

# LEVEL 3 COMMUNICATIONS INC

## FORM S-4/A

(Registration Statement for securities to be issued in business combination transactions)

Filed 04/02/99

Address	1025 ELDORADO BOULEVARD BLDG 2000 BROOMFIELD, CO 80021
Telephone	7208881000
CIK	0000794323
Symbol	LVLT
SIC Code	4813 - Telephone Communications, Except Radiotelephone
Industry	Communications Services
Sector	Services
Fiscal Year	12/31

# LEVEL 3 COMMUNICATIONS INC

## FORM S-4/A

(Securities Registration: Business Combination)

Filed 4/2/1999

Address	1025 ELDORADO BOULEVARD BLDG 2000 BROOMFIELD, Colorado 80021
Telephone	720-888-1000
CIK	0000794323
Industry	Communications Services
Sector	Services
Fiscal Year	12/31

Registration No. 333-71687

---

---

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

---

Amendment No. 1

to

## Form S-4

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

---

### LEVEL 3 COMMUNICATIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware  
(State or other  
jurisdiction of  
incorporation or  
organization)

1221, 4813, 7374  
(Primary Standard  
Industrial  
Classification Code  
Number)

47-0210602  
(I.R.S. Employer  
Identification No.)

-----

3555 Farnam Street,  
Omaha, Nebraska 68131,  
(402) 536-3677

(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)

Thomas C. Stortz, Esq.  
Senior Vice President, General  
Counsel and Secretary  
3555 Farnam Street

Omaha, Nebraska 68131  
(402) 536-3677

(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

---

with a copy to:

John S. D'Alimonte, Esq.  
Willkie Farr & Gallagher  
787 Seventh Avenue  
New York, New York 10019-6099  
(212) 728-8000

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ☐ If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐ If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

---

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

---

---

+++++

+ +

+The information in this prospectus is not complete and may be changed. We may +

+not sell these securities until the registration statement filed with the SEC +

+is effective. This prospectus is not an offer to sell these securities and it +

+is not soliciting an offer to buy these securities in any state where the +

+offer or sale is not permitted. +

+++++

Subject to completion, dated April 2, 1999

**Prospectus**

**Level 3 Communications, Inc.**

**Offer to Exchange all Outstanding**

**10 1/2% Senior Discount Notes Due 2008**

for

**10 1/2% Senior Discount Notes Due 2008**

**Terms of Exchange Offer**

- . The exchange offer expires 5:00 p.m., New York City time, , 1999, unless we extend it.
- . The exchange offer is subject to various conditions.
- . The exchange offer is not conditioned on any minimum aggregate principal amount at maturity of outstanding notes being tendered for exchange.
- . Tenders of outstanding notes may be withdrawn any time before the expiration of the exchange offer.
- . The exchange of notes in the exchange offer will not be a taxable exchange for U.S. federal income tax purposes.
- . We will not receive any proceeds from the exchange offer.
- . The terms of the notes to be issued are substantially identical to the outstanding notes, except for transfer restrictions and registration rights relating to the outstanding notes.

See "Risk Factors" beginning on page 9 for a discussion of matters that participants in the exchange offer should consider.

---

Neither the SEC nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 1999.

This prospectus incorporates important business and financial information about us that is not included in or delivered with this prospectus. We will provide this information to you at no charge upon written or oral request directed to: Vice President, Investor Relations, Level 3 Communications, Inc., 1450 Infinite Drive, Louisville, CO 80027, 303-926-3000. In order to ensure timely delivery of the information, any request should be made by , 1999.

Each broker-dealer that receives registered notes for its own account in the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of those notes. The letter of transmittal accompanying this prospectus states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. A participating broker-dealer may use this prospectus in connection with resales of notes received in exchange for the outstanding notes where those notes were acquired by the broker-dealer as a result of market-making activities or other trading activities. We have agreed that, starting on the date of this prospectus and ending on the close of business on the day that is 180 days following the date of this prospectus, we will make this prospectus available to any broker-dealer for use in connection with any of those resales. See "Plan of Distribution."

TABLE OF CONTENTS

Information Regarding Forward-Looking Statements..... ii

Summary..... 1

Risk Factors..... 9

Where You Can Find More Information..... 12

Use of Proceeds..... 13

Capitalization..... 13

Ratio of Earnings to Fixed Charges..... 14

The Exchange Offer..... 14

Description of the Notes..... 26

Material U.S. Federal Income Tax Considerations..... 79

Plan of Distribution..... 85

Legal Matters..... 85

Experts..... 86

Incorporation of Material Documents by Reference..... 86

## Information Regarding Forward-Looking Statements

This prospectus contains or incorporates by reference forward-looking statements. These forward-looking statements include, among others, statements concerning:

- (1) Our business plan, its advantages and our strategy for implementing the business plan
- (2) anticipated growth of the communications and information services industry;
- (3) plans to devote significant management time and capital resources to our business;
- (4) expectations as to funding our capital requirements;
- (5) anticipated dates on which we will begin providing certain services or reach specific milestones in our business plan; and
- (6) other statements of expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts.

You should be aware that these forward-looking statements are subject to risks and uncertainties, including financial, regulatory environment, industry growth and trend projections, that could cause actual events or results to differ materially from those expressed or implied by the statements. The most important factors that could prevent us from achieving our stated goals include, but are not limited to, our failure to:

- (1) achieve and sustain profitability based on the creation and implementation of our end-to-end, internet protocol based communications network;
- (2) overcome significant early operating losses;
- (3) produce sufficient capital to fund our business plan;
- (4) develop financial and management controls, as well as additional controls of operating expenses and other costs;
- (5) attract and retain qualified management and other personnel;
- (6) install on a timely basis the switches/routers, fiber optic cable and associated electronics required for successful implementation of our business plan;
- (7) negotiate peering agreements;
- (8) develop and implement effective business support systems for processing customer orders and provisioning; and
- (9) make acquisitions necessary for the expansion of our networks and services and the implementation of our business plan.

For a discussion of some of these factors, see "Risk Factors" beginning on page 9 and Level 3's Current Report on Form 8-K/A filed with the SEC on February 17, 1999, which is incorporated by reference in this prospectus.

## **Summary**

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information you should consider before tendering original notes in the exchange offer. You should carefully read the entire prospectus, including the documents incorporated in it by reference. Level 3 Communications, Inc. was known as Peter Kiewit Sons', Inc. prior to the March 31, 1998 split-off of its construction and mining management businesses from its other business. This prospectus and the letter of transmittal that accompanies it together constitute the exchange offer.

### **Level 3**

Level 3 engages in the information services, communications and coal mining businesses through ownership of operating subsidiaries and substantial equity positions in public companies. In late 1997, we announced a business plan to increase substantially our information services business and to expand the range of services we offer. We are implementing the business plan by building an advanced, international, facilities-based communications network based on internet protocol technology.

Since late 1997, we have substantially increased the emphasis we place on and the resources devoted to our communications and information services business. We intend to become a facilities-based provider of a broad range of integrated communications services. A facilities-based provider is one that owns or leases a substantial portion of the plant, property and equipment necessary to provide its services. To reach this goal, we plan to expand substantially the business of our subsidiary PKS Information Services, Inc. and to create our communications network. We will create this network through a combination of construction, purchase and leasing of facilities and other assets. We are designing our network based on internet protocol technology in order to leverage the efficiencies of this technology to provide lower cost communications services.

Our network will combine both local and long distance networks and will connect customers end-to-end across the U.S. and in Europe and Asia. We expect to complete the U.S. intercity portion of the network during the first quarter of 2001. In the meantime, we have leased a national network over which we began to offer services in the third quarter of 1998. We intend to provide a full range of communications services--including local, long distance, international and internet services.

Our principal executive offices are located at 3555 Farnam Street, Omaha, Nebraska 68131 and our telephone number is (402) 536-3677. We are constructing a new headquarters outside of Denver, Colorado, which we expect to begin occupying during the summer of 1999.



## **The Exchange Offer**

On December 2, 1998, we privately placed \$833,815,000 aggregate principal amount at maturity of our 10 1/2% Senior Discount Notes Due 2008 in a transaction exempt from registration under the Securities Act. In connection with the private placement, we entered into a registration agreement, dated November 24, 1998, with the initial purchasers of the original notes. In the registration agreement, we agreed to register under the Securities Act an offer of our new 10 1/2% Senior Discount Notes Due 2008 in exchange for the original notes. We also agreed to deliver this prospectus to holders of the original notes and complete the exchange offer within 180 days of the issuance of the original notes. In this prospectus, we refer to the original notes and the new notes together as notes. You should read the discussion under the heading "Description of the Notes" for information regarding the notes.

## **The Exchange Offer**

The Exchange Offer.....

We are offering to exchange \$1,000 in principal amount at maturity of new notes for each \$1,000 in principal amount at maturity of original notes. The new notes are substantially identical to the original notes, except that:

- (1) the new notes will be freely transferable, other than as described in this prospectus;
- (2) will not contain any legend restricting their transfer;
- (3) holders of the new notes will not be entitled to certain rights of the holders of the original notes under the registration agreement; and
- (4) the new notes will not contain any provisions regarding the payment of special interest.

We believe that you can transfer the new notes without complying with the registration and prospectus delivery provisions of the Securities Act if:

- (1) you acquire the new notes in the ordinary course of your business;
- (2) you are not and do not intend to become directly or indirectly engaged in a distribution of the new notes;
- (3) you are not an affiliate of Level 3;
- (4) you are not a broker-dealer that acquired original notes directly from Level 3; and
- (5) you are not a broker-dealer that acquired original notes as a result of market-making or other trading activities.

If any of these conditions is not satisfied and you transfer any new note without delivering a proper prospectus or without qualifying for a registration exemption, you may incur liability under the Securities Act.

Each broker-dealer that receives new notes for its own account in exchange for original notes, which it acquired

as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of those new notes. See "Plan of Distribution."

Registration Rights..... Under the registration agreement, we have agreed to use our best efforts to commence the exchange offer or to use our best efforts to cause the original notes to be registered under the Securities Act so as to permit resales. If we are not in compliance with our obligations under the registration agreement, special interest will accrue on the accreted value of the notes under certain circumstances in addition to the interest that is otherwise due on the notes. If the exchange offer is consummated on the terms and within the period contemplated by this prospectus, no special interest will be payable on the accreted value of the notes. The new notes will not contain any provisions regarding the payment of special interest. See "The Exchange Offer--Shelf Registration Statement" and "--Special Interest."

Minimum Condition..... The exchange offer is not conditioned on any minimum aggregate principal amount at maturity of original notes being tendered for exchange.

Expiration Date..... The exchange offer will expire at 5:00 p.m., New York City time, on           , 1999, unless we extend it.

Exchange Date..... Original notes will be accepted for exchange beginning on the first business day following the expiration date, upon surrender of the original notes.

Conditions to the  
Exchange Offer..... Our obligation to consummate the exchange offer is subject to various conditions. See "The Exchange Offer--Conditions to the Exchange Offer." We reserve the right to terminate or amend the exchange offer at any time before the expiration date if various specified events occur.

Withdrawal Rights..... You may withdraw the tender of your original notes at any time before the expiration date. Any original notes not accepted for any reason will be returned to you

without expense as promptly as practicable after the expiration or termination of the exchange offer.

Procedures for Tendering

Original Notes..... See "The Exchange Offer--How to Tender."

Federal Income

Tax Consequences.....

The exchange of original notes for new notes by U.S. holders will not be a taxable exchange for U.S. federal income tax purposes, and U.S. holders should not recognize any taxable gain or loss as a result of the exchange.

Effect on Holders of

Original Notes.....

If the exchange offer is consummated on the terms and within the period contemplated by this prospectus, holders of the original notes will have no further registration or other rights under the registration agreement, except under limited circumstances. See "The Exchange Offer--Shelf Registration Statement" and "--Special Interest." Holders of the original notes who do not tender their original notes will continue to hold those original notes. All untendered, and tendered but unaccepted, original notes will continue to be subject to the restrictions on transfer provided for in the original notes and the indenture under which the original notes have been and the new notes are being issued. To the extent that original notes are tendered and accepted in the exchange offer, the trading market, if any, for the original notes could be adversely affected. See "Risk Factors--Holders of original notes who do not exchange their original notes for new notes in the exchange offer will continue to be subject to existing transfer restrictions."

Use of Proceeds.....

Level 3 will not receive any proceeds from the issuance of new notes in the exchange offer.

Exchange Agent.....

IBJ Whitehall Bank & Trust Company is serving as exchange agent in connection with the exchange offer.

## The Notes

The exchange offer applies to \$833,815,000 aggregate principal amount at maturity of original notes. The new notes are substantially identical to the original notes, except for transfer restrictions and registration rights relating to the original notes. The new notes will evidence the same debt as the original notes and will be entitled to the benefits of the indenture. See "Description of the Notes."

Issuer.....	Level 3 Communications, Inc.
Securities Offered.....	\$833,815,000 aggregate principal amount at maturity of 10 1/2% Senior Discount Notes Due 2008.
Maturity.....	December 1, 2008.
Accreted Value and Interest.....	<p>The issue price of the original notes was \$599.66 per \$1,000 principal amount at maturity. The notes will accrete at a rate of 10 1/2% per year, compounded semiannually, to a principal amount of \$1,000 by December 1, 2003 for each \$1,000 principal amount at maturity. Cash interest will not begin to accrue on the notes until December 1, 2003 unless we elect to commence the accrual on or after December 1, 2001 of cash interest. After December 1, 2003, interest will accrue on the notes at a rate of 10 1/2% per year and will be payable semiannually on June 1 and December 1, beginning June 1, 2004.</p>
Ranking.....	<p>The notes are:</p> <ol style="list-style-type: none"><li>(1) senior unsecured obligations of Level 3, ranking equally in right of payment with all existing and future senior unsecured indebtedness of Level 3, including, without limitation, the \$2.0 billion in principal amount of our 9 1/8% Senior Notes Due 2008;</li><li>(2) senior in right of payment to all existing and future subordinated indebtedness of Level 3; and</li><li>(3) effectively subordinated to all secured indebtedness of Level 3 to the extent of the value of the assets securing that indebtedness.</li></ol>

Substantially all of the operating assets of Level 3 are owned by our subsidiaries, effectively subordinating the notes to all existing and future obligations of our subsidiaries. See "Description of the Notes."

Optional Redemption.....

We may redeem some or all of the notes at any time on or after December 1, 2003 at the redemption prices appearing in this prospectus, plus any accrued and unpaid interest on the redeemed notes to the redemption date.

In addition, at any time prior to December 1, 2001, we may redeem up to 35% of the original aggregate principal amount at maturity of the notes at a redemption price equal to 110.50% of the accreted value of the notes so redeemed, plus any accrued and unpaid interest on the redeemed notes to the redemption date, with the net cash proceeds of specified public or private offerings of our common stock. See "Description of the Notes--Optional Redemption."

Change of Control  
Triggering Event.....

If an event treated as a change of control of Level 3 occurs, Level 3 must within 30 days make an offer to purchase all outstanding notes at a price in cash equal to 101% of the accreted value of the notes, plus accrued and unpaid interest, if any, to the purchase date. See "Description of the Notes-- Covenants--Change of Control Triggering Event."

Covenants.....	The indenture contains various covenants that limit, among other things, the ability of Level 3 and some of our subsidiaries to:
	(1) incur debt;
	(2) make various payments;
	(3) pay dividends and make other restricted payments and transfers;
	(4) create liens;
	(5) enter into transactions, including transactions with affiliates;
	(6) sell assets;
	(7) issue or sell capital stock of some of our subsidiaries; and

(8) in the case of Level 3, consolidate, merge or sell substantially all of Level 3's assets.

All of the covenants are subject to a number of important qualifications and exceptions. See "Description of the Notes."

Absence of a Public

Market for the Notes.....

The new notes are a new issue of securities for which there is currently no established trading market. There can be no assurance as to the development or liquidity of any market for any of the notes. Level 3 does not intend to apply for listing of any of the notes on any securities exchange. See "Risk Factors--There is no public market for the new notes, so you may be unable to sell the new notes."

## **Risk Factors**

Before tendering original notes, prospective participants in the exchange offer should carefully consider the following risk factors and those risk factors contained in our current report on Form 8-K/A filed with the SEC on February 17, 1999, which is incorporated by reference in this prospectus. See "Incorporation of Material Documents by Reference." The new notes, like the original notes, entail the following risks:

Our subsidiaries must make payments to us in order for us to make payments on the notes that you hold

We are a holding company with no material assets other than the stock of our subsidiaries. Accordingly, we depend upon cash payments from our subsidiaries to meet our payment obligations, including our obligation to pay you as a holder of notes. We cannot assure you that our subsidiaries will generate earnings sufficient to enable us to meet our payment obligations. Future debt agreements of our subsidiaries likely will impose significant restrictions on the ability of our subsidiaries to make distributions or other payments to us.

Because the notes are structurally subordinated to the obligations of our subsidiaries, you may not be fully repaid if we become insolvent

Substantially all of our operating assets are held directly by our subsidiaries. As a result, the notes and all of our other senior debt are structurally subordinated to the debts, preferred stock and other obligations of our subsidiaries. Holders of any preferred stock of any of our subsidiaries and creditors of any of our subsidiaries, including trade creditors, have and will have claims that are senior to the notes and the 9 1/8% senior notes with respect to the assets of that subsidiary.

Because the notes that you hold are unsecured, you may not be fully repaid if we become insolvent

The new notes will not be secured by any of the assets of Level 3 or its subsidiaries. Therefore, you may not be fully repaid if we become insolvent. In addition, the indentures relating to the notes and the 9 1/8% senior notes permit us to incur secured debt. If we were to incur secured debt and we become insolvent, the holders of the secured debt would receive payments from the assets used as security before you receive payments.

We have substantial existing debt and will incur substantial additional debt, so we may be unable to make payments on the notes that you hold

As of December 31, 1998, we had approximately \$2.646 billion of indebtedness. Our indentures permit us to incur substantial additional debt, and we fully expect to borrow substantial additional funds, which may include secured borrowings, in connection with implementing the business plan. A substantial level of debt may make it more difficult for us to repay you.



We may be unable to generate cash flow from which to make payments on the notes that you hold

For the year ended December 31, 1998, we had a deficiency in our ratio of earnings to fixed charges of approximately \$36 million. We expect to incur substantial net operating losses for the foreseeable future. We can not assure you that we will become profitable or sustain profitability in the future. Accordingly, we may not have sufficient funds to make payments on the notes that you hold.

Future additional debt that we incur in implementing our business plan may have a negative impact on our financial flexibility and stability

Our business plan will require us and our subsidiaries to incur substantial amounts of additional indebtedness in the future. The extent to which we incur additional debt, and the restrictive and financial covenants that we will be subject to, will have important consequences to the holders of the notes. These include the following:

(1) a potential impairment of our ability to obtain additional financing for the business plan, including financing necessary to fund the substantial net losses incurred in connection with the business plan;

(2) the requirement that a substantial portion of our cash flow from operations must be dedicated to the payment of debt service, thus reducing the funds available for the business plan; and

(3) potential limits on our ability to adjust rapidly to changing market conditions and vulnerability in the event of a downturn in general economic conditions or in our business.

The indenture covenants permit us to engage in activities and make investments that may result in significant cash expenditures or losses

The covenants in the indenture allow us, subject to certain limitations, to use our funds in a broad range of activities and investments, including entering into joint ventures we do not control. These activities or investments may result in significant cash expenditures by us or in significant losses.

If an event constituting a change in control of Level 3 occurs, we may be unable to purchase the notes you hold, even if they are validly tendered

Upon the occurrence of certain change of control events, we must make an offer to purchase all outstanding notes at a purchase price equal to 101% of the accreted value of the notes, plus accrued and unpaid interest, if any, to the purchase date. We can make no

assurance that we would have sufficient funds to pay the purchase price for all notes tendered by holders seeking to accept the offer to purchase. In addition, our other debt agreements may require us to repurchase the other debt upon a change in control or may prohibit us from purchasing any notes before their stated maturity, including upon a change of control. Our failure to purchase all validly tendered notes would result in an event of default under the indenture. See "Description of the Notes--Covenants--Change of Control Triggering Event."

There is no public market for the new notes, so you may be unable to sell the new notes

The new notes are new securities for which there is currently no market. Consequently, the new notes may be relatively illiquid, and you may be unable to sell your new notes. We do not intend to apply for listing of the new notes on any securities exchange or for the inclusion of the new notes in any automated quotation system. Accordingly, we cannot assure you that a liquid market for the new notes will develop.

Original issue discount will be included in your gross income for U.S. federal tax purposes before you receive any cash payments on the notes

The original notes were issued at a substantial discount from their stated principal amount at maturity. Consequently, although cash interest on the notes generally will not be payable prior to June 1, 2004, original issue discount, or OID, will be includible in the gross income of a holder of the notes for U.S. federal income tax purposes in advance of the receipt of cash payments on the notes. See "Material U.S. Federal Income Tax Considerations" for a more detailed discussion of the material U.S. federal income tax consequences applicable to holders of the notes.

If a bankruptcy petition is filed by or against us, you may receive a lesser amount for your claim than you would be entitled to under the indenture, and you may realize taxable gain or loss upon payment of your claim

If a bankruptcy petition is filed by or against Level 3 under the U.S. Bankruptcy Code after the issuance of the notes, the claim of a holder of notes with respect to the accreted value of the notes may be limited to an amount equal to the sum of:

- (1) the initial offering price for the notes; and
- (2) that portion of the original issue discount that is not deemed to constitute "unmatured interest" within the meaning of the U.S. Bankruptcy Code.

Any OID that was not amortized as of the date of the bankruptcy filing would constitute unmatured interest. Accordingly, holders of the notes under these circumstances may receive a lesser amount than they would be entitled to under the terms of the indenture, even if sufficient funds are available. In addition, to the extent that the U.S. Bankruptcy Code differs from the Internal Revenue Code in determining the method of amortization of OID, a holder of notes may realize taxable gain or loss upon payment of that holder's claim in bankruptcy.

OID with respect to the notes is not deductible by us until paid

The new notes will constitute applicable high yield discount obligations, or AHYDOs, because the original notes provided initial holders with a yield to maturity in excess of a specified amount. Consequently, OID with respect to the notes will not be deductible by us until paid. See "Material U.S. Federal Income Tax Considerations."

Holders of original notes who do not exchange their original notes for new notes in the exchange offer will continue to be subject to existing transfer restrictions

In general, the original notes may not be reoffered, resold or otherwise transferred in the U.S. unless registered under the Securities Act or unless an exemption from the Securities Act registration requirements is available. Except under certain limited circumstances, we do not intend to register the original notes under the Securities Act. In addition, any holder of original notes who tenders in the exchange offer for the purpose of participating in a distribution of the new notes may be deemed to have received restricted securities. If so, that holder will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. To the extent original notes are tendered and accepted in the exchange offer, the trading market, if any, for the original notes not tendered could be adversely affected. See "The Exchange Offer."

### **Where You Can Find More Information**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. We have also filed with the SEC a registration statement on Form S-4 to register the new notes being offered in this prospectus. This prospectus, which forms part of the registration statement, does not contain all of the information included in the registration statement. For further information about Level 3 and the new notes offered in this prospectus, you should refer to the registration statement and its exhibits.

Our SEC filings are available to the public over the internet at the SEC's web site at <http://www.sec.gov>. You may also read and copy any document we file at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. These documents are also available at the public reference rooms at the SEC's regional offices in New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available at the offices of the Nasdaq National Market, in Washington, D.C.

## Use of Proceeds

Level 3 will not receive any proceeds from the issuance of new notes in the exchange offer. The new notes will evidence the same debt as the original notes surrendered in exchange for the new notes. Accordingly, the issuance of the new notes will not result in any change in the indebtedness of Level 3.

The net proceeds to Level 3 of the placement of the original notes were approximately \$486 million, after deducting expenses. The net proceeds are being used in connection with the implementation of our business plan, including funding for:

- (1) route miles 9,000 through 16,000 of Level 3's U.S. intercity network;
- (2) an expansion of the fiber loops, number of buildings connected and colocation space, or space reserved for equipment that facilitates the interconnection of switching or routing equipment, in Level 3's U.S. cities;
- (3) an expansion of the fiber loops, number of buildings connected and colocation space in Level 3's European cities;
- (4) purchases of undersea cable capacity; and
- (5) general corporate purposes, including acquisitions.

Pending this utilization, we intend to invest these net proceeds in government securities.

## Capitalization

The following table sets forth the consolidated capitalization of Level 3 as of December 31, 1998 and that capitalization as adjusted to give effect to the net proceeds from Level 3's public offering of 28,750,000 shares of our common stock in March 1999.

	December 31, 1998	
	Actual	As Adjusted
	(dollars in millions)	
Cash and marketable securities.....	\$ 3,711	\$ 5,207
	=====	=====
Total long-term debt, less current portion.....	2,641	2,641
Total stockholders' equity.....	2,165	3,661
	-----	-----
Total capitalization.....	\$ 4,806	\$ 6,302
	=====	=====

## Ratio of Earnings to Fixed Charges

The ratio of earnings to fixed charges for each of the periods indicated is as follows:

	Fiscal Year Ended				
	1998	1997	1996	1995	1994
Ratio of earnings to fixed charges.....	--	5.73	3.87	--	--

For purposes of calculating the ratio of earnings to fixed charges, earnings consist of earnings (loss) before income taxes, minority interest and discontinued operations plus fixed charges excluding capitalized interest. Fixed charges consist of interest expensed and capitalized, plus the portion of rent expense under operating leases deemed by Level 3 to be representative of the interest factor, plus, prior to September 30, 1995, preferred stock dividends on preferred stock of our former subsidiary, MFS Communications Company, Inc. Level 3 had deficiencies of earnings to fixed charges of \$36 million for 1998, \$32 million for 1995 and \$42 million for 1994.

## The Exchange Offer

### Purpose of the Exchange Offer

On December 2, 1998, Level 3 privately placed the original notes in a transaction exempt from registration under the Securities Act. Accordingly, the original notes may not be reoffered, resold or otherwise transferred in the U.S. unless so registered or unless an exemption from the Securities Act registration requirements is available. In the registration agreement, Level 3 has agreed with the initial purchasers of the original notes to, at our own cost:

- (1) file an exchange offer registration statement with the SEC with respect to the exchange offer within 90 days after December 2, 1998;
- (2) use our best effort to cause the exchange offer registration statement to be declared effective under the Securities Act within 150 days after December 2, 1998; and
- (3) upon effectiveness of the exchange offer registration statement, offer new notes in exchange for surrender of original notes.

In addition, Level 3 has agreed to keep the exchange offer open for at least 30 days, or longer if required by applicable law, after the date notice of the exchange offer is mailed to the holders of the original notes. The new notes are being offered under this prospectus to satisfy these obligations of Level 3 under the registration agreement.

### Terms of the Exchange

Upon the terms and subject to the conditions contained in this prospectus and in the letter of transmittal that accompanies this prospectus, Level 3 is offering to exchange \$1,000 in principal amount at maturity of new notes for each \$1,000 in principal amount at maturity

of outstanding original notes. The terms of the new notes are substantially identical to the terms of the original notes for which they may be exchanged in the exchange offer, except that:

- (1) the new notes will be freely transferable, other than as described in this prospectus;
- (2) will not contain any legend restricting their transfer;
- (3) holders of the new notes will not be entitled to certain rights of the holders of the original notes under the registration agreement, which rights will terminate on consummation of the exchange offer; and
- (4) the new notes will not contain any provisions regarding the payment of special interest.

The new notes will evidence the same debt as the original notes and will be entitled to the benefits of the indenture. See "Description of the Notes."

The exchange offer is not conditioned on any minimum aggregate principal amount at maturity of original notes being tendered for exchange.

Based on interpretations by the staff of the SEC in no-action letters issued to third parties, Level 3 believes that new notes issued pursuant to the exchange offer in exchange for the original notes may be offered for resale, resold and otherwise transferred by holders of new notes without complying with the registration and prospectus delivery requirements of the Securities Act if:

- (1) the holders acquired the new notes in the ordinary course of the holders' business;
- (2) the holders are not engaged in, and do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of the new notes;
- (3) the holders are not affiliates of Level 3 within the meaning of Rule 405 under the Securities Act;
- (4) the holders are not broker-dealers who acquired original notes directly from Level 3; and
- (5) the holders are not broker-dealers who acquired original notes as a result of market-making or other trading activities.

See "Plan of Distribution."

Each broker-dealer that receives new notes for its own account in the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of those new notes. The letter of transmittal that accompanies this prospectus states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. A participating broker-dealer may use this prospectus, as it may be amended or supplemented from time to time, in connection with resales of new notes received in exchange for original notes where those

new notes were acquired by the broker-dealer as a result of market-making activities or other trading activities. Level 3 has agreed that, starting on the date of this prospectus and ending on the close of business on the day that is 180 days following the date of this prospectus, it will make this prospectus available to any broker-dealer for use in connection with any such resale.

Tendering holders of original notes will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of the original notes in the the exchange offer.

### **Shelf Registration Statement**

If:

- (1) applicable interpretations of the staff of the SEC do not permit Level 3 to effect an exchange offer,
- (2) for any other reason the exchange offer registration statement is not declared effective within 150 days after December 2, 1998 or the exchange offer is not consummated within 180 days after December 2, 1998,
- (3) the initial purchasers so request with respect to original notes not eligible to be exchanged for new notes in the exchange offer, or
- (4) any holder of original notes, other than an initial purchaser, is not eligible to participate in the exchange offer or does not receive freely tradable new notes in the exchange offer other than by reason of the holder being an affiliate of Level 3,

Level 3 will, at our cost:

- (1) as promptly as practicable, file a shelf registration statement covering resales of the original notes or the new notes, as the case may be,
- (2) use our best efforts to cause the shelf registration statement to be declared effective under the Securities Act, and
- (3) use our best efforts to keep the shelf registration statement effective until two years after its effective date.

For purposes of determining whether Level 3 is obligated to file a shelf registration statement, the requirement that a participating broker-dealer deliver this prospectus in connection with sales of new notes will not result in those new notes being deemed not freely tradable.

