



State of Oregon
Public Utility Commission
Attn: Filing Center
By email

January 31, 2017

RE: Notice Regarding the Transfer of Indirect Control of Level 3 Communications, LLC, Broadwing Communications, LLC, Global Crossing Services, Inc., Global Crossing Telecommunications, Inc., WilTel Communications, LLC, and Level 3 Telecom of Oregon, LLC to CenturyLink, Inc. ("Notice")

To the Oregon Public Utility Commission:

CenturyLink, Inc. ("CenturyLink") and Level 3 Communications, Inc. ("Level 3") (the "Parties") notify the Oregon Public Utility Commission ("Oregon Commission" or "Commission") that the Parties plan to consummate a parent-level merger transaction whereby CenturyLink will acquire indirect control of the following Oregon Commission-certificated telecommunications carriers from Level 3 (the "Transaction"): of Level 3 Communications, LLC, Broadwing Communications, LLC, Global Crossing Services, Inc., Global Crossing Telecommunications, Inc., WilTel Communications, LLC, and Level 3 Telecom of Oregon, LLC ("Level 3 OpCos"). The Level 3 OpCos are authorized to provide facilities-based and resold competitive local exchange and interexchange telecommunications services in Oregon.

CenturyLink and Level 3 understand that Commission approval is not required to complete the transaction described herein, and no Commission action is requested. The Parties notify the Commission in order to inform it about the Transaction well in advance of closing, as a courtesy to provide the Commission with information about the Transaction. The Parties intend to close the Transaction by September 30, 2017. The Parties will also inform the Commission upon closing or other termination of the Transaction.

I. DESCRIPTION OF THE PARTIES

A. Level 3 and the Level 3 OpCos

Level 3 is a publicly traded (NYSE: LVLT) Delaware corporation with principal offices located at 1025 Eldorado Boulevard, Broomfield, Colorado 80021. Through its operating subsidiaries, Level 3 offers a wide range of communications services over its broadband fiber-optic network in North and South America, Europe, and Asia including IP-based services, broadband transport, collocation services, and patented Softswitch-based voice services to enterprise and government customers. The Level 3 operating subsidiaries, including the Level 3 OpCos, are non-dominant carriers that are authorized to provide services on both a facilities-based and resale basis. The Level 3 OpCos are authorized in Oregon to provide interexchange switched and non-switched private line and competitive local exchange services.¹ None of the Level 3 OpCos are incumbent local exchange carriers (“ILECs”).

B. CenturyLink and the CenturyLink OpCos

CenturyLink is a publicly traded (NYSE: CTL) Louisiana corporation with headquarters at 100 CenturyLink Drive, Monroe, Louisiana. CenturyLink’s operating entities offer communications services, including local and long-distance voice, local network access, high-speed internet, and information, entertainment, and fiber transport services through copper and fiber networks, to consumers and businesses in 50 states. CenturyLink’s operating entities also provide high-speed internet access services and data transmission services. In certain local and regional markets, CenturyLink’s operating entities provide telecommunications services as a competitive local exchange carrier (“CLEC”), offer security monitoring, and provide other communications, professional, business, and information services.

¹ The Level 3 OpCos hold Certificates of Authority (“COA”) in Oregon as follows: (1) Level 3 Communications, LLC COA granted in Order No. 02-371 in Docket No. CP-1035 on June 5, 2002; (2) Broadwing Communications, LLC COA granted in Order No. 03-364 in Docket No. CP-1159 on June 12, 2003; (3) Global Crossing Telecommunications, Inc. COA in Order No. 87-357 in Docket No. UM 90 on March 23, 1987 and Order No. 10-338 in Docket No. UM 90 on August 26, 2010; (4) Global Crossing Local Services, Inc. COAs in Order No. 98-006 in Docket No. CP-372 on January 6, 1998 and Order No. 10-378 in Docket Nos. CP-372, CP-524, CP-521, and CP-368 on September 30, 2010; (5) WilTel Communications, LLC COA in Order No. 05-854 in Docket No. CP-567 on July 14, 2005; and (6) Level 3 Telecom of Oregon, LLC COA in Order No. 00-750 in Docket No. CP-871 on November 21, 2000.

As of December 31, 2015, CenturyLink operating entities provided high-speed internet access services to over six million customers and had approximately 11.7 million access lines. CenturyLink entities operate a state-of-the-art fiber transport system, which provides fiber-based transport services to its customers.

