

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2019
or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission File No. 001-7784



CENTURYLINK, INC.

(Exact name of registrant as specified in its charter)

Louisiana

(State or other jurisdiction of
incorporation or organization)

100 CenturyLink Drive,

Monroe, Louisiana

(Address of principal executive offices)

72-0651161

(I.R.S. Employer
Identification No.)

71203

(Zip Code)

(318) 388-9000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-accelerated Filer ☐ Smaller Reporting Company ☐
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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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	CTL	New York Stock Exchange

On August 1, 2019, there were 1,090,769,045 shares of common stock outstanding.

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* All references to "Notes" in this quarterly report refer to these Notes to Consolidated Financial Statements.

Special Note Regarding Forward-Looking Statements

This report and other documents filed by us under the federal securities law include, and future oral or written statements or press releases by us and our management may include, forward-looking statements about our business, financial condition, operating results and prospects. These "forward-looking" statements are defined by, and are subject to the "safe harbor" protections under, the federal securities laws. These statements include, among others:

- forecasts of our anticipated future results of operations, cash flows or financial position;
- statements concerning the anticipated impact of our transactions, investments, product development and other initiatives, including synergies or costs associated with our November 2017 combination with Level 3, the impact of our other acquisitions or dispositions, and the impact of our participation in government programs;
- statements about our liquidity, profit margins, tax position, tax assets, tax rates, asset values, contingent liabilities, growth opportunities and growth rates, acquisition and divestiture opportunities, business prospects, regulatory and competitive outlook, market share, product capabilities, investment and expenditure plans, business strategies, dividend and stock repurchase plans, capital allocation plans, financing alternatives and sources, and pricing plans; and
- other similar statements of our expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts, many of which are highlighted by words such as "may," "will," "would," "could," "should," "plan," "believes," "expects," "anticipates," "estimates," "projects," "intends," "likely," "seeks," "hopes," or variations or similar expressions with respect to the future.

These forward-looking statements are based upon our judgment and assumptions as of the date such statements are made concerning future developments and events, many of which are beyond our control. These forward-looking statements, and the assumptions upon which they are based, (i) are not guarantees of future results, (ii) are inherently speculative and (iii) are subject to a number of risks and uncertainties. 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 our underlying assumptions prove incorrect. All of our forward-looking statements are qualified in their entirety by reference to our discussion of factors that could cause our actual results to differ materially from those anticipated, estimated, projected or implied by us in those forward looking statements. Factors that could affect actual results include but are not limited to:

- the effects of competition from a wide variety of competitive providers, including decreased demand for our traditional wireline service offerings and increased pricing pressures;
- the effects of new, emerging or competing technologies, including those that could make our products less desirable or obsolete;
- our ability to attain our key operating imperatives, including simplifying and consolidating our network, simplifying and automating our service support systems, strengthening our relationships with customers and attaining projected cost savings;
- our ability to safeguard our network, and to avoid the adverse impact on our business from possible security breaches, service outages, system failures, equipment breakage, or similar events impacting our network or the availability and quality of our services;
- the effects of ongoing changes in the regulation of the communications industry, including the outcome of regulatory or judicial proceedings relating to intercarrier compensation, interconnection obligations, special access, universal service, broadband deployment, data protection and net neutrality;
- our ability to effectively adjust to changes in the communications industry, and changes in the composition of our markets and product mix;

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- possible changes in the demand for our products and services, including our ability to effectively respond to increased demand for high-speed data transmission services;
- our ability to successfully maintain the quality and profitability of our existing product and service offerings and to introduce profitable new offerings on a timely and cost-effective basis;
- our ability to generate cash flows sufficient to fund our financial commitments and objectives, including our capital expenditures, operating costs, debt repayments, dividends, pension contributions and other benefits payments;
- changes in our operating plans, corporate strategies, dividend payment plans or other capital allocation plans, whether based upon changes in our cash flows, cash requirements, financial performance, financial position, market conditions or otherwise;
- our ability to effectively retain and hire key personnel and to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages;
- the negative impact of increases in the costs of our pension, health, post-employment or other benefits, including those caused by changes in markets, interest rates, mortality rates, demographics or regulations;
- adverse changes in our access to credit markets on favorable terms, whether caused by changes in our financial position, lower debt credit ratings, unstable markets or otherwise;
- our ability to meet the terms and conditions of our debt obligations, including our ability to make transfers of cash in compliance therewith;
- our ability to maintain favorable relations with our key business partners, suppliers, vendors, landlords and financial institutions;
- our ability to collect our receivables from financially troubled customers;
- our ability to use our net operating loss carryforwards in the amounts projected;
- any adverse developments in legal or regulatory proceedings involving us;
- changes in tax, communications, pension, healthcare or other laws or regulations, in governmental support programs, or in general government funding levels;
- the effects of changes in accounting policies, practices or assumptions, including changes that could potentially require future impairment charges;
- the effects of adverse weather, terrorism or other natural or man-made disasters;
- adverse effects of material weaknesses or any other significant deficiencies identified in our internal controls over financial reporting;
- the effects of more general factors such as changes in interest rates, in exchange rates, in operating costs, in public policy, in the views of financial analysts, or in general market, labor, economic or geo-political conditions; and
- other risks referenced in this report or other of our filings with the SEC.

Additional factors or risks that we currently deem immaterial, that are not presently known to us or that arise in the future could also cause our actual results to differ materially from our expected results. Given these uncertainties, investors are cautioned not to unduly rely upon our 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 of our 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 as of such date. We may change our intentions, strategies or plans (including our dividend or other capital allocation plans) at any time and without notice, based upon any changes in such factors, in our assumptions or otherwise.

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CENTURYLINK, INC. CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
(Dollars in millions, except per share amounts and shares in thousands)				
OPERATING REVENUE	\$ 5,578	5,902	11,225	11,847
OPERATING EXPENSES				
Cost of services and products (exclusive of depreciation and amortization)	2,446	2,730	4,966	5,533
Selling, general and administrative	960	1,115	1,892	2,224
Depreciation and amortization	1,196	1,290	2,384	2,573
Goodwill impairment	—	—	6,506	—
Total operating expenses	4,602	5,135	15,748	10,330
OPERATING INCOME (LOSS)	976	767	(4,523)	1,517
OTHER (EXPENSE) INCOME				
Interest expense	(518)	(546)	(1,041)	(1,081)
Other income, net	44	16	39	37
Total other expense, net	(474)	(530)	(1,002)	(1,044)
INCOME (LOSS) BEFORE INCOME TAXES	502	237	(5,525)	473
Income tax expense (benefit)	131	(55)	269	66
NET INCOME (LOSS)	\$ 371	292	(5,794)	407
BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE				
BASIC	\$ 0.35	0.27	(5.41)	0.38
DILUTED	\$ 0.35	0.27	(5.41)	0.38
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING				
BASIC	1,071,341	1,064,711	1,070,110	1,064,663
DILUTED	1,072,813	1,068,819	1,070,110	1,068,414

See accompanying notes to consolidated financial statements.

CENTURYLINK, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
NET INCOME (LOSS)	\$ 371	292	(5,794)	407
OTHER COMPREHENSIVE INCOME (LOSS):				
Items related to employee benefit plans:				
Change in net actuarial loss, net of (\$14), (\$11), (\$28) and (\$22) tax	42	34	85	67
Change in net prior service credit, net of \$0, (\$1), (\$1) and (\$2) tax	2	2	3	4
Unrealized holding loss on interest rate swaps, net of \$8 and \$14 tax	(26)	—	(43)	—
Foreign currency translation adjustment and other net of \$3, \$44, \$2 and \$30 tax	(8)	(239)	(3)	(160)
Other comprehensive income (loss)	10	(203)	42	(89)
COMPREHENSIVE INCOME (LOSS)	\$ 381	89	(5,752)	318

See accompanying notes to consolidated financial statements.

CENTURYLINK, INC.
CONSOLIDATED BALANCE SHEETS

	June 30, 2019 (Unaudited)	December 31, 2018
	(Dollars in millions and shares in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 410	488
Restricted cash	3	4
Accounts receivable, less allowance of \$139 and \$142	2,446	2,398
Assets held for sale	8	12
Other	1,011	918
Total current assets	3,878	3,820
Property, plant and equipment, net of accumulated depreciation of \$28,097 and \$26,859	25,860	26,408
GOODWILL AND OTHER ASSETS		
Goodwill	21,527	28,031
Operating lease assets	1,844	—
Restricted cash	27	26
Customer relationships, net	8,245	8,911
Other intangibles, net	1,962	1,868
Other, net	1,165	1,192
Total goodwill and other assets	34,770	40,028
TOTAL ASSETS	\$ 64,508	70,256
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 1,595	652
Accounts payable	1,634	1,933
Accrued expenses and other liabilities		
Salaries and benefits	921	1,104
Income and other taxes	374	337
Current operating lease liabilities	488	—
Interest	294	316
Other	337	357
Current portion of deferred revenue	852	832
Total current liabilities	6,495	5,531
LONG-TERM DEBT	33,193	35,409
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred income taxes, net	2,826	2,527
Benefit plan obligations, net	4,213	4,319
Noncurrent operating lease liabilities	1,467	—
Other	2,622	2,642
Total deferred credits and other liabilities	11,128	9,488
COMMITMENTS AND CONTINGENCIES (Note 12)		
STOCKHOLDERS' EQUITY		
Preferred stock—non-redeemable, \$25.00 par value, authorized 2,000 and 2,000 shares, issued and outstanding 7 and 7 shares	—	—
Common stock, \$1.00 par value, authorized 2,200,000 and 1,600,000 shares, issued and outstanding 1,090,137 and 1,080,167 shares	1,090	1,080
Additional paid-in capital	22,342	22,852
Accumulated other comprehensive loss	(2,419)	(2,461)
Accumulated deficit	(7,321)	(1,643)
Total stockholders' equity	13,692	19,828
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 64,508	70,256

CENTURYLINK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30,	
	2019	2018
	(Dollars in millions)	
OPERATING ACTIVITIES		
Net (loss) income	\$ (5,794)	407
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	2,384	2,573
Impairment of goodwill and other assets	6,506	28
Deferred income taxes	244	400
Provision for uncollectible accounts	85	83
Net (gain) loss on early retirement of debt	(66)	1
Share-based compensation	76	95
Changes in current assets and liabilities:		
Accounts receivable	(132)	35
Accounts payable	(266)	(173)
Accrued income and other taxes	20	(147)
Other current assets and liabilities, net	(233)	(276)
Retirement benefits	(8)	(195)
Changes in other noncurrent assets and liabilities, net	67	400
Other, net	—	18
Net cash provided by operating activities	2,883	3,249
INVESTING ACTIVITIES		
Capital expenditures	(1,731)	(1,576)
Proceeds from sale of property, plant and equipment and other assets	26	125
Other, net	(12)	(61)
Net cash used in investing activities	(1,717)	(1,512)
FINANCING ACTIVITIES		
Net proceeds from issuance of long-term debt	—	130
Payments of long-term debt	(760)	(123)
Net proceeds (payments) on revolving line of credit	100	(405)
Dividends paid	(554)	(1,156)
Other, net	(30)	(38)
Net cash used in financing activities	(1,244)	(1,592)
Net (decrease) increase in cash, cash equivalents and restricted cash	(78)	145
Cash, cash equivalents and restricted cash at beginning of period	518	587
Cash, cash equivalents and restricted cash at end of period	\$ 440	732
Supplemental cash flow information:		
Income taxes (paid) refunded, net	\$ (22)	292
Interest paid (net of capitalized interest of \$32 and \$28)	\$ (1,050)	(1,061)
Cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 410	700
Restricted cash - current	3	5
Restricted cash - noncurrent	27	27
Total	\$ 440	732

See accompanying notes to consolidated financial statements.

CENTURYLINK, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
(Dollars in millions except per share amounts)				
COMMON STOCK				
Balance at beginning of period	\$ 1,090	1,079	1,080	1,069
Issuance of common stock through dividend reinvestment, incentive and benefit plans	—	—	10	10
Balance at end of period	1,090	1,079	1,090	1,079
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of period	22,575	23,316	22,852	23,314
Change in common stock through dividend reinvestment, incentive and benefit plans	(2)	(3)	(14)	(9)
Shares withheld to satisfy tax withholdings	(3)	(10)	(29)	(35)
Share-based compensation and other, net	44	57	77	90
Dividends declared	(272)	—	(544)	—
Balance at end of period	22,342	23,360	22,342	23,360
ACCUMULATED OTHER COMPREHENSIVE LOSS				
Balance at beginning of period	(2,429)	(2,288)	(2,461)	(1,995)
Cumulative effect of adoption of ASU 2018-02, <i>Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income</i>	—	—	—	(407)
Other comprehensive income	10	(203)	42	(89)
Balance at end of period	(2,419)	(2,491)	(2,419)	(2,491)
RETAINED EARNINGS (ACCUMULATED DEFICIT)				
Balance at beginning of period	(7,693)	1,336	(1,643)	1,103
Net income (loss)	371	292	(5,794)	407
Cumulative effect of adoption of ASU 2016-02, <i>Leases</i> , net of \$37 tax	—	—	115	—
Cumulative effect of adoption of ASU 2018-02, <i>Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income</i>	—	—	—	407
Cumulative net effect of adoption of ASU 2014-09, <i>Revenue from Contracts with Customers</i> , net of \$101 tax	—	—	—	297
Dividends declared	1	(588)	1	(1,174)
Balance at end of period	(7,321)	1,040	(7,321)	1,040
TOTAL STOCKHOLDERS' EQUITY	\$ 13,692	22,988	13,692	22,988
DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.25	0.54	0.50	1.08

See accompanying notes to consolidated financial statements.

CENTURYLINK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

References in the Notes to "CenturyLink," "we," "us" and "our" refer to CenturyLink, Inc. and its consolidated subsidiaries, unless the context otherwise requires and except in Note 5—Long-Term Debt and Credit Facilities, where such references refer solely to CenturyLink, Inc. References in the Notes to "Level 3" refer to Level 3 Communications, Inc. prior to our acquisition thereof and to its successor-in-interest Level 3 Parent, LLC after such acquisition, unless the context otherwise requires.

(1) Background

General

We are an international facilities-based communications company engaged primarily in providing an integrated array of services to our residential and business customers.

Basis of Presentation

Our consolidated balance sheet as of December 31, 2018, which was derived from our audited consolidated financial statements, and our unaudited interim consolidated financial statements provided herein have been prepared in accordance with the instructions for Form 10-Q. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission ("SEC"); however, in our opinion, the disclosures made are adequate to make the information presented not misleading. We believe that these consolidated financial statements include all normal recurring adjustments necessary to fairly present the results for the interim periods. The consolidated results of operations and cash flows for the first six months of the year are not necessarily indicative of the consolidated results of operations and cash flows that might be expected for the entire year. These consolidated financial statements and the accompanying notes should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our annual report on Form 10-K for the year ended December 31, 2018.

The accompanying consolidated financial statements include our accounts and the accounts of our subsidiaries in which we have a controlling interest. Intercompany amounts and transactions with our consolidated subsidiaries have been eliminated.

To simplify the overall presentation of our consolidated financial statements, we report immaterial amounts attributable to noncontrolling interests in certain of our subsidiaries as follows: (i) income attributable to noncontrolling interests in other income, net, (ii) equity attributable to noncontrolling interests in additional paid-in capital and (iii) cash flows attributable to noncontrolling interests in other, net financing activities.

We reclassified certain prior period amounts to conform to the current period presentation, including the categorization of our revenue and expenses in our segment reporting. See Note 11—Segment Information for additional information. These changes had no impact on total operating revenue, total operating expenses or net income (loss) for any period.

Included in accounts payable at June 30, 2019 and December 31, 2018, were less than \$1 million and \$86 million, respectively, representing book overdrafts.

Summary of Significant Accounting Policies

The significant accounting policy below is in addition to the significant accounting policies described in Note 1 — Background and Summary of Significant Accounting Policies to the consolidated financial statements and accompanying notes in Part II Item 8 of our annual report on Form 10-K for the year ended December 31, 2018.

Derivatives and Hedging

We may use derivative instruments to hedge exposure to interest rate risks arising from fluctuation in interest rates. We account for derivative instruments in accordance with Accounting Standards Codification 815, *Derivatives and Hedging*, which establishes accounting and reporting standards for derivative instruments. We do not use derivative financial instruments for speculative purposes.

Derivatives are recognized in the consolidated balance sheets at their fair values. When we become a party to a derivative instrument and intend to apply hedge accounting, we formally document the hedge relationship and the risk management objective for undertaking the hedge which includes designating the instrument for financial reporting purposes as a fair value hedge, a cash flow hedge, or a net investment hedge.

We entered into five variable-to-fixed interest rate swap agreements during the first quarter 2019 and six variable-to-fixed interest rate swap agreements during the second quarter 2019, which we designated as cash-flow hedges (see Note 10—Derivative Financial Instruments to our consolidated financial statements in Item 1 of Part 1 of this report). We evaluate the effectiveness of these hedges qualitatively on a quarterly basis. The change in the fair value of the interest rate swaps is reflected in Accumulated Other Comprehensive Income (Loss) ("AOCI") and is subsequently reclassified into earnings in the period the hedged transaction affects earnings, due to the fact that the interest rate swaps qualify as effective cash flow hedges.

Recently Adopted Accounting Pronouncements

We adopted Accounting Standards Update ("ASU") 2016-02, *"Leases (ASC 842)"*, as of January 1, 2019, using the non-comparative transition option pursuant to ASU 2018-11. Therefore, we have not restated comparative period financial information for the effects of ASC 842, and we will not make the new required lease disclosures for comparative periods beginning before January 1, 2019. Instead, we will recognize ASC 842's cumulative effect transition adjustment (discussed below) as of January 1, 2019. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things (i) allowed us to carry forward the historical lease classification; (ii) did not require us to reassess whether any expired or existing contracts are or contain leases under the new definition of a lease; and (iii) did not require us to reassess whether previously capitalized initial direct costs for any existing leases would qualify for capitalization under ASC 842. We also elected the practical expedient related to land easements, allowing us to carry forward our accounting treatment for land easements on existing agreements. We did not elect the hindsight practical expedient regarding the likelihood of exercising a lessee purchase option or assessing any impairment of right-of-use assets for existing leases.

On March 5, 2019, the Financial Accounting Standards Board ("FASB") issued ASU 2019-01, *"Leases (ASC 842): Codification Improvements"*, effective for public companies for fiscal years beginning after December 15, 2019. The new ASU aligns the guidance for fair value of the underlying asset by lessors that are not manufacturers or dealers in ASC 842, with that of existing guidance. As a result, the fair value of the underlying asset at lease commencement is its cost, reflecting any volume or trade discounts that may apply. However, if there has been a significant lapse of time between when the underlying asset is acquired and when the lease commences, the definition of *fair value* (in ASC 820, *"Fair Value Measurement"*) should be applied. More importantly, the ASU also exempts both lessees and lessors from having to provide certain interim disclosures in the fiscal year in which a company adopts the new leases standard. Early adoption permits public companies to adopt concurrent with the transition to ASC 842 on leases. We adopted ASU 2019-01 as of January 1, 2019.

Adoption of the new standard resulted in the recording of operating lease assets and operating lease liabilities of approximately \$2.1 billion and \$2.2 billion, respectively, as of January 1, 2019. The difference is driven principally by the netting of our existing real estate restructure reserve against the corresponding operating lease right of use asset. In addition, we recorded a \$115 million cumulative adjustment to accumulated deficit as of January 1, 2019, for the impact of the new accounting standard. The adjustment to accumulated deficit was driven by the derecognition of our prior failed sale leaseback transaction discussed in our prior periodic reports. Our financial position for reporting periods beginning on or after January 1, 2019 is presented under the new guidance, while prior period amounts are not adjusted and continue to be reported in accordance with previous guidance. The standard did not materially impact our consolidated net earnings or our cash flows in the six months ended June 30, 2019.

Effective January 1, 2019, we adopted ASU 2017-12, "*Targeted Improvements to Accounting for Hedging Activities*". ASU 2017-12 amends current guidance on accounting for hedges mainly to align more closely an entity's risk management activities and financial reporting relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. In addition, amendments in ASU 2017-12 simplify the application of hedge accounting by allowing more time to prepare hedge documentation and perform effectiveness assessments on a qualitative basis after hedges are implemented. The adoption of this standard will be applied prospectively and did not have an impact on us. See Note 10—Derivative Financial Instruments to our consolidated financial statements in Item 1 of Part I of this report for additional disclosure regarding our hedging arrangements.

Recently Issued Accounting Pronouncements

Financial Instruments

In June 2016, the FASB issued ASU 2016-13, "*Measurement of Credit Losses on Financial Instruments*". The primary impact of ASU 2016-13 for us is a change in the model for the recognition of credit losses related to our financial instruments from an incurred loss model, which recognized credit losses only if it was probable that a loss had been incurred, to an expected loss model, which requires our management team to estimate the total credit losses expected on the portfolio of financial instruments. We are currently reviewing the requirements of the standard and evaluating the impact on our consolidated financial statements.

We are required to adopt the provisions of ASU 2016-13 no later than January 1, 2020. We expect to adopt ASU 2016-13 on January 1, 2020 and recognize the impacts through a cumulative adjustment to accumulated deficit as of the date of adoption.

(2) Goodwill, Customer Relationships and Other Intangible Assets

Goodwill, customer relationships and other intangible assets consisted of the following:

	June 30, 2019	December 31, 2018
	(Dollars in millions)	
Goodwill	\$ 21,527	28,031
Customer relationships, less accumulated amortization of \$9,159 and \$8,492	\$ 8,245	8,911
Indefinite-life intangible assets	\$ 269	269
Other intangible assets subject to amortization:		
Capitalized software, less accumulated amortization of \$2,765 and \$2,616	\$ 1,576	1,468
Trade names and patents, less accumulated amortization of \$76 and \$61	117	131
Total other intangible assets, net	\$ 1,962	1,868

Our goodwill was derived from numerous acquisitions where the purchase price exceeded the fair value of the net assets acquired.

We are required to perform impairment tests related to our goodwill annually, which we perform as of October 31, or sooner if an indicator of impairment occurs. Each of our January 2019 internal reorganization and the decline in our stock price were events that triggered impairment testing. Consequently, during the first quarter of 2019 we evaluated our goodwill for the internal reorganization in January and again as of March 31, 2019, which led to the first quarter 2019 impairment charge described below. There were no additional triggering events during the second quarter of 2019.

Our reporting units are not discrete legal entities with discrete full financial statements. Our assets and liabilities are employed in and relate to the operations of multiple reporting units. For each reporting unit, we compare its estimated fair value of equity to its carrying value of equity that we assign to the reporting unit. If the estimated fair value of the reporting unit is greater than the carrying value, we conclude that no impairment exists. If the estimated fair value of the reporting unit is less than the carrying value, we record an impairment equal to the excess amount.

When we performed our October 31, 2018 annual impairment test, we estimated the fair value of our reporting units by considering both a market approach and a discounted cash flow method. The market approach method includes the use of multiples of publicly traded companies whose services are comparable to ours. The discounted cash flow method is based on the present value of projected cash flows and a terminal value, which represents the expected normalized cash flows of the reporting units beyond the cash flows from the discrete projection period. Because our low stock price was the primary trigger for impairment testing, we estimated the fair value of our operations using only the market approach in the quarter ended March 31, 2019. Applying this approach, we utilized company comparisons and analyst reports within the telecommunications industry which have historically supported a range of fair values of annualized revenue and EBITDA (earnings before interest, taxes, depreciation and amortization) multiples between 2.1x and 4.9x and 4.9x and 9.8x, respectively. We selected a revenue and EBITDA multiple for each of our reporting units within this range. We reconciled the estimated fair values of the reporting units to our market capitalization as of the date of each of our triggering events during the first quarter of 2019 and concluded that the indicated control premium of approximately 4.5% and 4.1% was reasonable based on recent transactions in the market place. In the quarter ended March 31, 2019, based on our assessments performed with respect to the reporting units as described above, we concluded that the estimated fair value of certain of our reporting units was less than our carrying value of equity as of the date of each of our triggering events during the first quarter. As a result, we recorded non-cash, non-tax-deductible goodwill impairment charges aggregating to \$6.5 billion in the quarter ended March 31, 2019.

The market multiples approach that we used in the quarter ended March 31, 2019 incorporates significant estimates and assumptions related to the forecasted results for the remainder of the year, including revenues, expenses, and the achievement of other cost synergies. In developing the market multiple, we also considered observed trends of our industry participants. Our failure to attain these forecasted results or changes in trends could result in future impairments. Our assessment included many qualitative factors that required significant judgment. Alternative interpretations of these factors could have resulted in different conclusions regarding the size of our impairments. Continued declines in our profitability, cash flows or the sustained, historically low trading prices of our common stock, may result in further impairment.

Amortization expense for intangible assets for the three months ended June 30, 2019 and 2018 totaled \$440 million and \$447 million, respectively, and for the six months ended June 30, 2019 and 2018 totaled \$869 million and \$890 million, respectively. As of June 30, 2019, the gross carrying amount of goodwill, customer relationships, indefinite-life and other intangible assets was \$43.7 billion.

We estimate that total amortization expense for intangible assets for the years ending December 31, 2019 through 2023 will be as follows:

	(Dollars in millions)	
2019 (remaining six months)	\$	845
2020		1,638
2021		1,198
2022		963
2023		886

In January 2019, Jeff Storey, our Chief Operating Decision Maker ("CODM"), announced a new organization structure and began managing our operations in the following five segments: international and global accounts, enterprise, small and medium business, wholesale and consumer. As a result of this decision, we reclassified certain prior period amounts to conform to the current period presentation.

The following table shows the rollforward of goodwill assigned to our reportable segments from December 31, 2018 through June 30, 2019 :

	International and Global Accounts	Enterprise	Small and Medium Business	Wholesale	Consumer	Total
(Dollars in millions)						
As of December 31, 2018	\$ 3,595	5,222	5,193	6,437	7,584	28,031
January 2019 reorganization	—	987	(1,038)	395	(344)	—
Effect of foreign currency rate change	2	—	—	—	—	2
Impairments	(934)	(1,471)	(896)	(3,019)	(186)	(6,506)
As of June 30, 2019	\$ 2,663	4,738	3,259	3,813	7,054	21,527

(3) Revenue Recognition

Refer to the Revenue Recognition section of Note 1—Background and Summary of Significant Accounting Policies and Note 5—Revenue Recognition in our annual report on Form 10-K for the year ended December 31, 2018 for further information regarding our application of ASC 606, “Revenue from Contracts with Customers”, including practical expedients and judgments applied in determining the amounts and timing of revenue from contracts with customers.

