

Exhibit No. ____ (RTA-7)
Docket UT-100820
Witness: Rick T. Applegate

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Joint Application of

**QWEST COMMUNICATIONS
INTERNATIONAL INC. AND
CENTURYTEL, INC.**

**For Approval of Indirect Transfer of
Control of Qwest Corporation, Qwest
Communications Company LLC, and
Qwest LD Corp.**

DOCKET UT-100820

EXHIBIT TO TESTIMONY OF
RICK T. APPLGATE
STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

*Fitch Ratings, Attachment to CenturyLink's Response
to UTC Staff Data Request No. 27.1*

September 27, 2010

Fitch Places CenturyTel's Ratings on Watch Negative; Qwest's Ratings on Watch Positive

Fitch Ratings-Chicago-22 April 2010: Fitch Ratings has placed the Issuer Default Ratings (IDRs) of CenturyTel, Inc. (CenturyTel) and Embarq Corporation (Embarq) on Rating Watch Negative. Simultaneously, Fitch has placed the IDRs of Qwest Communications International, Inc. (Qwest) and its subsidiaries on Rating Watch Positive. Certain security ratings of Qwest Corporation, Embarq, Embarq local telephone subsidiaries, and the senior secured credit facility at Qwest were affirmed with a Stable Outlook. Other actions pertaining to certain security classes are outlined at the end of this release.

The action reflects the proposed merger of CenturyTel (which does business as CenturyLink) and Qwest in an all stock transaction, as announced on April 22, 2010. The terms of the transaction call for CenturyTel to exchange 0.1664 shares of common stock for each outstanding share of Qwest, and represents a 15% premium over Qwest's closing stock price on April 21, 2010. The enterprise value of the transaction is approximately \$22.4 billion, including the assumption of \$11.8 billion of Qwest net debt outstanding as of Dec. 31, 2009. Fitch estimates the transaction multiple is approximately 5.0 times (x) based on Qwest's 2009 EBITDA before synergies, and 4.5x after synergies. CenturyTel estimates operating cost synergies approximating \$575 million will be realized over a three to five year time period. Following the merger, CenturyTel's shareholders will own slightly over 50% of the company following the merger and four Qwest directors will join CenturyTel's existing board of directors. The transaction is expected to close in the first half of 2011, following the customary regulatory and shareholder approvals.

In evaluating the final ratings, Fitch will take into account the proposed synergies and integration costs incorporated into the transaction, the outcome of the regulatory approval process, expectations for the merged company's future financial performance and the underlying operating environment as it affects the company's wireline-based business. Pro forma 2009 net leverage for the two companies, excluding synergies, was relatively strong at approximately 2.4x. However, through the acquisition of Qwest (and as a key rating factor embodied in Qwest's current 'BB' IDRs), CenturyTel's service territory will take on an increasing urban character, and will thus be exposed to more intense competitive forces and higher levels of technology substitution.

CenturyTel's total debt was \$7.754 billion at Dec. 31, 2009, an amount that included \$500 million of maturing long-term debt. In addition, CenturyTel's balance sheet reflected approximately \$162 million in cash and cash equivalents. Financial flexibility is provided through two revolving credit facilities: a \$728 million revolving credit facility that matures in December 2011 at CenturyTel, which had approximately \$291 million outstanding on Dec. 31, 2009, and an \$800 million undrawn revolving credit facility due in May 2011 at Embarq. The principal financial covenants in CenturyTel's credit facility limit debt to EBITDA for the past four quarters to no more than 4.0x and EBITDA to interest plus preferred dividends (with the terms as defined in the agreement) to no less than 1.5x. The primary financial covenant in the Embarq facility limits its leverage to 3.25x. Fitch expects CenturyTel to put in place a new revolving credit facility at the close of the merger.

In Fitch's view, CenturyTel is expected to have the financial flexibility to manage upcoming maturities due to its free cash flow and credit facilities. In 2010, \$500 million in debt matures and is expected to be retired from free cash flow and a modest level of borrowing on the revolver. In 2011, debt maturities total \$303 million (including the \$291 million on CenturyTel's credit facility).

Qwest had \$14.2 billion in debt outstanding and approximately \$2.4 billion in cash on Dec. 31, 2009. Qwest's leverage was somewhat elevated due to two note issuances during 2009, totaling approximately \$1.4 billion, the proceeds from which are expected to refinance 2010 scheduled maturities. In 2010, Qwest's remaining maturities include approximately \$65 million of maturities at Qwest Capital Funding, Qwest Corporation's \$500 million term loan, and Qwest Communications International's \$1.265 billion of senior unsecured convertible notes due in 2025 which can be put to the company in November 2010. In 2011, a total of approximately \$1 billion in debt matures. Qwest's \$1.035 billion senior secured revolver is scheduled to mature in September 2013; however, the facility has a change of control provision and is thus expected to be terminated upon the completion of the merger. The primary financial covenant in the amended facility limits Qwest's leverage to no more than 5.0x and Qwest Corporation's leverage to no more than 2.5x.

Fitch believes CenturyTel will have adequate financial flexibility after the close of the merger to manage upcoming maturities owing to the new credit facility to be put into place, and anticipated annual free cash flow approximating \$1.4 billion.

The CenturyTel ratings placed on Rating Watch Negative are as follows:

- CenturyTel
- Long-term Issuer Default Rating (IDR) 'BBB-';
- Senior unsecured revolving credit facility 'BBB-';
- Senior unsecured debt 'BBB-';
- Short-term IDR 'F3';
- Commercial paper 'F3'.

Embarq

--Long-term IDR 'BBB-'. .

Carolina Telephone & Telegraph (CT&T)
--IDR 'BBB-'. .

Embarq - Florida, Inc. (EFL)
--IDR 'BBB-'. .

Ratings affirmed with a Stable Outlook are as follows:

Embarq
--Senior unsecured notes at 'BBB-';
--Bank facility at 'BBB-'. .

Carolina Telephone & Telegraph (CT&T)
--Debentures at 'BBB-'. .

Embarq - Florida, Inc. (EFL)
--First mortgage bonds at 'BBB'. .

The Qwest ratings placed on Rating Watch Positive are as follows:

Qwest Communications International, Inc.
--IDR 'BB';
--Senior unsecured notes (guaranteed by QSC) 'BB+';
--Senior convertible senior notes 'BB'. .

Qwest Corporation
--IDR 'BB'. .

Qwest Services Corporation
--IDR 'BB'. .

Qwest Capital Funding
--IDR 'BB';
--Senior unsecured notes 'BB'. .

The Qwest ratings affirmed with a Stable Outlook are as follows:

Qwest Communications International, Inc.
--Senior secured credit facility at 'BBB-'. .

Qwest Corporation
--Senior term loan at 'BBB-';
--Senior unsecured notes at 'BBB-'. .

The rating reflects the application of Fitch's current criteria which are available at 'www.fitchratings.com' and specifically include the following reports:

--'Corporate Rating Methodology' (Nov. 24, 2009);
--'Liquidity Considerations for Corporate Issuers' (June 12, 2007).

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Additional information is available at 'www.fitchratings.com'.

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