CenturyLink itself does not offer services and is not registered in Oregon. CenturyLink is the ultimate parent of various operating subsidiaries, of which the following entities are registered as telecommunications carriers in Oregon: Qwest Corporation d/b/a CenturyLink QC ("QC"), CenturyLink Communications LLC, CenturyLink Public Communications, Inc., and CenturyTel of Oregon, Inc., d/b/a CenturyLink, CenturyTel of Eastern Oregon, Inc., d/b/a Centurylink, and United Telephone Company of the Northwest, d/b/a CenturyLink ("CenturyLink OpCos").

II. DESCRIPTION OF THE TRANSACTION

On October 31, 2016, CenturyLink entered into an Agreement and Plan of Merger (the "Merger Agreement") with Level 3, Wildcat Merger Sub 1 LLC, a Delaware limited liability company and an indirect wholly-owned subsidiary of CenturyLink ("Merger Sub 1"), and WWG Merger Sub LLC, a Delaware limited liability company and an indirect wholly-owned subsidiary of CenturyLink ("Merger Sub 2").

In connection with entering into the Merger Agreement, CenturyLink, Inc. created a direct subsidiary, Wildcat Holdco LLC, a Delaware limited liability company ("Holdco"), which in turn created two direct subsidiaries of its own, the previously mentioned Merger Sub 1 and Merger Sub 2. The Merger Agreement provides, among other things, that subject to the satisfaction or waiver of the conditions set forth therein (i) Merger Sub 1 will merge with and into Level 3, with Level 3 surviving (the "Initial Merger"), and (ii) immediately thereafter, Level 3 will merge with and into Merger Sub 2, with Merger Sub 2 surviving (the "Subsequent Merger" and, together with the Initial Merger, the "Combination"). Following the Combination, Merger Sub 2 (the successor to Level 3) will be a direct wholly-owned subsidiary of Holdco, and Holdco will be a wholly-owned direct subsidiary of CenturyLink, Inc. Merger Sub 2 will survive the Subsequent Merger as an indirect wholly-owned subsidiary of CenturyLink. As a result of the Combination, therefore, the Level 3 OpCos will be indirect, wholly owned subsidiaries of CenturyLink.

Under the Merger Agreement, at the effective time of the Initial Merger, each outstanding share of Level 3 common stock, par value \$0.01 per share (the "Level 3 Common Stock"), other than shares held by holders who properly exercise appraisal

rights, will be converted into the right to receive \$26.50 in cash, without interest, and 1.4286 shares of CenturyLink common stock, par value \$1.00 per share (the “CenturyLink Common Stock”).² The Combination is subject to (i) the approval and adoption of the Merger Agreement by the stockholders of Level 3 and (ii) the approval by the shareholders of CenturyLink of the issuance of the CenturyLink Common Stock in the Initial Merger. The Combination also is subject to other customary closing conditions, including federal and state commission approvals as may be required.

In addition, CenturyLink plans to fund the cash (i.e. non-stock) portion of the transaction consideration, along with fees and expenses related to the Merger, with cash on hand and new, incremental debt. Specifically, CenturyLink will assume approximately \$7.075 billion in incremental funded debt.³ That debt will be guaranteed by the following entities:

- 1) CenturyTel Investments of Texas, Inc.
- 2) CenturyTel Service Group, LLC
- 3) Embarq Corporation
- 4) Embarq Management Company
- 5) Qwest Communications International Inc.
- 6) Qwest Services Corporation (“QSC”);
- 7) United Telephone Company of Ohio; and
- 8) Savvis Communications Corporation and Savvis, Inc. (only if the Savvis sale is not completed).

Entities providing a guarantee of the Acquisition Debt will be jointly and severally liable on the debt. This means that if CenturyLink does not repay the debt, the lenders can seek to recover directly from one or more of the guarantors. The stock and substantially all the assets (subject to certain exceptions) of all entities and their subsidiaries, except for Embarq Corporation, will be pledged as security for the debt. QSC will pledge its only asset, the stock of QC, as security for the loan. This pledge, however, does not trigger an approval requirement as explained below.

