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October 5, 2021

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39815-0001

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**VIA HAND DELIVERY**

RECEIVED

OCT - 5 2021

LA Public Service Commission

Brandon M. Frey  
Executive Secretary  
Louisiana Public Service Commission  
602 North Fifth Street  
Galvez Building - 12th Floor  
Baton Rouge, LA 70821-9154

Re: Joint Application of Connect Holding, LLC; Lumen Technologies, Inc.; CenturyLink of Louisiana, LLC, CenturyTel of South Arkansas, Inc. d/b/a CenturyLink; and CenturyTel Broadband Services, LLC For Approval of Transfer of Ownership and Control, Associated Financing and Pledge of Security.

Dear Secretary Frey:

Enclosed please find an original and three copies of the Joint Application of Connect Holding, LLC (an affiliate of Apollo Global Management, Inc.); Lumen Technologies, Inc.; CenturyLink of Louisiana, LLC, CenturyTel of South Arkansas, Inc. d/b/a CenturyLink (collectively, the "Acquired ILECs"); and CenturyTel Broadband Services, LLC ("CTBS", and together with the Acquired ILECs, the "Acquired Companies"), for approval and/or non-opposition to the proposed transfer of ownership and control of the Acquired Companies to Connect Holding, LLC, associated financing, and issuance of guarantees and pledge of security by the Acquired Companies (collectively, the "Proposed Transaction").

The closing of the Proposed Transaction is contingent upon receipt of regulatory approvals, among other things. Therefore, the Joint Applicants respectfully request that the Commission publish notice of the Joint Application in its **October 15, 2021 Official Bulletin for a 15 day notice period**, and that this matter be considered and approved by the Commission on an expedited basis.

Thank you for your courtesies concerning this matter.

Sincerely,

*Paul F. Guarisco*  
Paul F. Guarisco  
ROUTE TO \_\_\_\_\_ ROUTE FROM \_\_\_\_\_  
DEPT. \_\_\_\_\_ DATE \_\_\_\_\_ DEPT. \_\_\_\_\_  
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PFG:cd

Copy: Brook Landry Villa  
Howard J. Symons  
John L. Flynn

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OCT - 5 2021

Before the  
LOUISIANA PUBLIC SERVICE COMMISSION

LA Public Service Commission

In the Matter of the Joint Application of

Connect Holding, LLC; Lumen Technologies, Inc.; CenturyLink of Louisiana, LLC, CenturyTel of South Arkansas, Inc. d/b/a CenturyLink; and CenturyTel Broadband Services, LLC

For Approval of Transfer of Ownership and Control, Associated Financing and Pledge of Security.

Docket No. \_\_\_\_\_

**JOINT APPLICATION**

Connect Holding, LLC (“**Connect Holding**”), a Delaware limited liability company and an affiliate of Apollo Global Management, Inc. and its subsidiaries (“**Apollo**”); Lumen Technologies, Inc. (“**Lumen**”), a Louisiana corporation; Lumen’s operating subsidiaries, CenturyLink of Louisiana, LLC, CenturyTel of South Arkansas, Inc. d/b/a CenturyLink (the “**Acquired ILECs**”), and CenturyTel Broadband Services, LLC (“**CTBS**”, and together with the Acquired ILECs, the “**Acquired Companies**”), by their counsel, and pursuant to General Order dated March 18, 1994, as amended,<sup>1</sup> and Section 301M(1) of the Local Competition Regulations, respectfully request that the Louisiana Public Service Commission (“**Commission**” or “**LPSC**”) issue an order of approval or non-opposition to the proposed transfer of ownership and control of the Acquired Companies to Connect Holding, the associated financing, and the issuance of guarantees and pledge of security by the Acquired Companies (collectively, the “**Proposed**

<sup>1</sup> *In re Commission Approval Required of Sales, Leases, Mergers, Consolidations, Stock Transfers, and All Other Changes of Ownership or Control of Public Utilities Subject to Commission Jurisdiction*, La. Pub. Serv. Comm’n (Mar. 18, 1994).

