

Stock Rating

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Industry View

Attractive

April 29, 2010

## CenturyTel

### 1Q10 Preview: Awaiting Embarq Synergy/Integration Update and Additional Color on Qwest Deal

**Investment conclusion:** CenturyLink (formerly CenturyTel) has a track record of beating and raising annual guidance when it releases quarterly results; only in two out of the last 16 quarters (2Q09 and 3Q09, before and after closing the Embarq deal) it did not do so (see side table). As such, we expect management to increase its 2010 EPS guidance (\$3.10 to \$3.20) when it reports 1Q results next Wednesday. Last's week announcement of CenturyLink's deal with Qwest implies that the integration of the Embarq properties is tracking ahead of schedule, and thus, management has more visibility into 2010 earnings.

On the Qwest transaction itself, we expect to get some additional granularity during the call around synergy targets and timeframes as well as details on the state approval process, including what states will need to grant formal approval to the deal and likely timelines. (For more on our views on the deal please see "CenturyLink/Qwest Merger Creates a New Scale Player in Telecom" published on April 23, 2010.)

**What's new:** 1Q results are due on Wednesday, May 5 (call: 11:30AM ET, dial-in: 866-219-5631). Our 1Q EPS estimate of \$0.89 is three cents above FactSet consensus and one cent above the top end of the \$0.84-\$0.88 guidance.

**Where we differ:** We remain concerned about secular pressures facing the wireline sector, but believe that CenturyLink is well positioned, given its merger driven strategy. We are already seeing signs of a recovery in legacy Embarq's consumer segment and we believe that a recovering economy could help demand recover in the enterprise sector.

**What's next:** Qwest and Windstream will also release 1Q results on Wednesday. We'll get a full picture of the RLEC space once Frontier reports on Thursday.

## MORGAN STANLEY RESEARCH NORTH AMERICA

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### Key Ratios and Statistics

Reuters: CTL.N Bloomberg: CTL US  
Telecom Services / United States of America

Price target	++
Shr price, close (Apr 29, 2010)	\$34.10
Mkt cap, curr (mm)	\$10,198
52-Week Range	\$37.15-26.72

Fiscal Year ending	12/08	12/09	12/10e	12/11e
ModelWare EPS (\$)	3.35	3.78	3.35	3.21
Prior ModelWare EPS (\$)	-	-	-	-
P/E	8.2	9.6	10.2	10.6
Consensus EPS (\$)	3.37	3.60	3.25	3.20
Div yld (%)	10.2	7.7	8.5	8.7

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).  
\$ = Consensus data is provided by FactSet Estimates.  
e = Morgan Stanley Research estimates  
++ = Stock Rating, Price Target or Estimates are not available or have been removed due to applicable law and/or Morgan Stanley policy.

### Guidance – A History of Beat and Raise, Partly Helped by Buyback Activity

DATE	YEAR	ANNUAL GUIDANCE RANGE		ACTUAL	DIFFERENCE vs 1Q GUIDANCE	
		LOW	HIGH		LOW-END	HIGH-END
2-Feb-06	2006	2.20	2.35			
27-Apr-06		2.30	2.40			
27-Jul-06		2.35	2.45			
2-Nov-06		2.45	2.50	2.53	0.33	0.18
15-Feb-07	2007	2.60	2.70			
3-May-07		2.75	2.85			
2-Aug-07		2.90	3.00			
1-Nov-07		3.00	3.05	3.17	0.57	0.47
14-Feb-08	2008	2.90	3.00			
1-May-08		3.05	3.20			
31-Jul-08		3.20	3.30			
27-Oct-08		3.28	3.33	3.37	0.47	0.37
19-Feb-09	2009	3.20	3.30			
30-Apr-09		NA	NA			
6-Aug-09		3.20	3.30			
5-Nov-09		3.45	3.50	3.50	0.30	0.20
25-Feb-10	2010	3.10	3.20			

Source: Company data, Morgan Stanley Research

Morgan Stanley does and seeks to do business with companies covered in Morgan Stanley Research. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of Morgan Stanley Research. Investors should consider Morgan Stanley Research as only a single factor in making their investment decision.