² No fractional shares of CenturyLink will be issued in the Initial Merger, and Level 3 stockholders who would otherwise have been entitled to receive a fraction of a share (after taking into account all Level 3 shares exchanged by such holder) will receive cash in lieu of any fractional shares.

³ Transcript of the CenturyLink-Level 3 Call with Investors, October 31, 2016, available at <https://www.sec.gov/Archives/edgar/data/18926/000119312516753764/d272595dex993.htm> (“Investor Call Transcript”), p. 9.

Upon the closing of the Transaction, CenturyLink shareholders will own approximately 51 percent and Level 3 shareholders will own approximately 49 percent of the combined company. The Transaction is explained in greater detail, in CenturyLink's SEC Form 8-K report filed October 31, 2016.⁴

For the Commission's reference, pre- and post-Transaction organization charts are provided as Exhibit A.⁵ The charts demonstrate the indirect transfer of control of the Level 3 OpCos from Level 3 to CenturyLink, with unregulated and non-Oregon jurisdictional entities removed except those intermediate non-carrier holding companies between the OpCos and the ultimate parent companies.

III. THE TRANSACTION DOES NOT RESULT IN A TRANSFER OF CONTROL OF OR ENCUMBRANCE ON ANY UTILITY PROPERTY IN OREGON

The statute that would normally invoke the need for a telecommunications utility to seek prior approval of the Commission for a merger does not apply in this case. Oregon Revised Statute 759.375 provides:

- (1) A telecommunications utility doing business in Oregon shall not, without first obtaining the Public Utility Commission's approval of such transaction:
 - (a) Sell, lease, assign or otherwise dispose of the whole of the property of such telecommunications utility necessary or useful in the performance of its duties to the public or any part thereof of a value in excess of \$100,000, or sell, lease, assign or otherwise dispose of any franchise, permit or right to maintain and operate such telecommunications utility or telecommunications utility property, or perform any service as a telecommunications utility;
 - (b) Mortgage or otherwise encumber the whole or any part of the property of such telecommunications utility necessary or useful in the performance of its duties to the public, including any franchise, permit or right to maintain and operate such telecommunications

⁴ <https://www.sec.gov/Archives/edgar/data/18926/000119312516753763/d272595d8k.htm>.

⁵ The Level 3 organization chart reflects that in 2012, Level 3 eliminated a holding company that was a subsidiary of Global Crossing North America, Inc. and parent of Global Crossing Telecommunications, Inc. and Global Crossing Local Services, Inc. This change was entirely pro forma in nature and did not result in a change to the ultimate ownership or management of the certificated companies, the services provided to consumers or the names of the certificated service providers operating in the state.

utility or telecommunications utility property, or perform any service as a telecommunications utility; or

- (c) By any means whatsoever, directly or indirectly, merge or consolidate any of its lines, plant, system or other property whatsoever, or franchise or permit to maintain or operate any telecommunications utility property, or perform any service as a telecommunications utility, or any part thereof, with any other public utility or telecommunications utility.

A. The Transaction Does not Result in Change of Control of Utility Property under ORS 759.375 (a) or (c)

There is no change in control of utility property, as described in the law, because CenturyLink is acquiring a competitively classified company, the acquisition of which is not subject to approval requirements. All utility property will remain owned by subsidiaries of CenturyLink, Inc, just as it is today. As a result, the transaction does not involve subsections (1)(a) or (c) of ORS 759.375.

B. The Transaction Does not Result in an Encumbrance of Utility Property under ORS 759.375 (b)

The pledge by QSC of QC stock does not result in an encumbrance, under ORS 759.375(b), that triggers a requirement for approval. Because each entity that is pledging stock as security for the Acquisition Debt is also a guarantor, even without the pledge the lenders would have a right to proceed against that entity to seek recovery if CenturyLink defaults on the Acquisition Debt. Moreover, the purpose of the statute is to ensure that a utility will not grant a right of ownership or control of its property without Commission approval. The incremental risk of that occurring as a result of the Acquisition Debt is insignificant, if not non-existent, because investors already hold \$7.3 billion in investment grade senior notes (“IGNs”) issued by QC. These current QC debtholders remain “structurally senior” to the lenders of the new Acquisition Debt. Though not secured by the regulated ILEC operations or assets, the existing QC debt continues as structurally senior to the new Acquisition Debt because QC is not itself a guarantor of the acquisition financing. All that QSC’s pledge of QC stock does is grant the Acquisition Debt creditors a preference over other unsecured creditors, but only after the existing holders of QC’s IGNs are satisfied. Consequently, the pledge is not an encumbrance, because it only establishes a preference for certain creditors.