Reconciliation of Total Revenue to Revenue from Contracts with Customers

The following table provides the amount of revenue that is not subject to ASC 606, but is instead governed by other accounting standards:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
(Dollars in millions)				
Total revenue	\$ 5,578	5,902	11,225	11,847
Adjustments for non-ASC 606 revenue ⁽¹⁾	(356)	(325)	(714)	(636)
Total revenue from contracts with customers	\$ 5,222	5,577	10,511	11,211

(1) Includes regulatory revenue, lease revenue, sublease rental income, revenue from fiber capacity lease arrangements and failed sale leaseback income, which are not within the scope of ASC 606.

Customer Receivables and Contract Balances

The following table provides balances of customer receivables, contract assets and contract liabilities as of June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
(Dollars in millions)		
Customer receivables ⁽¹⁾	\$ 2,379	2,346
Contract assets	141	140
Contract liabilities	1,000	860

(1) Gross customer receivables of \$2.5 billion and \$2.5 billion , net of allowance for doubtful accounts of \$128 million and \$132 million , at June 30, 2019 and December 31, 2018, respectively.

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Contract liabilities are consideration we have received from our customers or billed in advance of providing goods or services promised in the future. We defer recognizing this consideration as revenue until we have satisfied the related performance obligation to the customer. Contract liabilities include recurring services billed one month in advance and installation and maintenance charges that are deferred and recognized over the actual or expected contract term, which ranges from one to seven years depending on the service. Contract liabilities are included within deferred revenue in our consolidated balance sheets.

The following table provides information about revenue recognized for the three and six months ended June 30, 2019 and 2018 :

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
(Dollars in millions)				
Revenue recognized in the period from:				
Amounts included in contract liability at the beginning of the period (January 1, 2019 and 2018, respectively)	\$ 44	50	534	573
Performance obligations satisfied in previous periods	—	—	—	—

Performance Obligations

As of June 30, 2019 , our estimated revenue expected to be recognized in the future related to performance obligations associated with customer contracts that are unsatisfied (or partially satisfied) is approximately \$6.7 billion . We expect to recognize approximately 75% of this revenue through 2021, with the balance recognized thereafter.

We do not disclose the value of unsatisfied performance obligations for contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed (for example, uncommitted usage or non-recurring charges associated with professional or technical services to be completed), or contracts that are classified as leasing arrangements that are not subject to ASC 606.

Contract Costs

The following table provides changes in our contract acquisition costs and fulfillment costs:

	Three Months Ended June 30, 2019		Three Months Ended June 30, 2018	
	(Dollars in millions)			
	Acquisition Costs	Fulfillment Costs	Acquisition Costs	Fulfillment Costs
Beginning of period balance	\$ 329	198	281	150
Costs incurred	43	44	47	29
Amortization	(51)	(35)	(41)	(18)
End of period balance	<u>\$ 321</u>	<u>207</u>	<u>287</u>	<u>161</u>

	Six Months Ended June 30, 2019		Six Months Ended June 30, 2018	
	(Dollars in millions)			
	Acquisition Costs	Fulfillment Costs	Acquisition Costs	Fulfillment Costs
Beginning of period balance	\$ 322	187	268	133
Costs incurred	100	78	99	58
Amortization	(101)	(58)	(80)	(30)
End of period balance	<u>\$ 321</u>	<u>207</u>	<u>287</u>	<u>161</u>

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Acquisition costs include commission fees paid to employees as a result of obtaining contracts. Fulfillment costs include third party and internal costs associated with the provision, installation and activation of telecommunications services to customers, including labor and materials consumed for these activities.

Deferred acquisition and fulfillment costs are amortized based on the transfer of services on a straight-line basis over the average customer life of 30 months for consumer customers and 12 to 60 months for business customers. Amortized fulfillment costs are included in cost of services and products and amortized acquisition costs are included in selling, general and administrative expenses in our consolidated statements of operations. The amount of these deferred costs that are anticipated to be amortized in the next twelve months are included in other current assets on our consolidated balance sheets. The amount of deferred costs expected to be amortized beyond the next twelve months is included in other non-current assets on our consolidated balance sheets. Deferred acquisition and fulfillment costs are assessed for impairment on an annual basis.

(4) Leases

Our financial position for reporting periods beginning on or after January 1, 2019 is presented under the new guidance, while prior periods amounts are not adjusted and continue to be reported in accordance with previous guidance.

We primarily lease various office facilities, switching and colocation facilities, equipment and dark fiber. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

We determine if an arrangement is a lease at inception and whether that lease meets the classification criteria of a finance or operating lease. Lease-related assets, or right-of-use assets, are recognized at the lease commencement date at amounts equal to the respective lease liabilities. Lease-related liabilities are recognized at the present value of the remaining contractual fixed lease payments, discounted using our incremental borrowing rates. Operating lease expense is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred.

Some of our lease arrangements contain lease components (including fixed payments including rent, real estate taxes and insurance costs) and non-lease components (including common-area maintenance costs). We generally account for each component separately based on the estimated standalone price of each component. For colocation leases, we account for the lease and non-lease components as a single lease component.

Many of our lease agreements contain renewal options; however, we do not recognize right-of-use assets or lease liabilities for renewal periods unless it is determined that we are reasonably certain of renewing the lease at inception or when a triggering event occurs. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain to be exercised. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Lease expense consisted of the following:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
	(Dollars in millions)	
Operating and short-term lease cost	\$ 166	335
Finance lease cost:		
Amortization of right-of-use assets	11	23
Interest on lease liability	3	7
Total finance lease cost	14	30
Total lease cost	\$ 180	365

Supplemental unaudited consolidated balance sheet information and other information related to leases:

		June 30, 2019
Leases (millions)	Classification on the Balance Sheet	
Assets		
Operating lease assets	Operating lease assets	\$ 1,844
Finance lease assets	Property, plant and equipment, net of accumulated depreciation	263
Total leased assets		\$ 2,107
Liabilities		
Current		
Operating	Other current liabilities	\$ 488
Finance	Current portion of long-term debt	32
Noncurrent		
Operating	Noncurrent operating lease liabilities	1,467
Finance	Long-term debt	188
Total lease liabilities		\$ 2,175
Weighted-average remaining lease term (years)		
Operating leases		7.8
Finance leases		11.2
Weighted-average discount rate		
Operating leases		6.96%
Finance leases		5.46%

Supplemental unaudited consolidated cash flow statement information related to leases:

	Six Months Ended June 30, 2019
	(Dollars in millions)
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 351
Operating cash flows from finance leases	6
Finance cash flows from finance leases	17

As of June 30, 2019 , maturities of lease liabilities were as follows:

	Operating Leases	Finance Leases
	(Dollars in millions)	
2019 (remaining six months)	\$ 288	22
2020	456	36
2021	367	25
2022	319	23
2023	274	20
Thereafter	895	179
Total lease payments	2,599	305
Less: interest	(644)	(85)
Total	\$ 1,955	220
Less: current portion	(488)	(32)
Long-term portion	\$ 1,467	188

As of June 30, 2019 , we had no material operating or finance leases that had not yet commenced.

Operating Lease Income

CenturyLink leases various IRUs, office facilities, switching facilities and other network sites to third parties under operating leases. Lease and sublease income are included in operating revenue in the consolidated statements of operations.

For the three and six months ended June 30, 2019 , our gross rental income was \$205 million and \$404 million , respectively, which represents 4% and 4% , respectively, of our operating revenue for the three and six months ended June 30, 2019 and for the three and six months ended June 30, 2018 , our gross rental income was \$253 million and \$472 million , respectively, which represents 4% and 4% , respectively, of our operating revenue for the three and six months ended June 30, 2018 .

We adopted ASU 2016-02 on January 1, 2019 as noted above, and as required, the following disclosure is provided for periods prior to adoption.

The future annual minimum payments under capital lease agreements as of December 31, 2018 were as follows:

	(Dollars in millions)
Capital lease obligations:	
2019	\$ 51
2020	36
2021	23
2022	21
2023	20
2024 and thereafter	183
Total minimum payments	334
Less: amount representing interest and executory costs	(100)
Present value of minimum payments	234
Less: current portion	(38)
Long-term portion	\$ 196

At December 31, 2018 , our future rental commitments for operating leases were as follows:

	Operating Leases	
	(Dollars in millions)	
2019	\$	675
2020		443
2021		355
2022		279
2023		241
2024 and thereafter		969
Total future minimum payments ⁽¹⁾	\$	2,962

(1) Minimum payments have not been reduced by minimum sublease rentals of \$101 million due in the future under non-cancelable subleases.

(5) Long-Term Debt and Credit Facilities

The following chart reflects the consolidated long-term debt of CenturyLink, Inc. and its subsidiaries, including unamortized discounts and premiums and unamortized debt issuance costs, but excluding intercompany debt:

	Interest Rates ⁽¹⁾	Maturities	June 30, 2019	December 31, 2018
(Dollars in millions)				
Senior Secured Debt: ⁽²⁾				
<i>CenturyLink, Inc.</i>				
2017 Revolving Credit Facility	5.151% - 5.237%	2022	\$ 650	550
Term Loan A ⁽³⁾	LIBOR + 2.75%	2022	1,579	1,622
Term Loan A-1 ⁽³⁾	LIBOR + 2.75%	2022	342	351
Term Loan B ⁽³⁾	LIBOR + 2.75%	2025	5,910	5,940
<i>Subsidiaries:</i>				
<i>Level 3 Financing, Inc.</i>				
Tranche B 2024 Term Loan ⁽⁴⁾	LIBOR + 2.25%	2024	4,611	4,611
<i>Embarq Corporation subsidiaries</i>				
First mortgage bonds	7.125% - 8.375%	2023 - 2025	138	138
Senior Notes and Other Debt:				
<i>CenturyLink, Inc.</i>				
Senior notes	5.625% - 7.650%	2019 - 2042	7,698	8,036
<i>Subsidiaries:</i>				
<i>Level 3 Financing, Inc.</i>				
Senior notes	5.125% - 6.125%	2021 - 2026	5,315	5,315
<i>Level 3 Parent, LLC</i>				
Senior notes	5.750%	2022	600	600
<i>Qwest Corporation</i>				
Senior notes	6.125% - 7.750%	2021 - 2057	5,956	5,956
Term loan	4.410%	2025	100	100
<i>Qwest Capital Funding, Inc.</i>				
Senior notes	6.875% - 7.750%	2021 - 2031	352	697
<i>Embarq Corporation and subsidiary</i>				
Senior note	7.995%	2036	1,450	1,485
Other	9.000%	2019	148	150
Finance lease and other obligations	Various	Various	223	801
Unamortized discounts and other, net			(21)	(8)
Unamortized debt issuance costs			(263)	(283)
Total long-term debt			34,788	36,061
Less current maturities			(1,595)	(652)
Long-term debt, excluding current maturities			\$ 33,193	35,409

(1) As of June 30, 2019 .

(2) For information on certain parent or subsidiary guarantees and liens securing this debt, see "Other" below.

(3) Term Loans A, A-1 and B had interest rates of 5.152% and 5.272% as of June 30, 2019 and December 31, 2018, respectively.

(4) The Tranche B 2024 Term Loan had an interest rate of 4.652% as of June 30, 2019 and 4.754% as of December 31, 2018, respectively.

Long-Term Debt Maturities

Set forth below is the aggregate principal amount of our long-term debt (excluding unamortized discounts, net and unamortized debt issuance costs) maturing during the following years as of June 30, 2019 :

	(Dollars in millions)
2019 (remaining six months)	\$ 496
2020	1,191
2021	3,118
2022	5,386
2023	2,095
2024 and thereafter	22,786
Total long-term debt	\$ 35,072

Repayments

During the six months ended June 30, 2019 , CenturyLink and its affiliates repurchased approximately \$720 million of their respective debt securities, which primarily included approximately \$345 million of Qwest Capital Funding notes and \$338 million of CenturyLink, Inc. Senior notes.

Covenants

Certain of our debt instruments contain affirmative and negative covenants. Debt at CenturyLink, Inc., Level 3 Parent, LLC, and Level 3 Financing, Inc. contain more extensive covenants including, among other things and subject to certain exceptions, restrictions on their ability to declare or pay dividends, repay certain other indebtedness, create liens, incur additional indebtedness, make investments, engage in transactions with their affiliates, dispose of assets and merge or consolidate with any other person. Also, CenturyLink, Inc. and certain of its affiliates will be required to offer to purchase certain of their respective outstanding debt under certain circumstances in connection with certain specified "change of control" transactions.

Certain of our debt instruments contain cross acceleration provisions.

Compliance

As of June 30, 2019 , CenturyLink, Inc. believes it and its subsidiaries were in compliance with the provisions and financial covenants in their respective material debt agreements in all material respects.

Other

In February 2019, we entered into five variable-to-fixed interest rate swap agreements to hedge the interest payments on \$2.5 billion notional amount of floating rate debt. See Note 10—Derivative Financial Instruments .

In June 2019, we entered into six variable-to-fixed interest rate swap agreements to hedge the interest payments on \$1.5 billion notional amount of floating rate debt. See Note 10—Derivative Financial Instruments .

Subsequent Event

On July 29, 2019, CenturyLink announced that its subsidiary, Level 3 Financing, Inc. will redeem \$400 million of its \$640 million 6.125% Senior Notes on August 25, 2019.

For additional information on our long-term debt and credit facilities, see Note 6 — Long-Term Debt and Credit Facilities to our consolidated financial statements in Item 8 of Part II of our annual report on Form 10-K for the year ended December 31, 2018.

(6) Severance and Leased Real Estate

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Periodically, we reduce our workforce and accrue liabilities for the related severance costs. These workforce reductions result primarily from the progression or completion of our post-acquisition integration plans, increased competitive pressures, cost reduction initiatives, process improvements through automation and reduced workload demands due to the loss of customers purchasing certain services.

Under prior GAAP, we had previously recognized liabilities to reflect our estimates of the fair values of the existing lease obligations for real estate which we have ceased using, net of estimated sublease rentals. In accordance with transitional guidance under the new lease standard (ASC 842), the existing lease obligation of \$110 million as of January 1, 2019 has been netted against the operating lease right of use assets at adoption. For additional information, see Note 4—Leases to our consolidated financial statements in Item 1 of Part I of this report.

Changes in our accrued liabilities for severance expenses were as follows:

	Severance (Dollars in millions)
Balance at December 31, 2018	\$ 87
Accrued to expense	7
Payments, net	(55)
Balance at June 30, 2019	\$ 39

(7) Employee Benefits

Net periodic benefit (income) expense for our combined pension plan includes the following components:

	Combined Pension Plan			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Service cost	\$ 14	17	28	33
Interest cost	107	96	217	196
Expected return on plan assets	(153)	(169)	(309)	(342)
Recognition of prior service credit	(2)	(2)	(4)	(4)
Recognition of actuarial loss	56	45	113	89
Net periodic pension benefit expense (income)	\$ 22	(13)	45	(28)

Net periodic benefit expense for our post-retirement benefit plans includes the following components:

	Post-Retirement Benefit Plans			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Service cost	\$ 4	5	8	9
Interest cost	28	25	55	49
Recognition of prior service cost	4	5	8	10
Net periodic post-retirement benefit expense	\$ 36	35	71	68

Service costs are included in the cost of services and products and selling, general and administrative line items on the Statement of Operations and all other costs listed above are included in the other income, net line item on the Statement of Operations. Benefits paid by our qualified pension plan are paid through a trust that holds all of the plan's assets. Based on current laws and circumstances, we do not expect any contributions to be required for our qualified pension plan during 2019. The amount of required contributions to our qualified pension plan in 2020 and beyond will depend on a variety of factors, most of which are beyond our control, including earnings on plan investments, prevailing interest rates, demographic experience, changes in plan benefits and changes in funding laws and regulations. We occasionally make voluntary contributions in addition to required contributions. Based on

current circumstances, we do not anticipate making a voluntary contribution to the trust for our qualified pension plan in 2019.

(8) Earnings (Loss) Per Common Share

Basic and diluted earnings (loss) per common share were calculated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in millions, except per share amounts, shares in thousands)			
Income (Loss) (Numerator):				
Net income (loss)	\$ 371	292	(5,794)	407
Net income (loss) applicable to common stock for computing basic earnings per common share	371	292	(5,794)	407
Net income (loss) as adjusted for purposes of computing diluted earnings per common share	\$ 371	292	(5,794)	407
Shares (Denominator):				
Weighted-average number of shares:				
Outstanding during period	1,090,342	1,078,986	1,086,966	1,076,273
Non-vested restricted stock	(19,001)	(14,275)	(16,856)	(11,610)
Weighted-average shares outstanding for computing basic earnings per common share	1,071,341	1,064,711	1,070,110	1,064,663
Incremental common shares attributable to dilutive securities:				
Shares issuable under convertible securities	10	10	—	10
Shares issuable under incentive compensation plans	1,462	4,098	—	3,741
Number of shares as adjusted for purposes of computing diluted earnings (loss) per common share	1,072,813	1,068,819	1,070,110	1,068,414
Basic earnings (loss) per common share	\$ 0.35	0.27	(5.41)	0.38
Diluted earnings (loss) per common share ⁽¹⁾	\$ 0.35	0.27	(5.41)	0.38

(1) For the six months ended June 30, 2019, we excluded from the calculation of diluted loss per share 2.4 million shares, potentially issuable under incentive compensation plans or convertible securities, as their effect, if included, would have been anti-dilutive.

Our calculation of diluted earnings (loss) per common share excludes shares of common stock that are issuable upon exercise of stock options when the exercise price is greater than the average market price of our common stock. We also exclude unvested restricted stock awards that are antidilutive as a result of unrecognized compensation cost. Such shares averaged 14.3 million and 9.9 million for the three and six months ended June 30, 2019, respectively, and 3.1 million and 3.7 million for the three and six months ended June 30, 2018, respectively.

(9) Fair Value of Financial Instruments

The Fair Value Measurement and Disclosure framework provides a three-tiered fair value hierarchy based on the reliability of the inputs used to determine fair value. Input Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Input Level 2 refers to fair values estimated using significant other observable inputs and Input Level 3 includes fair values estimated using significant unobservable inputs.

Due to their short-term nature, the carrying amounts of our cash, cash equivalents and restricted cash, accounts receivable and accounts payable approximate their fair values.

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The following table presents the carrying amounts and estimated fair values of CenturyLink, Inc.'s financial liabilities as of June 30, 2019 and December 31, 2018 :

		June 30, 2019		December 31, 2018	
	Input Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(Dollars in millions)					
Long-term debt, excluding finance lease and other obligations	2	\$ 34,565	34,914	35,260	32,915
Interest rate swap contracts (see Note 10)	2	\$ 57	57	—	—

(10) Derivative Financial Instruments

From time to time, CenturyLink, Inc. uses derivative financial instruments, primarily interest rate swaps, to manage our exposure to fluctuations in interest rates. Our primary objective in managing interest rate risk is to decrease the volatility of our earnings and cash flows affected by changes in the underlying rates. We have floating rate long-term debt (see Note 5—Long-Term Debt and Credit Facilities to our consolidated financial statements in Item 1 of Part I of this report). These obligations expose us to variability in interest payments due to changes in interest rates. If interest rates increase, interest expense increases. Conversely, if interest rates decrease, interest expense also decreases. We have designated our currently outstanding interest rate swap agreements as cash flow hedges. As described further below, under these hedges, we receive variable-rate amounts from a counterparty in exchange for us making fixed-rate payments over the lives of the agreements without exchange of the underlying notional amount. The change in the fair value of the interest rate swap agreements is reflected in AOCI and is subsequently reclassified into earnings in the period that the hedged transaction affects earnings, due to the fact that the interest rate swap agreements qualify as effective cash flow hedges. We do not use derivative financial instruments for speculative purposes.

In February 2019, we entered into five variable-to-fixed interest rate swap agreements to hedge the interest payments on \$2.5 billion notional amount of floating rate debt. The five interest rate swap agreements are with different counterparties; one for \$700 million and the other four for \$450 million each. The transactions were effective beginning March 31, 2019 and mature March 31, 2022. Under the terms of these interest rate swap transactions, we receive interest payments based on one month floating LIBOR terms and pay interest at the fixed rate of 2.48% . We evaluate the effectiveness of these hedges qualitatively on a quarterly basis.

In June 2019, we entered into six variable-to-fixed interest rate swap agreements to hedge the interest payments on \$1.5 billion notional amount of floating rate debt. The six interest rate swap agreements are with different counterparties for \$250 million each. The transactions were effective beginning June 30, 2019 and mature June 30, 2022. Under the terms of these interest rate swap transactions, we receive interest payments based on one month floating LIBOR terms and pay interest at the fixed rate of 1.58% . We evaluate the effectiveness of these hedges qualitatively on a quarterly basis.

CenturyLink, Inc. is exposed to credit related losses in the event of non-performance by counterparties. The counterparties to any of the financial derivatives we enter into are major institutions with investment grade credit ratings. We evaluate counterparty credit risk before entering into any hedge transaction and continue to closely monitor the financial market and the risk that our counterparties will default on their obligations as part of our quarterly qualitative effectiveness evaluation. This credit risk is generally limited to the unrealized losses in such contracts, should any of these counterparties fail to perform as contracted.

Amounts accumulated in AOCI related to derivatives are indirectly recognized in earnings as periodic settlement payments are made throughout the term of the swaps.

The table below presents the fair value of our derivative financial instruments as well as their classification on the consolidated balance sheets as follows (in millions):

Derivatives designated as	Liability Derivatives	
	June 30, 2019	
	Balance Sheet Location	Fair Value
Cash flow hedging contracts	Other current and noncurrent liabilities	\$ 57

The amount of losses recognized in AOCI consists of the following (in millions):

Derivatives designated as hedging instruments	2019
Cash flow hedging contracts	
Three months ended June 30,	\$ 34
Six months ended June 30,	\$ 57

Amounts currently included in AOCI will be reflected as earnings prior to the settlement of these cash flow hedging contracts in 2022. We estimate that \$12.1 million of net losses on the interest rate swaps (based on the estimated LIBOR curve as of June 30, 2019) will be reflected as earnings within the next twelve months. Our interest rate swap agreements designated as cash flow hedging contracts qualify as effective hedge

relationships.

(11) Segment Information

In January 2019, Jeff Storey, our CODM, announced a new organization structure and began managing our operations in the following five segments: International and Global Accounts Management, Enterprise, Small and Medium Business, Wholesale and Consumer. In addition, our segments are managed based on the direct costs of providing services to their customers and the associated selling, general and administrative costs (primarily salaries and commissions). Shared costs that were previously reported in segments are managed separately and included in "Operations and Other", in the tables below. We reclassified certain prior period amounts to conform to the current period presentation.

At June 30, 2019, we had the following five reportable segments:

- *International and Global Accounts Management ("IGAM") Segment.* Under our IGAM segment, we provide our products and services to approximately 200 global enterprise customers and to enterprises and carriers in three operating regions: Asia Pacific, Latin America, Europe Middle East and Africa. IGAM is responsible for working with large multinational organizations in support of their business and IT transformation strategies. We provide a portfolio of services inclusive of dark fiber; content delivery; private and public networking; hybrid IT solutions including private and public cloud services as well as consulting and professional services; and security services; all of which are described further under "Products and Services Categories"; and
- *Enterprise Segment.* Under our enterprise segment, we provide our products and services to large and medium domestic and global enterprises, federal, state and local governments. Our products and services offered to these customers include our IP and Data Services suite of products, which includes VPN and hybrid networking, Ethernet and IP services; Transport and Infrastructure, which includes wavelengths and private line, dark fiber, colocation and data center services, and professional services; Voice Services, which includes local, long-distance, toll-free and unified communications services; and IT and Managed services, all of which are described further under "Products and Services Categories"; and

- *Small and Medium Business ("SMB") Segment.* Under our SMB segment, we provide our products and services to small and medium businesses directly and through our indirect channel partners. We designate businesses as small or medium based on company employee count. Our products and services offered to these customers include our IP and Data Services suite of products, primarily VPN, IP and Ethernet services; Transport and Infrastructure, which includes broadband, wavelengths and private line services; Voice Services, which includes local, long-distance, national public access, VoIP and toll-free services; and IT and Managed services, all of which are described further under "Products and Services Categories"; and
- *Wholesale Segment.* Under our wholesale segment, we provide our products and services to a wide range of other communication providers across the wireline, wireless, cable, voice and data center sectors. Customers range from large global telecom providers to small regional providers. Our products and services offered to these customers include our IP and Data Services suite of products, primarily Ethernet, VPN and IP services; Transport and Infrastructure, which includes private line, wavelengths, UNE, dark fiber, colocation and data center, and wholesale broadband services; and Voice Services, which includes long-distance, local, toll-free and contact center, and intercarrier tandem services, all of which are described further under "Products and Services Categories"; and
- *Consumer Segment.* Under our consumer segment, we provide our products and services to residential customers. Our products and services offered to these customers include our broadband, local and long-distance voice, and other ancillary services. Additionally, Universal Service Fund ("USF") federal and state support payments, Connect America Fund ("CAF") federal support revenue, and other revenue from leasing and subleasing including prior year rental income associated with the 2017 failed-sale-leaseback is reported in our consumer segment as regulatory revenue in 2018.

Product and Service Categories

We categorize our products and services revenue among the following four categories for the International and Global Accounts Management, Enterprise, Small and Medium Business and Wholesale segments:

- *IP and Data Services* , which includes primarily VPN data networks, Ethernet, IP, video (including our facilities-based video services, CDN services and Vyx broadcast services) and other ancillary services;
- *Transport and Infrastructure* , which includes broadband, private line (including business data services), data center facilities and services, including cloud, hosting and application management solutions, wavelength, equipment sales and professional services, network security services, dark fiber services and other ancillary services;
- *Voice and Collaboration* , which includes primarily local and long-distance voice, including wholesale voice, and other ancillary services;
- *IT and Managed Services* , which includes information technology services and managed services, which may be purchased in conjunction with our other network services; and

We categorize our products and services revenue among the following four categories for the Consumer segment:

- *Broadband* , which includes consumer broadband revenue; and
- *Voice* , which includes consumer local and long-distance revenue; and
- *Regulatory Revenue*, which consists of (i) Universal Service Fund, Connect America Fund and other support payments designed to reimburse us for various costs related to certain telecommunications services and (ii) other operating revenue from the leasing and subleasing of space; and
- *Other*, which includes consumer retail video revenue (including our facilities-based video revenue), professional services and other ancillary services.