**For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.**

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## 1Q Preview: Awaiting Embarq Synergy/Integration Update and Additional Color on Qwest Deal

### Investment Debates

#### 1. Are the Embarq and Qwest synergy targets realistic?

**Market view: Yes.** Investors are comfortable with the synergy realization at Embarq, while the Qwest synergy target looks conservative. **Our view: They seem conservative.** Management's commentary points to an earlier than expected realization of Embarq synergies. We would not rule out if the target/timing (\$375M within the first 3 years) is updated in the next months. The Qwest cost synergies also look conservative when compared to other deals (7.3% of Qwest's 2009 cash opex compared to 10.3% in the Embarq deal and +20% in other recent telecom deals).

*Where we could be wrong:* (1) The Embarq and Qwest deals are much larger and involve more urban properties than prior deals. (2) Deterioration of macro trends forces synergy realignment. (3) Qwest management has already taken a large portion of costs out of the business.

#### 2. Can Revenue Generating Unit (RGU) erosion be stemmed?

**Market view: Not really.** Footprint is now more urban/suburban with Embarq and will be more so with Qwest.

**Our view: Difficult; but data points are increasingly encouraging.** Generally agree with consensus. RGU erosion could ultimately impact revenues, profitability and FCF. Yet, we have seen encouraging line loss trends at AT&T and Verizon, suggesting a trough in urban markets is a possibility. CenturyLink has had very good results in Embarq's footprint with only 6 months after closing the deal. In 4Q, the annual RGU rate of decline was 5.0%, a marked improvement from the 5.5% seen in 3Q and the lowest since 4Q08.

*Where we could be wrong:* Unemployment is not under control yet; in March, the unemployment rate in Nevada and Florida stood at 13.4% and 12.3%, up from 13.2% and 12.2% respectively in February

#### 3. Is the dividend sustainable?

**Market view: Mixed.** Secular pressures are ultimately a risk to FCF generation. Video/wireless strategies are uncertain and also a risk.

**Our view: It is sustainable.** The Embarq deal is expected to be FCF accretive in the first full year after closing. The Qwest deal is expected to be FCF accretive immediately after closing. Moreover, management decided to leave the dividend unchanged, but more importantly, the payout ratio is expected to be relatively unchanged too. The proforma 2009 FCF, including synergies, was \$3.4B, implying a 45.1% dividend payout. With respect to the video and wireless strategy, management has a track record of being prudent in launching new products, and it may very well choose, in the case of wireless, to expand the existing 'agency' relationship that exists between Qwest and Verizon Wireless.

*Where we could be wrong:* Management pursues a facilities based wireless strategy and either purchases more spectrum that the FCC is looking to redeploy, or to acquires a national wireless operator.

Morgan Stanley is acting as financial advisor to Qwest Communications International Inc. ("Qwest") in connection with its merger with CenturyTel Inc. ("CenturyTel"), as announced on April 22, 2010. The proposed merger is subject to the approval of CenturyTel and Qwest shareholders, as well as regulatory approvals and other customary closing conditions.

This report and the information provided herein is not intended to (i) provide voting advice, (ii) serve as an endorsement of the proposed transaction, or (iii) result in the procurement, withholding or revocation of a proxy or any other action by a security holder.

Qwest has agreed to pay fees to Morgan Stanley for its financial services, including transaction fees that are subject to the consummation of the proposed transaction.

Please refer to the notes at the end of the report.

Exhibit 1

### Morgan Stanley 1Q10 Estimates

CenturyLink	1Q09	4Q09	1Q10E
EPS	\$0.95	\$0.96	\$0.89
Revenue (\$M)	1,910	1,839	1,810
% growth	na	-6.9%	-5.2%
EBITDA (\$M)	960	944	912
% margin	50.3%	51.3%	50.4%
Capex (\$M)	96	337	217
% of Rev	5.0%	18.3%	12.0%
Access lines (000)	7,543	7,039	6,901
% growth	na	-8.8%	-8.5%
Incremental losses (000)	(172)	(146)	(138)
% growth	16.7%	-24.2%	-19.8%
DSL subs (000)	2,117	2,236	2,284
Net adds (000)	64	47	48
% growth	-31.9%	27.0%	-25.0%
FCF (OCF - capex)	809	334	420
Dividend Payout %	21%	63%	52%
FCF (calc by company)	558	306	402
Dividend Payout %	31%	68%	54%

Source: Company data, Morgan Stanley Research

### Questions for Management

**Qwest deal:** Can you provide us with a more granular detail on synergy targets and expected realization timelines? What states require an approval and what are the likely timelines? When do you expect to file the proxy?

