

LEVEL 3 COMMUNICATIONS INC

FORM 8-K (Current report filing)

Filed 07/09/02 for the Period Ending 07/05/02

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 7/9/2002 For Period Ending 7/5/2002

Address	1025 ELDORADO BOULEVARD BLDG 2000 BROOMFIELD, Colorado 80021
Telephone	720-888-1000
CIK	0000794323
Industry	Communications Services
Sector	Services
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): July 5, 2002

LEVEL 3 COMMUNICATIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware

000-15658

47-0210602

(State or other
jurisdiction of
incorporation)

(Commission File
Number)

(IRS Employer
Identification No.)

1025 Eldorado Blvd., Broomfield, Colorado

80021

(Address of principal executive offices)

(Zip Code)

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

Not Applicable

(Former name or former address, if changed from last report)

Item 5. Other Events

On July 5, 2002, Level 3 Communications, Inc. (the "Company") entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain institutional investors (the "Investors") in connection with the offering and sale of \$500,000,000 aggregate principal amount of its 9% Junior Convertible Subordinated Notes due 2012 (the "Notes"). The Notes are convertible into shares of common stock at the option of the holder and, under certain circumstances, are convertible at the option of the Company into shares of its Series B Preferred Stock. On July 8, 2002, the sale of the Notes was consummated. A copy of the Purchase Agreement is attached hereto as Exhibit 1.1 and is incorporated herein by reference. The Notes are being issued pursuant to an Indenture, dated as of September 20, 1999 (a form of which was filed as an exhibit to the Company's Registration Statement on Form S-3 (File No. 333-68887)), and a Third Supplemental Indenture, dated as of July 8, 2002 (the "Third Supplemental Indenture"). A copy of the Third Supplemental Indenture is attached hereto as Exhibit 1.2 and is incorporated herein by reference. The preferred stock issuable under certain circumstances upon conversion of the Notes will be governed by the Certificate of Designations, Number, Voting Powers, Preferences and Rights of Series B Convertible Preferred Stock, the form of which is attached hereto as Exhibit 1.3 and is incorporated herein by reference. On July 8, 2002, the Company issued a press release announcing the sale of the Notes. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The offering was made pursuant to the Company's Registration Statement on Form S-3 (File No. 333-91899) and the Registration Statement on Form S-3 (File No. 333-53914) (collectively, the "Registration Statements") under the Securities Act of 1933, as amended. The Registration Statements provide that the Company may from time to time offer its debt and equity securities with an aggregate public offering price of up to approximately \$3.1 billion (before giving effect to the sale of the Notes).

In connection with the execution of the Purchase Agreement, the Company and the Investors entered into an agreement (the "Agreement"), dated as of July 5, 2002, setting forth certain agreements and understandings between the Company and the Investors. A copy of the Agreement is attached hereto as Exhibit 1.4 and is incorporated herein by reference.

In connection with the execution of the Purchase Agreement, the Company amended its Rights Agreement, dated as of May 29, 1998. A copy of the amendment is attached hereto as Exhibit 1.5 and is incorporated herein by reference.

Item 7. Financial Statements and Exhibits

(a) Financial statements of businesses being acquired:

Not Applicable

(b) Pro forma financial information:

Not Applicable

(c) Exhibits:

1.1 Securities Purchase Agreement, dated as of July 5, 2002, among the Company and the Investors named therein.

1.2 Third Supplemental Indenture, dated as of July 8, 2002, among the Company and the Bank of New York, as trustee.

1.3 Form of Certificate of Designations, Number, Voting Powers, Preferences and Rights of Series B Convertible Preferred Stock of the Company.

1.4 Agreement, dated as of July 5, 2002, among the Company and the Investors named therein.

1.5 Amendment No. 1 to the Rights Agreement, dated as of July 5, 2002, by and between the Company and Wells Fargo Bank Minnesota, NA (formerly known as Norwest Bank Minnesota, N.A.), as rights agent.

99.1 Press release, dated as of July 8, 2002, relating to the offering of the Company's 9% Junior Convertible Subordinated Notes due 2012

Item 9. Regulation FD Disclosure

In addition, the Company announced today that for the three months ended June 30, 2002, the Company acquired \$75,225,000 aggregate principal amount at maturity of 12-7/8% Senior Discount Notes due 2010. The Company issued approximately 4.95 million shares of its common stock in exchange for the debt. Also, for the three months ended June 30, 2002, the Company acquired \$43,550,000 aggregate principal amount of the Company's 6% Convertible Subordinated Notes due 2009 and \$21,450,000 aggregate principal amount of the Company's 6% Convertible Subordinated Notes due 2010. The Company issued approximately 4.225 million shares of its common stock in exchange for this convertible debt.

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.

By: /s/ Neil J. Eckstein

Name: Neil J. Eckstein

Title: Vice President

Date: July 8, 2002

Exhibit 1.1

This SECURITIES PURCHASE AGREEMENT (this "Agreement") is dated as of the 5th day of July 2002 by and among Level 3 Communications, Inc., a Delaware corporation (the "Company"), and each of the investors named in EXHIBIT A attached hereto (each, an "Investor" and collectively, the "Investors").

WITNESSETH:

WHEREAS, the Company desires to issue and sell to each Investor pursuant to this Agreement and the Registration Statement (as defined below), and each Investor, severally, desires to purchase from the Company the aggregate principal amount of the Company's 9% Junior Convertible Subordinated Notes due 2012 as is set forth opposite its respective name in EXHIBIT A hereto, which Notes will be upon issuance convertible into authorized but unissued shares of the Company's (i) Series B Convertible Preferred Stock, par value \$.01 per share (the "Preferred Stock") or (ii) common stock, \$.01 par value per share (the "Common Stock"); and

WHEREAS, the Company has authorized the issuance of up to 500,000 shares of its Preferred Stock, which shares will be upon issuance, convertible into authorized but unissued shares of Common Stock;

NOW THEREFORE, in consideration of the mutual agreements, representations, warranties and covenants herein contained, the parties hereto agree as follows:

1. Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

1.1. "Affiliate" shall mean, with respect to any Person, any other Person controlling, 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 specified Person, shall mean the power to direct the management and policies of such Person, directly or indirectly, whether through ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" shall have meanings correlative to the foregoing.

1.2. "Disclosure Documents" means the Company's Annual Report on Form 10-K for the year ended December 31, 2001, as amended, the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, any Current Reports on Form 8-K filed or furnished by the Company on or after December 31, 2001, the Company's Schedule 14A Proxy Statement for its Annual Meeting of Stockholders, dated June 20, 2002, the Registration Statement and the Prospectus, together in each case with any documents incorporated by reference therein or exhibits thereto.

1.3. "Exchange Act" means the Securities Exchange Act of 1934 and all of the rules and regulations promulgated thereunder.

1.4. "Material Adverse Effect" means any change, event or occurrence which, individually or in the aggregate, has had a material adverse effect on, or a material adverse change in, (i) the business, operations, financial condition or results of operations of the

Company and its subsidiaries, taken as a whole, or (ii) the ability of the Company to perform its obligations under this Agreement, in each case other than any change, event or occurrence (a) resulting from conditions in the United States or foreign economies or securities markets in general or any change in the Company's stock price, (b) resulting from conditions in the telecommunications industry in general, except to the extent that the Company is disproportionately affected thereby, (c) resulting from the public announcement of the transactions contemplated by this Agreement or (d) arising out of or resulting from actions of the Investors in connection with this Agreement.

1.5. "Notes" means one or more of the Company's 9% Junior Convertible Subordinated Notes due 2012 containing the same terms and conditions and with the same conversion features as set forth in the form of note attached hereto as EXHIBIT B.

1.6. "Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association or joint venture.

1.7. "Prospectus" means the base prospectus included in the Registration Statement together with the prospectus supplement relating to the Securities first filed with the SEC pursuant to Rule 424(b) under the Securities Act.

1.8. "SEC" shall mean the Securities and Exchange Commission.

1.9. "Securities" shall mean the Notes and shares of Preferred Stock and Common Stock issuable upon conversion of the Notes and upon conversion of the Preferred Stock.

1.10. "Securities Act" shall mean the Securities Act of 1933, as amended, and all of the rules and regulations promulgated thereunder.

1.11. "Trust Indenture Act" means the Trust Indenture Act of 1939, as amended and as in force as the date hereof.

2. Authorization, Purchase and Sale of the Notes.

2.1. Authorization of Securities. The Company has, or on or before the Closing Date (as defined below) will have, (i) authorized the Notes, (ii) authorized and created a series of its preferred stock consisting of 500,000 shares of Preferred Stock, par value \$.01 per share, designated as its "Series B Convertible Preferred Stock," shares of which are issuable upon conversion of the Notes and (iii) authorized the issuance of the shares of Common Stock issuable upon conversion of the Notes and upon conversion of the Preferred Stock. The terms, limitations and relative rights and preferences of the Preferred Stock are set forth in a Certificate of Designations, Number, Preferences and Rights of Series B Convertible Preferred Stock of the Company, the form of which is attached hereto as EXHIBIT C (the "Certificate of Designations").

2.2. Purchase and Sale of the Notes.

(a) Subject to and upon the terms and conditions set forth in this Agreement, at the Closing (as defined below), the Company shall issue and sell to each Investor, and each

Investor, severally, shall purchase from the Company the aggregate principal amount of Notes set forth opposite the name of such Investor under the heading "Principal Amount of Notes to be Purchased" on EXHIBIT A hereto, at a purchase price equal to the principal amount of Notes purchased.

