	100,996	188,153
35		6720	General and Administrative	2,096,587	2,468,863
36		6790	Provision for Uncollectible Notes Receivable		
37			**Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)**	16,293,596	18,406,742
38		7100	Other Operating Income and Expense		
39		7200	Operating Taxes	4,971,270	4,158,811
40			**Net Operating Income (L.17-L.37+L.38-L.39)**	1,989,186	2,677,109

^ Subaccount of the account marked with a *.

Montana Intrastate Regulated Income Statement

Year: 2011

Line No.		Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1			**REVENUES:**		
2		5000	Basic Local Service Revenues	14,271,161	15,039,162
3		5080	Network Access Revenues	1,468,716	2,475,181
4	*	5100	Long Distance Message Revenue	129,481	131,731
5	^	5110	Unidirectional Long Distance Revenue		
6	^	5120	Long Distance Private Network Revenue	129,441	131,732
7	^	5160	Other Long Distance Revenue	40	(1)
8	^	5169	Other Long Distance Revenue Settlements		
9	*	5200	Miscellaneous Revenue	124,122	133,740
10	^	5230	Directory Revenue	54,075	60,160
11	^	5240	Rent Revenue		
12	^	5250	Corporate Operations Revenue		
13	^	5260	Miscellaneous Revenue	70,047	73,580
14	^	5270	Carrier Billing and Collection Revenue		
15	^	5280	Nonregulated Revenue		
16		5300	Uncollectible Revenue	123,650	217,137
17			**Total Revenues (L.2+L.3+L.4+L.9-L.16)**	15,869,830	17,562,678
18			**OPERATING EXPENSES:**		
19		6110	Network Support Expense	29,046	20,420
20		6120	General Support Expense	627,952	536,313
21		6210	Central Office Switching Expense	1,129,480	1,058,316
22		6220	Operator Systems Expense		
23		6230	Central Office Transmission Expense	272,571	429,144
24		6310	Information Origination/Termination Expense		
25	*	6410	Cable and Wire Facilities Expense	3,597,138	3,574,646
26	^	6431	Aerial Wire Expense		
27	^	6441	Conduit Systems Expense		
28		6510	Other Property, Plant & Equipment Expense	23,776	62,311
29		6530	Network Operations Expense	1,397,548	1,547,708
30		6540	Access Expense	(68,105)	308,047
31		6560	Depreciation and Amortization Expense	3,354,304	4,372,395
32		6610	Marketing	973,123	1,053,673
33		6620	Services	2,233,511	2,208,011
34		6710	Executive and Planning	96,143	176,202
35		6720	General and Administrative	1,948,187	2,263,863
36		6790	Provision for Uncollectible Notes Receivable		
37			**Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)**	15,614,674	17,611,049
38		7100	Other Operating Income and Expense		
39		7200	Operating Taxes	4,860,914	4,048,099
40			**Net Operating Income (L.17-L.37+L.38-L.39)**	(4,605,758)	(4,096,470)

^ Subaccount of the account marked with a *.

Average Rate Base - Total State

Year: 2011

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	169,009,321	166,882,813
2	3100	Accumulated Depreciation	119,957,056	114,844,166
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies	1,596	8,693
6	4340	Noncurrent Deferred Operating Income Taxes	9,966,808	9,000,833
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)	777,580	816,992
9		**Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)**	39,864,633	43,863,499

Average Rate Base - Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	109,825,975	113,784,373
2	3100	Accumulated Depreciation	76,186,085	78,449,820
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies	1,166	6,305
6	4340	Noncurrent Deferred Operating Income Taxes	6,476,653	6,136,965
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)	527,995	570,812
9		**Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)**	27,692,398	29,774,705

Average Rate Base - Regulated Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	107,477,422	111,143,953
2	3100	Accumulated Depreciation	74,600,000	76,760,872
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies	1,143	6,174
6	4340	Noncurrent Deferred Operating Income Taxes	6,338,157	5,994,554
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)	503,851	544,054
9		**Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)**	27,044,259	28,938,755

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 2011 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: 2011

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		8,396,587
4	Reconciliation Adjustments:		
5	Depreciation & Amortization	5,725,672	
6	Provision for Accounts Receivable Losses		
7	Deferred Income Taxes - Net	(2,220,237)	
8	Unamortized Investment Tax Credits (ITCs) - Net		
9	Allowance for Funds Used During Construction (AFUDC)		
10	Change in Operating Receivables - Net	1,280,000	
11	Change in Materials, Supplies & Inventories - Net	3,118	
12	Change in Operating Payables & Accrued Liabilities - Net	68,461	
13	Change in Other Assets & Deferred Credits - Net	(135,367)	
14	Change in Other Liabilities & Deferred Credits - Net	(41,900)	
15	Other (explained on back of this page)	3,311,192	
16	Total Adjustments		7,990,939
17	**Net Cash Provided by/(Used in) Operating Activities**		16,387,526
18	**Cash Inflows/Outflows From Investing Activities:**		
19	Construction/Acquisition of Property, Plant & Equipment (net of	(3,378,406)	
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)	4,558	
25	**Net Cash Provided by/(Used in) Investing Activities**		(3,373,848)
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	(15,000,992)	
36	Other Financing Activities (explained on back of this page)	(229,500)	
37	**Net Cash Provided by Financing Activities**		(15,230,492)
38	**Effect of Exchange Rate Changes on Cash**		
39	**Net Increase/(Decrease) in Cash & Cash Equivalents**		(2,216,814)
40	**Cash & Cash Equivalents at Beginning of Period**		3,718,668
41	**Cash & Cash Equivalents at End of Period**		1,501,854

Receivables and Investments-Affiliated & Nonaffiliated Companies

Year: 2011

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				80						
2	NECA				181,919						
3	All Other Connecting Companies				241,328						
4											
5											
6											
7											
8											
9											
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22											
23											
24											
25											
26											
27											
28											
29	Aggregate of all balances		2,614,157	(314,908)	153,083						
30	**Totals**		2,614,157	(314,908)	576,410						

