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

FORM 8-K

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

Date of Report (Date of earliest event reported):
August 5, 2024 (August 5, 2024)

LUMEN[®]

Lumen Technologies, Inc.
(Exact name of registrant as specified in its charter)

Louisiana
(State or other jurisdiction
of incorporation)

001-7784
(Commission
File Number)

72-0651161
(IRS Employer
Identification No.)

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

71203
(Zip Code)

(318) 388-9000
(Registrant's telephone number, including area code)

Level 3 Parent, LLC
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-35134
(Commission
File Number)

47-0210602
(IRS Employer
Identification No.)

931 14th Street
Denver, Colorado
(Address of principal executive offices)

80202-2994
(Zip Code)

(720) 888-1000
(Registrant's telephone number, including area code)

Qwest Corporation
(Exact name of registrant as specified in its charter)

Colorado

001-03040

84-0273800

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(IRS Employer
Identification No.)

931 14th Street
Denver, Colorado
(Address of principal executive offices)

80202-2994
(Zip Code)

(318) 388-9000
(Registrant's telephone number, including area code)

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

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

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

Registrant	Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Lumen Technologies, Inc.	Common Stock, \$1.00 par value per share	LUMN	New York Stock Exchange
Lumen Technologies, Inc.	Preferred Stock Purchase Rights	N/A	New York Stock Exchange
Qwest Corporation	6.5% Notes Due 2056	CTBB	New York Stock Exchange
Qwest Corporation	6.75% Notes Due 2057	CTDD	New York Stock Exchange

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

Emerging growth company ☐

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

Item 7.01 Regulation FD Disclosure.

Lumen Technologies, Inc. (together with its subsidiaries, the “Company,” “we” or “us”) today announced that the Company recently sold \$5 billion in new Private Connectivity FabricSM solutions. In addition, the Company is in active discussions with customers to secure another potential \$7 billion in sales. The majority of cash from these sales is expected to be received over the next 3 to 4 years. We will incur certain material expenditures in connection with these partnerships, and the majority of such expenditures are also expected to be made over the next 3 to 4 years. The payments we actually make and receive may vary materially from what we expect and will depend, among other things, on the timing of our delivery and installation of the services.

Additional information about Lumen’s Private Connectivity Fabric is contained in the Company’s press release issued on August 5, 2024, which is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference herein. In addition, the Company made available on its website (<https://ir.lumen.com/events-and-presentations>) a video tutorial regarding Private Connectivity Fabric sales. A transcript of the video and a copy of the presentation referenced therein are attached as Exhibits 99.2 and 99.3, respectively, to this Current Report on Form 8-K and are incorporated by reference herein.

The information contained in Item 7.01 of this Current Report on Form 8-K, including Exhibits 99.1, 99.2 and 99.3, shall not be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference to such filing. The information in this Current Report on Form 8-K, including the exhibits hereto, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section.

Forward Looking Statements

Except for the historical and factual information contained herein, the matters set forth in this Current Report on Form 8-K and other of our oral or written statements, including statements related to opportunities with respect to our Private Connectivity Fabric business, other revenue generating opportunities, future sales and business, future events, business outlook, priorities, sales and business growth, demand for products and services, and potential future transactions, and that may be identified by words such as “will,” “estimates,” “expects,” “projects,” “plans,” “could” and similar expressions, are forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including the risks that we may not reach agreements with respect to any such opportunities or transactions on the expected timeframe or terms or at all, that the revenue from any such opportunities or transactions may be less than our current expectations or that the obligations associated with any such opportunities may be more significant than our current expectations, that the completion of any future transactions may be subject to conditions that may not be satisfied on expected timeframes or at all, and that any such opportunities or transactions may not be executed in a timely manner, or at all. Many of these risks, uncertainties and assumptions are beyond our control. Actual events and results may differ materially from those anticipated, estimated or projected if one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect. You should not place undue reliance on these forward-looking statements, which speak only as of the date made. Unless legally required, we undertake no obligation and expressly disclaim any such obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 9.01. Financial Statements and Exhibits.

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

Exhibit No.	Description
99.1	<u>Press release dated August 5, 2024, titled “AI Demand Drives \$5 Billion in New Business and Massive Expansion of the Internet”.</u>
99.2	<u>Transcript dated August 5, 2024.</u>
99.3	<u>Presentation dated August 5, 2024.</u>
104	Cover page formatted as Inline XBRL and contained in Exhibit 101.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Lumen Technologies, Inc., Level 3 Parent, LLC, and Qwest Corporation have duly caused this Current Report on Form 8-K to be signed on their behalf by the undersigned officer hereunto duly authorized.

LUMEN TECHNOLOGIES, INC.