2.3. Closing.

(a) The closing (the "Closing") shall take place at the offices of Willkie Farr & Gallagher, 787 Seventh Avenue, New York, NY on July 8, 2002 or such other date mutually agreed to by the Company and the Investors (the "Closing Date"). At the Closing, each Investor shall make payment to the Company of the purchase price set forth opposite such Investor's name on EXHIBIT A hereto under the caption "Purchase Price Payable at the Closing" by wire transfer to the Company of immediately available funds, against delivery to such Investor by the Company of one or more Note(s) in the principal amount as set forth opposite such Investor's name on Exhibit A hereto.

3. Representations and Warranties of the Company. Except as set forth in the Disclosure Documents, the Company hereby represents and warrants to each of the Investors as follows:

3.1. Incorporation. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is qualified to do business in each jurisdiction in which the character of its properties or the nature of its business requires such qualification, except where the failure to so qualify would not have a Material Adverse Effect. The Company has all requisite corporate power and authority to carry on its business as now conducted.

3.2. Subsidiaries. Each subsidiary of the Company that is a corporation has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its properties and to conduct its business and is duly registered, qualified and authorized to transact business and is in good standing in each jurisdiction in which the conduct of its business or the nature of its properties requires such registration, qualification or authorization, except where such failure to so qualify or register would not be reasonably likely to have a Material Adverse Effect.

3.3. Capitalization. As of the date of this Agreement, the authorized capital stock of the Company consists of 1,500,000,000 shares of Common Stock, 8,500,000 shares of Class R Convertible Common Stock, par value \$.01 per share (the "Class R Common Stock") and 10,000,000 shares of undesignated preferred stock, par value \$.01 per share, of which 500,000 shares have been designated as Series A Convertible Preferred Stock, par value \$.01 per share (the "Series A Preferred Stock"). As of the date of this Agreement, there are no shares of Class R Common Stock or Series A Preferred Stock issued and outstanding. All outstanding shares of Common Stock have been duly authorized, and have been validly issued, are fully paid and nonassessable.

3.4. Authorization. All corporate action on the part of the Company, its officers, directors and stockholders necessary for the authorization of the Notes and the filing of the Certificate of Designations, the authorization, execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein has been taken. When executed and delivered by the Company, this Agreement shall constitute the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as rights to indemnity and contribution may be limited by state or federal securities laws or the public policy underlying such laws, and except as may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally and by general equitable principles. The Company has all requisite corporate power to enter into this Agreement and to carry out and perform its obligations under the terms of this Agreement. At or prior to the Closing, the Company will have reserved for issuance the shares of Preferred Stock and Common Stock issuable upon conversion of the Notes and the Preferred Stock.

3.5. Valid Issuance.

(a) The Notes have been duly authorized and, when executed by the Company and authenticated by the Trustee (as defined below) in accordance with the terms of the Indenture (as defined below) and delivered to and paid for by the Investors in accordance with the terms of this Agreement, will constitute the valid and legally binding obligations of the Company entitled to the benefits provided by the indenture dated as of September 20, 1999 (the "Base Indenture") between the Company and IBJ Whitehall Bank and Trust Company, as Trustee, as supplemented by the First Supplemental Indenture, dated as of September 20, 1999 (the "First Supplemental Indenture") between the Company and IBJ Whitehall Bank and Trust Company, as Trustee, as further supplemented by the Second Supplemental Indenture, dated as of February 29, 2000 (the "Second Supplemental Indenture") between the Company and The Bank of New York (the successor trustee to IBJ Whitehall Bank and Trust Company), as Trustee, as further supplemented by the Third Supplemental Indenture, to be dated as of the Closing Date (the "Third Supplemental Indenture" and together with the Second Supplemental Indenture, the First Supplemental Indenture and the Base Indenture, the "Indenture") between the Company and The Bank of New York (the successor trustee to IBJ Whitehall Bank and Trust Company), as Trustee (the "Trustee"), under which they are to be issued. The Base Indenture will be substantially in the form filed as an exhibit to the Registration Statement; the Indenture has been duly authorized and duly qualified under the Trust Indenture Act and, when executed and delivered by the Company and the Trustee, will constitute a valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms, except as rights to indemnity and contribution may be limited by state or federal securities laws or the public policy underlying such laws, and except as may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally and by general equitable principles; and the Securities and the Indenture will conform to the descriptions thereof in the Prospectus. The First Supplemental Indenture and the Second Supplemental Indenture relate solely to the respective securities issued thereunder and do not amend the terms of the Base Indenture as it relates to the Notes.

(b) Upon their issuance in accordance with the terms of the Notes, the shares of Preferred Stock or Common Stock issued upon conversion of the Notes and the Preferred

Stock will be duly authorized, validly issued, fully paid and non-assessable shares of Preferred Stock or Common Stock, as the case may be, free of all preemptive or similar rights.

(c) The Company's registration statement on Form S-3 (File No. 333-53914) (the "Registration Statement"), including the base prospectus relating to certain debt and equity securities to be offered from time to time by the Company: (i) was prepared by the Company in conformity with the requirements of the Securities Act and (ii) was declared effective by the SEC. The Company has at all times relevant to the offering of the Notes contemplated hereby complied with the conditions for the use of Form S-3 and is eligible to use Form S-3. Copies of the Registration Statement, including any amendments thereto and the Prospectus contained therein have heretofore been delivered by the Company to the Investors. The Registration Statement is effective under the Securities Act and no post-effective amendment to the Registration Statement has been filed as of the date of this Agreement. The Company has prepared and delivered to the Investors and will file with the SEC pursuant to Rule 424(b), no later than two business days after the date hereof, a supplement to the base prospectus included in the Registration Statement relating to the Securities and the offering thereof in conformity with the requirements of the Securities Act.

3.6. Transferability. Assuming the accuracy of the Investors representations and warranties in Sections 4.6 and 4.7 hereof and that such representations and warranties shall remain accurate as of the date of any such transfer, the Securities acquired by the Investors may be transferred by them without registration under the Securities Act.

3.7. Absence of Certain Changes. Since March 31, 2002, there has not been any Material Adverse Effect.

3.8. Disclosure Documents. The information contained or incorporated by reference in the Disclosure Documents was true and correct in all material respects as of the respective dates of the filing thereof with the SEC; and, as of such respective dates, the Disclosure Documents did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except to the extent updated or superseded by any report subsequently filed by the Company with the SEC.

3.9. Consents. All consents, approvals, orders and authorizations required on the part of the Company in connection with the execution, delivery or performance of this Agreement and the consummation of the transactions contemplated herein, other than (i) the filing of the Certificate of Designations with the Secretary of State of the State of Delaware, have been obtained and will be effective as of the Closing Date, other than such filings required to be made after the Closing under applicable federal and state securities laws and (ii) other than any of the foregoing, the failure to make or obtain will not have a Material Adverse Effect.

3.10. No Conflict. The execution and delivery of this Agreement by the Company and the consummation of the transactions contemplated hereby will not conflict with or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to a loss of a material benefit under (i) any provision of the Certificate of Incorporation or By-laws of the

Company or (ii) any agreement or instrument, permit, franchise, license, judgment, order, statute, law, ordinance, rule or regulations, applicable to the Company or its properties or assets, except, in the case of clause (ii), as would not, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect.

3.11. No Manipulation of Stock. The Company has not taken, in violation of applicable law, any action designed to or that might reasonably be expected to cause or result in stabilization or manipulation of the price of the Common Stock to facilitate the transactions contemplated hereby or the sale or resale of the shares of Common Stock.

3.12. Company Not an "Investment Company". The Company is not, and immediately after receipt of payment for the Notes will not be, an "investment company" or an entity "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

4. Representations and Warranties of Each Investor. Each Investor, severally for itself and not jointly with the other Investors, represents and warrants to the Company as follows:

4.1. Organization. Such Investor, if it is a legal entity, is duly and validly existing under the jurisdiction of its organization.

4.2. Authorization. All action on the part of such Investor necessary for the authorization, execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein has been taken. This Agreement constitutes the legal, valid and binding obligation of such Investor, enforceable against such Investor in accordance with its terms, except as such may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally and by general equitable principles. Such Investor has all requisite power to enter into this Agreement and to carry out and perform its obligations under the terms of this Agreement.

4.3. No Conflict. The execution and delivery of this Agreement by such Investor and the consummation of the transactions contemplated hereby will not conflict with or result in any violation of or default by such Investor (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to a loss of a material benefit under (i) any provision of the organizational documents of such Investor or (ii) any agreement or instrument, permit, franchise, license, judgment, order, statute, law, ordinance, rule or regulations, applicable to such Investor or its respective properties or assets, except, in the case of clause (ii), as would not, individually or in the aggregate, be reasonably expected to have a material adverse effect (a) on such Investor or (b) on the ability of such Investor to perform its obligations under this Agreement.

4.4. Consents. All consents, approvals, orders and authorizations required on the part of such Investor in connection with the execution, delivery or performance of this Agreement and the consummation of the transactions contemplated herein have been obtained and will be effective as of the Closing Date.

4.5. No Manipulation of Stock. Such Investors has not taken, in violation of applicable law, any action designed to or that might reasonably be expected to cause or result in stabilization or manipulation of the price of the Common Stock to facilitate the transactions contemplated hereby or the sale or resale of the shares of Common Stock.

