

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported):
October 3, 2022**

LUMEN®

Lumen Technologies, Inc.

(Exact name of registrant as specified in its charter)

Louisiana
(State or other jurisdiction
of incorporation)

001-7784
(Commission
File Number)

72-0651161
(IRS Employer
Identification No.)

**100 CenturyLink Drive
Monroe, Louisiana**
(Address of principal executive offices)

71203
(Zip Code)

(318) 388-9000
(Telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of any registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, par value \$1.00 per share	LUMN	New York Stock Exchange
Preferred Stock Purchase Rights	N/A	New York Stock Exchange

Indicate by check mark whether any registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.01 Completion of Acquisition or Disposition of Assets.

On October 3, 2022, Lumen Technologies, Inc. (“Lumen” or the “Company”) and certain of its wholly-owned subsidiaries (collectively with the Company, “Sellers”) completed the previously disclosed sale of Sellers’ facilities-based incumbent local exchange business primarily conducted within 20 Midwestern and Southeastern states (the “Sale”) to Connect Holding LLC and its affiliates (who conduct business under the brand “Brightspeed”), which are affiliates of funds advised by Apollo Global Management, Inc. (“Purchaser”). In exchange, Lumen received \$7.5 billion of consideration, which was reduced by approximately \$0.4 billion of closing adjustments and partially paid through Purchaser’s assumption of approximately \$1.5 billion of Lumen’s long-term consolidated indebtedness, resulting in pre-tax cash proceeds of approximately \$5.6 billion. This consideration is further subject to certain post-closing adjustments and indemnities set forth in the purchase agreement dated as of August 3, 2021 between Sellers and Purchaser (the “Purchase Agreement”), as amended and supplemented to date.

Effective at the closing of the Sale, affiliates of Purchaser and Sellers entered into various commercial agreements designed to permit, among other things, the parties to continue to serve their respective customers.

The foregoing description does not purport to be complete and is qualified in its entirety by reference to the full text of the Purchase Agreement, a copy of which is filed as Exhibit 2.1 to this Current Report on Form 8-K and is incorporated by reference herein.

Item 8.01 Other Events.

In preparation for consummating the Sale, Lumen contributed approximately \$319 million to the spinoff pension plan transferred to Purchaser in connection with the Sale, which supplemented the previously disclosed transfers of pension benefit obligations and assets from Lumen’s pension plan to the same spinoff plan.

Additional information about the Sale is contained in Lumen’s press release issued on October 3, 2022, which is filed as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference herein.

Item 9.01 Financial Statements and Exhibits.

(b) Pro Forma Financial Information.

The following unaudited pro forma financial information of the Company reflecting the Sale is filed as Exhibit 99.2 to this Current Report on Form 8-K:

- Unaudited Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2022;
- Unaudited Pro Forma Condensed Consolidated Statement of Operations for the Six Months Ended June 30, 2022;
- Unaudited Pro Forma Condensed Consolidated Statement of Operations for the Year Ended December 31, 2021; and
- Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information.

(d) Exhibits.

The following exhibits are furnished with this Current Report on Form 8-K:

<u>Exhibit No.</u>	<u>Description</u>
2.1	<u>Purchase Agreement dated as of August 3, 2021, by and among Lumen Technologies, Inc., certain of its subsidiaries and Connect Holding LLC (incorporated by reference to Exhibit 2.1 to Lumen Technologies, Inc.’s Current Report on Form 8-K (File No. 001-07784) filed with the Securities and Exchange Commission on August 3, 2021).</u>
99.1	<u>Press Release dated October 3, 2022.</u>
99.2	<u>Unaudited Pro Forma Condensed Consolidated Financial Information.</u>
104	Cover page formatted as Inline XBRL and contained in Exhibit 101.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Lumen Technologies, Inc. has duly caused this Current Report on Form 8-K to be signed on its behalf by the undersigned officer hereunto duly authorized.

LUMEN TECHNOLOGIES, INC.

