

Attachment M

Qwest Corporation d/b/a CenturyLink QC
Valley Waterloo NBBP Grant Application

The following items were included in the notice of defects received on 9/13/2024. Response/resolution is noted as a sub bullet to the defect/concern.

General defects or concerns:

- General Review Comments:
 1. Application, Grant Request: The budget template indicates \$135,124.45, which varies from the application amount.
 - Response: Rounding differences. Updated and resubmitting attachment H.
 2. Application, Total Project Costs: The budget template indicates \$270,250.90, which varies from the application amount.
 - Response: Rounding differences. Updated and resubmitting attachment H.
 3. Contiguosness, Description of Overlap: Overlaps Allo Gretna to Mead Rural Project
 - Response: This is a competing NBBP application.
 4. DIP, Did the applicant provide evidence of outreach efforts to relevant stakeholders (community leaders, community members, civic organizations, etc.)?: Attachment J did not include the evidence of outreach to community leaders. Additionally, it contains references to a separate entity, Quantum Fiber. The DIP should be related to the applicant, CenturyLink QC. Further, the link in the attachment does not open. Please submit evidence of outreach efforts to relevant stakeholders (community leaders, community members, civic organizations, etc.) in the areas you are wishing to serve.
 - Response: Adding attachment J.1 which is the Word version of attachment J including the outreach which has the imbedded. We are unable to print the outreach communication to PDF. See below for response related to concerns with Quantum Fiber.
 5. Financial, Do financials demonstrate overall financial viability? Y/N: The operating margin has steadily decreased over the past 3 years (2021-2023). What caused this decline, and do you expect it to continue? Additionally, while the current ratio improved in 2022, it dropped to 0.445 in 2023. What steps are being taken to improve liquidity?
 - See detailed response at bottom titled "Financial Review Items":
 6. Match, Match commitment amount: The budget template indicates \$135,125.45, which varies from the amount in attachment L and the application of \$135,215.
 - Rounding differences. Updated and resubmitting attachment H.
 7. Rates, Rates for 100/100Mbps per application: The documentation provided for rates reflects Quantum Fiber rates. Please confirm that this is a DBA rather than a separate entity. If Quantum Fiber is the DBA, a name change application should be filed with the Commission for the DBA. Otherwise, documentation of rates to be offered must be provided for the applicant Qwest Corporation or the DBA CenturyLink QC.
 - See attachment "CTL NBBP 2024 Attachment M.1 QF Response Letter – Valley Waterloo" which provides the company's position on Quantum Fiber as a brand.

Financial review items:

Lumen's operating margin decline from 2021 to 2023 can be attributed to several factors:¹

Trends Impacting Our Operations:

Our consolidated operations have been, and will continue to be, impacted by the following company-wide trends:

- Customers' demand for automated products and services and competitive pressures will require that we continue to invest in new technologies and automated processes to improve the customer experience and reduce our operating expenses.
- The increasingly digital environment and the growth in online video and gaming require robust, scalable network services. We are continuing to enhance our product capabilities and simplify our product portfolio based on demand and profitability to enable customers to have access to greater bandwidth.
- Businesses continue to adopt distributed, global operating models. We are expanding and enhancing our fiber network, connecting more buildings to our network to generate revenue opportunities and reducing our reliance upon other carriers.
- Changes in customer preferences and in the regulatory, technological and competitive environment are (i) significantly reducing demand for our more mature service offerings, commoditizing certain of our other offerings, or resulting in volume or rate reductions for other of our offerings and (ii) also creating certain opportunities for us arising out of increased demand for lower latency provided by Edge computing and for faster and more secure data transmissions.
- The operating margins of several of our newer, more technologically advanced services, some of which may connect to customers through other carriers, are lower than the operating margins on our traditional, on-net wireline services.
- Our expenses will be impacted by higher vendor costs, reduced economies of scale and other dis-synergies due to our 2022 divestitures.
- Declines in our traditional wireline services and other more mature offerings have necessitated right-sizing our cost structures to remain competitive.
- Inflation during 2022 placed downward pressure on our margins and macroeconomic uncertainties likely contributed to delayed decision making by certain of our customers, which are trends that will likely continue to impact us as long as inflation rates remain elevated.

As for the future, Lumen is focusing on strategic transformation and operational improvements, which might help stabilize or improve its margins over time.

Regarding liquidity, Lumen has taken several steps to improve its financial position:

1. Debt Restructuring: Lumen entered into a debt-restructuring agreement with creditors, addressing maturities of approximately \$9 billion of outstanding indebtedness.²
2. New Financing: The company secured \$1.2 billion of new long-term debt financing.
3. Divestitures: The sale of the company's EMEA business and certain CDN contracts helped simplify operations and improve liquidity.

¹ See trends impacting our operations in the Lumen Technologies Form 10-Q for the quarterly period ended March 31, 2023.

² <https://news.lumen.com/2024-02-06-Lumen-Technologies-reports-fourth-quarter-and-full-year-2023-results>

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4. Revolving Credit Facility: Lumen closed a new \$1 billion revolving credit facility maturing in June 2028³.

These steps are aimed at providing Lumen with the flexibility needed to execute its transformation strategy and improve its liquidity position.

³ <https://finance.yahoo.com/news/lumen-lumn-concludes-debt-deal-142500527.html>