4.6. Group; Affiliate. Such Investor together with the other Investors do not constitute a "group" with the meaning of Section 13(d)(3) of the Exchange Act. Such Investor is not and, after giving effect to the sale and purchase of the Notes contemplated by this Agreement, will not be an Affiliate of the Company. Such Investor agrees that it shall not take any actions such that the Investors may be deemed to be a "group" under Section 13(d)(3) of the Exchange Act. After giving effect to the sale and purchase of the Notes contemplated under this Agreement, such Investor together with its Affiliates will beneficially own (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) less than twenty percent (20%) of the Company's outstanding Common Stock.

4.7. Purchase Entirely for Own Account. Such Investor is acquiring the Notes for its own account, and not with a view to, or for sale in connection with any distribution of the Notes, but subject, nevertheless, to any requirement of law that the disposition of such Investor's property shall at all times be within such Investor's control. Such Investor has no present agreement, undertaking, arrangement, obligation or commitment providing for the disposition of the Notes.

5. Covenants.

5.1. Governmental Approvals. As soon as practicable after the execution of this Agreement, the Company and each Investor shall file all applications and reports and take such other action which is reasonably required to be taken or filed with any governmental authority in connection with the transactions contemplated by this Agreement. The Company and each Investor shall give all additional notices to third parties and take other action reasonably required to be or taken by it under any authorization, lease, note, mortgage, indenture, agreement or other instrument or any law, rule, regulation, demand or court or administrative order in connection with the transactions contemplated by this Agreement.

5.2. Further Assurances. Each party agrees to cooperate with each other and their respective officers, employees, attorneys, accountants and other agents, and, generally, do such other acts and things in good faith as may be reasonable or appropriate to timely effectuate the intents and purposes of this Agreement and the consummation of the transactions contemplated hereby, including, but not limited to, taking any action to facilitate the filing any document or the taking of any action to assist the other parties hereto in complying with the terms of Section 5.1 hereof.

5.3. Registration. In the event an Investor becomes an Affiliate of the Company or is deemed an Affiliate of the Company, then such Investor shall be entitled to one demand registration right relating to the registration of the Securities under the Securities Act on customary terms and conditions to be mutually agreed upon by the Company and such Investor. The Company shall bear all expenses in connection with the Company's registration of the Securities pursuant to this Section 5.3, provided, however, that the Investors shall bear the cost

of all underwriting discounts and selling commissions and similar fees applicable to the sale of the Securities and fees and expenses of its legal counsel and all transfer taxes.

5.4. Certificate of Designations. As soon as practicable, but in no event later than 5 business days, after the execution of this Agreement, the Company shall file the Certificate of Designations with the Secretary of State of the State of Delaware, and deliver satisfactory evidence of such filing to the Investors.

5.5. NASDAQ. Within three business days following the Closing Date, the Common Stock issuable upon conversion of the Notes and the Preferred Stock shall have been listed and admitted and authorized for trading, subject to official notice of issuance, on the Nasdaq National Market.

6. Conditions Precedent.

6.1. Conditions to the Obligation of the Investors to Consummate the

Closing. The several obligations of each Investor to consummate the transactions to be consummated at the Closing, and to purchase and pay for the Notes being purchased by it at the Closing pursuant to this Agreement, are subject to the satisfaction of the following conditions precedent:

- (a) The purchase of, and payment for, the Notes by each Investor shall not be prohibited or enjoined by any law or governmental or court order or regulation.
- (b) No stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been instituted or threatened.
- (c) The Company and the Trustee shall have executed and delivered the Third Supplemental Indenture in the form attached hereto as Exhibit D and the Trustee shall have executed and delivered a certificate of authentication with respect to the Notes.
- (d) Each Investor shall have received from the Company's counsel, Willkie Farr & Gallagher, an opinion substantially in the form attached hereto as Exhibit E.

6.2. Conditions to the Obligation of the Company to Consummate the Closing.

The obligation of the Company to consummate the transactions to be consummated at the Closing, and to issue and sell to each Investor the Notes to be purchased by it at the Closing pursuant to this Agreement, is subject to the satisfaction of the following conditions precedent:

- (a) Such Investor shall have paid the purchase price set forth opposite such Investor's name on Exhibit A hereto under the heading "Purchase Price Payable at the Closing."
- (b) The sale of the Notes by the Company shall not be prohibited or enjoined by any law or governmental or court order or regulation.
- (c) No stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been instituted or threatened.

(d) The Company and the Trustee shall have executed and delivered the Third Supplemental Indenture in the form attached hereto as Exhibit D and the Trustee shall have executed and delivered a certificate of authentication with respect to the Notes.

Each Investor's obligations under this Section 6.1 shall be several and independent from the obligations of each other Investor; provided, however, that the Company shall not be obligated to consummate the transactions contemplated by this Agreement unless the conditions set forth in this Section 6.2 have been satisfied with respect to all of the Investors.

7. Termination.

7.1. Conditions of Termination. Notwithstanding anything to the contrary contained herein, this Agreement may be terminated at any time before the Closing (a) by mutual consent of the Company and the Investors, or (b) by either the Investors or the Company if the Closing shall not have occurred on or prior to July 31, 2002.

7.2. Effect of Termination. In the event of termination pursuant to Section 7.1 hereof, this Agreement shall become null and void and have no effect, with no liability on the part of the Company or the Investors, or their directors, officers, agents or stockholders, with respect to this Agreement, except for the liability for any willful breach of this Agreement.

8. Miscellaneous Provisions.

8.1. Public Statements or Releases. Neither the Company nor any Investor shall make any public announcement with respect to the existence or terms of this Agreement or the transactions provided for herein without the prior approval of the other parties, which shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, nothing in this Section 8.1 shall prevent any party from making any public announcement it considers necessary in order to satisfy its obligations under the law or the rules of any national securities exchange or market, provided such party, to the extent practicable, provides the other parties with an opportunity to review and comment on any proposed public announcement before it is made.

8.2. Pronouns. All pronouns or any variation thereof shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person, persons, entity or entities may require.

8.3. Notices.

(a) Any notices, reports or other correspondence (hereinafter collectively referred to as "correspondence") required or permitted to be given hereunder shall be sent by postage prepaid first class mail, courier or facsimile or delivered by hand to the party to whom such correspondence is required or permitted to be given hereunder. The date of giving any notice shall be the date of its actual receipt.

(b) All correspondence to the Company shall be addressed as follows:

Level 3 Communications, Inc.
1025 Eldorado Boulevard

Broomfield, CO 80021

Attention: Thomas C. Stortz, Esq.

Facsimile: (720) 888-5127
with a copy to:

Willkie Farr & Gallagher
787 Seventh Avenue
New York, NY 10019

Attention: John S. D'Alimonte

Facsimile: (212) 728-8111

(c) All correspondence to any Investor shall be sent to such Investor at the address set forth in EXHIBIT A.

(d) Any Person may change the address to which correspondence to it is to be addressed by notification as provided for herein.

8.4. Captions. The captions and paragraph headings of this Agreement are solely for the convenience of reference and shall not affect its interpretation.

8.5. Severability. Should any part or provision of this Agreement be held unenforceable or in conflict with the applicable laws or regulations of any jurisdiction, the invalid or unenforceable part or provisions shall be replaced with a provision which accomplishes, to the extent possible, the original business purpose of such part or provision in a valid and enforceable manner, and the remainder of this Agreement shall remain binding upon the parties hereto.

8.6. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to conflict of law principles thereof.

8.7. Waiver. No waiver of any term, provision or condition of this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or be construed as, a further or continuing waiver of any such term, provision or condition or as a waiver of any other term, provision or condition of this Agreement.

8.8. Expenses. Each party shall bear the cost of any and all fees and expenses incurred in connection with the transactions contemplated hereby including, without limitation, legal, consulting and accounting fees; provided, however, that the Company shall pay the fees of one counsel to the Investors not in excess of \$50,000.

8.9. Assignment. The rights and obligations of the parties hereto shall inure to the benefit of and shall be binding upon the authorized successors and permitted assigns of each

party. None of the parties may assign its rights or obligations under this Agreement or designate another person (i) to perform all or part of its obligations under this Agreement or (ii) to have all or part of its rights and benefits under this Agreement, in each case without the prior written consent of the other parties. In the event of any assignment in accordance with the terms of this Agreement, the assignee shall specifically assume and be bound by the provisions of the Agreement by executing and agreeing to an assumption agreement reasonably acceptable to the Company.

8.10. Counterparts. This Agreement may be signed in one or more counterparts, each of which shall be an original, but all of which together shall constitute one instrument

8.11. Entire Agreement. This Agreement (including the exhibits hereto) constitutes the entire agreement between the parties hereto respecting the subject matter hereof and supersedes all prior agreements, negotiations, understandings, representations and statements respecting the subject matter hereof, whether written or oral, other than that certain "Whereas Agreement," dated as the date hereof. No modification, alteration, waiver or change in any of the terms of this Agreement shall be valid or binding upon the parties hereto unless made in writing and duly executed by the Company and Investors.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement under seal as of the day and year first above written.

LEVEL 3 COMMUNICATIONS, INC.