Dated: October 3, 2022

By: /s/ Stacey W. Goff

Stacey W. Goff

Executive Vice President, General Counsel and Secretary



Lumen Closes Sale of Local Incumbent Carrier Operations in 20 States to Brightspeed

DENVER, Oct. 3, 2022 — Lumen Technologies (NYSE: LUMN) today announced it has closed the sale of its ILEC (incumbent local exchange carrier) business in 20 states to Brightspeed. Lumen believes the transaction is a key step in its strategic plans to focus investments on driving profitable growth and places the company in a leading position to meet the world's increasing IT demands for latency-sensitive applications and immersive digital experiences.

"This is an important step in realizing long-term shareholder value while focusing our portfolio on the strongest growth opportunities, including investments in markets where we can concentrate our resources to reach more customers with maximum efficiency," said Jeff Storey, Lumen president and CEO. "Brightspeed has acquired a business with a strong customer base, dedicated employees and a platform for future growth. I'm very proud of our team for their dedicated work in closing this transformational project."

Key Highlights:

- Brightspeed acquired Lumen's ILEC (incumbent local exchange carrier) business in 20 states, which includes a robust, scaled local fiber and copper network, voice and broadband services, as well as back-office support.
- This sale allows Lumen to sharpen its enterprise focus, support its accelerated Quantum Fiber deployment plan and drive growth on the Lumen Platform.

Lumen retains its ILEC assets in 16 states where it plans to continue to invest in bringing Quantum Fiber broadband to more communities. Lumen also retains its CLEC (competitive local exchange carrier) networks, national fiber routes and associated networks in all of these states, as well as its international operations and strategic partnerships.

Additional Resources:

- View the transaction [map](#)
- Visit Lumen's [resource page](#) for more information about the transaction
- Lumen to sell local incumbent carrier operations in 20 states to Apollo Funds for \$7.5 billion ([August 3, 2021 News Release](#))

About Lumen Technologies and the People of Lumen:

Lumen is guided by our belief that humanity is at its best when technology advances the way we live and work. With approximately 400,000 route fiber miles and serving customers in more than 60 countries, we deliver the fastest, most secure platform for applications and data to help businesses, government and communities deliver amazing experiences. Learn more about the Lumen network, edge cloud, security, communication and collaboration solutions and our purpose to further human progress through technology at news.lumen.com, LinkedIn: [/lumentechologies](https://www.linkedin.com/company/lumentech), Twitter: [@lumentechco](https://twitter.com/lumentechco), Facebook: [/lumentechologies](https://www.facebook.com/lumentechologies), Instagram: [@lumentechologies](https://www.instagram.com/lumentechologies) and YouTube: [/lumentechologies](https://www.youtube.com/lumentechologies). Lumen and Lumen Technologies are registered trademarks in the United States.

Forward Looking Statements

Except for historical and factual information, the matters set forth in this release and other of Lumen's oral or written statements identified by words such as "estimates," "expects," "anticipates," "believes," "plans," "intends," and similar expressions are forward-looking statements. These forward-looking statements are not guarantees of future results and are based on current expectations only, are inherently speculative, and are subject to a number of assumptions, risks and uncertainties, many of which are beyond our control. Actual events and results may differ materially from those anticipated, estimated, projected or implied by us in those statements if one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect. Factors that could affect actual results include but are not limited to: the possibility that the anticipated benefits from the transaction cannot be fully realized in the manner contemplated; the possibility that it may be more difficult than anticipated to segregate the Company's divested business from its other businesses in connection with the divestiture; changes in the Company's cash requirements, financial position, financial plans or investment plans; changes in general market, economic, tax, regulatory or industry conditions; and other risks referenced from time to time in our filings with the U.S. Securities and Exchange Commission ("SEC"). For all the reasons set forth above and in our SEC filings, you are cautioned not to unduly rely upon any forward-looking statements, which speak only as of the date made. We undertake no obligation to publicly update or revise any forward-looking statements for any reason, whether as a result of new information, future events or developments, changed circumstances, or otherwise. Furthermore, any information about our intentions contained in any forward-looking statements reflects our intentions as of the date of such forward-looking statement, and is based upon, among other things, existing regulatory, technological, industry, competitive, economic and market conditions, and our assumptions with respect thereto, as of such date. We may change our intentions, strategies or plans (including the plans expressed herein) without notice at any time and for any reason.