**Transaction”**). Each of the entities identified above are collectively referred to herein as the **“Joint Applicants.”**

For the reasons discussed below, the Proposed Transaction will generate positive benefits for Louisiana consumers and the State and will not negatively affect competition, consumers, employees, or the Acquired ILECs’ continued ability to provide high-quality, dependable and safe service in the State. Therefore, to facilitate the timeframe for regulatory approvals contemplated by the Joint Applicants’ Purchase Agreement, Joint Applicants respectfully request that the Commission expeditiously approve the Proposed Transaction.

## **I. INTRODUCTION**

Lumen currently provides broadband and other communications services to residential and enterprise customers, including incumbent local exchange carrier (“ILEC”) services, through its operating subsidiaries in 37 states. Under the terms of the Purchase Agreement, Apollo will acquire, through its affiliate Connect Holding, all of Lumen’s ILEC subsidiaries in 20 of these states, including the Acquired ILECs in Louisiana.<sup>2</sup> Connect Holding will also acquire CTBS, which, at close, will principally resell international and domestic interexchange services to customers of the Acquired ILECs and will serve as an Eligible Telecommunications Carrier (“ETC”) in non-ILEC territories where the companies have deployment obligations pursuant to the FCC’s Rural Digital Opportunity Fund (“RDOF”).<sup>3</sup>

As a result of the Proposed Transaction, the ultimate parent of the Acquired Companies will change from Lumen to Connect Holding. Lumen will retain its ILEC subsidiaries in the

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<sup>2</sup> The other 19 states are: Alabama, Arkansas, Georgia, Illinois, Indiana, Kansas, Michigan, Mississippi, Missouri, New Jersey, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, and Wisconsin.

<sup>3</sup> CTBS has filed or will be filing for authority to operate as a CLEC, IXC and ETC in the 20 states. The Louisiana application was filed with the Commission on September 27, 2021 and assigned Docket No. S-36155.

remaining 17 states, as well as its national fiber routes and competitive local exchange carrier (“CLEC”) networks in all states. Lumen will also continue to offer interexchange (“IXC”) and CLEC services in the 20 states at issue, including in Louisiana. As part of the Proposed Transaction, the Acquired Companies—along with the other ILEC subsidiaries being acquired—will serve as guarantors and will encumber, mortgage and pledge their assets, including their equity interests, to secure new debt to finance the Proposed Transaction and pay for related expenses and fees.<sup>4</sup>

The Proposed Transaction will be seamless for customers of the Acquired ILECs. To run the Acquired ILECs, Connect Holding has recruited an experienced management team that includes former senior executives of Verizon with extensive telecommunications experience. Following the closing of the Proposed Transaction, the Acquired ILECs and the other ILECs being acquired from Lumen will operate under a new brand name to be determined. Beyond a simple name change, the Proposed Transaction will be seamless for the Acquired ILECs’ customers, who will continue to enjoy uninterrupted service provided by their existing service and technical personnel, with no planned reductions in the Acquired ILECs’ workforce. Post-closing, the Acquired ILECs will also continue to honor their ILEC obligations and contractual commitments in Louisiana.

The Proposed Transaction will not affect the Commission’s exercise of its regulatory authority over the Acquired Companies in Louisiana. Post-closing, the Commission will retain the same regulatory authority over the Acquired Companies that it possesses today.

The Proposed Transaction will also provide substantial public interest benefits to Louisiana. The Acquired ILECs currently provide jurisdictional telecommunications services to

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<sup>4</sup> See financing discussion under Factor 17 of LPSC March 18, 1994 General Order, *infra*.



over 21,000 business and consumer customers in Louisiana and make a broadband service offering available to approximately 100,000 businesses and households in their Louisiana footprint. However, the Acquired ILECs currently utilize copper-based DSL technology to deliver broadband services to the vast majority of their Louisiana subscribers and offer fiber-to-the-premises (“FTTP”) technology to only 0.5% of residential households and to 4% of business locations in Louisiana.