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The following table summarizes our segment results and operating revenue detail for our product and services for the three months ended June 30, 2019 .

Three Months Ended June 30, 2019								
	International and Global Accounts	Enterprise	Small and Medium Business	Wholesale	Consumer	Total Segments	Operations and Other	Total
(Dollars in millions)								
Revenue:								
IP and Data Services	\$ 420	681	290	339	—	1,730	—	1,730
Transport and Infrastructure	333	368	106	484	—	1,291	—	1,291
Voice and Collaboration	94	390	328	193	—	1,005	—	1,005
IT and Managed Services	55	66	12	2	—	135	—	135
Broadband	—	—	—	—	718	718	—	718
Voice	—	—	—	—	477	477	—	477
Regulatory	—	—	—	—	158	158	—	158
Other	—	—	—	—	64	64	—	64
Total Revenue	902	1,505	736	1,018	1,417	5,578	—	5,578
Expenses:								
Cost of services and products	258	497	147	145	77	1,124	1,322	2,446
Selling, general and administrative	68	143	120	21	110	462	498	960
Less: share-based compensation	—	—	—	—	—	—	(43)	(43)
Total expense	326	640	267	166	187	1,586	1,777	3,363
Total adjusted EBITDA	\$ 576	865	469	852	1,230	3,992	(1,777)	2,215

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The following table summarizes our segment results and operating revenue detail for our product and services for the three months ended June 30, 2018 .

Three Months Ended June 30, 2018								
	International and Global Accounts	Enterprise	Small and Medium Business	Wholesale	Consumer	Total Segments	Operations and Other	Total
(Dollars in millions)								
Revenue:								
IP and Data Services	\$ 431	667	299	349	—	1,746	—	1,746
Transport and Infrastructure	309	381	135	539	—	1,364	—	1,364
Voice and Collaboration	94	398	371	226	—	1,089	—	1,089
IT and Managed Services	69	77	14	2	—	162	—	162
Broadband	—	—	—	—	705	705	—	705
Voice	—	—	—	—	546	546	—	546
Regulatory	—	—	—	—	185	185	—	185
Other	—	—	—	—	105	105	—	105
Total Revenue	903	1,523	819	1,116	1,541	5,902	—	5,902
Expenses:								
Cost of services and products	263	500	147	167	124	1,201	1,529	2,730
Selling, general and administrative	64	145	136	23	136	504	611	1,115
Less: share-based compensation	—	—	—	—	—	—	(54)	(54)
Total expense	327	645	283	190	260	1,705	2,086	3,791
Total adjusted EBITDA	\$ 576	878	536	926	1,281	4,197	(2,086)	2,111

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The following table summarizes our segment results and operating revenue detail for our product and services for the six months ended June 30, 2019 .

Six Months Ended June 30, 2019								
	International and Global Accounts	Enterprise	Small and Medium Business	Wholesale	Consumer	Total Segments	Operations and Other	Total
(Dollars in millions)								
Revenue:								
IP and Data Services	\$ 840	1,369	590	680	—	3,479	—	3,479
Transport and Infrastructure	653	732	213	983	—	2,581	—	2,581
Voice and Collaboration	188	787	664	389	—	2,028	—	2,028
IT and Managed Services	112	140	24	3	—	279	—	279
Broadband	—	—	—	—	1,440	1,440	—	1,440
Voice	—	—	—	—	966	966	—	966
Regulatory	—	—	—	—	317	317	—	317
Other	—	—	—	—	135	135	—	135
Total Revenue	1,793	3,028	1,491	2,055	2,858	11,225	—	11,225
Expenses:								
Cost of services and products	517	993	300	286	164	2,260	2,706	4,966
Selling, general and administrative	136	292	252	41	219	940	952	1,892
Less: share-based compensation	—	—	—	—	—	—	(76)	(76)
Total expense	653	1,285	552	327	383	3,200	3,582	6,782
Total adjusted EBITDA	\$ 1,140	1,743	939	1,728	2,475	8,025	(3,582)	4,443

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The following table summarizes our segment results and operating revenue detail for our product and services for the six months ended June 30, 2018 .

Six Months Ended June 30, 2018								
	International and Global Accounts	Enterprise	Small and Medium Business	Wholesale	Consumer	Total Segments	Operations and Other	Total
(Dollars in millions)								
Revenue:								
IP and Data Services	\$ 871	1,332	590	688	—	3,481	—	3,481
Transport and Infrastructure	630	780	245	1,077	—	2,732	—	2,732
Voice and Collaboration	195	808	740	457	—	2,200	—	2,200
IT and Managed Services	142	150	28	4	—	324	—	324
Broadband	—	—	—	—	1,417	1,417	—	1,417
Voice	—	—	—	—	1,103	1,103	—	1,103
Regulatory	—	—	—	—	368	368	—	368
Other	—	—	—	—	222	222	—	222
Total Revenue	1,838	3,070	1,603	2,226	3,110	11,847	—	11,847
Expenses:								
Cost of services and products	535	1,014	300	343	282	2,474	3,059	5,533
Selling, general and administrative	132	297	263	47	271	1,010	1,214	2,224
Less: share-based compensation	—	—	—	—	—	—	(95)	(95)
Total expense	667	1,311	563	390	553	3,484	4,178	7,662
Total adjusted EBITDA	\$ 1,171	1,759	1,040	1,836	2,557	8,363	(4,178)	4,185

We recognize revenue in our consolidated statements of operations for certain USF surcharges and transaction taxes that we bill to our customers. Our consolidated statements of operations also reflect the offsetting expense for the amounts we remit to the government agencies. The total amount of such surcharges and transaction taxes that we included in revenues aggregated to \$232 million and \$229 million for the three months ended June 30, 2019 and June 30, 2018 , respectively, and \$480 million and \$476 million , for the six months ended June 30, 2019 and June 30, 2018 , respectively. These USF surcharges, where we record revenue and transaction taxes, are assigned to the product and service categories of each segment based on the underlying revenue. We also act as a collection agent for certain other USF and transaction taxes that we are required by government agencies to bill our customers, for which we do not record any revenue or expense because we only act as a pass-through agent.

Revenue and Expenses

Our segment revenue includes all revenue from our International and Global Accounts Management, Enterprise, Small and Medium Business, Wholesale and Consumer segments as described in more detail above. Our segment revenue is based upon each customer's classification. We report our segment revenue based upon all services provided to that segment's customers. Our segment expenses include specific cost of service expenses incurred as a direct result of providing services and products to segment customers, along with selling, general and administrative expenses that are directly associated with specific segment customers or activities. Network expenses not incurred as a direct result of providing services and products to segment customers and centrally managed expenses such as Operations, Finance, Human Resources, Legal, Marketing, Product Management and IT are not assigned to segments as they are managed separately; they are reported as "Operations and Other". We do not assign depreciation and amortization expense or impairments to our segments, as the related assets and capital expenditures are centrally managed and are not monitored by or reported to the CODM by segment. Interest expense is also excluded from segment results because we manage our financing on a consolidated basis and have not allocated assets or debt to specific segments. Stock-based compensation and other income and expense items are not monitored as a part of our segment operations and are therefore excluded from our segment results.

The following table reconciles total segment adjusted EBITDA to net income (loss):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Total segment adjusted EBITDA	\$ 3,992	4,197	8,025	8,363
Depreciation and amortization	(1,196)	(1,290)	(2,384)	(2,573)
Impairment of goodwill	—	—	(6,506)	—
Other operating expenses	(1,777)	(2,086)	(3,582)	(4,178)
Stock-based compensation	(43)	(54)	(76)	(95)
Operating income (loss)	976	767	(4,523)	1,517
Total other expense, net	(474)	(530)	(1,002)	(1,044)
Income (loss) before income taxes	502	237	(5,525)	473
Income tax expense (benefit)	131	(55)	269	66
Net income (loss)	\$ 371	292	(5,794)	407

(12) Commitments and Contingencies and Other Items

We are subject to various claims, legal proceedings and other contingent liabilities, including the matters described below, which individually or in the aggregate could materially affect our financial condition, future results of operations or cash flows. As a matter of course, we are prepared to both litigate these matters to judgment as needed, as well as to evaluate and consider reasonable settlement opportunities.

Irrespective of its merits, litigation may be both lengthy and disruptive to our operations and could cause significant expenditure and diversion of management attention. We review our litigation accrual liabilities on a quarterly basis, but in accordance with applicable accounting guidelines only establish accrual liabilities when losses are deemed probable and reasonably estimable and only revise previously-established accrual liabilities when warranted by changes in circumstances, in each case based on then-available information. As such, as of any given date we could have exposure to losses under proceedings as to which no liability has been accrued or as to which the accrued liability is inadequate. Amounts accrued for our litigation and non-income tax contingencies at June 30, 2019 aggregated to approximately \$134 million and are included in other current liabilities and other liabilities in our consolidated balance sheet as of such date. The establishment of an accrual does not mean that actual funds have been set aside to satisfy a given contingency. Thus, the resolution of a particular contingency for the amount accrued could have no effect on our results of operations but nonetheless could have an adverse effect on our cash flows.

In this Note, when we refer to a class action as "putative" it is because a class has been alleged, but not certified in that matter.

Principal Proceedings

Shareholder Class Action Suits

CenturyLink and certain CenturyLink board members and officers were named as defendants in a putative shareholder class action lawsuit filed on June 12, 2018 in the Boulder County District Court of the state of Colorado, captioned Houser et al. v. CenturyLink, et al. The complaint asserts claims on behalf of a putative class of former Level 3 shareholders who became CenturyLink shareholders as a result of the transaction. It alleges that the proxy statement provided to the Level 3 shareholders failed to disclose material information of several kinds, including information about strategic revenue, customer loss rates, and customer account issues, among other items. The complaint seeks damages, costs and fees, rescission, rescissory damages, and other equitable relief.

Switched Access Disputes

Subsidiaries of CenturyLink, Inc. are among hundreds of companies involved in an industry-wide dispute, raised in nearly 100 federal lawsuits (filed between 2014 and 2016) that have been consolidated in the United States District Court for the Northern District of Texas for pretrial procedures. The disputes relate to switched access charges that local exchange carriers ("LECs") collect from interexchange carriers ("IXCs") for IXCs' use of LEC's access services. In the lawsuits, IXCs, including Sprint Communications Company L.P. ("Sprint") and various affiliates of Verizon Communications Inc. ("Verizon"), assert that federal and state laws bar LECs from collecting access charges when IXCs exchange certain types of calls between mobile and wireline devices that are routed through an IXC. Some of these IXCs have asserted claims seeking refunds of payments for access charges previously paid and relief from future access charges.

In November 2015, the federal court agreed with the LECs and rejected the IXCs' contention that federal law prohibits these particular access charges, and also allowed the IXCs to refile state-law claims. Since then, many of the LECs and IXCs have filed revised pleadings and additional motions, which remain pending. Separately, some of the defendants, including CenturyLink, Inc.'s LECs, have petitioned the FCC to address these issues on an industry-wide basis.

Our subsidiaries include both IXCs and LECs which respectively pay and assess significant amounts of the charges in question. The outcomes of these disputes and lawsuits, as well as any related regulatory proceedings that could ensue, are currently not predictable.

State Tax Suits

Several Missouri municipalities have, beginning in May 2012, asserted claims alleging underpayment of taxes against CenturyLink, Inc. and several of its subsidiaries in a number of proceedings filed in the Circuit Court of St. Louis County, Missouri. These municipalities are seeking, among other things, declaratory relief regarding the application of business license and gross receipts taxes and back taxes from 2007 to the present, plus penalties and interest. In a February 2017 ruling in connection with one of these pending cases, the court entered an order awarding plaintiffs \$4 million and broadening the tax base on a going-forward basis. We have appealed that ruling. In a June 2017 ruling in connection with another one of these pending cases, the court made findings which, if not overturned, will result in a tax liability to us well in excess of the contingent liability we have established. In due course, we plan to appeal that decision. We continue to vigorously defend against these claims.

Billing Practices Suits

In June 2017, a former employee filed an employment lawsuit against us claiming that she was wrongfully terminated for alleging that we charged some of our retail customers for products and services they did not authorize. Starting shortly thereafter and continuing since then, and based in part on the allegations made by the former employee, several legal proceedings have been filed.

In June 2017, *McLeod v. CenturyLink*, a putative consumer class action, was filed against us in the U.S. District Court for the Central District of California alleging that we charged some of our retail customers for products and services they did not authorize. A number of other complaints asserting similar claims have been filed in other federal and state courts, as well. The lawsuits assert claims including fraud, unfair competition, and unjust enrichment. Also in June 2017, *Craig v. CenturyLink, Inc., et al.*, a putative securities investor class action, was filed in U.S. District Court for the Southern District of New York, alleging that we failed to disclose material information regarding improper sales practices, and asserting federal securities law claims. A number of other cases asserting similar claims have also been filed.

Beginning June 2017, we also received several shareholder derivative demands addressing related topics. In August 2017, the Board of Directors formed a special litigation committee of outside directors to address the allegations of impropriety contained in the shareholder derivative demands. In April 2018, the special litigation committee concluded its review of the derivative demands and declined to take further action. Since then, derivative cases were filed. Two of these cases, *Castagna v. Post* and *Pinsly v. Post*, were filed in Louisiana state court in the Fourth Judicial District Court for the Parish of Ouachita. The remaining derivative cases were filed in federal court in Louisiana and Minnesota. These cases have been brought on behalf of CenturyLink against certain current and former officers and directors of the Company and seek damages for alleged breaches of fiduciary duties.

The consumer putative class actions, the securities investor putative class actions, and the federal derivative actions have been transferred to the U.S. District Court for the District of Minnesota for coordinated and consolidated pretrial proceedings as *In Re: CenturyLink Sales Practices and Securities Litigation*. Subject to confirmatory discovery and court approval, we have agreed to settle the consumer putative class actions for payments of \$15.5 million to compensate class members and of up to \$3.5 million for administrative costs. We have accrued for those amounts.

In July 2017, the Minnesota state attorney general filed *State of Minnesota v. CenturyTel Broadband Services LLC, et al.* in the Anoka County Minnesota District Court, alleging claims of fraud and deceptive trade practices relating to improper consumer sales practices. The suit seeks an order of restitution on behalf of all CenturyLink customers, civil penalties, injunctive relief, and costs and fees. Additionally, we have received and responded to information requests and inquiries from other states.

Locate Service Investigations

In June 2019, Minnesota and Arizona initiated investigations related to the timeliness of responses by certain of our vendors to requests for marking the location of underground telecommunications facilities. We and our subsidiaries are cooperating with the investigations.

Peruvian Tax Litigation

In 2005, the Peruvian tax authorities ("SUNAT") issued tax assessments against one of our Peruvian subsidiaries asserting \$26 million, of additional income tax withholding and value-added taxes ("VAT"), penalties and interest for calendar years 2001 and 2002 on the basis that the Peruvian subsidiary incorrectly documented its importations. After taking into account the developments described below, as well as the accrued interest and foreign exchange effects, we believe the total amount of our exposure was \$9 million at June 30, 2019.

We challenged the assessments via administrative and then judicial review processes. In October 2011, the highest administrative review tribunal (the Tribunal) decided the central issue underlying the 2002 assessments in SUNAT's favor. We appealed the Tribunal's decision to the first judicial level, which decided the central issue in favor of Level 3. SUNAT and we filed cross-appeals with the court of appeal. In May 2017, the court of appeal issued a decision reversing the first judicial level. In June 2017, we filed an appeal of the decision to the Supreme Court of Justice, the final judicial level. Oral argument was held before the Supreme Court of Justice in October 2018. A decision on this case is pending.

In October 2013, the Tribunal decided the central issue underlying the 2001 assessments in SUNAT's favor. We appealed that decision to the first judicial level in Peru, which decided the central issue in favor of SUNAT. In June 2017, we filed an appeal with the court of appeal. In November 2017, the court of appeals issued a decision affirming the first judicial level and we filed an appeal of the decision to the Supreme Court of Justice. Oral argument was held before the Supreme Court of Justice in June 2019. A decision on this case is pending.

Brazilian Tax Claims

In December 2004, March 2009, April 2009 and July 2014, the São Paulo state tax authorities issued tax assessments against one of our Brazilian subsidiaries for the Tax on Distribution of Goods and Services ("ICMS") with respect to revenue from leasing certain assets (in the case of the December 2004, March 2009 and July 2014 assessments) and revenue from the provision of Internet access services (in the case of the April 2009 and July 2014 assessments), by treating such activities as the provision of communications services, to which the ICMS tax applies. In September 2002, July 2009 and May 2012, the Rio de Janeiro state tax authorities issued tax assessments to the same Brazilian subsidiary on similar issues.

We have filed objections to these assessments, arguing that the lease of assets and the provision of Internet access are not communication services subject to ICMS. The objections to the September 2002, December 2004 and March 2009 assessments were rejected by the respective state administrative courts, and we have appealed those decisions to the judicial courts. In October 2012 and June 2014, we received favorable rulings from the lower court on the December 2004 and March 2009 assessments regarding equipment leasing, but those rulings are subject to appeal by the state. No ruling has been obtained with respect to the September 2002 assessment. The objections to the April and July 2009 and May 2012 assessments are still pending final administrative decisions. The July 2014 assessment was confirmed during the fourth quarter of 2014 at the first administrative level, and we appealed this decision to the second administrative level.

We are vigorously contesting all such assessments in both states and, in particular, view the assessment of ICMS on revenue from equipment leasing to be without merit. We estimate that these assessments, if upheld, could result in a loss of up to \$38 million at June 30, 2019 in excess of the accruals established for these matters.

Qui Tam Action

Level 3 was notified in late 2017 of a qui tam action pending against Level 3 Communications, Inc. and others in the United States District Court for the Eastern District of Virginia, captioned United States of America ex rel., Stephen Bishop v. Level 3 Communications, Inc. et al. The original qui tam complaint was filed under seal on November 26, 2013, and an amended complaint was filed under seal on June 16, 2014. The court unsealed the complaints on October 26, 2017.

The amended complaint alleges that Level 3, principally through two former employees, submitted false claims and made false statements to the government in connection with two government contracts. The relator seeks damages in this lawsuit of approximately \$50 million, subject to trebling, plus statutory penalties, pre-and-post judgment interest, and attorney's fees. The case is currently stayed.

Level 3 is evaluating its defenses to the claims. At this time, Level 3 does not believe it is probable Level 3 will incur a material loss. If, contrary to its expectations, the plaintiff prevails in this matter and proves damages at or near \$50 million, and is successful in having those damages trebled, the outcome could have a material adverse effect on our results of operations in the period in which a liability is recognized and on our cash flows for the period in which any damages are paid.

Several people, including two former Level 3 employees were indicted in the United States District Court for the Eastern District of Virginia on October 3, 2017, and charged with, among other things, accepting kickbacks from a subcontractor, who was also indicted, for work to be performed under a prime government contract. Of the two former employees, one entered into a plea agreement, and the other is deceased. Level 3 is fully cooperating in the government's investigations in this matter.

Other Proceedings, Disputes and Contingencies

From time to time, we are involved in other proceedings incidental to our business, including patent infringement allegations, administrative hearings of state public utility commissions relating primarily to our rates or services, actions relating to employee claims, various tax issues, environmental law issues, grievance hearings before labor regulatory agencies and miscellaneous third party tort actions.

We are currently defending several patent infringement lawsuits asserted against us by non-practicing entities, many of which are seeking substantial recoveries. These cases have progressed to various stages and one or more may go to trial in the coming 24 months if they are not otherwise resolved. Where applicable, we are seeking full or partial indemnification from our vendors and suppliers. As with all litigation, we are vigorously defending these actions and, as a matter of course, are prepared to litigate these matters to judgment, as well as to evaluate and consider all reasonable settlement opportunities.

We are subject to various foreign, federal, state and local environmental protection and health and safety laws. From time to time, we are subject to judicial and administrative proceedings brought by various governmental authorities under these laws. Several such proceedings are currently pending, but none individually is reasonably expected to exceed \$100,000 in fines and penalties.

The outcome of these other proceedings described under this heading is not predictable. However, based on current circumstances, we do not believe that the ultimate resolution of these other proceedings, after considering available defenses and any insurance coverage or indemnification rights, will have a material adverse effect on us.

The ultimate outcome of the above-described matters may differ materially from the outcomes anticipated, estimated, projected or implied by us in certain of our statements appearing above in this Note, and proceedings currently viewed as immaterial by us may ultimately materially impact us.

Environmental Contingencies

In connection with our largely historical operations, we have responded to or been notified of potential environmental liability at approximately 200 properties. We are engaged in addressing or have liquidated environmental liabilities at many of those properties. We could potentially be held liable, jointly, or severally, and without regard to fault, for the costs of investigation and remediation of these sites. The discovery of additional environmental liabilities or changes in existing environmental requirements could have a material adverse effect on our business.

(13) Other Financial Information

Other Current Assets

The following table presents details of other current assets reflected in our consolidated balance sheets:

	June 30, 2019	December 31, 2018
	(Dollars in millions)	
Prepaid expenses	\$ 371	307
Income tax receivable	87	82
Materials, supplies and inventory	151	120
Contract assets	57	52
Contract acquisition costs	174	167
Contract fulfillment costs	105	82
Other	66	108
Total other current assets	\$ 1,011	918

(14) Accumulated Other Comprehensive Loss

Information Relating to 2019

The table below summarizes changes in accumulated other comprehensive loss recorded on our consolidated balance sheet by component for the six months ended June 30, 2019 :

	Pension Plans	Post-Retirement Benefit Plans	Foreign Currency Translation Adjustment and Other	Interest Rate Hedges	Total
	(Dollars in millions)				
Balance at December 31, 2018	\$ (2,173)	(58)	(230)	—	(2,461)
Other comprehensive loss before reclassifications	—	—	(3)	(43)	(46)
Amounts reclassified from accumulated other comprehensive loss	82	6	—	—	88
Net current-period other comprehensive income (loss)	82	6	(3)	(43)	42
Balance at June 30, 2019	\$ (2,091)	(52)	(233)	(43)	(2,419)

The tables below present further information about our reclassifications out of accumulated other comprehensive loss by component for the three and six months ended June 30, 2019 :

Three Months Ended June 30, 2019	Decrease (Increase) in Net Loss	Affected Line Item in Consolidated Statement of Operations
	(Dollars in millions)	
Amortization of pension & post-retirement plans ⁽¹⁾		
Net actuarial loss	\$ 56	Other income, net
Prior service cost	2	Other income, net
Total before tax	58	
Income tax benefit	(14)	Income tax expense
Net of tax	\$ 44	
	(Dollars in millions)	
Six Months Ended June 30, 2019	Decrease (Increase) in Net Loss	Affected Line Item in Consolidated Statement of Operations
Amortization of pension & post-retirement plans ⁽¹⁾		
Net actuarial loss	\$ 113	Other income, net
Prior service cost	4	Other income, net
Total before tax	117	
Income tax benefit	(29)	Income tax expense
Net of tax	\$ 88	

(1) See Note 7—Employee Benefits for additional information on our net periodic benefit (expense) income related to our pension and post-retirement plans.

Information Relating to 2018

The table below summarizes changes in accumulated other comprehensive loss recorded on our consolidated balance sheets by component for the six months ended June 30, 2018 :

	Pension Plans	Post-Retirement Benefit Plans	Foreign Currency Translation Adjustment and Other	Total
	(Dollars in millions)			
Balance at December 31, 2017	\$ (1,731)	(235)	(29)	(1,995)
Other comprehensive income before reclassifications	—	—	(160)	(160)
Amounts reclassified from accumulated other comprehensive loss	64	7	—	71
Net current-period other comprehensive income	64	7	(160)	(89)
Cumulative effect of adoption of ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	(375)	(32)	—	(407)
Balance at June 30, 2018	\$ (2,042)	(260)	(189)	(2,491)

The tables below present further information about our reclassifications out of accumulated other comprehensive loss by component for the three and six months ended June 30, 2018

Three Months Ended June 30, 2018	Decrease (Increase) in Net Income	Affected Line Item in Consolidated Statement of Operations
	(Dollars in millions)	
Amortization of pension & post-retirement plans ⁽¹⁾		
Net actuarial loss	\$ 45	Other income, net
Prior service cost	3	Other income, net
Total before tax	48	
Income tax benefit	(12)	Income tax expense
Net of tax	\$ 36	
	(Dollars in millions)	
Six Months Ended June 30, 2018	Decrease (Increase) in Net Income	Affected Line Item in Consolidated Statement of Operations
	(Dollars in millions)	
Amortization of pension & post-retirement plans ⁽¹⁾		
Net actuarial loss	\$ 89	Other income, net
Prior service cost	6	Other income, net
Total before tax	95	
Income tax benefit	(24)	Income tax expense
Net of tax	\$ 71	

(1) See Note 7—Employee Benefits for additional information on our net periodic benefit (expense) income related to our pension and post-retirement plans.

(15) Labor Union Contracts

As of June 30, 2019, CenturyLink, Inc. had approximately 43,000 employees. Approximately, 26% of our employees are represented by the Communication Workers of America ("CWA") or the International Brotherhood of Electrical Workers ("IBEW"). We believe relations with our employees continue to be generally good. Approximately 3% of our union-represented employees were subject to collective bargaining agreements that expired on June 30, 2019 and are currently being renegotiated. Additionally, approximately 80% of our union-represented employees are subject to collective bargaining agreements that are scheduled to expire over the next 12 months.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless the context requires otherwise, (i) references in this report to "CenturyLink," "we," "us" and "our" refer to CenturyLink, Inc. and its consolidated subsidiaries and (ii) references in this report to "Level 3" refer to Level 3 Communications, Inc. prior to our acquisition thereof and to its successor-in-interest Level 3 Parent, LLC after such acquisition.

All references to "Notes" in this Item 2 of Part I refer to the Notes to Consolidated Financial Statements included in Item 1 of Part I of this report.