In addition, Oregon law requiring approval prior to a change in control of QC or its assets would still apply in the very unlikely event (a) there was a default and (b) that

the Acquisition Debt creditors obtained a controlling interest in QC stock, after the IGN creditors first exercised their rights. The prior approval requirement in this scenario makes any approval of the new merger indebtedness unnecessary.

IV. TRANSACTION BENEFITS

The Transaction will enable the Parties to combine their complementary capabilities to offer enterprise customers a broader and more complementary range of services and solutions than they currently provide, reduce dependence on competitors' fiber facilities, and enhance the combined company's financial profile. The proposed Transaction thus will allow the combined company not only to provide greater service to its base of enterprise customers but also to serve as a stronger competitor to compete successfully for these customers. By combining resources, services and solutions, the proposed Transaction will enable the combined company to become a more viable, more effective competitor in an increasingly contested market.

Competing in the enterprise business and government market increasingly demands a broader array of facilities-based service offerings on a national scale, and new technologies that provide high transmission capacities. Service providers must possess robust and far-reaching network infrastructure and have the financial wherewithal and technical expertise to make additional prudent investments in their networks. The combination of CenturyLink and Level 3 will foster the resources necessary to compete more effectively in this environment.

The ability of CenturyLink and Level 3 to continue to compete effectively in key market segments is challenged by the presence of numerous highly effective providers. As the needs of enterprise customers have grown, both CenturyLink and Level 3 compete in an environment populated by larger, better-capitalized competitors. Although the Parties have strived to compete in this environment, the resources and scale of their most formidable competitors have only increased. By combining their network resources, services and solutions, the Transaction will enable the combined CenturyLink and Level 3 to become a more viable, better-resourced competitor.

Moreover, because the Transaction results in no direct change to Level 3 OpCos' operations, it is transparent to customers. The Transaction will not interrupt service or affect existing regulatory and contractual obligations between the Applicants and their enterprise customers. Service to those customers will continue to be governed by the relevant contractual terms and applicable tariffs once the Transaction closes with no change in services or rates as a result of the Transaction. The Parties will continue to

abide by their ongoing obligations under existing interconnection agreements, as well as under applicable law, including those set forth in Sections 251 and 252 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 251 *et seq.*

The Transaction will not affect CenturyLink’s regulatory obligations toward residential subscribers, or any pending commitments or obligations CenturyLink may have in connection with those subscribers. Level 3 does not serve residential subscribers. Nothing about the Transaction will affect CenturyLink’s operations that are directed at the consumer segment. The Transaction’s focus is on enhancing the ability of the combined company to compete vigorously for enterprise customers.

In summary, the Transaction will bring an array of benefits, enabling the Parties to more effectively compete in the enterprise market, without any countervailing drawbacks to customers or competition.

V. CONTACT INFORMATION

For the purposes of this Notice, contacts for the Parties are as follows:

| For CenturyLink | For Level 3 |
|---|--|
| <p>Tre Hendricks Senior Corporate Counsel CenturyLink 902 Wasco Street Hood River, OR Phone: (541) 387-9439 E-mail: Tre.Hendricks@CenturyLink.com</p> <p>Phil Grate Director, Regulatory Affairs 1600 7th Avenue Seattle, WA 98191 Phone: (206) 325-6224 E-mail: Phil.Grate@CenturyLink.com</p> | <p>Catherine Wang, Esq. Danielle Burt, Esq. Morgan, Lewis & Bockius LLP 2020 K Street, N.W. Washington, DC 20006 Phone: (202) 373-6000 Fax: (202) 373-6001 E-mail: catherine.wang@morganlewis.com danielle.burt@morganlewis.com</p> <p>Kristie Ince Vice President State Regulatory and Legislative Affairs Level 3 6801 Gaylord Pkwy, Suite 300 Frisco, TX 75034-1892 E-mail: Kristie.ince@level3.com</p> |

If you have any questions or concerns, please do not hesitate to contact me or the persons noted above.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Tre Hendricks', with a stylized flourish at the end.

Tre Hendricks
CenturyLink