**Embarq integration/synergies:** Management expected to realize additional incremental operating cost synergies of approx. \$10M in 1Q10 and approx. \$200M for the full year. Any updates on this?

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Once the North Carolina conversion is completed, which states will follow? Is management still expecting to have 80% of the integration done by the end of 2010? When is it expected to be completed?

**Economy:** How did the economic environment play out in 1Q10? Management mentioned that it had seen some stabilization in Las Vegas and Florida markets. Is this still the case?

**Guidance:** Any updates/changes to the 2010 outlook (refer to Exhibit 2)? When providing 2010 guidance, management said it expected \$0.08 to \$0.10 in pressure related to reduced interstate USF revenue and \$0.06 to \$0.08 in pressure from the "expected migration of network traffic from a wireless carrier customer". Any updates?

**Broadband stimulus/Regulatory:** What are the company's thoughts on the FCC's National Broadband Plan released in March?

**Spectrum:** The Company mentioned that it plans to do a trial with LTE, "sometime toward the end of the year". Any updates on this?

**Cable/wireless competition:** What percentage of access lines were lost to cable versus wireless substitution? Did cable competition increase/decrease in the quarter?

**Leverage:** What is the company's target leverage?

**Uses of cash:** Management believed that the company should pay off approx. \$500M of debt maturities this year and address the best use of FCF next year, when there are no significant debt maturities. Is this still the case?

**Broadband/Access Lines:** The Company added 47,000 high-speed customers in 4Q09. Any updates for 1Q10? How did net adds trend in the Embarq markets? Any updates on the rate of line loss in the most urban markets?

**Pension:** CenturyLink expected to make a voluntary pre-tax contribution of \$300M to one of its pension plans in 1Q10. Any updates?

**Video/IPTV:** How did video adds trend in 1Q10? Management mentioned that CenturyLink plans to launch IPTV in five additional markets in 2010. Does the Qwest deal change these plans?

**Wireless strategy:** Any updates to management's wireless strategy, and in particular to the intended use of the 700MHz spectrum?

**Regulatory/Other:** What are management's expectations on dividend taxation, bonus depreciation, and the national broadband plan implementation?

Exhibit 2

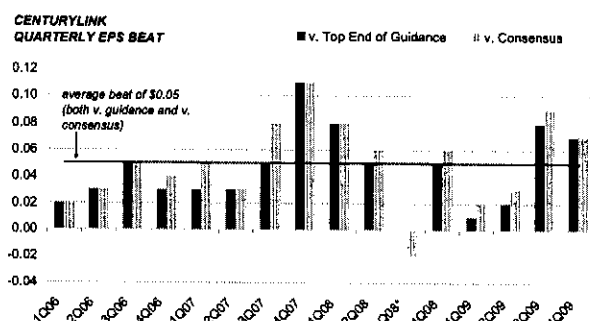
## Guidance vs. Morgan Stanley Estimates

	2010	Guidance	MS
Operating revenues		5.5% to 6.5% lower than 2009 pro forma	-5.7%
EPS		\$3.10 to 3.20	\$3.35
FCF		\$1.475B to \$1.525B	\$1.556B
Cape x		\$825M to \$875M	\$852M
Implied Y/Y change		-12.8% to -17.7%	-15.0%
Div Payout		57% to 59%	56%
Line loss		7.5% to 8.5%	-7.9%
	1Q10	Guidance	MS
Revenues		\$1.77B to \$1.80B	\$1.81B
EPS		\$0.84 to \$0.88	\$0.89

Source: Company data, Morgan Stanley Research

Exhibit 3

## Average Quarterly EPS Beat of 5 Cents Since 1Q06



Source: Company data, Morgan Stanley Research

\* In 3Q08 management noted that earnings from its interest in an unconsolidated wireless partnership were -\$4M lower for than it had anticipated, due to 2007 audit adjustments recorded by the partnership's general partner late in 3Q. Excluding the adjustments, diluted EPS in 3Q08 would have been \$0.025 higher and would have likely beat consensus and the top end of the guidance range.