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LUMEN TECHNOLOGIES, INC.
UNAUDITED PRO FORMA
CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Introduction

On October 3, 2022, Lumen Technologies, Inc. and certain of its wholly-owned subsidiaries (“Lumen” or “the Company”) sold its incumbent local exchange business (the “ILEC Business”) conducted within 20 Midwestern and Southeastern states (the “Divestiture”) to an affiliate of funds advised by Apollo Global Management, Inc. (“Apollo”). In exchange, Apollo paid Lumen \$7.5 billion of consideration, which was reduced by approximately \$0.4 billion of closing adjustments and partially paid through Apollo’s assumption of approximately \$1.5 billion of Lumen’s long-term consolidated indebtedness, resulting in pre-tax cash proceeds of approximately \$5.6 billion. This consideration is further subject to certain post-closing adjustments and indemnities set forth in the purchase agreement dated as of August 3, 2021 between Lumen and Apollo (the “Purchase Agreement”), as amended and supplemented to date.

Since entering into the Purchase Agreement on August 3, 2021, Lumen has classified the assets and liabilities of the ILEC Business as being held for sale. The combined results of operations of the ILEC Business will no longer be included in Lumen’s consolidated results of operations beginning October 3, 2022.

The following unaudited pro forma condensed consolidated statements of income of Lumen for the year ended December 31, 2021, and for the six months ended June 30, 2022 are presented as if the Divestiture occurred as of January 1, 2021 and give effect to the elimination of the historical financial results of the ILEC Business due to the Divestiture, as well as other pro forma adjustments to reflect the impact of certain commercial agreements with Apollo or its affiliates entered into at the time of the Divestiture which will have a continuing impact on Lumen’s results, as described further below. The following unaudited pro forma condensed consolidated balance sheet as of June 30, 2022 is presented as if the Divestiture had occurred as of June 30, 2022.

Lumen prepares its financial statements in accordance with U.S. Generally Accepted Accounting Principles. The following unaudited pro forma condensed consolidated financial statements are based on information currently available, including certain assumptions which are subject to change and certain estimates which may not be realized. They are intended for informational purposes only and are intended to represent what Lumen’s financial position and results of operations might have been had the Divestiture occurred on the dates indicated, but not to project Lumen’s financial position or results of operations for any future date or period.

The information in the “Lumen Historical” columns in the following unaudited pro forma condensed consolidated financial statements was derived from Lumen’s historical consolidated financial statements for the periods and as of the date presented and does not reflect any adjustments related to the Divestiture. In addition, neither Lumen’s historical consolidated financial statements nor the following unaudited pro forma condensed consolidated financial statements for the periods and as of the date presented include any adjustments to reflect Lumen’s sale of its Latin American business on August 1, 2022. The following unaudited pro forma condensed consolidated financial statements and their accompanying notes should be read in conjunction with the consolidated financial statements, their accompanying notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Lumen’s Annual Report on Form 10-K for the year ended December 31, 2021 and Lumen’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022.

The information in the “Removal of ILEC Business” columns in the following unaudited pro forma condensed consolidated financial statements:

- reflects the elimination of the net assets and financial performance of the ILEC Business in accordance with rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”)
- does not reflect what the ILEC Business’ results of operations would have been on a standalone basis, and
- is not intended to represent the ILEC Business’ future capitalization or results of operations.

The information in the “Pro Forma Adjustments” columns in the unaudited pro forma condensed consolidated financial statements reflects additional pro forma adjustments which have been made in accordance with SEC rules and are further described in the accompanying notes.

The unaudited pro forma condensed consolidated financial statements have not been adjusted to reflect Lumen’s potential dis-synergies that could result from the Divestiture and, in accordance with applicable SEC rules, do not reflect any nonrecurring transaction or separation expenses that the Company expects to incur after the Divestiture.