Net Plant in Service - Detail

Year:2011

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	7,657,722	153,884	41,016		7,770,590	5,807,929	1,962,661
2	^	2111	Land	467,745				467,745		467,745
3	^	2112	Motor Vehicles	1,731,477	5,238	41,016		1,695,699	1,476,270	219,429
4	^	2113	Aircraft							
5	^	2114	Special Purpose Vehicles							
6	^	2115	Garage Work Equipment							
7	^	2116	Other Work Equipment	709,805	130,393			840,198	621,786	218,412
8	^	2121	Buildings	3,884,785				3,884,785	2,855,135	1,029,650
9	^	2122	Furniture	10,949				10,949	5,491	5,458
10	^	2123	Office Equipment	179,328				179,328	179,328	
11	^	2124	General Purpose Computers	673,633	18,253			691,886	669,919	21,967
12		2211	Analog Electronic Switching							
13		2212	Digital Electronic Switching	32,173,532	554,899	359,582		32,368,849	29,303,763	3,065,086
14		2215	Electro-Mechanical Switching							
15		2220	Operator Systems							
16		2231	Radio Systems	6,258				6,258	(34,070)	40,328
17		2232	Circuit Equipment	39,365,500	1,540,136	279,312		40,626,324	31,953,707	8,672,617
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	1,409,369	12,200	5,515	350	1,416,404	1,364,688	51,716
25	*	2420	Cable and Wire Facilities	89,146,643	874,655	131,415	55	89,889,938	58,177,862	31,712,076
26	^	2421	Aerial Cable	10,742,889	34,907	42,642	(2,013)	10,733,141	10,526,021	207,120
27	^	2422	Underground Cable	1,741,841		4,620		1,737,221	1,032,438	704,783
28	^	2423	Buried Cable	76,587,180	837,069	84,153	2,343	77,342,439	46,577,420	30,765,019
29	^	2424	Submarine Cable	5,831				5,831	4,424	1,407
30	^	2425	Deep Sea Cable							
31	^	2426	Intrabuilding Network Cable	68,902	2,679		(275)	71,306	37,559	33,747
32		2431	Aerial Wire	404,698				404,698	404,534	164
33		2441	Conduit Systems	1,402,983			(2,414)	1,400,569	680,569	720,000
34			**Totals**	171,566,705	3,135,774	816,840	(2,009)	173,883,630	127,658,982	46,224,648

^ Subaccount of the account marked with a *.

Analysis of Plant Held for Future Use

Year:2011

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							
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27							
28							
29							
30	**Totals (Sum L.1 to L.29)**						

Average Cost of Long Term Debt

Year:2011

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												
6												
7												
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24												
25												
26												
27												
28												
29												
30	**Total**											

Cost of Preferred Stock

Year:2011

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												
14												
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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	

Analysis of Common Stock

Year:2011

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)	Market Price Low (h)	Price/ Earnings Ratio (i)
1	Year Ended December 31,2011	96,000		87.46		(A)	(A)	(A)	(A)
2									
3									
4									
5									
6									
7									
8	Month by Month Data:								
9	January		438.42						
10	February		438.37						
11	March		438.86	19.16					
12	April		442.11						
13	May		440.51						
14	June		437.50	23.65					
15	July		439.45						
16	August		440.23						
17	September		439.87	23.07					
18	October		439.81						
19	November		440.68						
20	December		368.80	21.58					
21									
22									
23									

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

Capital Stock and Funded Debt Reacquired or Retired During the Year

Year:2011

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

Total Company Expense Matrix

Year:2011

Line No.		Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
1	*	6110	Network Support Expense	10,628	2,829	93	32,125		45,674
2	^	6112	Motor Vehicle Expense	3,693	714	5	1,775		6,187
3	^	6113	Aircraft Expense	6,934	2,115	88	30,350		39,487
4	^	6114	Special Purpose Vehicles Expense						
5	^	6115	Garage Work Equipment Expense						
6	^	6116	Other Work Equipment Expense						
7	*	6120	General Support Expense	109,412	31,602	306,413	540,037		987,463
8	^	6121	Land and Building Expense	50,776	10,721	50,521	264,477		376,495
9	^	6122	Furniture and Artworks Expense						
10	^	6123	Office Equipment Expense						
11	^	6124	General Purpose Computers Expense	58,637	20,880	255,891	275,560		610,968
12	*	6210	Central Office Switching Expense	712,878	308,706	2,754	1,120,937		2,145,274
13	^	6211	Analog Electronic Expense						
14	^	6212	Digital Electronic Expense	712,878	308,706	2,754	1,120,937		2,145,274
15	^	6215	Electro-Mechanical Expense						
16		6220	Operator Systems Expense						
17	*	6230	Central Office Transmission Expense	203,138	88,907	33	225,628		517,706
18	^	6231	Radio Systems Expense						
19	^	6232	Circuit Equipment Expense	203,138	88,907	33	225,628		517,706
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	1,894,705	812,649	1,381,118	934,110		5,022,582
26	^	6411	Poles Expense	5,432	2,148	243,962	602		252,144
27	^	6421	Aerial Cable Expense	298,411	137,030	23	96,266		531,730
28	^	6422	Underground Cable Expense	692	275	0	123		1,090
29	^	6423	Buried Cable Expense	1,590,171	673,196	1,137,133	837,119		4,237,618
30	^	6424	Submarine Cable Expense						
31	^	6425	Deep Sea Cable Expense						
32	^	6426	Intrabuilding Network Cable Expense						
33	^	6431	Aerial Wire Expense						
34			**Subtotals**	2,930,761	1,244,692	1,690,410	2,852,837		8,718,699

^ Subaccount of the account marked with a *.