If Level 3 files a shelf registration statement, it will, among other things, provide to each holder for whom the shelf registration statement was filed copies of the prospectus

which is a part of the shelf registration statement, notify each of those holders when the shelf registration statement has become effective and take other actions as are required to permit unrestricted resales of the original notes or the new notes, as the case may be. A holder selling original notes or new notes under the shelf registration statement generally must be named as a selling security holder in the related prospectus and must deliver a prospectus to purchasers. As such, the holder will be subject to the civil liability provisions under the Securities Act in connection with those sales and will be bound by any applicable provisions of the registration agreement, including specified indemnification obligations.

### **Special Interest**

Special interest will accrue on the accreted value of the original notes and the new notes, in addition to the stated interest on the original notes and the new notes, from and including the date on which a registration default occurs to but excluding the date on which all registration defaults have been cured.

The occurrence of any of the following is a registration default:

- (1) neither the exchange offer registration statement nor the shelf registration statement has been filed with the SEC on or before the 90th day following December 2, 1998,
- (2) neither the exchange offer registration statement nor the shelf registration statement has been declared effective on or before the 150th day following December 2, 1998,
- (3) neither the exchange offer has been consummated nor the shelf registration statement has been declared effective on or before the 180th day following December 2, 1998, or
- (4) after either the exchange offer registration statement or the shelf registration statement has been declared effective, that registration statement ceases to be effective or usable, subject to certain exceptions, in connection with resales of original notes or new notes in accordance with and during the periods specified in the registration agreement.

Special interest will accrue at a rate of 0.50% per annum on the accreted value during the 90-day period after the occurrence of the registration default and will increase by 0.25% per annum at the end of each subsequent 90-day period. In no event will the rate exceed 1.00% per annum on the accreted value. If the exchange offer is consummated on the terms and within the period contemplated by this prospectus, no special interest will be payable.

The summary of the provisions of the registration agreement contained in this prospectus does not purport to be complete. This summary is subject to and is qualified in its entirety by reference to all the provisions of the registration agreement, a copy of which is an exhibit to the registration statement of which this prospectus is a part.



## **Expiration Date; Extensions; Termination; Amendments**

The expiration date of the exchange offer is 5:00 p.m., New York City time, on , 1999, unless Level 3 in its sole discretion extends the period during which the exchange offer is open. In that case, the expiration date will be the latest time and date to which the exchange offer is extended. Level 3 reserves the right to extend the exchange offer at any time and from time to time before the expiration date by giving written notice to the exchange agent, IBJ Whitehall Bank & Trust Company and by timely public announcement. Unless otherwise required by applicable law or regulation, the public announcement will be made by a release to the Dow Jones News Service. During any extension of the exchange offer, all original notes previously tendered in the exchange offer will remain subject to the exchange offer.

The initial exchange date will be the first business day following the expiration date. Level 3 expressly reserves the right to:

- (1) terminate the exchange offer and not accept for exchange any original notes for any reason, including if any of the events described below under "--Conditions to the Exchange Offer" shall have occurred and shall not have been waived by Level 3; and
- (2) amend the terms of the exchange offer in any manner.

If any such termination or amendment occurs, Level 3 will notify the exchange agent in writing and will either issue a press release or give written notice to the holders of the original notes as promptly as practicable. Unless Level 3 terminates the exchange offer prior to 5:00 p.m., New York City time, on the expiration date, Level 3 will exchange the new notes for the original notes on the exchange date.

If:

- (1) Level 3 waives any material condition to the exchange offer or amends the exchange offer in any other material respect; and,
- (2) at the time that notice of this waiver or amendment is first published, sent or given to holders of original notes in the manner specified above, the exchange offer is scheduled to expire at any time earlier than the fifth business day from, and including, the date that such notice is first so published, sent or given,

then the exchange offer will be extended until that fifth business day.

This prospectus and the letter of transmittal and other relevant materials will be mailed by Level 3 to record holders of original notes. In addition, these materials will be furnished to brokers, banks and similar persons whose names, or the names of whose nominees, appear on the lists of holders for subsequent transmittal to beneficial owners of original notes.

## How to Tender

The tender to Level 3 of original notes by a holder of original notes according to one of the procedures described below will constitute an agreement between that holder and Level 3 in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal.

General Procedures. A holder of an original note may tender them by:

- (1) properly completing and signing the letter of transmittal or a facsimile of the letter of transmittal and delivering them, together with the certificate or certificates representing the original notes being tendered and any required signature guarantees, or a timely confirmation of a book-entry transfer pursuant to the procedure described below, to the exchange agent at its address set forth below under "-- Exchange Agent" on or before the expiration date; or
- (2) complying with the guaranteed delivery procedures described below.

All references in this prospectus to the letter of transmittal include a facsimile of the letter of transmittal.

If tendered original notes are registered in the name of the signer of the letter of transmittal and the new notes to be issued in exchange for accepted original notes are to be issued, and any untendered original notes are to be reissued, in the name of the registered holder, the signature of the signer need not be guaranteed. In any other case, the tendered original notes must be endorsed or accompanied by written instruments of transfer in form satisfactory to Level 3 and duly executed by the registered holder and the signature on the endorsement or instrument of transfer must be guaranteed by an eligible guarantor institution that is a member of a recognized signature guarantee medallion program within the meaning of Rule 17Ad-15 under the Exchange Act. If the new notes and/or original notes not exchanged are to be delivered to an address other than that of the registered holder appearing on the note register for the original notes, the signature on the letter of transmittal must be guaranteed by an eligible guarantor institution.

Any beneficial owner whose original notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender original notes should contact the holder promptly and instruct it to tender on the beneficial owner's behalf. If the beneficial owner wishes to tender the original notes himself, the beneficial owner must, prior to completing and executing the letter of transmittal and delivering the original notes, either make appropriate arrangements to register ownership of the original notes in the beneficial owner's name or follow the procedures described in the immediately preceding paragraph. The transfer of record ownership may take considerable time.

Book-Entry Transfer. The exchange agent will make a request to establish an account with respect to the original notes at the book-entry transfer facility, The Depository Trust Company, or DTC, for purposes of the exchange offer within two business days after receipt of this prospectus. Subject to the establishment of the account, any financial institution that

is a participant in the book-entry transfer facility's systems may make book-entry delivery of original notes by causing the book-entry transfer facility to transfer the original notes into the exchange agent's account at the book-entry transfer facility in accordance with the facility's procedures. However, although delivery of original notes may be effected through book-entry transfer at the book-entry transfer facility, the letter of transmittal, with any required signature guarantees and any other required documents, must, in any case, be transmitted to and received by the exchange agent at the address set forth below under "--Exchange Agent" on or prior to the expiration date or the guaranteed delivery procedures described below must be complied with.

The method of delivery of original notes and all other documents is at the election and risk of the holder. If sent by mail, it is recommended that registered mail, return receipt requested, be used, proper insurance be obtained, and the mailing be made sufficiently in advance of the expiration date to permit delivery to the exchange agent on or before the expiration date.

Unless an exemption applies under the applicable law and regulations concerning backup withholding of federal income tax, the exchange agent will be required to withhold, and will withhold, 31% of the gross proceeds otherwise payable to a holder pursuant to the exchange offer if the holder does not provide the holder's taxpayer identification number, i.e., social security number or employer identification number, and certify that the number is correct. Each tendering holder should complete and sign the main signature form and the Substitute Form W-9 included as part of the letter of transmittal, so as to provide the information and certification necessary to avoid backup withholding, unless an applicable exemption exists and is proved in a manner satisfactory to Level 3 and the exchange agent.

**Guaranteed Delivery Procedures.** If a holder desires to accept the exchange offer and time will not permit a letter of transmittal or original notes to reach the exchange agent before the expiration date, a tender may be effected if the exchange agent has received at its office listed under "--Exchange Agent" below on or prior to the expiration date a letter, telegram or facsimile transmission from an eligible guarantor institution that:

- (1) sets forth the name and address of the tendering holder, the names in which the original notes are registered and, if possible, the certificate numbers of the original notes to be tendered; and
- (2) states that the tender is being made thereby; and
- (3) guarantees that within three New York Stock Exchange trading days after the date of execution of the letter, telegram or facsimile transmission by the eligible guarantor institution, the original notes, in proper form for transfer, will be delivered by the eligible guarantor institution together with a properly completed and duly executed letter of transmittal and any other required documents.

Unless original notes being tendered by the above-described method or a timely confirmation of a book-entry transfer are deposited with the exchange agent within the time period described above, accompanied or preceded by a properly completed letter of transmittal and any other required documents, Level 3 may opt to reject the tender. Copies of a notice of

guaranteed delivery which may be used by eligible guarantor institutions for the purposes described in this paragraph are being delivered with this prospectus and the letter of transmittal.

A tender will be deemed to have been received as of the date when the tendering holder's properly completed and duly signed letter of transmittal accompanied by the original notes or a timely confirmation of a book-entry transfer is received by the exchange agent. Issuances of new notes in exchange for original notes tendered by a notice of guaranteed delivery or letter, telegram or facsimile transmission to similar effect (as described above) by an eligible guarantor institution will be made only against deposit of the letter of transmittal and any other required documents and the tendered original notes or a timely confirmation of a book-entry transfer.

All questions as to the validity, form, eligibility, including time of receipt, and acceptance for exchange of any tender of original notes will be determined by Level 3, whose determination will be final and binding. Level 3 reserves the absolute right to reject any or all tenders not in proper form or the acceptances for exchange of which may, in the opinion of counsel to Level 3, be unlawful. Level 3 also reserves the absolute right to waive any of the conditions of the exchange offer or any defect or irregularities in tenders of any particular holder whether or not similar defects or irregularities are waived in the case of other holders. None of Level 3, the exchange agent or any other person will incur any liability for failure to give notification of any defects or irregularities in tenders. Level 3's interpretation of the terms and conditions of the exchange offer, including the letter of transmittal and the instructions to the letter of transmittal, will be final and binding.

### **Terms and Conditions of the Letter of Transmittal**

The letter of transmittal contains, among other things, the following terms and conditions, which are part of the exchange offer.

The party tendering original notes for exchange, or the transferor, exchanges, assigns and transfers the original notes to Level 3 and irrevocably constitutes and appoints the exchange agent as its agent and attorney-in-fact to cause the original notes to be assigned, transferred and exchanged. The transferor represents and warrants that:

- (1) it has full power and authority to tender, exchange, assign and transfer the original notes and to acquire new notes issuable upon the exchange of the tendered original notes; and
- (2) when the same are accepted for exchange, Level 3 will acquire good and unencumbered title to the tendered original notes, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim.

The transferor also warrants that it will, upon request, execute and deliver any additional documents Level 3 deems necessary or desirable to complete the exchange, assignment and transfer of tendered original notes. The transferor further agrees that acceptance of any tendered original notes by Level 3 and the issuance of new notes in exchange shall constitute

performance in full by Level 3 of its obligations under the registration agreement and that Level 3 shall have no further obligations or liabilities under the registration agreement, except in certain limited circumstances. All authority conferred by the transferor will survive the death or incapacity of the transferor and every obligation of the transferor shall be binding upon the heirs, legal representatives, successors, assigns, executors and administrators of the transferor.

By tendering original notes, the transferor certifies that:

- (1) it is not an affiliate of Level 3 within the meaning of Rule 405 under the Securities Act, that it is not a broker-dealer that owns original notes acquired directly from Level 3 or an affiliate of Level 3, that it is acquiring the new notes offered hereby in the ordinary course of its business and that it has no arrangement with any person to participate in the distribution of the new notes; or
- (2) it is an affiliate, as so defined, of Level 3 or of the initial purchasers, and that it will comply with applicable registration and prospectus delivery requirements of the Securities Act.

Each broker-dealer that receives new notes for its own account in the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of those new notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act.

### **Withdrawal Rights**

Original notes tendered in the exchange offer may be withdrawn at any time before the expiration date.

For a withdrawal to be effective, a written or facsimile transmission notice of withdrawal must be timely received by the exchange agent at its address set forth below under "-- Exchange Agent." Any notice of withdrawal must:

- (1) specify the person named in the letter of transmittal as having tendered original notes to be withdrawn;
- (2) specify the certificate numbers of original notes to be withdrawn;
- (3) specify the principal amount of original notes to be withdrawn, which must be an authorized denomination;
- (4) state that the holder is withdrawing its election to have those original notes exchanged;
- (5) state the name of the registered holder of those original notes; and
- (6) be signed by the holder in the same manner as the original signature on the letter of transmittal, including any required signature guarantees, or be accompanied by evidence satisfactory to Level 3 that the person withdrawing the tender has succeeded to the beneficial ownership of the original notes being withdrawn.

The exchange agent will return the properly withdrawn original notes promptly following receipt of notice of withdrawal. All questions as to the validity of notices of withdrawals, including time of receipt, will be determined by Level 3, and such determination will be final and binding on all parties.

### **Acceptance of Original Notes for Exchange; Delivery of New Notes**

Upon the terms and subject to the conditions of the exchange offer, the acceptance for exchange of original notes validly tendered and not withdrawn and the issuance of the new notes will be made on the exchange date. For the purposes of the exchange offer, Level 3 shall be deemed to have accepted for exchange validly tendered original notes when, as and if Level 3 has given written notice of acceptance to the exchange agent.

The exchange agent will act as agent for the tendering holders of original notes for the purposes of receiving new notes from Level 3 and causing the original notes to be assigned, transferred and exchanged. Upon the terms and subject to the conditions of the exchange offer, delivery of new notes to be issued in exchange for accepted original notes will be made by the exchange agent promptly after acceptance of the tendered original notes. Original notes not accepted for exchange by Level 3 will be returned without expense to the tendering holders, or in the case of original notes tendered by book-entry transfer into the exchange agent's account at the book-entry transfer facility pursuant to the procedures described above, such non-exchanged original notes will be credited to an account maintained with the book-entry transfer facility, promptly following the expiration date or, if Level 3 terminates the exchange offer prior to the expiration date, promptly after the exchange offer is so terminated.

### **Conditions to the Exchange Offer**

Despite any other provision of the exchange offer or any extension of the exchange offer, Level 3 will not be required to issue new notes in respect of any properly tendered original notes not previously accepted and may terminate the exchange offer by oral or written notice to the exchange agent and by timely public announcement communicated, unless otherwise required by applicable law or regulation, by making a release to the Dow Jones News Service or, at its option, modify or otherwise amend the exchange offer, if:

(1) any action or proceeding is threatened, instituted or pending before, or any injunction, order or decree is issued by, any court or governmental agency or other governmental regulatory or administrative agency or commission:

(A) seeking to restrain or prohibit the making or consummation of the exchange offer or any other transaction contemplated by the exchange offer,

(B) assessing or seeking any damages as a result thereof, or

(C) resulting in a material delay in the ability of Level 3 to accept for exchange or exchange some or all of the original notes in the exchange offer;

(2) any statute, rule, regulation, order or injunction is sought, proposed, introduced, enacted, promulgated or deemed applicable to the exchange offer or any of the

transactions contemplated by the exchange offer by any government or governmental authority, domestic or foreign, or any action is taken, proposed or threatened, by any government, governmental authority, agency or court, domestic or foreign, that in the sole judgment of Level 3 might directly or indirectly result in any of the consequences referred to in clauses (1)(A) or (B) above or, in the sole judgment of Level 3, might result in the holders of new notes having obligations with respect to resales and transfers of new notes which are greater than those described in the interpretations of the SEC referred to in "--Terms of the Exchange" above, or would otherwise make it inadvisable to proceed with the exchange offer; or

(3) a material adverse change has occurred in the business, condition (financial or otherwise), operations, or prospects of Level 3.

The conditions described above are for the sole benefit of Level 3 and may be asserted by it with respect to all or any portion of the exchange offer regardless of the circumstances, including any action or inaction by Level 3, giving rise to such condition or may be waived by Level 3 in whole or in part at any time or from time to time in its sole discretion. The failure by Level 3 at any time to exercise any of the rights described above will not be deemed a waiver of any such right, and each right will be deemed an ongoing right which may be asserted at any time or from time to time. In addition, Level 3 has reserved the right, notwithstanding the satisfaction of each of the foregoing conditions, to terminate or amend the exchange offer.

Any determination by Level 3 concerning the fulfillment or non-fulfillment of any conditions will be final and binding upon all parties.

In addition, Level 3 will not accept for exchange any original notes tendered and no new notes will be issued in exchange for any such original notes, if at such time any stop order is threatened or in effect with respect to the registration statement of which this prospectus constitutes a part or qualification of the indenture under the Trust Indenture Act.

### **Exchange Agent**

IBJ Whitehall Bank & Trust Company has been appointed as the exchange agent for the exchange offer. Letters of transmittal must be addressed to the exchange agent at its address set forth below.

By Registered or Certified Mail:	By Overnight Courier or By Hand:
IBJ Whitehall Bank & Trust Company	IBJ Whitehall Bank & Trust Company
P.O. Box 84	One State Street
Bowling Green Station	New York, NY 10004
New York, NY 10274-0084	Attention: Securities Processing
Attention: Reorganization Operations	Window Subcellar One (SC-1)
Department	

By Facsimile:

(212) 858-2611  
Confirm by Telephone: (212) 858-2103

Delivery to an address other than as set forth in this prospectus, or transmissions of instructions via a facsimile or telex number other than the ones set forth herein, will not constitute a valid delivery.

### **Solicitation of Tenders; Expenses**

Level 3 has not retained any dealer-manager or similar agent in connection with the exchange offer and will not make any payments to brokers, dealers or others for soliciting acceptances of the exchange offer. However, Level 3 will pay the exchange agent reasonable and customary fees for its services and will reimburse it for reasonable out-of-pocket expenses in connection with its services. Level 3 will also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding tenders for their customers. The expenses to be incurred in connection with the exchange offer, including the fees and expenses of the exchange agent and printing, accounting and legal fees, will be paid by Level 3 and are estimated at approximately \$400,000.

### **Appraisal Rights**

Holders of original notes will not have dissenters' rights or appraisal rights in connection with the exchange offer.

### **Federal Income Tax Consequences**

The exchange of original notes for new notes by U.S. holders will not be a taxable exchange for U.S. federal income tax purposes, and U.S. holders should not recognize any taxable gain or loss or any interest income as a result of the exchange.

### **Other**

Participation in the exchange offer is voluntary, and holders should carefully consider whether to accept the terms and conditions of this offer. Holders of the original notes are urged to consult their financial and tax advisors in making their own decisions on what action to take.

As a result of the making of this exchange offer, and upon acceptance for exchange of all validly tendered original notes according to the terms of this exchange offer, Level 3 will have fulfilled a covenant contained in the terms of the original notes and the registration agreement. Holders of the original notes who do not tender their certificates in the exchange offer will continue to hold those certificates and will be entitled to all the rights, and limitations applicable thereto, under the indenture, except for any such rights under the registration agreement which by their terms terminate or cease to have further effect as a result of the making of this exchange offer. See "Description of the Notes." All untendered original notes will continue to be subject to the restriction on transfer set forth in the indenture. To the extent that original notes are tendered and accepted in the exchange offer, the trading market, if any, for the original notes could be adversely affected. See "Risk



Factors--Holders of original notes who do not exchange their original notes for new notes in the exchange offer will continue to be subject to existing transfer restrictions."

Level 3 may in the future seek to acquire untendered original notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise. Level 3 has no present plan to acquire any original notes that are not tendered in the exchange offer.

## **Description of the Notes**

### **General**

The new notes, like the original notes, will be issued under the indenture, dated as of December 2, 1998, between Level 3 and IBJ Whitehall Bank & Trust Company, formerly known as IBJ Schroder Bank & Trust Company, as trustee. The indenture has been filed as an exhibit to the registration statement of which this prospectus is a part. For purposes of this "Description of the Notes," the term Level 3 refers to Level 3 Communications, Inc. and does not include its subsidiaries except for purposes of financial data determined on a consolidated basis.

Because this section is a summary, it does not describe every aspect of the notes. This summary is subject to and qualified in its entirety by reference to the Trust Indenture Act and to all the provisions of the indenture, including definitions of some terms used in the indenture. For example, in this summary, we use capitalized words to signify defined terms that have been given special meaning in the indenture. We describe the meaning for only the more important terms under "--Definitions." Whenever we refer to particular sections or defined terms of the indenture in this prospectus, these sections or defined terms are incorporated by reference in this prospectus. The original notes and the new notes will be considered collectively to be a single class for all purposes under the indenture, including waivers, amendments, redemptions and Offers to Purchase. For purposes of this "Description of the Notes," all references in this prospectus to the notes shall be deemed to refer collectively to the original notes and the new notes.

The notes are senior unsecured obligations of Level 3, ranking equally in right of payment with all existing and future senior unsecured indebtedness of Level 3 including, without limitation, our 9 1/8% Senior Notes. The notes will be senior in right of payment to all existing and future indebtedness of Level 3 expressly subordinated in right of payment to the notes. As of December 31, 1998, Level 3, excluding our subsidiaries, had, in addition to the notes, \$2.0 billion of other indebtedness outstanding. None of that other indebtedness constituted secured or subordinated indebtedness.

Substantially all the operations of Level 3 are conducted through its subsidiaries and, therefore, Level 3 is dependent upon cash flow from those entities to meet its obligations. The payment of dividends and the making of loans and advances to Level 3 by its subsidiaries are subject to various restrictions. Future debt of some of the subsidiaries may prohibit the payment of dividends or the making of loans or advances to Level 3. In addition, the ability of subsidiaries of Level 3 to make these payments, loans or advances to

Level 3 is limited by the laws of the relevant states in which the subsidiaries are organized or located. In some circumstances, the prior or subsequent approval of these payments, loans or advances by the subsidiaries to Level 3 is required from applicable regulatory bodies or other governmental entities. Level 3's subsidiaries will have no direct obligation to pay amounts due on the notes and will have no obligation to guarantee the notes. As a result, the notes effectively will be subordinated to all existing and future indebtedness and other liabilities of Level 3's subsidiaries, including trade payables. As of December 31, 1998, the total balance sheet liabilities of Level 3's subsidiaries were approximately \$142 million in indebtedness, of which approximately \$141 million in indebtedness was secured by the assets of the borrowing subsidiaries, and \$550 million in other liabilities. The indenture permits Level 3 and its subsidiaries to incur substantial amounts of additional debt and other liabilities, including in connection with the implementation of the business plan. Any rights of Level 3 and its creditors, including the holders of notes, to participate in the assets of any of Level 3's subsidiaries upon any liquidation or reorganization of any subsidiary will be subject to the prior claims of that subsidiary's creditors, including trade creditors. See "Risk Factors--Our subsidiaries must make payments to us in order for us to make payments on the notes that you hold," "--Because the notes are structurally subordinated to the obligations of our subsidiaries, you may not be fully repaid if we become insolvent," "--Because the notes that you hold are unsecured, you may not be fully repaid if we become insolvent," "--We have substantial existing debt and will incur substantial additional debt, so we may be unable to make payments on the notes that you hold," "--We may be unable to generate cash flow from which to make payments on the notes that you hold," and "--Future additional debt that we incur in implementing our business plan may have a negative impact on our financial flexibility and stability."

### **Principal, Maturity and Interest**

The notes are limited in aggregate principal amount at maturity to \$833,815,000 and will mature on December 1, 2008. The original notes were issued at a discount to their aggregate principal amount at maturity to generate aggregate gross proceeds of approximately \$500,005,503. The notes will accrete at a rate of 10 1/2% per annum, compounded semiannually, to an aggregate principal amount of \$833,815,000 by December 1, 2003. Except as described above under "The Exchange Offer--Special Interest" with respect to the original notes, cash interest will not accrue on the notes prior to December 1, 2003. However, Level 3 may elect, upon not less than 60 days' prior notice, to commence the accrual of cash interest on all outstanding notes on or after December 1, 2001. In that case, the outstanding principal amount at maturity of each note will on the commencement date be reduced to the Accreted Value of that note as of that date and cash interest shall be payable with respect to that note on each June 1 and December 1 after that date. Except as otherwise described in this paragraph, interest on the notes will accrue at the rate of 10 1/2% per annum and will be payable in cash semiannually in arrears on June 1 and December 1, commencing June 1, 2004. The record date for payment of interest will be the close of business on the May 15 or November 15 preceding the applicable interest payment date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Principal of, premium, if any, and interest on the notes will be payable, and the notes may be exchanged or transferred, at the office or agency of Level 3, which, unless otherwise provided by Level 3, will be the offices of the trustee. At the option of Level 3, interest may be paid by check mailed to the registered holders at their registered addresses. The notes will be issued without coupons and in fully registered form only, in minimum denominations of \$1,000 and integral multiples of \$1,000. The notes will be issued only against payment in immediately available funds. No service charge will be made for any registration of transfer or exchange of the notes, but Level 3 may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection with the transfer or exchange.

The interest rate on the original notes is subject to increase in the circumstances described under "The Exchange Offer--Special Interest." All references in this prospectus to interest on the original notes shall include this special interest, if appropriate. If the exchange offer is consummated on the terms and within the period contemplated by this prospectus, no special interest will be payable. The new notes will not contain any provisions regarding the payment of special interest.

### **Book-Entry System**

The notes will initially be issued in the form of global securities held in book-entry form. The notes will be deposited with the trustee as custodian for DTC, and DTC or its nominee will initially be the sole registered holder of the notes for all purposes under the indenture. Unless it is exchanged in whole or in part for debt securities in definitive form as described below, a global security may not be transferred. However, transfers of the whole security between DTC and its nominee or their respective successors are permitted.

Upon the issuance of a global security, DTC or its nominee will credit on its internal system the principal amount at maturity of the individual beneficial interest represented by the global security acquired by the persons in this offering. Ownership of beneficial interests in a global security will be limited to persons that have accounts with DTC or persons that hold interests through participants. Ownership of beneficial interests will be shown on, and the transfer of that ownership interest will be effected only through, records maintained by DTC or its nominee, with respect to interests of participants, and the records of participants, with respect to interests of persons other than participants. The laws of some jurisdictions require that some purchasers of securities take physical delivery of the securities in definitive form. These limits and laws may impair the ability to transfer beneficial interests in a global security.

Principal and interest payments on global securities registered in the name of DTC's nominee will be made in immediately available funds to DTC's nominee as the registered owner of the global securities. Level 3 and the trustee will treat DTC's nominee as the owner of the global securities for all other purposes as well. Accordingly, we, the trustee, any paying agent and the initial purchasers will have no direct responsibility or liability for any aspect of the records relating to payments made on account of beneficial interests in the

global securities or for maintaining, supervising or reviewing any records relating to these beneficial interests. It is DTC's current practice, upon receipt of any payment of principal or interest, to credit direct participants' accounts on the payment date according to their respective holdings of beneficial interests in the global securities. These payments will be the responsibility of the direct and indirect participants and not of DTC, the trustee, the initial purchasers or us.

So long as DTC or its nominee is the registered owner or holder of the global security, DTC or its nominee, as the case may be, will be considered the sole owner or holder of the notes represented by the global security for the purposes of receiving payment on the notes, receiving notices and for all other purposes under the indenture and the notes. Beneficial interests in the notes will be evidenced only by, and transfers of the notes will be effected only through, records maintained by DTC and its participants. Except as described above, owners of beneficial interests in a global security will not be entitled to receive physical delivery of certificated notes in definitive form and will not be considered the holders of the global security for any purposes under the indenture. Accordingly, each person owning a beneficial interest in a global security must rely on the procedures of DTC and, if such person is not a participant, on the procedures of the participant through which that person owns its interest, to exercise any rights of a holder under the indenture. Level 3 understands that under existing industry practices, if Level 3 requests any action of holders or an owner of a beneficial interest in a global security desires to give or take any action that a holder is entitled to give or take under the indenture, DTC would authorize the participants holding the relevant beneficial interest to give or take that action, and the participants would authorize beneficial owners owning through the participants to give or take the action or would otherwise act upon the instructions of beneficial owners owning through them.

DTC has advised Level 3 that it will take any action permitted to be taken by a holder of notes only at the direction of one or more participants to whose account with DTC interests in the global security are credited. Further, DTC will take action only as to the portion of the aggregate principal amount at maturity of the notes as to which the participant or participants has or have given the direction.

Although DTC has agreed to the procedures described above in order to facilitate transfers of interests in global securities among participants of DTC, it is under no obligation to perform these procedures, and the procedures may be discontinued at any time. None of Level 3, the trustee, any agent of Level 3 or the initial purchasers will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

DTC has provided the following information to us. DTC is a:

- (1) limited-purpose trust company organized under the New York Banking Law;
- (2) a banking organization within the meaning of the New York Banking Law;
- (3) a member of the U.S. Federal Reserve System;

- (4) a clearing corporation within the meaning of the New York Uniform Commercial Code; and
- (5) a clearing agency registered under the provisions of Section 17A of the Securities Exchange Act.

**Certificated Notes**

Notes represented by a global security are exchangeable for certificated notes only if:

- (1) DTC notifies Level 3 that it is unwilling or unable to continue as depository or if DTC ceases to be a registered clearing agency, and a successor depository is not appointed by Level 3 within 90 days;
- (2) Level 3 determines not to require all of the notes to be represented by a global security and notifies the trustee of its decision; or
- (3) an Event of Default or an event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default with respect to the notes represented by the global security has occurred and is continuing.

Any global security that is exchangeable for certificated notes in accordance with the preceding sentence will be transferred to, and registered and exchanged for, certificated notes in authorized denominations and registered in the names as DTC or its nominee may direct. However, a global security is only exchangeable for a global security of like denomination to be registered in the name of DTC or its nominee. If a global security becomes exchangeable for certificated notes:

- (1) certificated notes will be issued only in fully registered form in denominations of \$1,000 or integral multiples of \$1,000;
- (2) payment of principal, premium, if any, and interest on the certificated notes will be payable, and the transfer of the certificated notes will be registrable, at the office or agency of Level 3 maintained for these purposes; and
- (3) no service charge will be made for any issuance of the certificated notes, although Level 3 may require payment of a sum sufficient to cover any tax or governmental charge imposed in connection with the issuance.