Dated: August 5, 2024

By: /s/ Chris Stansbury

Chris Stansbury

Executive Vice President, Chief Financial Officer

LEVEL 3 PARENT, LLC

Dated: August 5, 2024

By: /s/ Chris Stansbury

Chris Stansbury

Executive Vice President, Chief Financial Officer

QWEST CORPORATION

Dated: August 5, 2024

By: /s/ Chris Stansbury

Chris Stansbury

Executive Vice President, Chief Financial Officer

NEWS RELEASE



AI Demand Drives \$5 Billion in New Business and Massive Expansion of the Internet
Lumen Creates Custom Networks Division to Meet New Demand

DENVER, Aug. 5, 2024 – Lumen Technologies (NYSE: LUMN) today announced it has secured \$5 billion in new business driven by major demand for connectivity fueled by AI. Large companies across industry sectors are seeking to secure fiber capacity quickly, as this resource becomes increasingly valuable and potentially limited, due to booming AI needs. In addition, Lumen is in active discussions with customers to secure another \$7 billion in sales opportunities to meet the increased customer demand.

To address this tremendous demand, which includes the recent Microsoft announcement, Lumen will more than double its intercity network miles over the next five years, while also providing access to a significant amount of installed dark fiber. In addition, Lumen has secured an agreement with Corning to be its preferred partner for its next-generation fiber-dense cable, which will help accommodate the increased data processing that AI requires.

“The AI economy is changing business operations, and companies are recognizing they need powerful network infrastructure to manage the unprecedented data flows today and the demand in the future,” said Kate Johnson, president and CEO, Lumen Technologies. “Our partners are turning to us because of our AI-ready infrastructure and expansive network. This is just the beginning of a significant opportunity for Lumen, one that will lead to one of the largest expansions of the internet ever.”

Lumen has created a new Custom Networks division to manage its portfolio of Private Connectivity FabricSM solutions and address additional interest from hyperscalers and other large organizations. The division will provide customized network solutions that include dark fiber, custom fiber routes, and digital services that securely connect companies’ data centers to protect data and support AI-intensive workloads. Lumen may also operate and maintain the network as part of its services.

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Forward Looking Statements

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About Lumen Technologies

Lumen connects the world. We are igniting business growth by connecting people, data, and applications – quickly, securely, and effortlessly. Everything we do at Lumen takes advantage of our network strength. From metro connectivity to long-haul data transport to our edge cloud, security, and managed service capabilities, we meet our customers' needs today and as they build for tomorrow. For news and insights visit news.lumen.com, LinkedIn: /lumentechologies, Twitter: @lumentechco, Facebook: /lumentechologies, Instagram: @lumentechologies, and YouTube: /lumentechologies.

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IRU Mechanics Video Script

As AI reshapes our daily lives and how we work, the world is awakening to the fact that companies need powerful network infrastructure to thrive in today's digital economy. Data volumes are dramatically increasing, spurring data center growth, and as such, a significant rising demand for Lumen's nationwide conduit, fiber network, and growing portfolio of new digital services.

Last week, we announced Lumen's Private Connectivity Fabric (or PCF for short), a custom network that includes dedicated access to existing fiber in the Lumen network, the installation of new fiber on existing and new routes, and the use of Lumen's new digital services. This AI-ready infrastructure will strengthen the connectivity capabilities between datacenters by providing the network capacity, performance, stability, and speed that customers need as data demands increase.

This offering, and the partnerships we have been forging, represent a significant business opportunity and an acceleration of Lumen's business transformation. These partnerships will fund more than just custom networks to support the advancement of AI. They will also provide incremental cash to help accelerate Lumen's digital transformation, enabling Lumen to reduce costs, improve capital structure, strengthen our balance sheet, and improve operational efficiency.

Today, we want to provide some color around an element of our PCF solution set called IRUs, or Indefeasible Rights of Use. This long-term IRU structure has been in our industry and Lumen's business for many years, but we felt a refresher course around IRU mechanics would be helpful for investors, given we believe they will become a more significant part of our financial story.

While each partnership is different and may include a combination of different PCF solutions, as it pertains to IRUs specifically, they are defined in our 10-K as the "exclusive right to use a specified amount of capacity or fiber for a specified term, typically 20 years."

However, the economics of each IRU lease can vary depending upon the infrastructure elements which compose the fiber and/or capacity being delivered. The total capacity being delivered, the geographic reach of the fiber network, and whether it is existing or new fiber, can all impact the ultimate size and profitability of an IRU.

Generally speaking, revenue and cash flows from IRUs come from three main components:

First, the fiber infrastructure, where we receive meaningful upfront cash collections to fund the specific project investment with the remaining cash tied to contract milestones. Revenue is recognized over the remaining life of the contract but does not start until delivery of each specific fiber route and may take several years to reach the full amortized run rate.