Total Company Expense Matrix

Year:2011

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						
36		6510	Other Property Expenses	19,273	5,025	320	12,770		37,388
37	*	6530	Network Operations Expense	1,059,829	314,941	10,105	812,781		2,197,657
38	^	6531	Power Expense				257,181		257,181
39	^	6532	Network Administration Expense	176,411	56,851	2,989	147,197		383,447
40	^	6533	Testing Expense	374,713	110,088	2,806	177,440		665,047
41	^	6534	Plant Operations Expense	122,583	32,941	1,849	82,522		239,895
42	^	6535	Engineering Expense	386,123	115,061	2,461	148,442		652,086
43		6540	Access Expense				458,387		458,387
44		6561	Depreciation - Telecomm. Plant in Service				5,725,672		5,725,672
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	653,864	243,388	4,683	421,168		1,323,103
50	^	6611	Product Management	68,484	20,200	230	90,067		178,981
51	^	6612	Sales	585,380	223,188	4,453	181,360		994,381
52	^	6613	Product Advertising				149,741		149,741
53		6621	Call Completion Services				2,419		2,419
54		6622	Number Services				67,331		67,331
55		6623	Customer Services	1,362,264	547,653	15,910	1,062,578		2,988,405
56		6711	Executive	37,176	14,344	527	91,162		143,210
57		6712	Planning						
58		6721	Accounting and Finance	167,209	67,396	1,411	143,034		379,051
59		6722	External Relations	105,285	28,006	5,715	114,185		253,191
60		6723	Human Relations	70,363	18,477	3,385	91,840		184,064
61		6724	Information Management	385,165	114,945	8,586	1,007,614		1,516,310
62		6725	Legal	38,995	6,677	789	274,504		320,965
63		6726	Procurement	23,898	5,709	60	4,718		34,385
64		6727	Research and Development						
65		6728	Other General and Administrative	44,799	34,222	287	217,251		296,559
66		6790	Provision for Uncollectible Notes Receivable						
67			**Totals**	6,898,882	2,645,474	1,742,187	13,360,253		24,646,796

^ Subaccount of the account marked with a *.

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

Year:2011

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	*	6110	Network Support Expense	**NOT APPLICABLE**					
2	^	6112	Motor Vehicle Expense						
3	^	6113	Aircraft Expense						
4	^	6114	Special Purpose Vehicles Expense						
5	^	6115	Garage Work Equipment Expense						
6	^	6116	Other Work Equipment Expense						
7	*	6120	General Support Expense						
8	^	6121	Land and Building Expense						
9	^	6122	Furniture and Artworks Expense						
10	^	6123	Office Equipment Expense						
11	^	6124	General Purpose Computers Expense						
12	*	6210	Central Office Switching Expense						
13	^	6211	Analog Electronic Expense						
14	^	6212	Digital Electronic Expense						
15	^	6215	Electro-Mechanical Expense						
16		6220	Operator Systems Expense						
17	*	6230	Central Office Transmission Expense						
18	^	6231	Radio Systems Expense						
19	^	6232	Circuit Equipment Expense						
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						
26	^	6411	Poles Expense						
27	^	6421	Aerial Cable Expense						
28	^	6422	Underground Cable Expense						
29	^	6423	Buried Cable Expense						
30	^	6424	Submarine Cable Expense						
31	^	6425	Deep Sea Cable Expense						
32	^	6426	Intrabuilding Network Cable Expense						
33	^	6431	Aerial Wire Expense						
34			**Subtotals**	#VALUE!					#VALUE!

^ Subaccount of the account marked with a *.

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

Year:2011

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	^	6441	Conduit Systems Expense						
36		6510	Other Property Expenses						
37	*	6530	Network Operations Expense						
38	^	6531	Power Expense						
39	^	6532	Network Administration Expense						
40	^	6533	Testing Expense						
41	^	6534	Plant Operations Expense						
42	^	6535	Engineering Expense						
43		6540	Access Expense						
44		6561	Depreciation - Telecomm. Plant in Service						
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						
50	^	6611	Product Management						
51	^	6612	Sales						
52	^	6613	Product Advertising						
53		6621	Call Completion Services						
54		6622	Number Services						
55		6623	Customer Services						
56		6711	Executive						
57		6712	Planning						
58		6721	Accounting and Finance						
59		6722	External Relations						
60		6723	Human Relations						
61		6724	Information Management						
62		6725	Legal						
63		6726	Procurement						
64		6727	Research and Development						
65		6728	Other General and Administrative						
66		6790	Provision for Uncollectible Notes Receivable						
67			**Totals**	#VALUE!					#VALUE!

^ Subaccount of the account marked with a *.

Pension Costs

Year: 2011

1	Plan Name			
2	Defined Benefit Plan? X	Defined Contribution Plan?		
3	Actuarial Cost Method?	IRS Code:		
4	Annual Contribution by Employer:	Is the Plan Over Funded?		
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	186,155	275,269	47.87%
44	Pension Costs Capitalized	10,342	15,293	47.87%
45	Accumulated Pension Asset (Liability) at Year End			
46	**Number of Company Employees:**			
47	Covered by the Plan	83	86	3.61%
48	Not Covered by the Plan			
49	Active	83	86	3.61%
50	Retired	86	90	4.65%
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. 2011 Form 10-K.

(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 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 plan is to make contributions with the objective of accumulating sufficient assets to pay all qualified pension benefits when due under the terms of the plan. The accounting unfunded status of our qualified pension plans was $1.7 billion as of December 31, 2011. We expect to make a contribution of less than $50 million in 2012, based on current laws and circumstances.

In 2010, to align our benefit structure closer to those offered by our competitors, we froze our Legacy CenturyLink and 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 allows (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 generally funded by us and we expect to continue funding these post-retirement obligations as benefits are paid. Our plan uses 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 $768 million fair value of the plan assets.

No contributions were made to the post-retirement trusts in 2011 or 2010 and we do not expect to make a contribution in 2012.