Apollo plans to invest millions of dollars of capital, as well as substantial managerial resources, to significantly expand the availability of symmetrical, gigabit FTTP broadband in the Acquired ILECs’ service areas in Louisiana. In addition, Apollo will take steps to improve the Acquired ILECs’ existing copper plant and explore the use of alternatives to copper for broadband deployment to the remaining portions of the Acquired ILECs’ service areas where feasible. As a result, the Acquired ILECs will be better positioned to continue to compete with other broadband providers in their service areas.

The Proposed Transaction will not result in any public interest harms. Apollo and Lumen are not competitors in Louisiana, except at the margins for CLEC services like middle-mile transport and E911 services that are already highly competitive, and Apollo does not currently own or control any voice or broadband entities in Louisiana. The Proposed Transaction therefore poses no risk of reducing competition in the marketplace or other risks of public interest harms. On the contrary, the Proposed Transaction will increase competition and investment in Louisiana.

Given these considerable public interest benefits and the lack of countervailing harm, the Commission should expeditiously approve this Joint Application so that the benefits of the Proposed Transaction may begin to flow to Louisiana and customers of the Acquired ILECs.

## II. DESCRIPTION OF THE PARTIES

### 1. Lumen Technologies, Inc.

Lumen, the transferor in the Proposed Transaction and ultimate parent of the Acquired Companies, is a publicly traded Louisiana corporation with its headquarters at 100 CenturyLink Drive, Monroe, Louisiana, 71203 with its common stock traded on the New York Stock Exchange under the symbol “LUMN.” Formerly known as “CenturyLink, Inc.,” Lumen is an international facilities-based technology and communications company focused on providing business and residential customers with a broad array of integrated services and solutions necessary to fully participate in our rapidly evolving digital world. Through its various operating subsidiaries, Lumen provides broadband, voice and other services including IP and Data Services (VPN, Ethernet, IP and Content Delivery Networks), Transport and Infrastructure (Wavelength, Dark Fiber, Private Line, Colocation and Data Center Services, and Professional Services), Voice Services (TDMS, VoIP), and IT and Managed Services. Lumen operates as a CLEC in all 50 states and as an ILEC in 37 states. Lumen also serves customers in more than 60 countries around the globe.

Lumen’s operating subsidiaries in Louisiana collectively employ more than 1,700 employees in Louisiana. In 2020, Lumen invested nearly \$40 million in the state.

### 2. CenturyLink of Louisiana, LLC

CenturyLink of Louisiana, LLC is an incumbent local exchange carrier authorized and doing business as “CenturyLink” in Louisiana, Texas, and Arkansas, with its corporate headquarters located at 100 CenturyLink Drive, Monroe, LA 71203.<sup>5</sup> CenturyLink of Louisiana

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<sup>5</sup> On January 1, 2017, eight Louisiana CenturyLink incumbent local exchange carriers were merged into one consolidated entity, formerly known as CenturyTel of Evangeline, LLC. CenturyTel of Evangeline, LLC, in turn, changed its name to CenturyLink of Louisiana, LLC. See LPSC Docket No. S-34211, LPSC Letter of Non-Opposition dated October 20, 2016.

is authorized to provide local telecommunications service in Louisiana and has been certified by the Commission as an ETC.<sup>6</sup> CenturyLink of Louisiana is a direct, wholly owned subsidiary of Lumen.

3. CenturyTel of South Arkansas, Inc.

CenturyTel of South Arkansas, Inc. is an incumbent local exchange carrier doing business as “CenturyLink” in Arkansas and Louisiana, with its corporate headquarters located at 100 CenturyLink Drive, Monroe, LA 71203. CenturyTel of South Arkansas is authorized to provide local telecommunications service in Louisiana and has been certified by the Arkansas Public Service Commission as an ETC in Arkansas.<sup>7</sup> CenturyTel of South Arkansas is a direct, wholly owned subsidiary of Lumen.

