

LEVEL 3 COMMUNICATIONS INC

FORM 8-K

(Current report filing)

Filed 10/10/01 for the Period Ending 10/09/01

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 8-K

(Unscheduled Material Events)

Filed 10/10/2001 For Period Ending 10/9/2001

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

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): October 9, 2001

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.)

1025 Eldorado Blvd., Broomfield, Colorado
(Address of principal executive offices)

80021
(Zip code)

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

Not applicable
(Former name and former address, if changed since last report)

Item 5. Other Events

On October 9, 2001, Level 3 Communications, Inc. ("Level 3") announced that Level 3 Finance, LLC ("Level 3 Finance"), its first tier, wholly owned subsidiary, had amended certain terms of the "Modified Dutch Auction" tender offers for a portion of Level 3's debt and convertible debt securities, which were commenced on September 10, 2001, as amended on September 25, 2001. Level 3 Finance has further amended its tender offers to provide that it is now offering to purchase these debt and convertible debt securities for cash, at prices determined by a "Modified Dutch Auction" procedure as set forth in the press release described below. Level 3 Finance has extended the expiration date of the tender offer for each series of notes until 11:59 p.m., New York City time, on October 22, 2001, unless that offer is further extended.

On October 9, 2001, Level 3 issued a press release relating to the amendment of the tender offers. This press release, which summarizes the terms and conditions of each tender offer, is filed as Exhibit 99.1 to this Current Report and incorporated by reference as if set forth in full.

Item 7. Financial Statements and Exhibits

(a) Financial Statements of business acquired

None

(b) Pro forma financial information

None

(c) Exhibits

99.1 October 9, 2001 Press Release relating to the tender offers.

Item 9. Regulation FD Disclosure

On October 9, 2001, Level 3 Communications, Inc. ("Level 3") posted to its web site at www.Level3.com the following Questions and Answers relating to the tender offers commenced by Level 3 Finance, LLC. The furnishing of this information shall not be deemed an admission as to the materiality of the information included in this Current Report. This information is not filed but is furnished pursuant to Regulation FD.

Q: What action did Level 3 Communications announce on September 10, 2001?

A: Level 3 Communications announced, in accordance with applicable securities regulations, that its subsidiary, Level 3 Finance, LLC, is offering to purchase a portion of Level 3 Communications' outstanding senior notes and convertible subordinated notes utilizing a "modified Dutch auction" process.

Q: What is Level 3 Finance, LLC?

A: Level 3 Finance, LLC is a wholly owned subsidiary of Level 3 Communications, Inc. that has offered to purchase a portion of Level 3 Communications' outstanding senior notes and convertible subordinated notes utilizing a "modified Dutch auction" process.

Q: How does a "modified Dutch auction" process work?

A: During the tender period, which started on Monday, September 10, 2001, and is expected to end on Monday, October 22, 2001, noteholders have the ability to offer to sell to Level 3 Finance all or a portion of their notes within the price range specified by Level 3 Finance. At the expiration of the tender offers, Level 3 Finance will accept tenders as follows:

- 1) Level 3 Finance will accept tenders of notes starting at the lowest prices within a specified pricing range for each series of notes and will continue to accept tenders in order of increasing offer price until Level 3 Finance has purchased up to the specified maximum face value amount per series of notes.
- 2) Level 3 Finance will then pay to all noteholders whose tenders are accepted the highest price specified for a series of notes that is accepted for purchase by Level 3 Finance (the "Purchase Price") even if that price is higher than the price indicated by the noteholder.
- 3) If the aggregate principal amount of notes other than the 2009 Convertible Notes and 2010 Convertible Notes tendered at the highest Purchase Price exceeds the maximum face value amount of notes that is specified by Level 3 Finance at the Purchase Price, all securities tendered at prices below the applicable Purchase will be accepted, and acceptances of tenders at the Price will be allocated among tendering noteholders of the series of notes on a pro rata basis according to the amount tendered.

If the aggregate principal amount of 2009 Convertible Notes and 2010 Convertible Notes tendered at the highest Purchase Price exceeds the maximum face value amount of notes that is specified by Level 3 Finance at the Purchase Price, Level 3 Finance will accept all securities tendered at or below the applicable Purchase Price on a pro rata basis from among such tendered 2009 Convertible Notes and 2010 Convertible Notes as the case may be.

Q: How much cash will Level 3 Finance spend in the tender offers?

A: Level 3 Finance will spend anywhere between \$0 and approximately \$1.049 billion in cash, excluding accrued interest. The actual amount spent will depend on the amount of notes Level 3 Finance agrees to purchase in the tender offers. Level 3 Finance has the option to revise the tender offers, which may increase or decrease the range of possible amounts expended. Since the completion of the tender offers is subject to the satisfaction of certain customary conditions, Level 3 Finance will be obligated to spend this cash only if those conditions are satisfied.