A change of 100 basis points in the assumed initial health care cost trend rate would have had the following effects in 2011:

	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 (statements of operations)	$ 2	(2)
Effect on benefit obligation (balance sheets)	70	(65)

We expect our health care cost trend rate to decrease by 0.5% per year from 7.5% in 2012 to an ultimate rate of 5.0% in 2018. 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 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	Medicare Part D Subsidy Receipts
		(Dollars in millions)	
Estimated future benefit payments:			
2012	$ 1,029	391	(24)
2013	996	386	(26)
2014	985	378	(28)
2015	974	369	(30)
2016	966	359	(32)
2017—2021	4,623	1,604	(183)

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 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		
	2011(1)	2010	2009	2011(2)	2010	2009
Actuarial assumptions at beginning of year:						
Discount rate	5.00%-5.50%	5.50%-6.00%	6.60%-6.90%	5.30%	5.70%-5.80%	6.40%-6.90%
..te of compensation increase	3.25%	3.50%-4.00%	4.00%	N/A	N/A	N/A
..xpected long-term rate of return on plan assets	7.50%-8.00%	8.25%-8.50%	8.25%-8.50%	7.25%	7.25%	8.25%-8.50%
Initial health care cost trend rate	N/A	N/A	N/A	8.50%	8.00%	7.00%
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	2014	2011

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 effectsof the Qwest acquisition subsequent to April 1, 2011 and the Embarq acquisition subsequent to July 1, 2009, included the following components:

	Pension Plans Years Ended December 31,		
	2011	2010	2009
		(Dollars in millions)	
Service cost	$ 70	61	36
Interest cost	560	246	135
Expected return on plan assets	(709)	(283)	(128)
Curtailment gain	—	(21)	—
Settlements	1	—	18
Contractual retirement benefits	—	—	15
Amortization of unrecognized prior service cost	2	2	—
Amortization of unrecognized actuarial loss	13	17	16
Net periodic pension (income) expense(1)(2)	$ (63)	22	92

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

(2) The Legacy Embarq pension plan contains a provision that grants early retirement benefits for certain participants affected by workforce reductions. During 2009, we recognized approximately $15 million of additional pension expense related to these contractual benefits.

Net periodic post-retirement benefit expense, which includes the effects of the Qwest acquisition subsequent to April 1, 2011 and the Embarq acquisition subsequent to July 1, 2009, included the following components:

	Post-Retirement Plans Years Ended December 31,		
	2011	2010	2009
		(Dollars in millions)	
Service cost	$ 18	15	9
Interest cost	152	32	27
Expected return on plan assets	(41)	(4)	(2)
Amortization of unrecognized priorservice cost	(2)	(3)	(4)
Amortization of unrecognized actuarial loss	—	1	—
Net periodic post-retirement benefit expense(1)	$ 127	41	30

(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, 2011 and December 31, 2010 and are as follows:

	Pension Plans		Post-Retirement Benefit Plans	
	December 31,		December 31,	
	2011	2010	2011	2010
Actuarial assumptions at end of year:				
Discount rate	4.25%-5.10%	5.00%-5.50%	4.60%-4.80%	5.30%
Rate of compensation increase	3.25%	3.25%-4.00%	N/A	N/A
Initial health care cost trend rate	N/A	N/A	7.25%-8.00%	8.50%
Ultimate health care cost trend rate	N/A	N/A	5.00%	5.00%
Year ultimate trend rate is reached	N/A	N/A	2018	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,		
	2011	2010	2009
		(Dollars in millions)	
Change in benefit obligation			
Benefit obligation at beginning of year	$ 4,534	4,182	463
Service cost	70	61	36
Interest cost	560	246	135
Plan amendments	12	4	16
Acquisitions	8,267	—	3,467
Actuarial loss	930	427	232
Contractual retirement benefits	—	—	15
Curtailment gain	—	(110)	—
Settlements	—	—	8
Benefits paid by company	(16)	(5)	(57)
Benefits paid from plan assets	(761)	(271)	(133)
Benefit obligation at end of year	$ 13,596	4,534	4,182

	Post-Retirement Benefit Plans Years Ended December 31,		
	2011	2010	2009
		(Dollars in millions)	
Change in benefit obligation			
Benefit obligation at beginning of year	$ 558	582	293
Service cost	18	15	9
Interest cost	152	32	27
Participant contributions	64	14	3
Plan amendments	31	—	—
Acquisitions	3,284	—	228
Direct subsidy receipts	22	1	—
Actuarial loss (gain)	153	(32)	58
Benefits paid	(352)	(54)	(36)
Benefit obligation at end of year	$ 3,930	558	582

Our aggregate accumulated benefit obligation as of December 31, 2011, 2010 and 2009 was $17.499 billion, $4.509 billion and $4.042 billion, respectively.

Plan Assets

We maintain plan assets for our pension plans and certain post-retirement benefit plans. The pension plan assets are used for the payment of pension benefits and ...in eligible plan expenses. The post-retirement benefit plan assets are used to pay health care benefits and premiums on behalf of eligible retirees who are former ...on-represented plan participants 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 table summarizes the change in the fair value of plan assets for the pension and post-retirement benefit plans:

	Pension Plans Years Ended December 31,		
	2011	2010	2009
		(Dollars in millions)	
Change in plan assets			
Fair value of plan assets at beginning of year	$ 3,732	3,220	353
Return on plan assets	479	483	474
Acquisitions	7,777	—	2,407
Employer contributions	587	300	119
Settlements	—	—	—
Benefits paid	(761)	(271)	(133)
Fair value of plan assets at end of year	$ 11,814	3,732	3,220

	Post-Retirement Benefit Plans Years Ended December 31,		
	2011	2010	2009
		(Dollars in millions)	
Change in plan assets			
Fair value of plan assets at beginning of year	$ 54	57	17
Return on plan assets	4	6	6
Acquisitions	768	—	33
Employer contributions	155	31	34
Participant contributions	64	14	3
Benefits paid	(352)	(54)	(36)
Fair value of plan assets at end of year	$ 693	54	57

Pension Plans: Our investment objective for the pension planassets 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 tomeet 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 53% to interest rate sensitive investments and 47% to investments designed to provide higher expected returns than the interest rate sensitive investments. Interest rate sensitive investments include 32% of plan assets targeted primarily to long-duration investment grade bonds, 10% to high yield and emerging market bonds, 5% to convertible bonds and 6% 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 approximately 15% targeted to U.S. stocks, 12% to developed market non-U.S. stocks and 3% to emerging market 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 2012, 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 theinvestment 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 in the near term 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 2012, 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, 2011, the pension and post-retirement benefit plans did not directly own any shares of our common stock or any of our debt, which is consistent with December 31, 2010.