**Optional Redemption**

The notes will be redeemable at our option, in whole or in part, at any time or from time to time on or after December 1, 2003, upon not less than 30 nor more than 60 days' prior notice. If the notes are redeemed during the twelve month period beginning on December 1 of any of the years indicated below, the redemption price will equal the percentage of Accreted Value of the redeemed notes opposite that year, plus accrued and unpaid interest thereon, if any, to the redemption date.

Year	Redemption Price
----	-----
2003.....	105.25%
2004.....	103.50%
2005.....	101.75%
2006 and thereafter.....	100.00%

However, holders of record on the relevant record date have the right to receive interest due on the relevant interest payment date.

In addition, at any time or from time to time before December 1, 2001, Level 3 may redeem up to 35% of the original aggregate principal amount at maturity of the notes at a redemption price equal to 110.50% of the Accreted Value of the notes so redeemed, plus accrued and unpaid interest thereon, if any, to the redemption date. However, holders of record on the relevant record date have the right to receive interest due on the relevant interest payment date, with the net cash proceeds of one or more private placements to Persons other than Affiliates of Level 3 or one or more underwritten public offerings of Common Stock of Level 3 resulting in gross proceeds of at least \$100 million in the aggregate. However, at least 65% of the original aggregate principal amount at maturity of the notes must remain outstanding immediately after giving effect to the redemption. Any redemption must be made within 90 days of the private placement or public offering upon not less than 30 nor more than 60 days' prior notice.

### **Mandatory Redemption**

Except as described under "--Covenants--Change of Control Triggering Event" and "--Limitation on Asset Dispositions," Level 3 is not required to make mandatory redemption payments or sinking fund payments with respect to the notes.

### **Covenants**

The indenture contains covenants that limit, among other things, the ability of Level 3 and some of its subsidiaries to:

- (1) incur debt;
- (2) make various payments;
- (3) pay dividends and make other restricted payments and transfers;
- (4) create liens;
- (5) enter into transactions, including transactions with affiliates;
- (6) sell assets;
- (7) issue or sell capital stock of some of its subsidiaries; and
- (8) in the case of Level 3, consolidate, merge or sell substantially all of Level 3's assets.

In addition, if a Change of Control occurs, Level 3 must within 30 days make an offer to repurchase all outstanding notes at a price equal to 101% of the Accreted Value of the notes, plus accrued and unpaid interest, if any, to the purchase date. The above limitations are "restrictive covenants" that are promises that we make to you about how we will run our business or about business actions that we promise not to take. All of the covenants are subject to a number of important qualifications and exceptions. A more detailed description of the restrictive covenants follows below.

Limitation on Consolidated Debt. (a) Level 3 may not, and may not permit any Restricted Subsidiary to, directly or indirectly, Incur any Debt, unless, after giving pro forma effect to such Incurrence and the receipt and application of the net proceeds thereof, no Default or Event of Default would occur as a consequence of such Incurrence or be continuing following such Incurrence and either (1) the ratio of (A) the aggregate consolidated principal amount (or, in the case of Debt issued at a discount, the then-Accreted Value) of Debt of Level 3 outstanding as of the most recent available quarterly or annual balance sheet, after giving pro forma effect to the Incurrence of such Debt and any other Debt Incurred or repaid since such balance sheet date and the receipt and application of the net proceeds thereof, to (B) Consolidated Cash Flow Available for Fixed Charges for the four full fiscal quarters next preceding the Incurrence of such Debt for which consolidated financial statements are available, would be less than 5.0 to 1.0, or (2) Level 3's Consolidated Capital Ratio as of the most recent available quarterly or annual balance sheet, after giving pro forma effect to (X) the Incurrence of such Debt and any other Debt Incurred or repaid since such balance sheet date, (Y) the issuance of any Capital Stock (other than Disqualified Stock) of Level 3 since such balance sheet date, including the issuance of any Capital Stock to be issued concurrently with the Incurrence of such Debt, and (Z) the receipt and application of the net proceeds of such Debt or Capital Stock, as the case may be, is less than 2.25 to 1.0.

(b) Notwithstanding the foregoing limitation, Level 3 or any Restricted Subsidiary may Incur any and all of the following (each of which shall be given independent effect):

(1) Debt under the notes, the indenture or any Restricted Subsidiary Guarantee;

(2) Debt under Credit Facilities in an aggregate principal amount outstanding or available (together with all refinancing Debt outstanding or available pursuant to clause (8) below in respect of Debt previously Incurred pursuant to this clause (2)) at any one time not to exceed the greater of (X) \$750 million, which amount shall be permanently reduced by the amount of Net Available Proceeds used to repay Debt under the Credit Facilities, and not reinvested in Telecommunications/IS Assets or used to purchase notes or repay other Debt, pursuant to and as permitted by the covenant described under "-- Limitation on Asset Dispositions", and (Y) 85% of the Eligible Receivables;

(3) Purchase Money Debt, provided that the amount of such Purchase Money Debt does not exceed 100% of the cost of the construction, installation, acquisition, lease, development or improvement of the applicable Telecommunications/IS Assets;

(4) Subordinated Debt of Level 3; provided, however, that the aggregate principal amount of such Debt, together with any other outstanding Debt Incurred pursuant to this clause (4), shall not exceed \$500 million at any one time (which amount shall be permanently reduced by the amount of Net Available Proceeds used to repay Subordinated Debt of Level 3, and not reinvested in Telecommunications/IS Assets or used to purchase notes or repay other Debt, pursuant to and as permitted by the covenant described under "--Limitation on Asset Dispositions"), except to

the extent such Debt in excess of \$500 million (A) is subordinated to all other Debt of Level 3 other than Debt Incurred pursuant to this clause (4) in excess of such \$500 million limitation, (B) does not provide for the payment of cash interest on such Debt prior to the Stated Maturity of the notes and (C) (1) does not provide for payments of principal of such Debt at stated maturity or by way of a sinking fund applicable thereto or by way of any mandatory redemption, defeasance, retirement or repurchase thereof by Level 3 (including any redemption, retirement or repurchase which is contingent upon events or circumstances, but excluding any retirement required by virtue of the acceleration of any payment with respect to such Debt upon any event of default thereunder), in each case on or prior to the Stated Maturity of the notes, and (2) does not permit redemption or other retirement (including pursuant to an offer to purchase made by Level 3) of such Debt at the option of the holder thereof on or prior to the Stated Maturity of the notes;

(5) Debt outstanding on the Measurement Date;

(6) Debt owed by Level 3 to any Restricted Subsidiary of Level 3 or Debt owed by a Restricted Subsidiary of Level 3 to Level 3 or a Restricted Subsidiary of Level 3; provided, however, that (X) upon the transfer, conveyance or other disposition by such Restricted Subsidiary or Level 3 of any Debt so permitted to a Person other than Level 3 or another Restricted Subsidiary of Level 3 or (Y) if for any reason such Restricted Subsidiary ceases to be a Restricted Subsidiary, the provisions of this clause (6) shall no longer be applicable to such Debt and such Debt shall be deemed to have been Incurred by the issuer thereof at the time of such transfer, conveyance or other disposition or when such Restricted Subsidiary ceases to be a Restricted Subsidiary;

(7) Debt Incurred by a Person prior to the time (A) such Person became a Restricted Subsidiary, (B) such Person merges into or consolidates with a Restricted Subsidiary or (C) another Restricted Subsidiary merges into or consolidates with such Person (in a transaction in which such Person becomes a Restricted Subsidiary), which Debt was not Incurred in anticipation of such transaction and was outstanding prior to such transaction;

(8) Debt Incurred to renew, extend, refinance, defease, repay, prepay, repurchase, redeem, retire, exchange or refund (each, a "refinancing") Debt Incurred pursuant to clause (1), (2), (3), (5), (7) or (12) of this paragraph (b) or this clause (8), in an aggregate principal amount (or if issued at a discount, the then-Accreted Value) not to exceed the aggregate principal amount (or if issued at a discount, the then-Accreted Value) of and accrued interest on the Debt so refinanced plus the amount of any premium required to be paid in connection with such refinancing pursuant to the terms of the Debt so refinanced or the amount of any premium reasonably determined by the board of directors of Level 3 as necessary to accomplish such refinancing by means of a tender offer or privately negotiated repurchase, plus the expenses of Level 3 Incurred in connection with such refinancing; provided, however, that (A) the refinancing Debt shall not be senior in right of payment to



the Debt that is being refinanced and (B) in the case of any refinancing of Debt Incurred pursuant to clause (1), (5), (7) or (12) or, if such Debt previously refinanced Debt Incurred pursuant to any such clause, this clause (8), the refinancing Debt by its terms, or by the terms of any agreement or instrument pursuant to which such Debt is issued, (x) does not provide for payments of principal of such Debt at stated maturity or by way of a sinking fund applicable thereto or by way of any mandatory redemption, defeasance, retirement or repurchase thereof by Level 3 (including any redemption, retirement or repurchase which is contingent upon events or circumstances, but excluding any retirement required by virtue of the acceleration of any payment with respect to such Debt upon any event of default thereunder), in each case prior to the time the same are required by the terms of the Debt being refinanced and (y) does not permit redemption or other retirement (including pursuant to an offer to purchase made by Level 3) of such Debt at the option of the holder thereof prior to the time the same are required by the terms of the Debt being refinanced, other than, in the case of clause (x) or (y), any such payment, redemption or other retirement (including pursuant to an offer to purchase made by Level 3) which is conditioned upon a change of control pursuant to provisions substantially similar to those described under "--Change of Control Triggering Event";

(9) Debt (A) in respect of performance, surety or appeal bonds, Guarantees, letters of credit or reimbursement obligations Incurred or provided in the ordinary course of business securing the performance of contractual, franchise, lease, self-insurance or license obligations and not in connection with the Incurrence of Debt or (B) in respect of customary agreements providing for indemnification, adjustment of purchase price after closing, or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any such obligations of Level 3 or any of its Restricted Subsidiaries pursuant to such agreements, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary of Level 3 (other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary of Level 3 for the purpose of financing such acquisition) and in an aggregate principal amount not to exceed the gross proceeds actually received by Level 3 or any Restricted Subsidiary in connection with such disposition;

(10) Debt consisting of Permitted Interest Rate or Currency Protection Agreements;

(11) Debt not otherwise permitted to be Incurred pursuant to clauses (1) through (10) above or clause (12) below, which, together with any other outstanding Debt Incurred pursuant to this clause (11), has an aggregate principal amount not in excess of \$50 million at any time outstanding; and

(12) Debt under the 9 1/8% Senior Notes, the 9 1/8% Senior Notes Indenture or restricted subsidiary guarantees issued in accordance with the 9 1/8% Senior Notes Indenture.

Notwithstanding any other provision of this "--Limitation on Consolidated Debt" covenant, the maximum amount of Debt that Level 3 or a Restricted Subsidiary may Incur

pursuant to this "--Limitation on Consolidated Debt" covenant shall not be deemed to be exceeded due solely to the result of fluctuations in the exchange rates of currencies.

For purposes of determining any particular amount of Debt under this "-- Limitation on Consolidated Debt" covenant, (1) Guarantees, Liens or obligations with respect to letters of credit supporting Debt otherwise included in the determination of such particular amount shall not be included and (2) any Liens granted for the benefit of the notes pursuant to the provisions referred to in the "--Limitation on Liens" covenant described below shall not be treated as Debt. For purposes of determining compliance with this "--Limitation on Consolidated Debt" covenant, in the event that an item of Debt meets the criteria of more than one of the types of Debt described in the above clauses, Level 3, in its sole discretion, shall classify such item of Debt and only be required to include the amount and type of such Debt in one of such clauses.

Limitation on Debt of Restricted Subsidiaries. Level 3 may not permit any Restricted Subsidiary that is not a Guarantor to Incur any Debt except any and all of the following (each of which shall be given independent effect):

- (1) Restricted Subsidiary Guarantees;
- (2) Debt outstanding on the Measurement Date;
- (3) Debt of Restricted Subsidiaries under Credit Facilities permitted to be Incurred pursuant to clause (2) of paragraph (b) of "--Limitation on Consolidated Debt";
- (4) Purchase Money Debt of Restricted Subsidiaries permitted to be Incurred pursuant to clause (3) of paragraph (b) of "--Limitation on Consolidated Debt";
- (5) Debt owed by a Restricted Subsidiary to Level 3 or a Restricted Subsidiary of Level 3 permitted to be Incurred pursuant to clause (6) of paragraph (b) of "--Limitation on Consolidated Debt";
- (6) Debt of Restricted Subsidiaries consisting of Permitted Interest Rate or Currency Protection Agreements permitted to be Incurred pursuant to clause (10) of paragraph (b) of "--Limitation on Consolidated Debt";
- (7) Debt of Restricted Subsidiaries permitted to be Incurred under clause (7) of paragraph (b) of "--Limitation on Consolidated Debt";
- (8) Debt of Restricted Subsidiaries permitted to be Incurred under clause (9) or (11) of paragraph (b) of "--Limitation on Consolidated Debt"; and
- (9) Debt which is Incurred to refinance any Debt of a Restricted Subsidiary permitted to be Incurred pursuant to clauses (1), (2), (3), (4) and (7) of this paragraph or this clause (9), in an aggregate principal amount (or if issued at a discount, the then-Accreted Value) not to exceed the aggregate principal amount (or if issued at a discount, the then-Accreted Value) of the Debt so refinanced, plus the amount of any premium required to be paid in connection with such refinancing pursuant to

the terms of the Debt so refinanced or the amount of any premium reasonably determined by the board of directors of Level 3 as necessary to accomplish such refinancing by means of a tender offer or privately negotiated repurchase, plus the amount of expenses of Level 3 and the applicable Restricted Subsidiary Incurred in connection therewith; provided, however, that, in the case of any refinancing of Debt Incurred pursuant to clause (1), (2) or (7) or, if such Debt previously refinanced Debt Incurred pursuant to any such clause, this clause (9), the refinancing Debt by its terms, or by the terms of any agreement or instrument pursuant to which such Debt is Incurred, (x) does not provide for payments of principal at the stated maturity of such Debt or by way of a sinking fund applicable to such Debt or by way of any mandatory redemption, defeasance, retirement or repurchase of such Debt by Level 3 or any Restricted Subsidiary (including any redemption, retirement or repurchase which is contingent upon events or circumstances, but excluding any retirement required by virtue of acceleration of such Debt upon an event of default thereunder), in each case prior to the time the same are required by the terms of the Debt being refinanced and (y) does not permit redemption or other retirement (including pursuant to an offer to purchase made by Level 3 or a Restricted Subsidiary) of such Debt at the option of the holder thereof prior to the stated maturity of the Debt being refinanced, other than, in the case of clause (x) or (y), any such payment, redemption or other retirement (including pursuant to an offer to purchase made by Level 3 or a Restricted Subsidiary) which is conditioned upon the change of control of Level 3 pursuant to provisions substantially similar to those contained in the indenture described under "--Change of Control Triggering Event."

Notwithstanding any other provision of this "--Limitation on Debt of Restricted Subsidiaries" covenant, the maximum amount of Debt that a Restricted Subsidiary may Incur pursuant to this "--Limitation on Debt of Restricted Subsidiaries" covenant shall not be deemed to be exceeded due solely as the result of fluctuations in the exchange rates of currencies.

For purposes of determining any particular amount of Debt under this "-- Limitation on Debt of Restricted Subsidiaries" covenant, Guarantees, Liens or obligations with respect to letters of credit supporting Debt otherwise included in the determination of such particular amount shall not be included. For purposes of determining compliance with this "--Limitation on Debt of Restricted Subsidiaries" covenant, in the event that an item of Debt meets the criteria of more than one of the types of Debt described in the above clauses, Level 3, in its sole discretion, shall classify such item of Debt and only be required to include the amount and type of such Debt in one of such clauses.

Limitation on Restricted Payments. (a) Level 3 may not, and may not permit any Restricted Subsidiary to:

(1) directly or indirectly, declare or pay any dividend, or make any distribution, in respect of its Capital Stock or to the holders thereof, excluding any dividends or distributions which are made solely to Level 3 or a Restricted Subsidiary (and, if

such Restricted Subsidiary is not a Wholly Owned Subsidiary, to the other stockholders of such Restricted Subsidiary on a pro rata basis or on a basis that results in the receipt by Level 3 or a Restricted Subsidiary of dividends or distributions of greater value than it would receive on a pro rata basis) or any dividends or distributions payable solely in shares of Capital Stock of Level 3 (other than Disqualified Stock) or in options, warrants or other rights to acquire Capital Stock of Level 3 (other than Disqualified Stock);

(2) purchase, redeem, or otherwise retire or acquire for value (X) any Capital Stock of Level 3 or any Restricted Subsidiary of Level 3 or (Y) any options, warrants or rights to purchase or acquire shares of Capital Stock of Level 3 or any Restricted Subsidiary or any securities convertible or exchangeable into shares of Capital Stock of Level 3 or any Restricted Subsidiary, except, in any such case, any such purchase, redemption or retirement or acquisition for value (A) paid to Level 3 or a Restricted Subsidiary (or, in the case of any such purchase, redemption or other retirement or acquisition for value with respect to a Restricted Subsidiary that is not a Wholly Owned Subsidiary, to the other stockholders of such Restricted Subsidiary on a pro rata basis or on a basis that results in the receipt by Level 3 or a Restricted Subsidiary of payments of greater value than it would receive on a pro rata basis) or (B) paid solely in shares of Capital Stock (other than Disqualified Stock) of Level 3;

(3) make any Investment (other than an Investment in Level 3 or a Restricted Subsidiary or a Permitted Investment) in any Person, including the Designation of any Restricted Subsidiary as an Unrestricted Subsidiary, or the Revocation of any such Designation, according to the covenant described under "--Limitation on Designations of Unrestricted Subsidiaries";

(4) redeem, defease, repurchase, retire or otherwise acquire or retire for value, prior to any scheduled maturity, repayment or sinking fund payment, Debt of Level 3 which is subordinate in right of payment to the notes (other than any redemption, defeasance, repurchase, retirement or other acquisition or retirement for value made in anticipation of satisfying a scheduled maturity, repayment or sinking fund obligation due within one year thereof); and

(5) issue, transfer, convey, sell or otherwise dispose of Capital Stock of any Restricted Subsidiary to a Person other than Level 3 or another Restricted Subsidiary if the result thereof is that such Restricted Subsidiary shall cease to be a Restricted Subsidiary, in which event the amount of such "Restricted Payment" shall be the Fair Market Value of the remaining interest, if any, in such former Restricted Subsidiary held by Level 3 and the other Restricted Subsidiaries

(each of clauses (1) through (5) above being a "Restricted Payment") if:

(A) an Event of Default, or an event that with the passing of time or the giving of notice, or both, would constitute an Event of Default, shall have occurred and be continuing, or

(B) upon giving effect to such Restricted Payment, Level 3 could not Incur at least \$1.00 of additional Debt pursuant to the terms of the indenture described in paragraph (a) of "--Limitation on Consolidated Debt" above, or

(C) upon giving effect to such Restricted Payment, the aggregate of all Restricted Payments made on or after the Measurement Date, including Restricted Payments made pursuant to clause (a) or (b) of the proviso at the end of this sentence, and Permitted Investments made on or after the Measurement Date pursuant to clause (9) or (10) of the definition thereof (the amount of any such Restricted Payment or Permitted Investment, if made other than in cash, to be based upon Fair Market Value) exceeds the sum of: (X) 50% of cumulative Consolidated Net Income (or, in the case that Consolidated Net Income shall be negative, 100% of such negative amount) since the end of the last full fiscal quarter prior to the Measurement Date through the last day of the last full fiscal quarter ending at least 45 days prior to the date of such Restricted Payment plus, (Y) in the case of any Revocation made after the Measurement Date, an amount equal to the lesser of the portion (proportionate to Level 3's equity interest in the Subsidiary to which such Revocation relates) of the Fair Market Value of the net assets of such Subsidiary at the time of Revocation and the amount of Investments previously made (and treated as a Restricted Payment) by Level 3 or any Restricted Subsidiary in such Subsidiary; provided, however, that Level 3 or a Restricted Subsidiary of Level 3 may, without regard to the limitations in clause (C) but subject to clauses (A) and (B), make (a) Restricted Payments in an aggregate amount not to exceed the sum of \$50 million and the aggregate net cash proceeds received after the Measurement Date (i) as capital contributions to Level 3, from the issuance (other than to a Subsidiary or an employee stock ownership plan or trust established by Level 3 or any such Subsidiary for the benefit of their employees) of Capital Stock (other than Disqualified Stock) of Level 3, and (ii) from the issuance or sale of Debt of Level 3 or any Restricted Subsidiary (other than to a Subsidiary, Level 3 or an employee stock ownership plan or trust established by Level 3 or any such Subsidiary for the benefit of their employees) that after the Measurement Date has been converted into or exchanged for Capital Stock (other than Disqualified Stock) of Level 3 and (b) Investments in Persons engaged in the Telecommunications/IS Business in an aggregate amount not to exceed the after-tax gain on the sale, after the Measurement Date, of Special Assets to the extent sold for cash, Cash Equivalents, Telecommunications/IS Assets or the assumption of Debt of Level 3 or any Restricted Subsidiary (other than Debt that is subordinated to the notes or any applicable Restricted Subsidiary Guarantee) and release of Level 3 and all Restricted Subsidiaries from all liability on the Debt assumed. The aggregate net cash proceeds referred to in the immediately preceding clauses (a)(i) and (a)(ii) shall not be utilized to make Restricted Payments pursuant to such clauses to the extent such proceeds have been utilized to make Permitted Investments under clause (9) of the definition of "Permitted Investments."

(b) Notwithstanding the foregoing limitation:

(1) Level 3 may pay any dividend on Capital Stock of any class of Level 3 within 60 days after the declaration thereof if, on the date when the dividend was declared, Level 3 could have paid such dividend in accordance with the foregoing provisions; provided, however, that at the time of such payment of such dividend, no other Event of Default shall have occurred and be continuing (or result therefrom);

(2) Level 3 may repurchase any shares of its Common Stock or options to acquire its Common Stock from Persons who were formerly directors, officers or employees of Level 3 or any of its Subsidiaries or other Affiliates in an amount not to exceed \$3 million in any 12-month period;

(3) Level 3 and any Restricted Subsidiary may refinance any Debt otherwise permitted by clause (8) of paragraph (b) under "--Limitation on Consolidated Debt" above or clause (9) under "--Limitation on Debt of Restricted Subsidiaries" above;

(4) Level 3 and any Restricted Subsidiary may retire or repurchase any Capital Stock of Level 3 or of any Restricted Subsidiary or any Subordinated Debt of Level 3 in exchange for, or out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of Level 3 or an employee stock ownership plan or trust established by Level 3 or any such Subsidiary for the benefit of their employees) of, Capital Stock (other than Disqualified Stock) of Level 3, provided that the proceeds from any such exchange or sale of Capital Stock shall be excluded from any calculation pursuant to clause (a)(i) in the proviso at the end of paragraph (a) above or pursuant to clause (b) of the definition of "Invested Capital"; and

(5) Level 3 may pay cash dividends in any amount not in excess of \$50 million in any 12-month period in respect of Preferred Stock of Level 3 (other than Disqualified Stock).

The Restricted Payments described in the foregoing clauses (1), (2) and (5) shall be included in the calculation of Restricted Payments; the Restricted Payments described in clauses (3) and (4) shall be excluded in the calculation of Restricted Payments.

**Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries.** (a) Level 3 may not, and may not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction (other than pursuant to law or regulation) on the ability of any Restricted Subsidiary:

(1) to pay dividends (in cash or otherwise) or make any other distributions in respect of its Capital Stock owned by Level 3 or any other Restricted Subsidiary or pay any Debt or other obligation owed to Level 3 or any other Restricted Subsidiary;

(2) to make loans or advances to Level 3 or any other Restricted Subsidiary; or

(3) to transfer any of its Property to Level 3 or any other Restricted Subsidiary;

(b) Notwithstanding the foregoing limitation, Level 3 may, and may permit any Restricted Subsidiary to, create or otherwise cause or suffer to exist:

(1) any encumbrance or restriction pursuant to any agreement in effect on the Measurement Date;

(2) any customary (as conclusively determined in good faith by the Chief Financial Officer of Level 3) encumbrance or restriction applicable to a Restricted Subsidiary that is contained in an agreement or instrument governing or relating to Debt contained in any Credit Facilities or Purchase Money Debt, provided that such encumbrances and restrictions permit the distribution of funds to Level 3 in an amount sufficient for Level 3 to make the timely payment of interest, premium (if any) and principal (whether at stated maturity, by way of a sinking fund applicable thereto, by way of any mandatory redemption, defeasance, retirement or repurchase thereof, including upon the occurrence of designated events or circumstances or by virtue of acceleration upon an event of default, or by way of redemption or retirement at the option of the holder of the Debt, including pursuant to offers to purchase) according to the terms of the indenture and the notes and other Debt that is solely an obligation of Level 3, but provided further that such agreement may nevertheless contain customary (as so determined) net worth, leverage, invested capital and other financial covenants, customary (as so determined) covenants regarding the merger of or sale of all or any substantial part of the assets of Level 3 or any Restricted Subsidiary, customary (as so determined) restrictions on transactions with affiliates and customary (as so determined) subordination provisions governing Debt owed to Level 3 or any Restricted Subsidiary;

(3) any encumbrance or restriction pursuant to an agreement relating to any Acquired Debt, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person so acquired;

(4) any encumbrance or restriction pursuant to an agreement effecting a refinancing of Debt Incurred pursuant to an agreement referred to in clause (1), (2) or (3) of this paragraph (b), provided, however, that the provisions contained in such agreement relating to such encumbrance or restriction are no more restrictive (as so determined) in any material respect than the provisions contained in the agreement the subject thereof;

(5) in the case of clause (3) of paragraph (a) above, any encumbrance or restriction contained in any security agreement (including a Capital Lease Obligation) securing Debt of Level 3 or a Restricted Subsidiary otherwise permitted under the indenture, but only to the extent such restrictions restrict the transfer of the Property subject to such security agreement;

(6) in the case of clause (3) of paragraph (a) above, customary provisions (A) that restrict the subletting, assignment or transfer of any Property that is a lease, license, conveyance or similar contract, (B) contained in asset sale or other asset disposition agreements limiting the transfer of the Property being sold or disposed of pending the closing of such sale or disposition or (C) arising or agreed to in the

ordinary course of business, not relating to any Debt, and that do not, individually or in the aggregate, detract from the value of Property of Level 3 or any Restricted Subsidiary in any manner material to Level 3 or any Restricted Subsidiary;

(7) any encumbrance or restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement which has been entered into for the sale or disposition of all or substantially all of the Capital Stock or Property of such Restricted Subsidiary, provided that the consummation of such transaction would not result in a Default or an Event of Default, that such restriction terminates if such transaction is abandoned and that the consummation or abandonment of such transaction occurs within one year of the date such agreement was entered into; and

(8) any encumbrance or restriction pursuant to the indenture and the notes.

Limitation on Liens. Level 3 may not, and may not permit any Restricted Subsidiary to, directly or indirectly, Incur or suffer to exist any Lien on or with respect to any Property now owned or acquired after the Measurement Date to secure any Debt without making, or causing such Restricted Subsidiary to make, effective provision for securing the notes equally and ratably with such Debt as to such Property for so long as such Debt will be so secured or in the event such Debt is Debt of Level 3 or a Guarantor which is subordinate in right of payment to the notes or the applicable Restricted Subsidiary Guarantee, prior to such Debt as to such Property for so long as such Debt will be so secured.

The foregoing restrictions shall not apply to:

(1) Liens existing on the Measurement Date and securing Debt outstanding on the Measurement Date or Incurred on or after the Measurement Date pursuant to any Credit Facility to secure Debt permitted to be Incurred pursuant to clause (2) of paragraph (b) under "--Limitation on Consolidated Debt";

(2) Liens securing Debt in an amount which, together with the aggregate amount of Debt then outstanding or available under all Credit Facilities (together with all refinancing Debt then outstanding or available pursuant to clause (8) of paragraph (b) of "--Limitation on Consolidated Debt" in respect of Debt previously Incurred under Credit Facilities), does not exceed 1.5 times Level 3's Consolidated Cash Flow Available for Fixed Charges for the four full fiscal quarters preceding the Incurrence of such Lien for which Level 3's consolidated financial statements are available, determined on a pro forma basis as if such Debt had been Incurred and the proceeds thereof had been applied at the beginning of such four fiscal quarters;

(3) Liens in favor of Level 3 or any Restricted Subsidiary; provided, however, that any subsequent issue or transfer of Capital Stock or other event that results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of the Debt secured by any such Lien (except to Level 3 or a Restricted Subsidiary) shall be deemed, in each case, to constitute the Incurrence of such Lien by the issuer thereof;



(4) Liens to secure Purchase Money Debt permitted to be Incurred pursuant to clause (3) of paragraph (b) under "--Limitation on Consolidated Debt," provided that any such Lien may not extend to any Property other than the Telecommunications/IS Assets installed, constructed, acquired, leased, developed or improved with the proceeds of such Purchase Money Debt and any improvements or accessions thereto (it being understood that all Debt to any single lender or group of related lenders or outstanding under any single credit facility, and in any case relating to the same group or collection of Telecommunications/IS Assets financed thereby, shall be considered a single Purchase Money Debt, whether drawn at one time or from time to time);

(5) Liens to secure Acquired Debt, provided that (a) such Lien attaches to the acquired Property prior to the time of the acquisition of such Property and (b) such Lien does not extend to or cover any other Property;

(6) Liens to secure Debt Incurred to refinance, in whole or in part, Debt secured by any Lien referred to in the foregoing clauses (1), (4) and (5) or this clause (6) so long as such Lien does not extend to any other Property (other than improvements and accessions to the original Property) and the principal amount of Debt so secured is not increased except as otherwise permitted under clause (8) of paragraph (b) of "--Limitation on Consolidated Debt" or clause (9) of "--Limitation on Debt of Restricted Subsidiaries";

(7) Liens not otherwise permitted by the foregoing clauses (1) through (6) securing Debt in an aggregate amount not to exceed 5% of Level 3's Consolidated Tangible Assets;

(8) Liens granted after the Issue Date pursuant to "--Limitation on Liens" to secure the notes; and

(9) Permitted Liens.