Morgan Stanley is currently acting as financial advisor to Verizon Wireless with respect to the proposed acquisition of certain of its wireless assets by AT&T, Inc. and Atlantic Tele-Network, as required by the conditions of the regulatory approvals granted for Verizon Wireless' purchase of Alltel Corporation earlier this year. The proposed acquisitions are subject to customary regulatory approvals, as well as other customary closing conditions. Verizon Wireless has agreed to pay fees to Morgan Stanley for its financial services. Please refer to the notes at the end of the report.

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Exhibit 4

## CenturyLink Pro-forma Income Statement

	Pro-Forma for EQ					Pro-Forma for EQ								
	2008 (1)	2009	2010E	2011E	2012E	2013E	1Q09	2Q09	3Q09	4Q09	1Q10E	2Q10E	3Q10E	4Q10E
<b>Total revenues</b>	8,236	7,530	7,098	6,910	6,709	6,517	1,910	1,906	1,874	1,839	1,810	1,785	1,760	1,743
% growth	-3.2%	na	-5.7%	-2.6%	-2.9%	-2.9%	na	na	na	-6.9%	-5.2%	-6.3%	-6.1%	-5.2%
% growth q/q							-3.4%	-0.2%	-1.7%	-1.9%	-1.8%	-1.4%	-1.4%	-1.0%
<b>Operating Expenses</b>														
Cost of services and products	2,669	2,552	2,417	2,363	2,308	2,255	636	629	683	604	608	611	602	596
% growth	0.5%	na	-5.3%	-2.2%	-2.3%	-2.3%	na	na	na	na	-4.4%	-3.0%	-11.8%	-1.3%
% of revenues	32.4%	33.9%	34.0%	34.2%	34.4%	34.6%	33.3%	33.0%	36.4%	32.8%	33.8%	34.2%	34.2%	34.2%
Selling, general and administrative	1,722	1,177	1,146	1,119	1,100	1,082	313	310	262	292	290	287	285	284
% growth	-13.8%	na	-2.6%	-2.3%	-1.7%	-1.7%	na	na	na	na	-7.6%	-7.3%	8.9%	-2.7%
% of revenues	20.9%	15.6%	16.1%	16.2%	16.4%	16.6%	16.4%	16.3%	14.0%	15.9%	16.0%	16.1%	16.2%	16.3%
Depreciation and amortization	1,647	1,463	1,408	1,401	1,394	1,387	372	372	362	356	355	353	351	349
% growth	-6.2%	-11.2%	-3.8%	-0.5%	-0.5%	-0.5%	na	na	na	na	-4.6%	-5.3%	-3.1%	-2.0%
<b>Total expenses</b>	6,037	5,192	4,971	4,884	4,802	4,724	1,322	1,312	1,307	1,252	1,252	1,251	1,238	1,229
% growth	-5.8%	-14.0%	-4.3%	-1.8%	-1.7%	-1.6%	na	na	na	na	-8.6%	-5.2%	-4.7%	-5.2%
% revenues	73.3%	69.0%	70.0%	70.7%	71.6%	72.5%	69.2%	68.8%	69.7%	68.1%	69.2%	70.1%	70.3%	70.5%
<b>Total operating income</b>	2,198	2,338	2,128	2,027	1,907	1,794	588	594	568	587	558	535	522	513
% growth	4.9%	6.3%	-9.0%	-4.7%	-5.9%	-6.0%	na	na	na	-3.3%	-5.3%	-10.1%	-8.1%	-12.6%