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 plan 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 Plan	Post-Retirement Benefit Plans
Derivative instrument:	Year Ended December 31, 2011 (Dollars in millions)	
Exchange-traded U.S. equity futures	$ 535	12
Exchange-traded non-U.S. equity futures	4	—
Exchange-traded Treasury futures	1,512	19
Interest rate swaps	635	—
Total return swaps	110	51
Credit default swaps	201	—
Foreign exchange forwards	635	23
Options	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, 2011, we used the following valuation techniques to measure fair value for assets. There were no changes to these methodologies during 2011:

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

- 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 plansand 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 institutionsat 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, 2011. 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, 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
'rivate equity (i)	—	—	791	791
.rivate 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 tables below presents the fair value of plan assets by category and the input levels used to determine those fair values at December 31, 2010. 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, 2010			
	Level 1	Level 2	Level 3	Total
		(Dollars in millions)		
Investment grade bonds (a)	$ —	331	—	331
High yield bonds (b)	—	913	—	913
U.S. stocks (f)	1,168	277	—	1,445
Non-U.S. stocks (g)	508	—	—	508
Private equity (i)	—	—	1	1
Private debt (j)	—	—	3	3
Directional hedge funds (k)	—	—	161	161
Real estate (l)	—	—	182	182
Cash equivalents and short-term investments (n)	26	—	—	26
Other (o)	13	146	3	162
Total pension plan assets	$ 1,715	1,667	350	3,732

	Fair value of post-retirement plan assets at December 31, 2010			
	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Fixed income (a)(d)	$ 35	5	—	40
U.S. stocks (f)	5	5	—	10
Cash equivalents and short-term investments (n)	4	—	—	4
Total post-retirement plan assets	$ 44	10	—	54

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) perunit 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 he 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 with characteristics similar to the Barclays Capital U.S. Aggregate Bond Index. This index is 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 descibed 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 descibed 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 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.

(o) *Other* represents investment in private debt, high yield bonds and net payables and receivables associated with the securities. 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. These investments are classified as Level 3.

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, 2009	$ —	—	—	—	160	162	—	322
Net acquisitions (dispositions)	—	1	3	—	(9)	2	3	—
Actual return on plan assets:								
(Losses) gains relating to assets sold during the year	—	—	—	—	2	(2)	—	—
Gains (losses) relating to assets still held at year-end	—	—	—	—	8	20	—	28
Balance at December 31, 2010	—	1	3	—	161	182	3	350
Net acquisitions (dispositions)	96	795	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)	(8)	—	(7)	26	—	(196)
Balance at December 31, 2011	$ 79	791	461	188	183	535	—	2,237

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

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.

At 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. As of December 31, 2010, the investment program produced actual gains on pension and post-retirement plan assets of $489 million as compared to the expected returns of $287 million for a difference of $202 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,	
	2011	2010	2011	2010
	(Dollars in millions)			
Benefit obligation	$ (13,596)	(4,534)	(3,930)	(558)
Fair value of plan assets	11,814	3,732	693	54
Unfunded status	$ (1,782)	(802)	(3,237)	(504)
Current portion of unfunded status	$ —	—	(164)	—
Non-current portion of unfunded status	$ (1,782)	(802)	(3,073)	(504)

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

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, 2010, items recognized as a component of net periodic benefits expense, additional items deferred during 2011 and cumulative items not recognized as a component of net periodic benefits expense as of December 31, 2011. 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,				
	2010	Recognition of Net Periodic Benefits Expense	Deferrals	Net Change in AOCI	2011
	(Dollars in millions)				
Accumulated other comprehensive (loss) income:					
Pension plans:					
Net actuarial (loss) gain	$ (188)	13	(1,160)	(1,147)	(1,335)
Prior service (cost) benefit	(19)	2	(12)	(10)	(29)
Deferred income tax benefit (expense)	80	(5)	451	446	526
Total pension plans	(127)	10	(721)	(711)	(838)
Post-retirement benefit plans:					
Net actuarial (loss) gain	(31)	—	(190)	(190)	(221)
Prior service benefit (cost)	12	(2)	(31)	(33)	(21)
Deferred income tax benefit (expense)	7	—	85	85	92
Total post-retirement benefit plans	(12)	(2)	(136)	(138)	(150)
Total accumulated other comprehensive (loss) income	$ (139)	8	(857)	(849)	(988)

The following table presents estimated items to be recognized in 2012 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 2012:		
Net actuarial (loss)	$ (30)	—
Prior service (cost)	(3)	—
Deferred income tax benefit	12	—
Estimated net periodic benefit expense to be recorded in 2012 as a component of other comprehensive income (loss)	$ (21)	—

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 ding Medicare Part D. We recognize the impact of the federal subsidy received under the Medicare Prescription Drug, Improvement and Modernization Act of 3 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 $377 million, $190 million and $67 million for the years ended December 31, 2011, 2010 and 2009, respectively. Union-represented employee benefits are based on negotiated collective bargaining agreements. Employees are required to partially fund the health care benefits provided by us, in addition to paying their own out-of-pocket costs. Participating non-represented employees contributed $62 million, $30 million and $9 million December 31, 2011, 2010 and 2009, respectively. Participating union-represented employees contributed $28 million, $17 million and $4 million for the years ended December 31, 2011, 2010 and 2009, respectively. Our group life insurance plans are fully insured and the premiums are paid by us.