Limitation on Sale and Leaseback Transactions. Level 3 may not, and may not permit any Restricted Subsidiary to, directly or indirectly, enter into, assume, Guarantee or otherwise become liable with respect to any Sale and Leaseback Transaction, unless:

(1) Level 3 or such Restricted Subsidiary would be entitled to Incur (A) Debt in an amount equal to the Attributable Value of the Sale and Leaseback Transaction pursuant to the covenant described under "-- Limitation on Consolidated Debt" above and (B) a Lien pursuant to the covenant described under "--Limitation on Liens" above, equal in amount to the Attributable Value of the Sale and Leaseback Transaction, without also securing the notes; and

(2) the Sale and Leaseback Transaction is treated as an Asset Disposition and all of the conditions of the indenture described under "--Limitation on Asset Dispositions" below (including the provisions concerning the application of Net Available Proceeds) are satisfied with respect to such Sale and Leaseback Transaction, treating all of the consideration received in such Sale and Leaseback Transaction as Net Available Proceeds for purposes of such covenant.

Limitation on Asset Dispositions. Level 3 may not, and may not permit any Restricted Subsidiary to, make any Asset Disposition unless:

- (1) Level 3 or the Restricted Subsidiary, as the case may be, receives consideration for such disposition at least equal to the Fair Market Value for the Property sold or disposed of as determined by the board of directors of Level 3 in good faith and evidenced by a resolution of the board of directors of Level 3 filed with the trustee; and
- (2) at least 75% of the consideration for such disposition consists of cash or Cash Equivalents or the assumption of Debt of Level 3 or any Restricted Subsidiary (other than Debt that is subordinated to the notes or any applicable Restricted Subsidiary Guarantee) and release of Level 3 and all Restricted Subsidiaries from all liability on the Debt assumed (or if less than 75%, the remainder of such consideration consists of Telecommunications/IS Assets); provided, however, that, to the extent such disposition involves Special Assets, all or any portion of the consideration may, at Level 3's election, consist of Property other than cash, Cash Equivalents, the assumption of Debt or Telecommunications/IS Assets.

The Net Available Proceeds (or any portion thereof) from Asset Dispositions may be applied by Level 3 or a Restricted Subsidiary, to the extent Level 3 or such Restricted Subsidiary elects (or is required by the terms of any Debt):

- (1) to the permanent repayment or reduction of Debt then outstanding under any Credit Facility, to the extent such Credit Facility would require such application or prohibit payments pursuant to the Offer to Purchase described in the following paragraph (other than Debt owed to Level 3 or any Affiliate of Level 3); or
- (2) to reinvest in Telecommunications/IS Assets (including by means of an Investment in Telecommunications/IS Assets by a Restricted Subsidiary with Net Available Proceeds received by Level 3 or another Restricted Subsidiary).

Any Net Available Proceeds from an Asset Disposition not applied in accordance with the preceding paragraph within 360 days (or, in the case of a disposition of Special Assets identified in clause (a) of the definition thereof in which the Net Available Proceeds exceed \$500 million, 540 days) from the date of the receipt of such Net Available Proceeds shall constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds \$10 million, Level 3 will be required to make an Offer to Purchase with such Excess Proceeds on a pro rata basis according to principal amount (or, in the case of Debt issued at a discount, the then-Accreted Value) for:

- (1) outstanding notes at a price in cash equal to 100% of the Accreted Value of the notes on the purchase date plus accrued and unpaid interest (if any) thereon (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); and
- (2) any other Debt of Level 3 or any Guarantor that is pari passu with the notes, or any Debt of a Restricted Subsidiary that is not a Guarantor, at a price no greater

than 100% of the principal amount thereof plus accrued and unpaid interest (if any) to the purchase date (or 100% of the then-Accreted Value plus accrued and unpaid interest (if any) to the purchase date in the case of original issue discount Debt), to the extent, in the case of this clause (2), required under the terms thereof (other than Debt owed to Level 3 or any Affiliate of Level 3).

To the extent there are any remaining Excess Proceeds following the completion of the Offer to Purchase, Level 3 shall apply such Excess Proceeds to the repayment of other Debt of Level 3 or any Restricted Subsidiary, to the extent permitted or required under the terms thereof. Any other remaining Excess Proceeds may be applied to any use as determined by Level 3 which is not otherwise prohibited by the indenture, and the amount of Excess Proceeds shall be reset to zero.

**Limitation on Issuance and Sales of Capital Stock of Restricted Subsidiaries.** Level 3 may not, and may not permit any Restricted Subsidiary to, issue, transfer, convey, sell or otherwise dispose of any shares of Capital Stock of a Restricted Subsidiary or securities convertible or exchangeable into, or options, warrants, rights or any other interest with respect to, Capital Stock of a Restricted Subsidiary to any Person other than Level 3 or a Restricted Subsidiary except:

- (1) a sale of all of the Capital Stock of such Restricted Subsidiary owned by Level 3 and any Restricted Subsidiary that complies with the provisions described under "--Limitation on Asset Dispositions" above to the extent such provisions apply;
- (2) in a transaction that results in such Restricted Subsidiary becoming a Joint Venture, provided (A) such transaction complies with the provisions described under "--Limitation on Asset Dispositions" above to the extent such provisions apply and (B) the remaining interest of Level 3 or any other Restricted Subsidiary in such Joint Venture would have been permitted as a new Restricted Payment or Permitted Investment under the provisions of "--Limitation on Restricted Payments" above;
- (3) the issuance, transfer, conveyance, sale or other disposition of shares of such Restricted Subsidiary so long as after giving effect to such transaction such Restricted Subsidiary remains a Restricted Subsidiary and such transaction complies with the provisions described under "--Limitation on Asset Dispositions" to the extent such provisions apply;
- (4) the transfer, conveyance, sale or other disposition of shares required by applicable law or regulation;
- (5) if required, the issuance, transfer, conveyance, sale or other disposition of directors' qualifying shares;
- (6) Disqualified Stock issued in exchange for, or upon conversion of, or the proceeds of the issuance of which are used to refinance, shares of Disqualified Stock of such Restricted Subsidiary, provided that the amounts of the redemption obligations of such Disqualified Stock shall not exceed the amounts of the redemption obligations

of, and such Disqualified Stock shall have redemption obligations no earlier than those required by, the Disqualified Stock being exchanged, converted or refinanced;

(7) in a transaction where Level 3 or a Restricted Subsidiary acquires at the same time not less than its Proportionate Interest in such issuance of Capital Stock;

(8) Capital Stock issued and outstanding on the Measurement Date;

(9) Capital Stock of a Restricted Subsidiary issued and outstanding prior to the time that such Person becomes a Restricted Subsidiary so long as such Capital Stock was not issued in contemplation of such Person's becoming a Restricted Subsidiary or otherwise being acquired by Level 3; and

(10) an issuance of Preferred Stock of a Restricted Subsidiary (other than Preferred Stock convertible or exchangeable into Common Stock of any Restricted Subsidiary) otherwise permitted by the indenture.

Transactions with Affiliates. Level 3 will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, sell, lease, transfer, or otherwise dispose of any of its Property to, or purchase any Property from, or enter into any contract, agreement, understanding, loan, advance, Guarantee or transaction (including the rendering of services) with or for the benefit of, any Affiliate (each of the foregoing, an "Affiliate Transaction"), unless:

(a) such Affiliate Transaction or series of Affiliate Transactions is:

(1) in the best interest of Level 3 or such Restricted Subsidiary, and

(2) on terms that are no less favorable to Level 3 or such Restricted Subsidiary than those that would have been obtained in a comparable arm's-length transaction by Level 3 or such Restricted Subsidiary with a Person that is not an Affiliate (or, in the event that there are no comparable transactions involving Persons who are not Affiliates of Level 3 or the relevant Restricted Subsidiary to apply for comparative purposes, is otherwise on terms that, taken as a whole, Level 3 has determined to be fair to Level 3 or the relevant Restricted Subsidiary); and

(b) Level 3 delivers to the trustee:

(1) with respect to any Affiliate Transaction or series of Affiliate Transactions involving aggregate payments in excess of \$10 million but less than \$15 million, a certificate of the chief executive, operating or financial officer of Level 3 evidencing such officer's determination that such Affiliate Transaction or series of Affiliate Transactions complies with clause (a) above, and

(2) with respect to any Affiliate Transaction or series of Affiliate Transactions involving aggregate payments equal to or in excess of \$15 million, a board resolution certifying that such Affiliate Transaction or series of Affiliate Transactions complies with clause (a) above and that such Affiliate Transaction or series of Affiliate Transactions has been approved by the board of directors,

including a majority of the disinterested members of the board of directors, provided that, in the event that there shall not be at least two disinterested members of the board of directors with respect to the Affiliate Transaction, Level 3 shall, in addition to such board resolution, file with the trustee a written opinion from an investment banking firm of national standing in the U.S. which, in the good faith judgment of the board of directors of Level 3, is independent with respect to Level 3 and its Affiliates and qualified to perform such task, which opinion shall be to the effect that the consideration to be paid or received in connection with such Affiliate Transaction is fair, from a financial point of view, to Level 3 or such Restricted Subsidiary.

Notwithstanding the foregoing, the following shall not be deemed Affiliate Transactions:

- (1) any employment agreement entered into by Level 3 or any of its Restricted Subsidiaries in the ordinary course of business and consistent with industry practice;
- (2) any agreement or arrangement with respect to the compensation of a director or officer of Level 3 or any Restricted Subsidiary approved by a majority of the disinterested members of the board of directors and consistent with industry practice;
- (3) transactions between or among Level 3 and its Restricted Subsidiaries, provided that no more than 5% of the Voting Stock (on a fully diluted basis) of any such Restricted Subsidiary is owned by an Affiliate of Level 3 (other than a Restricted Subsidiary);
- (4) Restricted Payments and Permitted Investments permitted by the covenant described under "--Limitation on Restricted Payments" (other than Investments in Affiliates that are not Level 3 or Restricted Subsidiaries);
- (5) transactions pursuant to the terms of any agreement or arrangement as in effect on the Measurement Date; and
- (6) transactions with respect to wireline or wireless transmission capacity, the lease or sharing or other use of cable or fiber optic lines, equipment, rights-of-way or other access rights, between Level 3 (or any Restricted Subsidiary) and any other Person, provided that, in the case of this clause (6), such transaction complies with clause (a) in the immediately preceding paragraph.

Change of Control Triggering Event. Within 30 days of the occurrence of both a Change of Control and a Rating Decline with respect to the notes (a "Change of Control Triggering Event"), Level 3 will be required to make an Offer to Purchase all outstanding notes at a price in cash equal to 101% of the Accreted Value of the notes on the purchase date plus any accrued and unpaid interest (if any) to such purchase date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

A "Change of Control" means the occurrence of any of the following events:

- (1) if any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act or any successor provisions to either of the foregoing), including any group acting for the purpose of acquiring, holding, voting or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Exchange Act, other than any one or more of the Permitted Holders, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act, except that a person will be deemed to have "beneficial ownership" of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of 35% or more of the total voting power of the Voting Stock of Level 3; provided, however, that the Permitted Holders are the "beneficial owners" (as defined in Rule 13d-3 under the Exchange Act, except that a person will be deemed to have "beneficial ownership" of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, in the aggregate of a lesser percentage of the total voting power of the Voting Stock of Level 3 than such other person or group (for purposes of this clause (1), such person or group shall be deemed to beneficially own any Voting Stock of a corporation (the "specified corporation") held by any other corporation (the "parent corporation") so long as such person or group beneficially owns, directly or indirectly, in the aggregate a majority of the total voting power of the Voting Stock of such parent corporation); or
- (2) the sale, transfer, assignment, lease, conveyance or other disposition, directly or indirectly, of all or substantially all the assets of Level 3 and the Restricted Subsidiaries, considered as a whole (other than a disposition of such assets as an entirety or virtually as an entirety to a Wholly Owned Restricted Subsidiary or one or more Permitted Holders) shall have occurred; or
- (3) during any period of two consecutive years, individuals who at the beginning of such period constituted the board of directors of Level 3 (together with any new directors whose election or appointment by such board or whose nomination for election by the shareholders of Level 3 was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board of directors of Level 3 then in office; or
- (4) the shareholders of Level 3 shall have approved any plan of liquidation or dissolution of Level 3.

In the event that Level 3 makes an Offer to Purchase the notes, Level 3 intends to comply with any applicable securities laws and regulations, including any applicable requirements of Section 14(e) of, and Rule 14e-1 under, the Exchange Act.

The existence of the holders' right to require, subject to certain conditions, Level 3 to repurchase notes upon a Change of Control Triggering Event may deter a third party from acquiring Level 3 in a transaction that constitutes a Change of Control. If an Offer to Purchase is made, there can be no assurance that Level 3 will have sufficient funds to pay the Purchase Price for all notes tendered by holders seeking to accept the Offer to Purchase. In addition, instruments governing other Debt of Level 3 may prohibit Level 3 from purchasing any notes prior to their Stated Maturity, including pursuant to an Offer to Purchase, or require that such Debt be repurchased upon a Change of Control. In the event that an Offer to Purchase occurs at a time when Level 3 does not have sufficient available funds to pay the Purchase Price for all notes tendered pursuant to such Offer to Purchase or a time when Level 3 is prohibited from purchasing the notes (and Level 3 is unable either to obtain the consent of the holders of the relevant Debt or to repay such Debt), an Event of Default would occur under the indenture. In addition, one of the events that constitutes a Change of Control under the indenture is a sale, transfer, assignment, lease, conveyance or other disposition of all or substantially all of the assets of Level 3. The indenture will be governed by New York law, and there is no established definition under New York law of "substantially all" of the assets of a corporation. Accordingly, if Level 3 were to engage in a transaction in which it disposed of less than all of its assets, a question of interpretation could arise as to whether such disposition was of "substantially all" of its assets and whether Level 3 was required to make an Offer to Purchase.

Except as described herein with respect to a Change of Control, the indenture does not contain any other provisions that permit holders of notes to require that Level 3 repurchase or redeem notes in the event of a takeover, recapitalization or similar restructuring.

Reports. Whether or not Level 3 is subject to Section 13(a) or 15(d) of the Exchange Act, or any successor provision thereto, Level 3 shall file with the SEC the annual reports, quarterly reports and other documents which Level 3 would have been required to file with the SEC pursuant to such Section 13(a) or 15(d) or any successor provision thereto if Level 3 were subject thereto, such documents to be filed with the SEC on or prior to the respective dates (the "Required Filing Dates") by which Level 3 would have been required to file them. Level 3 shall also in any event:

(1) within 15 days of each Required Filing Date (A) transmit by mail to all holders, as their names and addresses appear in the Security Register, without cost to such holders, and (B) file with the trustee copies of the annual reports, quarterly reports and other documents (without exhibits) which Level 3 would have been required to file with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act or any successor provisions thereto if Level 3 were subject thereto; and

(2) if filing such documents by Level 3 with the SEC is not permitted under the Exchange Act, promptly upon written request, supply copies of such documents (without exhibits) to any prospective holder.

Limitation on Designations of Unrestricted Subsidiaries. The indenture provides that Level 3 will not designate any Subsidiary of Level 3 (other than a newly created Subsidiary

in which no Investment has previously been made) as an "Unrestricted Subsidiary" under the indenture (a "Designation") unless:

- (1) no Default or Event of Default shall have occurred and be continuing at the time of or after giving effect to such Designation;
- (2) immediately after giving effect to such Designation, Level 3 would be able to Incur \$1.00 of Debt under paragraph (a) of "--Limitation on Consolidated Debt"; and
- (3) Level 3 would not be prohibited under the indenture from making an Investment at the time of Designation (assuming the effectiveness of such Designation) in an amount (the "Designation Amount") equal to the portion (proportionate to the Level 3's equity interest in such Restricted Subsidiary) of the Fair Market Value of the net assets of such Restricted Subsidiary on such date.

In the event of any such Designation, Level 3 shall be deemed to have made an Investment constituting a Restricted Payment pursuant to the covenant "-- Limitation on Restricted Payments" for all purposes of the indenture in the Designation Amount; provided, however, that, upon a Revocation of any such Designation of a Subsidiary, Level 3 shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary of an amount (if positive) equal to:

- (1) Level 3's "Investment" in such Subsidiary at the time of such Revocation; less
- (2) the portion (proportionate to the Level 3's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time of such Revocation.

At the time of any Designation of any Subsidiary as an Unrestricted Subsidiary, such Subsidiary shall not own any Capital Stock of Level 3 or any Restricted Subsidiary. The indenture provides that neither Level 3 nor any Restricted Subsidiary shall at any time:

- (1) provide credit support for, or a Guarantee of, any Debt of any Unrestricted Subsidiary (including any undertaking, agreement or instrument evidencing such Debt); provided that Level 3 or a Restricted Subsidiary may pledge Capital Stock or Debt of any Unrestricted Subsidiary on a nonrecourse basis such that the pledgee has no claim whatsoever against Level 3 other than to obtain such pledged Capital Stock or Debt;
- (2) be directly or indirectly liable for any Debt of any Unrestricted Subsidiary; or
- (3) be directly or indirectly liable for any Debt which provides that the holder thereof may (upon notice, lapse of time or both) declare a default thereon or cause the payment thereof to be accelerated or payable prior to its final scheduled maturity upon the occurrence of a default with respect to any Debt, Lien or other obligation of any Unrestricted Subsidiary (including any right to take enforcement action against such Unrestricted Subsidiary),

except in the case of clause (1) or (2) to the extent permitted under "-- Limitation on Restricted Payments" and "--Transactions with Affiliates."



Unless Designated as an Unrestricted Subsidiary, any Person that becomes a Subsidiary of Level 3 will be classified as a Restricted Subsidiary; provided, however, that such Subsidiary shall not be designated as a Restricted Subsidiary and shall be automatically classified as an Unrestricted Subsidiary if either of the requirements set forth in clauses (1) and (2) of the immediately following paragraph will not be satisfied immediately following such classification. Except as provided in the first sentence of this "-- Limitation on Designations of Unrestricted Subsidiaries," no Restricted Subsidiary may be redesignated as an Unrestricted Subsidiary.

The indenture provides that a Designation may be revoked (a "Revocation") by a resolution of the board of directors of Level 3 delivered to the trustee, provided that Level 3 will not make any Revocation unless:

(1) no Default or Event of Default shall have occurred and be continuing at the time of and after giving effect to such Revocation; and

(2) all Liens and Debt of such Unrestricted Subsidiary outstanding immediately following such Revocation would, if Incurred at such time, have been permitted to be Incurred at such time for all purposes of the indenture.

All Designations and Revocations must be evidenced by resolutions of the board of directors of Level 3 delivered to the trustee:

(1) certifying compliance with the foregoing provisions; and

(2) giving the effective date of such Designation or Revocation, such delivery to the trustee to occur within 45 days after the end of the fiscal quarter of Level 3 in which such Designation or Revocation is made (or, in the case of a Designation or Revocation made during the last fiscal quarter of Level 3's fiscal year, within 90 days after the end of such fiscal year).

### **Mergers, Consolidations and Certain Sales of Assets**

Level 3 may not, in a single transaction or a series of related transactions, consolidate with or merge into any other Person or Persons or permit any other Person to consolidate with or merge into Level 3 or directly or indirectly transfer, sell, lease, convey or otherwise dispose of all or substantially all its assets to any other Person or Persons unless:

(1) in a transaction in which Level 3 is not the surviving Person or in which Level 3 transfers, sells, leases, conveys or otherwise disposes of all or substantially all of its assets to any other Person, the resulting, surviving or transferee Person (the "successor entity") is organized under the laws of the U.S. or any State thereof or the District of Columbia and shall expressly assume, by a supplemental indenture executed and delivered to the trustee in form satisfactory to the trustee, all of Level 3's obligations under the indenture;

(2) immediately before and after giving effect to such transaction and treating any Debt which becomes an obligation of Level 3 (or the successor entity) or a

Restricted Subsidiary as a result of such transaction as having been Incurred by Level 3 or such Restricted Subsidiary at the time of the transaction, no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, the Consolidated Net Worth of Level 3 (or the successor entity) is equal to or greater than that of Level 3 immediately prior to the transaction;

(4) immediately after giving effect to such transaction and treating any Debt which becomes an obligation of Level 3 (or the successor entity) or a Restricted Subsidiary as a result of such transaction as having been Incurred by Level 3 or such Restricted Subsidiary at the time of the transaction, Level 3 (or the successor entity) could Incur at least \$1.00 of additional Debt pursuant to the provisions of the indenture described in paragraph (a) under "--Covenants--Limitation on Consolidated Debt" above;

(5) if, as a result of any such transaction, Property of Level 3 (or the successor entity) or any Restricted Subsidiary would become subject to a Lien prohibited by the provisions of the indenture described under "--Covenants--Limitation on Liens" above, Level 3 (or the successor entity) shall have secured the notes as required by said covenant;

(6) in the case of a transfer, sale, lease, conveyance or other disposition of all or substantially all of the assets of Level 3, such assets shall have been transferred as an entirety or virtually as an entirety to one Person and such Person shall have complied with all the provisions of this paragraph; and

(7) certain other conditions are met.

The successor entity shall succeed to, and be substituted for, and may exercise every right and power of Level 3 under the indenture, and the predecessor Company, except in the case of a lease, shall be released from all its obligations under the indenture.

## **Definitions**

Set forth below is a summary of some of the defined terms used in the indenture. Reference is made to the indenture for the full definition of all such terms, as well as any other terms used herein for which no definition is provided.

"Accreted Value" of any note as of or to any date of determination prior to December 1, 2003, or of any other Debt issued at a price less than the principal amount at stated maturity, means, as of any date of determination, an amount equal to the sum of:

(1) the issue price of such Debt as determined in accordance with Section 1273 of the Internal Revenue Code or any successor provisions (which, in the case of the notes, will be \$599.66 per \$1,000 principal amount at maturity of notes) plus

(2) the aggregate of the portions of the original issue discount (the excess of the amounts considered as part of the "stated redemption price at maturity" of such

Debt within the meaning of Section 1273(a)(2) of the Internal Revenue Code or any successor provisions, whether denominated as principal or interest, over the issue price of such Debt) that shall theretofore have accrued pursuant to Section 1272 of the Internal Revenue Code (without regard to Section 1272(a)(7) of the Internal Revenue Code) from the date of issue of such Debt to the date of determination (which amount, in the case of the notes, shall be amortized on a daily basis and compounded semiannually on each June 1 and December 1 at a rate of 10 1/2% per annum from the Issue Date through the date of determination on the basis of a 360- day year of twelve 30-day months), minus all amounts theretofore paid in respect of such Debt, which amounts are considered as part of the "stated redemption price at maturity" of such Debt within the meaning of Section 1273(a)(2) of the Internal Revenue Code or any successor provisions (whether such amounts paid were denominated principal or interest).

The Accreted Value of any notes on or after December 1, 2003, will mean the principal amount at maturity of such note. Notwithstanding the foregoing, if Level 3 elects to commence the accrual of cash interest on the notes on or after December 1, 2001 and prior to December 1, 2003, the notes shall cease to accrete, and the Accreted Value and the principal amount at maturity of such note shall be the Accreted Value on the date of commencement of such accrual as calculated in accordance with the first sentence of this definition.

"Acquired Debt" means, with respect to any specified Person:

- (1) Debt of any other Person existing at the time such Person merges with or into or consolidates with or becomes a Subsidiary of such specified Person; and
- (2) Debt secured by a Lien encumbering any Property acquired by such specified Person, which Debt was not incurred in anticipation of, and was outstanding prior to, such merger, consolidation or acquisition.

"Affiliate" of any Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. For purposes of the covenants described under "-- Covenants--Transactions with Affiliates" and "-- Limitation on Asset Dispositions" and the definition of "Telecommunications/IS Assets" only, "Affiliate" shall also mean any beneficial owner of shares representing 10% or more of the total voting power of the Voting Stock (on a fully diluted basis) of Level 3 or of rights or warrants to purchase such Voting Stock (whether or not currently exercisable) and any Person who would be an Affiliate of any such beneficial owner pursuant to the first sentence hereof.

"Asset Disposition" means any transfer, conveyance, sale, lease, issuance or other disposition by Level 3 or any Restricted Subsidiary in one or more related transactions (including a consolidation or merger or other sale of any such Restricted Subsidiary with,

into or to another Person in a transaction in which such Restricted Subsidiary ceases to be a Restricted Subsidiary of Level 3, but excluding a disposition by a Restricted Subsidiary to Level 3 or a Restricted Subsidiary or by Level 3 to a Restricted Subsidiary) of:

(1) shares of Capital Stock or other ownership interests of a Restricted Subsidiary (other than as permitted by clause (5), (6), (7) or (9) of the covenant described under "--Covenants--Limitation on Issuance and Sales of Capital Stock of Restricted Subsidiaries"),

(2) substantially all of the assets of Level 3 or any Restricted Subsidiary representing a division or line of business or

(3) other Property of Level 3 or any Restricted Subsidiary outside of the ordinary course of business (excluding any transfer, conveyance, sale, lease or other disposition of equipment that is obsolete or no longer used by or useful to Level 3, provided that Level 3 has delivered to the trustee an Officers' Certificate stating that such criteria are satisfied);

provided in each case that the aggregate consideration for such transfer, conveyance, sale, lease or other disposition is equal to \$5 million or more in any 12-month period.

The following shall not be Asset Dispositions:

(1) Permitted Telecommunications Capital Asset Dispositions that comply with clause (1) of the first paragraph under "--Covenants--Limitation on Asset Dispositions";

(2) when used with respect to Level 3, any Asset Disposition permitted pursuant to "--Mergers, Consolidations and Certain Sales of Assets" which constitutes a disposition of all or substantially all of the assets of Level 3 and the Restricted Subsidiaries taken as a whole;

(3) Receivables sales constituting Debt under Qualified Receivable Facilities permitted to be Incurred pursuant to "--Covenants-- Limitation on Consolidated Debt"; and

(4) any disposition that constitutes a Permitted Investment or a Restricted Payment permitted by the covenant described under "-- Covenants--Limitation on Restricted Payments."

"Attributable Value" means, as to any particular lease under which any Person is at the time liable other than a Capital Lease Obligation, and at any date as of which the amount thereof is to be determined, the total net amount of rent required to be paid by such Person under such lease during the remaining term thereof (including any period for which such lease has been extended) as determined in accordance with generally accepted accounting principles, discounted from the last date of such remaining term to the date of determination at a rate per annum equal to the discount rate which would be applicable to a Capital Lease Obligation with like term in accordance with generally accepted accounting principles. The net amount of rent required to be paid under any such lease for any such period shall be the aggregate amount of rent payable by the lessee with respect to such period after excluding amounts required to be paid on account of insurance, taxes, assessments, utility, operating

and labor costs and similar charges. In the case of any lease which is terminable by the lessee upon the payment of penalty, such net amount shall also include the lesser of the amount of such penalty (in which case no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated) or the rent which would otherwise be required to be paid if such lease is not so terminated. "Attributable Value" means, as to a Capital Lease Obligation, the principal amount thereof.

"Capital Lease Obligation" of any Person means the obligation to pay rent or other payment amount under a lease of (or other Debt arrangements conveying the right to use) Property of such Person which is required to be classified and accounted for as a capital lease or a liability on the face of a balance sheet of such Person in accordance with generally accepted accounting principles (a "Capital Lease"). The stated maturity of such obligation shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty. The principal amount of such obligation shall be the capitalized amount thereof that would appear on the face of a balance sheet of such Person in accordance with generally accepted accounting principles.

"Capital Stock" of any Person means any and all shares, interests, participations or other equivalents (however designated) of corporate stock or other equity participations, including partnership interests, whether general or limited, of such Person and any rights (other than debt securities convertible or exchangeable into an equity interest), warrants or options to acquire an equity interest in such Person.

"Cash Equivalents" means:

(1) Government Securities maturing, or subject to tender at the option of the holder thereof, within two years after the date of acquisition thereof;

(2) time deposits and certificates of deposit of any commercial bank organized in the U.S. having capital and surplus in excess of \$500 million or a commercial bank organized under the law of any other country that is a member of the OECD having total assets in excess of \$500 million (or its foreign currency equivalent at the time) with a maturity date not more than one year from the date of acquisition;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with (A) any bank meeting the qualifications specified in clause (2) above or (B) any primary government securities dealer reporting to the Market Reports Division of the Federal Reserve Bank of New York;

(4) direct obligations issued by any state of the U.S. or any political subdivision of any such state or any public instrumentality thereof maturing, or subject to tender at the option of the holder thereof, within 90 days after the date of acquisition thereof, provided that, at the time of acquisition, the long-term debt of such state, political subdivision or public instrumentality has a rating of A (or higher) from S&P or A-2 (or higher) from Moody's (or, if at any time neither S&P nor Moody's shall

be rating such obligations, then an equivalent rating from such other nationally recognized rating service acceptable to the trustee);

(5) commercial paper issued by the parent corporation of any commercial bank organized in the U.S. having capital and surplus in excess of \$500 million or a commercial bank organized under the laws of any other country that is a member of the OECD having total assets in excess of \$500 million (or its foreign currency equivalent at the time), and commercial paper issued by others having one of the two highest ratings obtainable from either S&P or Moody's (or, if at any time neither S&P nor Moody's shall be rating such obligations, then from such other nationally recognized rating service acceptable to the trustee) and in each case maturing within one year after the date of acquisition;

(6) overnight bank deposits and bankers' acceptances at any commercial bank organized in the U.S. having capital and surplus in excess of \$500 million or a commercial bank organized under the laws of any other country that is a member of the OECD having total assets in excess of \$500 million (or its foreign currency equivalent at the time);

(7) deposits available for withdrawal on demand with a commercial bank organized in the U.S. having capital and surplus in excess of \$500 million or a commercial bank organized under the laws of any other country that is a member of the OECD having total assets in excess of \$500 million (or its foreign currency equivalent at the time); and

(8) investments in money market funds substantially all of whose assets comprise securities of the types described in clauses (1) through (7).