% margin	26.7%	31.0%	30.0%	29.3%	28.4%	27.5%	30.8%	31.2%	30.3%	31.9%	30.8%	29.9%	29.7%	29.5%
<b>EBITDA</b>	3,845	3,801	3,535	3,428	3,301	3,180	980	967	930	944	912	887	873	863
% growth	-0.2%	-1.2%	-7.0%	-3.0%	-3.7%	-3.7%	-3.0%	0.0%	-3.3%	-4.6%	-5.0%	-8.2%	-6.1%	-6.6%
% margin	46.7%	50.5%	49.8%	49.6%	49.2%	48.8%	50.3%	50.7%	49.6%	51.3%	50.4%	49.7%	49.6%	49.5%
<b>Other Income (expense)</b>														
Interest expense	(605)	(572)	(549)	(522)	(507)	(470)	(144)	(140)	(143)	(144)	(141)	(137)	(136)	(135)
Other income and expense	35	30	17	17	17	17	6	6	9	9	5	4	4	4
<b>Income before taxes</b>	1,629	1,796	1,595	1,522	1,417	1,341	450	460	434	452	421	401	390	383
Income tax expense	(607)	(670)	(594)	(566)	(527)	(499)	(168)	(173)	(164)	(165)	(157)	(149)	(145)	(142)
% PBT (implied tax rate)	37.3%	37.3%	37.2%	37.2%	37.2%	37.2%	37.3%	37.5%	37.9%	36.4%	37.2%	37.2%	37.2%	37.2%
% Statutory Tax Rate	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
<b>Net Income (total)</b>	1,022	1,126	1,002	956	890	842	282	288	269	287	265	252	245	240
% growth	14.9%	na	-11.0%	-4.6%	-6.9%	-5.4%	na	na	na	1.3%	-6.2%	-12.4%	-9.0%	-16.3%
% margin	12.4%	15.0%	14.1%	13.8%	13.3%	12.9%	14.8%	15.1%	14.4%	15.6%	14.6%	14.1%	13.9%	13.8%
Noncontrolling interests		(1)	(1,8)	(2)	(2)	(2)	(0.2)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
<b>NI (loss) to common shareholders</b>	1,022	1,125	1,000	954	888	840	282	287	269	287	264	251	245	240
% growth	14.4%	na	-11.1%	-4.6%	-6.9%	-5.4%	na	na	na	1.2%	-6.3%	-12.5%	-9.1%	-16.4%
% margin	12.4%	14.9%	14.1%	13.8%	13.2%	12.9%	14.8%	15.1%	14.4%	15.6%	14.6%	14.1%	13.9%	13.8%
<b>EPS - Basic</b>	\$3.37	\$3.79	\$3.35	\$3.21	\$3.00	\$2.86	\$0.95	\$0.97	\$0.90	\$0.96	\$0.89	\$0.84	\$0.82	\$0.80
% growth	19.8%	na	-11.5%	-4.2%	-6.5%	-4.9%	12.5%	14.6%	26.3%	-0.1%	-7.3%	-13.0%	-9.1%	-16.2%
<b>EPS - Diluted</b>	3.35	3.78	3.33	3.21	3.00	2.86	0.95	0.97	0.90	0.96	0.89	0.84	0.82	0.80
% growth	21.6%	na	-11.3%	-4.2%	-6.5%	-4.9%	na	na	na	-0.3%	-7.2%	-12.9%	-9.1%	-16.0%
Diluted shares outstanding	305	298	298	297	298	294	295.7	297.3	298.4	299.3	298.6	298.6	298.4	298.0
% growth y/y	-5.9%	-2.3%	0.2%	-0.4%	-0.5%	-0.5%	-7.0%	-3.6%	0.1%	1.5%	1.0%	0.4%	0.0%	-0.4%
% growth q/q							0.3%	0.5%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%