401(k) Plan

We sponsor a qualified defined contribution benefit plan covering substantially all of our employees. Under this plan, employees may contribute a percentage of their annual compensation to the plan up to certain maximums, as defined by the plan and by the Internal Revenue Service ("IRS"). Currently, we match a percentage of employee contributions in cash. At December 31, 2011 and December 31, 2010, the assets of the plan included approximately 9 million and 4 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 this plan of $70 million, $17 million and $14 million for the years ended December 31, 2011, 2010 and 2009, 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. Participants in these plans could, at their discretion, invest their deferred compensation in various investment choices including our common stock. The value of assets and liabilities related to these plans was not significant.

(9) Share-based Compensation

We maintain programs that allow our Board of Directors (through its Compensation Committee or our Chief Executive Officer as its delegate) to grant incentives rtain employees and our outside directors in any one or a combination of several forms, including incentive and non-qualified stock options; stock appreciation nts; 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.

Other Post Employment Benefits (OPEBS)

Year: 2011

	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**	**See Note (A) Below**		
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	325,144	347,811	6.97%
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 11 of the CenturyTel, Inc. 2011 Form 10-K behind Schedule 19.

Other Post Employment Benefits (OPEBS) Continued

Year: 2011

	Item	Current Year	Last Year	% Change
1	**Number of Company Employees:**			
2	Covered by the Plan	83	86	3.61%
3	Not Covered by the Plan			
4	Active	83	86	3.61%
5	Retired	75	77	2.67%
6	Spouses/Dependants covered by the Plan	6	5	-16.67%
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 Cccosts**			
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			

Payments for Services to Persons Other Than Employees

Year: 2011

Line No.	Name of Recipient (a)	Nature of Service (b)	Total Company Cost (c)	Total State Cost (d)	Intrastate Cost (e)
1	Automotive Rentals, Inc.	Vehicle Maintenance & Rental	219,192	219,192	153,979
2	911 Datamaster	Switching Services	52,699	52,699	28,433
3	Flathead Janitorial, Inc.	Janitorial Services	30,927	30,927	20,097
4	Montana Dept. of Revenue	Public Service Reg. Fee and	76,225	76,225	76,225
5		Consumer Council Fee			
6	Montana Telecomm. Assoc.	Dues & Fees	60,375	60,375	60,375
7	Montana One Call Center	Locating & Utility Services	28,743	28,743	21,003
8	One Call Locators, Ltd.	Locating & Utility Services	184,409	184,409	134,753
9	Johnson Controls, Inc.	Bldg. Maintenance- Heat & A/C	94,424	94,424	61,358
10	Grizzly SecurityArmored Express Inc.	Armored Car Service	26,126	26,126	18,353
11	Rocky Mountain Contractors	C & W Maintenance	85,020	85,020	62,126
12	Trace Woodring Flooring	Snow Plowing	28,893	28,893	18,775
13	Eyehear, Inc.	Camera Installation & Repair	32,394	32,394	21,050
14	Iconnect Montana, LLC	Switching Services	41,427	41,427	22,351
15	Jenner & Block LLC	Legal Services	168,077	168,077	118,072
16	Vision Net Inc.	Warrantee & Switching Services	508,146	508,146	274,160
17					
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48					
49	**Total**		1,637,075	1,637,075	1,091,111

Subscriber Line Usage Data

Year: 2011

Line No.	Description (a)	This Year (b)	% of Total (c)	Last Year (d)	% of Total (e)
1	Toll Usage:				
2	Interstate, InterLATA	123,334,282	82.37%	137,200,266	82.68%
3	Interstate, IntraLATA	1,824	0.00%	844	0.00%
4	**Total Interstate Usage**	123,336,106	82.37%	137,201,110	82.68%
5	Intrastate, InterLATA	9,568,663	6.39%	10,292,374	6.20%
6	Intrastate, IntraLATA	16,830,133	11.24%	18,445,592	11.12%
7	**Total Intrastate Usage**	26,398,796	17.63%	28,737,966	17.32%
8	**Total Toll Usage**	149,734,902	100.00%	165,939,076	100.00%
9	Centrex				
10	Local				
11	**Total Minutes**	149,734,902	100.00%	165,939,076	100.00%

Cental Office and Access Line Statistics

Year: 2011

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*	*2,370*		*2,050*	*295*		*203*	*292*			*273*		5,188
2	*Columbia Falls*	*Digital*	*2,502*	*6*	*2,203*	*899*		*216*	*349*		*2*	*800*		6,078
3	*Elmo*	*Digital*	*564*		*449*	*244*		*17*	*18*			*5*		1,053
4	*Finley Point*	*Digital*	*273*		*174*	*97*		*7*	*8*			*1*		463
5	*Hungry Horse*	*Digital*	*742*		*641*	*411*		*56*	*63*			*31*		1,533
6	*Kalispell*	*Digital*	*12,206*	*249*	*10,025*	*5,498*		*1,179*	*2,823*		*4*	*3,763*		30,249
7	*Lakeside*	*Digital*	*836*		*638*	*83*		*48*	*68*			*47*		1,637
8	*Marion*	*Digital*	*327*		*266*	*49*		*15*	*16*			*9*		633
9	*McGregor Lake*	*Digital*	*122*			*20*		*6*	*17*			*12*		157
10	*Olney*	*Digital*	*126*		*106*	*68*		*15*	*11*			*11*		269
11	*Polson*	*Digital*	*2,251*	*13*	*1,872*	*1,631*		*226*	*458*			*663*		5,483
12	*Somers*	*Digital*	*486*		*413*	*73*		*34*	*39*			*34*		1,006
13	*Swan Lake*	*Digital*	*155*		*91*			*7*	*4*					257
14	*Whitefish*	*Digital*	*3,789*	*32*	*2,871*	*967*		*309*	*697*			*1,182*		8,880
15	*Yellow Bay*	*Digital*	*208*		*151*	*32*		*8*	*7*			*8*		382
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29														
30														
31														
32														
33	**Total**		26,957	300	21,950	10,367		2,346	4,870		6	6,839		63,268