Second, Space and Power, which can include Data Center Colocation and Running Line, is recognized over the term of the contract, which is usually aligned to the infrastructure term.

Lastly, Operations and Maintenance is related to the maintenance of the infrastructure and paid annually over the life of the contract with annual CPI escalators. On average this is a low double-digit percentage of Contract Value, but, again, varies by contract.

A principal element of an IRU is the upfront operating expenses to support deals. These expenses tend to be front-end loaded as we ramp up resources and is primarily spent over the first four years.

Similarly, capital expenditures associated with each IRU result in meaningful cash outflows to support construction. These can include fiber overpulls, new routes, space and power, and Gateway expansions and are generally spent over the first 5 years. As with any project of this size and type, the pace, locations, seasons and other factors can lead to variations in capex pace.

Again, these upfront OPEX and CAPEX investments are expected to be funded by the upfront cash inflows mentioned earlier.

From a margin perspective, adjusted EBITDA margins can be higher than average depending upon the mix of existing versus new routes, fiber, etc., in the IRU. The driver here is the extensive network investments we've made over the past 25 years. A more meaningful metric is the cash contribution margin which is EBITDA less the project specific capex spends. Cash contribution margin should approximate our current adjusted EBITDA margin percentage.

Finally, we have to pay taxes. The majority of cash taxes are paid one year after cash is collected at an approximately 25% effective tax rate.

I hope this short video was helpful in explaining Lumen's role in the era of AI, and how AI represents an incredible opportunity to accelerate our business transformation. In short, AI needs massive amounts of data, data proliferation is driving data center growth, and data centers need to be connected. Lumen's Private Connectivity Fabric is THE solution that enables enterprises to capitalize on the potential of AI. This unique capability - coupled with the incredible AI market opportunity - represents a significant shift in momentum for Lumen's turn-around. The future looks bright.

Forward Looking Statements

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Modeling Constructs for Infeasible Rights of Use (IRU)

There are several components to each deal, and each one has unique characteristics, but generally...

- ❑ **Most IRUs (long term leases structured as IRUs) average ~20 years. Economics vary greatly by deal (i.e., capacity, scale, existing routes vs. new, etc.)** What follows are generalizations across multiple contracts and what we see in the market.
- ❑ **Revenue and Cash: Depending on contract, but usually three components:**
 - **Infrastructure:** Meaningful upfront cash collection with remainder tied to contract specific milestones. Revenue amortized over the IRU term ~240 months, with revenue recognition generally starting after delivery/customer acceptance (rolling recognition based upon route delivery, etc.) and will take several years to reach full amortized run rate
 - **Space and Power:** Data Center Colocation and Running Line space and power recognized over term of IRU, usually aligned to Infrastructure term
 - **Operations and Maintenance (O&M):** Related to maintaining infrastructure and paid annually over life of IRU with annual CPI escalators. On average, annual O&M is low double digit % of Contract Value.
- ❑ **Increased Opex:** to support deals is front-end loaded as we ramp resources - - mainly spent over first 0-4 years
- ❑ **Capex: Meaningful cash outflows to support construction** (fiber overpulls, new routes, space & power, Gateway expansions) mainly spent over first 5 years - - timing of cash will be lumpy
- ❑ **Margin Profile**
 - **aEBITDA:** Margins will be high because of extensive network investment made over the past 25 years
 - **Cash Contribution Margin:** Cash Margin after incremental Capex varies, but approximates our current aEBITDA margin %
- ❑ **Cash Taxes:** Majority paid one year after cash collected (~25% effective tax rate)

Forward-Looking Statements

Except for the historical and factual information contained herein, the matters set forth in this presentation and other of our oral or written statements, including statements related to opportunities with respect to our Private Connectivity Fabric business, other revenue generating opportunities, future sales and business, future events, business outlook, priorities, sales and business growth, demand for products and services, and potential future transactions, and that may be identified by words such as “will,” “estimates,” “expects,” “projects,” “plans,” “could” and similar expressions, are forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including the risks that we may not reach agreements with respect to any such opportunities or transactions on the expected timeframe or terms or at all, that the revenue from any such opportunities or transactions may be less than our current expectations or that the obligations associated with any such opportunities may be more significant than our current expectations, that the completion of any future transactions may be subject to conditions that may not be satisfied on expected timeframes or at all, and that any such opportunities or transactions may not be executed in a timely manner, or at all. Many of these risks, uncertainties and assumptions are beyond our control. Actual events and results may differ materially from those anticipated, estimated or projected if one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect. You should not place undue reliance on these forward-looking statements, which speak only as of the date made. Unless legally required, we undertake no obligation and expressly disclaim any such obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.