"Change of Control" has the meaning set forth under "--Covenants--Change of Control Triggering Event" above.

"Change of Control Triggering Event" has the meaning set forth under "-- Covenants--Change of Control Triggering Event" above.

"Common Stock" of any Person means Capital Stock of such Person that does not rank prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Capital Stock of any other class of such Person.

"Consolidated Capital Ratio" means as of the date of determination the ratio of the aggregate amount of Debt of Level 3 and its Restricted Subsidiaries on a consolidated basis as at the date of determination to the sum of:

(1) \$2.024 billion;

(2) the aggregate net proceeds to Level 3 from the issuance or sale of any Capital Stock (including Preferred Stock) of Level 3 other than Disqualified Stock subsequent to the Measurement Date;

(3) the aggregate net proceeds from the issuance or sale of Debt of Level 3 or any Restricted Subsidiary subsequent to the Measurement Date convertible or exchangeable into Capital Stock of Level 3 other than Disqualified Stock, in each case upon conversion or exchange thereof into Capital Stock of Level 3 subsequent to the Measurement Date; and

(4) the after-tax gain on the sale, subsequent to the Measurement Date, of Special Assets to the extent such Special Assets have been sold for cash, Cash Equivalents, Telecommunications/IS Assets or the assumption of Debt of Level 3 or any Restricted Subsidiary (other than Debt that is subordinated to the notes or any applicable Restricted Subsidiary Guarantee) and release of Level 3 and all Restricted Subsidiaries from all liability on the Debt assumed.

However, for purposes of calculation of the Consolidated Capital Ratio, the net proceeds from the issuance or sale of Capital Stock or Debt described in clause (2) or (3) above shall not be included to the extent (X) such proceeds have been utilized to make a Permitted Investment under clause (9) of the definition thereof or a Restricted Payment or (Y) such Capital Stock or Debt shall have been issued or sold to Level 3, a Subsidiary of Level 3 or an employee stock ownership plan or trust established by Level 3 or any such Subsidiary for the benefit of their employees.

"Consolidated Cash Flow Available for Fixed Charges" for any period means the Consolidated Net Income of Level 3 and its Restricted Subsidiaries for such period increased by the sum of (to the extent reducing Consolidated Net Income for such period):

(1) Consolidated Interest Expense of Level 3 and its Restricted Subsidiaries for such period, plus

(2) Consolidated Income Tax Expense of Level 3 and its Restricted Subsidiaries for such period, plus

(3) consolidated depreciation and amortization expense and any other non-cash items (other than any such non-cash item to the extent that it represents an accrual of or reserve for cash expenditures in any future period);

however, there shall be excluded therefrom the Consolidated Cash Flow Available for Fixed Charges (if positive) of any Restricted Subsidiary (calculated separately for such Restricted Subsidiary in the same manner as provided above for Level 3) that is subject to a restriction which prevents the payment of dividends or the making of distributions to Level 3 or another Restricted Subsidiary to the extent of such restrictions.

"Consolidated Income Tax Expense" for any period means the aggregate amounts of the provisions for income taxes of Level 3 and its Restricted Subsidiaries for such period calculated on a consolidated basis in accordance with generally accepted accounting principles.

"Consolidated Interest Expense" for any period means the interest expense included in a consolidated income statement (excluding interest income) of Level 3 and its Restricted Subsidiaries for such period in accordance with generally accepted accounting principles, including without limitation or duplication (or, to the extent not so included, with the addition of):

- (1) the amortization of Debt discounts and issuance costs, including commitment fees;
- (2) any payments or fees with respect to letters of credit, bankers' acceptances or similar facilities;
- (3) net costs with respect to interest rate swap or similar agreements or foreign currency hedge, exchange or similar agreements (including fees);
- (4) Preferred Stock Dividends (other than dividends paid in shares of Preferred Stock that is not Disqualified Stock) declared and paid or payable;
- (5) accrued Disqualified Stock Dividends, whether or not declared or paid;
- (6) interest on Debt guaranteed by Level 3 and its Restricted Subsidiaries;
- (7) the portion of any Capital Lease Obligation or Sale and Leaseback Transaction paid during such period that is allocable to interest expense;
- (8) interest Incurred in connection with investments in discontinued operations; and
- (9) the cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than Level 3 or a Restricted Subsidiary) in connection with Debt Incurred by such plan or trust.

"Consolidated Net Income" for any period means the net income (or loss) of Level 3 and its Restricted Subsidiaries for such period determined on a consolidated basis in accordance with generally accepted accounting principles; provided that there shall be excluded therefrom:

- (1) for purposes of the covenant described under "--Covenants--Limitation on Restricted Payments" only, the net income (or loss) of any Person acquired by Level 3 or a Restricted Subsidiary in a pooling-of- interests transaction for any period prior to the date of such transaction;
- (2) the net income (or loss) of any Person that is not a Restricted Subsidiary except to the extent of the amount of dividends or other distributions actually paid to Level 3 or a Restricted Subsidiary by such Person during such period (except, for purposes of the covenant described under "--Covenants--Limitation on Restricted Payments" only, to the extent such dividends or distributions have been subtracted from the calculation of the amount of Investments to support the actual making of Investments);
- (3) gains or losses realized upon the sale or other disposition of any Property of Level 3 or its Restricted Subsidiaries that is not sold or disposed of in the ordinary



course of business (it being understood that Permitted Telecommunications Capital Asset Dispositions shall be considered to be in the ordinary course of business);

(4) gains or losses realized upon the sale or other disposition of any Special Assets;

(5) all extraordinary gains and extraordinary losses, determined in accordance with generally accepted accounting principles;

(6) the cumulative effect of changes in accounting principles;

(7) non-cash gains or losses resulting from fluctuations in currency exchange rates;

(8) any non-cash expense related to the issuance to employees or directors of Level 3 or any Restricted Subsidiary of (A) options to purchase Capital Stock of Level 3 or such Restricted Subsidiary or (B) other compensatory rights; provided, in either case, that such options or rights, by their terms can be redeemed at the option of the holder of such option or right only for Capital Stock; and

(9) with respect to a Restricted Subsidiary that is not a Wholly Owned Subsidiary any aggregate net income (or loss) in excess of Level 3's or any Restricted Subsidiary's pro rata share of the net income (or loss) of such Restricted Subsidiary that is not a Wholly Owned Subsidiary; provided further that there shall further be excluded therefrom the net income (but not net loss) of any Restricted Subsidiary that is subject to a restriction which prevents the payment of dividends or the making of distributions to Level 3 or another Restricted Subsidiary to the extent of such restriction.

"Consolidated Net Worth" of any Person means the stockholders' equity of such Person, determined on a consolidated basis in accordance with generally accepted accounting principles, less amounts attributable to Disqualified Stock of such Person.

"Consolidated Tangible Assets" of any Person means the total amount of assets (less applicable reserves and other properly deductible items) which under generally accepted accounting principles would be included on a consolidated balance sheet of such Person and its Subsidiaries after deducting therefrom all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, which in each case under generally accepted accounting principles would be included on such consolidated balance sheet.

"Credit Facilities" means one or more credit agreements, loan agreements or similar facilities, secured or unsecured, providing for revolving credit loans, term loans and/or letters of credit, including any Qualified Receivable Facility, entered into from time to time by Level 3 and its Restricted Subsidiaries, and including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, as the same may be amended, supplemented, modified, restated or replaced from time to time.

"Debt" means (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent:

(1) every obligation of such Person for money borrowed;

- (2) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of Property;
- (3) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person;
- (4) every obligation of such Person issued or assumed as the deferred purchase price of Property or services (including securities repurchase agreements but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business);
- (5) every Capital Lease Obligation of such Person and all Attributable Value in respect of Sale and Leaseback Transactions entered into by such Person;
- (6) all obligations to redeem or repurchase Disqualified Stock issued by such Person;
- (7) the liquidation preference of any Preferred Stock (other than Disqualified Stock, which is covered by the preceding clause (6)) issued by any Restricted Subsidiary of such Person;
- (8) every obligation under Interest Rate or Currency Protection Agreements of such Person; and
- (9) every obligation of the type referred to in clauses (1) through (8) of another Person and all dividends of another Person the payment of which, in either case, such Person has Guaranteed. The "amount" or "principal amount" of Debt at any time of determination as used herein represented by (A) any Debt issued at a price that is less than the principal amount at maturity thereof, shall be, except as otherwise set forth herein, the Accreted Value of such Debt at such time or (B) in the case of any Receivables sale constituting Debt, the amount of the unrecovered purchase price (that is, the amount paid for Receivables that has not been actually recovered from the collection of such Receivables) paid by the purchaser (other than Level 3 or a Wholly Owned Restricted Subsidiary of Level 3) thereof. The amount of Debt represented by an obligation under an Interest Rate or Currency Protection Agreement shall be equal to (X) zero if such obligation has been Incurred pursuant to clause (10) of paragraph (b) of the covenant described under "--Covenants-- Limitation on Consolidated Debt" or (Y) the notional amount of such obligation if not Incurred pursuant to such clause.

"Default" means any event, act or condition the occurrence of which is, or after notice or the passage of time or both would be, an Event of Default.

"Disqualified Stock" of any Person means any Capital Stock of such Person which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the final Stated Maturity of the notes; provided, however, that any Preferred Stock which would not constitute Disqualified Stock

but for provisions thereof giving holders thereof the right to require Level 3 to repurchase or redeem such Preferred Stock upon the occurrence of a change of control occurring prior to the final Stated Maturity of the notes shall not constitute Disqualified Stock if the change of control provisions applicable to such Preferred Stock are no more favorable to the holders of such Preferred Stock than the provisions applicable to the notes contained in the covenant described under "--Covenants--Change of Control Triggering Event" and such Preferred Stock specifically provides that Level 3 will not repurchase or redeem any such stock pursuant to such provisions prior to Level 3's repurchase of such notes as are required to be repurchased pursuant to the covenant described under "--Covenants--Change of Control Triggering Event."

"Disqualified Stock Dividends" means all dividends with respect to Disqualified Stock of Level 3 held by Persons other than a Wholly Owned Restricted Subsidiary. The amount of any such dividend shall be equal to the quotient of such dividend divided by the difference between one and the maximum statutory federal income tax rate (expressed as a decimal number between 1 and 0) applicable to Level 3 for the period during which such dividends were paid.

"Eligible Receivables" means, at any time, Receivables of Level 3 and its Restricted Subsidiaries, as evidenced on the most recent quarterly consolidated balance sheet of Level 3 as at a date at least 45 days prior to such time, arising in the ordinary course of business of Level 3 or any Restricted Subsidiary.

"Event of Default" has the meaning set forth under "--Events of Default" below.

"Exchange Act" means the Securities Exchange Act of 1934, as amended (or any successor act), and the rules and regulations thereunder (or respective successors thereto).

"Fair Market Value" means, with respect to any Property, the price that could be negotiated in an arm's-length free market transaction, for cash, between a willing seller and a willing buyer, neither of whom is under pressure or compulsion to complete the transaction. Unless otherwise specified in the indenture, Fair Market Value shall be determined by the board of directors of Level 3 acting in good faith and shall be evidenced by a resolution of the board of directors of Level 3 delivered to the trustee.

"Government Securities" means direct obligations of, or obligations fully and unconditionally guaranteed or insured by, the U.S. or any agency or instrumentality thereof for the payment of which obligations or guarantee the full faith and credit of the U.S. is pledged and which are not callable or redeemable at the issuer's option (unless, for purposes of the definition of "Cash Equivalents" only, the obligations are redeemable or callable at a price not less than the purchase price paid by Level 3 or the applicable Restricted Subsidiary, together with all accrued and unpaid interest (if any) on such Government Securities).

"Guarantee" by any Person means any obligation, direct or indirect, contingent or otherwise, of such Person guaranteeing, or having the economic effect of guaranteeing, any

Debt of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and any obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Debt, including any such obligations arising by virtue of partnership arrangements or by agreements to keep-well;

(2) to purchase Property or services or to take-or-pay for the purpose of assuring the holder of such Debt of the payment of such Debt;

(3) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt; or

(4) entered into for the purpose of assuring in any other manner the obligee against loss in respect thereof, in whole or in part

(and "Guaranteed", "Guaranteeing" and "Guarantor" shall have meanings correlative to the foregoing); provided, however, that the Guarantee by any Person shall not include endorsements by such Person for collection or deposit, in either case, in the ordinary course of business.

"Guarantor" means a Restricted Subsidiary of Level 3 that has executed a Restricted Subsidiary Guarantee.

"Incur" means, with respect to any Debt or other obligation of any Person, to create, issue, incur (by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Debt or other obligation including the recording, as required pursuant to generally accepted accounting principles or otherwise, of any such Debt or other obligation on the balance sheet of such Person (and "Incurrence", "Incurred", "Incurable" and "Incurring" shall have meanings correlative to the foregoing); provided, however, that a change in generally accepted accounting principles that results in an obligation of such Person that exists at such time becoming Debt shall not be deemed an Incurrence of such Debt and that neither the accrual of interest nor the accretion of original issue discount shall be deemed an Incurrence of Debt. Debt otherwise incurred by a Person before it becomes a Subsidiary of Level 3 shall be deemed to have been Incurred at the time at which it becomes a Subsidiary.

"Interest Rate or Currency Protection Agreement" of any Person means any forward contract, futures contract, swap, option or other financial agreement or arrangement (including caps, floors, collars and similar agreements) relating to, or the value of which is dependent upon, interest rates or currency exchange rates or indices.

"Invested Capital" means the sum of:

(1) \$500 million;

(2) the aggregate net proceeds received by Level 3 from the issuance or sale of any Capital Stock, including Preferred Stock, of Level 3 but excluding Disqualified Stock, subsequent to the Measurement Date; and

(3) the aggregate net proceeds from the issuance or sale of Debt of Level 3 or any Restricted Subsidiary subsequent to the Measurement Date convertible or exchangeable into Capital Stock of Level 3 other than Disqualified Stock, in each case upon conversion or exchange thereof into Capital Stock of Level 3 subsequent to the Measurement Date.

However, the net proceeds from the issuance or sale of Capital Stock or Debt described in clause (2) or (3) shall be excluded from any computation of Invested Capital to the extent:

(A) utilized to make a Restricted Payment; or

(B) such Capital Stock or Debt shall have been issued or sold to Level 3, a Subsidiary of Level 3 or an employee stock ownership plan or trust established by Level 3 or any such Subsidiary for the benefit of their employees.

"Investment" by any Person means any direct or indirect loan, advance or other extension of credit or capital contribution (by means of transfers of cash or other Property to others or payments for Property or services for the account or use of others, or otherwise) to, purchase, redemption, retirement or acquisition of Capital Stock, bonds, notes, debentures or other securities or evidence of Debt issued by, or Incurrence of, or payment on, a Guarantee of any obligation of, any other Person; provided that Investments shall exclude commercially reasonable extensions of trade credit. The amount, as of any date of determination, of any Investment shall be the original cost of such Investment, plus the cost of all additions, as of such date, thereto and minus the amount, as of such date, of any portion of such Investment repaid to such Person in cash as a repayment of principal or a return of capital, as the case may be (except to the extent such repaid amount has been included in Consolidated Net Income to support the actual making of Restricted Payments), but without any other adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment. In determining the amount of any Investment involving a transfer of any Property other than cash, such Property shall be valued at its Fair Market Value at the time of such transfer.

"Issue Date" means the date on which the notes are initially issued.

"Issue Date Rating" means the respective ratings assigned to the notes by the Rating Agencies on the Issue Date.

"Joint Venture" means a Person in which Level 3 or a Restricted Subsidiary holds not more than 50% of the shares of Voting Stock.

"Lien" means, with respect to any Property, any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, security interest, lien, charge, easement (other than any easement not materially impairing usefulness), encumbrance, preference, priority or other security agreement or preferential arrangement of any kind or nature

whatsoever on or with respect to such Property (including any Capital Lease Obligation, conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing and any Sale and Leaseback Transaction). For purposes of this definition the sale, lease, conveyance or other transfer by Level 3 or any of its Subsidiaries of, including the grant of indefeasible rights of use or equivalent arrangements with respect to, dark or lit communications fiber capacity or communications conduit shall not constitute a Lien.

"Measurement Date" means April 28, 1998, the date the 9 1/8% Senior Notes were originally issued.

"Moody's" means Moody's Investors Service, Inc. or, if Moody's Investors Service, Inc. shall cease rating debt securities having a maturity at original issuance of at least one year and such ratings business shall have been transferred to a successor Person, such successor Person; provided, however, that if Moody's Investors Service, Inc. ceases rating debt securities having a maturity at original issuance of at least one year and its ratings business with respect thereto shall not have been transferred to any successor Person, then "Moody's" shall mean any other national recognized rating agency (other than S&P) that rates debt securities having a maturity at original issuance of at least one year and that shall have been designated by the trustee by a written notice given to Level 3.

"Net Available Proceeds" from any Asset Disposition by any Person means cash or cash equivalents received (including amounts received by way of sale or discounting of any note, installment receivable or other receivable, but excluding any other consideration received in the form of assumption by the acquiror of Debt or other obligations relating to such Property) therefrom by such Person, net of:

(1) all legal, title and recording taxes, expenses and commissions and other fees and expenses (including appraisals, brokerage commissions and investment banking fees) Incurred and all federal, state, provincial, foreign and local taxes required to be accrued as a liability as a consequence of such Asset Disposition;

(2) all payments made by such Person or its Subsidiaries on any Debt which is secured by such Property in accordance with the terms of any Lien upon or with respect to such Property or which must by the terms of such Lien, or in order to obtain a necessary consent to such Asset Disposition or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders in Subsidiaries or Joint Ventures of such Person as a result of such Asset Disposition; and

(4) appropriate amounts to be provided by such Person or any Subsidiary thereof, as the case may be, as a reserve in accordance with generally accepted accounting principles against any liabilities associated with such Property and retained by such Person or any Subsidiary thereof, as the case may be, after such Asset Disposition, including liabilities under any indemnification obligations and severance and other employee termination costs associated with such Asset Disposition, in each case as

determined by the board of directors of such Person, in its reasonable good faith judgment evidenced by a resolution of the board of directors filed with the trustee; provided, however, that any reduction in such reserve within twelve months following the consummation of such Asset Disposition will be, for all purposes of the indenture and the notes, treated as a new Asset Disposition at the time of such reduction with Net Available Proceeds equal to the amount of such reduction; provided further, however, that, in the event that any consideration for a transaction (which would otherwise constitute Net Available Proceeds) is required to be held in escrow pending determination of whether a purchase price adjustment will be made, at such time as such portion of the consideration is released to such Person or its Restricted Subsidiary from escrow, such portion shall be treated for all purposes of the indenture and the Notes as a new Asset Disposition at the time of such release from escrow with Net Available Proceeds equal to the amount of such portion of consideration released from escrow.

"9 1/8% Senior Notes" means Level 3's 9 1/8% Senior Notes Due 2008 in an aggregate principal amount not to exceed \$2,000,000,000, originally issued on April 28, 1998.

"9 1/8% Senior Notes Indenture" means the Indenture dated as of April 28, 1998, as amended, supplemented or modified from time to time, between Level 3 and IBJ Schroder Bank & Trust Company, as trustee, relating to the 9 1/8% Senior Notes.

"Offer to Purchase" means a written offer (the "Offer") sent by Level 3 by first-class mail, postage prepaid, to each holder of notes at its address appearing in the Note Register on the date of the Offer offering to purchase up to the principal amount at maturity of notes specified in such Offer at the purchase price specified in such Offer (as determined pursuant to the indenture). Unless otherwise required by applicable law, the Offer shall specify an expiration date (the "Expiration Date") of the Offer to Purchase which shall be, subject to any contrary requirements of applicable law, not less than 30 days or more than 60 days after the date of such Offer and a settlement date (the "Purchase Date") for purchase of notes within five Business Days after the Expiration Date. Level 3 shall notify the trustee at least 15 Business Days (or such shorter period as is acceptable to the trustee) prior to the mailing of the Offer of Level 3's obligation to make an Offer to Purchase, and the Offer shall be mailed by Level 3 or, at Level 3's request, by the trustee in the name and at the expense of Level 3. The Offer shall contain information concerning the business of Level 3 and its Subsidiaries which Level 3 in good faith believes will enable such holders to make an informed decision with respect to the Offer to Purchase, which at a minimum will include:

(1) the most recent annual and quarterly financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the documents required to be filed with the trustee pursuant to the indenture (which requirements may be satisfied by delivery of such documents together with the Offer);

(2) a description of material developments in Level 3's business subsequent to the date of the latest of such financial statements referred to in clause (1) (including a description of the events requiring Level 3 to make the Offer to Purchase);

(3) if applicable, appropriate pro forma financial information concerning the Offer to Purchase and the events requiring Level 3 to make the Offer to Purchase; and

(4) any other information required by applicable law to be included therein.

The Offer shall contain all instructions and materials necessary to enable such holders to tender notes pursuant to the Offer to Purchase. The Offer shall also state:

(1) the section of the indenture pursuant to which the Offer to Purchase is being made;

(2) the Expiration Date and the Purchase Date;

(3) the aggregate principal amount at maturity of the outstanding notes offered to be purchased by Level 3 pursuant to the Offer to Purchase (including, if less than 100%, the manner by which such has been determined pursuant to the section of the indenture requiring the Offer to Purchase) (the "Purchase Amount");

(4) the purchase price to be paid by Level 3 for \$1,000 aggregate principal amount at maturity of notes accepted for payment (as specified pursuant to the indenture) (the "Purchase Price");

(5) that the holder may tender all or any portion of the notes registered in the name of such holder and that any portion of a note tendered must be tendered in an integral multiple of \$1,000 principal amount at maturity;

(6) the place or places where notes are to be surrendered for tender pursuant to the Offer to Purchase;

(7) that any notes not tendered or tendered but not purchased by Level 3 will continue to accrue or accrete interest, as the case may be;

(8) that on the Purchase Date the Purchase Price will become due and payable upon each note being accepted for payment pursuant to the Offer to Purchase and that interest thereon, if any, shall cease to accrue or accrete, as the case may be, on and after the Purchase Date;

(9) that each holder electing to tender a note pursuant to the Offer to Purchase will be required to surrender such note at the place or places specified in the Offer prior to the close of business on the Expiration Date (such note being, if Level 3 or the trustee so requires, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to Level 3 and the trustee duly executed by, the holder thereof or his attorney duly authorized in writing);

(10) that holders will be entitled to withdraw all or any portion of notes tendered if Level 3 (or the Paying Agent) receives, not later than the close of business on the Expiration Date, a telegram, telex, facsimile transmission or letter setting forth the name of the holder, the principal amount at maturity of the note the holder



tendered, the certificate number of the note the holder tendered and a statement that such holder is withdrawing all or a portion of his tender;

(11) that (A) if notes in an aggregate principal amount at maturity less than or equal to the Purchase Amount are duly tendered and not withdrawn pursuant to the Offer to Purchase, Level 3 shall purchase all such notes and (B) if notes in an aggregate principal amount at maturity in excess of the Purchase Amount are tendered and not withdrawn pursuant to the Offer to Purchase, Level 3 shall purchase notes having an aggregate principal amount at maturity equal to the Purchase Amount on a pro rata basis (with such adjustments as may be deemed appropriate so that only notes in denominations of \$1,000 principal amount at maturity or integral multiples thereof shall be purchased); and

(12) that in the case of any holder whose note is purchased only in part, Level 3 shall execute, and the trustee shall authenticate and deliver to the holder of such note without service charge, a new note or notes, of any authorized denomination as requested by such holder, in an aggregate principal amount at maturity equal to and in exchange for the unpurchased portion of the note so tendered.

Any Offer to Purchase shall be governed by and effected in accordance with the Offer for such Offer to Purchase.

"Officers' Certificate" means a certificate signed by the Chairman of the board of directors of Level 3, a Vice Chairman of the board of directors of Level 3, the President or a Vice President, and by the Chief Financial Officer, the Chief Accounting Officer, the Treasurer, an Assistant Treasurer, the Controller, the Secretary or an Assistant Secretary of Level 3 and delivered to the trustee, which shall comply with the indenture.

"Opinion of Counsel" means an opinion of counsel acceptable to the trustee (who may be counsel to Level 3, including an employee of Level 3).

"OECD" shall mean the Organization for Economic Cooperation and Development.

"Permitted Holders" means the members of Level 3's Board of Directors on the Measurement Date and their respective estates, spouses, ancestors, and lineal descendants, the legal representatives of any of the foregoing and the trustees of any bona fide trusts of which the foregoing are the sole beneficiaries or the grantors, or any Person of which the foregoing "beneficially owns" (as defined in Rule 13d-3 under the Exchange Act) at least 66 2/3% of the total voting power of the Voting Stock of such Person.

"Permitted Interest Rate or Currency Protection Agreement" of any Person means any Interest Rate or Currency Protection Agreement entered into with one or more financial institutions in the ordinary course of business that is designed to protect such Person against fluctuations in interest rates or currency exchange rates with respect to Debt Incurred and not for purposes of speculation and which, in the case of an interest rate agreement, shall have a notional amount no greater than the principal amount at maturity due with respect to the Debt being hedged thereby.

"Permitted Investments" mean:

- (1) Cash Equivalents;
- (2) investments in prepaid expenses;
- (3) negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits;
- (4) loans, advances or extensions of credit to employees and directors made in the ordinary course of business and consistent with past practice;
- (5) obligations under Permitted Interest Rate or Currency Protection Agreements;
- (6) bonds, notes, debentures and other securities received as a result of Asset Dispositions pursuant to and in compliance with "--Covenants-- Limitation on Asset Dispositions";
- (7) Investments in any Person as a result of which such Person becomes a Restricted Subsidiary;
- (8) Investments made prior to the Measurement Date;
- (9) Investments made after the Measurement Date in Persons engaged in the Telecommunications/IS Business in an aggregate amount not to exceed Invested Capital; and
- (10) additional Investments in an aggregate amount not to exceed \$200 million.

"Permitted Liens" means:

- (1) Liens for taxes, assessments, governmental charges, levies or claims which are not yet delinquent or which are being contested in good faith by appropriate proceedings, if a reserve or other appropriate provision, if any, as shall be required in conformity with generally accepted accounting principles shall have been made therefor;
- (2) other Liens incidental to the conduct of Level 3's and its Restricted Subsidiaries' businesses or the ownership of its Property not securing any Debt, and which do not in the aggregate materially detract from the value of Level 3's and its Restricted Subsidiaries' Property when taken as a whole, or materially impair the use thereof in the operation of its business;
- (3) Liens, pledges and deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of statutory obligations;
- (4) Liens, pledges or deposits made to secure the performance of tenders, bids, leases, public or statutory obligations, sureties, stays, appeals, indemnities, performance or other similar bonds and other obligations of like nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money, the obtaining of advances or credit or the payment of the deferred purchase price of Property and which do not in the aggregate materially impair the use of

Property in the operation of the business of Level 3 and the Restricted Subsidiaries taken as a whole);

(5) zoning restrictions, servitudes, easements, rights-of-way, restrictions and other similar charges or encumbrances incurred in the ordinary course of business which, in the aggregate, do not materially detract from the value of the Property subject thereto or materially interfere with the ordinary conduct of the business of Level 3 or its Restricted Subsidiaries; and

(6) any interest or title of a lessor in the Property subject to any lease other than a Capital Lease.

"Permitted Telecommunications Capital Asset Disposition" means the transfer, conveyance, sale, lease or other disposition of optical fiber and/or conduit and any related equipment used in a Segment (as defined) of Level 3's communications network that:

(1) constitute capital assets in accordance with generally accepted accounting principles; and

(2) after giving effect to such disposition, would result in Level 3 retaining at least either:

(A) 24 optical fibers per route mile on such Segment as deployed at the time of such disposition; or

(B) 12 optical fibers and one empty conduit per route mile on such Segment as deployed as such time.

"Segment" means:

(X) with respect to Level 3's intercity network, the through-portion of such network between two local networks (e.g., Omaha to Denver); and

(Y) with respect to a local network of Level 3 (e.g., Dallas), the entire through-portion of such network, excluding the spurs which branch off the through-portion.

"Person" means any individual, corporation, company, partnership, joint venture, limited liability company, association, joint stock company, trust, unincorporated organization, government or agency or political subdivision thereof or any other entity.

"Preferred Stock" of any Person means Capital Stock of such Person of any class or classes (however designated) that ranks prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding-up of such Person, to shares of Capital Stock of any other class of such Person.

"Preferred Stock Dividends" means all dividends with respect to Preferred Stock of Restricted Subsidiaries held by Persons other than Level 3 or a Wholly Owned Restricted Subsidiary. The amount of any such dividend shall be equal to the quotient of such dividend divided by the difference between one and the maximum statutory federal income rate (expressed as a decimal number between 1 and 0) applicable to the issuer of such Preferred Stock for the period during which such dividends were paid.

"Property" means, with respect to any Person, any interest of such Person in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including Capital Stock in, and other securities of, any other Person. For purposes of any calculation required pursuant to the indenture, the value of any Property shall be its Fair Market Value.

"Proportionate Interest" in any issuance of Capital Stock of a Restricted Subsidiary means a ratio:

(1) the numerator of which is the aggregate amount of Capital Stock of such Restricted Subsidiary beneficially owned by Level 3 and the Restricted Subsidiaries; and

(2) the denominator of which is the aggregate amount of Capital Stock of such Restricted Subsidiary beneficially owned by all Persons (excluding, in the case of this clause (2), any Investment made in connection with such issuance).