4. Connect Holding, LLC

Connect Holding, the transferee in the Proposed Transaction, is a Delaware limited liability company with its headquarters at 1 Manhattanville Road, Suite 201, Purchase, NY 10577. Connect Holding is a holding company created for the purpose of facilitating the Proposed Transaction and does not provide any telecommunications services. Connect Holding is a subsidiary of Connect Midco LLC, which is in turn a subsidiary of Connect Intermediate LLC, which in turn is a subsidiary of Connect Parent Corporation, a Delaware corporation that is in turn controlled by AP IX Connect Holdings, L.P., a Delaware limited partnership.

The general partner of AP IX Connect Holdings—AP IX Connect Holdings GP, LLC—is a Delaware limited liability company, the sole member of which is AP (Connect) VoteCo, LLC (“VoteCo”). AP IX Connect Holdings has a single limited partner—AIF IX (Connect Equity

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<sup>6</sup> See LPSC Order No. U-22769 (November 6, 1997).

<sup>7</sup> *In the Matter of Determining Eligible Telecommunications Carriers in Arkansas*, Order No. 2, Docket No. 97-326-U (Nov. 7, 1997).

AIV), L.P. (“AIF IX”)—a Delaware limited partnership holding 100% of AP IX Connect Holdings’ equity. AIF IX has one general partner, VoteCo, and any limited partners are insulated and individually hold less than a 10% interest in AIF IX. VoteCo has three members: Scott Kleinman, John Suydam, and David Sambur, each of whom will vote a one-third interest in VoteCo, and each of whom is a natural person and a citizen of the United States. VoteCo is wholly owned and controlled by its three members, who are also officers of Apollo Global Management, Inc. (“AGM”).<sup>8</sup>

Founded in 1990, AGM is a publicly traded U.S. company and one of the largest alternative asset managers in the world, with over 1,000 employees, managing money for some of the largest endowments, educational institutions, and pension funds. As of March 31, 2021, AGM managed \$461 billion in credit, private equity, and real assets funds. Principals of AGM and its subsidiaries manage various funds, including the funds involved in the Proposed Transaction, and provide strategic and financing advice to the Apollo funds’ portfolio companies.

Apollo is an experienced investor in communications companies. Its current communications holdings include Intrado Corporation and its various operating subsidiaries (“Intrado”), a provider of CLEC-based tandem, VoIP, E911 and related solutions, and international telecommunications services in 47 states, including Louisiana. Apollo’s holdings also include Cox Media Group, which owns and operates television and radio stations in 20 markets across the United States (none of which are in Louisiana).

### **III. CONTACT INFORMATION**

All communications and correspondence concerning this Joint Application should be directed to:

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<sup>8</sup> Organizational charts depicting these corporate relationships accompany this Application as **Exhibit A**.

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#### **IV. DESCRIPTION OF THE PROPOSED TRANSACTION**

On August 3, 2021, Apollo and Lumen entered into a Purchase Agreement<sup>9</sup> under which Apollo, through its affiliate Connect Holding, will acquire all of the issued and outstanding equity interests in Lumen's ILEC subsidiaries operating in 20 states, including Louisiana, as well as ownership of CTBS. As a result of the Proposed Transaction, Apollo will acquire these Lumen subsidiaries' assets, operations, and customers, including: local fiber and copper networks

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<sup>9</sup> Lumen Technologies, *Lumen to sell local incumbent carrier operations in 20 states to Apollo Funds for \$7.5 billion* (Aug. 3, 2021), <https://news.lumen.com/2021-08-03-Lumen-to-sell-local-incumbent-carrier-operations-in-20-states-to-Apollo-Funds-for-7-5-billion>. A copy of the Purchase Agreement is attached hereto as **Exhibit B.**

(including connectivity to enabled buildings), broadband and voice customers (consumer, enterprise, and wholesale), connectivity to tower sites, central offices, and the operations and back-office support to meet the accelerating demand for high-bandwidth service, connectivity and fiber technology.