LUMEN TECHNOLOGIES, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2022

	<u>Lumen Historical</u>	<u>Removal of ILEC Business</u>	<u>Pro Forma Adjustments</u>	<u>Lumen Pro Forma</u>
			(In millions)	
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 360	—	5,311 ^{4, 6}	5,671
Accounts receivable, net	1,460	—	—	1,460
Assets held for sale	9,089	(6,605) ¹²	—	2,484
Other	881	—	—	881
Total current assets	<u>11,790</u>	<u>(6,605)</u>	<u>5,311</u>	<u>10,496</u>
NET PROPERTY, PLANT AND EQUIPMENT				
Property, plant and equipment	40,740	—	—	40,740
Accumulated depreciation	(20,020)	—	—	(20,020)
Net property, plant and equipment	<u>20,720</u>	<u>—</u>	<u>—</u>	<u>20,720</u>
GOODWILL AND OTHER ASSETS				
Goodwill	15,947	—	—	15,947
Other intangible assets, net	6,628	—	—	6,628
Other, net	2,590	—	—	2,590
Total goodwill and other assets	<u>25,165</u>	<u>—</u>	<u>—</u>	<u>25,165</u>
TOTAL ASSETS	<u>\$ 57,675</u>	<u>(6,605)</u>	<u>5,311</u>	<u>56,381</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>				
CURRENT LIABILITIES				
Current maturities of long-term debt	\$ 156	—	—	156
Accounts payable	1,053	—	—	1,053
Accrued expenses and other liabilities	1,698	—	—	1,698
Liabilities held for sale	2,249	(1,768) ^{9, 12}	—	481
Current portion of deferred revenue	625	—	—	625
Total current liabilities	<u>5,781</u>	<u>(1,768)</u>	<u>—</u>	<u>4,013</u>
LONG-TERM DEBT	<u>27,965</u>	<u>—</u>	<u>—</u>	<u>27,965</u>
DEFERRED CREDITS AND OTHER LIABILITIES				
Deferred income taxes, net	4,254	—	(737) ¹¹	3,517
Benefit plan obligations, net	3,553	—	(293) ⁶	3,260
Other	3,903	—	931 ¹¹	4,834
Total deferred credits and other liabilities	<u>11,710</u>	<u>—</u>	<u>(99)</u>	<u>11,611</u>
STOCKHOLDERS' EQUITY				
Preferred stock	—	—	—	—
Common stock	1,032	—	—	1,032
Additional paid-in capital	18,459	—	—	18,459
Accumulated other comprehensive loss	(2,217)	—	—	(2,217)
Accumulated deficit	(5,055)	(4,837) ⁸	5,410 ⁸	(4,482)
Total stockholders' equity	<u>12,219</u>	<u>(4,837)</u>	<u>5,410</u>	<u>12,792</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 57,675</u>	<u>(6,605)</u>	<u>5,311</u>	<u>56,381</u>

See accompanying notes to the unaudited pro forma condensed consolidated financial information

LUMEN TECHNOLOGIES, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 2022

	Lumen Historical	Removal of ILEC Business	Pro Forma Adjustments	Lumen Pro Forma
	(In millions, except per share amounts, and shares in thousands)			
OPERATING REVENUE	\$ 9,288	(1,066)	241, ²	8,246
OPERATING EXPENSES				
Cost of services and products (exclusive of depreciation and amortization)	4,043	(405)	90 ²	3,728
Selling, general and administrative	1,615	(192)	(81) ^{6, 7}	1,342
Depreciation and amortization	1,635	— ⁵	—	1,635
Total operating expenses	7,293	(597)	9	6,705
OPERATING INCOME	1,995	(469)	15	1,541
OTHER (EXPENSE) INCOME				
Interest expense	(689)	59 ¹⁰	—	(630)
Other expense, net	(52)	(2)	(5) ^{1, 6, 7}	(59)
Total other expense, net	(741)	57	(5)	(689)
INCOME BEFORE INCOME TAX EXPENSE	1,254	(412)	10	852
Income tax expense	311	(102)	2 ³	211
NET INCOME	\$ 943	(310)	8	641
BASIC AND DILUTED EARNINGS PER COMMON SHARE				
BASIC	\$ 0.93	(0.31)	0.01	0.63
DILUTED	\$ 0.93	(0.31)	0.01	0.63
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
BASIC	1,010,686	—	—	1,010,686
DILUTED	1,015,917	—	—	1,015,917

See accompanying notes to the unaudited pro forma condensed consolidated financial information