Certain statements in this report constitute forward-looking statements. See "Special Note Regarding Forward-Looking Statements" appearing at the beginning of this report and "Risk Factors" in Item 1A of Part I of our annual report on Form 10-K for the year ended December 31, 2018 for a discussion of certain factors that could cause our actual results to differ from our anticipated results or otherwise impact our business, financial condition, results of operations, liquidity or prospects.

Overview

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") included herein should be read in conjunction with MD&A and the other information included in our annual report on Form 10-K for the year ended December 31, 2018, and with the consolidated financial statements and related notes in Item 1 of Part I of this report. The results of operations and cash flows for the first six months of the year are not necessarily indicative of the results of operations and cash flows that might be expected for the entire year.

We are an international facilities-based communications company engaged primarily in providing a broad array of integrated services to our residential and business customers. We believe we are among the largest providers of communications services to domestic and global enterprise customers and the third largest wireline telecommunications company in the United States. We provide services in over 60 countries, with most of our revenue being derived in the United States.

At June 30, 2019, we served 4.8 million consumer broadband subscribers. Our methodology for counting consumer broadband subscribers may not be comparable to those of other companies. We no longer report or discuss access lines as a key operating metric given the significant migration in our industry from legacy services to IP-enabled services.

Segments

At June 30, 2019, we had the following five segments:

- *International and Global Accounts Management ("IGAM") Segment.* Under our IGAM segment, we provide our products and services to approximately 200 global enterprise customers and three operating regions: Asia Pacific, Latin America, Europe Middle East and Africa. Our international network presence spans and connects over 60 countries and conducts business in 25 languages. IGAM is responsible for working with large multinational organizations in support of their business and IT transformation strategies. We provide a portfolio of services inclusive of dark fiber; content delivery; private and public networking; hybrid IT solutions including private and public cloud services as well as consulting and professional services; and security services; and
- *Enterprise Segment.* Under our enterprise segment, we provide our products and services to large and medium domestic and global enterprises, federal, state and local governments. Our products and services offered to these customers include our IP and Data Services suite of products, which includes VPN and hybrid networking, Ethernet and IP services; Transport and Infrastructure, which includes wavelengths and private line, dark fiber, colocation and data center services, and professional services; Voice Services, which includes local, long-distance, toll-free and unified communications services; and IT and Managed services, all of which are described further under "Products and Services"; and

- **Small and Medium Business ("SMB") Segment.** Under our SMB segment, we provide our products and services to small and medium businesses directly and through our indirect channel partners. Small and medium distinction is based on company employee count. Our products and services offered to these customers include our IP and Data Services suite of products, primarily VPN, IP and Ethernet services; Transport and Infrastructure, which includes broadband, wavelengths and private line services; Voice Services, which includes local, long-distance, national public access, VoIP and toll-free services; and IT and Managed services, all of which are described further under "Products and Services"; and
- **Wholesale Segment.** Under our wholesale segment, we provide our products and services to a wide range of other communication providers across the wireline, wireless, cable, voice and data center sectors. Customers range from large global telecom providers to small regional providers. Our products and services offered to these customers include our IP and Data Services suite of products, primarily Ethernet, VPN and IP services; Transport and Infrastructure, which includes private line, wavelengths, UNE, dark fiber, colocation and data center, and wholesale broadband services; and Voice Services, which includes long-distance, local, toll-free and contact center, and intercarrier tandem services, all of which are described further under "Products and Services"; and
- **Consumer Segment.** Under our consumer segment, we provide our products and services to residential customers. Our products and services offered to these customers include our broadband, local and long-distance voice, and other ancillary services. Additionally, Universal Service Fund ("USF") federal and state support payments, Connect America Fund ("CAF") federal support revenue, and other revenue from leasing and subleasing including prior year rental income associated with the 2017 failed-sale-leaseback is reported in our consumer segment as regulatory revenue in 2018.

Results of Operations

The following table summarizes the results of our consolidated operations for the three and six months ended June 30, 2019 :

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
(Dollars in millions, except per share amounts)				
Operating revenue	\$ 5,578	5,902	11,225	11,847
Operating expenses	4,602	5,135	15,748	10,330
Operating income (loss)	976	767	(4,523)	1,517
Total other expense, net	(474)	(530)	(1,002)	(1,044)
INCOME (LOSS) BEFORE INCOME TAXES	502	237	(5,525)	473
Income tax expense (benefit)	131	(55)	269	66
Net income (loss)	\$ 371	292	(5,794)	407
Basic earnings (loss) per common share	\$ 0.35	0.27	(5.41)	0.38
Diluted earnings (loss) per common share	\$ 0.35	0.27	(5.41)	0.38

For over a decade, we have experienced revenue declines, excluding the impact of acquisitions, primarily due to declines in voice and private line customers, switched access rates and minutes of use. More recently, we have experienced declines in revenue derived from the sale of certain of our business products and services. To partially mitigate these revenue declines, we remain focused on efforts to, among other things:

- promote long-term relationships with our customers through bundling of integrated services;
- increase the capacity, speed and usage of our networks;
- provide a wide array of diverse services, including enhanced or additional services that may become available in the future due to, among other things, advances in technology or improvements in our infrastructure;
- provide our premium services to a higher percentage of our customers;
- pursue acquisitions of additional assets if available at attractive prices;

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- increase prices on our products and services if and when practicable; and
- market our products and services to new customers.

Operating Revenue

We categorize our products and services revenue among the following four categories for the International and Global Accounts Management, Enterprise, Small and Medium Business and Wholesale segments:

- *IP and Data Services* , which include primarily VPN data networks, Ethernet, IP, video (including our facilities-based video services, CDN services and Vyvx broadcast services) and other ancillary services;
- *Transport and Infrastructure* , which include broadband, private line (including business data services), data center facilities and services, including cloud, hosting and application management solutions, wavelength, equipment sales and professional services, network security services, dark fiber services and other ancillary services;
- *Voice and Collaboration* , which includes primarily local and long-distance voice, including wholesale voice, and other ancillary services; and
- *IT and Managed Services* , which include information technology services and managed services, which may be purchased in conjunction with our other network services.

We categorize our products and services revenue among the following four categories for the Consumer segment :

- *Broadband* , which include consumer broadband revenue;
- *Voice* , which include consumer local and long-distance revenue;
- *Regulatory Revenue*, which consist of (i) Universal Service Fund ("USF"), Connect America Fund ("CAF") and other support payments designed to reimburse us for various costs related to certain telecommunications services and (ii) other operating revenue from the leasing and subleasing of space; and
- *Other*, which include consumer retail video revenue (including our facilities-based video revenue), professional services and other ancillary services.

The following table summarizes our consolidated operating revenue recorded under each of our eight above described revenue categories:

	Three Months Ended June 30,			
	2019	2018	Increase/(Decrease)	% Change
	(Dollars in millions)			
IP and Data Services	\$ 1,730	1,746	(16)	(1)%
Transport and Infrastructure	1,291	1,364	(73)	(5)%
Voice and Collaboration	1,005	1,089	(84)	(8)%
IT and Managed Services	135	162	(27)	(17)%
Broadband	718	705	13	2 %
Voice	477	546	(69)	(13)%
Regulatory	158	185	(27)	(15)%
Other	64	105	(41)	(39)%
Total operating revenue	\$ 5,578	5,902	(324)	(5)%

	Six Months Ended June 30,			
	2019	2018	Increase/(Decrease)	% Change
(Dollars in millions)				
IP and Data Services	\$ 3,479	3,481	(2)	— %
Transport and Infrastructure	2,581	2,732	(151)	(6)%
Voice and Collaboration	2,028	2,200	(172)	(8)%
IT and Managed Services	279	324	(45)	(14)%
Broadband	1,440	1,417	23	2 %
Voice	966	1,103	(137)	(12)%
Regulatory	317	368	(51)	(14)%
Other	135	222	(87)	(39)%
Total operating revenue	\$ 11,225	11,847	(622)	(5)%

Our total operating revenue decreased by \$324 million , or 5% , and \$622 million , or 5% , respectively, for the three and six months ended June 30, 2019 as compared to the three and six months ended June 30, 2018 primarily due to decreases in seven of the eight revenue categories. Voice revenue under our Consumer segment, transport and infrastructure revenue under our Wholesale, Enterprise and Small and Medium Business segments and voice and collaboration revenue under our Wholesale and Small and Medium Business segments experienced our largest decreases. See further analysis on operating revenue in segment results below.

Operating Expenses

The following table summarizes our consolidated operating expenses:

	Three Months Ended June 30,			
	2019	2018	Increase/(Decrease)	% Change
(Dollars in millions)				
Cost of services and products (exclusive of depreciation and amortization)	\$ 2,446	2,730	(284)	(10)%
Selling, general and administrative	960	1,115	(155)	(14)%
Depreciation and amortization	1,196	1,290	(94)	(7)%
Total operating expenses	\$ 4,602	5,135	(533)	(10)%

	Six Months Ended June 30,			
	2019	2018	Increase/(Decrease)	% Change
(Dollars in millions)				
Cost of services and products (exclusive of depreciation and amortization)	\$ 4,966	5,533	(567)	(10)%
Selling, general and administrative	1,892	2,224	(332)	(15)%
Depreciation and amortization	2,384	2,573	(189)	(7)%
Goodwill impairment	6,506	—	6,506	nm
Total operating expenses	\$ 15,748	10,330	5,418	52 %

nm Percentages greater than 200% and comparisons between positive and negative values or to/from zero values are considered not meaningful.

Cost of Services and Products (exclusive of depreciation and amortization)

Cost of services and products (exclusive of depreciation and amortization) decreased by \$284 million , or 10% , and \$567 million or 10% , respectively, for the three and six months ended June 30, 2019 as compared to the three and six months ended June 30, 2018 . The decrease in costs of services and products (exclusive of depreciation and amortization) for both periods was attributable to lower salaries and wages and employee related expenses from lower headcount, reduced network expenses and voice usage costs, reduced customer premises equipment costs from lower sales, a decline in content costs for Prism TV, and lower space and power expenses. These declines were slightly offset by higher professional services and right of way and dark fiber expenses.

Selling, General and Administrative

Selling, general and administrative expenses decreased by \$155 million , or 14% , and \$332 million , or 15% , respectively, for the three and six months ended June 30, 2019 as compared to the three and six months ended June 30, 2018 . The decrease in selling, general and administrative expenses for both periods was attributable to lower salaries and wages and employee related expenses from lower headcount, a decline in contract labor costs, lower rent expense due largely to lease terminations over the past year, and a reduction in marketing and advertising expenses. These declines were slightly offset by higher professional fees and internal commissions.

Depreciation and Amortization

The following table provides detail of our depreciation and amortization expense:

	Three Months Ended June 30,			
	2019	2018	Increase/(Decrease)	% Change
	(Dollars in millions)			
Depreciation	\$ 756	843	(87)	(10)%
Amortization	440	447	(7)	(2)%
Total depreciation and amortization	\$ 1,196	1,290	(94)	(7)%

	Six Months Ended June 30,			
	2019	2018	Increase/(Decrease)	% Change
	(Dollars in millions)			
Depreciation	\$ 1,515	1,683	(168)	(10)%
Amortization	869	890	(21)	(2)%
Total depreciation and amortization	\$ 2,384	2,573	(189)	(7)%

Depreciation expense decreased by \$87 million , or 10% , and \$168 million , or 10% , respectively, for the three and six months ended June 30, 2019 as compared to the three and six months ended June 30, 2018 primarily due to a net decline in depreciable assets of \$26 million and \$61 million for the three and six month periods, the impact of annual rate depreciable life changes of \$27 million and \$54 million for the three and six month periods, and the discontinuation of depreciation on failed sale leaseback assets of \$17 million and \$35 million for the three and six month periods. These decreases were partially offset by increases associated with purchase price depreciation adjustments of \$2 million and \$15 million for the three and six month periods.

Amortization expense decreased by \$7 million , or 2% , and \$21 million , or 2% , respectively, for the three and six months ended June 30, 2019 as compared to the three and six months ended June 30, 2018 primarily due to decreases associated with the use of accelerated amortization methods for a portion of the customer intangibles of \$18 million and \$36 million for the three and six month periods and decreases associated with annual rate amortizable life changes of software of \$6 million and \$13 million for the three and six month periods. These decreases were partially offset by net growth in amortizable assets of \$17 million and \$36 million for the three and six month periods.

Further analysis of our segment operating expenses by segment is provided below in "Segment Results."

Goodwill Impairments

We are required to perform impairment tests related to our goodwill annually, which we perform as of October 31, or sooner if an indicator of impairment occurs. Each of our January 2019 internal reorganization and the decline in our stock price were events in the first quarter of 2019 that triggered impairment testing. Consequently, during the first quarter of 2019 we evaluated our goodwill in January and again as of March 31, 2019. There were no additional triggering events during the second quarter of 2019.

Our reporting units are not discrete legal entities with discrete full financial statements. Our assets and liabilities are employed in and relate to the operations of multiple reporting units. For each reporting unit, we compare its estimated fair value of equity to its carrying value of equity that we assign to the reporting unit. If the estimated fair value of the reporting unit is equal or greater than the carrying value, we conclude that no impairment exists. If the estimated fair value of the reporting unit is less than the carrying value, we record an impairment equal to the excess amount.

When we performed our October 31, 2018 annual impairment test, we estimated the fair value of our reporting units by considering both a market approach and a discounted cash flow method. The market approach method includes the use of multiples of publicly traded companies whose services are comparable to ours. The discounted cash flow method is based on the present value of projected cash flows and a terminal value, which represents the expected normalized cash flows of the reporting units beyond the cash flows from the discrete projection period. Because our low stock price was a trigger for impairment testing, we estimated the fair value of our operations using only the market approach. Applying this approach, we utilized company comparisons and analyst reports within the telecommunications industry which have historically supported a range of fair values of annualized revenue and EBITDA multiples between 2.1x and 4.9x and 4.9x and 9.8x, respectively. We selected a revenue and EBITDA multiple for each of our reporting units within this range. We reconciled the estimated fair values of the reporting units to our market capitalization as of the date of each of our triggering events during the first quarter and concluded that the indicated control premium of approximately 4.5% and 4.1% were reasonable based on recent transactions in the market place. In the quarter ended March 31, 2019, based on our assessments performed with respect to the reporting units as described above, we concluded that the estimated fair value of certain of our reporting units was less than our carrying value of equity as of the date of each of our triggering events during the first quarter. As a result, we recorded non-cash, non-tax-deductible goodwill impairment charges aggregating to \$6.5 billion in the quarter ended March 31, 2019.

Other Consolidated Results

The following tables summarize our total other expense, net and income tax expense:

	Three Months Ended June 30,			
	2019	2018	Increase/(Decrease)	% Change
	(Dollars in millions)			
Interest expense	\$ (518)	(546)	(28)	(5)%
Other income, net	44	16	28	175 %
Total other expense, net	\$ (474)	(530)	(56)	(11)%
Income tax expense (benefit)	\$ 131	(55)	186	nm

	Six Months Ended June 30,			
	2019	2018	Increase/(Decrease)	% Change
	(Dollars in millions)			
Interest expense	\$ (1,041)	(1,081)	(40)	(4)%
Other income, net	39	37	2	5 %
Total other expense, net	\$ (1,002)	(1,044)	(42)	(4)%
Income tax expense (benefit)	\$ 269	66	203	nm

nm Percentages greater than 200% and comparisons between positive and negative values or to/from zero values are considered not meaningful.

Interest Expense

Interest expense decreased by \$28 million , or 5% , and \$40 million , or 4% , respectively, for the three and six months ended June 30, 2019 as compared to the three and six months ended June 30, 2018 . The decrease in interest expense was primarily due to the decrease in long term debt from \$37.3 billion at June 30, 2018 to \$34.8 billion at June 30, 2019.

Other Income, Net

Other income, net reflects certain items not directly related to our core operations, including our share of income from partnerships we do not control, interest income, gains and losses from non-operating asset dispositions, foreign currency gains and losses and components of net periodic pension and postretirement benefit costs. Other income, net increased by \$28 million for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 . Other income, net increased by \$2 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018 . The increase in other income, net for both periods was primarily due the gain on the early extinguishment of debt, which was partially offset by increased pension and postretirement net periodic expense.

Income Tax Expense

For the three and six months ended June 30, 2019 , our effective income tax rate was 26.1% and (4.9)% , respectively and for the three and six months ended June 30, 2018 , our effective income tax rate was (23.2)% and 14.0% , respectively. The effective tax rate for the six months ended June 30, 2019 was primarily due to the goodwill impairment. Without the goodwill impairment, the rate would have been 27.4% . The effective tax rate for the six months ended June 30, 2018 was significantly impacted by the tax reform impact of filing tax accounting method changes relating to our 2017 Federal income tax return that significantly accelerated tax deductions into 2017, allowing a carryback claim to 2016 resulting in a tax benefit, net of uncertain positions, of \$142 million, offset by purchase price accounting adjustments resulting from the Level 3 acquisition and the tax reform impact on those adjustments of \$76 million.

Segment Results

General

For financial reporting purposes, we have determined that as of June 30, 2019 we had five reportable segments.

We have four segments associated with our business customers: International and Global Accounts Management, Enterprise, Small and Medium Business and Wholesale. For our four segments associated with our business customers, we categorize our products and services and report our related revenue under the following categories: IP and data services, transport and infrastructure, voice and collaboration and IT and managed services. For our Consumer segment, we categorize our products and services and report our related revenue under the following categories: broadband, voice, regulatory revenue and other. From time to time, we change the categorization of our products and services, and we may make similar changes in the future.

The results of our reportable segments for the three months ended June 30, 2019 and 2018 are summarized below:

Three Months Ended June 30, 2019								
	International and Global Accounts	Enterprise	Small and Medium Business	Wholesale	Consumer	Total Segments	Operations and Other	Total
(Dollars in millions)								
Total Revenue	\$ 902	1,505	736	1,018	1,417	5,578	—	5,578
Expenses:								
Cost of services and products	258	497	147	145	77	1,124	1,322	2,446
Selling, general and administrative	68	143	120	21	110	462	498	960
Less: share-based compensation	—	—	—	—	—	—	(43)	(43)
Total expense	326	640	267	166	187	1,586	1,777	3,363
Total adjusted EBITDA	\$ 576	865	469	852	1,230	3,992	(1,777)	2,215

Three Months Ended June 30, 2018								
	International and Global Accounts	Enterprise	Small and Medium Business	Wholesale	Consumer	Total Segments	Operations and Other	Total
(Dollars in millions)								
Total Revenue	\$ 903	1,523	819	1,116	1,541	5,902	—	5,902
Expenses:								
Cost of services and products	263	500	147	167	124	1,201	1,529	2,730
Selling, general and administrative	64	145	136	23	136	504	611	1,115
Less: share-based compensation	—	—	—	—	—	—	(54)	(54)
Total expense	327	645	283	190	260	1,705	2,086	3,791
Total adjusted EBITDA	\$ 576	878	536	926	1,281	4,197	(2,086)	2,111

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The following table summarized the variances for our segments for the three months ended June 30, 2019 to the three months ended June 30, 2018:

	Variances							Total
	International and Global Accounts	Enterprise	Small and Medium Business	Wholesale	Consumer	Total Segments	Operations and Other	
	(Dollars in millions)							
Total Revenue	\$ (1)	(18)	(83)	(98)	(124)	(324)	—	(324)
Expenses:								
Cost of services and products	(5)	(3)	—	(22)	(47)	(77)	(207)	(284)
Selling, general and administrative	4	(2)	(16)	(2)	(26)	(42)	(113)	(155)
Less: share-based compensation	—	—	—	—	—	—	11	11
Total expense	(1)	(5)	(16)	(24)	(73)	(119)	(309)	(428)
Total adjusted EBITDA	\$ —	(13)	(67)	(74)	(51)	(205)	309	104

The results of our reportable segments for the six months ended June 30, 2019 and 2018 are summarized below:

	Six Months Ended June 30, 2019							
	International and Global Accounts	Enterprise	Small and Medium Business	Wholesale	Consumer	Total Segments	Operations and Other	Total
	(Dollars in millions)							
Total Revenue	\$ 1,793	3,028	1,491	2,055	2,858	11,225	—	11,225
Expenses:								
Cost of services and products	517	993	300	286	164	2,260	2,706	4,966
Selling, general and administrative	136	292	252	41	219	940	952	1,892
Less: share-based compensation	—	—	—	—	—	—	(76)	(76)
Total expense	653	1,285	552	327	383	3,200	3,582	6,782
Total adjusted EBITDA	\$ 1,140	1,743	939	1,728	2,475	8,025	(3,582)	4,443

	Six Months Ended June 30, 2018							
	International and Global Accounts	Enterprise	Small and Medium Business	Wholesale	Consumer	Total Segments	Operations and Other	Total
	(Dollars in millions)							
Total Revenue	\$ 1,838	3,070	1,603	2,226	3,110	11,847	—	11,847
Expenses:								
Cost of services and products	535	1,014	300	343	282	2,474	3,059	5,533
Selling, general and administrative	132	297	263	47	271	1,010	1,214	2,224
Less: share-based compensation	—	—	—	—	—	—	(95)	(95)
Total expense	667	1,311	563	390	553	3,484	4,178	7,662
Total adjusted EBITDA	\$ 1,171	1,759	1,040	1,836	2,557	8,363	(4,178)	4,185

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The following table summarized the variances for our segments for the six months ended June 30, 2019 to the six months ended June 30, 2018:

	Variances							Total
	International and Global Accounts	Enterprise	Small and Medium Business	Wholesale	Consumer	Total Segments	Operations and Other	
	(Dollars in millions)							
Total Revenue	\$ (45)	(42)	(112)	(171)	(252)	(622)	—	(622)
Expenses:								
Cost of services and products	(18)	(21)	—	(57)	(118)	(214)	(353)	(567)
Selling, general and administrative	4	(5)	(11)	(6)	(52)	(70)	(262)	(332)
Less: share-based compensation	—	—	—	—	—	—	19	19
Total expense	(14)	(26)	(11)	(63)	(170)	(284)	(596)	(880)
Total adjusted EBITDA	\$ (31)	(16)	(101)	(108)	(82)	(338)	596	258

For additional information on our reportable segments and product and services categories, see Note 11—Segment Information to our consolidated financial statements in Item 1 of Part I of this report.

International and Global Accounts Management, Enterprise, Small and Medium Business and Wholesale Segments

The operations of these four segments have been, and are expected to continue to be, impacted by several significant trends, including those described below:

Revenue. Our mix of total revenue from these segments continue to migrate from traditional wireline voice services to newer, lower cost more technologically advanced products and services as our segment customers increasingly demand integrated data, broadband, hosting and voice services. Our Ethernet-based services in the wholesale market face competition from cable companies and competitive fiber-based telecommunications providers. Demand for our private lines services (including business data services) continues to decline due to our customers' optimization of their networks, industry consolidation and technology migration to higher-speed services. We anticipate continued pricing pressure for our colocation services as our competitors continue to expand their enterprise colocation operations. Sustained expansion in competitive cloud computing offerings by technology companies and other competitors has led to other increased pricing pressure, a migration towards lower-priced cloud-based services and enhanced competition for contracts, and we expect these trends to continue. Customers' demand for new technology has also increased the number of competitors offering services similar to ours. Price compression from each of these above-mentioned competitive pressures has negatively impacted the operating margins of certain business product and service offerings, and we expect this trend to continue. Our traditional wireline revenue has been, and we expect it will continue to be, adversely affected by access line losses and price compression. In particular, our access, local services and long-distance revenue have been, and we expect will continue to be, adversely affected by customer migration to more technologically advanced services, a substantial increase in the use of non-voice communications, industry consolidation and price compression caused by various factors. For example, many of our segment customers are substituting cable, wireless and Voice over Internet Protocol ("VoIP") services for traditional voice telecommunications services, resulting in continued access revenue loss. Although our traditional wireline services generally face fewer direct competitors than certain of our newer, lower cost more advanced products and services, customer migration and, to a lesser degree, price compression from competitive pressures have negatively impacted our traditional wireline revenue and the operating margins of these services. We expect this trend to continue. We expect both equipment sales and professional services revenue and the related costs will fluctuate from year to year as this offering tends to be more sensitive than others to changes in the economy and in spending trends of our federal, state and local government customers, many of whom have experienced substantial budget cuts over the past several years, with the possibility of additional future budget cuts.

Expenses. Our operating costs also impact the operating margins of all of our above-mentioned services, but to a lesser extent than price compression and customer disconnects. These operating costs include employee costs, sales commissions, software costs on selected services and third-party facility costs. We believe increases in operating costs have generally had a greater impact on the operating margins of some of our newer, more technologically advanced services as compared to our traditional wireline services, principally because those newer services rely more heavily upon the above-listed support functions. Operating costs, such as third-party facility costs, have also negatively impacted the operating margins of our traditional wireline products and services, but to a lesser extent than customer migration and price compression.

Operating Efficiencies . We continue to evaluate our segment operating structure and focus. This involves balancing our workforce in response to our workload requirements, productivity improvements and changes in industry, competitive, technological and regulatory conditions, while achieving operational efficiencies and improving our processes through automation. However, our ongoing efforts to attract new customers will continue to require that we incur higher costs in some areas, sometimes in advance of realizing the potential benefits of these efforts. We also expect our segments to benefit indirectly from any enhanced efficiencies in our company-wide network operations.