In connection with the Purchase Agreement, Apollo has created Connect Holding and Connect Holding II, LLC. Under the terms of the Purchase Agreement, Lumen will convey its equity interests in the subject ILEC subsidiaries and CTBS to Connect Holding II, which will be wholly owned and controlled by Connect Holding.<sup>10</sup> Lumen will retain its ILEC subsidiaries and assets in the 17 other states in its footprint, as well as its national fiber routes and CLEC subsidiaries and networks (with the exception of CTBS) in all states.<sup>11</sup> Post-closing, Lumen will continue to provide interexchange and CLEC service in Louisiana.<sup>12</sup>

## **V. PUBLIC INTEREST STATEMENT**

Joint Applicants submit that Connect Holding's acquisition of the Acquired Companies is manifestly in the public interest, as shown by Joint Applicants' responses to the 18 factors established in the Commission's 1994 General Order.<sup>13</sup>

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<sup>10</sup> Like Connect Holding, Connect Holding II is a holding company that will not provide telecommunications services and, therefore, will not seek a Certificate of Authority from the Commission.

<sup>11</sup> Lumen Technologies, *Lumen to sell local incumbent carrier operations in 20 states to Apollo Funds for \$7.5 billion* (Aug. 3, 2021), <https://news.lumen.com/2021-08-03-Lumen-to-sell-local-incumbent-carrier-operations-in-20-states-to-Apollo-Funds-for-7-5-billion>.

<sup>12</sup> Post-closing, Lumen will continue to offer service in Louisiana through the following subsidiaries: Broadwing Communications, LLC; CenturyLink Communications, LLC d/b/a CenturyLink Acquisition; CenturyLink Communications, LLC d/b/a CenturyLink Solutions; Global Crossing Telecommunications, Inc.; Level 3 Communications, LLC; Level 3 Telecom of Louisiana, LLC; TelCove Operations, LLC; and, WilTel Communications, LLC.

<sup>13</sup> *In re Commission Approval Required of Sales, Leases, Mergers, Consolidations, Stock Transfers, and All Other Changes of Ownership or Control of Public Utilities Subject to Commission Jurisdiction*, La. Pub. Serv. Comm'n (Mar. 18, 1994).

## **1. Whether the Proposed Transaction is in the public interest**

The Proposed Transaction will result in substantial positive benefits for Louisiana and its communications consumers. It will provide the Acquired Companies better access to capital, enhance their offerings of advanced services and technologies, and position them as stronger competitors in the provision of broadband services in Louisiana. Connect Holding's planned investments in fiber-optic technology and advanced services will help bridge the digital divide in Louisiana. More broadly, these investments will offer the households, businesses, and communities in Louisiana faster, more reliable broadband connectivity and best-in-class customer service they will need to flourish in the 21st Century.

The Proposed Transaction will significantly improve the percentage of fiber-enabled locations in the Acquired ILECs' networks by coupling Apollo's extensive capital resources, experienced management team, and emphasis on FTTP investment with the Acquired ILECs' existing infrastructure and service capabilities, including their experience serving customers receiving copper-based services and knowledge of infrastructure needs in Louisiana. Apollo intends to invest millions of dollars to accelerate the significant expansion of FTTP deployment in the Acquired ILECs' service areas, including in areas that would not receive FTTP in the near term absent the Proposed Transaction. These significant upgrades to the Acquired ILECs' networks will increase the companies' ability to compete for customers who want enhanced high-speed broadband, giving residences and businesses in the Acquired ILECs' service areas more choice for high-speed, low-latency service.