By: /s/ Thomas C. Stortz

Name: Thomas C. Stortz

Title: Group Vice President

INVESTORS:

LONGLEAF PARTNERS FUND,
a series of Longleaf Partners Funds Trust,
a Massachusetts business trust

By: /s/ O. Mason Hawkins

Name: O. Mason Hawkins

Title: Chairman of the Board

LONGLEAF PARTNERS SMALL-CAP FUND, a series of Longleaf Partners Funds Trust, a Massachusetts business trust

By: /s/ O. Mason Hawkins

Name: O. Mason Hawkins

Title: Chairman of the Board

LEGG MASON SPECIAL INVESTMENT TRUST, INC.

By: Legg Mason Funds Management, Inc.
Investment Manager

By: /s/ Mary Chris Gay

Name: Mary Chris Gay

Title: Senior Vice President

[Signature Page to Securities Purchase Agreement]

LEGG MASON INVESTMENT TRUST, INC.

By: Legg Mason Funds Management, Inc.
Investment Manager

By: /s/ Mary Chris Gay

Name: Mary Chris Gay
Title: Senior Vice President

BERKSHIRE HATHAWAY INC.

By: /s/ Warren E. Buffett

Name: Warren E. Buffett
Title: Chairman and Chief Executive Officer

[Signature Page to Securities Purchase Agreement]

Exhibit A

INVESTORS

Investor Name and Address	Principal Amount of Notes to be Purchased	Purchase Price Payable at the Closing

Longleaf Partners Fund c/o Southeastern Asset Management, Inc. 6410 Poplar Ave., #900 Memphis, TN 38119 Attention: O. Mason Hawkins Facsimile: (901) 818-5160	\$230,000,000	\$230,000,000
Longleaf Partners Small-Cap Fund c/o Southeastern Asset Management, Inc. 6410 Poplar Ave., #900 Memphis, TN 38119 Attention: O. Mason Hawkins Facsimile: (901) 818-5160	70,000,000	70,000,000
Legg Mason Special Investment Trust, Inc. c/o Legg Mason Funds Management, Inc. 100 Light Street, 22nd Floor Baltimore, MD 21202 Attention: Jennifer Murphy	50,000,000	50,000,000
Legg Mason Investment Trust, Inc. c/o Legg Mason Funds Management, Inc. 100 Light Street, 22nd Floor Baltimore, MD 21202 Attention: Jennifer Murphy	50,000,000	50,000,000
Berkshire Hathaway Inc. 1440 Kiewit Plaza Omaha, NE 68131 Attention:	100,000,000	100,000,000
TOTAL	----- \$500,000,000 =====	----- \$500,000,000 =====

EXHIBIT B

FORM OF NOTE

EXHIBIT C

**CERTIFICATE OF DESIGNATIONS, PREFERENCES AND RIGHTS OF THE
SERIES B CONVERTIBLE PREFERRED STOCK**

EXHIBIT D

FORM OF THIRD SUPPLEMENTAL INDENTURE

EXHIBIT E

FORM OF OPINION OF WILLKIE FARR & GALLAGHER

**LEVEL 3 COMMUNICATIONS, INC.
AND**

**THE BANK OF NEW YORK
as Trustee**

THIRD SUPPLEMENTAL INDENTURE

DATED AS OF JULY 8, 2002

**Supplement to Indenture dated as of September 20, 1999
(Subordinated Debt Securities)**

9% Junior Convertible Subordinated Notes due 2012

THIRD SUPPLEMENTAL INDENTURE

THIRD SUPPLEMENTAL INDENTURE, dated as of July 8, 2002 by and between LEVEL 3 COMMUNICATIONS, INC., a Delaware corporation (hereinafter called the "Company"), and THE BANK OF NEW YORK as successor to IBJ WHITEHALL BANK & TRUST COMPANY, a corporation duly organized and existing under the laws of the State of New York (hereinafter called the "Trustee"), having a Corporate Trust Office at 101 Barclay Street, Floor 8 West, New York, New York 10286, as Trustee under the Indenture (as hereinafter defined).

RECITALS

WHEREAS, the Company and the Trustee have as of September 20, 1999 entered into an Indenture (as supplemented the "Indenture"), providing for the issuance by the Company from time to time of its subordinated debt securities;

WHEREAS, Section 901 of the Indenture provides, among other things, that the Company, when authorized by or pursuant to a Board Resolution, and the Trustee may without the consent of any Holders of Securities enter into one or more indentures supplemental to the Indenture to establish the form or terms of Securities of any series, including the provisions and procedures providing for the adjustment of conversion rights with respect to Securities convertible into Common Stock or to change or eliminate any of the provisions of the Indenture, provided that any such change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision;

WHEREAS, the Company desires to issue one series of junior convertible subordinated debt securities under the Indenture, and has duly authorized the creation and issuance of such debt securities and the execution and delivery of this Third Supplemental Indenture to modify the Indenture and provide certain additional provisions as hereinafter described;

WHEREAS, the Company and the Trustee deem it advisable to enter into this Third Supplemental Indenture for the purposes of establishing the terms of such junior convertible subordinated debt securities and providing for the rights, obligations and duties of the Trustee with respect to such debt securities;

WHEREAS, concurrent with the execution hereof, the Company has delivered an Officers' Certificate and has caused its counsel to deliver to the Trustee an Opinion of Counsel or a reliance letter upon an opinion of counsel; and

WHEREAS, all conditions and requirements of the Indenture necessary to make this Third Supplemental Indenture a valid, binding and legal instrument in accordance with its terms have been performed and fulfilled by the parties hereto and the execution and delivery thereof have been in all respects duly authorized by the parties hereto.

NOW, THEREFORE, THIS THIRD SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the mutual premises and agreements herein contained, the Company and the Trustee covenant and agree, for the equal and proportionate benefit of all Holders of the Securities, as follows:

ARTICLE ONE

CREATION OF THE SECURITIES

SECTION 1.1. DESIGNATION OF SERIES. Pursuant to the terms hereof and Sections 201 and 301 of the Indenture, the Company hereby creates a series of its junior convertible subordinated debt securities designated as the "9% Junior Convertible Subordinated Notes due 2012" (the "Notes"), which Notes shall be deemed "Securities" for all purposes under the Indenture.

SECTION 1.2. FORM OF SECURITIES. The Notes will be issued in definitive form without coupons and the definitive form of the Notes shall be substantially in the form set forth in Exhibit A attached hereto, which is incorporated herein and made part hereof. The Notes shall bear interest, be payable and have such other terms as are stated in the form of definitive Note or in the Indenture, as supplemented by this Third Supplemental Indenture. The Stated Maturity of the Notes shall be July 15, 2012.

SECTION 1.3. LIMIT ON AMOUNT OF SERIES. The Notes shall not exceed \$500,000,000 in aggregate principal amount, and may, upon the execution and delivery of this Third Supplemental Indenture or from time to time thereafter, be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Notes to or upon the written order of the Company, signed by its Chairman of the Board, President or one of its Vice Presidents and by its Treasurer, one of its Assistant Treasurers, its Secretary or one of its Assistant Secretaries, without further action by the Company.

SECTION 1.4. CERTIFICATE OF AUTHENTICATION. The Trustee's certificate of authentication to be borne on the Notes shall be substantially as provided in the Form of Note attached hereto as Exhibit A.

SECTION 1.5. NO SINKING FUND. No sinking fund will be provided with respect to the Notes.

SECTION 1.6. NO ADDITIONAL AMOUNTS. No Additional Amounts will be payable with respect to the Notes.

SECTION 1.7. DEFINITIONS.

(a) Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned thereto in the Indenture.

(b) Solely for purposes of this Third Supplemental Indenture and the Notes, the following definitions are hereby amended in their entirety to read as follows:

"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.

"Senior Indebtedness" means the principal of, and premium, if any, and interest, including all interest accruing subsequent to the commencement of any bankruptcy or similar proceeding, whether or not a claim for post-petition interest is allowable as a claim in any such proceeding, on, and all fees and other amounts payable in connection with, the following, whether absolute or contingent, secured or unsecured, due or to become due, outstanding on the date of the Indenture or thereafter created, incurred or assumed:

- (1) indebtedness of the Company evidenced by a credit or loan agreement, note, bond, debenture or other written obligation, including without limitation the Company's 6% Convertible Subordinated Notes due 2010 and the Company's 6% Convertible Subordinated Notes due 2009,
- (2) all obligations of the Company for money borrowed,
- (3) all obligations of the Company evidenced by a note or similar instrument given in connection with the acquisition of any businesses, properties or assets of any kind,
- (4) obligations of the Company (A) as lessee under leases required to be capitalized on the balance sheet of the lessee under generally accepted accounting principles and (B) as lessee under other leases for facilities, capital equipment or related assets, whether or not capitalized, entered into or leased for financing purposes,
- (5) all obligations of the Company under interest rate and currency swaps, caps, floors, collars, hedge agreements, forward contracts or similar agreements or arrangements,
- (6) all obligations of the Company with respect to letters of credit, bankers' acceptances and similar facilities, including reimbursement obligations with respect to the foregoing,
- (7) all obligations of the Company issued or assumed as the deferred purchase price of property or services, but, excluding trade accounts payable and accrued liabilities arising in the ordinary course of business,
- (8) all obligations of the type referred to in clauses (1) through (7) of another Person and all dividends of another person, the payment of which, in either case, the Company has assumed or guaranteed, or for which the Company is responsible or liable, directly or indirectly, jointly or severally, as obligor, guarantor or otherwise, or which is secured by a lien on the property of the Company, and

(9) renewals, extensions, modifications, replacements, restatements and refundings of, or any indebtedness or obligation issued in exchange for, any such indebtedness or obligation described in clauses (1) through (8) hereof;

provided, however, that Senior Indebtedness shall not include the Notes or any such indebtedness or obligation if the terms of such indebtedness or obligation, or the terms of the instrument under which, or pursuant to which, it is issued expressly provide that such indebtedness or obligation is not superior in right of payment to the Notes.