International and Global Accounts Segment

	Three Months Ended June 30,			
	2019	2018	Increase/(Decrease)	% Change
	(Dollars in millions)			
Revenue:				
IP and Data Services	\$ 420	431	(11)	(3)%
Transport and Infrastructure	333	309	24	8 %
Voice and Collaboration	94	94	—	— %
IT and Managed Services	55	69	(14)	(20)%
Total Revenue	902	903	(1)	— %
Expenses:				
Cost of services and products	258	263	(5)	(2)%
Selling, general and administrative	68	64	4	6 %
Total expense	326	327	(1)	— %
Total adjusted EBITDA	\$ 576	576	—	— %

	Six Months Ended June 30,			
	2019	2018	Increase/(Decrease)	% Change
(Dollars in millions)				
Revenue:				
IP and Data Services	\$ 840	871	(31)	(4)%
Transport and Infrastructure	653	630	23	4 %
Voice and Collaboration	188	195	(7)	(4)%
IT and Managed Services	112	142	(30)	(21)%
Total Revenue	1,793	1,838	(45)	(2)%
Expenses:				
Cost of services and products	517	535	(18)	(3)%
Selling, general and administrative	136	132	4	3 %
Total expense	653	667	(14)	(2)%
Total adjusted EBITDA	\$ 1,140	1,171	(31)	(3)%

Three and Six Months Ended June 30, 2019 Compared to the same periods Ended June 30, 2018

Segment revenue decreased \$1 million , or less than 1% for the three months ended June 30, 2019 compared to June 30, 2018 and \$ 45 million or 2% , for the six months ended June 30, 2019 compared to June 30, 2018. Excluding the impact of foreign currency fluctuations, segment revenue increased \$14 million, or 2% for the three months ended June 30, 2019 compared to June 30, 2018 and decreased \$13 million or 1%, for the six months ended June 30, 2019 compared to June 30, 2018, primarily due to:

- For both periods, IT and managed services declined due to a large contract that was renegotiated at lower rates in the second quarter of 2018;
- for both periods, IP and data services declined mostly due to reduced rates and lower traffic;
- for the six month period, voice and collaboration declined due to reduced rates and lower traffic resulting from competitive pressure; partially offset by,
- for both periods, transport and infrastructure increased due to expanded services for large customers.

Segment expenses decreased by \$ 1 million , or less than 1% for the three months ended June 30, 2019 compared to June 30, 2018 and \$14 million , or 2% for the six months ended June 30, 2019 compared to June 30, 2018, primarily due to a cost of services and products decline commensurate with the revenue decline.

Segment adjusted EBITDA as a percentage of revenue remained flat at 64% for the three months ended June 30, 2019 compared to June 30, 2018 and six months ended June 30, 2019 compared to June 30, 2018.

Enterprise Segment

	Three Months Ended June 30,			
	2019	2018	Increase/(Decrease)	% Change
	(Dollars in millions)			
Revenue:				
IP and Data Services	\$ 681	667	14	2 %
Transport and Infrastructure	368	381	(13)	(3)%
Voice and Collaboration	390	398	(8)	(2)%
IT and Managed Services	66	77	(11)	(14)%
Total Revenue	1,505	1,523	(18)	(1)%
Expenses:				
Cost of services and products	497	500	(3)	(1)%
Selling, general and administrative	143	145	(2)	(1)%
Total expense	640	645	(5)	(1)%
Total adjusted EBITDA	\$ 865	878	(13)	(1)%

	Six Months Ended June 30,			
	2019	2018	Increase/(Decrease)	% Change
(Dollars in millions)				
Revenue:				
IP and Data Services	\$ 1,369	1,332	37	3 %
Transport and Infrastructure	732	780	(48)	(6)%
Voice and Collaboration	787	808	(21)	(3)%
IT and Managed Services	140	150	(10)	(7)%
Total Revenue	3,028	3,070	(42)	(1)%
Expenses:				
Cost of services and products	993	1,014	(21)	(2)%
Selling, general and administrative	292	297	(5)	(2)%
Total expense	1,285	1,311	(26)	(2)%
Total adjusted EBITDA	\$ 1,743	1,759	(16)	(1)%

Three and Six Months Ended June 30, 2019 Compared to the same periods Ended June 30, 2018

Segment revenue decreased \$ 18 million or 1% for the three months ended June 30, 2019 compared to June 30, 2018 and \$ 42 million or 1% for the six months ended June 30, 2019 compared to June 30, 2018, due to:

- For both periods, transport and infrastructure declined mainly due to decreased equipment sales in addition to lower professional services revenue, coupled with the impact of the United States Federal Government shut down for a portion of the six month period;
- for both periods, voice and collaboration declined, driven by a combination of customers discontinuing traditional voice TDM products and lower rates on customers transitioning to VoIP;
- for both periods, IT and managed services declined mainly due to a loss of a couple of large customers;
- for both periods, IP and data services revenue increased, which offset some of these declines, driven mainly by customers migrating off traditional wireline services and onto more technologically advanced products.

Segment expenses decreased by \$ 5 million or 1% for the three months ended June 30, 2019 compared to June 30, 2018 and \$ 26 million or 2% for the six months ended June 30, 2019 compared to June 30, 2018, primarily due to:

- For both periods, cost of services and products declined primarily driven by lower equipment expenses;
- for both periods selling, general and administrative costs decreased due to lower headcount costs and commissions partially offset by increased professional fees.

Segment adjusted EBITDA as a percentage of revenue remained flat at approximately 57% for the three months ended June 30, 2019 compared to June 30, 2018 and six months ended June 30, 2019 compared to June 30, 2018.

Small and Medium Business Segment

	Three Months Ended June 30,			
	2019	2018	Increase/(Decrease)	% Change
	(Dollars in millions)			
Revenue:				
IP and Data Services	\$ 290	299	(9)	(3)%
Transport and Infrastructure	106	135	(29)	(21)%
Voice and Collaboration	328	371	(43)	(12)%
IT and Managed Services	12	14	(2)	(14)%
Total Revenue	736	819	(83)	(10)%
Expenses:				
Cost of services and products	147	147	—	— %
Selling, general and administrative	120	136	(16)	(12)%
Total expense	267	283	(16)	(6)%
Total adjusted EBITDA	\$ 469	536	(67)	(13)%

	Six Months Ended June 30,			
	2019	2018	Increase/(Decrease)	% Change
	(Dollars in millions)			
Revenue:				
IP and Data Services	\$ 590	590	—	— %
Transport and Infrastructure	213	245	(32)	(13)%
Voice and Collaboration	664	740	(76)	(10)%
IT and Managed Services	24	28	(4)	(14)%
Total Revenue	1,491	1,603	(112)	(7)%
Expenses:				
Cost of services and products	300	300	—	— %
Selling, general and administrative	252	263	(11)	(4)%
Total expense	552	563	(11)	(2)%
Total adjusted EBITDA	\$ 939	1,040	(101)	(10)%

Three and Six Months Ended June 30, 2019 Compared to the same periods Ended June 30, 2018

Segment revenue decreased \$ 83 million or 10% for the three months ended June 30, 2019 compared to June 30, 2018 and \$ 112 million , or 7% for the six months ended June 30, 2019 compared to June 30, 2018, primarily due to:

- For both periods, lower voice and collaboration revenue as customers continue to migrate from traditional TDM voice to VoIP type services at lower rates;
- for both periods, lower transport and infrastructure revenue impacted by continued net losses of customers.

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Segment expenses decreased by \$ 16 million or 6% for the three months ended June 30, 2019 compared to June 30, 2018 and \$ 11 million or 2% for the six months ended June 30, 2019 compared to June 30, 2018, primarily due to:

- For both periods, lower employee compensation due to lower headcount, partially offset by
- higher external commissions for the six months ended.

Segment adjusted EBITDA as a percentage of revenue declined slightly to 63% for the three months ended June 30, 2019 compared to June 30, 2018 and six months ended June 30, 2019 compared to June 30, 2018.

Wholesale Segment

	Three Months Ended June 30,			
	2019	2018	Increase/(Decrease)	% Change
(Dollars in millions)				
Revenue:				
IP and Data Services	\$ 339	349	(10)	(3)%
Transport and Infrastructure	484	539	(55)	(10)%
Voice and Collaboration	193	226	(33)	(15)%
IT and Managed Services	2	2	—	— %
Total Revenue	1,018	1,116	(98)	(9)%
Expenses:				
Cost of services and products	145	167	(22)	(13)%
Selling, general and administrative	21	23	(2)	(9)%
Total expense	166	190	(24)	(13)%
Total adjusted EBITDA	\$ 852	926	(74)	(8)%

	Six Months Ended June 30,			
	2019	2018	Increase/(Decrease)	% Change
(Dollars in millions)				
Revenue:				
IP and Data Services	\$ 680	688	(8)	(1)%
Transport and Infrastructure	983	1,077	(94)	(9)%
Voice and Collaboration	389	457	(68)	(15)%
IT and Managed Services	3	4	(1)	(25)%
Total Revenue	2,055	2,226	(171)	(8)%
Expenses:				
Cost of services and products	286	343	(57)	(17)%
Selling, general and administrative	41	47	(6)	(13)%
Total expense	327	390	(63)	(16)%
Total adjusted EBITDA	\$ 1,728	1,836	(108)	(6)%

Three and Six Months Ended June 30, 2019 Compared to the same periods Ended June 30, 2018

Segment revenue decreased \$ 98 million or 9% for the three months ended June 30, 2019 compared to June 30, 2018 and \$ 171 million or 8% for the six months ended June 30, 2019 compared to June 30, 2018, primarily due to:

- For both periods, voice and collaboration product declined driven by a combination of market rate compression and customer volume losses resulting from insourcing and industry consolidation in addition for the six months ended the reduction of unprofitable customer relationships;
- for the three months, ended transport and infrastructure revenue declined, primarily driven by net customer losses, network consolidation and grooming as well as a prior year settlement benefit and for the six months ended transport and infrastructure revenue declined, primarily driven by net customer losses, network consolidation and grooming, and higher discounts;
- for the three months ended, IP and data services revenue declined, primarily driven by customer rate compression.

Segment expenses decreased by \$ 24 million , or 13% , for the three months ended June 30, 2019 compared to June 30, 2018 and \$ 63 million , or 16% for the six months ended June 30, 2019 compared to June 30, 2018, primarily due to cost of services and products decline commensurate with the revenue decline, network grooming, revenue product mix and operating synergies.

Segment adjusted EBITDA as a percentage of revenue increased slightly to 84% for the three months ended June 30, 2019 compared to June 30, 2018 and six months ended June 30, 2019 compared to June 30, 2018.

Consumer Segment

The operations of our consumer segment have been, and are expected to continue to be, impacted by several significant trends, including those described below:

Revenue. In order to remain competitive and attract additional residential broadband subscribers, we believe it is important to continually increase our broadband network's scope and transmission speeds. As a result, we continue to invest in our broadband network, which allows for the delivery of higher-speed broadband services to a greater number of customers. We compete in a maturing broadband market in which most consumers already have broadband services and growth rates in new subscribers have slowed or declined. Moreover, as described further in Item 1A of Part I of our annual report on Form 10-K for the year ended December 31, 2018, certain competitors continue to provide broadband services at higher average transmission speeds than ours or through advanced wireless data service offerings, both of which we believe have impacted the competitiveness of certain of our broadband offerings in certain of our markets. Our voice revenue has been, and we expect they will continue to be, adversely affected by access line losses and lower long-distance voice service volumes. Intense competition and product substitution continue to drive our access line losses. For example, many consumers are substituting cable and wireless voice services and electronic mail, texting and social networking non-voice services for traditional voice telecommunications services. We expect our video revenue to continue to decline, particularly due to our decision to discontinue active marketing of our facilities-based video services in light of competitive pressures and escalating content costs. The demand for new technology has increased the number of competitors offering services similar to ours. Price compression and new technology from our competitors have negatively impacted the operating margins of our newer, more technologically advanced products and services. We expect that these factors and trends will continue to negatively impact our consumer business. Customer migration and price compression from competitive pressures have not only negatively impacted our traditional wireline services revenue, but they have also negatively impacted the operating margins of these services and we expect this trend to continue.

Expenses. Operating costs also impact the operating margins of these services. These operating costs include employee costs, marketing and advertising expenses, sales commissions and TV content costs. We believe increases in operating costs have generally had a greater impact on our operating margins of our newer, more technologically advanced products and services as compared to our traditional wireline services, principally because our newer, more technologically advanced products and services rely more heavily upon the above-listed operating expenses. Operating costs also tend to impact our traditional wireline products and services operating margins to a lesser extent than our newer, more technologically advanced products and services as noted above.

Operating efficiencies. We continue to evaluate our segment operating structure and focus. This involves balancing our workforce in response to our workload requirements, productivity improvements and changes in industry, competitive, technological and regulatory conditions. Following a review of our retail customers' order preferences, we elected to close during the fourth quarter of 2018 substantially all of our remaining retail stores, which we believe will enable us to reduce operating costs and to redeploy capital to higher growth initiatives. We also expect our consumer segment to benefit indirectly from any enhanced efficiencies in our company-wide network operations.

	Three Months Ended June 30,			
	2019	2018	Increase/(Decrease)	% Change
	(Dollars in millions)			
Revenue:				
Broadband	\$ 718	705	13	2 %
Voice	477	546	(69)	(13)%
Regulatory	158	185	(27)	(15)%
Other	64	105	(41)	(39)%
Total Revenue	1,417	1,541	(124)	(8)%
Expenses:				
Cost of services and products	77	124	(47)	(38)%
Selling, general and administrative	110	136	(26)	(19)%
Total expense	187	260	(73)	(28)%
Total adjusted EBITDA	\$ 1,230	1,281	(51)	(4)%

	Six Months Ended June 30,			
	2019	2018	Increase/(Decrease)	% Change
	(Dollars in millions)			
Revenue:				
Broadband	\$ 1,440	1,417	23	2 %
Voice	966	1,103	(137)	(12)%
Regulatory	317	368	(51)	(14)%
Other	135	222	(87)	(39)%
Total Revenue	2,858	3,110	(252)	(8)%
Expenses:				
Cost of services and products	164	282	(118)	(42)%
Selling, general and administrative	219	271	(52)	(19)%
Total expense	383	553	(170)	(31)%
Total adjusted EBITDA	\$ 2,475	2,557	(82)	(3)%

Three and Six Months Ended June 30, 2019 Compared to the same periods Ended June 30, 2018

Segment revenue decreased \$ 124 million or 8% for the three months ended June 30, 2019 compared to June 30, 2018 and \$ 252 million or 8% for the six months ended June 30, 2019 compared to June 30, 2018, primarily due to:

- For both periods, decreases in our voice, other and regulatory revenue driven by continued net losses of customers, active discontinuance of video services marketing and the derecognition of our prior failed sales leaseback;
- for both periods, decline in usage of our traditional voice telecommunications services for the reasons described above; partially offset by
- for both periods, an increase in Broadband revenue.

Consumer segment expenses decreased by \$ 73 million or 28% for the three months ended June 30, 2019 compared to June 30, 2018 and \$ 170 million or 31% for the six months ended June 30, 2019 compared to June 30, 2018, primarily due to:

- For both periods, reduction in headcount costs;
- for both periods, decreased marketing expenses; and
- lower TV content costs for both periods.

Consumer segment adjusted EBITDA as a percentage of revenue was 87% for both periods in 2019 and approximately 82% for both periods in 2018.

Liquidity and Capital Resources

Overview of Sources and Uses of Cash

We are a holding company that is dependent on the capital resources of our subsidiaries to satisfy our parent company liquidity requirements. Several of our significant operating subsidiaries have borrowed funds either on a standalone basis or as part of a separate restricted group with certain of their respective subsidiaries or affiliates. The terms of the instruments governing the indebtedness of these borrowers or borrowing groups may restrict our ability to access their accumulated cash. In addition, our ability to access the liquidity of these and other subsidiaries may be limited by tax and legal considerations and other factors.

Our executive officers and our Board of Directors periodically review our sources and potential uses of cash, particularly in connection with our budgeting processes. Generally speaking, our principal funding source is cash from operating activities, and our principal cash requirements include operating expenses, capital expenditures, income taxes, debt repayments, dividends, periodic pension contributions and other benefits payments.

Based on our current capital allocation objectives, during 2019 we project expending approximately \$3.5 billion to \$3.8 billion (excluding integration and transformation capital) of cash for capital investment in property, plant and equipment and approximately \$272 million of cash for dividends per quarter on our common stock (based on the assumptions described below under "Dividends"). At June 30, 2019, we had debt maturities of \$1.4 billion, scheduled debt principal payments of \$164 million and finance lease and other fixed payments of \$34 million, each due during the next twelve months. Each of these commitments are described further below. Additionally, on July 29, 2019, CenturyLink announced that its subsidiary, Level 3 Financing, Inc. will redeem \$400 million of its \$640 million 6.125% Senior Notes on August 25, 2019.

At June 30, 2019, we held cash and cash equivalents of \$410 million, and we had approximately \$1.5 billion of borrowing capacity available under our revolving credit facility. We had approximately \$85 million of cash and cash equivalents outside the United States at June 30, 2019. We currently believe we have the ability to repatriate cash and cash equivalents into the United States without paying or accruing U.S. taxes (subject to complying with applicable currency, repatriation or similar laws or limitations).

We will continue to monitor our future sources and uses of cash, and anticipate that we will make adjustments to our capital allocation strategies when, as and if determined by our Board of Directors. We typically use our revolving credit facility as a source of liquidity for operating activities and other corporate purposes.

For additional information, see "Risk Factors—Risks Affecting Our Liquidity and Capital Resources" in Item 1A of Part I of our annual report on Form 10-K for the year ended December 31, 2018 .

Capital Expenditures

We incur capital expenditures on an ongoing basis in order to enhance and modernize our networks, compete effectively in our markets, expand and improve our service offerings and comply with regulatory requirements. We evaluate capital expenditure projects based on a variety of factors, including expected strategic impacts (such as forecasted impact on revenue growth, productivity, expenses, service levels and customer retention) and our expected return on investment. The amount of capital investment is influenced by, among other things, demand for our services and products, cash flow generated by operating activities, cash required for other purposes and regulatory considerations (such as our CAF Phase II infrastructure buildout requirements). Based on current circumstances, we estimate that our total capital expenditures for 2019 will be approximately \$3.5 billion to \$3.8 billion , inclusive of CAF Phase II related capital expenditures, but excluding integration and transformation capital.

Our capital expenditures continue to be focused on maintaining the operating efficiency of our network and supporting new service developments. For more information on our capital spending, see "Historical Information—Investing Activities" below and Item 1 of Part I of our annual report on Form 10-K for the year ended December 31, 2018 .

Debt and Other Financing Arrangements

Subject to market conditions, we expect to continue to issue debt instruments from time to time in the future to refinance a substantial portion of our maturing debt, including issuing Qwest Corporation and Level 3 Financing, Inc. debt instruments to refinance their maturing debt to the extent we deem appropriate and feasible. The availability, interest rate and other terms of any new borrowings will depend on the ratings assigned by credit rating agencies, among other factors. Also subject to market conditions, we expect from time to time to retire debt securities prior to their maturity.

As of June 30, 2019 , the credit ratings for the senior unsecured debt and senior secured debt of CenturyLink, Inc. and Level 3 Financing, Inc., as well as the senior unsecured debt of Qwest Corporation and Level 3 Parent, LLC were as follows:

Borrower	Moody's Investors Service, Inc.	Standard & Poor's	Fitch Ratings
CenturyLink, Inc.:			
Unsecured	B2	B+	BB
Secured	Ba3	BBB-	BB+
Qwest Corporation:			
Unsecured	Ba2	BBB-	BB+
Level 3 Parent, LLC:			
Unsecured	B1	B+	BB
Level 3 Financing, Inc.			
Unsecured	Ba3	BB	BB
Secured	Ba1	BBB-	BBB-

Our credit ratings are reviewed and adjusted from time to time by the rating agencies. Any future downgrades of the senior unsecured or secured debt ratings of us or our subsidiaries could impact our access to debt capital or further raise our borrowing costs. See "Risk Factors—Risks Affecting Our Liquidity and Capital Resources" in Item 1A of Part I of our annual report on Form 10-K for the year ended December 31, 2018 .

Net Operating Losses

As of December 31, 2018, CenturyLink had approximately \$7.3 billion of federal net operating loss carryforwards ("NOLs"), which for U.S. federal income tax purposes can be used to offset future taxable income. These NOLs are primarily related to federal NOLs we acquired through the Level 3 acquisition on November 1, 2017 and are subject to limitations under Section 382 of the Internal Revenue Code ("Code") and related U.S. Treasury Department regulations. On February 13, 2019, we entered into a Section 382 rights agreement designed to safeguard our ability to use those NOLs. Assuming that we can continue using these NOLs in the amounts projected, we expect to significantly reduce our federal cash taxes for the next several years. The amounts of our near-term future tax payments will depend upon many factors, including our future earnings and tax circumstances and results of any corporate tax reform. Given these uncertainties, we cannot provide any assurances as to the amounts of our gross or net future federal cash tax obligations.

Dividends

We currently expect to continue our current practice of paying quarterly cash dividends in respect of our common stock subject to our Board of Directors' discretion to modify or terminate this practice at any time and for any reason without prior notice. Our current quarterly common stock dividend rate is \$0.25 per share, as approved by our Board of Directors, which we believe is a dividend rate per share which enables us to balance our multiple objectives of managing our business, paying our fixed commitments and returning a substantial portion of our cash to our shareholders. Assuming continued payment during 2019 at this rate of \$0.25 per share, our average total dividend paid each quarter would be approximately \$272 million based on the number of our outstanding shares at June 30, 2019 .

Revolving Facilities and Other Debt Instruments

To substantially fund our acquisition of Level 3, one of our affiliates entered into a credit agreement (the "2017 CenturyLink Credit Agreement") which provides for \$10.2 billion in senior secured credit facilities. These facilities included a \$2.2 billion revolving credit facility with \$650 million outstanding as of June 30, 2019 and \$8.0 billion of term loan facilities with \$7.8 billion outstanding as of June 30, 2019 . For additional information, see (i) Note 5—Long-Term Debt and Credit Facilities to our consolidated financial statements in Item 1 of Part I of this report and (ii) Note 6—Long-Term Debt and Credit Facilities in Item 8 of Part II of our Annual Report on Form 10-K for the year ended December 31, 2018.

At June 30, 2019 , we had \$84 million of letters of credit outstanding under our \$225 million uncommitted letter of credit facility.

Additionally, as of June 30, 2019 , we had outstanding letters of credit or other similar obligations of approximately \$27 million of which \$21 million is collateralized by cash that is reflected on our consolidated balance sheets as restricted cash.

For information on the terms and conditions of other debt instruments of ours and our subsidiaries, including financial and operating covenants, see Note 5—Long-Term Debt and Credit Facilities to our consolidated financial statements in Item 1 of Part I of this report.

Pension and Post-retirement Benefit Obligations

We are subject to material obligations under our existing defined benefit pension plans and post-retirement benefit plans. At December 31, 2018 , the accounting unfunded status of our qualified and non-qualified defined benefit pension plans and qualified post-retirement benefit plans was \$1.6 billion and \$3.0 billion , respectively. For additional information about our pension and post-retirement benefit arrangements, see "Critical Accounting Policies and Estimates - Pensions and Post-Retirement Benefits" in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2018 and see Note 10—Employee Benefits to our consolidated financial statements in Item 8 of Part II of the same report.

Benefits paid by our qualified pension plan are paid through a trust that holds all of the plan's assets. Based on current laws and circumstances, we do not expect any contributions to be required for our qualified pension plan during 2019. The amount of required contributions to our qualified pension plan in 2020 and beyond will depend on a variety of factors, most of which are beyond our control, including earnings on plan investments, prevailing interest rates, demographic experience, changes in plan benefits and changes in funding laws and regulations. We occasionally make voluntary contributions in addition to required contributions. However, based on current circumstances, we do not anticipate making a voluntary contribution to the trust for our qualified pension plan in 2019.

Substantially all of our post-retirement health care and life insurance benefits plans are unfunded. Several trusts hold assets that have been used to help cover the health care costs of certain retirees. As of December 31, 2018, assets in the post-retirement trusts had been substantially depleted and had a fair value of only \$18 million (a portion of which was comprised of investments with restricted liquidity), which has significantly limited our ability to continue paying benefits from the trusts; however, we plan to continue to pay certain benefits through the trusts. Benefits not paid from the trusts are expected to be paid directly by us with available cash. As described further in Note 10—Employee Benefits to our consolidated financial statements in Item 8 of Part II of our most recent annual report on Form 10-K, aggregate benefits paid by us under these plans (net of participant contributions and direct subsidy receipts) were \$249 million , \$237 million and \$129 million for the years ended December 31, 2018, 2017 and 2016, respectively, while the amounts paid from the trust were \$4 million , \$31 million and \$145 million , respectively. For additional information on our expected future benefits payments for our post-retirement benefit plans, please see Note 10—Employee Benefits to our consolidated financial statements in Item 8 of Part II of our annual report Form 10-K for the year ended December 31, 2018.

For 2019 , our estimated annual long-term rates of return, net of administrative costs, are 6.5% and 4.0% for the pension plan trust assets and post-retirement plans trust assets, respectively, based on the assets currently held. However, actual returns could be substantially different.

Future Contractual Obligations

For information regarding our estimated future contractual obligations, see the MD&A discussion included in Item 7 of Part II of our annual report on Form 10-K for the year ended December 31, 2018 .

Connect America Fund

As a result of accepting CAF Phase 2 support payments, we must meet certain specified infrastructure buildout requirements in 33 states over the next several years. In order to meet these specified infrastructure buildout requirements, we may be obligated to make substantial capital expenditures. See "Capital Expenditures" above.

For additional information on the FCC's CAF order and the USF program, see "Business—Regulation" in Item 1 of Part I of our annual report on Form 10-K for the year ended December 31, 2018 and "Risk Factors—Risks Affecting our Liquidity and Capital Resources" in Item 1A of Part I of the same annual report. The FCC released a Notice of Proposed Rulemaking on August 1, 2019 to begin the process of developing rules for the Rural Digital Opportunity Fund which is expected to ultimately succeed CAF Phase 2. The content, timing and final implementation rules and the impact on CenturyLink are not known at this time.

Historical Information

The following table summarizes our consolidated cash flow activities:

	Six Months Ended June 30,		
	2019	2018	Change
	(Dollars in millions)		
Net cash provided by operating activities	\$ 2,883	3,249	(366)
Net cash used in investing activities	(1,717)	(1,512)	205
Net cash used in financing activities	(1,244)	(1,592)	(348)

Operating Activities

Net cash provided by operating activities decreased by \$366 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, primarily due to an increase in accounts receivables and prepaid expenses as well as a decrease in accrued expenses and accounts payable, partially offset by an increase deferred revenue. Cash provided by operating activities is subject to variability period over period as a result of the timing of the collection of receivables and payments related to interest expense, accounts payable, and bonuses.

Investing Activities

Net cash used in our investing activities increased by \$205 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018 substantially due to an increase in capital expenditures.