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

Central Office and Switch Information

Year: 2011

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	732	1999
11	Polson	Remote	Digital	NORTEL	DUAL RSCS	4,351	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	12,607	1994
15	Yellow Bay	Remote	Digital	NORTEL	RLCM	640	1989
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48							

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

Montana Employee Counts

Year: 2011

Line No.	Category (a)	Beginning of Year (b)	End of Year (c)
1	Vice President and Managers	3	3
2	Supervisors & Superintendants	5	6
3	Comm. Technicians	10	9
4	Plant Technicians	21	19
5	Cable Technicians	5	5
6	Engineers/Drafting	7	6
7	Facility & Test Board Technicians	1	1
8	Special Apparatus Technicians	1	
9	Commercial & General	16	12
10	Secretaries	2	2
11	LAN Administrator	1	1
12	Plant Support Technicans	8	6
13			
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42			
43	**Totals (Sum of Lines 1 through 42)**	80	70

Construction Budget - Montana

Year: 2012

Line No.	Description (a)	2012 (b)
1	**Central Office Assets:**	
2		
3		
4		
5		
6		
7		
8		
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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	236,182	-34.85%
2	2210	Central Office Assets	544,186	21,603	2419.03%
3	2220	Operator Systems	0	0	
4	2230	Central Office Transmission	1,617,928	1,064,408	52.00%
5	2310	Information/Termination Assets	0	0	
6	2410	Cable and Wire Facilities Assets	898,951	1,423,622	-36.85%
7	2680	Amortizable Tangible Assets	0	0	
8	2690	Intangibles	0	0	
9		**Total Construction Expenditures**	3,214,949	2,745,815	17.09%

Compensation of Top 10 Montana Based Employees

Year: 2011

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)**						

Year: 2011

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	**N/A**						
	Note: CenturyTel of Montana, Inc. does not submit SEC information. See Schedule 27, Compensations of Top 10 Montana based employees.						
2							
3							
4							
5							
6	**Totals (Sum L.1 to L.5)**						

Montana Composite Statistics

Year: 2011

Line No.	Account No.	Description (a)	Amount (b)
1		**Plant (Intrastate Only) (000 Omitted)**	
2	2001	Plant in Service	109,826
3	2003 - 2004	Construction Work in Progress	197
4	2005	Plant Acquisition Adjustments	
5	2002	Plant Held for Future Use	
6	1220	Materials & Supplies	1
7		(Less):	
8	3100 - 3400	Depreciation & Amortization Reserves	(76,186)
9	4360.2	Contributions in Aid of Construction	
10		**NET BOOK COSTS**	33,838
11		**Revenues & Expenses (Intrastate Only) (000 Omitted)**	
12	5000 - 5300	Operating Revenues	23,254
13	6560	Depreciation & Amortization Expenses	3,446
14		Federal & State Income Taxes	3,599
15		Other Taxes	1,373
16		Other Operating Expenses	12,848
17		TOTAL Operating Expenses	21,266
18		Net Operating Income	1,988
19		Other Income	
20		Other Deductions	
21		**NET INCOME**	1,988
22		**Access Lines in Service (Intrastate Only)**	
23		Residential Access Lines	26,957
24		Business Access Lines	7,216
25		PBX Access Lines	2,098
26		Other Access Lines	5,047
27		**Total Number of Access Lines**	41,318
28		**Average Number of Calls Per Access Line**	
29		Local Calls	26,398,796
30		Toll Calls (Intra- or Interstate)	149,734,902
31		**Total Number of Calls Per Access Line** **(Total of Line 29 & Line 30 divided by Line 27)**	4,263
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)	2.66

Depreciation - Montana Intrastate Regulated

Year: 2011

Line No.	Acct No. (a)	Description (b)	Composite Rate % (c)	Total Expense $ (d)
1	2112	Motor Vehicles	16.20%	43,188
2	2114	Special Purpose Vehicles		
3	2115	Garage Work Equipment		
4	2116	Other work Equipment	9.38%	74,707
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%	86,637
10	2211	Analog Electronic Switching Equipment		
11	2212	Digital Electronic Switching Equipment	9.39%	665,652
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%	1,168,359
18	2232	Circuit Analog		
19	2351	Public Telephone Terminating Equipment		
20	2362	Other Terminal Equipment		
21	2411	Poles	11.29%	10,499
22	2421	Aerial Cable Metallic	9.32%	43,749
23	2421	Aerial Cable Nonmetallic	9.32%	10,643
24	2422	Underground Cable Metallic	3.41%	52,877
25	2422	Underground Cable Nonmetallic	3.41%	6,421
26	2423	Buried Cable Metallic	4.43%	2,983,221
27	2423	Buried Cable Nonmetallic	4.43%	425,601
28	2424	Submarine Cable Metallic	3.30%	192
29	2424	Submarine Cable Nonmetallic		
30	2426	Intrabuilding Network Cable Metallic	4.43%	1,684
31	2426	Intrabuilding Network Cable Nonmetallic		
32	2431	Aerial Wire	9.09%	22
33	2441	Conduit Systems	2.37%	33,210
34				
35		**COMPOSITE TOTAL**		5,725,672
36				
37		**Please list the Montana Public Service Commssion Docket Order No. approving these depreciation rates**		
38				
39		Docket Number 83.9.88 Order Number 5052		
40		**THIS SCHEDULE IS REPORTED FOR TOTAL MONTANA AND AGREES WITH SCHEDULE 4, LINE 31.**		

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

SCHEDULE 30a

Amortization - Montana Intrastate Regulated

Year: 2011

Line No.	Acct No. (a)	Description (b)	Composite Rate % (c)	Total Expense $ (d)
1				
2		**NOT APPLICABLE**		
3				
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29				
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31				
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				