"Subsidiary" of any Person means (i) 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 (ii) 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.

(c) Solely for purposes of this Third Supplemental Indenture and the Notes, the following terms shall have the indicated meanings:

"Average Current Market Price" of the Company's Common Stock shall mean the average of the daily Current Market Prices for the ten consecutive Trading Days preceding the day in question.

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

"Change of Control" at such time after the original issuance of the Notes means the occurrence 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 the Company; 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 the Company 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 the Company and its subsidiaries, considered as a whole (other than a disposition of such assets as an entirety or virtually as an entirety to a wholly owned 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 the Company (together with any new directors whose election or appointment by such Board or whose nomination for election by the stockholders of the Company 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 the Company then in office; or

(4) the stockholders of the Company shall have approved any plan of liquidation or dissolution of the Company;

provided, however, that a Change of Control shall not be deemed to have occurred as a result of the holders of the Notes acquiring shares of the Company's Series B Preferred Stock or Common Stock.

"Conversion Price" shall initially equal \$3.41, as adjusted from time to time in accordance with Section 1605 hereof.

"Current Market Price" of Common Stock of the Company for any day means the last reported per share sale price, regular way on such day, or, if no sale takes place on such day, the average of the reported closing per share bid and asked prices on such day, regular way, in either case as reported on the Nasdaq National Market or, if such Common Stock is not quoted or admitted to trading on such quotation system, on the principal national securities exchange or quotation system on which such Common Stock may be listed or admitted to trading or quoted, or, if not listed or admitted to trading or quoted on any national securities exchange or quotation system, the average of the closing per share bid and asked prices of such Common Stock on the over-the-counter market on the day in question as reported by the National Quotation Bureau Incorporated, or similar generally accepted reporting service, or, if not so available in such manner, as furnished by any Nasdaq member firm selected from time to time by the Board of

Directors of the Company for that purpose, or, if not so available in such manner, as otherwise determined in good faith by the Board of Directors of the Company.

"Dollar Denominated Senior Notes Indenture" means the Indenture dated as of February 29, 2000, as amended, supplemented or modified from time to time, between the Company and The Bank of New York, as trustee, relating to the Company's 11% Senior Notes due 2008, 11-1/4% Senior Notes due 2010 and 12-7/8% Senior Discount Notes due 2010.

"Euro Denominated Senior Notes Indenture" means the Indenture dated as of February 29, 2000, as amended, supplemented or modified from time to time, between the Company and The Bank of New York, as trustee, relating to the Company's 10-3/4% Senior Notes due 2008 and 11-1/4% Senior Notes due 2010.

"Exchange Act" means the Securities Exchange Act of 1934. "Expiration Date" has the meaning specified in "Offer to Purchase" below.

"Federal Bankruptcy Code" means the Bankruptcy Act of Title 11 of the United States Code, as amended from time to time.

"First Supplemental Indenture" means the Supplemental Indenture dated as of September 20, 1999, together with the related Indenture dated as of September 20, 1999, as amended, supplemented or modified from time to time, between the Company and The Bank of New York as successor to IBJ Whitehall Bank & Trust Company, as trustee, relating to the Company's 6% Convertible Subordinated Notes due 2009.

"Indebtedness" means, with respect to a Person:

- (1) indebtedness of such Person evidenced by a credit or loan agreement, note, bond, debenture or other written obligation,
- (2) all obligations of such Person for money borrowed,
- (3) all obligations of such Person evidenced by a Note or similar instrument given in connection with the acquisition of any businesses, properties or assets of any kind,
- (4) obligations of such Person (A) as lessee under leases required to be capitalized on the balance sheet of the lessee under generally accepted accounting principles and (B) as lessee under other leases for facilities, capital equipment or related assets, whether or not capitalized, entered into or leased for financing purposes,
- (5) all obligations of such Person under interest rate and currency swaps, caps, floors, collars, hedge agreements, forward contracts or similar agreements or arrangements,

(6) all obligations of such Person with respect to letters of credit, bankers' acceptances and similar facilities, including reimbursement obligations with respect to the foregoing,

(7) all obligations of such Person issued or assumed as the deferred purchase price of property or services, but excluding trade accounts payable and accrued liabilities arising in the ordinary course of business,

(8) all obligations of the type referred to in clauses (1) through (7) of another Person and all dividends of another person, the payment of which, in either case, such Person has assumed or guaranteed, or for which such Person is responsible or liable, directly or indirectly, jointly or severally, as obligor, guarantor or otherwise, or which is secured by a lien on the property of such Person, and

(9) renewals, extensions, modifications, replacements, restatements and refundings of, or any indebtedness or obligation issued in exchange for, any such indebtedness or obligation described in clauses (1) through (8) hereof.

"Issue Date Rating" means, with respect to the Senior Notes, B3 in the case of Moody's and B in the case of S&P and, with respect to any Other Indebtedness, the ratings assigned to such Other Indebtedness on the date such Other Indebtedness is initially 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 trustees for the Senior Notes by a written notice given to the Company.

"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 the Company and The Bank of New York (as successor to IBJ Schroder Bank & Trust Company), as trustee, relating to the Company's 9-1/8% Senior Notes Due 2008.

"Offer" has the meaning specified in "Offer to Purchase" below.

"Offer to Purchase" means a written offer (the "Offer") sent by the Company by first-class mail, postage prepaid, to each Holder of Notes at its address appearing in the Security Register on the date of the Offer offering to purchase all the Outstanding Notes at the purchase price specified in such Offer

(as determined pursuant to this Indenture, the "Purchase Price"). 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. The Offer shall contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Permitted Holders" means the members of the Company's Board of Directors on April 28, 1998 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.

"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.

"Purchase Amount" has the meaning specified in "Offer to Purchase" above.

"Purchase Date" has the meaning specified in "Offer to Purchase" above.

"Purchase Price" has the meaning specified in "Offer to Purchase" above.

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

"Rating Date" means the earlier of the date of public notice of the occurrence of the Change of Control or of the intention of the Company 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 Senior Notes or any Outstanding Indebtedness 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 Senior Notes or any Outstanding Indebtedness 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 Senior Notes or any Other Indebtedness 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 raised 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.

"Restricted Subsidiary" means any Restricted Subsidiary under each of the 9-1/8% Senior Notes Indenture and the 10-1/2% Senior Discount Notes Indenture.

"S&P" means Standard & Poor's Ratings Services or if Standard & Poor's

Rating Services 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 trustees for the Senior Notes by a written notice given to the Company.

"Second Supplemental Indenture" means the Supplemental Indenture dated as of February 29, 2000, together with the related Indenture dated as of September 20, 1999, as amended, supplemented or modified from time to time, between the Company and The Bank of New York as successor to IBJ Whitehall Bank & Trust Company, as trustee, relating to the Company's 6% Convertible Subordinated Notes due 2010.

"Securities Act" means the Securities Act of 1933, as amended.

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

"10-1/2% Senior Discount Notes Indenture" means the Indenture dated as of December 2, 1998, as amended, supplemented or modified from time to time, between the Company and IBJ Schroder Bank & Trust Company, as trustee, relating to the Company's 10-1/2% Senior Discount Notes Due 2008.

"Trading Day" with respect to the Common Stock of the Company means

(x) if such Common Stock is listed or admitted for trading on the New York Stock Exchange or another national securities exchange, a day on which the New York Stock Exchange or such other national securities exchange is open for business or (y) if such Common Stock is quoted on the National Market System of the Nasdaq, a day on which trades may be made on such National Market System or (z) otherwise, any day other than a Saturday or Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

"Voting Stock" of any Person means Capital Stock of such Person who 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.

ARTICLE TWO

CONVERSION OF SECURITIES

SECTION 2.1. APPLICABILITY OF CONVERSION PROVISIONS. Pursuant to Section 301(24) of the Indenture, the Notes will be convertible in accordance with the provisions of, and pursuant to, Article Sixteen of the Indenture, as amended hereby, and the definitive form of the Notes, provided that, prior to any conversion, any applicable governmental consents have been received by the Company or the Holder.

SECTION 2.2. CONVERSION RATE. The rate at which shares of Common Stock of the Company shall be delivered upon conversion (the "Conversion Rate") of each \$1,000 principal amount of Notes shall be determined by dividing \$1,000 by the Conversion Price then in effect. The applicable Conversion Rate and Conversion Price shall be adjusted in certain instances as provided in Section 1605 of the Indenture, as amended hereby.

SECTION 2.3. AMENDMENTS TO ARTICLE SIXTEEN.

(a) The first sentence of Section 1603 is amended in its entirety with respect to the Note to read as follows:

As promptly as practicable after the surrender (in any event within ten Business Days), as herein provided, of any Note or Notes for conversion into Common Stock, the Company shall deliver or cause to be delivered at its said office or agency to or upon the written order of the Holder of the Note or Notes so surrendered a certificate or certificates representing the number of duly authorized, validly issued, fully paid and nonassessable shares of Common Stock into which such Note or Notes may be converted in accordance with the terms thereof and the provisions of this Article Sixteen.