The Proposed Transaction will also benefit consumers in areas not covered by the FTTP deployment. Connect Holding plans to take steps to improve the Acquired ILECs' existing copper plant, including undertaking targeted repairs; conducting a detailed analysis of the state of the plant

and upgrading the plant where necessary; and improving installation and maintenance activities. Connect Holding will also explore the use of alternatives to copper where feasible.

Connect Holding will continue to provide existing services and maintain the Acquired ILECs' rates. Although the Acquired ILECs' service offerings will evolve over time, particularly as they introduce new fiber-based products, their rates will continue to be disciplined by a competitive market and the LPSC Price Cap Plans, as applicable. The Acquired ILECs' will also continue to offer robust service plans for low-income and price-conscious consumers. As Connect Holding deploys last-mile fiber facilities within the Acquired ILECs' footprints and begins to offer FTTP broadband service, consumers will have ample affordable service options post-closing. Connect Holding will also continue to offer a variety of broadband service plans at different speed tiers and different price points to meet the preferences and internet access needs of consumers.

**2. Whether the purchaser is ready, willing and able to continue providing safe, reliable and adequate service to ratepayers**

Connect Holding is ready, willing, and able to continue providing safe, reliable, and adequate service to ratepayers in Louisiana. Connect Holding's management team collectively has approximately a century of overall telecommunications experience, with each member of the team holding senior positions with Verizon. Connect Holding will leverage this team's experience and expertise to oversee the planned substantial upgrades of the Acquired ILECs' copper networks. Apollo's management team will rely on the Acquired ILECs' existing service and technical personnel to ensure continuity of day-to-day operations, with no planned reductions in force. This combination of experience and expertise will ensure continuity of service and a seamless transition for both residential and enterprise customers.

Connect Holding and Lumen are also diligently working on an agreement under which Lumen will continue to provide post-closing the operations support systems and business support



systems to the Acquired ILECs that it does today, ensuring the uninterrupted provision of service to the Acquired ILECs' Louisiana customers.

**3. Whether the transfer will maintain or improve the financial condition of the resulting public utility or common carrier**

The Proposed Transaction will improve the financial condition of the Acquired ILECs by providing them the benefit of Connect Holding and Apollo's substantial access to capital. This improved financial condition will allow the Acquired ILECs to make new investments in their networks that would not be feasible in the absence of the Proposed Transaction.

**4. Whether the proposed transfer will maintain or improve the quality of service to public utility or common carrier ratepayers**

For the reasons discussed above in sections V.1 and V.2, *supra*, the Proposed Transaction will result in significant improvements in the Acquired ILECs' provision of broadband services, as well as improvements to the Acquired ILECs' other telecommunications services.

**5. Whether the transfer will provide net benefits to ratepayers in both the short term and the long term and provide a ratemaking method that will ensure, to the fullest extent possible, that ratepayers will receive the forecasted short and long term benefits**

For the reasons discussed above in sections V.1 and V.2, *supra*, the Proposed Transaction will provide substantial net benefits to Louisiana in both the long and short term. Apollo's success in the telecommunications industry is based on its long-term, buy-and-build strategy that invests in businesses in collaboration with strong management teams. Apollo believes in the future of advanced broadband services and their increasing importance to consumers and businesses. Accelerating the upgrade of the Acquired ILECs to FTTP will vastly improve their ability to compete, improve their market share, and offer greater choice to consumers living within the 20-state footprint, including Louisiana. Fiber technology can also be continuously upgraded to respond to the expected growth in demand for faster speeds. Ratepayers will benefit directly from

new deployments of FTTP and the enhanced broadband and telecommunications competition that will come with it.