Source: Company data, Morgan Stanley Research. (1) 2008 proforma by us; 1Q09 and 2Q09 are proforma calculated by us. 2009 is proforma provided by the company  
E= Morgan Stanley Research estimates

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Exhibit 5

## CenturyLink Pro-forma Balance Sheet

	Pro-Forma for EQ						Company							
	2008	2009	2010F	2011E	2012E	2013E	1Q09	2Q09	3Q09	4Q09	1Q10F	2Q10L	3Q10E	4Q10E
<b>Assets</b>														
Cash and cash equivalents	350	162	384	1,048	1,081	673	156	41	531	162	117	155	259	384
Accounts receivable	750	686	650	632	614	596	638	740	671	686	675	665	656	650
Other current assets	345	276	282	255	247	240	258	290	256	276	272	268	264	262
<b>Total current assets</b>	<b>\$1,445</b>	<b>\$1,124</b>	<b>\$1,295</b>	<b>\$1,935</b>	<b>\$1,942</b>	<b>\$1,510</b>	<b>1,052</b>	<b>1,070</b>	<b>1,458</b>	<b>1,124</b>	<b>1,063</b>	<b>1,089</b>	<b>1,179</b>	<b>1,295</b>
Gross PP&E	30,125	15,557	16,409	17,335	18,274	19,199	30,103	30,323	15,609	15,557	15,774	15,988	16,199	16,409
Accumulated depreciation	(19,818)	(6,460)	(7,867)	(9,268)	(10,662)	(12,049)	(20,030)	(20,381)	(6,245)	(6,460)	(6,814)	(7,167)	(7,518)	(7,867)
<b>Net PPE</b>	<b>10,307</b>	<b>9,097</b>	<b>8,541</b>	<b>8,066</b>	<b>7,612</b>	<b>7,151</b>	<b>10,073</b>	<b>9,942</b>	<b>9,363</b>	<b>9,097</b>	<b>8,960</b>	<b>8,821</b>	<b>8,681</b>	<b>8,541</b>
Goodwill	7,880	10,252	10,252	10,252	10,252	10,252	9,615	9,615	10,034	10,252	10,252	10,252	10,252	10,252
Investments and other assets	2,044	2,090	2,090	2,090	2,090	2,090	2,219	2,219	2,102	2,090	2,090	2,090	2,090	2,090
<b>Total assets</b>	<b>21,676</b>	<b>22,563</b>	<b>22,178</b>	<b>22,344</b>	<b>21,896</b>	<b>21,003</b>	<b>22,959</b>	<b>22,846</b>	<b>22,957</b>	<b>22,563</b>	<b>22,365</b>	<b>22,252</b>	<b>22,202</b>	<b>22,178</b>
<b>Liabilities</b>														
STDebt and current maturities of LTD	22	500	25	25	25	25	22	22	769	500	250	100	50	25
Accounts payable	443	395	390	381	372	364	370	436	332	395	398	399	394	390
Accrued expenses and other liabilities	889	812	798	780	764	748	918	824	1048	812	814	814	804	798
<b>Total current liabilities</b>	<b>\$1,354</b>	<b>\$1,707</b>	<b>\$1,213</b>	<b>\$1,186</b>	<b>\$1,161</b>	<b>\$1,136</b>	<b>1,310</b>	<b>1,281</b>	<b>2,149</b>	<b>1,707</b>	<b>1,462</b>	<b>1,314</b>	<b>1,248</b>	<b>1,213</b>
Long-term debt	9,037	7,254	7,254	7,420	7,053	6,299	8,120	7,956	7,455	7,254	7,254	7,254	7,254	7,254
Deferred credits and other liabilities	3,809	4,135	4,135	4,135	4,135	4,135	4,334	4,334	3,989	4,135	4,135	4,135	4,135	4,135
<b>Total liabilities</b>	<b>14,201</b>	<b>13,096</b>	<b>12,602</b>	<b>12,742</b>	<b>12,349</b>	<b>11,570</b>	<b>13,764</b>	<b>13,571</b>	<b>13,593</b>	<b>13,096</b>	<b>12,850</b>	<b>12,702</b>	<b>12,637</b>	<b>12,602</b>
<b>Shareholders' equity</b>														
Common stock	295	299	299	299	299	299	297	297	297	299	299	299	299	299
Paid-in capital	4,839	6,014	6,014	6,014	6,014	6,014	5,867	5,867	5,959	6,014	6,014	6,014	6,014	6,014
Treasury Stock	0	0	(25)	(75)	(125)	(175)	0	0	0	0	0	0	-12.5	-25
Accumulated OCI (net of tax)	(897)	(85)	(85)	(85)	(85)	(85)	(117)	(117)	(112)	(85)	(85)	(85)	(85)	(85)
Retained earnings	3,238	3,233	3,368	3,443	3,439	3,373	3,143	3,223	3,212	3,233	3,281	3,316	3,344	3,368
Non-controlling interest	0	6	6	6	6	6	5	5	7	6	6	6	6	6
<b>Total shareholders' equity</b>	<b>7,475</b>	<b>9,467</b>	<b>9,577</b>	<b>9,602</b>	<b>9,548</b>	<b>9,432</b>	<b>9,195</b>	<b>8,275</b>	<b>9,364</b>	<b>9,467</b>	<b>9,515</b>	<b>9,550</b>	<b>9,565</b>	<b>9,577</b>
<b>Total liabilities and SE</b>	<b>21,676</b>	<b>22,563</b>	<b>22,178</b>	<b>22,344</b>	<b>21,896</b>	<b>21,003</b>	<b>22,959</b>	<b>22,846</b>	<b>22,957</b>	<b>22,563</b>	<b>22,365</b>	<b>22,252</b>	<b>22,202</b>	<b>22,178</b>