Q: Is there a minimum amount of debt Level 3 Finance is obligated to purchase regardless of price?

A: No. If there are no offers within the pricing ranges specified, Level 3 Finance is not obligated to purchase any notes.

Q: In order for Level 3 Finance to complete one tender offer for a particular series of notes, does any other tender offer have to be as well?

A: No, each series of notes is treated separately and therefore is not dependent on the successful tender of any other series.

Q: Why is Level 3 Finance offering to purchase Level 3 Communications' outstanding senior notes and convertible subordinated notes?

A: Given the current trading levels of the debt securities, which represent significant discounts to face value, Level 3 Communications believes purchasing debt securities at prices specified in the tender offer is a prudent use of cash.

Q: What is the maximum amount of debt Level 3 Finance is offering to purchase?

A: Assuming a sufficient amount of notes are offered within the price range specified in the Offer to Purchase document, Level 3 Finance will purchase up to an aggregate of \$2.86 billion face amount of debt at maturity.

Q: If Level 3 Finance purchases debt in accordance with the terms of the tender offers, is Level 3 Communications' business plan fully funded?

A: Level 3 Communications believes that, given the expected cash flow effects of its previously disclosed initiatives and the proposed tender offers announced by Level 3 Finance, Level 3 Communications' business plan remains prefunded to free cash flow breakeven.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Level 3 Communications, Inc.

October 9, 2001
Date

By: /s/ Neil J. Eckstein
Neil J. Eckstein, Vice President

[Logo]
Level 3 Communications, Inc. 1025 Eldorado Blvd.

Broomfield, CO 80021
www.Level3.com

NEWS RELEASE

FOR IMMEDIATE RELEASE

Level 3 Contacts:

Media:	Josh Howell 720/888-2517	Investors:	Robin Grey 720/888-2518
	Paul Lonnegren 720/888-6099		

Level 3 Communications Announces Amendments to "Modified Dutch Auction" Tender Offers for a Portion of its Debt Securities

Tender Offers Increased to Maximum of \$2.86 Billion Aggregate Face Amount of Debt at Maturity

BROOMFIELD, Colo., October 9, 2001 - Level 3 Communications, Inc. (Nasdaq:LVT) today announced that Level 3 Finance, LLC ("Level 3 Finance"), its first tier, wholly owned subsidiary, has amended the "Modified Dutch Auction" tender offers for a portion of Level 3 Communications, Inc.'s ("Level 3") senior debt and convertible debt securities, which were commenced on September 10, 2001.

Level 3 Finance has amended its tender offers to provide that it is now offering to purchase for cash, at prices determined by a "Modified Dutch Auction" procedure within the amended purchase price ranges set forth in the table below, the following amended principal amount or principal amount at maturity of Level 3's 9 1/8% Senior Notes due 2008, 10 1/2% Senior Discount Notes due 2008, 10 3/4% Senior Notes due 2008, 11 1/4% Senior Notes due 2010, 11% Senior Notes due 2008, 11 1/4% Senior Notes due 2010, 12 7/8% Senior Discount Notes due 2010, 6% Convertible Subordinated Notes due 2009 and 6% Convertible Subordinated Notes due 2010.

A separate offer is being made with respect to each series of Notes.

Series of Notes	Maximum Principal Amount or Principal Amount at Maturity Sought	Maximum Amount Sought as Percentage of Outstanding as of 08/31/01	Purchase Price Range per \$1,000 (or Euro1,000) Principal Amount
9 1/8% Notes	up to \$725 million	36%	\$350 to \$450
10 1/2% Discount Notes*	up to \$125 million	15%	\$210 to \$250
10 3/4% Euro Notes	up to Euro300 million	60%	Euro370 to Euro440
11 1/4% Euro Notes	up to Euro200 million	67%	Euro370 to Euro440
11% Notes	up to \$450 million	56%	\$380 to \$480
11 1/4% Notes	up to \$150 million	60%	\$370 to \$460
12 7/8% Discount Notes*	up to \$100 million	15%	\$150 to \$180
2009 Convertible Notes	up to \$525 million	76%	\$190 to \$220
2010 Convertible Notes	up to \$325 million	39%	\$190 to \$220
* Principal amount at maturity			

The funds required for Level 3 Finance to consummate the tender offers have been contributed to Level 3 Finance by Level 3 from its available cash.

The purchase price ranges listed above are per \$1,000 (or Euro1,000 in the case of the Euro Notes) principal amount or principal amount at maturity in the case of the Discount Notes. The revised maximum aggregate principal amount (or principal amount at maturity, as applicable) listed above for a series of Notes is referred to as the "Offer Amount" for that series.