**6. Whether the transfer will adversely affect competition**

In addition to the ample, demonstrable public benefits discussed above, the Proposed Transaction will produce no competitive harms. Lumen will continue to provide interexchange and CLEC service in Louisiana. Apollo and Lumen do not compete to provide communications services to customers in any of the geographic areas within the Acquired ILECs' footprints. And while certain funds of Apollo have an indirect attributable interest in Intrado, neither Intrado nor its operating subsidiaries provide broadband or traditional voice to retail customers. Furthermore, Intrado's middle mile transport and E911 services compete only at the margins with the Acquired ILECs. These services, as well as Intrado's other services, such as tandem services and enterprise voice services, are also subject to intense competition from other providers. Overall, the Proposed Transaction will increase competition within the Acquired ILECs' service territories, bringing with it all of competition's disciplining effects.

**7. Whether the transfer will maintain or improve the quality of management of the resulting public utility or common carrier**

As discussed above in section V.2, *supra*, Connect Holding will bring an experienced management team with decades of experience managing ILEC operations and large-scale build-outs of FTTP. Apollo's management team will also rely on the Acquired ILECs' existing service and technical personnel to ensure continuity of day-to-day operations.

**8. Whether the transfer will be fair and reasonable to the affected public utility or common carrier employees**

Connect Holding has no plans to carry out any reductions in the Acquired ILECs' labor force in Louisiana, and Connect Holding and the Acquired ILECs will abide by all existing labor

contracts and pension plans currently in effect. Apollo is committed to continuing Lumen's history of excellence and expertise in the provision of communications service in the State, and that includes a commitment to retaining the Acquired ILECs employees in order to continue operating the business on a day-to-day basis and to ensure continuity in the Acquired ILECs' interactions with the Commission. The Proposed Transaction also does not contemplate substantial changes to the Acquired ILECs' existing customer service operations. This will help ensure a seamless transition for customers and the continued provision of high-quality service.

**9. Whether the transfer would be fair and reasonable to the majority of all affected public utility or common carrier shareholders**

Lumen's Board of Directors reviewed the terms of the Purchase Agreement and determined that it is advisable and in the best interests of the Company and its shareholders to enter into the Purchase Agreement and to consummate the transactions contemplated thereunder.

**10. Whether the transfer will be beneficial on an overall basis to State and local economies and to the communities in the area served by the public utility or common carrier**

For all of the reasons discussed above, Joint Applicants submit that the Proposed Transaction will be beneficial for Louisiana as a whole and for the communities within the Acquired ILECs' service areas in particular. The Proposed Transaction will give the Acquired ILECs better access to capital, result in significant upgrades of the Acquired ILECs' networks, and add the benefit of the Connect Holding management team's decades of experience managing ILEC operations and overseeing fiber build-outs. All of this will redound to the benefit of the State and communities within the Acquired ILECs' service areas, who will enjoy improved service quality and more access to high-speed FTTP broadband services.

**11. Whether the transfer will preserve the jurisdiction of the Commission and the Commission's ability to effectively regulate and audit public utility's or common carrier's operations in the State**

The Proposed Transaction will not affect the Commission's jurisdiction over the Acquired ILECs, which will remain subject to the Commission's authority to regulate and audit their jurisdictional operations within the state.

**12. Whether conditions are necessary to prevent adverse consequences which may result from the transfer**

For the reasons discussed above, no conditions are necessary because the Proposed Transaction will not adversely affect competition, service quality, competitive rates, employees or consumers in Louisiana.

**13. The history of compliance or noncompliance of the proposed acquiring entity or principals or affiliates have had with regulatory authorities in the State or other jurisdictions**

While Connect Holding as a new entity does not have an established compliance history, Connect Holding's management team will bring decades of ILEC experience to the Acquired ILECs' operations, including extensive experience with regulatory compliance. In addition, the Acquired ILECs have a strong record of compliance with the Commission's regulations in Louisiana, which will continue post-closing.