Financing Activities

Net cash used in financing activities decreased \$348 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018, primarily due to the decrease in dividends which reflect the decrease of the per share dividend amount to \$0.50 for the six months ended June 30, 2019 from the \$1.08 per share amount for the six months ended June 30, 2018, and net payments of long-term debt during the six months ended June 30, 2019 compared six months ended June 30, 2018. These decreases were partially offset by an increase in proceeds from borrowings under our revolving line of credit for the six months ended June 30, 2019 as compared to six months ended June 30, 2018.

See Note 5—Long-Term Debt and Credit Facilities to our consolidated financial statements in Item 1 of Part I of this report for additional information on our outstanding debt securities.

Other Matters

We are subject to various legal proceedings and other contingent liabilities that individually or in the aggregate could materially affect our financial condition, future results of operations or cash flows. See Note 12—Commitments, Contingencies and Other Items for additional information.

Market Risk

As of June 30, 2019, we were exposed to market risk from changes in interest rates on our variable rate long-term debt obligations and fluctuations in certain foreign currencies. We seek to maintain a favorable mix of fixed and variable rate debt in an effort to limit interest costs and cash flow volatility resulting from changes in rates.

Management periodically reviews our exposure to interest rate fluctuations and periodically implements strategies to manage the exposure. From time to time, we have used derivative instruments to (i) lock-in or swap our exposure to changing or variable interest rates for fixed interest rates or (ii) to swap obligations to pay fixed interest rates for variable interest rates. We have established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative instrument activities.

In February 2019, we executed swap transactions that reduced our exposure to floating rates with respect to \$2.5 billion principal amount of floating rate debt. In June 2019, we executed swap transactions that reduced our exposure to floating rates with respect to \$1.5 billion principal amount of floating rate debt. See Note 10—Derivative Financial Instruments to our consolidated financial statements in Item 1 of Part I of this report for additional disclosure regarding the Company's hedging arrangements.

As of June 30, 2019, we had approximately \$13.2 billion floating rate debt governed by the London Inter-Bank Offered Rate (LIBOR), \$4.0 billion of which was subject to the above-described hedging arrangements. A hypothetical increase of 100 basis points in LIBOR relating to our \$9.2 billion of unhedged floating rate debt would, among other things, decrease our annual pre-tax earnings by approximately \$92 million.

We conduct a portion of our business in currencies other than the U.S. dollar, the currency in which our consolidated financial statements are reported. Accordingly, our operating results could be adversely affected by foreign currency exchange rate volatility relative to the U.S. dollar. Our European subsidiaries and certain Latin American subsidiaries use the local currency as their functional currency, as the majority of their revenue and purchases are transacted in their local currencies. Certain Latin American countries previously designated as highly inflationary economies use the U.S. dollar as their functional currency. Although we continue to evaluate strategies to mitigate risks related to the effect of fluctuations in currency exchange rates, we will likely continue to recognize gains or losses from international transactions. Changes in foreign currency rates could adversely affect our operating results.

Certain shortcomings are inherent in the method of analysis presented in the computation of exposures to market risks. Actual values may differ materially from those disclosed by us from time to time if market conditions vary from the assumptions used in the analyses performed. These analyses only incorporate the risk exposures that existed at June 30, 2019.

Off-Balance Sheet Arrangements

As of June 30, 2019, we had no special purpose or limited purpose entities that provide off-balance sheet financing, liquidity, or market or credit risk support and we did not engage in hedging or other similar activities that expose us to any significant liabilities that are not (i) reflected on the face of the consolidated financial statements, (ii) disclosed in Note 17—Commitments and Contingencies and Other Items to our consolidated financial statements in Item 8 of Part II of our annual report on Form 10-K for the year ended December 31, 2018, or in the Future Contractual Obligations table included in Item 7 of Part II of the same report, or (iii) discussed under the heading "Market Risk" above.

Other Information

Our website is www.centurylink.com. We routinely post important investor information in the "Investor Relations" section of our website at ir.centurylink.com. The information contained on, or that may be accessed through, our website is not part of this quarterly report. You may obtain free electronic copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports in the "Investor Relations" section of our website (ir.centurylink.com) under the heading "SEC Filings." These reports are available on our website as soon as reasonably practicable after we electronically file them with the SEC. From time to time, we also use our website to webcast our earnings calls and certain of our meetings with investors or other members of the investment community.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Liquidity and Capital resources—Market Risk" in Item 2 of Part I above.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act")) designed to provide reasonable assurance that the information required to be disclosed by the Company in the reports that it files or furnishes under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. These include controls and procedures designed to ensure that this information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Management, with the participation of our Chief Executive Officer, Jeff K. Storey, and our Executive Vice President and Chief Financial Officer, Indraneel Dev, evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2019. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective, as of June 30, 2019, due to the material weakness in internal control over financial reporting that was disclosed in our Annual Report on Form 10-K for the fiscal year ended in December 31, 2018 related to the existence and accuracy of our revenue transactions.

Remediation Plans

As previously described in Part II, Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, we began implementing remediation plans to address both of the material weaknesses described in that report. During the second quarter, we remediated our material weakness related to the ineffective design and operation of process level internal controls over the fair value measurement of certain assets acquired and liabilities assumed from Level 3. The measures taken to remediate this material weakness are described in further detail in the Changes in Internal Control Over Financial Reporting section below.

The remaining material weakness relates to our ineffective design and operation of certain process level internal controls over the existence and accuracy of revenue transactions. This material weakness will not be considered remediated until we have designed and implemented sufficient process level controls and the applicable controls operate for a sufficient period of time such that management has concluded, through testing, that these controls are operating effectively. Based on our progress to date, we expect that the remediation of this material weakness will be completed prior to the end of fiscal 2019.

Changes in Internal Control Over Financial Reporting

During the quarter ended June 30, 2019, we designed and documented new processes and internal controls, and strengthened existing process level internal controls, in response to the material weakness identified in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 related to the ineffective design and operation of process level internal controls over the fair value measurement of certain assets acquired and liabilities assumed from Level 3, as described below:

- We conducted an effective risk assessment to identify and assess changes needed to financial reporting and process level controls related to the fair value measurements of assets acquired and liabilities assumed in future business combinations. We designed and documented new process level internal controls and strengthened existing process level internal controls resulting from our risk assessment over the fair value measures for business combinations for areas in which we deemed there is a reasonable possibility of material misstatement of financial statement items acquired or assumed in a business combination.
- We prepared and adopted a formal policy that assigns responsibilities to personnel within the company for the design, implementation, and operation of controls over business combination fair value measurements.
- We disseminated a formal training and information and communication plan that will be utilized in the event of a future business combination to ensure the right information is available to personnel on a timely basis so they can fulfill their control responsibilities related to the fair value measurements.

Management has concluded that these remediation activities have addressed the material weakness related to the fair value measurement of certain assets acquired and liabilities assumed from Level 3 and believes that the design of our process level internal controls over the fair value measurements of certain assets and liabilities assumed in a business combination would operate effectively in the event of a future business combination transaction as of June 30, 2019. Under applicable auditing standards, our independent registered public accounting firm is next scheduled to audit the effectiveness of our internal control over financial reporting as of December 31, 2019 in connection with its audit of our consolidated financial statements as of and for the year ended December 31, 2019.

Other than with respect to the remediation efforts described above, there have been no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the second quarter of 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations of Internal Controls

The effectiveness of our or any system of disclosure controls and procedures is subject to certain limitations, including the exercise of judgment in designing, implementing and evaluating the controls and procedures, the assumptions used in identifying the likelihood of future events and the inability to eliminate misconduct completely. As a result, there can be no assurance that our disclosure controls and procedures will detect all errors or fraud. By their nature, our or any system of disclosure controls and procedures can provide only reasonable assurance regarding management's control objectives.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information contained in Note 12—Commitments, Contingencies and Other Items included in Item 1 of Part I of this quarterly report on Form 10-Q is incorporated herein by reference. The ultimate outcome of the matters described in Note 12 may differ materially from the outcomes anticipated, estimated, projected or implied by us in certain of our statements appearing in such Note, and proceedings currently viewed as immaterial by us may ultimately materially impact us. For more information, see “Risk Factors—Risks Relating to Legal and Regulatory Matters—Our pending legal proceedings could have a material adverse impact on our financial condition and operating results, on the trading price of our securities and on our ability to access the capital markets” in Item 1A of Part I of our annual report on Form 10-K for the year ended December 31, 2018.

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, which could adversely affect our business, financial condition or future results. In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**Issuer Purchases of Equity Securities**

The following table contains information about shares of our previously-issued common stock that we withheld from employees upon vesting of their stock-based awards during the second quarter of 2019 to satisfy the related tax withholding obligations:

Period	Total Number of Shares Withheld for Taxes	Average Price Paid Per Share	
Apr-19	56,668	\$	12.39
May-19	118,090		11.18
Jun-19	138,583		11.19
Total	313,341		

ITEM 6. EXHIBITS

Exhibits identified in parentheses below are on file with the SEC and are incorporated herein by reference. All other exhibits are provided as part of this electronic submission.

Exhibit Number	Description
3.1*	Composite amended and restated articles of incorporation of CenturyLink, Inc. (a Louisiana corporation)
10.1*	Form of Level 3 Communications, LLC Aircraft Time Sharing Agreement
10.2*	Form of CenturyTel Service Group, LLC Aircraft Time Sharing Agreement
31.1*	Certification of the Chief Executive Officer of CenturyLink, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer of CenturyLink, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Chief Executive Officer of CenturyLink, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer of CenturyLink, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	Financial statements from the Quarterly Report on Form 10-Q of CenturyLink, Inc. for the period ended June 30, 2019, formatted in Inline XBRL: (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income (Loss), (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Stockholders' Equity and (vi) the Notes to Consolidated Financial Statements.

* Exhibit filed herewith.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on August 8, 2019 .

CENTURYLINK, INC.

/s/ Eric J. Mortensen

By:

Eric J. Mortensen
Senior Vice President - Controller
(Principal Accounting Officer)

**COMPOSITE
AMENDED AND RESTATED
ARTICLES OF INCORPORATION
of
CENTURYLINK, INC.
(a Louisiana corporation)**

The undersigned corporation (the “Corporation”), acting through Stacey W. Goff, its Executive Vice President, Secretary and General Counsel, and by authority of its Board of Directors, does hereby certify as of May 23, 2012 that:

FIRST: The Amended and Restated Articles of Incorporation set forth in Paragraph Fifth below accurately set forth the articles of incorporation of the Corporation and all amendments thereto in effect on the date hereof, including the changes made in the manner described in Paragraph Fourth below.

SECOND: All such amendments have been effected in conformity with law.

THIRD: The date of incorporation of the Corporation was April 30, 1968. These Amended and Restated Articles of Incorporation have been duly executed and delivered, effective as of 10:00 a.m. central time, on May 23, 2012.

FOURTH: On February 21, 2012, the Board of Directors of the Corporation, at a duly-convened meeting, unanimously adopted resolutions to amend and restate the Corporation’s articles of incorporation to (i) increase the number of authorized shares of the Corporation’s Common Stock (the “Share Increase Amendment”) and (ii) declassify the Board of Directors (the “Declassification Amendment”), subject to the approval of such amendments by the Corporation’s shareholders. On May 23, 2012, the shareholders of the Corporation, at a duly-convened annual meeting of shareholders at which there was present or duly represented a quorum of the holders of the Corporation’s total voting power, approved the Share Increase Amendment by casting 497,291,172 affirmative votes and 50,080,656 negative votes, excluding 2,074,678 votes held by holders who abstained from voting, and approved the Declassification Amendment by casting 418,348,477 affirmative votes and 4,703,664 negative votes, excluding 1,291,437 votes held by holders who abstained from voting. Pursuant to these proceedings, the Corporation’s articles of incorporation have been modified to (i) amend paragraph A of Article III to increase the number of authorized shares of the Corporation’s Common Stock from 800 million to 1.6 billion to reflect the Share Increase Amendment, (ii) amend Sections A, B and C of Article IV to provide for the annual election of directors pursuant to the Declassification Amendment and (iii) amend and restate the articles of incorporation to reflect all amendments effected since July 1, 2009 (including, but not limited to, the Share Increase Amendment and the Declassification Amendment).

FIFTH: The Amended and Restated Articles of Incorporation of the Corporation are as follows:

**ARTICLE I
Name**

The name of this Corporation is CenturyLink, Inc.

**ARTICLE II
Purpose**

The purpose of the Corporation is to engage in any lawful activity for which corporations may be formed under the Business Corporation Law of Louisiana.

**ARTICLE III
Capital**

A. Authorized Stock. The Corporation shall be authorized to issue an aggregate of 2,202,000,000 shares of capital stock, of which 2,200,000,000 shares shall be Common Stock, \$1.00 par value per share, and 2,000,000 shares shall be Preferred Stock, \$25.00 par value per share.

B. Preferred Stock. (1) The Preferred Stock may be issued from time to time in one or more series.

(2) In respect to any series of Preferred Stock, the Board of Directors is hereby authorized to fix or alter the dividend rights, dividend rates, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), the redemption price or prices, and the liquidation preferences of any wholly unissued series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or any of them; and to increase or decrease the number of shares of any series subsequent to the issue of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series. In addition thereto the Board of Directors shall have such other powers with respect to the Preferred Stock and any series thereof as shall be permitted by applicable law.

(3) No full dividend for any quarterly dividend period may be declared or paid on shares of any series of Preferred Stock unless the full dividend for that period shall be concurrently declared or paid on all series of Preferred Stock outstanding in accordance with the terms of each series. If there are any accumulated dividends accrued or in arrears on any share of any series of Preferred Stock those dividends shall be paid in full before any full dividend shall be paid on any other series of Preferred Stock. If less than a full dividend is to be paid, the amount of the dividend to be distributed shall be divided among the shares of Preferred Stock for which dividends are accrued or in arrears in proportion to the aggregate amounts which would be distributable to those holders of Preferred Stock if full cumulative dividends had previously been paid thereon in accordance with the terms of each series.

C. Voting Rights of Common Stock. Each outstanding share of Common Stock entitles the holder thereof to one vote with respect to each matter properly submitted to the shareholders of the Corporation for their vote, consent, waiver, release or other action.

D. Non-Assessability; Transfers; Pre-emptive Rights. The stock of this Corporation shall be fully paid and non-assessable when issued and shall be personal property. No transfer of such stock shall be binding upon this Corporation unless such transfer is made in accordance with these Articles and the by-laws of this Corporation and duly recorded in the books thereof. No stockholder shall have any pre-emptive right to subscribe to any or all additions to the stock of this Corporation.

E. Series L Preferred Stock. The Corporation's 5% Cumulative Convertible Series L Preferred Stock ("Series L Shares") shall consist of 325,000 shares of Preferred Stock having the preferences, limitations and relative rights set forth below.

(1) Voting Rights. Holders of the Series L Shares shall be entitled to cast one vote per share, voting with holders of shares of Common Stock and with holders of other series of voting preferred stock as a single class, on any matter to come before a meeting of the shareholders, except with respect to the casting of ballots on those matters as to which holders of Preferred Stock or a particular series thereof are required by law to vote separately.

(2) Rank. The Series L Shares shall, with respect to dividend rights and rights upon liquidation, dissolution and winding up, rank prior to the Common Stock. All equity securities of the Corporation to which the Series L Shares rank prior, whether with respect to dividends or upon liquidation, dissolution or winding-up or otherwise, including the Common Stock, are collectively referred to herein as the "Junior Securities;" all equity securities of the Corporation with which the Series L Shares rank *pari passu* are collectively referred to herein as the "Parity Securities"; and all other equity securities of the Corporation (other than any convertible debt securities) to which the Series L Shares rank junior are collectively referred to herein as the "Senior Securities." The preferences, limitations and relative rights of the Series L Shares shall be subject to the preferences, limitations and relative rights of the Junior Securities, Parity Securities and Senior Securities issued after the Series L Shares are issued.

(3) Dividends.

(a) The holders of record of the Series L Shares shall be entitled to receive, when, as and if declared by the Board of Directors out of funds of the Corporation legally available therefor, an annual cash dividend of \$1.25 on each Series L Share, payable quarterly on each March 31, June 30, September 30 and December 31 on which any Series L Shares shall be outstanding (each a "Dividend Due Date"), commencing on the first such date following the issuance of the Series L Shares. Dividends on each Series L Share shall accrue and be cumulative from and after the date of issuance of such Series L Share and dividends payable for any partial quarterly period shall be calculated on the basis of a year of 360 days

consisting of twelve 30-day months. Dividends shall be payable to the holders of record as they appear on the Corporation's stock transfer books at the close of business on the record date for such payment, which the Board of Directors shall fix not more than 60 days or less than 10 days preceding a Dividend Due Date. Holders of the Series L Shares shall not be entitled to any dividends, whether paid in cash, property or stock, in excess of the cumulative dividends as provided in this paragraph (a) and shall not be entitled to any interest thereon.

(b) Unless all cumulative dividends accrued on the Series L Shares have been or contemporaneously are declared and paid or declared and a sum set apart sufficient for such payment through the most recent Dividend Payment Date, then (i) except as provided below, no dividend or other distribution shall be declared or paid or set apart for payment on any Parity Securities, (ii) no dividend or other distribution shall be declared or paid or set aside for payment upon the Junior Securities (other than a dividend or distribution paid in shares of, or warrants, rights or options exercisable for or convertible into, Junior Securities) and (iii) no Junior Securities shall be redeemed, purchased or otherwise acquired for any consideration, nor shall any monies be paid to or made available for a sinking fund for the redemption of any Junior Securities, except by conversion of Junior Securities into, or by exchange of Junior Securities for, other Junior Securities. If any accrued dividends are not paid or set apart with respect to the Series L Shares and any Parity Securities, all dividends declared with respect to the Series L Shares and any Parity Securities shall be declared pro rata on a share-by-share basis among all Series L Shares and Parity Securities outstanding at the time.

(4) Conversion.

(a) Each Series L Share shall be convertible, at any time, at the option of the holder thereof into that number of fully paid and nonassessable shares of the Common Stock obtained by dividing \$25.00 by the Conversion Price then in effect under the terms of this subsection (4). Unless and until changed in accordance with the terms of this subsection (4), the Conversion Price shall be \$41.25. In order for a holder of the Series L Shares to effect such conversion, the holder shall deliver to KeyCorp Shareholder Services, Inc., Dallas, Texas, or such other agent as may be designated by the Board of Directors as the transfer agent for the Series L Shares (the "Transfer Agent"), the certificates representing such shares in accordance with paragraph (b) below accompanied by written notice jointly addressed to the Corporation and the Transfer Agent that the holder thereof elects to convert such shares or a specified portion thereof. Each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which the certificates representing the Series L Shares being converted shall have been delivered to the Transfer Agent in accordance with each term and condition of paragraph (b) below, accompanied by the written notice jointly addressed to the Corporation and the Transfer Agent of such conversion (the "Conversion Date"), and the person or persons in whose names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the Common Stock represented thereby at such time. As of the close of business on the Conversion Date, the Series L Shares shall be deemed to cease to be outstanding and all rights of any holder thereof shall be extinguished except for the rights arising under the Common Stock issued in exchange therefor and the right to receive accrued and unpaid dividends on such Series L Shares through the Conversion Date on the terms specified in paragraph (c) below.

(b) In connection with surrendering to the Transfer Agent the certificates representing (or formerly representing) Series L Shares, the holder shall furnish the Transfer Agent with transfer instruments satisfactory to the Corporation and sufficient to transfer the Series L Shares being converted to the Corporation free of any adverse interest or claims. As promptly as practicable after the surrender of the Series L Shares in accordance with this paragraph and any other requirement under this subsection (4), the Corporation, acting directly or through the Transfer Agent, shall issue and deliver to such holder certificates for the number of whole shares of Common Stock issuable upon the conversion of such shares in accordance with the provisions hereof (along with any interest payment specified in paragraph (a) above and any cash payment in lieu of fractional shares specified in paragraph (d) below). Certificates will be issued for the balance of any remaining Series L Shares in any case in which fewer than all of the Series L Shares are converted. Any conversion under paragraph (a) shall be effected at the Conversion Price in effect on the Conversion Date.

(c) If the Conversion Date with respect to any Series L Share occurs after any record date with respect to the payment of a dividend on the Series L Shares (the "Dividend Record Date") and on or prior to the Dividend Due Date, then (i) the dividend due on such Dividend Due Date shall be payable to the holder of record of such share as of the Dividend Record Date and (ii) the dividend that accrues from the close of business on the Dividend Record Date through the Conversion Date shall be payable to the holder of record of such share as of the Conversion Date. Except as provided in this

subsection (4), no payment or adjustment shall be made upon any conversion on account of any dividends accrued on Series L Shares surrendered for conversion or on account of any dividends on the Common Stock issued upon conversion.

(d) No fractional interest in a share of Common Stock shall be issued by the Corporation upon the conversion of any Series L Share. In lieu of any such fractional interest, the holder that would otherwise be entitled to such fractional interest shall receive a cash payment (computed to the nearest cent) equal to such fraction multiplied by the market value of a share of Common Stock, which shall be deemed to equal the last reported per share sale price of Common Stock on the New York Stock Exchange ("NYSE") (or, if the Common Stock is not then traded on the NYSE, the last reported per share sale price on such other national securities exchange on which the Common Stock is listed or admitted to trading or, if not then listed or admitted to trading on any national securities exchange, the last quoted bid price in the over-the-counter market as reported by the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ"), or any similar system of automated dissemination of securities prices) on the trading day immediately prior to the Conversion Date.

(e) The Conversion Price shall be adjusted from time to time as follows:

1. If the Corporation effects any (i) dividend or other distribution upon or in redemption of the Common Stock payable in the form of shares of capital stock of the Corporation or any of its subsidiaries or in the form of any other property (other than cash dividends paid in the ordinary course), (ii) combination of outstanding shares of Common Stock into a smaller number of shares of Common Stock, (iii) split or other subdivision of outstanding shares of Common Stock into a larger number of shares of Common Stock, or (iv) reorganization, exchange or reclassification of Common Stock, or any consolidation or merger of the Corporation with another corporation, or the sale of all or substantially all of its assets to another corporation, or any other transaction effected in a manner such that holders of outstanding Common Stock shall be entitled to receive (either directly, or upon subsequent liquidation) stock, securities or other property with respect to or in exchange for Common Stock (a "Diluting Event"), then as a condition of such Diluting Event, lawful, appropriate, equitable and adequate adjustments shall be made to the Conversion Price whereby the holders of the Series L Shares shall thereafter be entitled to receive (under the same terms otherwise applicable to their receipt of the Common Stock upon conversion of the Series L Shares), in lieu of or in addition to, as the case may be, the number of shares of Common Stock issuable under this subsection (4), such shares of stock, securities or other property as may be issued or payable with respect to or in exchange for that number of shares of Common Stock to which such holders of Series L Shares were so entitled under this subsection (4), and in any such case appropriate, equitable and adequate adjustments shall also be made to such resulting consideration in like manner in connection with any subsequent Diluting Events. It is the intention of the parties that the foregoing shall have the effect of entitling such holders of Series L Shares to receive upon the due exercise of their conversion rights under this subsection (4) such stock, securities and other property (other than cash dividends paid in the ordinary course) as such holders would have received had they held the Common Stock issuable under this subsection (4) (or any replacement or additional stock, securities or property, as applicable) on the record date of such Diluting Event.

2. No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 5% of such price.

3. Whenever the Conversion Price is adjusted as herein provided, the Corporation shall promptly deliver to the Transfer Agent an officer's certificate setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment, which certificate shall constitute conclusive evidence, absent manifest error, of the correctness of such adjustment. Promptly after delivery of such certificate, the Corporation shall prepare and mail a notice to each holder of Series L Shares at each such holder's last address as the same appears on the books of the Corporation, which notice shall set forth the Conversion Price and a brief statement of the facts requiring the adjustment. The failure of the Corporation to take any such action shall not invalidate any corporate action by the Corporation.

(f) The Corporation covenants that (A) all shares of Common Stock that may be issued upon conversions of Series L Shares will upon issue be duly and validly issued, fully paid and nonassessable, and free of all liens, charges or preemptive rights, and (B) it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued shares of Common Stock or its issued shares of Common Stock held in its treasury, or both, for the purpose of effecting conversions of Series L Shares, the whole number of shares of Common Stock deliverable upon the conversion of all outstanding Series L Shares not theretofore converted.

(5) Liquidation Preference.

(a) Upon any voluntary or involuntary dissolution, liquidation, or winding up of the Corporation (for the purposes of this subsection (5), a “Liquidation”), the holder of each Series L Share then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its shareholders, an amount equal to \$25 per share plus all dividends (whether or not declared or due) accrued and unpaid on such share on the date fixed for the distribution of assets of the Corporation to the holders of Series L Shares. With respect to the distribution of the Corporation’s assets upon a Liquidation, the Series L Shares shall rank prior to Junior Securities, *pari passu* with the Parity Securities and junior to the Senior Securities.

(b) If upon any Liquidation of the Corporation, the assets available for distribution to the holders of Series L Shares and any Parity Securities then outstanding shall be insufficient to pay in full the liquidation distributions to the holders of outstanding Series L Shares and Parity Securities in accordance with the terms of these Articles of Incorporation, then the holders of such shares shall share ratably in such distribution of assets in accordance with the amount that would be payable on such distribution if the amounts to which the holders of the Series L Shares and Parity Securities are entitled were paid in full.

(c) Neither the voluntary sale, conveyance, lease, pledge, exchange or transfer of all or substantially all the property or assets of the Corporation, the merger or consolidation of the Corporation into or with any other corporation, the merger of any other corporation into the Corporation, a share exchange with any other corporation, nor any purchase or redemption of some or all of the shares of any class or series of stock of the Corporation, shall be deemed to be a Liquidation of the Corporation for the purposes of this subsection (5) (unless in connection therewith the Liquidation of the Corporation is specifically approved).

(d) The holder of any Series L Shares shall not be entitled to receive any payment owed for such shares under this subsection (5) until such holder shall cause to be delivered to the Corporation the certificate or certificates representing such Series L Shares and transfer instruments satisfactory to the Corporation and sufficient to transfer such Series L Shares to the Corporation free of any adverse interest. No interest shall accrue on any payment upon Liquidation after the due date thereof.

(e) After payment of the full amount of the liquidating distribution to which they are entitled, the holders of Series L Shares will not be entitled to any further participation in any distribution of assets by the Corporation.