Source: Company data, Morgan Stanley Research. E= Morgan Stanley Research estimates

Exhibit 6

## CenturyLink Pro-forma Cash Flow Statement

	Pro-Forma for EQ						Pro-Forma for EQ							
	2008	2009	2010E	2011E	2012E	2013E	1Q09	2Q09	3Q09	4Q09	1Q10L	2Q10E	3Q10E	4Q10E
<b>Operating activities from continuing operations</b>														
Net income	1,135	1,125	1,000	954	888	840	282	287	269	287	264	251	245	240
Adjustments to reconcile net income to net cash provided	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Income from discontinued operations, net of tax	0	26	0	0	0	0	26	0	0	0	0	0	0	0
Depreciation and amortization	1,527	1,463	1,408	1,401	1,394	1,387	372	372	362	356	355	353	351	349
Income from unconsolidated cellular entities	(12)	(0)	0	0	0	0	(1)	0	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred income taxes	166	233	0	0	0	0	96	9	12	116	0	0	0	0
Nonrecurring gains and losses	76	40	0	0	0	0	40	0	0	0	0	0	0	0
Changes in current assets and current liabilities:	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accounts receivable	(13)	(89)	36	17	18	18	64	(5)	25	(173)	11	9	9	6
Accounts payable	(169)	65	(5)	(9)	(9)	(9)	50	15	0	0	3	2	(6)	(4)
Other accrued taxes	(85)	31	(14)	(18)	(17)	(16)	19	12	0	0	2	0	(10)	(6)
Other current assets and other current liabilities, net	(15)	(6)	14	7	7	7	(15)	9	0	0	4	4	4	3
Increase (decrease) in other noncurrent assets	(147)	25	0	0	0	0	(17)	1	(11)	52	0	0	0	0
Other, net	119	(21)	0	0	0	0	(11)	14	(57)	33	0	0	0	0
<b>Net cash (used in) - operating activities cont. ops</b>	<b>2,601</b>	<b>2,891</b>	<b>2,439</b>	<b>2,352</b>	<b>2,282</b>	<b>2,227</b>	<b>905</b>	<b>714</b>	<b>601</b>	<b>671</b>	<b>639</b>	<b>619</b>	<b>593</b>	<b>588</b>
<b>Investing activities from continuing operations</b>														
Acquisitions, net of cash acquired	(149)	637	0	0	0	0	0	0	419	218	0	0	0	0
Payments for property, plant and equipment (Capex)	(962)	(1,003)	(852)	(926)	(939)	(925)	(96)	(283)	(286)	(337)	(217)	(214)	(211)	(209)
Proceeds from sale of assets	44	12	0	0	0	0	12	0	0	0	0	0	0	0
Investment in unconsolidated cellular entities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other, net	14	7	0	0	0	0	7	0	0	0	0	0	0	0
<b>Net cash (used in) - investing activities cont. ops</b>	<b>(1,053)</b>	<b>(347)</b>	<b>(852)</b>	<b>(926)</b>	<b>(939)</b>	<b>(925)</b>	<b>(76)</b>	<b>(283)</b>	<b>133</b>	<b>(120)</b>	<b>(217)</b>	<b>(214)</b>	<b>(211)</b>	<b>(209)</b>
<b>Financing activities from continuing operations</b>														
Proceeds from issuance (payments) of debt	144	(1,306)	(475)	167	(368)	(754)	(747)	(335)	246	(470)	(250)	(150)	(50)	(25)
Proceeds from issuance (repurchases) of common stock	(829)	153	(25)	(50)	(50)	(50)	(0)	4	93	57	0	0	(13)	(13)
Cash dividends	(824)	(758)	(865)	(879)	(892)	(906)	(170)	(170)	(209)	(209)	(216)	(216)	(216)	(216)
Other, net	8	(821)	0	0	0	0	(106)	(45)	(373)	(298)	0	0	0	0
<b>Net cash (used in) - financing activities cont. ops</b>	<b>(1,301)</b>	<b>(2,733)</b>	<b>(1,365)</b>	<b>(762)</b>	<b>(1,310)</b>	<b>(1,709)</b>	<b>(1,023)</b>	<b>(548)</b>	<b>(243)</b>	<b>(821)</b>	<b>(487)</b>	<b>(366)</b>	<b>(279)</b>	<b>(254)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>247</b>	<b>(189)</b>	<b>222</b>	<b>664</b>	<b>33</b>	<b>(408)</b>	<b>(184)</b>	<b>(115)</b>	<b>491</b>	<b>(369)</b>	<b>(45)</b>	<b>38</b>	<b>103</b>	<b>125</b>
Cash at the beginning of period	103	350	162	384	1,048	1,081	350	156	41	531	162	117	155	259
<b>Cash at the end of period</b>	<b>\$350</b>	<b>\$162</b>	<b>\$384</b>	<b>\$1,048</b>	<b>\$1,081</b>	<b>\$673</b>	<b>\$156</b>	<b>\$41</b>	<b>\$531</b>	<b>\$162</b>	<b>\$117</b>	<b>\$155</b>	<b>\$259</b>	<b>\$384</b>
One time items related to EQ acq/integrations									121					
Adj Div Payout as % of FCF (OCF - capex)	38.1%	40.2%	54.5%	61.6%	66.4%	69.6%	21%	40%	28%	63%	51%	53%	57%	57%
Dividend Payout (as defined by CTL)	39.3%	47.8%	65.6%	61.5%	66.5%	69.6%	31%	45%	61%	68%	54%	56%	56%	57%

