

CENTURYLINK, INC  
Form DEFA14A  
May 12, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**CENTURYLINK, INC.**

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Explanatory Note: Commencing May 12, 2014, CenturyLink, Inc. plans to distribute the attached presentation materials in connection with outreach meetings to be held with certain of its principal shareholders.**

CenturyLink Overview  
May 12, 2014

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Forward-Looking Statements / Non-GAAP Financial Measures

Certain non-historical statements made in this presentation and future oral or written statements or press releases by us or our representatives are intended to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations only, and are subject to a number of assumptions, risks and uncertainties, many of which are outside of our control. Actual events and results may differ materially from those anticipated, estimated, projected or implied by us if one or more of these assumptions or uncertainties

materialize,  
or  
if  
our  
underlying  
assumptions  
prove  
incorrect.

Factors  
that  
could  
affect  
actual  
results  
include  
but  
are  
not  
limited

to:  
the

timing, success and overall effects of competition from a wide variety of competitive providers; the risks inherent in rapid technology changes, including product displacement; the effects of ongoing changes in the regulation of the communications industry, including the effects of regulatory or judicial proceedings relating to intercarrier compensation, access charges, universal service, broadband deployment, data protection, net neutrality;

our  
ability  
to  
effectively  
adjust  
to  
changes

in  
the  
communications  
industry,  
and  
changes

in  
our  
markets,  
product  
mix  
and  
network  
caused

by  
our  
recent  
acquisitions;

our  
ability  
to  
successfully  
integrate  
recently-acquired  
operations  
into

our  
incumbent  
operations,  
including  
the  
possibility  
that

the anticipated benefits from our recent acquisitions cannot be fully realized in a timely manner or at all; our ability to effectively  
expansion opportunities, including retaining and hiring key personnel; possible changes in the demand for, or pricing of, our products,  
including

our  
ability  
to  
effectively  
respond

to  
increased  
demand  
for  
high-speed  
broadband  
service;

our  
ability  
to  
successfully  
introduce  
new  
product

or  
service offerings on a timely and cost-effective basis; the adverse impact on our business and network from possible equipment  
breaches

or  
similar  
attacks  
on

our  
network;

our  
ability  
to  
successfully

negotiate  
collective  
bargaining  
agreements

on  
reasonable  
terms

without  
work

stoppages; our ability to use net operating loss carryovers of Qwest in projected amounts; our continued access to credit markets; our ability

to  
collect

our  
receivables  
from

financially  
troubled

communications  
companies;

our  
ability

to  
maintain  
favorable  
relations

with  
our  
key

business partners, suppliers, vendors, landlords and financial institutions; any adverse developments in legal or regulatory proceedings; changes in our operating plans, corporate strategies, dividend payment plans or other capital allocation plans, including those changes that affect our cash requirements, capital expenditure needs, debt obligations, pension funding requirements, cash flows, or financial position; changes in our credit ratings; the effects of adverse weather; other risks referenced from time to time in our filings with the SEC; and the effects of other factors such as changes in interest rates, in tax laws, in accounting policies or practices, in operating, medical, pension or administrative costs, in the capital market, labor or economic conditions, or in legislation, regulation or public policy. These and other uncertainties related to our operations and recent acquisitions are described in greater detail in Item 1A of our Form 10-K for the year ended December 31, 2013, as updated by our subsequent SEC reports. You should be aware that new factors may emerge from time to time and it is not possible for us to identify all factors

nor  
can  
we  
predict  
the  
impact

of  
each  
such  
factor  
on

the  
business  
or  
the  
extent  
to  
which  
any  
one  
or  
more  
factors  
may  
cause  
actual  
results  
to  
differ  
from  
those  
reflected  
in  
any  
forward-looking  
statements.  
You  
are  
further  
cautioned  
not  
to  
place  
undue  
reliance  
on  
these  
forward-looking  
statements,  
which  
are  
inherently  
speculative  
and  
speak  
only  
as  
of  
the  
date  
made.



We  
undertake  
no  
obligation  
to  
update  
any  
of  
our  
forward-looking  
statements for any reason.

**Non-GAAP Financial Measures**

This presentation includes certain non-GAAP financial measures. These measures are provided and valid only as of the date of this presentation and should not be relied upon beyond that date. Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures are available on our website at [www.centurylink.com](http://www.centurylink.com).