"Purchase Money Debt" means Debt (including Acquired Debt and Capital Lease Obligations, mortgage financings and purchase money obligations) incurred for the purpose of financing all or any part of the cost of construction, installation, acquisition, lease, development or improvement by Level 3 or any Restricted Subsidiary of any Telecommunications/IS Assets of Level 3 or any Restricted Subsidiary and including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, as the same may be amended, supplemented, modified or restated from time to time.

"Qualified Receivable Facility" means Debt of Level 3 or any Subsidiary Incurred from time to time pursuant to either:

(1) credit facilities secured by Receivables; or

(2) Receivables purchase facilities, and including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, as the same may be amended, supplemented, modified or restated from time to time.

"Rating Agencies" mean Moody's and S&P.

"Rating Date" means the earlier of the date of public notice of the occurrence of a Change of Control or of the intention of Level 3 to effect a Change of Control.

"Rating Decline" shall be deemed to have occurred if, no later than 90 days after the Rating Date (which period shall be extended so long as the rating of the notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies), either of the Rating Agencies assigns or reaffirms a rating to the notes that is lower than the applicable Issue Date Rating (or the equivalent thereof). If, prior to the Rating Date, either of the ratings assigned to the notes by the Rating Agencies is lower than the applicable Issue Date Rating, then a Rating Decline will be deemed to have occurred if such rating is not changed by the 90th day following the Rating Date. A downgrade within rating categories, as well as between rating categories, will be considered a Rating Decline.

"Receivables" means receivables, chattel paper, instruments, documents or intangibles evidencing or relating to the right to payment of money and proceeds and products thereof in each case generated in the ordinary course of business.

"Restricted Subsidiary" means:

- (1) a Subsidiary of Level 3 or of a Restricted Subsidiary that has not been designated or classified as an Unrestricted Subsidiary pursuant to and in compliance with "--Covenants--Limitation on Designations of Unrestricted Subsidiaries"; and
- (2) an Unrestricted Subsidiary that is redesignated as a Restricted Subsidiary pursuant to such covenant.

"Restricted Subsidiary Guarantee" means a supplemental indenture to the indenture in form satisfactory to the trustee, providing for an unconditional Guarantee of payment in full of the Accreted Value of, premium, if any, and interest on the notes. Any such Restricted Subsidiary Guarantee shall not be subordinate to any Debt of the Restricted Subsidiary providing the Restricted Subsidiary Guarantee.

"S&P" means Standard & Poor's Ratings Service or, if Standard & Poor's Ratings Service shall cease rating debt securities having a maturity at original issuance of at least one year and such ratings business shall have been transferred to a successor Person, such successor Person; provided, however, that if Standard & Poor's Rating Service ceases rating debt securities having a maturity at original issuance of at least one year and its ratings business with respect thereto shall not have been transferred to any successor Person, then "S&P" shall mean any other national recognized rating agency (other than Moody's) that rates debt securities having a maturity at original issuance of at least one year and that shall have been designated by the trustee by a written notice given to Level 3.

"Sale and Leaseback Transaction" of any Person means any direct or indirect arrangement pursuant to which any Property is sold or transferred by such Person or a Restricted Subsidiary of such person and is thereafter leased back from the purchaser or transferee thereof by such Person or one of its Restricted Subsidiaries. The stated maturity of such arrangement shall be the date of the last payment of rent or any other amount due under such arrangement prior to the first date on which such arrangement may be terminated by the lessee without payment of a penalty.

"Significant Subsidiary" means any Subsidiary that would be a "Significant Subsidiary" of Level 3 within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

"Special Assets" means:

- (1) the Capital Stock or assets of Cable Michigan, Inc., RCN Corporation, Commonwealth Telephone Enterprises, Inc., KCP, Inc. and California Private Transportation Company, L.P. (and any intermediate holding companies or other entities formed solely for the purpose of owning such Capital Stock or assets)

owned, directly or indirectly, by Level 3 or any Restricted Subsidiary on the Measurement Date; and

(2) any Property, other than cash, Cash Equivalents and Telecommunications/IS Assets, received as consideration for the disposition after the Measurement Date of Special Assets (as contemplated by the first proviso under "--Covenants-- Limitation on Asset Dispositions").

"Stated Maturity" when used with respect to a note or any installment of interest thereon, means the date specified in such note as the fixed date on which the Accreted Value of such note or such installment of interest is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such note at the option of the holder thereof upon the happening of any contingency beyond the control of Level 3 unless such contingency has occurred).

"Subordinated Debt" means Debt of Level 3 that is not secured by any Lien on or with respect to any Property now owned or acquired after the Measurement Date and as to which the payment of principal of (and premium, if any) and interest and other payment obligations in respect of such Debt shall be subordinate to the prior payment in full in cash of the notes to at least the following extent:

(1) no payments of principal of (or premium, if any) or interest on or otherwise due (including by acceleration or for additional amounts) in respect of, or repurchases, redemptions or other retirements of, such Debt (collectively, "payments of such Debt") may be permitted for so long as any default (after giving effect to any applicable grace periods) in the payment of principal (or premium, if any) or interest on the notes exists, including as a result of acceleration;

(2) in the event that any other Default exists with respect to the notes, upon notice by holders of 25% or more in aggregate principal amount of the notes to the trustee, the trustee shall have the right to give notice to Level 3 and the holders of such Debt (or trustees or agents therefor) of a payment blockage, and thereafter no payments of such Debt may be made for a period of 179 days from the date of such notice, provided that not more than one such payment blockage notice may be given in any consecutive 360-day period, irrespective of the number of defaults with respect to the notes during such period;

(3) if payment of such Debt is accelerated when any notes are outstanding, no payments of such Debt may be made until three Business Days after the trustee receives notice of such acceleration and, thereafter, such payments may only be made to the extent the terms of such Debt permit payment at that time; and

(4) such Debt may not (A) provide for payments of principal of such Debt at the stated maturity thereof or by way of a sinking fund applicable thereto or by way of any mandatory redemption, defeasance, retirement or repurchase thereof by Level 3 (including any redemption, retirement or repurchase which is contingent upon events or circumstances but excluding any retirement required by virtue of acceleration of such Debt upon an event of default thereunder), in each case prior

to the final Stated Maturity of the notes or (B) permit redemption or other retirement (including pursuant to an offer to purchase made by Level 3) of such other Debt at the option of the holder thereof prior to the final Stated Maturity of the notes, other than, in the case of clause (A) or (B), any such payment, redemption or other retirement (including pursuant to an offer to purchase made by Level 3) which is conditioned upon (a) a change of control of Level 3 pursuant to provisions substantially similar to those described under "-- Covenants--Change of Control Triggering Event" (and which shall provide that such Debt will not be repurchased pursuant to such provisions prior to Level 3's repurchase of the notes required to be repurchased by Level 3 pursuant to the provisions described under "-- Covenants--Change of Control Triggering Event") or (b) a sale or other disposition of assets pursuant to provisions substantially similar to those described under "--Covenants--Limitation on Asset Dispositions" (and which shall provide that such Debt will not be repurchased pursuant to such provisions prior to Level 3's repurchase of the notes required to be repurchased by Level 3 pursuant to the provision described under "--Covenants--Limitation on Asset Dispositions").

"Subsidiary" of any Person means:

(1) a corporation more than 50% of the combined voting power of the outstanding Voting Stock of which is owned, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof; or

(2) any other Person (other than a corporation) in which such Person, or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries thereof, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

"Telecommunications/IS Assets" means:

(1) any Property (other than cash, cash equivalents and securities) to be owned by Level 3 or any Restricted Subsidiary and used in the Telecommunications/IS Business;

(2) for purposes of the covenants described under "--Covenants--Limitation on Consolidated Debt" and "--Limitation on Liens" only, Capital Stock of any Person; or

(3) for all other purposes of the indenture, Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by Level 3 or another Restricted Subsidiary from any Person other than an Affiliate of Level 3;

provided, however, that, in the case of clause (2) or (3), such Person is primarily engaged in the Telecommunications/IS Business.

"Telecommunications/IS Business" means the business of:

(1) transmitting, or providing services relating to the transmission of, voice, video or data through owned or leased transmission facilities;

(2) constructing, creating, developing or marketing communications networks, related network transmission equipment, software and other devices for use in a communications business;

(3) computer outsourcing, data center management, computer systems integration, reengineering of computer software for any purpose (including, without limitation, for the purposes of porting computer software from one operating environment or computer platform to another or to address issues commonly referred to as "Year 2000 issues"); or

(4) evaluating, participating or pursuing any other activity or opportunity that is primarily related to those identified in (1), (2) or (3) above;

provided that the determination of what constitutes a Telecommunications/IS Business shall be made in good faith by the board of directors of Level 3.

"Unrestricted Subsidiary" means:

(1) 91 Holding Corp. (the subsidiary that holds indirectly Level 3's interests in the SR91 tollroad);

(2) any Subsidiary of an Unrestricted Subsidiary; and

(3) any Subsidiary of Level 3 designated as such pursuant to and in compliance with "--Covenants--Limitation on Designations of Unrestricted Subsidiaries" and not thereafter redesignated as a Restricted Subsidiary as permitted pursuant thereto.

"Voting Stock" of any Person means Capital Stock of such Person which ordinarily has voting power for the election of directors (or persons performing similar functions) of such Person, whether at all times or only for so long as no senior class of securities has such voting power by reason of any contingency.

"Wholly Owned Subsidiary" of any Person means a Subsidiary of such Person all of the outstanding Voting Stock or other ownership interests (other than directors' qualifying shares) of which shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person or by such Person and one or more Wholly Owned Subsidiaries of such Person.

### **Events of Default**

The following will be Events of Default under the indenture:

(1) failure to pay Accreted Value of, or premium, if any, on, any note when due;

(2) failure to pay any interest on any note when due, continued for 30 days;

(3) default in the payment of principal and interest on notes required to be purchased by an Offer to Purchase as described under "--Covenants--Change of Control Triggering Event" when due and payable;

(4) failure to perform or comply with the provisions described under "-- Mergers, Consolidations and Certain Sales of Assets" and "--Covenants--Limitation on Asset Dispositions";



(5) failure to perform any other covenant or agreement of Level 3 under the indenture or the notes, continued for 60 days after written notice to Level 3 by the trustee or holders of at least 25% in aggregate principal amount at maturity of the outstanding notes;

(6) default under the terms of any instrument evidencing or securing Debt of Level 3 or any Restricted Subsidiary having an outstanding principal amount of not less than \$25 million or its foreign currency equivalent at the time individually or in the aggregate, which default results in the acceleration of the payment of that indebtedness or constitutes the failure to pay that indebtedness when due, after expiration of any applicable grace period;

(7) the rendering of a judgment or judgments against Level 3 or any Restricted Subsidiary in an aggregate amount in excess of \$25 million or its foreign currency equivalent at the time and shall not be waived, satisfied or discharged for any period of 45 consecutive days during which a stay of enforcement shall not be in effect;

(8) any Restricted Subsidiary Guarantee ceases to be in full force and effect, other than in accordance with the terms of that Subsidiary Guaranty, or any Guarantor denies or disaffirms its obligations under its Restricted Subsidiary Guarantee; and

(9) certain events of bankruptcy, insolvency or reorganization affecting Level 3 or any Significant Subsidiary.

Subject to the provisions of the indenture relating to the duties of the trustee in case an Event of Default shall occur and be continuing, the trustee will not be under any obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders of notes, unless those holders shall have offered to the trustee reasonable indemnity. Subject to provisions for the indemnification of the trustee, the holders of a majority in aggregate principal amount at maturity of the outstanding notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee.

If any Event of Default, other than an Event of Default described in clause

(9) above with respect to Level 3, shall occur and be continuing, either the trustee or the holders of at least 25% in aggregate principal amount at maturity of the outstanding notes may declare the Accreted Value, premium, if any, and accrued and unpaid interest, if any, in respect of the notes to be immediately due and payable. However, after an acceleration, but before a judgment or decree based on acceleration, the holders of a majority in aggregate principal amount at maturity of the outstanding notes may, under certain circumstances, rescind and annul the acceleration if all Events of Default, other than the non-payment of accelerated Accreted Value, have been cured or waived as provided in the indenture. If an Event of Default specified in clause (9) above occurs with respect to Level 3, the Accreted Value, premium, if any, and accrued and unpaid interest, if any, in respect of the notes will automatically become immediately due and payable without any declaration or other act on

the part of the trustee or any holder. For information as to waiver of defaults, see "--Amendment, Supplement and Waiver."

No holder of any note will have any right to institute any proceeding with respect to the indenture or for any remedy under the indenture, unless the holder shall have previously given to the trustee written notice of a continuing Event of Default and unless also the holders of at least 25% in aggregate principal amount at maturity of the outstanding notes shall have made written request and offered reasonable indemnity to the trustee to institute the proceeding as trustee, and the trustee shall not have received from the holders of a majority in aggregate principal amount at maturity of the outstanding notes a direction inconsistent with this request and shall have failed to institute the proceeding within 60 days. However, such limitations do not apply to a suit instituted by a holder of a note for enforcement of payment of the Accreted Value of, and premium, if any, or interest on the note on or after the respective due dates expressed in the note.

Within 30 days after the occurrence of any event which with the giving of notice and the lapse of time would become an Event of Default, Level 3 shall deliver to the Trustee written notice in the form of an Officers' Certificate of the event, its status and what action Level 3 is taking or proposes to take with respect to the event. Level 3 also will be required to deliver to the trustee annually a statement as to the performance by Level 3 of certain of its obligations under the indenture and as to any default in its performance.

### **Amendment, Supplement and Waiver**

Level 3 and the trustee may, at any time and from time to time, without notice to or consent of any holders of notes, enter into one or more indentures supplemental to the indenture:

- (1) to evidence the succession of another Person to Level 3 and the assumption by such successor of the covenants of Level 3 in the indenture and the notes;
- (2) to add to the covenants of Level 3, for the benefit of the holders, or to surrender any right or power conferred on Level 3 by the indenture;
- (3) to add any additional Events of Defaults;
- (4) to provide for uncertificated notes in addition to or in place of certificated notes;
- (5) to evidence and provide for the acceptance of appointment under the indenture of a successor trustee;
- (6) to secure the notes;
- (7) to comply with the Trust Indenture Act or the Securities Act, including Regulation S under the Securities Act;
- (8) to add additional Guarantees with respect to the notes or to release Guarantors from Restricted Subsidiary Guarantees as provided by the terms of the indenture; or

(9) to cure any ambiguity in the indenture, to correct or supplement any provision in the indenture which may be inconsistent with any other provision in the indenture or to add any other provision relating to matters or questions arising under the indenture;

as long as these actions do not adversely affect the interests of the holders in any material respect.

With the consent of the holders of not less than a majority in principal amount at maturity of the outstanding notes, Level 3 and the trustee may enter into one or more indentures supplemental to the indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the indenture or modifying in any manner the rights of the holders. However, no supplemental indenture shall, without the consent of the holder of each outstanding note:

(1) change the Stated Maturity of the Accreted Value of, or any installment of interest on, any note, or reduce the Accreted Value amount of any note or the interest on any note that would be due and payable upon the Stated Maturity of the note, or change the place of payment where, or the coin or currency in which, any note or any premium or interest on the note is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity of the note;

(2) reduce the percentage in principal amount at maturity of the outstanding notes, the consent of whose holders is necessary for any related supplemental indenture or required for any waiver of compliance with certain provisions of the indenture or certain Defaults under the indenture;

(3) subordinate in right of payment, or otherwise subordinate, the notes to any other Debt;

(4) except as otherwise required by the indenture, release any security interest that may have been granted in favor of the holders of the notes;

(5) reduce the premium payable upon the redemption of any note nor change the time at which any note may be redeemed, as described under "-- Optional Redemption";

(6) reduce the premium payable upon a Change of Control Triggering Event or, at any time after a Change of Control Triggering Event has occurred, change the time at which the Offer to Purchase relating to the Change of Control Triggering Event must be made or at which the notes must be repurchased according to the Offer to Purchase;

(7) at any time after Level 3 is obligated to make an Offer to Purchase with the Net Available Proceeds from Asset Dispositions, change the time at which the Offer to Purchase must be made or at which the notes must be repurchased according to the Offer to Purchase;

- (8) make any change in any Restricted Subsidiary Guarantee that would adversely affect the holders of the notes;
- (9) modify any provision of the indenture relating to the calculation of Accreted Value with respect to the notes; or
- (10) modify any provision of this paragraph, except to increase any percentage described in this paragraph .

The holders of not less than a majority in principal amount at maturity of the outstanding notes may, on behalf of the holders of all the notes, waive any past Default under the indenture and its consequences, except a Default:

- (1) in the payment of the Accreted Value of, or premium, if any, or interest on any note, or
- (2) relating to a covenant or provision hereof which under the proviso to the prior paragraph cannot be modified or amended without the consent of the holder of each outstanding note affected.

### **Satisfaction and Discharge of the Indenture, Defeasance**

Level 3 may terminate its obligations under the indenture when:

- (1) either all outstanding notes have been delivered to the trustee for cancellation or all notes not previously delivered to the trustee for cancellation have become due and payable, will become due and payable within one year or are to be called for redemption within one year under irrevocable arrangements satisfactory to the trustee for the giving of notice of redemption by the trustee in the name and at the expense of Level 3, and Level 3 has irrevocably deposited or caused to be deposited with the trustee funds in an amount sufficient to pay and discharge the entire indebtedness on the notes not previously delivered to the trustee for cancellation, for Accreted Value of, or premium, if any, on, and interest on, the notes;
- (2) Level 3 has paid or caused to be paid all other sums payable by Level 3 under the indenture; and
- (3) Level 3 has delivered an Officers' Certificate and an Opinion of Counsel relating to compliance with the conditions set forth in the indenture.

Level 3, at its election, shall:

- (1) be deemed to have paid and discharged its debt on the notes and the indenture shall cease to be of further effect as to all outstanding notes, except as to:
  - (A) rights of registration of transfer, substitution and exchange of notes and Level 3's right of optional redemption,
  - (B) rights of holders to receive payment of Accreted Value of, premium, if any, and interest on the notes, but not the Purchase Price referred to under

"--Covenants--Change of Control Triggering Event" or under "-- Limitation on Asset Dispositions", and any rights of the holders with respect to that amount,

(C) the rights, obligations and immunities of the trustee under the indenture, and

(D) certain other specified provisions in the indenture,

or

(2) cease to be under any obligation to comply with various restrictive covenants, including those described under "--Covenants," and terminate the operation of certain Events of Default, after the irrevocable deposit by Level 3 with the trustee, in trust for the benefit of the holders of notes, at any time prior to the maturity of the notes, of:

(A) money in an amount,

(B) Government Securities which through the payment of interest and principal will provide, not later than one day before the due date of payment in respect of the notes, money in an amount, or

(C) a combination of money and Government Securities,

sufficient to pay and discharge the Accreted Value of, and premium, if any, on, and interest on, the notes then outstanding on the dates on which any of these payments are due in accordance with the terms of the indenture and of the notes.

This defeasance or covenant defeasance shall be deemed to occur only if specified conditions are satisfied, including among other things, delivery by Level 3 to the trustee of an Opinion of Counsel acceptable to the trustee to the effect that:

(1) the deposit, defeasance and discharge will not be deemed, or result in, a taxable event for U.S. federal income tax purposes with respect to the holders, and

(2) Level 3's deposit will not result in the trust relating thereto or the trustee being subject to regulation under the Investment Company Act of 1940.

### **Governing Law**

The indenture and the notes will be governed by the laws of the State of New York, without reference to principles of conflicts of law.

### **The Trustee**

IBJ Whitehall Bank & Trust Company is the trustee under the indenture. The address of the trustee is One State Street, New York, New York 10004.

### **No Personal Liability of Directors, Officers, Employees and Stockholders**

No director, officer, employee, incorporator or stockholder of Level 3, as such, shall have any liability for any obligations of Level 3 under the notes or the indenture or for any

claim based on, in respect of, or by reason of, such obligations or their creation, solely by reason of its status as director, officer, employee, incorporator or stockholder of Level 3. By accepting a note each holder waives and releases all liability of this kind. The waiver and release are part of the consideration for issuance of the notes. Nevertheless, the waiver may not be effective to waive liabilities under the federal securities laws, and the SEC has taken the view that these types of waivers are against public policy.

## **Transfer and Exchange**

A holder may transfer or exchange notes in accordance with the indenture. Level 3, the exchange agent and the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents, and Level 3 may require a holder to pay any taxes and fees required by law or permitted by the indenture.

## **Material U.S. Federal Income Tax Considerations**

The following general discussion summarizes the material U.S. federal income tax consequences of the exchange of the original notes and the holding and disposition of the new notes. This discussion only deals with persons that hold the notes as capital assets within the meaning of Section 1221 of the Internal Revenue Code, and that purchased the original notes for cash at original issue. This discussion does not address the U.S. federal income tax consequences that may be relevant to a particular holder subject to special treatment under certain U.S. federal income tax laws, such as dealers in securities or foreign currency, banks, trusts, insurance companies, tax-exempt organizations, persons that hold notes as part of a straddle, hedge against currency risk or constructive sale or conversion transaction, persons that have a functional currency other than the U.S. dollar and investors in pass-through entities.

This discussion is based on the Internal Revenue Code, the final, temporary and proposed Treasury regulations promulgated under the Internal Revenue Code, administrative pronouncements and judicial decisions, all as in effect on the date of this prospectus and all of which are subject to change, possibly with retroactive effect. Level 3 has not requested, and will not request, a ruling from the IRS with respect to any of the U.S. federal income tax consequences described below. As a result, there can be no assurance that the IRS will not disagree with or challenge any of the conclusions set forth in this prospectus.

This discussion does not discuss all of the federal income tax considerations that may be relevant to a holder of notes. Prospective participants in the exchange offer are urged to consult their own tax advisors with respect to the application to their particular situations of U.S. federal income tax laws, as well as the laws of any state, local or foreign taxing jurisdiction.

## **U.S. Holders**

The following discussion is limited to persons who or which are U.S. holders. For these purposes, U.S. holder means:

- (1) an individual who is a citizen or resident of the U.S.;

(2) a corporation or other entity taxable as a corporation created or organized under the laws of the U.S. or any political subdivision of or in the U.S.;

(3) an estate or trust the income of which is subject to U.S. federal income tax regardless of its source; or

(4) a person whose worldwide income or gain is otherwise subject to U.S. federal income tax on a net income basis.

Original Issue Discount on the Notes. Because the original notes were issued at a substantial discount from their stated principal amount, both the original notes and the new notes will be treated as issued with OID for U.S. federal income tax purposes. OID is the excess of:

(1) a note's stated redemption price at maturity over

(2) its issue price.

The stated redemption price at maturity of a note is the sum of the principal amount payable at maturity and all stated interest payments to be made on the note. The issue price of a note is the first price at which a substantial amount of the notes is sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity as underwriters, placement agents or wholesalers.

A U.S. holder of a note is required to include OID in income as ordinary interest as it accrues under a constant yield method in advance of receipt of cash payments attributable to that income, regardless of the U.S. holder's regular method of tax accounting. A U.S. holder will not be required to report separately as taxable income actual distributions of stated interest with respect to a note. In general, the amount of OID included in income by a U.S. holder of a note is the sum of the daily portions of OID for each day during the taxable year, or portion thereof, on which the U.S. holder held the note. The daily portion is determined by allocating the OID for an accrual period equally to each day in that accrual period. The accrual period for a note may be of any length and may vary in length over the term of the note. However, no accrual period may exceed one year, and each scheduled payment of principal or interest must occur either on the first or final day of an accrual period.

The amount of OID attributable to an accrual period is generally equal to the product of the note's adjusted issue price at the beginning of that accrual period and its yield to maturity, i.e., the discount rate that, when applied to all payments under the note, results in a present value equal to the issue price. The adjusted issue price of a note at the beginning of any accrual period is the issue price of the note, plus the amount of OID allocable to all prior accrual periods, minus the amount of any prior payments in respect of the note, including payments of stated interest. Under these rules, a U.S. holder generally must include in income an increasingly greater amount of OID in each successive accrual period.

In determining the yield and maturity with respect to the notes, Level 3 will not be deemed to exercise any call option on the notes. If Level 3 elects to commence the accrual of cash interest on the notes prior to December 1, 2003, the notes may be treated solely for

the purpose of applying the OID rules as if each note were retired and then reissued on the date of such election for an amount equal to its adjusted issue price on that date.

**Applicable High Yield Discount Obligation.** The OID on any obligation that constitutes an AHYDO generally is not deductible until paid, and deductions relating to certain portions of OID may be wholly disallowed. The new notes will constitute AHYDOs because the original notes provided initial holders with a yield to maturity in excess of a specified amount. As a result, Level 3 will not be allowed a deduction for the accrual of OID on the notes until such interest is actually paid.

**Sale, Exchange or Redemption of Notes.** Upon the sale, exchange or redemption of a note, a U.S. holder generally will recognize taxable gain or loss equal to the difference between:

- (1) the amount realized on that disposition and
- (2) the U.S. holder's adjusted tax basis in the note.

A U.S. holder's adjusted tax basis in a note generally will equal the cost of the note increased by any OID included in income through the date of disposition and decreased by any payments received on the note, including payments of stated interest.

Any gain or loss recognized on the sale or exchange of a note generally will constitute capital gain or loss and will constitute long-term capital gain or loss if the underlying note has been held by a U.S. holder for more than 12 months as of the date of disposition. For noncorporate U.S. holders, long-term capital gain generally will be subject to U.S. federal income tax at a maximum rate of 20%.

**Exchange Offer.** The exchange of original notes for new notes in the exchange offer will not constitute a taxable event for U.S. federal income tax purposes. As a result:

- (1) a U.S. holder of notes will not recognize taxable gain or loss as a result of the exchange of original notes for new notes in the exchange offer;
- (2) the holding period of the new notes will include the holding period of the original notes surrendered in exchange for the new notes; and
- (3) a U.S. holder's adjusted tax basis in the new notes will be the same as the U.S. holder's adjusted tax basis in the original notes surrendered in exchange for the new notes.

**Information Reporting and Backup Withholding.** A noncorporate U.S. holder of notes may be subject to backup withholding at a 31% rate with respect to reportable payments, which include interest, including OID, or principal paid on or the gross proceeds of a sale, exchange or redemption of the notes. The payor of any reportable payments will be required to deduct and withhold 31% of such payments if:

- (1) the payee fails to furnish a correct taxpayer identification number to the payor in the prescribed manner;



- (2) the IRS notifies the payor that the taxpayer identification number furnished by the payee is incorrect;
- (3) the payee has failed properly to report the receipt of reportable payments and the IRS has notified the payor that backup withholding is required; or
- (4) the payee fails to certify under penalties of perjury that such payee is not subject to backup withholding.

If any one of these events occurs with respect to a U.S. holder of notes, Level 3 or its paying or other withholding agent will be required to withhold 31% of any payments of principal, premium, if any, and interest, including OID, on a note.

Any amount withheld from a payment to a U.S. holder under the backup withholding rules will be allowed as a refund or credit against the holder's U.S. federal income tax liability, so long as the required information is provided to the IRS. Level 3, its paying agent or other withholding agent generally will report to a U.S. holder of notes and to the IRS the amount of any reportable payments made in respect of the notes for each calendar year and the amount of tax withheld, if any, with respect to such payments. Level 3 will report annually to the IRS and to each holder the amount of OID accrued with respect to the note for the calendar year.

### **Non-U.S. Holders**

The following discussion is limited to the U.S. federal income tax consequences relevant to a holder of a note that is not a U.S. holder.

Stated Interest and OID. Subject to the discussion of backup withholding below, payments of interest, including OID, on a note to a non-U.S. holder generally will not be subject to U.S. federal income or withholding tax, as long as:

- (1) the holder does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of Level 3 that are entitled to vote;
- (2) the holder is not:
  - (A) a controlled foreign corporation that is related to Level 3 through stock ownership, or
  - (B) a bank receiving interest on a loan entered into in the ordinary course of business;
- (3) the interest is not effectively connected with the conduct by the non- U.S. holder of a trade or business within the U.S.; and
- (4) Level 3 or its paying agent receives:
  - (A) from the non-U.S. holder a properly completed Form W-8 or substitute Form W-8 signed under penalties of perjury, which provides the non-U.S. holder's name and address and certifies that the non-U.S. holder is not a U.S. person, or

(B) from a security clearing organization, bank or other financial institution that holds the notes in the ordinary course of its trade or business on behalf of the non-U.S. holder certification under penalties of perjury that a Form W-8 or substitute Form W-8 has been received by it or by another such financial institution from the non-U.S. holder, and a copy of the Form W-8 or substitute Form W-8 is furnished to the payor.

Recently adopted Treasury regulations regarding information reporting and backup withholding unify current certification procedures and forms and clarify reliance standards and certain rules with respect to foreign partnerships. For example, these Treasury regulations require, in the case of notes held by a foreign partnership, that:

(1) the certification described in clause (4) above be provided by the partners rather than by the foreign partnership; and

(2) the partnership provide certain information, including a taxpayer identification number. A look-through rule applies in the case of tiered partnerships. These regulations will become effective for payments made after December 31, 1999, subject to certain transition rules.

A non-U.S. holder that does not qualify for exemption from withholding under the second preceding paragraph generally will be subject to withholding of U.S. federal income tax at a 30% rate, or lower applicable treaty rate, on payments of interest, including OID, on the notes.

If interest, including OID, on the notes is effectively connected with the conduct by a non-U.S. holder of a trade or business within the U.S., such interest will be subject to U.S. federal income tax on a net income basis at the rate applicable to U.S. persons generally, and, with respect to corporate holders, may also be subject to a 30% branch profits tax). If interest, including OID, is subject to U.S. federal income tax on a net income basis in accordance with these rules, the payments will not be subject to U.S. withholding tax so long as the relevant non-U.S. holder provides Level 3 or its paying agent with a properly executed Form 4224. See the discussion above with regard to the certification rules under recently enacted Treasury regulations.