(b) Section 1605 is amended in its entirety with respect to the Notes to read as follows:

SECTION 1605. Adjustment Of Conversion Price.

(1) The Conversion Price shall be subject to adjustment from time to time in accordance with this Section 1605. For purposes of this Section 1605, the term "Number of Common Shares Deemed Outstanding" at any given time shall mean the sum of (x) the number of shares of Common Stock outstanding at such time, (y) the number of shares of Common Stock issuable assuming conversion at such time of the Company's Convertible Securities, including the Notes and (z) the maximum number of shares of the Common Stock issuable upon exercise of outstanding Options with an exercise price less than the Conversion Price then in effect.

(2) Except as provided in Section 1605 (3) and (4) hereof, if and whenever on or after July 8, 2002 (the "Initial Issue Date"), the Company shall issue or sell, or shall in accordance with Section 1605(2)(i) to (viii), inclusive, be deemed to have issued or sold any shares of its Common Stock for a consideration per share less than both (x) the Average Current Market Price of the Common Stock as of the date of such issue or sale and (y) the Conversion

Price in effect immediately prior to the time of such issue or sale, then forthwith upon such issue or sale (the "Adjustment Triggering Transaction"), the Conversion Price shall, subject to paragraphs (i) to

(viii) of this Section 1605(2), be reduced to the Conversion Price (calculated to the nearest tenth of a cent) determined by dividing:

(A) an amount equal to the sum of (x) the product derived by multiplying the Number of Common Shares Deemed Outstanding immediately prior to such Adjustment Triggering Transaction by the Conversion Price then in effect, plus (y) the consideration, if any, received by the Company upon consummation of such Adjustment Triggering Transaction, by

(B) an amount equal to the sum of (x) the Number of Common Shares Deemed Outstanding immediately prior to such Adjustment Triggering Transaction plus (y) the number of shares of Common Stock issued (or deemed to be issued in accordance with paragraphs 1605(2)(i) to (viii)) in connection with the Adjustment Triggering Transaction.

For purposes of determining the adjusted Conversion Price under this Section 1605(2), the following paragraphs (i) to (viii), inclusive, shall be applicable:

(i) In case the Company at any time shall in any manner grant (whether directly or by assumption in a merger or otherwise) after the Initial Issue Date any rights to subscribe for or to purchase, or any options for the purchase of, Common Stock or any stock or other securities convertible into or exchangeable for Common Stock (such rights or options being herein called "Options" and such convertible or exchangeable stock or securities being herein called "Convertible Securities"), whether or not such Options or the right to convert or exchange any such Convertible Securities are immediately exercisable and the price per share for which the Common Stock is issuable upon exercise, conversion or exchange (determined by dividing (x) the total amount, if any, received or receivable by the Company as consideration for the granting of such Options, plus the minimum aggregate amount of additional consideration payable to the Company upon the exercise of all such Options, plus, in the case of such Options which relate to Convertible Securities, the minimum aggregate amount of additional consideration, if any, payable upon the issue or sale of such Convertible Securities and upon the conversion or exchange thereof, by (y) the total maximum number of shares of Common Stock issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities) shall be less than both (a) the Average Current Market Price as of the day of granting of such Option and (b) the Conversion Price in effect immediately prior to the time of the granting of such Option, then the total maximum amount of Common Stock issuable upon the exercise of such Options or in the case of Options for Convertible Securities, upon the conversion or exchange of such Convertible Securities shall (as of the date of granting of such Options) be deemed to be outstanding and to have been issued and sold by the Company for such price per share. No adjustment of the Conversion Price shall be made upon the actual issue of such shares of Common Stock or such Convertible Securities upon the exercise of such Options, except as otherwise provided in paragraph (iii) below.

(ii) In case the Company at any time shall in any manner issue (whether directly or by assumption in a merger or otherwise) or sell after the Initial Issue Date any Convertible Securities, whether or not the rights to exchange or convert thereunder are immediately exercisable, and the price per share for which Common Stock is issuable upon such conversion or exchange (determined by dividing (x) the total amount received or receivable by the Company as consideration for the issue or sale of such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Company upon the conversion or exchange thereof, by (y) the total maximum number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities) shall be less than both (a) the Average Current Market Price as of the day of granting of such Option and (b) the Conversion Price in effect immediately prior to the time of such issue or sale, then the total maximum number of shares of Common Stock issuable upon conversion or exchange of all such Convertible Securities shall (as of the date of the issue or sale of such Convertible Securities) be deemed to be outstanding and to have been issued and sold by the Company for such price per share. No adjustment of the Conversion Price shall be made upon the actual issue of such Common Stock upon exercise of the rights to exchange or convert under such Convertible Securities, except as otherwise provided in paragraph (iii) below.

(iii) If the purchase price provided for in any Options referred to in paragraph (i), the additional consideration, if any, payable upon the conversion or exchange of any Convertible Securities referred to in paragraphs (i) or (ii), or the rate at which any Convertible Securities referred to in paragraphs (i) or (ii) are convertible into or exchangeable for Common Stock shall change at any time (including by reason of provisions designed to protect against dilution of the type set forth in Section 1605(2)), the Conversion Price in effect at the time of such change shall forthwith be readjusted to the Conversion Price which would have been in effect at such time had such Options or Convertible Securities still outstanding provided for such changed purchase price, additional consideration or conversion rate, as the case may be, at the time initially granted, issued or sold.

(iv) On the expiration of any Option or the termination of any right to convert or exchange any Convertible Securities, the Conversion Price then in effect hereunder shall forthwith be increased to the Conversion Price which would have been in effect at the time of such expiration or termination had such Option or Convertible Securities, to the extent outstanding immediately prior to such expiration or termination, never been issued.

(v) In case any shares of Common Stock, Options or Convertible Securities shall be issued or sold or deemed to have been issued or sold for cash, the consideration received therefor shall be deemed to be the amount received by the Company therefor. In case any shares of Common Stock, Options or Convertible Securities shall be issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Company shall be the fair value of such consideration as determined in good faith by the Board of Directors. In case any shares of Common Stock, Options or Convertible Securities shall be

issued in connection with any merger in which the Company is the surviving Company, the amount of consideration therefor shall be deemed to be the fair value of such portion of the net assets and business of the non-surviving Company as shall be attributable to such Common Stock, Options or Convertible Securities, as the case may be, as determined in good faith by the Board of Directors.

(vi) The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any shares so owned or held shall be considered an issue or sale of Common Stock for the purpose of this Section 1605(2).

(vii) In case the Company shall declare a dividend or make any other distribution upon the stock of the Company payable in Options or Convertible Securities, then in such case any Options or Convertible Securities, as the case may be, issuable in payment of such dividend or distribution shall be deemed to have been issued or sold without consideration.

(viii) For purposes of this Section 1605(2), in case the Company shall take a record of the holders of its Common Stock for the purpose of entitling them (x) to receive a dividend or other distribution payable in Common Stock, Options or in Convertible Securities, or (y) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date shall be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right or subscription or purchase, as the case may be.

(3) In case the Company shall at any time (i) subdivide the outstanding Common Stock or (ii) issue a dividend on its outstanding Common Stock payable in shares of Common Stock, the number of shares of Common Stock issuable upon conversion of the Notes shall be proportionately increased by the same ratio as the subdivision or dividend (with appropriate adjustments to the Conversion Price in effect immediately prior to such subdivision or dividend). In case the Company shall at any time combine its outstanding Common Stock, the number of shares issuable upon conversion of the Notes immediately prior to such combination shall be proportionately decreased by the same ratio as the combination (with appropriate adjustments to the Conversion Price in effect immediately prior to such combination).

(4) If any capital reorganization or reclassification of the capital stock of the Company, or consolidation or merger of the Company with another Company, or the sale of all or substantially all of its assets to another Company shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities, cash or other property with respect to or in exchange for Common Stock, adequate provision shall be made whereby the Holders of the Notes shall have the right to acquire and receive upon conversion of the Notes, such shares of stock, securities, cash or other property issuable or payable (as part of the reorganization, reclassification, consolidation, merger or sale) with respect to or in exchange for such number of outstanding shares of Common Stock as would have been received upon conversion of the Notes at the Conversion Price then in effect.

(5) The provisions of this Section 1605 shall not apply to any Common Stock issued, issuable or deemed outstanding under paragraphs 1605(2) (i) to

(viii) inclusive: (i) to any person pursuant to any stock option, stock purchase or similar equity compensation plan or arrangement for the benefit of employees of the Company or its subsidiaries in effect on the Initial Issuance Date or thereafter adopted by the Board of Directors, (ii) pursuant to options, warrants and conversion rights in existence on the Initial Issuance Date, (iii) on conversion of the Notes or Series B Preferred Stock or the sale of any additional Notes, (iv) the issuance of shares of Common Stock in any public offering, (v) the issuance of capital stock in connection with any bona fide acquisitions of assets or securities of another person or entity, or (vi) in exchange for the Company's outstanding debt securities.

(6) In any case in which this Section 1605 provides that an adjustment shall become effective immediately after a record date for an event, the Company may defer until the occurrence of such event (y) issuing to the Holder of any Note converted after such record date and before the occurrence of such event the additional shares of the Common Stock of the Company issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock of the Company issuable upon such conversion before giving effect to such adjustment and (z) paying to such Holder any amount in cash in lieu of any fractional share of Common Stock of the Company pursuant to Section 1606 of the Indenture.