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Participants

Stacey Goff

Executive Vice President, General Counsel & Secretary

Stewart Ewing

Executive Vice President, Chief Financial Officer & Assistant Secretary

Scott Trezise

Executive Vice President, Human Resources

CenturyLink  
Operating revenues of \$18.1B and adjusted  
free cash flow of \$3.1B in FY 2013  
Enterprise  
Value  
of  
approximately  
\$40B

(1)  
Customers range from Fortune 500  
companies to families in rural America  
240,000 route mile national fiber network with  
55 global data centers  
Committed to being the broadband leader in  
our markets

A  
global leader in managed hosting and  
cloud services

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(1) As of December 31, 2013

Acquired Embarq  
July 2009  
Acquired Qwest  
April 2011  
Acquired Savvis  
July 2011  
2008  
2009

2010

2011

2012

2013

Employees

6,500

20,200

20,300

49,200

47,000

46,600

Reported

Revenue

\$2.6 billion

\$5.0 billion

\$7.0 billion

\$15.4 billion

\$18.4 billion

\$18.1 billion

Evolution Over Recent Years

Acquired Ciber ITO

October 2012

Acquired Tier 3

November 2013

Acquired AppFog

June 2013

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2013 Accomplishments

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Improved core revenue trend

Generated solid strategic revenue growth of nearly \$400 million, a 4.7% increase from 2012

Achieved solid subscriber growth added

approximately 140,000 high-speed  
Internet customers and 69,000 Prism  
TV customers

-2.3%

-1.3%

Core

Revenue

Increased 20 Mbps and 40 Mbps broadband speed enablement by  
approximately 25% year-over-year; Added over 1,000 fiber-fed  
buildings into our multi-tenant unit program

Repurchased 46 million shares for \$1.57 billion during 2013

(1)  
Core revenue defined as Strategic revenue plus Legacy revenue (excludes Data Integration and Other revenue);  
pro forma 2011 figures reflect the effects of mergers then pending.

Pro forma 2011

2012

2013

(1)



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**Strong 1Q14 Results**

Total operating revenues, operating cash flow and Adjusted Diluted EPS exceeded expectations

Total operating revenues of \$4.54 billion grew Y/Y \$25 million, or 0.6%

Compares to Y/Y declines of 2.1%  
in 1Q13 and 2.7% in 1Q12

Core  
revenue

near  
top-end

of  
guidance

Core revenues of \$4.11 billion was  
nearly flat from 1Q13

Compares to Y/Y declines of 2% in  
1Q13 and 3% in 1Q12

1Q12

1Q13

1Q14

1Q12

1Q13

1Q14

Total Revenue

Y/Y change

Core Revenue

Y/Y change

(1)  
Core revenue defined as Strategic revenue plus Legacy revenue (excludes Data Integration and Other revenue)

(3.0%)

(2.0%)

(0.1%)

(2.7%)

(2.1%)

0.6%

1

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Strategic Priorities

Business Network Solutions

Expand MPLS, Ethernet, Wavelength and VoIP offerings

Extend FTTT footprint for wireless data backhaul

Hosting, Cloud and IT Services

Expand and enhance cloud and hosting services platform

Increase participation rate of direct sales and expand partner sales channel

Offer complete portfolio of IT and cloud enablement services  
Consumer Broadband and Video  
Deploy fiber deeper into network to drive higher speeds  
Expand Prism TV footprint and penetration  
Operating Efficiency  
Simplify and rationalize network infrastructure  
Automate and improve processes  
Continue to integrate and simplify systems

Governance Profile

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Split our Chairman and CEO roles; Chairman is an independent, non-executive director

Amended our articles of incorporation to eliminate ten-vote shares

Amended

our  
corporate  
governance  
guidelines  
to  
strengthen  
the  
Board's  
ability  
to  
clawback  
executive  
compensation

Implemented majority voting standard in uncontested director elections

Eliminated  
the  
use  
of  
tax  
gross-up  
benefits  
in  
our  
executives  
change  
of  
control  
agreements  
and  
split-dollar  
insurance  
policies

Implemented stock ownership guidelines for our executive officers, requiring the CEO to hold 5x base salary and all other executive officers 3x base salary

Amended our insider trading policy to prohibit director and employees from hedging CenturyLink securities  
2009  
2010  
2011  
2012  
2014  
2013

Amended our bylaws to provide for proxy access, subject to shareholder ratification at the 2014 annual meeting

Amended our corporate governance guidelines to provide that the Nominating and Corporate Governance Committee will review each director's continuation on the Board annually, rather than at least once every three years