(6) Preemptive Rights. The Series L Shares is not entitled to any preemptive or subscription rights in respect of any securities of the Corporation.

F. Series CC Junior Participating Preferred Shares :

(1) Designation and Amount. The shares of such series shall be designated as “Series CC Junior Participating Preferred Shares” (the “Series CC Shares”) and the number of shares constituting the Series CC Shares shall be 150,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of Series CC Shares to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series CC Shares.

(2) Dividends and Distributions.

(a) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series CC Shares with respect to dividends, the holders of Series CC Shares shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the dividend date declared on the Common Stock, par value \$1.00 per share (the “Common Stock”) in each year (each such date being referred to herein as a “Quarterly Dividend Payment Date”), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series CC Shares, in an amount per share (rounded to the nearest cent), subject to the provision for adjustment hereinafter set forth, equal to 10,000 times the aggregate per share amount of all cash dividends, and 10,000 times the aggregate per share amount (payable in kind) of all non-cash

dividends or other distributions, declared on the Common Stock of the Corporation since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series CC Shares, other than, in each case, a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise). In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of Series CC Shares were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Series CC Shares as provided in paragraph (a) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock).

(c) Dividends, to the extent payable as provided in paragraphs (a) and (b) of this Section, shall begin to accrue and be cumulative on outstanding Series CC Shares from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of Series CC Shares entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the Series CC Shares in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of Series CC Shares entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

(3) Voting Rights. The holders of Series CC Shares shall have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each share of Series CC Shares shall entitle the holder thereof to 10,000 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of Series CC Shares were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided herein, in any other articles of amendment creating a series of Preferred Stock or any similar stock, or by law, the holders of Series CC Shares and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(c) Except as set forth herein, or as otherwise provided by law, holders of Series CC Shares shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

(4) Certain Restrictions.

(a) Whenever quarterly dividends or other dividends or distributions payable on the Series CC Shares as provided in Article III.F.(2) are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on Series CC Shares outstanding shall have been paid in full, the Corporation shall not:

- (i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series CC Shares;
- (ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series CC Shares, except dividends paid ratably on the Series CC Shares and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;
- (iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series CC Shares, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series CC Shares; or
- (iv) redeem or purchase or otherwise acquire for consideration any Series CC Shares, or any shares of stock ranking on a parity with the Series CC Shares, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (a) of this Articles III.F.(4), purchase or otherwise acquire such shares at such time and in such manner.

(5) Reacquired Shares. Any Series CC Shares purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Articles of Incorporation, or in any other Articles of Amendment to the Articles of Incorporation creating a series of Preferred Stock or any similar stock or as otherwise required by law.

(6) Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series CC Shares unless, prior thereto, the holders of Series CC Shares shall have received \$10,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of Series CC Shares shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 10,000 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series CC Shares, except distributions made ratably on the Series CC Shares and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of Series CC Shares were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(7) Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series CC Shares shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 10,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of Series CC Shares shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(8) No Redemption. The Series CC Shares shall not be redeemable.

(9) Rank. The Series CC Shares shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Corporation's Preferred Stock.

(10) Amendment. The Articles of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series CC Shares so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding Series CC Shares, voting together as a single class.

ARTICLE IV Directors

A. Number of Directors. The business and affairs of this Corporation shall be managed under the direction of the Board of Directors. The number of directors comprising the Board of Directors of this Corporation (exclusive of directors who may be elected by the holders of any one or more series of Preferred Stock voting separately) shall be determined from time to time by resolution adopted by the affirmative votes of both (i) 80% of the directors then in office and (ii) a majority of the Continuing Directors (as defined in Article V(D)), voting as a separate group, provided, however, that no decrease in the number of directors shall shorten the term of any incumbent director.

B. Term. All directors elected by shareholders at and after the 2012 annual meeting of shareholders shall hold office until the next annual meeting of shareholders and until their successors are duly elected and qualified. Directors whose terms do not expire at the 2012 annual meeting of shareholders shall hold office until the annual meeting for the year in which the director's term expires and until their successors are duly elected and qualified.

C. Vacancies. Except as provided in Article IV(G) hereof, any vacancy on the Board (including any vacancy resulting from an increase in the authorized number of directors or from a failure of the shareholders to elect the full number of authorized directors) may, notwithstanding any resulting absence of a quorum of directors, be filled only by the Board of Directors, acting by vote of both (i) a majority of the directors then in office and (ii) a majority of all the Continuing Directors, voting as a separate group, and any director so appointed shall serve until the next shareholders' meeting held for the election of directors and until his successor is duly elected and qualified.

D. Removal. Subject to Article IV(G) hereof and notwithstanding any other provisions of these Articles or the Bylaws of this Corporation, any director or the entire Board of Directors may be removed at any time, but only for cause, by the affirmative vote at a meeting of shareholders called for such purpose of the holders of both (i) a majority of the Total Voting Power (as defined in Article V(D) hereof) entitled to be cast by the holders of Voting Stock (as defined in Article V(D) hereof), voting together as a single class, and (ii) a majority of the Total Voting Power entitled to be cast by the Independent Shareholders (as defined in Article V(D) hereof), voting as a separate group. At the same meeting in which the shareholders remove one or more directors, a successor or successors may be elected for the unexpired term of the director or directors removed. Except as set forth in this Article, directors shall not be subject to removal.

E. Tender Offers and Other Extraordinary Transactions. In connection with the exercise of its judgment in determining what is in the best interest of the Corporation and its stockholders when evaluating a Business Combination (as defined in Article V(D) hereof) or a tender or exchange offer or a proposal by another Person or Persons to make a tender or exchange offer, the Board of Directors of the Corporation shall consider, in addition to the adequacy of the amount to be paid in connection with any such transaction, all of the following factors and any other factors which it deems relevant: (i) the social and economic effects of the transaction on the Corporation and its subsidiaries, and their respective employees, customers, creditors and other elements of the communities in which they operate or are located, (ii) the business and financial condition and earnings prospects of the acquiring Person or Persons, including, but not limited to, debt service and other existing or likely financial obligations of the acquiring Person or Persons, and the possible effect of such conditions upon the Corporation and its Subsidiaries and the other elements of the communities in which the Corporation and its subsidiaries operate or are located, and (iii) the competence, experience and integrity of the acquiring Person or Persons and its or their management.

F. Board Qualifications.

(1) Except as otherwise provided in Article IV(G) hereof, no person shall be eligible for nomination, election or service as a director of the Corporation who shall:

(a) in the opinion of the Board of Directors fail to respond satisfactorily to the Corporation respecting any inquiry of the Corporation for information to enable the Corporation to make any certification required by the Federal Communications Commission under the Anti-Drug Abuse Act of 1988 or to determine the eligibility of such person under this Article;

(b) have been arrested or convicted of any offense concerning the distribution or possession of, or trafficking in, drugs or other controlled substances, provided that in the case of an arrest the Board of Directors may in its discretion determine that notwithstanding such arrest such persons shall remain eligible under this Article; or

(c) have engaged in actions that could lead to such an arrest or conviction and that the Board of Directors determines would make it unwise for such person to serve as a director of the Corporation.

(2) Any person serving as a director of the Corporation shall automatically cease to be a director on such date as he ceases to have the qualifications set forth in paragraph (1) above, and his position shall be considered vacant within the meaning of Article IV(C) hereof.

G. Directors Elected by Preferred Shareholders. Notwithstanding anything in these Articles of Incorporation to the contrary, whenever the holders of any one or more series of Preferred Stock shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the provisions of these Articles of Incorporation (as they may be duly amended from time to time) fixing the rights and preferences of such Preferred Stock shall govern with respect to the nomination, election, term, removal, vacancies or other related matters with respect to such directors.

ARTICLE V
Certain Business Combinations

A. Vote Required in Business Combinations. No Business Combination may be effected unless all of the following conditions have been fulfilled:

(1) In addition to any vote otherwise required by law or these Articles, the proposal to effect a Business Combination shall have been approved by (i) a majority of the directors then in office and a majority of the Continuing Directors and (ii) by the affirmative votes of both of the following:

(a) 80% of the Total Voting Power entitled to be cast by holders of outstanding shares of Voting Stock of this Corporation, voting as a separate voting group; and

(b) Two-thirds of the Total Voting Power entitled to be cast by the Independent Stockholders present or duly represented at a meeting, voting as a separate voting group.

(2) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934, as amended (the “Act”), and the rules and regulations thereunder (or any subsequent provisions replacing the Act, rules or regulations as a whole or in part) is mailed to all shareholders of the Corporation at least 30 days prior to the consummation of such Business Combination (regardless of whether such proxy or information statement is required pursuant to the Act or subsequent provisions).

B. Nonapplicability of Voting Requirements. The vote required by Paragraph A of this Article does not apply to a Business Combination if all conditions specified in either of paragraphs 1 or 2 below are met:

(1) The proposed Business Combination is approved prior to the time the Related Person involved in the proposed transaction became a Related Person by the affirmative votes of both a majority of the directors then in office and a majority of the Continuing Directors, voting as a separate group.

(2) All of the following five conditions have been met:

(a) The aggregate amount of the cash and the Market Value on the Valuation Date of consideration other than cash to be received per share by all holders of Common Stock in such Business Combination is at least equal to the highest of the following:

1. the highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers’ fees, paid by or on behalf of the Related Person for any shares of Common Stock of the same class or series acquired by it within the two-year period immediately prior to the Announcement Date or in the transaction in which it became a Related Person, whichever is higher;
2. The Market Value per share of Common Stock of the same class or series on the Announcement Date or on the Determination Date, whichever is higher; or
3. The price per share equal to the Market Value per share of Common Stock of the same class or series determined pursuant to clause (2) immediately preceding, multiplied by the fraction of the highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers’ fees, paid by or for the Related Person for any shares of Common Stock of the same class or series acquired by it within the two-year period immediately prior to the Announcement Date, over the Market Value per share of Common Stock of the same class or series on the first day in such two-year period on which the Related Person acquired any shares of Common Stock.

(b) The aggregate amount of the cash and the Market Value as of the Valuation Date of consideration other than cash to be received per share by holders of shares of any class or series of outstanding stock other than Common Stock is at least equal to the highest of the following, whether or not the Related Person has previously acquired any shares of a particular class or series of stock:

1. The highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers’ fees, paid by or for the Related Person for any shares of such class of stock acquired by it within the two-year period immediately prior to the Announcement Date or in the transaction in which it became a Related Person, whichever is higher;
2. The highest preferential amount per share to which the holders of shares of such class of stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of this Corporation;
3. The Market Value per share of such class of stock on the Announcement Date or on the Determination Date, whichever is higher; or
4. The price per share equal to the Market Value per share of such class of stock determined pursuant to clause (3) immediately preceding, multiplied by the fraction of the highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers’ fees, paid by or for the Related Person for any shares of any class of Voting Stock acquired by it within the two-year period immediately prior to the Announcement Date, over the Market Value per share of the same class of Voting Stock on the first day in such two-year period on which the Related Person acquired any shares of the same class of Voting Stock.

(c) The consideration to be received by holders of any class or series of outstanding stock is to be in cash or in the same form as the Related Person has previously paid for shares of the same class or series of stock. If the Related Person has paid for shares of any class of stock with varying forms of consideration, the form of consideration for such class of stock shall be either cash or the form used to acquire the largest number of shares of such class or series of stock previously acquired by it.

(d) After the Related Person has become a Related Person and prior to the consummation of such Business Combination:

1. There shall have been no failure to declare and pay at the regular date therefor any full periodic dividends, cumulative or not, on any outstanding Preferred Stock of this Corporation;
2. There shall have been no reduction in the annual rate of dividends paid on any class or series of stock of this Corporation that is not Preferred Stock except as necessary to reflect any subdivision of the stock, and no failure to increase the annual rate of dividends as necessary to reflect any reclassification, including any reverse stock split, recapitalization, reorganization, or any similar transaction which has the effect of reducing the number of outstanding shares of the stock; and
3. The Related Person did not become the Beneficial Owner of any additional shares of stock of this Corporation except as part of the transaction which resulted in such Related Person becoming a Related Person or by virtue of proportionate stock splits or stock dividends.

The provisions of clause (1) and (2) immediately preceding shall not apply if no Related Person or an Affiliate or Associate of the Related Person voted as a director of this Corporation in a manner inconsistent with such clauses and the Related Person, within ten days after any act or failure to act inconsistent with such clauses, notifies the Board of Directors of this Corporation in writing that the Related Person disapproves thereof and requests in good faith that the Board of Directors rectify such act or failure to act.

(e) After the Related Person has become a Related Person, the Related Person may not have received the benefit, directly or indirectly, except proportionately as a shareholder, of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by this Corporation or any of its Subsidiaries, whether in anticipation of or in connection with such Business Combination or otherwise.

C. Alternative Shareholder Vote for Business Combinations. In the event the conditions set forth in Subparagraph (B)(1) or (B)(2) have been met, the affirmative vote required of shareholders in order to approve the proposed Business Combination shall be 66-2/3% of the Total Voting Power present or duly represented at the meeting called for such purpose.

D. Definitions. The following terms, for all purposes of these Articles or the By-laws of this Corporation, shall have the following meaning:

(1) An "Affiliate" of, or a person "affiliated with," a specified person means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

(2) "Announcement Date" means the first general public announcement of the proposal or intention to make a proposal of the Business Combination or its first communication generally to shareholders of this Corporation, whichever is earlier.

(3) "Associate," when used to indicate a relationship with any person, means any of the following:

(a) Any corporation or organization, other than this Corporation, of which such person is an officer, director or partner or is, directly or indirectly, the Beneficial Owner of 10% or more of any class of Equity Securities.

(b) Any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity.

(c) Any relative or spouse of such person, or any relative of such spouse, who has the same home as such person.

(d) Any investment company registered under the Investment Company Act of 1940 for which such person serves as investment advisor.

(4) A person shall be deemed to be the “Beneficial Owner” of any shares of capital stock (regardless whether owned of record):

(a) Which that person or any of its Affiliates or Associates, directly or indirectly, owns beneficially;

(b) Which such person or any of its Affiliates or Associates has (i) the right to acquire (whether exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote pursuant to any agreement, arrangement or understanding; or

(c) Which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of voting capital stock of the corporation or any of its subsidiaries.

(5) “Business Combination” means any of the following transactions, when entered into by the Corporation or a Subsidiary with, or upon a proposal by, a Related Person:

(a) The merger or consolidation of, or an exchange of securities by, the Corporation or any Subsidiary;

(b) The sale, lease, exchange, mortgage, pledge, transfer or any other disposition (in one or a series of transactions) of any assets of the Corporation, or of any Subsidiary, having an aggregate book or fair market value of \$1,000,000 or more, measured at the time the transaction or transactions are approved by the Board of Directors;

(c) The adoption of a plan or proposal for the liquidation or dissolution of the Corporation or any Subsidiary;

(d) The issuance or transfer by the Corporation or any Subsidiary (in one or a series of transactions) of securities of the Corporation, or of any Subsidiary, having a fair market value of \$1,000,000 or more;

(e) The reclassification of securities (including a reverse stock split), recapitalization, consolidation or any other transaction (whether or not involving a Related Person) which has the direct or indirect effect of increasing the voting power (regardless whether then exercisable) or the proportionate amount of the outstanding shares of any class or series of Equity Securities of this Corporation or any of its Subsidiaries held by a Related Person, or any Associate or Affiliate of a Related Person;

(f) Any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation or any Subsidiary to a Related Person or any Affiliate or Associate thereof, except proportionately as a shareholder; or

(g) Any agreement, contract or other arrangement providing directly or indirectly for any of the foregoing.

(6) “Capital Stock” means any Common Stock, Preferred Stock or other capital stock of the Corporation, or any bonds, debentures, or other obligations granted voting rights by the Corporation pursuant to La. R.S. 12:75H.

(7) “Common Stock” means any stock other than a class or series of preferred or preference stock.

(8) “Continuing Director” shall mean any member of the Board of Directors who is not a Related Person or an Affiliate or Associate thereof, and who was a member of the Board of Directors prior to the time that the Related Person became a Related Person, and any successor to a Continuing Director who is not a Related Person or an Affiliate or Associate thereof and was recommended to succeed a Continuing Director by a majority of Continuing Directors who were then members of the Board of Directors, provided that, in the absence of a Related Person, any reference to “Continuing Directors” shall mean all directors then in office.

(9) “Control,” including the terms “controlling,” “controlled by” and “under common control with,” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether

through the ownership of voting securities, by contract or otherwise. The beneficial ownership of 10% or more of the votes entitled to be cast by a corporation's voting stock creates a presumption of control.

(10) "Determination Date" means the date on which a Related Person first became a Related Person.

(11) "Equity Security" means any of the following:

(a) Any stock or similar security, certificate of interest or participation in any profit sharing agreement, voting trust certificate or certificate of deposit for an equity security.

(b) Any security convertible, with or without consideration, into an equity security, or any warrant or other security carrying any right to subscribe to or purchase an equity security.

(c) Any put, call, straddle or other option or privilege of buying an equity security from or selling an equity security to another without being bound to do so.

(12) "Independent Shareholder" or "Independent Stockholder" means a holder of Voting Stock of this Corporation who is not a Related Person.

(13) "Market Value" means the following:

(a) In the case of stock, the highest closing sale price on the date or during the period in question of a share of such stock on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock on the date or during the period in question on the National Association of Securities Dealers, Inc., Automated Quotations Systems, or any alternative system then in use, or, if no such quotations are available, the fair market value on the date or during the period in question of a share of such stock as determined by a majority of the Continuing Directors of this Corporation in good faith.

(b) In the case of property other than cash or stock, the fair market value of such property on the date or during the period in question as determined by a majority of the Continuing Directors of this Corporation in good faith.

(14) A "person" shall mean any individual, firm, corporation or other entity, or a group of persons acting or agreeing to act together in the manner set forth in Rule 13d-5 under the Securities Exchange Act of 1934, as in effect on January 1, 1984.

(15) "Related Person" means any person (other than the Corporation, a Subsidiary or any profit sharing, employee stock ownership or other employee benefit plan of the Corporation or any Subsidiary or any trust, trustee of or fiduciary with respect to any such plan acting in such capacity) who (a) is the direct or indirect Beneficial Owner of shares of Capital Stock representing more than 10% of the outstanding Total Voting Power entitled to vote for the election of directors, and any Affiliate or Associate of any such person, or (b) is an Affiliate or Associate of the Corporation and at any time within the two-year period immediately prior to the date in question was the Beneficial Owner, directly or indirectly, of shares of Capital Stock (including two or more classes or series voting together as a single class) representing 10% or more of the outstanding Total Voting Power entitled to vote for the election of directors. For the purpose of determining whether a person is the Beneficial Owner of a percentage, specified in this Article, of the outstanding Total Voting Power, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned by that person through application of Article V(D)(3) but shall not include any other shares which may be issuable to any other person.

(16) "Subsidiary" means any corporation of which Voting Stock having a majority of the votes entitled to be cast is owned, directly or indirectly, by this Corporation.

(17) "Total Voting Power," when used in reference to any particular matter properly brought before the shareholders for their consideration and vote, means the total number of votes that holders of Capital Stock are entitled to cast with respect to such matter.

(18) "Valuation Date" means the following:

(a) For a Business Combination voted upon by shareholders, the latter of the date prior to the date of the shareholders' vote and the day 20 days prior to the consummation of the Business Combination; and

(b) For a Business Combination not voted upon by the shareholders, the date of the consummation of the Business Combination.

(19) "Voting Stock" means shares of Capital Stock of the Corporation entitled to vote generally in the election of directors.

E. Benefit of Statute. This Corporation claims and shall have the benefit of the provisions of R.S. 12:133 except that the provisions of R.S. 12:133 shall not apply to any business combination involving an interested shareholder that is an employee benefit plan or related trust of this Corporation.

ARTICLE VI Shareholders' Meetings

A. Written Consents. Any action required or permitted to be taken at any annual or special meeting of shareholders may be taken only upon the vote of the shareholders, present in person or represented by duly authorized proxy, at an annual or special meeting duly noticed and called, as provided in the Bylaws of the Corporation, and may not be taken by a written consent of the shareholders pursuant to the Business Corporation Law of the State of Louisiana.

B. Special Meetings. Subject to the terms of any outstanding class or series of Preferred Stock that entitles the holders thereof to call special meetings, the holders of a majority of the Total Voting Power of the Corporation shall be required to cause the Secretary of the Corporation to call a special meeting of shareholders pursuant to La. R.S. 12:73B (or any successor provision). Nothing in this Article VI shall limit the power of the President of the Corporation or its Board of Directors to call a special meeting of shareholders.

ARTICLE VII Limitation of Liability and Indemnification

A. Limitation of Liability. No director or officer of the Corporation shall be liable to the Corporation or to its shareholders for monetary damages for breach of his fiduciary duty as a director or officer, provided that the foregoing provision shall not eliminate or limit the liability of a director or officer for (1) any breach of his duty of loyalty to the Corporation or its shareholders; (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (3) liability for unlawful distributions of the Corporation's assets to, or redemptions or repurchases of the Corporation's shares from, shareholders of the Corporation, under and to the extent provided in La. R.S. 12:92D; or (4) any transaction from which he derived an improper personal benefit.

B. Authorization of Further Actions. The Board of Directors may (1) cause the Corporation to enter into contracts with its directors and officers providing for the limitation of liability set forth in this Article to the fullest extent permitted by law, (2) adopt By-laws or resolutions, or cause the Corporation to enter into contracts, providing for indemnification of directors and officers of the Corporation and other persons (including but not limited to directors and officers of the Corporation's direct and indirect Subsidiaries) to the fullest extent permitted by law and (3) cause the Corporation to exercise the insurance powers set forth in La. R.S. 12:83F, notwithstanding that some or all of the members of the Board of Directors acting with respect to the foregoing may be parties to such contracts or beneficiaries of such By-laws or resolutions or the exercise of such powers. No repeal or amendment of any such By-laws or resolutions limiting the right to indemnification thereunder shall affect the entitlement of any person to indemnification whose claim thereto results from conduct occurring prior to the date of such repeal or amendment.

C. Subsidiaries. The Board of Directors may cause the Corporation to approve for the officers and directors of its direct and indirect Subsidiaries limitation of liability, indemnification and insurance provisions comparable to the foregoing.

D. Amendment of Article. Notwithstanding any other provisions of these Articles of Incorporation, the affirmative vote of the holders of at least 80% of the Total Voting Power shall be required to amend or repeal this Article VII, and any amendment or repeal of this Article shall not adversely affect any elimination or limitation of liability of a director or

officer of the Corporation under this Article with respect to any action or inaction occurring prior to the time of such amendment or repeal.

ARTICLE VIII
Reversion

Except for cash, shares or other property or rights payable or issuable to the holders of Preferred Stock, the rights to which shall be determined under applicable state law, Cash, property or share dividends, shares issuable to shareholders in connection with a reclassification of stock, and the redemption price of redeemed shares, that are not claimed by the shareholders entitled thereto within one year after the dividend or redemption price became payable or the shares became issuable, despite reasonable efforts by the Corporation to pay the dividend or redemption price or deliver the certificates for the shares to such shareholders within such time, shall, at the expiration of such time, revert in full ownership to the Corporation, and the Corporation’s obligation to pay such dividend or redemption price or issue such shares, as the case may be, shall thereupon cease, provided, however, that the Board of Directors may, at any time, for any reason satisfactory to it, but need not, authorize (i) payment of the amount of any cash or property dividend or redemption price or (ii) issuance of any shares, ownership of which has reverted to the Corporation pursuant to this Article, to the person or entity who or which would be entitled thereto had such reversion not occurred.

ARTICLE IX
Amendments

A. Charter Amendments. Articles IV (other than paragraphs F and G), V, VI(A) and IX of these Articles of Incorporation shall not be amended in any manner (whether by modification or repeal of an existing Article or Articles or by addition of a new Article or Articles) except upon resolutions adopted by the affirmative vote of both (i) 80% of the Total Voting Power entitled to be cast by the holders of outstanding shares of Voting Stock, voting together as a single group, and (ii) two-thirds of the Total Voting Power entitled to be cast by the Independent Shareholders present or duly represented at a shareholders’ meeting, voting as a separate group; provided, however, that if such resolutions shall first be adopted by both a majority of the directors then in office and a majority of the Continuing Directors, voting as a separate group, then such resolutions shall be deemed adopted by the shareholders upon the affirmative vote of a majority of the Total Voting Power entitled to be cast by the holders of outstanding shares of Voting Stock, voting as a single group.

B. Bylaw Amendments. Bylaws of this Corporation may be altered, amended, or repealed or new Bylaws may be adopted by (i) the shareholders, but only upon the affirmative vote of both 80% of the Total Voting Power entitled to be cast by the holders of outstanding shares of Voting Stock, voting together as a single group, and two-thirds of the Total Voting Power entitled to be cast by the Independent Shareholders present or duly represented at a shareholders’ meeting, voting as a separate group, or (ii) the Board of Directors, but only upon the affirmative vote of both a majority of the directors then in office and a majority of the Continuing Directors, voting as a separate group.

* * * * *

AIRCRAFT TIME SHARING AGREEMENT

This **AIRCRAFT TIME SHARING AGREEMENT**, dated as of _____ (the “Agreement”), is entered into by and between **Level 3 Communications, LLC**, a limited liability company organized in the State of Delaware (“Lessor”) and _____ (“Lessee”).

WITNESSETH:

WHEREAS, Lessor is the operator and lessee of the aircraft bearing the Manufacturer’s Serial Number and the United States Federal Aviation Administration (“FAA”) Registration Number listed on Exhibit “A” (the “Aircraft”);

WHEREAS, from time to time, Lessee may desire to use the Aircraft for personal usage;

WHEREAS, Lessor may lease the Aircraft with flight crew to Lessee for the above operations on a non-exclusive time sharing basis in accordance with §91.501 of the Federal Aviation Regulations (“FARs”); and

WHEREAS, the parties desire to enter into this Agreement to set forth the parties’ agreement with respect to such time sharing arrangement.

NOW THEREFORE, in consideration of the mutual covenants herein set forth, the parties agree as follows:

1. Provision of Aircraft and Flight Crew. Subject to the Aircraft’s availability, Lessor agrees to allow Lessee’s usage of the Aircraft on a time sharing basis in accordance with the provisions of §§ 91.501(b)(6), 91.501(c)(1) and 91.501(d) of the FARs. Lessor shall provide, at its sole expense, fully qualified flight crew for all flight operations under this Agreement.