(c) Section 1606 is hereby amended with respect to the Notes by deleting the last sentence thereof in its entirety and substituting the following in its place:

"Instead of a fraction of a share of Common Stock of the Company which would otherwise be issuable upon conversion of any Note or Notes (or specified portions thereof), the Company, at its option, shall either: (i) pay a cash adjustment (computed to the nearest cent, with one-half cent being rounded upward) in respect of such fraction of a share in an amount equal to the same fractional interest of the Current Market Price of the Common Stock of the Company on the Trading Day next preceding the day of conversion or (ii) round upward to the next whole number the number of shares of Common Stock to be issued upon conversion."

(d) Section 1607 is hereby amended with respect to the Notes by adding the following to the end of the first sentence thereof.

", assuming (i) such holder of Common Stock of the Company failed to exercise his or her rights of election, if any, as to the kind or amount of shares of stock and other securities and property, including cash, receivable upon such consolidation, merger, sale or transfer (provided that if the kind or amount of shares of stock and other securities and property, including cash, receivable upon such consolidation, merger, sale or transfer is not the same for each share of Common Stock of the Company held immediately prior to such consolidation, merger, sale or transfer and in respect of which such rights of election shall not have been exercised ("non-electing share"), then for the purpose of this Section the kind and amount of shares of stock and other securities and property, including cash, receivable upon such consolidation, merger, sale or transfer by each non-electing share shall be

deemed to be the kind and amount so receivable per share by a plurality of non-electing shares), and (ii) the Notes were convertible at the time of such consolidation, merger, sale or transfer at the initial Conversion Rate specified in the supplemental indenture establishing such Notes, as adjusted, if applicable, in accordance with the terms of such supplemental indenture."

(e) Section 1608 is amended with respect to the Notes by deleting the word "or" from the end of clause (c) thereof and adding the following immediately after clause (d) thereof:

"(e) the Company or a Subsidiary shall take any other action that would require an adjustment to the Conversion Rate pursuant to Section 1605; or

(f) the Company shall take any action that would require a supplemental indenture pursuant to Section 1607;"

ARTICLE THREE

CONSOLIDATION, MERGER, SALE, LEASE OR CONVEYANCE

SECTION 3.1. AMENDMENTS TO ARTICLE EIGHT. Section 801 of the Indenture is amended in its entirety with respect to the Notes to read as follows:

The Company may not consolidate with or merge into any other Person or convey, transfer, sell or lease its properties and assets substantially as an entirety to any Person, and the Company shall not permit any Person to consolidate with or merge into the Company or convey, transfer, sell or lease such Person's properties and assets substantially as an entirety to the Company, unless:

(a) the Person formed by such consolidation or into or with which the Company is merged or the Person to which the properties and assets of the Company are so conveyed, transferred, sold or leased, is a corporation, limited liability company, partnership or trust organized and existing under the laws of the United States, any State thereof or the District of Columbia and, if other than the Company, shall expressly assume the due and punctual payment of the principal of and, premium, if any, and interest on the Notes and the performance of the other covenants of the Company under the Indenture, and

(b) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing.

ARTICLE FOUR

DEFEASANCE

SECTION 4.1. DEFEASANCE APPLICABLE TO NOTES. Pursuant to Section 301(19) and Section 1401 of the Indenture, the Company will have the option of defeasance of the Notes under Section 1402 and 1403 of the Indenture upon the terms and conditions contained in Article Fourteen of the Indenture, as amended by this Third Supplemental Indenture;

provided, however, that the Company's option of covenant defeasance, as described in Section 1403 of the Indenture, shall be limited to defeasance of its obligations under Article Nine of this Third Supplemental Indenture.

SECTION 4.3. AMENDMENTS TO ARTICLE FOURTEEN.

(a) Section 1404 is hereby amended with respect to the Notes by deleting the period from the end of clause (b) thereof and adding the following thereto:

", shall not be prohibited by Article Seventeen, and shall be permitted by the terms of all Senior Indebtedness."

(b) Section 1404 is hereby further amended by deleting "91st" in clause (c) thereof and substituting "123rd" in its place.

(c) Section 1405 is hereby amended by adding the following to the end of the first paragraph thereof.

"Money and securities so held in trust are not subject to Article Seventeen of the Indenture."

ARTICLE FIVE

INTEREST

SECTION 5.1. AMENDMENTS TO SECTION 307. Section 307(a) of the Indenture is hereby amended with respect to the Notes by deleting the "." from the end thereof and substituting a "," in its place and by adding the following to the end thereof:

"; provided, further, however, that in the event the Company exercises the Mandatory Conversion Right pursuant to Section 8.1 of this Third Supplemental Indenture, accrued but unpaid interest will paid as provided in Article Eight of this Third Supplemental Indenture.

ARTICLE SIX

EVENTS OF DEFAULT

SECTION 6.1. AMENDMENTS TO SECTION 501.

(a) Clause 5 of Section 501 of the Indenture is amended in its entirety with respect to the Notes to read as follows:

"(5) default under the terms of any instrument evidencing or securing Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of not less than \$25,000,000 or its foreign currency equivalent at

the time which default results in the acceleration of the payment of such Indebtedness or constitutes the failure to pay such Indebtedness when due (after expiration of any applicable grace period); or".

(b) Clause 6 of Section 501 of the Indenture is amended in its entirety with respect to the Notes to read as follows:

"(6) the institution by the Company or any Significant Subsidiary of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy Code or any other applicable federal, state or foreign law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Company or any Significant Subsidiary or of any substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due; or"

(c) Clause 7 of Section 501 of the Indenture is amended in its entirety with respect to the Notes to read as follows:

"(7) the entry of a decree or order by a court having jurisdiction in the premises adjudging the Company or any Significant Subsidiary a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company or any Significant Subsidiary under the Federal Bankruptcy Code or any other applicable federal, state or foreign law, or appointing a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Company or any Significant Subsidiary or of any substantial part of its Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days."

SECTION 6.2. ADDITIONAL EVENTS OF DEFAULT. Pursuant to Section 301(15) of the Indenture, so long as any of the Notes are Outstanding, each of the following events shall be an Event of Default with respect to the Notes, in addition to the Events of Default contained in Section 501 of the Indenture, as amended hereby:

(1) failure to pay when due the Purchase Price of any Notes required to be repurchased pursuant to Article Ten of this Third Supplemental Indenture whether or not an Offer to Purchase is prohibited by Article Seventeen of the Indenture, as amended hereby; or

(2) failure to perform or comply with Article Eight of the Indenture, as amended hereby; or

(3) the rendering of any judgment or judgments for the payment of money in an aggregate amount in excess of \$25 million or its foreign currency equivalent at the time that shall be rendered against the Company or any Restricted Subsidiary and that 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.

SECTION 6.3. NOTICE OF DEFAULT OR EVENT OF DEFAULT. The Company shall deliver to the Trustee, as soon as reasonably practicable and in any event within 30 days after an executive officer of Company becomes aware of the occurrence of any Event of Default or any event which, with notice or the lapse of time or both, would constitute an Event of Default, an Officers' Certificate setting forth the details of such Event of Default or Default and the action which the Company proposes to take with respect thereto.

ARTICLE SEVEN

OPTIONAL REDEMPTION

Pursuant to Section 301(6) of the Indenture, so long as any of the Notes are Outstanding, the following provisions shall be applicable to the Notes:

SECTION 7.1. OPTIONAL REDEMPTION.

(a) At any time or from time to time on or after July 15, 2007, the Company may, at its option, redeem the Notes (an "Optional Redemption"), in whole or in part, at the following Redemption Prices (expressed as a percentage of principal amount), in each case plus accrued and unpaid interest, if any, to the date of such redemption (herein called the "Optional Redemption Date"), if called for redemption during the twelve months beginning July 15 of the years indicated below:

Year	Redemption Price
----	-----
2007	104.50%
2008	103.00%
2009	101.50%
2010 and thereafter.....	100.00%

(b) If less than all of the Notes are to be redeemed at any time, selection of Notes for redemption will be made, on a pro rata basis, provided that no Notes of \$1,000 in principal amount or less shall be redeemed in part. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original Note. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

(c) At least thirty (30) days prior to any Optional Redemption Date, written notice shall be mailed, postage prepaid, to each Holder of Notes to be redeemed, at its address appearing in the Security Register, notifying such Holder of the principal amount of Notes so to be redeemed, specifying the Optional Redemption Date and the date on which such Holder's

conversion rights (pursuant to Article Two hereof) as to such Notes terminate and calling upon such Holder to surrender to the Company, in the manner and at the place designated, his or its certificate or certificates representing the Notes to be redeemed (such notice is hereinafter referred to as the "Redemption Notice"). On or prior to each Optional Redemption Date, each Holder of Notes to be redeemed shall surrender his or its certificate or certificates representing such Notes to the Company, in the manner and at the place designated in the Redemption Notice, and thereupon the applicable Redemption Price of such Notes shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be canceled. From and after any Optional Redemption Date, unless there shall have been a default in payment of the Redemption Price, all rights of the Holders of the Notes designated for redemption in the Redemption Notice as Holders of Notes (except the right to receive the Redemption Price without interest upon surrender of their certificate or certificates) shall cease with respect to such Notes, and such Notes shall not thereafter be transferred on the books of the Company or be deemed to be outstanding for any purpose whatsoever.