Under the "Modified Dutch Auction" procedure, Level 3 Finance will accept tendered Notes in each offer in the order of the lowest to the highest tender prices specified by tendering holders within the applicable revised price range for the applicable series of Notes, and will select the single lowest price so specified (with respect to such series, the "Purchase Price") that will enable Level 3 Finance to purchase the Offer Amount for that series (or, if less than the Offer Amount for that series are tendered, all Notes of that series so tendered). Level 3 Finance will pay the same Purchase Price for all Notes of a given series that are tendered at or below the Purchase Price for that series, upon the terms and subject to the conditions of the applicable offer, including the proration terms for that offer.

Level 3 has extended the expiration date of the tender offer for each series of Notes until 11:59 p.m., New York City time, on October 22, 2001, unless that offer is further extended. Tendered Notes may be withdrawn at any time prior to the applicable expiration date. As of the close of business on October 8, 2001, the following principal amounts (or principal amounts at maturity, as applicable) of Notes have been validly tendered:

Series of Notes	Principal Amount or Principal Amount at Maturity Validly Tendered
9 1/8% Notes	\$241,115,000
10 1/2% Discount Notes*	\$273,236,000
10 3/4% Euro Notes	Euro21,430,000
11 1/4% Euro Notes	Euro2,112,000
11% Notes	\$141,634,000
11 1/4% Notes	\$50,592,000
12 7/8% Discount Notes*	\$109,803,000
2009 Convertible Notes	\$85,485,000
2010 Convertible Notes	\$58,739,000
* Principal amount at maturity	

In the event that the amount of any series of Notes, other than the 2009 Convertible Notes and the 2010 Convertible Notes, tendered on or prior to the expiration date for that offer at or below the applicable Purchase Price exceeds the Offer Amount for that series then, subject to the terms and conditions of the applicable offer, Level 3 Finance will accept for payment such Notes of that series as follows. First, Level 3 Finance will accept for payment all Notes of that series that are tendered at prices below the applicable Purchase Price. Next, Level 3 Finance will accept for payment such Notes of that series that are tendered at the applicable Purchase Price on a pro rata basis from among the tendered Notes of that series.

In the event that the amount of either series of Convertible Notes validly tendered (and not withdrawn) prior to the applicable expiration date at or below the applicable Purchase Price exceeds the Offer Amount for that series of Convertible Notes then, under and subject to the amended terms and conditions of the applicable Convertible Note offer, Purchaser will accept for payment such Convertible Notes of that series that are validly tendered (and not withdrawn) at or below the applicable Purchase Price on a pro rata basis from among such tendered Convertible Notes of that series.

The terms and conditions of each offer are set forth in Level 3 Finance's Offer to Purchase, dated September 10, 2001, as supplemented on September 25, 2001 and as further supplemented on October 9, 2001. Subject to applicable law, Level 3 Finance may, in its sole discretion, waive any condition applicable to any tender offer or extend or terminate or otherwise amend any offer.

No offer is conditioned on the consummation of any other offer, and no offer has as a condition that a minimum principal amount (or principal amount at maturity, as applicable) of Notes be tendered in that offer. The consummation of the tender offer for each series of Notes remains subject to certain conditions, which are described in the Offer to Purchase.

This announcement is not an offer to purchase, a solicitation of an offer to purchase, or a solicitation of an offer to sell securities, with respect to any series of Notes. The tender

offers may only be made pursuant to the terms of the Offer to Purchase and the accompanying Letter of Transmittal, in each case as supplemented.

Salomon Smith Barney and J.P. Morgan Securities Inc. are acting as dealer managers and Mellon Investor Services LLC is both the information agent and the depositary in connection with the tender offers. Copies of the Offer to Purchase, Letter of Transmittal and related documents may be obtained from the information agent at Mellon Investor Services LLC, 44 Wall Street, 7th Floor, New York, New York 10005, at (917) 320-6286 (banks and brokers) or (888) 788-1979 (toll free). Additional information concerning the terms of the tender offers, including all questions relating to the mechanics of the offers, may be obtained by contacting Salomon Smith Barney at (800) 558-3745 (toll-free) or (212) 723-6106 (call collect) or J.P. Morgan Securities Inc. at (800) 245-8812 (toll-free) or (212) 270-1100 (call collect).

About Level 3 Communications

Level 3 Communications, Inc. (Nasdaq:LVT) is a global communications and information services company offering a wide selection of services including IP services, broadband transport, colocation services and the industry's first Softswitch based services. Its Web address is www.Level3.com.

Forward Looking Statement

Some of the statements made by Level 3 and Level 3 Finance, LLC in this press release are forward-looking in nature. Actual results may differ materially from those projected in forward-looking statements. Level 3 believes that its primary risk factors include, but are not limited to: substantial capital requirements; development of effective internal processes and systems; the ability to attract and retain high quality employees; changes in the overall economy; technology; the number and size of competitors in its markets; law and regulatory policy; and the mix of products and services offered in the company's target markets. Additional information concerning these and other important factors can be found within Level 3's filings with the Securities and Exchange Commission. Statements in this release should be evaluated in light of these important factors.

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End of Filing

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