2. Term. This Agreement shall commence on the date hereof and terminate upon cessation of Lessor’s operation of the Aircraft, unless earlier terminated pursuant to Paragraph 16 below or by mutual agreement of the parties.

3. Reimbursement of Expenses.

3.1 For each flight, including any “deadhead” flights made for Lessee, conducted under this Agreement, Lessee shall pay Lessor the sum of the expenses of operating such flight to the extent prescribed by FAR §91.501(d), *i.e.* the sum of the expenses set forth in subparagraphs (a) - (j) below or a percentage of such amount, but not greater than 100%, which shall be determined from time to time by the Lessor in its sole discretion:

- (a) Fuel, oil, lubricants, and other additives;
- (b) Travel expenses of the crew, including food, lodging, and ground transportation;
- (c) Hangar and tie-down costs away from the Aircraft’s base of operation;
- (d) Insurance obtained for the specific flight;
- (e) Landing fees, airport taxes, and similar assessments;
- (f) Customs, foreign permit, and similar fees directly related to the flight;
- (g) In flight food and beverages;
- (h) Passenger ground transportation;

- (i) Flight planning and weather contract services; and
- (j) An additional charge equal to one hundred percent (100%) of the expenses listed in subparagraph (a) above.

3.2 The “SIFL Amount” shall be the total amount determined for Lessee and those passengers on such trip taxable to Lessee under IRS regulations Section 1.61-21(g) and Section 1.132-5(m).

3.3 If the SIFL Amount exceeds the payment due from Lessee under Section 3.1, then Lessor shall include on Lessee’s IRS Form W-2 or Form 1099 as appropriate, as additional taxable compensation, the amount by which the SIFL Amount exceeds the amount paid by Lessee. All such compensation shall be subject to employment taxes and other taxes as required in accordance with Lessor’s regular payroll practices. Lessee shall, at Lessor’s request, reimburse Lessor for all taxes applicable to Lessee’s compensation.

4. Invoicing and Payment. All payments to be made to Lessor by Lessee hereunder shall be paid in the manner set forth in this Paragraph 4. Lessor will pay, or cause to be paid, all expenses related to the operation of the Aircraft hereunder in the ordinary course. As to each flight operated hereunder, Lessor shall provide to Lessee an invoice for the charges specified in Paragraph 3 of this Agreement within fifteen (15) days after the end of each calendar quarter for flights performed within such quarter. Any amounts due for taxes shall be included on the invoices submitted to Lessee. Lessee shall pay Lessor the full amount of such invoice no later than thirty (30) days after Lessee’s receipt of the invoice.

5. Flight Requests. Lessee will provide Lessor with flight requests and proposed flight schedules as far in advance as possible. Flight requests shall be in a written form mutually convenient to and agreed upon by the parties. In addition to proposed schedules and departure times, Lessee shall provide at least the following information for each proposed flight reasonably in advance of the desired departure time as required by Lessor or its flight crew:

- (a) departure point;
- (b) destination;
- (c) date and time of flight;
- (d) number and identity of anticipated passengers;
- (e) nature and extent of luggage and/or cargo to be carried;
- (f) date and time of return flight, if any; and
- (g) any other information concerning the proposed flight that may be pertinent to or required by Lessor or its flight crew.

6. Aircraft Scheduling. Lessor shall have final authority over all scheduling of the Aircraft, provided however that Lessor will use reasonable efforts to accommodate Lessee’s requests. Any flights scheduled under this Agreement are subject to cancellation by either party without incurring liability to the other party. In the event of cancellation, the canceling party shall provide the maximum notice reasonably practicable.

7. Aircraft Maintenance. Lessor shall be solely responsible for securing scheduled and unscheduled maintenance, preventive maintenance, and required or recommended inspections of the Aircraft in accordance with FAR Part 91, and shall take such requirements into account in scheduling the Aircraft. Performance of maintenance, preventive maintenance or inspection shall not be delayed or postponed for the purpose of scheduling the Aircraft unless such maintenance or inspection can safely be conducted at a later time in compliance with applicable laws, regulations and requirements, and such delay or

postponement is consistent with the sound discretion of the pilot-in-command. In the event that any non-standard maintenance is required during the term and will interfere with Lessee's requested or scheduled usage, Lessor, or Lessor's pilot-in-command, shall notify Lessee of the maintenance required, the effect on the ability to comply with Lessee's requested or scheduled usage and the manner in which the parties will proceed with the performance of such maintenance and conduct of such flight(s). In no event shall Lessor be liable to Lessee or any other person for loss, injury or damage occasioned by the delay or failure to furnish the Aircraft under this Agreement, whether or not maintenance-related.

8. Operational Authority and Control. Lessor shall be responsible for the physical and technical operation of the Aircraft and the safe performance of all flights under this Agreement, and shall retain full authority and control including exclusive operational control and exclusive possession, command and control of the Aircraft for all flights under this Agreement. In accordance with applicable FARs, the qualified flight crew provided by Lessor will exercise all required and/or appropriate duties and responsibilities in regard to the safety of each flight conducted hereunder. The pilot-in-command shall have absolute discretion in all matters concerning the preparation of the Aircraft for flight and the flight itself, the load carried and its distribution, the decision whether or not a flight shall be undertaken, the route to be flown, the place where landings shall be made, and all other matters relating to operation of the Aircraft. Lessee specifically agrees that the flight crew shall have final and complete authority to delay or cancel any flight for any reason or condition which in the sole judgment of the pilot-in-command could compromise the safety of the flight, and to take any other action which in the sole judgment of the pilot-in-command is necessitated by considerations of safety. No such action of the pilot-in-command shall create or support any liability to Lessee or any other person for loss, injury, damage or delay. Lessor's operation of the Aircraft hereunder shall be strictly within the guidelines and policies established by Lessor and FAR Part 91.

9. Insurance.

(a) Lessor, at its expense, will maintain or cause to be maintained in full force and effect throughout the term of this Agreement (i) aircraft liability insurance for bodily injury to or death of persons (including passengers) and property damage liability, in respect of the Aircraft in such amount as is customarily maintained by prudent operators of similar aircraft, naming Lessee as an additional insured, and (ii) hull insurance for the full replacement cost of the Aircraft.

(b) Lessor shall use reasonable commercial efforts to procure such additional insurance coverage for specific flights under this Agreement as Lessee may request in writing naming Lessee as an additional insured; provided, that the cost of such additional insurance shall be borne by Lessee pursuant to Paragraph 3(d) hereof.

10. Use of Aircraft. Lessee warrants that:

(a) Lessee will use the Aircraft under this Agreement for and only for his or her own account, including the carriage of his or her guests, and will not use the Aircraft for the purpose of providing transportation of passengers or cargo for compensation or hire;

(b) Lessee will not permit any lien, security interest or other charge or encumbrance to attach against the Aircraft as a result of his or her actions or inactions, and shall not convey, mortgage, assign, lease or in any way alienate the Aircraft or Lessor's rights hereunder; and

(c) During the term of this Agreement, Lessee will abide by and conform to all such laws, governmental and airport orders, rules, and regulations as shall from time to time be in effect relating in

any way to the operation or use of the Aircraft under a time sharing arrangement and all applicable policies of Lessor.

11. Limitation of Liability. To the fullest extent permitted by applicable law, neither party shall have any liability under this Agreement for incidental, indirect or consequential damages of any nature.

12. Taxes. Lessee shall be responsible for paying, and Lessor shall be responsible for collecting from Lessee and paying over to the appropriate authorities, all applicable federal excise taxes imposed under Internal Revenue Code §4261 and all sales, use and other excise taxes imposed by any authority in connection with the use of the Aircraft by Lessee hereunder.

13. Notices and Communications. All notices and other communications under this Agreement shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt or refusal to accept receipt) by personal delivery or by a reputable overnight courier service, addressed as follows:

If to Lessor: Level 3 Communications, LLC
100 CenturyLink Dr.
Monroe, LA 71203
Attn: Legal Department

If to Lessee:

or to such other person or address as either party may from time to time designate in writing to the other party.

14. Further Acts. Lessor and Lessee shall from time to time perform such other and further acts and execute such other and further instruments as may be required by law or may be reasonably necessary (i) to carry out the intent and purpose of this Agreement, and (ii) to establish, maintain and protect the respective rights and remedies of the other party.

15. Successors and Assigns. Neither this Agreement nor any party's interest herein shall be assignable to any other party. This Agreement shall inure to the benefit of and be binding upon the parties hereto, their heirs, representatives and successors.

16. Termination. Either party may terminate this Agreement for any reason upon written notice to the other, such termination to become effective immediately.

17. Governing Law. This Agreement shall be construed under and the legal relations between the parties shall be governed by the laws of the State of Delaware.

18. Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable, the legality, validity and enforceability of the remaining provisions shall not be affected or impaired.

19. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof, and there are no representations, warranties, rights, obligations, liabilities, conditions, covenants, or agreements relating to such subject matter that are not expressly set forth herein.

20. Amendment or Modification. This Agreement may be amended or modified only in writing duly executed by the parties hereto.

21. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same Agreement, binding on the parties notwithstanding that the parties are not signatories to the same counterpart. Any signed .pdf copies of this Agreement attached to email shall have the same binding effect as an original signed Agreement.

22. Truth in Leasing Compliance. Lessor, on behalf of Lessee, shall (i) deliver a copy of this Agreement to the Aircraft Registration Branch, Technical Section, of the FAA in Oklahoma City within 24 hours of its execution; (ii) notify the appropriate Flight Standards District Office at least 48 hours prior to the first flight under this Agreement of the registration number of the Aircraft, and the location of the airport of departure and departure time for such flight; and (iii) carry a copy of this Agreement onboard the Aircraft at all times when the Aircraft is being operated under this Agreement.

23. TRUTH IN LEASING STATEMENT PURSUANT TO SECTION 91.23 OF THE FEDERAL AVIATION REGULATIONS :

(a) LESSOR CERTIFIES THAT THE AIRCRAFT HAS BEEN INSPECTED AND MAINTAINED WITHIN THE 12-MONTH PERIOD PRECEDING THE DATE OF THIS AGREEMENT (OR SUCH SHORTER PERIOD AS LESSOR SHALL HAVE POSSESSED THE AIRCRAFT) IN ACCORDANCE WITH THE PROVISIONS OF PART 91 OF THE FEDERAL AVIATION REGULATIONS, AND THAT ALL APPLICABLE REQUIREMENTS FOR THE AIRCRAFT'S MAINTENANCE AND INSPECTION THEREUNDER HAVE BEEN MET AND ARE VALID FOR THE OPERATIONS TO BE CONDUCTED UNDER THIS AGREEMENT.

(B) LESSOR AGREES, CERTIFIES AND ACKNOWLEDGES, AS EVIDENCED BY ITS SIGNATURE BELOW, THAT WHENEVER THE AIRCRAFT IS OPERATED UNDER THIS AGREEMENT, LESSOR SHALL BE KNOWN AS, CONSIDERED, AND SHALL IN FACT BE THE OPERATOR OF THE AIRCRAFT, AND THAT LESSOR UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

(C) THE PARTIES UNDERSTAND THAT AN EXPLANATION OF FACTORS AND PERTINENT FEDERAL AVIATION REGULATIONS BEARING ON OPERATIONAL CONTROL CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed effective as of the day and year first above written. The persons signing below warrant their authority to sign.

LESSOR:

Level 3 Communications, LLC

By: _____

Name: _____

Title: _____

LESSEE:

A legible copy of this Agreement shall be kept in the Aircraft for all operations conducted hereunder.

[Aircraft Time Sharing Agreement Signature Page]

EXHIBIT “A”

<u>Aircraft</u>	<u>Manufacturer’s Serial Number</u>	<u>FAA Registration Number</u>
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Lessor may amend this Exhibit A through notice to Lessee to eliminate Aircraft or add new Aircraft in its sole and absolute discretion.

AIRCRAFT TIME SHARING AGREEMENT

This **AIRCRAFT TIME SHARING AGREEMENT**, dated as of _____ (the “Agreement”), is entered into by and between **CenturyTel Service Group, LLC**, a limited liability company organized in the State of Louisiana (“Lessor”) and _____ (“Lessee”).

WITNESSETH:

WHEREAS, Lessor is the operator and owner of the aircraft bearing the Manufacturer’s Serial Number and the United States Federal Aviation Administration (“FAA”) Registration Number listed on Exhibit “A” (the “Aircraft”);

WHEREAS, from time to time, Lessee may desire to use the Aircraft for personal usage;

WHEREAS, Lessor may lease the Aircraft with flight crew to Lessee for the above operations on a non-exclusive time sharing basis in accordance with §91.501 of the Federal Aviation Regulations (“FARs”); and

WHEREAS, the parties desire to enter into this Agreement to set forth the parties’ agreement with respect to such time sharing arrangement.

NOW THEREFORE, in consideration of the mutual covenants herein set forth, the parties agree as follows:

1. Provision of Aircraft and Flight Crew. Subject to the Aircraft’s availability, Lessor agrees to allow Lessee’s usage of the Aircraft on a time sharing basis in accordance with the provisions of §§ 91.501(b)(6), 91.501(c)(1) and 91.501(d) of the FARs. Lessor shall provide, at its sole expense, fully qualified flight crew for all flight operations under this Agreement.

2. Term. This Agreement shall commence on the date hereof and terminate upon cessation of Lessor’s operation of the Aircraft, unless earlier terminated pursuant to Paragraph 16 below or by mutual agreement of the parties.

3. Reimbursement of Expenses.

3.1 For each flight, including any “deadhead” flights made for Lessee, conducted under this Agreement, Lessee shall pay Lessor the sum of the expenses of operating such flight to the extent prescribed by FAR §91.501(d), *i.e.* the sum of the expenses set forth in subparagraphs (a) - (j) below or a percentage of such amount, but not greater than 100%, which shall be determined from time to time by the Lessor in its sole discretion:

- (a) Fuel, oil, lubricants, and other additives;
- (b) Travel expenses of the crew, including food, lodging, and ground transportation;
- (c) Hangar and tie-down costs away from the Aircraft’s base of operation;
- (d) Insurance obtained for the specific flight;
- (e) Landing fees, airport taxes, and similar assessments;
- (f) Customs, foreign permit, and similar fees directly related to the flight;
- (g) In flight food and beverages;

- (h) Passenger ground transportation;
- (i) Flight planning and weather contract services; and
- (j) An additional charge equal to one hundred percent (100%) of the expenses listed in subparagraph (a) above.

3.2 The "SIFL Amount" shall be the total amount determined for Lessee and those passengers on such trip taxable to Lessee under IRS regulations Section 1.61-21(g) and Section 1.132-5(m).

3.3 If the SIFL Amount exceeds the payment due from Lessee under Section 3.1, then Lessor shall include on Lessee's IRS Form W-2 or Form 1099 as appropriate, as additional taxable compensation, the amount by which the SIFL Amount exceeds the amount paid by Lessee. All such compensation shall be subject to employment taxes and other taxes as required in accordance with Lessor's regular payroll practices. Lessee shall, at Lessor's request, reimburse Lessor for all taxes applicable to Lessee's compensation.

4. Invoicing and Payment. All payments to be made to Lessor by Lessee hereunder shall be paid in the manner set forth in this Paragraph 4. Lessor will pay, or cause to be paid, all expenses related to the operation of the Aircraft hereunder in the ordinary course. As to each flight operated hereunder, Lessor shall provide to Lessee an invoice for the charges specified in Paragraph 3 of this Agreement within fifteen (15) days after the end of each calendar quarter for flights performed within such quarter. Any amounts due for taxes shall be included on the invoices submitted to Lessee. Lessee shall pay Lessor the full amount of such invoice no later than thirty (30) days after Lessee's receipt of the invoice.

5. Flight Requests. Lessee will provide Lessor with flight requests and proposed flight schedules as far in advance as possible. Flight requests shall be in a written form mutually convenient to and agreed upon by the parties. In addition to proposed schedules and departure times, Lessee shall provide at least the following information for each proposed flight reasonably in advance of the desired departure time as required by Lessor or its flight crew:

- (a) departure point;
- (b) destination;
- (c) date and time of flight;
- (d) number and identity of anticipated passengers;
- (e) nature and extent of luggage and/or cargo to be carried;
- (f) date and time of return flight, if any; and
- (g) any other information concerning the proposed flight that may be pertinent to or required by Lessor or its flight crew.

6. Aircraft Scheduling. Lessor shall have final authority over all scheduling of the Aircraft, provided however that Lessor will use reasonable efforts to accommodate Lessee's requests. Any flights scheduled under this Agreement are subject to cancellation by either party without incurring liability to the other party. In the event of cancellation, the canceling party shall provide the maximum notice reasonably practicable.

7. Aircraft Maintenance. Lessor shall be solely responsible for securing scheduled and unscheduled maintenance, preventive maintenance, and required or recommended inspections of the Aircraft in accordance with FAR Part 91, and shall take such requirements into account in scheduling the Aircraft. Performance of maintenance, preventive maintenance or inspection shall not be delayed or postponed for the purpose of scheduling the Aircraft unless such maintenance or inspection can safely be conducted at

a later time in compliance with applicable laws, regulations and requirements, and such delay or postponement is consistent with the sound discretion of the pilot-in-command. In the event that any non-standard maintenance is required during the term and will interfere with Lessee's requested or scheduled usage, Lessor, or Lessor's pilot-in-command, shall notify Lessee of the maintenance required, the effect on the ability to comply with Lessee's requested or scheduled usage and the manner in which the parties will proceed with the performance of such maintenance and conduct of such flight(s). In no event shall Lessor be liable to Lessee or any other person for loss, injury or damage occasioned by the delay or failure to furnish the Aircraft under this Agreement, whether or not maintenance-related.

8. Operational Authority and Control. Lessor shall be responsible for the physical and technical operation of the Aircraft and the safe performance of all flights under this Agreement, and shall retain full authority and control including exclusive operational control and exclusive possession, command and control of the Aircraft for all flights under this Agreement. In accordance with applicable FARs, the qualified flight crew provided by Lessor will exercise all required and/or appropriate duties and responsibilities in regard to the safety of each flight conducted hereunder. The pilot-in-command shall have absolute discretion in all matters concerning the preparation of the Aircraft for flight and the flight itself, the load carried and its distribution, the decision whether or not a flight shall be undertaken, the route to be flown, the place where landings shall be made, and all other matters relating to operation of the Aircraft. Lessee specifically agrees that the flight crew shall have final and complete authority to delay or cancel any flight for any reason or condition which in the sole judgment of the pilot-in-command could compromise the safety of the flight, and to take any other action which in the sole judgment of the pilot-in-command is necessitated by considerations of safety. No such action of the pilot-in-command shall create or support any liability to Lessee or any other person for loss, injury, damage or delay. Lessor's operation of the Aircraft hereunder shall be strictly within the guidelines and policies established by Lessor and FAR Part 91.

9. Insurance.

(a) Lessor, at its expense, will maintain or cause to be maintained in full force and effect throughout the term of this Agreement (i) aircraft liability insurance for bodily injury to or death of persons (including passengers) and property damage liability, in respect of the Aircraft in such amount as is customarily maintained by prudent operators of similar aircraft, naming Lessee as an additional insured, and (ii) hull insurance for the full replacement cost of the Aircraft.

(b) Lessor shall use reasonable commercial efforts to procure such additional insurance coverage for specific flights under this Agreement as Lessee may request in writing naming Lessee as an additional insured; provided, that the cost of such additional insurance shall be borne by Lessee pursuant to Paragraph 3(d) hereof.

10. Use of Aircraft. Lessee warrants that:

(a) Lessee will use the Aircraft under this Agreement for and only for his or her own account, including the carriage of his or her guests, and will not use the Aircraft for the purpose of providing transportation of passengers or cargo for compensation or hire;

(b) Lessee will not permit any lien, security interest or other charge or encumbrance to attach against the Aircraft as a result of his or her actions or inactions, and shall not convey, mortgage, assign, lease or in any way alienate the Aircraft or Lessor's rights hereunder; and

(c) During the term of this Agreement, Lessee will abide by and conform to all such laws, governmental and airport orders, rules, and regulations as shall from time to time be in effect relating in any way to the operation or use of the Aircraft under a time sharing arrangement and all applicable policies of Lessor.

11. Limitation of Liability. To the fullest extent permitted by applicable law, neither party shall have any liability under this Agreement for incidental, indirect or consequential damages of any nature.

12. Taxes. Lessee shall be responsible for paying, and Lessor shall be responsible for collecting from Lessee and paying over to the appropriate authorities, all applicable federal excise taxes imposed under Internal Revenue Code §4261 and all sales, use and other excise taxes imposed by any authority in connection with the use of the Aircraft by Lessee hereunder.

13. Notices and Communications. All notices and other communications under this Agreement shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt or refusal to accept receipt) by personal delivery or by a reputable overnight courier service, addressed as follows:

If to Lessor: CenturyTel Service Group, LLC
100 CenturyLink Dr.
Monroe, LA 71203
Attn: Legal Department

If to Lessee:

or to such other person or address as either party may from time to time designate in writing to the other party.

14. Further Acts. Lessor and Lessee shall from time to time perform such other and further acts and execute such other and further instruments as may be required by law or may be reasonably necessary (i) to carry out the intent and purpose of this Agreement, and (ii) to establish, maintain and protect the respective rights and remedies of the other party.

15. Successors and Assigns. Neither this Agreement nor any party's interest herein shall be assignable to any other party. This Agreement shall inure to the benefit of and be binding upon the parties hereto, their heirs, representatives and successors.

16. Termination. Either party may terminate this Agreement for any reason upon written notice to the other, such termination to become effective immediately.

17. Governing Law. This Agreement shall be construed under and the legal relations between the parties shall be governed by the laws of the State of Delaware.

18. Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable, the legality, validity and enforceability of the remaining provisions shall not be affected or impaired.

19. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof, and there are no representations, warranties, rights, obligations, liabilities, conditions, covenants, or agreements relating to such subject matter that are not expressly set forth herein.

20. Amendment or Modification. This Agreement may be amended or modified only in writing duly executed by the parties hereto.

21. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same Agreement, binding on the parties notwithstanding that the parties are not signatories to the same counterpart. Any signed .pdf copies of this Agreement attached to email shall have the same binding effect as an original signed Agreement.

22. Truth in Leasing Compliance. Lessor, on behalf of Lessee, shall (i) deliver a copy of this Agreement to the Aircraft Registration Branch, Technical Section, of the FAA in Oklahoma City within 24 hours of its execution; (ii) notify the appropriate Flight Standards District Office at least 48 hours prior to the first flight under this Agreement of the registration number of the Aircraft, and the location of the airport of departure and departure time for such flight; and (iii) carry a copy of this Agreement onboard the Aircraft at all times when the Aircraft is being operated under this Agreement.

23. TRUTH IN LEASING STATEMENT PURSUANT TO SECTION 91.23 OF THE FEDERAL AVIATION REGULATIONS :

(a) LESSOR CERTIFIES THAT THE AIRCRAFT HAS BEEN INSPECTED AND MAINTAINED WITHIN THE 12-MONTH PERIOD PRECEDING THE DATE OF THIS AGREEMENT (OR SUCH SHORTER PERIOD AS LESSOR SHALL HAVE POSSESSED THE AIRCRAFT) IN ACCORDANCE WITH THE PROVISIONS OF PART 91 OF THE FEDERAL AVIATION REGULATIONS, AND THAT ALL APPLICABLE REQUIREMENTS FOR THE AIRCRAFT'S MAINTENANCE AND INSPECTION THEREUNDER HAVE BEEN MET AND ARE VALID FOR THE OPERATIONS TO BE CONDUCTED UNDER THIS AGREEMENT.

(B) LESSOR AGREES, CERTIFIES AND ACKNOWLEDGES, AS EVIDENCED BY ITS SIGNATURE BELOW, THAT WHENEVER THE AIRCRAFT IS OPERATED UNDER THIS AGREEMENT, LESSOR SHALL BE KNOWN AS, CONSIDERED, AND SHALL IN FACT BE THE OPERATOR OF THE AIRCRAFT, AND THAT LESSOR UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

(C) THE PARTIES UNDERSTAND THAT AN EXPLANATION OF FACTORS AND PERTINENT FEDERAL AVIATION REGULATIONS BEARING ON OPERATIONAL CONTROL CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed effective as of the day and year first above written. The persons signing below warrant their authority to sign.

LESSOR:
CenturyTel Service Group, LLC

By: _____
Name: _____
Title: _____

LESSEE:

A legible copy of this Agreement shall be kept in the Aircraft for all operations conducted hereunder.

[*Aircraft Time Sharing Agreement Signature Page*]

EXHIBIT "A"

<u>Aircraft</u>	<u>Manufacturer's Serial Number</u>	<u>FAA Registration Number</u>
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Lessor may amend this Exhibit A through notice to Lessee to eliminate Aircraft or add new Aircraft in its sole and absolute discretion.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Jeff K. Storey, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CenturyLink, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2019

/s/ Jeff K. Storey

Jeff K. Storey
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Indraneel Dev, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CenturyLink, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions) :
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2019

/s/ Indraneel Dev

Indraneel Dev
Executive Vice President and Chief
Financial Officer

**Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

I Jeff K. Story, Chief Executive Officer of CenturyLink, Inc. ("CenturyLink"), certify that, to my knowledge, the Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 of CenturyLink fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of CenturyLink as of the dates and for the periods covered by such report.

A signed original of this statement has been provided to CenturyLink and will be retained by CenturyLink and furnished to the Securities and Exchange Commission or its staff upon request.

Date: August 8, 2019

/s/ Jeff K. Storey

Jeff K. Storey
Chief Executive Officer

**Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

I Indraneel Dev, Chief Financial Officer of CenturyLink, Inc. ("CenturyLink"), certify that, to my knowledge, the Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 of CenturyLink fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of CenturyLink as of the dates and for the periods covered by such report.

A signed original of this statement has been provided to CenturyLink and will be retained by CenturyLink and furnished to the Securities and Exchange Commission or its staff upon request.

Date: August 8, 2019

/s/ Indraneel Dev

Indraneel Dev
Executive Vice President and Chief
Financial Officer