Source: Company data, Morgan Stanley Research. E= Morgan Stanley Research estimates

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CenturyTel

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	Count	% of Total	Count	Total IBC	% of Rating Category
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**Industry Coverage: Telecom Services**

Company (Ticker)	Rating (as of)	Price* (04/29/2010)
<b>Simon Flannery</b>		
AT&T, Inc. (T.N)	O (03/08/2006)	\$26.14
American Tower Corp. (AMT.N)	E (03/12/2009)	\$41.05
BCE Inc. (BCE.TO)	O (11/21/2008)	C\$30.88
CenturyTel (CTL.N)	++	\$34.1
Cincinnati Bell Inc. (CBB.N)	E (11/03/2006)	\$3.46
Clearwire Corporation (CLWR.O)	U (12/08/2008)	\$7.7
Crown Castle Corp. (CCI.N)	O (11/11/2009)	\$38.34
Equinix Inc. (EQIX.O)	E (05/13/2009)	\$101.35
FairPoint Communications (FRMQ.PK)	NA (10/29/2007)	\$0.08
Frontier Communications Corp (FTR.N)	E (05/07/2007)	\$8.07
Iowa Telecom (IWA.N)	E (11/25/2009)	\$16.95
Leap Wireless (LEAP.O)	E (08/07/2009)	\$18.5
Level 3 Communications, Inc. (LVLTO)	U (02/14/2008)	\$1.53
MetroPCS Communications (PCS.N)	E (08/07/2009)	\$7.79
Neutral Tandem, Inc. (TNDM.O)	E (01/22/2010)	\$17.45
PAETEC Holding Corp. (PAET.O)	E (06/26/2008)	\$5.28
Qwest Communications Int'l (Q.N)	++	\$5.28
Rackspace Hosting, Inc. (RAX.N)	O (09/23/2009)	\$18.39
Rogers Communications, Inc. (RCIB.TO)	O (04/27/2005)	C\$35.84
SAVVIS Inc. (SVVS.O)	E (04/28/2010)	\$18.98
SBA Communications (SBAC.O)	E (03/12/2009)	\$35.5
Sprint Nextel Corporation (S.N)	U (10/19/2009)	\$4.39
TELUS Corp. (T.TO)	E (12/19/2008)	C\$37.94
Telephone & Data Systems (TDS.N)	U (02/19/2009)	\$35.33
US Cellular Corporation (USM.N)	E (03/10/2009)	\$42.78
Verizon Communications (VZ.N)	E (01/22/2009)	\$29.22
Windstream Corp. (WIN.O)	O (04/17/2006)	\$11.14
tw telecom inc (TWTC.O)	E (06/26/2008)	\$17.88

Stock Ratings are subject to change. Please see latest research for each company.  
\* Historical prices are not split adjusted.