Non-U.S. holders should consult their own tax advisors regarding any applicable income tax treaties, which may provide for a lower rate of withholding tax, exemption from or reduction of branch profits tax, or other rules different from those described above.

**Sale, Exchange or Redemption of Notes.** Subject to the discussion of backup withholding, any gain realized by a non-U.S. holder on the sale, exchange or redemption of a note generally will not be subject to U.S. federal income tax, unless:

(1) the gain is effectively connected with the conduct by the non-U.S. holder of a trade or business within the U.S.;

(2) the non-U.S. holder is an individual who is present in the U.S. for 183 days or more in the taxable year of disposition and certain other conditions are satisfied; or

(3) the non-U.S. holder is subject to tax pursuant to the provisions of U.S. federal income tax law applicable to certain expatriates.

**Information Reporting and Backup Withholding.** Level 3 must report annually to the IRS and to each non-U.S. holder the amount of any interest paid and OID accrued on the notes in such year and the amount of tax withheld, if any, with respect to those payments. Copies of those information returns also may be made available, under the provisions of a specific treaty or agreement, to the taxing authorities of the country in which the non-U.S. holder resides.

Backup withholding and information reporting generally will not apply to interest, including OID, payments made to a non-U.S. holder in respect of the notes if the non-U.S. holder furnishes Level 3 or its paying agent with a properly executed certification on Form W-8 or substitute Form W-8 signed under penalties of perjury stating that the beneficial owner is not a U.S. person and setting forth the non-U.S. holder's name and address, as long as neither Level 3 nor its paying agent has actual knowledge that the holder is a U.S. person or that the conditions of an exemption are not in fact satisfied. See the discussion above with regard to the certification rules under recently enacted Treasury regulations.

The payment of proceeds from a non-U.S. holder's disposition of notes to or through the U.S. office of any broker, domestic or foreign, will be subject to information reporting and possible backup withholding unless the holder certifies as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption, as long as the broker does not have actual knowledge that the holder is a U.S. person or that the conditions of an exemption are not in fact satisfied. The payment of the proceeds from a non-U.S. holder's disposition of a note to or through a non-U.S. office of either a U.S. broker or a non-U.S. broker that is a U.S.-related person will be subject to information reporting, but not backup withholding, unless such broker has documentary evidence in its files that the non-U.S. holder is not a U.S. person and the broker has no knowledge to the contrary, or the non-U.S. holder establishes an exemption. For this purpose, a U.S.-related person is:

(1) a controlled foreign corporation for U.S. federal income tax purposes; or

(2) a foreign person 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding payment, or for such part of the period that the broker has been in existence, is derived from activities that are effectively connected with the conduct of a U.S. trade or business. Neither information reporting nor backup withholding will apply to a payment of the proceeds of a non-U.S. holder's disposition of notes by or through a non-U.S. office of a non-U.S. broker that is not a U.S. related person. See the discussion above with regard to the certification rules under recently enacted Treasury regulations.

Any amounts withheld under the backup withholding rules from a payment to a non- U.S. holder will be allowed as a refund or a credit against the non-U.S. holder's U.S. federal income tax liability, as long as the required procedures are followed.

## **Plan of Distribution**

Each broker-dealer that receives new notes for its own account in the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of those new notes. The letter of transmittal that accompanies this prospectus states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. A participating broker-dealer may use this prospectus, in connection with resales of new notes received in exchange for original notes where those new notes were acquired by the broker-dealer as a result of market-making activities or other trading activities. Level 3 has agreed that, starting on the date of this prospectus and ending on the close of business on the day that is 180 days following the date of this prospectus, it will make this prospectus available to any broker-dealer for use in connection with any of those resales.

Level 3 will not receive any proceeds from any sale of new notes by broker-dealers. New notes received by broker-dealers for their own account in the exchange offer may be sold from time to time in one or more transactions. These sales may be made in the over-the-counter market, in negotiated transactions, through the writing of options on the new notes or a combination of these methods of resale, and may be at market prices prevailing at the time of resale, at prices related to the prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such new notes. Any broker-dealer that resells new notes that were received by it for its own account in the exchange offer and any broker or dealer that participates in a distribution of such new notes may be deemed to be an underwriter within the meaning of the Securities Act. If this is the case, any profit of any such resale of new notes and any commissions or concessions received by any of these persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act.

For a period of 180 days after the date of this prospectus, Level 3 will promptly send additional copies of this prospectus and any amendment or supplement to this prospectus to any broker-dealer that requests those documents in the letter of transmittal. Level 3 has agreed to pay all expenses incident to the exchange offer, other than the expenses of counsel for the holders of the original notes and commissions or concessions of any brokers or dealers. Level 3 also has agreed to indemnify the holders of the original notes, including any broker-dealers, against various liabilities, including liabilities under the Securities Act.

## **Legal Matters**

Willkie Farr & Gallagher, New York, New York, will pass upon the validity of the new notes offered in this prospectus for Level 3.

## **Experts**

The consolidated financial statements of Level 3 Communications, Inc. as of December 31, 1998 and for the year then ended, incorporated by reference in this registration statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

The consolidated balance sheet of Level 3 Communications, Inc. as of December 27, 1997, and the related statements of earnings, cash flows, comprehensive income, and changes in stockholders' equity for each of the two years in the period ended December 27, 1997, as well as the consolidated balance sheets of RCN Corporation and Subsidiaries as of December 31, 1997 and 1998 and the related statements of operations, cash flows, comprehensive income, and changes in stockholders' equity, for each of the three years in the period ended December 31, 1998, incorporated by reference in this registration statement, have been incorporated herein in reliance on the reports of PricewaterhouseCoopers LLP, independent accountants, given on the authority of that firm as experts in accounting and auditing.

## **Incorporation of Material Documents by Reference**

The SEC allows us to incorporate by reference the information we file with it. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We are incorporating by reference our documents listed below and any future filings we make with the SEC under Section 13(a), 13(c), 14, or 15(d) of the Exchange Act prior to the termination of this offering.

- (1) Annual report on Form 10-K for the fiscal year ended December 31, 1998; and
- (2) Current reports on Forms 8-K, filed February 24, 1999 and March 5, 1999 and on Forms 8-K/A, filed February 17, 1999.

You may request a copy of these filings at no cost, by writing or telephoning us at the following address:

Vice President, Investor Relations Level 3 Communications, Inc.  
1450 Infinite Drive  
Louisville, CO 80027  
303-926-3000

You should rely only on the information incorporated by reference or provided in this prospectus. We have not authorized anyone else to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of those documents.

We have not authorized any person to give you any information or to make any representations about the exchange offer other than those contained in this prospectus. If you are given any information or representations that are not discussed in this prospectus, you must not rely on that information or those representations. This prospectus is not an offer to sell or a solicitation of an offer to buy any securities other than the securities to which it relates. In addition, this prospectus is not an offer to sell or the solicitation of an offer to buy those securities in any jurisdiction in which the offer or solicitation is not authorized, or in which the person making the offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make an offer or solicitation. The delivery of this prospectus and any exchange made under this prospectus do not, under any circumstances, mean that there has not been any change in the affairs of Level 3 since the date of this prospectus or that information contained in this prospectus is correct as of any time subsequent to its date.

[LOGO]

**Level 3 Communications, Inc.**  
  
10 1/2% Senior Discount Notes  
Due 2008



**Prospectus**



, 1999



## PART II

### INFORMATION NOT REQUIRED IN PROSPECTUS

#### Item 20. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law (the "DGCL") empowers a Delaware corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation) by reason of the fact that such person is or was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. A corporation may, in advance of the final action of any civil, criminal, administrative or investigative action, suit or proceeding, pay the expenses (including attorneys' fees) incurred by any officer, director, employee or agent in defending such action, provided that the director or officer undertakes to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the corporation. A corporation may indemnify such person against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

A Delaware corporation may indemnify officers and directors in an action by or in the right of the corporation to procure a judgment in its favor under the same conditions, except that no indemnification is permitted without judicial approval if the officer or director is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him or her against the expenses (including attorneys' fees) which he or she actually and reasonably incurred in connection therewith. The indemnification provided is not deemed to be exclusive of any other rights to which an officer or director may be entitled under any corporation's by-law, agreement, vote or otherwise.

In accordance with Section 145 of the DGCL, Article XI of the Company's Restated Certificate of Incorporation (the "Certificate") and the Company's By-laws (the "By-laws") provide that the Company shall indemnify each person who is or was a director, officer or employee of the Company (including the heirs, executors, administrators or estate of such person) or is or was serving at the request of the Company as director, officer or employee of another corporation, partnership, joint venture, trust or other enterprise, to the fullest extent permitted under subsections 145(a), (b), and (c) of the DGCL or any successor statute. The indemnification provided by the Certificate and the By-laws shall not be deemed exclusive of any other rights to which any of those seeking indemnification or advancement of expenses may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person. Expenses (including attorneys' fees) incurred in defending a civil, criminal, administrative or investigative action, suit or proceeding upon receipt of an undertaking by or on behalf of the indemnified person to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Company. The Certificate further provides that a director of the Company shall not be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Company shall be eliminated or limited to the fullest extent permitted by the DGCL as so amended.

The By-laws provide that the Company may purchase and maintain insurance on behalf of its directors, officers, employees and agents against any liabilities asserted against such persons arising out of such capacities.



## Item 21. Exhibits and Financial Statement Schedules.

### (a) Exhibits

Exhibit No. -----	Description -----
4.1	--Indenture dated as of December 2, 1998 between the Company and IBJ Schroder Bank & Trust Company as trustee relating to the 10 1/2% Senior Discount Notes Due 2008.*
4.2	--Registration Agreement dated November 24, 1998 between the Company and the Initial Purchasers.*
5	--Opinion of Willkie Farr & Gallagher.
8	--Opinion of Willkie Farr & Gallagher with respect to certain tax matters.
12	--Statement Regarding Computation of Ratio of Earnings to Fixed Charges.
23.1	--Consent of PricewaterhouseCoopers LLP.
23.2	--Consent of PricewaterhouseCoopers LLP.
23.3	--Consent of Arthur Andersen LLP.
23.4	--Consent of Willkie Farr & Gallagher (included in their opinions filed as Exhibits 5 and 8).
24	--Power of Attorney (included on the signature pages hereto).
25	--Statement on Form T-1 of Eligibility of Trustee.
99.1	--Form of Letter of Transmittal.
99.2	--Form of Notice of Guaranteed Delivery.
99.3	--Form of Letter to Clients.
99.4	--Form of Letter to Nominees.

---

\* Previously filed.

### (b) Financial Statement Schedules:

All schedules have been omitted because they are not applicable or not required or the required information is included in the financial statements or notes thereto, which are incorporated herein by reference.

## Item 22. Undertakings.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of registrants pursuant to the provisions described under Item 20 above, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

The undersigned registrant hereby undertakes to supply by means of a post- effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in this Registration Statement when it became effective.

## SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Omaha, State of Nebraska, on the 2nd day of April, 1999.

### Level 3 Communications, Inc.

/s/ Thomas C. Stortz  
By: \_\_\_\_\_

Name: Thomas C. Stortz

Title: Senior Vice President and  
Secretary

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons, in the capacities and on the dates indicated.

Name	Title	Date
* ----- Walter Scott, Jr.	Chairman of the Board	April 2, 1999
* ----- James Q. Crowe	President, Chief Executive Officer and Director	April 2, 1999
* ----- R. Douglas Bradbury	Executive Vice President, Chief Financial Officer and Director (principal financial officer)	April 2, 1999
* ----- Eric J. Mortensen	Controller (principal accounting officer)	April 2, 1999
----- Philip B. Fletcher	Director	, 1999
* ----- William L. Grewcock	Director	April 2, 1999

Name	Title	Date
*	Director	April 2, 1999
-----		
Richard R. Jaros		
*	Director	April 2, 1999
-----		
Robert E. Julian		
*	Director	April 2, 1999
-----		
David C. McCourt		
*	Director	April 2, 1999
-----		
Kenneth E. Stinson		
*	Director	April 2, 1999
-----		
Michael B. Yanney		

Neil J. Eckstein, by signing his name below, signs this document on behalf of each of the above-named persons specified by an asterisk (\*), pursuant to a power of attorney duly executed by such persons, filed with the Securities and Exchange Commission in the Registrant's Registration Statement on February 3, 1999.

/s/ Neil J. Eckstein	Attorney-in-fact
-----	
Neil J. Eckstein	

**EXHIBIT 5**

**[LETTERHEAD OF  
WILLKIE FARR & GALLAGHER]**

April 2, 1999

Level 3 Communications, Inc.  
3555 Farnam Street  
Omaha, Nebraska 68131

Re: Registration Statement on Form S-4  
File No. 333-71687  
Ladies and Gentlemen:

We are counsel for Level 3 Communications, Inc., a Delaware corporation (the "Company"), and have acted as such in connection with various legal matters relating to the filing of a Registration Statement on Form S-4 (File No. 333- 71687) (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), covering up to \$833,815,000 aggregate principal amount at maturity of outstanding 10-1/2% Senior Discount Notes Due 2008 (the "New Notes") offered in exchange for up to \$833,815,000 aggregate principal amount at maturity of outstanding 10-1/2% Senior Discount Notes Due 2008, originally issued and sold in reliance upon an exemption from registration under the Securities Act (the "Original Notes").

The Original Notes were issued under, and the New Notes are to be issued under, an indenture (the "Indenture"), dated as of December 2, 1998, entered into between the Company, as issuer, and IBJ Schroder Bank & Trust Company, as trustee (the "Trustee"). The exchange will be made pursuant to an exchange offer contemplated by the Registration Statement (the "Exchange Offer"). Capitalized terms used but not otherwise defined herein shall have the meanings assigned to them in the prospectus included in the Registration Statement.

April 2, 1999

Page 2

In so acting, we have examined originals or copies, certified or otherwise, identified to our satisfaction, of the Restated Certificate of Incorporation and By-Laws of the Company and such documents, corporate records, certificates or other instruments as in our judgment were necessary or appropriate to enable us to render the opinions expressed below. As to certain factual matters, we have relied upon certificates of public officials, certificates and statements (including representations and warranties as to facts set forth in any of the documents referred to herein) of officers of the Company, and such other documents as we have deemed necessary or appropriate for this opinion. In such examinations, we have assumed the accuracy of all documents and information furnished to us, the genuineness of all documents submitted to us as originals and the conformity to originals of all documents submitted to us as certified, conformed or photostatic copies thereof, as well as the genuineness of all signatures on all such documents.

Based on the foregoing, we are of the opinion that:

1. The execution and delivery of the Indenture has been duly authorized by the Company, and the Indenture constitutes a legal, valid and binding obligation enforceable against the Company in accordance with the terms thereof, except insofar as enforceability thereof may be limited by (a) usury, bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally, or (b) general principles of equity.
2. The New Notes have been duly authorized by the Company and, when duly executed by the proper officers of the Company, duly authenticated by the Trustee and issued by the Company in accordance with the terms of the Indenture and the Exchange Offer, will constitute legal, valid and binding obligations of the Company, will be entitled to the benefits of the Indenture and will be enforceable against the Company in accordance with their terms, except insofar as enforceability thereof may be limited by (a) usury, bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally, or (b) general principles of equity.

This opinion is limited to the matters stated herein and no opinion is implied or may be inferred beyond the matters expressly stated. We call to your attention that we do not express an opinion as to matters arising under the laws of any jurisdiction, other than the laws of the State of New York, the Delaware General Corporation Law and the Federal laws of the United States.

We hereby consent to being named as counsel for the Company in the Registration Statement and under the caption "Legal Matters" in the prospectus included in the Registration Statement and to the filing of this opinion as an exhibit to the Registration Statement.

Very truly yours,

*/s/ WILLKIE FARR & GALLAGHER*

**EXHIBIT 8**

**[LETTERHEAD OF WILLKIE FARR & GALLAGHER]**

April 2, 1999

Level 3 Communications, Inc.  
3555 Farnam Street  
Omaha, Nebraska 68131

Re: Registration Statement on Form S-4  
File No. 333-71687

Ladies and Gentlemen:

We are counsel to Level 3 Communications, Inc., a Delaware corporation (the "Company"), and have acted as such in connection with the filing of a Registration Statement on Form S-4 (File No. 333-71687) (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), covering up to \$833,815,000 aggregate principal amount at maturity of 10-1/2% Senior Discount Notes Due 2008 (the "New Notes") offered in exchange for up to \$833,815,000 aggregate principal amount at maturity of outstanding 10-1/2% Senior Discount Notes Due 2008 originally issued and sold in reliance upon an exemption from registration under the Securities Act (the "Original Notes"). In that connection, we have prepared the section entitled "Material U.S. Federal Income Tax Considerations" contained in the Registration Statement.

Our opinion is based on the provisions of the Internal Revenue Code of 1986, as amended, regulations under such Code, judicial authority and current administrative rulings and practice, all as of the date of this letter, and all of which may change at any time.

Based on the foregoing, it is our opinion that as stated in the above-referenced section of the Registration Statement, the exchange of Original Notes for New Notes by holders will not be a taxable exchange for U.S. federal income tax purposes, and holders should not recognize any taxable gain or loss or any interest income as a result of such exchange.

We hereby consent to the use of this opinion as Exhibit 8 to the Registration Statement and related prospectus filed with the Securities and Exchange Commission and to the reference to us under the caption "Legal Matters" therein.

Very truly yours,

*/s/ WILLKIE FARR & GALLAGHER*

# EXHIBIT 12

## STATEMENT REGARDING COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

### LEVEL 3 COMMUNICATIONS, INC.

	Fiscal Year Ended				
	1998	1997	1996	1995	1994
	(\$ in millions, except for ratios)				
Earnings (Loss) from Continuing Operations					
Before Taxes.....	\$(22)	\$ 70	\$ 116	\$ (4)	\$(33)
Interest on Debt, Net of Capitalized					
Interest.....	133	15	33	52	77
Interest Expense Portion of Rental Expense....	6	--	1	--	1
Earnings Available for Fixed Charges.....	\$117	\$ 85	\$ 150	\$ 48	\$ 45
Interest on Debt.....	\$147	\$ 15	\$ 38	\$ 72	\$ 86
MFS Preferred Dividends.....	--	--	--	8	--
Interest Expense Portion of Rental Expense....	6	--	1	--	1
Total Fixed Charges.....	\$153	\$ 15	\$ 39	\$ 80	\$ 87
Ratio of Earnings to Fixed Charges.....	--	5.73	3.87	--	--
Deficiency.....	\$(36)	\$ --	\$ --	\$(32)	\$(42)



## EXHIBIT 23.1

### CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statement of Level 3 Communications, Inc. on Form S-4 of our report dated March 30, 1998, on our audits of the consolidated financial statements of Level 3 Communications, Inc. (formerly Peter Kiewit Sons', Inc.) as of December 27, 1997 and for each of the two years in the period ended December 27, 1997 which report is included in the 1998 Annual Report on Form 10-K of Level 3 Communications, Inc. We also consent to the reference to our Firm under the caption "Experts."

**PricewaterhouseCoopers LLP**

*/s/ PricewaterhouseCoopers LLP*

*Omaha, Nebraska*

*April 2, 1999*

## EXHIBIT 23.2

### CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statement of Level 3 Communications, Inc. on Form S-4 of our report dated March 8, 1999, except for Note 20 as to which the date is March 18, 1999, on our audits of the consolidated financial statements and financial statement schedules of RCN Corporation and Subsidiaries as of December 31, 1998 and 1997, and for the years ended December 31, 1998, 1997 and 1996, which report is incorporated by reference in the 1998 Annual Report on Form 10-K of Level 3 Communications, Inc. We also consent to the reference to our firm under the caption "Experts."

#### PricewaterhouseCoopers LLP

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

April 2, 1999

## EXHIBIT 23.3

### CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this Registration Statement on Form S-4 of our report dated March 29, 1999 on the consolidated financial statements of Level 3 Communications, Inc. as of December 31, 1998 and for the year then ended included in Level 3 Communications, Inc.'s Form 10-K for the year ended December 31, 1998 and to all references to our Firm included in this Registration Statement.

**Arthur Andersen LLP**

*/s/ Arthur Andersen LLP*

*Denver, Colorado*

*April 2, 1999*

---

**SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549 FORM T-1**

**STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939 OF A  
CORPORATION DESIGNATED TO ACT AS TRUSTEE**

**CHECK IF AN APPLICATION TO DETERMINE  
ELIGIBILITY OF A TRUSTEE PURSUANT TO  
SECTION 305(b)(2)**

**IBJ WHITEHALL BANK & TRUST COMPANY**  
(Exact name of trustee as specified in its charter)

New York (Jurisdiction of incorporation or organization if not a U.S. national bank)	13-6022258 (I.R.S. employer identification No.)
One State Street, New York, New York (Address of principal executive offices)	10004 (Zip code)

**LUIS PEREZ, ASSISTANT VICE PRESIDENT  
IBJ WHITEHALL BANK & TRUST COMPANY**  
One State Street  
New York, New York 10004  
(212) 858-2000  
(Name, address and telephone number of agent for service)

**LEVEL 3 COMMUNICATIONS, INC.**  
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	47-0210602 (I.R.S. employer identification No.)
3555 Farnam Street Omaha, Nebraska (Address of principal executive offices)	68131 (Zip code)

\$833,815,000 Aggregate Principal Amount at Maturity of 10 1/2% Senior Discount Notes Due 2008

(Title of indenture securities)

**Item 1. General information**

Furnish the following information as to the trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

New York State Banking Department Two Rector Street  
New York, New York

Federal Deposit Insurance Corporation Washington, D.C.

Federal Reserve Bank of New York Second District,  
33 Liberty Street  
New York, New York

(b) Whether it is authorized to exercise corporate trust powers.

Yes

**Item 2. Affiliations with the Obligor.**

If the obligor is an affiliate of the trustee, describe each such affiliation.

The obligor is not an affiliate of the trustee.

**Item 13. Defaults by the Obligor.**

(a) State whether there is or has been a default with respect to the securities under this indenture. Explain the nature of any such default.

None

(b) If the trustee is a trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the obligors are outstanding, or is trustee for more than one outstanding series of securities under the indenture, state whether there has been a default under any such indenture or series, identify the indenture or series affected, and explain the nature of any such default.

None

**Item 16. List of exhibits.**

List below all exhibits filed as part of this statement of eligibility.

\*1. A copy of the Charter of IBJ Whitehall Bank & Trust Company as amended to date. (See Exhibit 1A to Form T-1, Securities and Exchange Commission File No 22-18460 and Exhibit 25.1 to Form T-1, Securities and Exchange Commission File No. 333-46849).

\*2. A copy of the Certificate of Authority of the trustee to Commence Business (Included in Exhibit 1 above).

\*3. A copy of the Authorization of the trustee to exercise corporate trust powers, as amended to date (See Exhibit 4 to Form T-1, Securities and Exchange Commission File No. 22-19146).

\*4. A copy of the existing By-Laws of the trustee, as amended to date (See Exhibit 25.1 to Form T-1, Securities and Exchange Commission File No. 333-46849).

5. Not Applicable

6. The consent of United States institutional trustee required by Section 321(b) of the Act.

7. A copy of the latest report of condition of the trustee published pursuant to law or the requirements of its supervising or examining authority.

\* The Exhibits thus designated are incorporated herein by reference as exhibits hereto. Following the description of such Exhibits is a reference to the copy of the Exhibit heretofore filed with the Securities and Exchange Commission, to which there have been no amendments or changes.

**NOTE**

In answering any item in this Statement of Eligibility which relates to matters peculiarly within the knowledge of the obligor and its directors or officers, the trustee has relied upon information furnished to it by the obligor.

Inasmuch as this Form T-1 is filed prior to the ascertainment by the trustee of all facts on which to base responsive answers to Item 2, the answer to said Item is based on incomplete information.

**Item 2, may, however, be considered as correct unless amended by an**  
amendment to this Form T-1.

Pursuant to General Instruction B, the trustee has responded to Items 1, 2 and 16 of this form since to the best knowledge of the trustee as indicated in Item 13, the obligor is not in default under any indenture under which the applicant is trustee.

**SIGNATURE**

Pursuant to the requirements of the Trust Indenture Act of 1939, the trustee, IBJ Whitehall Bank & Trust Company, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility & qualification to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of New York, and State of New York, on the 29th day of March, 1999.

**IBJ WHITEHALL BANK & TRUST COMPANY**

By:     /s/ Luis Perez

-----  
Luis Perez  
Assistant Vice President



**Exhibit 6**

**CONSENT OF TRUSTEE**

Pursuant to the requirements of Section 321(b) of the Trust Indenture Act of 1939, as amended, in connection with the issuance by Level 3 Communications, Inc., of \$833,815,000 aggregate principal amount at maturity of 10 1/2% Senior Discount Notes Due 2008, we hereby consent that reports of examinations by Federal, State, Territorial, or District authorities may be furnished by such authorities to the Securities and Exchange Commission upon request therefor.

**IBJ WHITEHALL BANK & TRUST COMPANY**

By:     /s/ Luis Perez

-----  
Luis Perez  
Assistant Vice President

Dated:   March 29, 1999

# EXHIBIT 7

## CONSOLIDATED REPORT OF CONDITION OF IBJ SCHRODER BANK & TRUST COMPANY of New York, New York And Foreign and Domestic Subsidiaries

Report as of December 31, 1998

ASSETS -----		Dollar Amounts in Thousands -----
1. Cash and balance due from depository institutions:		
a. Non-interest-bearing balances and currency and coin.....		\$ 26,852
b. Interest-bearing balances.....		\$ 17,489
2. Securities:		
a. Held-to-maturity securities.....		\$ -0-
b. Available-for-sale securities.....		\$ 207,069
3. Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries and in IBFs		
Federal Funds sold and Securities purchased under agreements to resell.....		\$ 80,389
4. Loans and lease financing receivables:		
a. Loans and leases, net of unearned income.....	\$2,033,599	
b. LESS: Allowance for loan and lease losses.....	\$ 62,853	
c. LESS: Allocated transfer risk reserve.....	\$ -0-	
d. Loans and leases, net of unearned income, allowance, and reserve.....		\$1,970,746
5. Trading assets held in trading accounts.....		\$ 848
6. Premises and fixed assets (including capitalized leases).....		\$ 1,583
7. Other real estate owned.....		\$ -0-
8. Investments in unconsolidated subsidiaries and associated companies.....		\$ -0-
9. Customers' liability to this bank on acceptances outstanding.....		\$ 340
10. Intangible assets.....		\$ 11,840
11. Other assets.....		\$ 66,691
12. TOTAL ASSETS.....		\$2,383,847

# LIABILITIES

13. Deposits:		
a. In domestic offices.....		\$ 804,562
(1) Noninterest-bearing.....	\$ 168,822	
(2) Interest.....	\$ 635,740	
b. In foreign offices, Edge and Agreement subsidiaries, and IBFs.....		\$ 885,076
(1) Noninterest-bearing.....	\$ 16,554	
(2) Interest-bearing .....	\$ 868,522	
14. Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:		
Federal Funds purchased and Securities sold under agreements to repurchase.....		\$ 225,000
15. a. Demand notes issued to the U.S. Treasury.....		\$ 674
b. Trading Liabilities.....		\$ 560
16. Other borrowed money:		
a. With a remaining maturity of one year or less.....		\$ 38,002
b. With a remaining maturity of more than one year.....		\$ 1,375
c. With a remaining maturity of more than three years.....		\$ 1,550
17. Not applicable.		
18. Bank's liability on acceptances executed and outstanding.....		\$ 340
19. Subordinated notes and debentures.....		\$ 100,000
20. Other liabilities.....		\$ 74,502
21. TOTAL LIABILITIES.....		\$2,131,641
22. Limited-life preferred stock and related surplus.....		\$ N/A
EQUITY CAPITAL		
23. Perpetual preferred stock and related surplus.....		\$ -0-
24. Common stock.....		\$ 28,958
25. Surplus (exclude all surplus related to preferred stock).....		\$ 210,319
26. a. Undivided profits and capital reserves.....		\$ 11,655
b. Net unrealized gains (losses) on available-for-sale securities.....		\$ 1,274
27. Cumulative foreign currency translation adjustments.....		\$ -0-
28. TOTAL EQUITY CAPITAL.....		\$ 252,206
29. TOTAL LIABILITIES AND EQUITY CAPITAL.....		\$2,383,847

**EXHIBIT 99.1**

**THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., EASTERN STANDARD TIME, ON  
, 1999 UNLESS EXTENDED (THE "EXPIRATION DATE"). TENDERS MAY BE WITHDRAWN**

**PRIOR TO 5:00 P.M., EASTERN STANDARD TIME, ON THE EXPIRATION DATE.**

**LEVEL 3 COMMUNICATIONS, INC.**

3555 Farnam Street  
Omaha, Nebraska 68131

**LETTER OF TRANSMITTAL  
For 10 1/2% Senior Discount Notes Due 2008**

**Exchange Agent:**

**IBJ Whitehall Bank & Trust Company**  
(formerly known as IBJ Schroder Bank & Trust Company)

By Facsimile:  
(212) 858-2611

Confirm by telephone:  
(212) 858-2103

By Registered or Certified Mail:  
IBJ Whitehall Bank & Trust Company  
P.O. Box 84  
Bowling Green Station  
New York, New York 10274-0084

Attention: Reorganization Operations Department

By Overnight Courier or By Hand:

IBJ Whitehall Bank & Trust Company  
One State Street  
New York, New York 10004

Attention: Securities Processing Window Subcellar One (SC-1)

Delivery of this instrument to an address other than as set forth above does not constitute a valid delivery.

**PLEASE READ THE ENTIRE LETTER OF TRANSMITTAL, INCLUDING  
THE INSTRUCTIONS TO THIS LETTER, CAREFULLY  
BEFORE CHECKING ANY BOX BELOW**

Capitalized terms used in this Letter and not defined herein shall have the respective meanings ascribed to them in the Prospectus.

List in Box 1 below the Original Notes of which you are the holder. If the space provided in Box 1 is inadequate, list the certificate numbers and principal amount at maturity of Original Notes on a separate signed schedule and affix that schedule to this Letter.