Amended  
our  
articles  
of  
incorporation  
to  
declassify  
our  
Board  
of  
Directors,  
and  
will  
have  
achieved  
full  
declassification  
as of the  
2014 annual shareholders  
meeting

Amended  
our  
insider  
trading  
policy  
to  
prohibit  
our  
senior  
officers  
and  
directors  
from  
holding  
our  
securities  
in  
a  
margin account or  
otherwise pledging our securities as collateral

Eliminated  
the  
use  
of  
tax  
gross-up  
benefits

in  
our  
outside  
directors  
executive  
physical  
program

Held  
first  
non-binding  
advisory  
say  
on  
pay  
vote,  
and  
have  
continued  
to  
hold  
such  
votes  
on  
an  
annual  
basis

Implemented stock ownership guidelines for our outside directors, requiring all outside directors to hold 5x annual cash retained

Increased  
the  
CEO s  
holding  
requirement  
under  
our  
stock  
ownership  
guidelines  
to  
6x  
base  
salary

Amended  
change  
of  
control  
agreements



to  
reduce  
available  
benefits  
and  
to  
eliminate  
modified  
single  
trigger  
provisions

Over the last several years, CenturyLink has taken steps to enhance its corporate governance profile by further aligning our practices with shareholder interests.

Pay Practices

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Favorable say on pay

vote of over 94% in May 2013

Shareholders agree that we have favorable pay practices

What We Do

Performance-based compensation weighted

heavily towards long-term equity awards

Stock ownership guidelines

Avoid encouraging excessively risky behavior

Conduct

annual

say-on-pay

votes

Compensation

clawback

policy

Review peer group annually

Benchmark against 50th percentile peer  
compensation levels

Independent and intensive performance  
reviews of our senior officers

If our total shareholder return is negative,  
then the maximum number of performance  
shares to vest is limited to the target amount

Shareholders must approve any future  
severance agreements valued at more than  
2.99 times the executive's target cash  
compensation

Compensation forfeiture covenants broader  
than those mandated by law

What We Don't

Do

Enter into employment agreements with our  
incumbent executives

Maintain a supplemental executive retirement  
plan

Permit our directors or employees to hedge  
our stock, or our directors or senior officers to  
pledge our stock

Pay

dividends

on

our  
executives  
unvested  
restricted stock

Permit the Compensation Committee's current  
consultant to provide services to CenturyLink

Pay, provide or permit :

(i) excessive perquisites

(ii)

excise

tax

gross-up

payments

(iii) single-trigger change of control equity

acceleration benefits, or

(iv) other comparable disfavored

compensation practices.

Pay for Performance

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2013

2014

Linkage to pay for performance

Annual review of short-  
and long-term incentive programs in order to maintain  
a continued focus on pay for performance

Annual Incentive Bonus

50% operating cash flow

30% strategic revenues

20% strategic objectives

Annual Incentive Bonus

50% operating cash flow

50% core revenues

Long-Term Equity Incentive

50% performance-based and 50%  
time-based restricted stock

Change TSR from S&P 500 index  
to custom peer group

Addition of 3-year revenue goal  
Long-Term Equity Incentive

Increased weighting of performance-  
based restricted stock from 50% to  
60%

Maintained custom peer group

Maintained 3-year revenue goal

CEO Pay Levels

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CEO paid below market-competitive pay levels

Pay actions taken to address CEO pay gaps increased at risk pay to 60% and heavily weighted to long-term incentives

\* based on August

2012 data

August 2012

Increased CEO base salary to  
\$1.1M  
May 2013

Increased CEO annual incentive  
bonus target from 125% to 150%

Increased CEO LTI award value  
from \$4.4M to \$6.6M  
February 2014

Increased CEO LTI award value  
from \$6.6M to \$7.5M



Q & A

**Additional Disclosure**

This information is being provided to certain shareholders in addition to our proxy statement dated April 14, 2014 in connection with the solicitation of proxies from CenturyLink shareholders. Please read our proxy statement and accompanying materials in their entirety as they contain important information. Our proxy materials, and any other documents filed by us with the Securities and Exchange Commission (the SEC), may be obtained free of charge at the SEC web site at [www.sec.gov](http://www.sec.gov) and from our website at [www.centurylink.com](http://www.centurylink.com).

CenturyLink and its directors and officers may be deemed to be participants in the solicitation of proxies from our shareholders in connection with the upcoming annual meeting of shareholders. Information about our directors and executive officers and their ownership of CenturyLink stock is set forth in the proxy statement for our 2014 annual meeting of shareholders.

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