LUMEN TECHNOLOGIES, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2021

	<u>Lumen Historical</u>	<u>Removal of ILEC Business</u>	<u>Pro Forma Adjustments</u>	<u>Lumen Pro Forma</u>
	(In millions, except per share amounts, and shares in thousands)			
OPERATING REVENUE	\$ 19,687	(2,447)	581, ²	17,298
OPERATING EXPENSES				
Cost of services and products (exclusive of depreciation and amortization)	8,488	(851)	180 ²	7,817
Selling, general and administrative	2,895	(361)	(34) ^{6, 7}	2,500
Depreciation and amortization	4,019	(305) ⁵	—	3,714
Total operating expenses	15,402	(1,517)	146	14,031
OPERATING INCOME	4,285	(930)	(88)	3,267
OTHER (EXPENSE) INCOME				
Interest expense	(1,522)	115 ¹⁰	—	(1,407)
Other (expense) income, net	(62)	(2)	281, ⁶	(36)
Total other expense, net	(1,584)	113	28	(1,443)
INCOME BEFORE INCOME TAX EXPENSE	2,701	(817)	(60)	1,824
Income tax expense	668	(202)	(15) ³	451
NET INCOME	\$ 2,033	(615)	(45)	1,373
BASIC AND DILUTED EARNINGS PER COMMON SHARE				
BASIC	\$ 1.92	(0.58)	(0.04)	1.30
DILUTED	\$ 1.91	(0.58)	(0.04)	1.29
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
BASIC	1,059,541	—	—	1,059,541
DILUTED	1,066,778	—	—	1,066,778

See accompanying notes to the unaudited pro forma condensed consolidated financial information

LUMEN TECHNOLOGIES, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information

Basis of Presentation

The accompanying unaudited pro forma condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the SEC on the basis described under the heading “–Introduction.”

Adjustments

Note (1) These adjustments reflect an estimate of the fees Lumen would have received from Apollo during the applicable period for providing transition services to Apollo in accordance with a Transition Services Agreement between the parties (the “TSA”), estimated to be approximately \$32 million for the six months ended June 30, 2022 and \$101 million for the year ended December 31, 2021, with a portion of these fees recognized in other income and a portion as operating revenue, based on the service provided. Under the TSA, Lumen actually began providing transition services upon the October 3, 2022 completion date of the Divestiture. These transition services are expected to have a recurring impact and are provided for the sole purpose of supporting the operations of the ILEC Business after the Divestiture. The term of services to be provided under the TSA is an average of 17 months, subject to Apollo’s right to extend the term of certain services for up to six months and to terminate early the term of any service.

Note (2) These adjustments reflect an estimate of the aggregate impact of commercial agreements of approximately \$14 million of additional operating revenue and \$90 million of additional operating expense for the six months ended June 30, 2022 and \$28 million of additional operating revenue and \$180 million of additional operating expense for the year ended December 31, 2021 that would have been realized during the applicable period under the following agreements between Lumen and its affiliates, on the one hand, and Apollo and its affiliates, on the other hand:

- a Master Services Agreement, pursuant to which a Lumen subsidiary will provide various communications services to Apollo and its affiliates for ten years unless extended or unless the agreement or specific services provided thereunder are terminated earlier,
- a Network Services Agreement, pursuant to which an affiliate of Apollo will provide various network services to a Lumen subsidiary for ten years unless extended, subject to certain pricing adjustment provisions,
- a Colocation Services Agreement, pursuant to which an affiliate of Apollo will provide access to space and power to a Lumen subsidiary with respect to certain of its equipment for five years unless extended,
- Dark Fiber Agreements, pursuant to which each party will grant to the other the right to use certain inactivated fiber optic cable for five years unless extended.

Note (3) These adjustments represent an estimate of the tax impact of the Divestiture and the transactions between the parties under the agreements summarized in Notes (1) and (2), as well as all other pro forma adjustments noted within. In determining the tax rate to apply to these pro forma adjustments, the Company used the blended statutory income tax rates in effect for the periods presented, which was 24.8% for the six months ended June 30, 2022 and 24.7% for the year ended December 31, 2021.

Note (4) This adjustment represents the pre-tax cash proceeds of \$5.6 billion received from Apollo in connection with the Divestiture. This amount is subject to post-closing adjustments.