## BOX 1

### TO BE COMPLETED BY ALL TENDERING HOLDERS

Name(s) and Address(es) of Registered Holder(s) (Please fill in if blank)	Certificate Number(s) (1)	Principal Amount at Maturity of Original Notes	Principal Amount at Maturity of Original Notes Tendered(2)
-----	-----	-----	-----
-----	-----	-----	-----
-----	-----	-----	-----
Totals:			
-----			

(1) Need not be completed if Original Notes are being tendered by book-entry transfer.

(2) Unless otherwise indicated, the entire principal amount at maturity of Original Notes represented by a certificate or Book-Entry Confirmation delivered to the Exchange Agent will be deemed to have been tendered.

The undersigned acknowledges receipt of the Prospectus dated , 1999 (the "Prospectus") of Level 3 Communications, Inc., a Delaware corporation (the "Company"), and this Letter of Transmittal for 10 1/2% Senior Discount Notes Due 2008 which may be amended from time to time (this "Letter"), which together constitute the Company's offer (the "Exchange Offer") to exchange, for each \$1,000 in principal amount at maturity of its outstanding 10 1/2% Senior Discount Notes Due 2008 issued and sold in a transaction exempt from registration under the Securities Act of 1933, as amended (the "Original Notes"), \$1,000 in principal amount at maturity of 10 1/2% Senior Discount Notes Due 2008 (the "New Notes").

The undersigned has completed, executed and delivered this Letter to indicate the action he or she desires to take with respect to the Exchange Offer.

All holders of Original Notes who wish to tender their Original Notes must, prior to the Expiration Date: (1) complete, sign, date and mail or otherwise deliver this Letter to the Exchange Agent, in person or to the address set forth above; and (2) tender his or her Original Notes or, if a tender of Original Notes is to be made by book-entry transfer to the account maintained by the Exchange Agent at The Depository Trust Company (the "Book-Entry Transfer Facility"), confirm such book-entry transfer (a "Book-Entry Confirmation"), in each case in accordance with the procedures for tendering described in the Instructions to this Letter. Holders of Original Notes whose certificates are not immediately available, or who are unable to deliver their certificates or Book-Entry Confirmation and all other documents required by this Letter to be delivered to the Exchange Agent on or prior to the Expiration Date, must tender their Original Notes according to the guaranteed delivery procedures set forth under the caption "The Exchange Offer -- How to Tender" in the Prospectus. (See Instruction 1).

The Instructions included with this Letter must be followed in their entirety. Questions and requests for assistance or for additional copies of the Prospectus or this Letter may be directed to the Exchange Agent, at the address listed above, or the Company, 1450 Infinite Drive, Louisville, Colorado 80027, Attention: Vice President, Investor Relations (telephone (303) 926-3000).

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned tenders to the Company the principal amount at maturity of Original Notes indicated above. Subject to, and effective upon, the acceptance for exchange of the Original Notes tendered with this Letter, the undersigned exchanges, assigns and transfers to, or upon the order of, the Company all right, title and interest in and to the Original Notes tendered.

The undersigned constitutes and appoints the Exchange Agent as his or her agent and attorney-in-fact (with full knowledge that the Exchange Agent also acts as the agent of the Company) with respect to the tendered

Original Notes, with full power of substitution, to: (a) deliver certificates for such Original Notes; (b) deliver Original Notes and all accompanying evidence of transfer and authenticity to or upon the order of the Company upon receipt by the Exchange Agent, as the undersigned's agent, of the New Notes to which the undersigned is entitled upon the acceptance by the Company of the Original Notes tendered under the Exchange Offer; and (c) receive all benefits and otherwise exercise all rights of beneficial ownership of the Original Notes, all in accordance with the terms of the Exchange Offer. The power of attorney granted in this paragraph shall be deemed irrevocable and coupled with an interest.

The undersigned hereby represents and warrants that he or she has full power and authority to tender, exchange, assign and transfer the Original Notes tendered hereby and that the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim. The undersigned will, upon request, execute and deliver any additional documents deemed by the Company to be necessary or desirable to complete the assignment and transfer of the Original Notes tendered.

The undersigned agrees that acceptance of any tendered Original Notes by the Company and the issuance of New Notes in exchange therefor shall constitute performance in full by the Company of its obligations under the registration agreement, dated November 24, 1998, that the Company entered into with the initial purchasers of the Original Notes (the "Registration Agreement") and that, upon the issuance of the New Notes, the Company will have no further obligations or liabilities under the Registration Agreement (except in certain limited circumstances). By tendering Original Notes, the undersigned certifies

(a) that it is not an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act, that it is not a broker-dealer that owns Original Notes acquired directly from the Company or an affiliate of the Company, that it is acquiring the New Notes in the ordinary course of the undersigned's business and that the undersigned is not engaged in, and does not intend to engage in, a distribution of New Notes or (b) that it is an "affiliate" (as so defined) of the Company or of the initial purchasers in the offering of the Original Notes, and that it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable to it.

The undersigned acknowledges that, if it is a broker-dealer that will receive New Notes for its own account in exchange for Original Notes that were acquired as a result of market-making activities or other trading activities, it will deliver a prospectus in connection with any resale of such New Notes. By so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

The undersigned understands that the Company may accept the undersigned's tender by delivering written notice of acceptance to the Exchange Agent, at which time the undersigned's right to withdraw such tender will terminate.

All authority conferred or agreed to be conferred by this Letter shall survive the death or incapacity of the undersigned, and every obligation of the undersigned under this Letter shall be binding upon the undersigned's heirs, personal representatives, successors and assigns. Tenders may be withdrawn only in accordance with the procedures set forth in the Instructions contained in this Letter.

Unless otherwise indicated under "Special Delivery Instructions" below, the Exchange Agent will deliver New Notes (and, if applicable, a certificate for any Original Notes not tendered but represented by a certificate also encompassing Original Notes which are tendered) to the undersigned at the address set forth in Box 1.

The undersigned acknowledges that the Exchange Offer is subject to the more detailed terms set forth in the Prospectus and, in case of any conflict between the terms of the Prospectus and this Letter, the Prospectus shall prevail.

**[ ]CHECK HERE IF TENDERED ORIGINAL NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH THE BOOK- ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:**

Name of Tendering Institution: \_\_\_\_\_ Account Number: \_\_\_\_\_  
Transaction Code Number: \_\_\_\_\_  
\_\_\_\_\_

**[ ]CHECK HERE IF TENDERED ORIGINAL NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING:**

Name(s) of Registered Owner(s): \_\_\_\_\_ Date of Execution of Notice of Guaranteed Delivery: \_\_\_\_\_  
Window Ticket Number (if available): \_\_\_\_\_ Name of Institution which Guaranteed Delivery: \_\_\_\_\_

**[ ]CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.**

Name: \_\_\_\_\_ Address: \_\_\_\_\_  
\_\_\_\_\_

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

BOX 2

PLEASE SIGN HERE WHETHER OR NOT ORIGINAL NOTES ARE BEING  
PHYSICALLY TENDERED HEREBY

X	_____	_____
X	_____	_____
	Signature(s) of Owner(s)	Date
	or Authorized Signatory	

Area Code and Telephone Number: \_\_\_\_\_

This box must be signed by registered holder(s) of Original Notes as their name(s) appear(s) on certificate(s) for Original Notes, or by person (s) authorized to become registered holder(s) by endorsement and documents transmitted with this Letter. If signature is by a trustee, executor, administrator, guardian, officer or other person acting in a fiduciary or representative capacity, such person must set forth his or her full title below. (See Instruction 3)

Name(s) \_\_\_\_\_

---

(Please Print)

Capacity \_\_\_\_\_

Address \_\_\_\_\_

---

(Include Zip Code)

Signature(s) Guaranteed \_\_\_\_\_ by an Eligible Institution: (Authorized Signature)  
(If required by \_\_\_\_\_ Instruction 3)

(Title)  
(Name of Firm)



## TO BE COMPLETED BY ALL TENDERING HOLDERS

PAYOR'S NAME: IBJ Whitehall Bank &amp; Trust Company

**Part 1--PLEASE PROVIDE YOUR TIN  
IN THE BOX AT RIGHT AND  
CERTIFY BY SIGNING AND DATING  
BELOW.**

-----  
Social Security  
Number  
or Employer  
Identification Number  
-----

SUBSTITUTE  
Form W-9  
Department of the  
Treasury Internal  
Revenue Service  
  
Payor's Request  
for  
Taxpayer  
Identification  
Number (TIN)

Part 2--Check the box if you are NOT subject to back-up withholding because (1) you have not been notified by the Internal Revenue Service that you are subject to back-up withholding as a result of failure to report all interest ☐ or dividends, or (2) the Internal Revenue Service has notified you that you are no longer subject to back-up withholding, or (3) you are exempt from back-up withholding.

-----  
CERTIFICATION--UNDER THE PENALTIES OF  
PERJURY, I CERTIFY THAT THE INFORMATION  
PROVIDED ON THIS FORM IS TRUE, CORRECT  
AND COMPLETE.

Part 3  
Check if  
Awaiting TIN

SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ ☐

## BOX 4

## SPECIAL ISSUANCE INSTRUCTIONS

(See Instructions 3 and 4)

(See Instructions 3 and 4)

To be completed ONLY if certificates for Original Notes in a principal amount at maturity not exchanged, or New Notes, are to be issued in the name of someone other than the person whose signature appears in Box 2, or if Original Notes delivered by book-entry transfer which are not accepted for exchange are to be returned by credit to an account maintained at the Book-Entry Transfer Facility other than the account indicated above.

Issue and deliver:

(check appropriate boxes)

☐ Original Notes not  
tendered

☐ New Notes, to:

Name \_\_\_\_\_  
(Please Print)

## BOX 5

## SPECIAL DELIVERY INSTRUCTIONS

(See Instructions 3 and 4)

(See Instructions 3 and 4)

To be completed ONLY if certificates for Original Notes in a principal amount at maturity not exchanged, or New Notes, are to be sent to someone other than the person whose signature appears in Box 2 or to an address other than that shown in Box 1.

Deliver:

(check appropriate boxes)

☐ Original Notes not  
tendered

☐ New Notes, to:

Name \_\_\_\_\_  
(Please Print)

Address \_\_\_\_\_  
\_\_\_\_\_

Address \_\_\_\_\_

Please complete the Substitute  
Form W-9 at Box 3

Tax I.D. or Social Security

Number: \_\_\_\_\_

## INSTRUCTIONS

### FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER

1. Delivery of this Letter and Certificates. Certificates for Original Notes or a Book-Entry Confirmation, as the case may be, as well as a properly completed and duly executed copy of this Letter and any other documents required by this Letter, must be received by the Exchange Agent at one of its addresses set forth herein on or before the Expiration Date. The method of delivery of this Letter, certificates for Original Notes or a Book-Entry Confirmation, as the case may be, and any other required documents is at the election and risk of the tendering holder, but except as otherwise provided below, the delivery will be deemed made when actually received by the Exchange Agent. If delivery is by mail, the use of registered mail with return receipt requested, properly insured, is suggested.

Holders whose Original Notes are not immediately available or who cannot deliver their Original Notes or a Book-Entry Confirmation, as the case may be, and all other required documents to the Exchange Agent on or before the Expiration Date may tender their Original Notes pursuant to the guaranteed delivery procedures set forth in the Prospectus. Pursuant to such procedure:

(i) tender must be made by or through a firm that is a member of a recognized signature guarantee medallion program within the meaning of Rule 17A(d)-15 under the Securities Exchange Act of 1934 (an "Eligible Institution"); (ii) prior to the Expiration Date, the Exchange Agent must have received from the Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery (by telegram, telex, facsimile transmission, mail or hand delivery) (x) setting forth the name and address of the holder, the description of the Original Notes and the principal amount at maturity of Original Notes tendered, (y) stating that the tender is being made thereby and (z) guaranteeing that, within three New York Stock Exchange trading days after the date of execution of such Notice of Guaranteed Delivery, this Letter together with the certificates representing the Original Notes or a Book-Entry Confirmation, as the case may be, and any other documents required by this Letter will be deposited by the Eligible Institution with the Exchange Agent; and (iii) the certificates for all tendered Original Notes or a Book-Entry Confirmation, as the case may be, as well as all other documents required by this Letter, must be received by the Exchange Agent within three New York Stock Exchange trading days after the date of execution of such Notice of Guaranteed Delivery, all as provided in the Prospectus under the caption "The Exchange Offer--How to Tender."

All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of tendered Original Notes will be determined by the Company, whose determination will be final and binding. The Company reserves the absolute right to reject any or all tenders that are not in proper form or the acceptance of which, in the opinion of the Company's counsel, would be unlawful. The Company also reserves the right to waive any irregularities or conditions of tender as to particular Original Notes. All tendering holders, by execution of this Letter, waive any right to receive notice of acceptance of their Original Notes.

Neither the Company, the Exchange Agent nor any other person shall be obligated to give notice of defects or irregularities in any tender, nor shall any of them incur any liability for failure to give any such notice.

2. Partial Tenders; Withdrawals. If less than the entire principal amount at maturity of any Original Note evidenced by a submitted certificate or by a Book-Entry Confirmation is tendered, the tendering holder must fill in the principal amount at maturity tendered in the fourth column of Box 1 above. All of the Original Notes represented by a certificate or by a Book-Entry Confirmation delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated. A certificate for Original Notes not tendered will be sent to the holder, unless otherwise provided in Box 5, as soon as practicable after the Expiration Date, in the event that less than the entire principal amount at maturity of Original Notes represented by a submitted certificate is tendered (or, in the case of Original Notes tendered by book-entry transfer, such non-exchanged Original Notes will be credited to an account maintained by the holder with the Book-Entry Transfer Facility).

If not yet accepted, a tender pursuant to the Exchange Offer may be withdrawn prior to the Expiration Date. To be effective with respect to the tender of Original Notes, a notice of withdrawal must: (i) be received by the Exchange Agent before the Company notifies the Exchange Agent that it has accepted the tender of Original Notes pursuant to the Exchange Offer; (ii) specify the name of the person who tendered the Original Notes;

(iii) contain a description of the Original Notes to be withdrawn, the certificate numbers shown on the particular Exchange Agent before the Company notifies the Exchange Agent that it has accepted the tender of Original Notes pursuant to the Exchange Offer; (ii) specify the name of the person who tendered the Original Notes; (iii) contain a description of the Original Notes to be withdrawn, the certificate numbers shown on the particular certificates evidencing such Original Notes and the principal amount at maturity of Original Notes represented by such certificates; and (iv) be signed by the holder in the same manner as the original signature on this Letter (including any required signature guarantee).

3. Signatures on this Letter; Assignments; Guarantee of Signatures. If this Letter is signed by the holder(s) of Original Notes tendered hereby, the signature must correspond with the name(s) as written on the face of the certificate(s) for such Original Notes, without alteration, enlargement or any change whatsoever.

If any of the Original Notes tendered hereby are owned by two or more joint owners, all owners must sign this Letter. If any tendered Original Notes are held in different names on several certificates, it will be necessary to complete, sign and submit as many separate copies of this Letter as there are names in which certificates are held.

If this Letter is signed by the holder of record and (i) the entire principal amount at maturity of the holder's Original Notes are tendered; and/or (ii) untendered Original Notes, if any, are to be issued to the holder of record, then the holder of record need not endorse any certificates for tendered Original Notes, nor provide a separate bond power. If any other case, the holder of record must transmit a separate bond power with this Letter.

If this Letter or any certificate or assignment is signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing and proper evidence satisfactory to the Company of their authority to so act must be submitted, unless waived by the Company.

Signatures on this Letter must be guaranteed by an Eligible Institution, unless Original Notes are tendered: (i) by a holder who has not completed the Box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on this Letter; or (ii) for the account of an Eligible Institution. In the event that the signatures in this Letter or a notice of withdrawal, as the case may be, are required to be guaranteed, such guarantees must be by an eligible guarantor institution which is a member of The Securities Transfer Agents Medallion Program (STAMP), The New York Stock Exchanges Medallion Signature Program (MSP) or The Stock Exchanges Medallion Program (SEMP) (collectively, "Eligible Institutions"). If Original Notes are registered in the name of a person other than the signer of this Letter, the Original Notes surrendered for exchange must be endorsed by, or be accompanied by a written instrument or instruments of transfer or exchange, in satisfactory form as determined by the Company, in its sole discretion, duly executed by the registered holder with the signature thereon guaranteed by an Eligible Institution.

4. Special Issuance and Delivery Instructions. Tendering holders should indicate, in Box 4 or 5, as applicable, the name and address to which the New Notes or certificates for Original Notes not exchanged are to be issued or sent, if different from the name and address of the person signing this Letter. In the case of issuance in a different name, the tax identification number of the person named must also be indicated. Holders tendering Original Notes by book-entry transfer may request that Original Notes not exchanged be credited to such account maintained at the Book-Entry Transfer Facility as such holder may designate.

5. **Tax Identification Number.** Federal income tax law requires that a holder whose tendered Original Notes are accepted for exchange must provide the Exchange Agent (as payor) with his or her correct taxpayer identification number ("TIN"), which, in the case of a holder who is an individual, is his or her social security number. If the Exchange Agent is not provided with the correct TIN, the holder may be subject to a \$50 penalty imposed by the Internal Revenue Service. In addition, delivery to the holder of the New Notes pursuant to the Exchange Offer may be subject to back-up withholding. (If withholding results in overpayment of taxes, a refund or credit may be obtained.) Exempt holders (including, among others, all corporations and certain foreign individuals) are not subject to these back-up withholding and reporting requirements. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions.

Under federal income tax laws, payments that may be made by the Company on account of New Notes issued pursuant to the Exchange Offer may be subject to back-up withholding at a rate of 31%. In order to avoid being subject to back-up withholding, each tendering holder must provide his or her correct TIN by completing the "Substitute Form W-9" referred to above, certifying that the TIN provided is correct (or that the holder is awaiting a TIN) and that: (i) the holder has not been notified by the Internal Revenue Service that he or she is subject to back-up withholding as a result of failure to report all interest or dividends; or (ii) the Internal Revenue Service has notified the holder that he or she is no longer subject to back-up withholding; or (iii) certify in accordance with the Guidelines that such holder is exempt from back-up withholding. If the Original Notes are in more than one name or are not in the name of the actual owner, consult the enclosed Guidelines for information on which TIN to report.

6. **Transfer Taxes.** The Company will pay all transfer taxes, if any, applicable to the transfer of Original Notes to it or its order pursuant to the Exchange Offer. If, however, the New Notes or certificates for Original Notes not exchanged are to be delivered to, or are to be issued in the name of, any person other than the record holder, or if tendered certificates are recorded in the name of any person other than the person signing this Letter, or if a transfer tax is imposed by any reason other than the transfer of Original Notes to the Company or its order pursuant to the Exchange Offer, then the amount of such transfer taxes (whether imposed on the record holder or any other person) will be payable by the tendering holder. If satisfactory evidence of payment of taxes or exemption from taxes is not submitted with this Letter, the amount of transfer taxes will be billed directly to the tendering holder.

Except as provided in this Instruction 6, it will not be necessary for transfer tax stamps to be affixed to the certificates listed in this Letter.

7. **Waiver of Conditions.** The Company reserves the absolute right to amend or waive any of the specified conditions in the Exchange Offer in the case of any Original Notes tendered.

8. **Mutilated, Lost, Stolen or Destroyed Certificates.** Any holder whose certificates for Original Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above, for further instructions.

9. **Requests for Assistance or Additional Copies.** Questions relating to the procedure for tendering, as well as requests for additional copies of the Prospectus or this Letter, may be directed to the Exchange Agent.

**IMPORTANT:** This Letter (together with certificates representing tendered Original Notes or a Book-Entry Confirmation and all other required documents) must be received by the Exchange Agent on or before the expiration date of the Exchange Offer (as described in the Prospectus).

**EXHIBIT 99.2**  
**LEVEL 3 COMMUNICATIONS, INC.**

Exchange Offer  
to holders of its  
10 1/2% Senior Discount Notes Due 2008

**NOTICE OF GUARANTEED DELIVERY**

As set forth in the Prospectus dated , 1999 (the "Prospectus") of Level 3 Communications, Inc. (the "Company") under "The Exchange Offer--How to Tender" and in the Letter of Transmittal (the "Letter of Transmittal") relating to the offer (the "Exchange Offer") by the Company to exchange up to \$833,815,000 in principal amount at maturity of its 10 1/2% Senior Discount Notes Due 2008 (the "New Notes") for \$833,815,000 in principal amount at maturity of its 10 1/2% Senior Discount Notes Due 2008, issued and sold in a transaction exempt from registration under the Securities Act of 1933, as amended (the "Original Notes"), this form or one substantially equivalent hereto must be used to accept the Exchange Offer of the Company if: (i) certificates for the Original Notes are not immediately available; or (ii) time will not permit all required documents to reach the Exchange Agent (as defined below) on or prior to the expiration date of the Exchange Offer (as described in the Prospectus). Such form may be delivered by hand or transmitted by telegram, telex, facsimile transmission or letter to the Exchange Agent.

TO: IBJ Whitehall Bank & Trust Company formerly known as IBJ Schroder Bank & Trust Company (the "Exchange Agent")

By Facsimile:

(212) 858-2611

Confirm by telephone:  
(212) 858-2103

By Registered or Certified Mail:  
IBJ Whitehall Bank & Trust Company  
P.O. Box 84  
Bowling Green Station  
New York, New York 10274-0084

Attention: Reorganization Operations Department

By Overnight Courier or By Hand:

IBJ Whitehall Bank & Trust Company  
One State Street  
New York, New York 10004

Attention: Securities Processing Window Subcellar One (SC-1)

Delivery of this instrument to an address other than as set forth above or transmittal of this instrument to a facsimile or telex number other than as set forth above does not constitute a valid delivery.

Ladies and Gentlemen:

The undersigned hereby tenders to the Company, upon the terms and conditions set forth in the Prospectus and the Letter of Transmittal (which together constitute the "Exchange Offer"), receipt of which are hereby acknowledged, the principal amount at maturity of Original Notes set forth below pursuant to the guaranteed delivery procedure described in the Prospectus and the Letter of Transmittal.

	Sign Here
Principal Amount at Maturity of Original Notes	Signature(s) _____ _____
Tendered _____	
Certificate Nos.	Please Print the Following Information
(if available) _____	Name(s) _____ _____
Total Principal Amount at Maturity Represented by Original Notes	Address _____ _____
Certificate(s) _____	
Account Number _____	Area Code and Tel. No(s). _____ -----
Dated: _____, 1999	

## GUARANTEE

The undersigned, a member of a recognized signature guarantee medallion program within the meaning of Rule 17A(d)-15 under the Securities Exchange Act of 1934, as amended, hereby guarantees that delivery to the Exchange Agent of certificates tendered hereby, in proper form for transfer, or delivery of such certificates pursuant to the procedure for book-entry transfer, in either case with delivery of a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and any other required documents, is being made within three trading days after the date of execution of a Notice of Guaranteed Delivery of the above-named person.

Name of Firm \_\_\_\_\_ Authorized Signature \_\_\_\_\_ Number and Street or P.O. Box

City State Zip Code \_\_\_\_\_ Area Code and Tel. No. \_\_\_\_\_

Dated: , 1999



## EXHIBIT 99.3

### LEVEL 3 COMMUNICATIONS, INC.

#### Offer to Exchange

Up to \$833,815,000 in principal amount at maturity of 10 1/2% Senior Discount Notes Due 2008 for \$833,815,000 in principal amount at maturity of 10 1/2% Senior Discount Notes Due 2008 issued and sold in a transaction exempt from registration under the Securities Act of 1933, as amended

#### To Our Clients:

Enclosed for your consideration is a Prospectus dated , 1999 (as the same may be amended or supplemented from time to time, the "Prospectus") and a form of Letter of Transmittal (the "Letter of Transmittal") relating to the offer (the "Exchange Offer") by Level 3 Communications, Inc. (the "Company") to exchange up to \$833,815,000 in principal amount at maturity of its 10 1/2% Senior Discount Notes Due 2008 (the "New Notes") for \$833,815,000 in principal amount at maturity of its 10 1/2% Senior Discount Notes Due 2008, issued and sold in a transaction exempt from registration under the Securities Act of 1933, as amended (the "Original Notes").

The material is being forwarded to you as the beneficial owner of Original Notes carried by us for your account or benefit but not registered in your name. A tender of any Original Notes may be made only by us as the registered holder and pursuant to your instructions. Therefore, the Company urges beneficial owners of Original Notes registered in the name of a broker, dealer, commercial bank, trust company or other nominee to contact such registered holder promptly if they wish to tender Original Notes in the Exchange Offer.

Accordingly, we request instructions as to whether you wish us to tender any or all Original Notes, pursuant to the terms and conditions set forth in the Prospectus and Letter of Transmittal. We urge you to read carefully the Prospectus and Letter of Transmittal before instructing us to tender your Original Notes.

Your instructions to us should be forwarded as promptly as possible in order to permit us to tender Original Notes on your behalf in accordance with the provisions of the Exchange Offer. The Exchange Offer will expire at 5:00 p.m., Eastern Standard Time, on , , 1999, unless extended (the "Expiration Date"). Original Notes tendered pursuant to the Exchange Offer may be withdrawn, subject to the procedures described in the Prospectus, at any time prior to the Expiration Date.

If you wish to have us tender any or all of your Original Notes held by us for your account or benefit, please so instruct us by completing, executing and returning to us the instruction form that appears below. The accompanying Letter of Transmittal is furnished to you for informational purposes only and may not be used by you to tender Original Notes held by us and registered in our name for your account or benefit.

## INSTRUCTIONS

The undersigned acknowledge(s) receipt of your letter and the enclosed material referred to therein relating to the Exchange Offer of Level 3 Communications, Inc.

This will instruct you to tender the principal amount at maturity of Original Notes indicated below held by you for the account or benefit of the undersigned, pursuant to the terms of and conditions set forth in the Prospectus and the Letter of Transmittal.

Box 1 ☐ Please tender my Original Notes held by you for my account or benefit. I have identified on a signed schedule attached hereto the principal amount at maturity of Original Notes to be tendered if I wish to tender less than all of my Original Notes.

Box 2 ☐ Please do not tender any Original Notes held by you for my account or benefit.

Date: \_\_\_\_\_, 1999

\_\_\_\_\_

\_\_\_\_\_  
Signature(s)

\_\_\_\_\_

Please print name(s) here  
\_\_\_\_\_

Unless a specific contrary instruction is given in a signed Schedule attached hereto, your signature(s) hereon shall constitute an instruction to us to tender all of your Original Notes.

## EXHIBIT 99.4

### LEVEL 3 COMMUNICATIONS, INC.

#### Offer to Exchange

Up to \$833,815,000 in principal amount at maturity of 10 1/2% Senior Discount Notes Due 2008 for \$833,815,000 in principal amount at maturity of 10 1/2% Senior Discount Notes Due 2008 issued and sold in a transaction exempt from registration under the Securities Act of 1933, as amended

To Securities Dealers, Commercial Banks, Trust Companies and Other Nominees:

Enclosed for your consideration is a Prospectus dated , 1999 (as the same may be amended or supplemented from time to time, the "Prospectus") and a form of Letter of Transmittal (the "Letter of Transmittal") relating to the offer (the "Exchange Offer") by Level 3 Communications, Inc. (the "Company") to exchange up to \$833,815,000 in principal amount at maturity of its 10 1/2% Senior Discount Notes Due 2008 (the "New Notes") for \$833,815,000 in principal amount at maturity of its 10 1/2% Senior Discount Notes Due 2008, issued and sold in a transaction exempt from registration under the Securities Act of 1933, as amended (the "Original Notes").

We are asking you to contact your clients for whom you hold Original Notes registered in your name or in the name of your nominee. In addition, we ask you to contact your clients who, to your knowledge, hold Original Notes registered in their own name. The Company will not pay any fees or commissions to any broker, dealer or other person in connection with the solicitation of tenders pursuant to the Exchange Offer. You will, however, be reimbursed by the Company for customary mailing and handling expenses incurred by you in forwarding any of the enclosed materials to your clients. The Company will pay all transfer taxes, if any, applicable to the tender of Original Notes to it or its order, except as otherwise provided in the Prospectus and the Letter of Transmittal.

Enclosed are copies of the following documents:

1. The Prospectus;
2. A Letter of Transmittal for your use in connection with the tender of Original Notes and for the information of your clients;
3. A form of letter that may be sent to your clients for whose accounts you hold Original Notes registered in your name or the name of your nominee, with space provided for obtaining the clients' instructions with regard to the Exchange Offer;
4. A form of Notice of Guaranteed Delivery; and
5. Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

Your prompt action is requested. The Exchange Offer will expire at 5:00 p.m., Eastern Standard Time, on , , 1999, unless extended (the "Expiration Date"). Original Notes tendered pursuant to the Exchange Offer may be withdrawn, subject to the procedures described in the Prospectus, at any time prior to the Expiration Date.

To tender Original Notes, certificates for Original Notes or a Book-Entry Confirmation, a duly executed and properly completed Letter of Transmittal or a facsimile thereof, and any other required documents, must be received by the Exchange Agent as provided in the Prospectus and the Letter of Transmittal.

Additional copies of the enclosed material may be obtained from IBJ Whitehall Bank & Trust Company (formerly known as IBJ Schroder Bank & Trust Company), the Exchange Agent, by calling (212) 858-2103.

NOTHING HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY PERSON AS AN AGENT OF THE COMPANY OR THE EXCHANGE AGENT, OR AUTHORIZE YOU OR ANY OTHER PERSON TO MAKE ANY STATEMENTS ON BEHALF OF EITHER OF THEM WITH RESPECT TO THE EXCHANGE OFFER, EXCEPT FOR STATEMENTS EXPRESSLY MADE IN THE

PROSPECTUS AND THE LETTER OF TRANSMITTAL.

---

**End of Filing**

Powered By **EDGAR**  
Online

© 2005 | EDGAR Online, Inc.