**14. Whether the acquiring entities have the financial ability to operate the public utility or common carrier system and maintain or upgrade the quality of the physical system**

Connect Holding and Apollo will have more than sufficient financial ability to operate the Acquired ILECs and maintain and upgrade their systems. Apollo is a publicly traded U.S. company with \$461 billion under management. Its funds are long-term investors with a buy-and-build strategy that invest in businesses in collaboration with strong management teams. Apollo

and its managed investment funds also have a long, proven track record of successful investments in communications companies. Connect Holding and Apollo will therefore have ample access to the capital needed to maintain and improve the Acquired ILECs' networks and services in Louisiana.

**15. Whether any repairs and/or improvements are required and the ability of the acquiring entity to make those repairs and/or improvements**

Connect Holding has not yet completed its assessment of all of the relevant networks and facilities within the Acquired ILECs' service territories, but it is committed to making any necessary repairs or improvements and will make significant investments in fiber upgrades and improvements to the Acquired ILECs' existing copper plant to improve service quality where feasible.

**16. The ability of the acquiring entity to obtain all necessary health, safety, and other permits**

Connect Holding has the ability to acquire all necessary health, safety, and other permits that are not already held by the Acquired ILECs, and the Proposed Transaction will not adversely affect the ability of the Acquired ILECs to obtain any such permits that may be required in the future.

**17. The manner of financing the transfer and any impact that may have on encumbering the assets of the entity and the potential impact on rates**

As part of the Proposed Transaction, Connect Holding II, LLC (the "Borrower") expects to incur \$4,863 million of new debt comprised of: (1) a \$2,563 million senior secured term facility; (2) \$750 million in senior secured notes; and (3) \$1,550 million in senior unsecured notes. Borrower will also enter into a new \$600 million revolving credit facility that will be available

from time to time after the closing date of the Proposed Transaction for working capital and general corporate purposes (collectively, the “Acquisition Debt”).

The proceeds of the senior secured term facility, the senior secured notes and the senior unsecured notes, together with cash on hand and an equity contribution from investment funds, or affiliates of investment funds, that are advised, managed or controlled by AGM or its affiliates, will be used to finance the Proposed Transaction and pay related fees and expenses. In addition, the Borrower expects Embarq Corporation’s issued and outstanding 7.995% Notes due 2036, issued pursuant to that certain Indenture, dated as of May 17, 2006, among Embarq Corporation and J.P. Morgan Trust Company, National Association, as trustee, to remain outstanding after giving effect to the Proposed Transaction.

Subject to customary restrictions and necessary regulatory approvals, all wholly owned domestic subsidiaries of the Borrower, including the Acquired ILECs and CTBS, will serve as guarantors of the Acquisition Debt; and, in the case of the senior secured term facility, the senior secured notes and the revolving credit facility, will encumber, mortgage and pledge substantially all of their material assets, including their equity interests, to secure such guarantees. However, the responsibility for this new financing will be shared broadly across all of the Lumen subsidiaries that Connect Holding seeks to acquire in 20 states.

Moreover, no impact on the Acquired ILECs’ jurisdictional rates is anticipated or contemplated as a result of these financing arrangements, and the Acquisition Debt will not impair the ability of the Acquired ILECs to access the capital needed to maintain or improve service quality and to upgrade their networks. The Acquisition Debt will not impair the ability of the Acquired ILECs to perform their services to the public.

**18. Whether there are any conditions which should be attached to the proposed acquisition**

For all of the reasons set forth herein, Joint Applicants submit that the Proposed Transaction is manifestly in the public interest, and that the Proposed Transaction does not pose a risk of adverse consequences that would warrant conditions.

**VI. CONCLUSION**

For the reasons discussed in this Joint Application, the Proposed Transaction is demonstrably in the public interest and is consistent with the Commission's established public interest factors. Joint Applicants therefore respectfully request that the Commission promptly grant this Joint Application, and expeditiously issue an order of approval or non-opposition to the proposed change in ownership and control of the Acquired ILECs and CTBS, the Acquisition Debt, and the issuance of guarantees and pledge of security by the Acquired Companies.

**Respectfully submitted,**

**PHELPS DUNBAR LLP**



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