Note (5) This adjustment represents the removal of depreciation and amortization that was recognized in the periods presented prior to the designation of the divested assets associated with the ILEC Business as held for sale on August 3, 2021. Effective with the designation of the disposal group as held for sale on August 3, 2021, Lumen suspended recording depreciation of property, plant and equipment and amortization of finite-lived intangible assets and right-of-use assets while these assets were classified as held for sale. As such, \$305 million of depreciation and amortization was recognized for the year ended December 31, 2021, and no depreciation and amortization was recognized for the six months ended June 30, 2022. Absent this suspension, we estimate that we would have recorded an additional \$236 million and \$210 million of depreciation, intangible amortization, and amortization of right-of-use assets for the six months ended June 30, 2022 and the year ended December 31, 2021.

Note (6) This adjustment represents the elimination of additional costs or income and related net pension and post-retirement benefits plan liability changes due to the transfer of certain pension assets and obligations to Apollo in connection with the Divestiture. Lumen's pension obligation has been reduced, along with a corresponding reduction of cash, by \$319 million to reflect the full funding of the pension obligation as required under the Purchase Agreement. Lumen's post-retirement benefits plan liability has been adjusted by \$26 million to reflect the final valuation of the post-retirement benefits plan liability as required under the Purchase Agreement and as part of the closing adjustments. For the six months ended June 30, 2022, this adjustment is \$6 million of related selling, general and administrative expense and \$6 million of expense within other expense, net. For the year ended December 31, 2021, this adjustment is \$9 million of related selling, general and administrative expense and \$43 million of income within other (expense) income, net.

Note (7) This adjustment represents the removal of certain historical transaction and separation costs and income from transition and separation services provided in connection with the Divestiture, incurred and earned prior to the closing of the Divestiture and included in the historical consolidated statements of operations of Lumen during the periods presented, which have been removed as they will not have a continuing impact on Lumen. As of the six months ended June 30, 2022, this adjustment is \$75 million of related selling, general and administrative expense and \$33 million of income within other expense, net. As of the year ended December 31, 2021, this adjustment is \$25 million of related selling, general and administrative expense and no income within other (expense) income, net.

Note (8) The adjustments to accumulated deficit approximate the gain that the Company expects to record in connection with the Divestiture, which has been reduced by the estimated tax consequences of \$194 million, as described in Note (11). The adjustments to the unaudited pro forma condensed consolidated statements of operations do not reflect this anticipated gain on sale as this is considered one-time in nature and not indicative of ongoing operations.

Note (9) This adjustment reflects the elimination of long-term debt due to Apollo's assumption of the \$1.5 billion of Lumen's long-term consolidated indebtedness in connection with the Divestiture. Long-term debt, net of discounts, within liabilities held for sale includes \$1.4 billion of Embarq Corporation 7.995% Senior Notes due 2036, \$115 million of related unamortized discounts and \$73 million of long-term finance lease obligations.

Note (10) This adjustment includes the elimination of interest expense for the periods presented related to Apollo's assumption of the Embarq Corporation Senior Notes, as discussed in Note (9).

Note (11) This adjustment represents the tax consequences of settling the deferred tax liability related to the ILEC Business, including the utilization of existing net operating losses in connection with the Divestiture, and the tax consequences of the estimated book gain.

Note (12) Assets and Liabilities Held For Sale

In the accompanying Lumen Historical balance sheet as of June 30, 2022, the assets and liabilities of our ILEC Business have been classified as held for sale and have been measured at the lower of (i) the carrying value when we classified the ILEC Business as held for sale and (ii) the fair value of the ILEC Business, less costs to sell.

The principal components of the held for sale assets and liabilities of the ILEC Business as of June 30, 2022 were as follows:

	June 30, 2022 (in millions)
Assets of the ILEC Business held for sale	
Cash and cash equivalents	\$ —
Accounts receivable, net	197
Other current assets	42
Property, plant and equipment, net accumulated depreciation of \$8,251	3,582
Goodwill	2,581
Other intangible assets, net	158
Other non-current assets	45
Total assets held for sale	<u>\$ 6,605</u>
Liabilities of the ILEC Business held for sale	
Accounts payable	\$ 56
Salaries and benefits	21
Income and other taxes	29
Interest	10
Current portion of deferred revenue	81
Other current liabilities	26
Long-term debt, net of discounts	1,395
Pension and other post-retirement benefits	56
Other non-current liabilities	94
Total liabilities held for sale	<u>\$ 1,768</u>