Company Name: **CenturyTel of Montana, Inc. d/b/a CenturyLink** **SCHEDULE 31**

Montana Regulatory Capital Structure & Costs

Year: 2011

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	34,855,091	99.92%	13.700%	13.689%
13	Preferred Stock	29,000	0.08%	9.310%	0.007%
14	Long Term Debt				
15	Other				
16	**Total**	34,884,091	100.00%		13.696%

Company Name: **CenturyTel of Montana, Inc. d/b/a CenturyLink** **SCHEDULE 32**

Network Access - Charges and Revenues

Year: 2011

Line No.	Description (a)	Access Charges Paid (b)	Access Revenues Received (c)
1	Montana - Total State	(68,105)	18,058,978
2			
3	Montana - Intrastate	(68,105)	1,936,655
4			
5	Montana - Intrastate Regulated	(68,105)	1,468,716
6			
7			
8			
9			
10			
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12			
13			

Affiliate Transactions - Products & Services Provided to Utility

Year: 2011

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,	Contract Year - 2003	4,020,451		4,020,451
2		Operating and Miscellaneous				
3		Services & Supplies				
4	CenturyLink, Inc.	"	Contract Year - 2003	83,322		83,322
5	CenturyTel of Washington, Inc.	"	Contract Year - 2003	477,142		477,142
6	CenturyTel Holdings, Inc.	"	Contract Year - 2002	110,611		110,611
7	Embarq Management Company	"		2,743,805		2,743,805
8	Embarq Network Company LLC	"		170,153		170,153
9	Embarq Mid-Atlantic Management Services Company	"		95,459		95,459
10	Embarq Midwest Management Services Company	"		196,755		196,755
11	United Telephone Company of the Northwest	"	Contract Year - 2009	286,275		286,275
12	Embarq Florida, Inc.	"	Contract Year - 2009	161,224		161,224
13	CenturyTel Supply Group, Inc.	Warehouse	Contract Year - 2003	43,845		43,845
14	All Other			129,949		129,949
15						
16						
17			For all Affiliates Contract Price			
18			Determined by Fully Distributed			
19			Costs			
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30	**TOTAL**			$8,518,991		$8,518,991

Affiliate Transactions - Products & Services Provided by Utility

Year: 2011

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	3,866,823	51.3%	3,866,823
2	CenturyTel Long Distance, LLC	Operating, DSL, and	Contract Year - 2001	1,843,163	24.5%	1,843,163
3	CenturyTel Service Group, LLC	Miscellaneous Services	Contract Year - 2003	54,180	0.7%	54,180
4	CenturyTel Fiber Company II, LLC	"	"	784,822	10.4%	784,822
5	CenturyTel of Idaho, Inc.	"	"	139,423	1.9%	139,423
6	CenturyTel of Gem State, Inc.	"	"	62,275	0.8%	62,275
7	CenturyTel of Eagle, Inc	"	"	54,617	0.7%	54,617
8	CenturyTel of Wyoming	"	"	175,097	2.3%	175,097
9	Qwest Communications, LLC	"	"	387,809	5.1%	387,809
10	All Other	"	"	168,179	2.2%	168,179
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30	**TOTAL**			$7,536,388		$7,536,388

Montana Intrastate Regulated Earned Rate of Return Year: 2011

Line No.	Description Rate Base (a)		This Year (b)	Last Year (c)	Percent Change (d)
1					
2	2001	Plant in Service	107,477,422	111,143,953	-3.30%
3	2002	Prop. Held for Future Telecommunications Use			
4	3100-3200	(Less) Accumulated Depreciation	(74,600,000)	(76,760,872)	2.82%
5		**Plant in Service**	32,877,422	34,383,081	-4.38%
6					
7		**Additions**			
8	1220	Materials & Supplies	1,143	6,174	-81.49%
9	1280	Prepayments			
10		Other Additions	503,851	544,054	-7.39%
11		**TOTAL Additions**	504,994	550,228	-8.22%
12					
13		**Deductions**			
14	4100	Current Deferred Operating Income Taxes			
15	4320	Unamortized Operating Investment Tax Credits			
16	4340	Noncurrent Deferred Operating Income Taxes	6,338,157	5,994,554	5.73%
17		Customer Advances for Construction			
18		Other Deductions			
19		**TOTAL Deductions**	6,338,157	5,994,554	5.73%
20		**TOTAL Rate Base**	27,044,259	28,938,755	-6.55%
21					
22		**Net Earnings**	(4,606)	(4,096)	-12.45%
23					
24	**Rate of Return on Average Rate Base**		-0.017%	-0.014%	-20.33%
25					
26	**Rate of Return on Average Equity**		13.700%	13.700%	
27					
28	Major Normalizing Adjustments & Commission				
29	Ratemaking adjustments to Utility Operations				
30					
31					
32					
33					
34					
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41					
42					
43	**Adjusted Rate of Return on Average Rate Base**				
44					
45	**Adjusted Rate of Return on Average Equity**				

Other Taxes Paid

Year: 2011

Line No.	Description (a)	Last Year (b)	This Year (c)
1	Montana Telephone Company License Tax	770,383	714,303
2	Montana Public Service Commission Tax	38,245	58,530
3	Montana Consumer Counsel Tax	5,528	17,695
4	911 Emergency Telephone Fee	553,270	519,110
5	Montana Telecommunications Access Service (TDD)	55,361	52,246
6	Montana Corporate License Tax	756,892	556,322
7	Personal Property Tax		
8	Real Property Tax	2,089,791	2,090,547
9			
10			
11			
12	**Total**	4,269,468	4,008,753

SCHEDULE 37

Universal Service Funds Received

Year: 2011

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	173,490	N/A
15			
16			
17			
18			
19			
20			
21			
22			
23			
24	**Total**	173,490	