ARTICLE EIGHT

MANDATORY CONVERSION

Pursuant to Section 301(25) of the Indenture, so long as any of the Notes are Outstanding, the following provisions shall be applicable to the Notes:

SECTION 8.1. MANDATORY CONVERSION.

(a) The Company will have the right (the "Mandatory Conversion Right"), but not the obligation, at any time, to convert, all but not less than all, of the Outstanding Notes into shares of the Company's Series B Convertible Preferred Stock, par value \$.01 per share (the "Series B Preferred Stock") having a liquidation preference per share of Series B Preferred Stock equal to \$1,000 for each \$1,000 principal amount of Notes converted, and having a conversion price and dividend rate equal to the conversion price and interest rate for the Notes so converted (the "Mandatory Conversion"). Any accrued but unpaid interest as of the effective date of the Mandatory Conversion shall be paid in cash to the Holder on the effective date of the Mandatory Conversion. The Series B Preferred Stock will have the term, limitations and relative rights and preferences as set forth in the Certificate of Designations in the form of Exhibit B to this Third Supplemental Indenture.

The Company will only be able to exercise the Mandatory Conversion Right if

(A) the Board of Directors of the Company in good faith determines, as evidenced by a Board Resolution, as of the effective date of the Mandatory Conversion, that:

(i) there are legally available funds for payment of dividends on the Series B Preferred Stock for the foreseeable future; and

(ii) neither the Mandatory Conversion nor the performance of the terms of the Series B Preferred Stock, including the issuance of Common Stock

upon conversion of the Series B Preferred Stock, is prohibited by the terms and provisions of any agreement of the Company, including any agreement or instrument relating to its indebtedness, or the Company's Certificate of Incorporation or Bylaws, or if the Mandatory Conversion would constitute a breach thereof, or a default thereunder, or if the making of the Mandatory Conversion shall be restricted or prohibited by any applicable law, rule or regulation; and

(B) the Company shall have obtained an opinion of counsel from a nationally recognized law firm experienced in matters of federal taxation that holders of Outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Mandatory Conversion, except with respect to the payment of any accrued but unpaid interest.

(b) If the Company exercises the Mandatory Conversion Right, the Company will provide notice to the Trustee not less than 30 nor more than 60 days preceding the date the Company desires the Mandatory Conversion to be effective (the "Mandatory Conversion Date"). The mandatory conversion notice shall state: (i) the Company's election to exercise the Mandatory Conversion Right, (ii) a description of the number of Series B Preferred Stock to be delivered in respect of the Notes, the place or places where certificates for Notes are to be surrendered for conversion, (iii) the Mandatory Conversion Date and (iv) that interest on the Notes to be converted shall cease to accrue on such Mandatory Conversion Date whether or not certificates for Notes are surrendered for conversion on such Mandatory Conversion Date unless the Company shall default in the delivery of the Series B Preferred Stock. The Company will cause the Series B Preferred Stock to be delivered to the Trustee in preparation for the Mandatory Conversion no later than 5 Business Days prior to the Mandatory Conversion Date.

(c) If the Company exercises the Mandatory Conversion Right, delivery of the Series B Preferred Stock to the Holders of the Notes to be converted will be conditioned upon delivery of the certificates representing, or other indicia of ownership of, such Notes (together with any necessary endorsements) to the Trustee at any time (whether prior to, on or after the applicable Mandatory Conversion Date) after notice of the exercise of the Mandatory Conversion Right is given to the Trustee. In such event, such Series B Preferred Stock will be delivered to each Holder of record of Notes to be converted no later than the later of (i) the Mandatory Conversion Date or (ii) the time of delivery or transfer of the certificates representing, or other indicia of ownership of, the Notes.

(d) If, following any exercise of the Mandatory Conversion Right, the Trustee holds Series B Preferred Stock in respect of all the Outstanding Notes, then at the close of business on such Mandatory Conversion Date, whether or not the certificates representing, or other indicia of ownership of, such Notes is delivered to the Trustee, (i) the Company will become the owner and record holder of such Notes, (ii) the Holders of such Notes shall have no further rights with respect to the Notes other than the right to

(x) receive the Series B Preferred Stock upon delivery of the certificates representing, or other indicia of ownership, of Series B Preferred Stock and (y) receive payment in cash of any accrued but unpaid interest on the Notes, (iii) interest on the Notes to be converted will cease to accrue on the Mandatory Conversion Date whether or not certificates for the Notes are surrendered for conversion on the Mandatory

Conversion Date and (iv) the exchange of the certificates representing the Notes for certificates representing the Series B Preferred Stock to be delivered upon the Mandatory Conversion. In the event that delivery of the Series B Preferred Stock due on the Mandatory Conversion Date is improperly withheld or is refused and not paid by the Trustee or by the Company, distributions on the Notes will continue to accrue from the Mandatory Conversion Date to the actual date of delivery.

ARTICLE NINE

SUBORDINATION OF SECURITIES

Pursuant to Section 301(25) of the Indenture, and in addition to the other provisions contained in Article Seventeen of the Indenture (which shall be applicable as amended hereby to the Notes in all respects), so long as any of the Notes are Outstanding, the following provisions shall be applicable to the Notes:

SECTION 9.1. AMENDMENT OF SECTION 1701. (a) Section 1701 is hereby amended by relettering clause (c) in the second paragraph thereof to be clause (b) and by deleting the following from the second paragraph thereof:

"(b) that a default shall have occurred and be continuing with respect to the payment of principal of (or premium, if any) or interest on or any Additional Amounts payable in respect of any Senior Indebtedness, or"

(b) Section 1701(1) is hereby amended by deleting the words "or (b)" therefrom and relettering the reference therein to "(c)" as "(b)."

SECTION 9.2. NO PAYMENT IN CERTAIN CIRCUMSTANCES. No payment shall be made with respect to the principal of, or premium, if any, or interest on the Notes (including, but not limited to, the Purchase Price with respect to Notes submitted for repurchase in accordance with Article Ten of this Third Supplemental Indenture), if:

(i) a default in the payment of principal, premium, if any, or interest (including a default under any repurchase or redemption obligation) or other amounts with respect to any Senior Indebtedness occurs and is continuing unless and until such default shall have been cured or waived or shall have ceased to exist; or

(ii) a default, other than a payment default, on any Senior Indebtedness occurs and is continuing that then permits holders of such Senior Indebtedness to accelerate (with notice, lapse of time or both) its maturity unless and until such default shall have been cured or waived or shall have ceased to exist if the maturity of such Senior Indebtedness has not been accelerated.

ARTICLE TEN

REPURCHASE OF SECURITIES AT THE OPTION OF THE HOLDER UPON A CHANGE IN CONTROL

Pursuant to Section 301(7) of the Indenture and in substitution of the terms of Article Thirteen of the Indenture, so long as any of the Notes are Outstanding, the following provisions shall be applicable to the Notes:

SECTION 10.1. RIGHT TO REQUIRE REPURCHASE.

(a) Upon the occurrence of a Change in Control and a Rating Decline, each Holder shall have the right, at the Holder's option to require the Company to repurchase all of such Holder's Notes or any portion of the principal amount thereof that is equal to \$5,000 or any integral multiple of \$1,000 in excess thereof (provided that no single Note may be repurchased in part unless the portion of the principal amount of such Note to be Outstanding after such repurchase is equal to \$1,000 or integral multiples of \$1,000 in excess thereof), in accordance with the procedures set forth in this Section 10.1 and this Third Supplemental Indenture.

(b) The First Supplemental Indenture, Second Supplemental Indenture, 9-1/8% Senior Notes Indenture, the 10-1/2% Senior Discount Notes Indenture, the Dollar Denominated Senior Notes Indenture and the Euro Denominated Senior Notes Indenture each require that such Indebtedness be repurchased upon the occurrence of certain of the events that would constitute a Change of Control. Other future Indebtedness of the Company may contain prohibitions of certain events which would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. To the extent other Indebtedness of the Company is both subject to similar repurchase obligations in the event of a Change of Control and ranks senior in right of payment to the Notes, the Company will repurchase such Indebtedness required to be repurchased pursuant to the terms thereof before repurchasing any of the Notes.

(c) Within 30 days of the occurrence of a Change of Control and a Rating Decline with respect to all of the Company's 9-1/8% Senior Notes due 2008, 10-1/2% Senior Discount Notes due 2008, 11% Senior Notes due 2008, 11-1/4% Senior Notes due 2010, 12-7/8% Senior Discount Notes due 2010, 10-3/4% Euro-Denominated Senior Notes due 2008, 11-1/4% Euro-Denominated Senior Notes due 2010 (collectively, the "Senior Notes") and any other indebtedness of the Company, other than the Notes, subject to similar change of control provisions ("Other Indebtedness") (such occurrence of both a Change of Control and a Rating Decline are referred to herein as a "Change of Control Triggering Event"), the Company will be required to make an Offer to Purchase all Outstanding Notes at a price in cash equal to 101% of the principal amount of the Notes on the Purchase Date, plus 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).

(d) The Company and the Trustee shall perform their respective obligations for the Offer to Purchase as specified in the Offer. Prior to the Purchase Date, the Company shall (i) accept for payment Notes or portions thereof tendered pursuant to the Offer, (ii) irrevocably deposit with the Paying Agent (or, if the Company is acting as its own Paying Agent, segregate

and hold in trust as provided in Section 1003) cash sufficient to pay the Purchase Price of all Notes or portions thereof so accepted (provided that such deposit may be made no later than 11:00 A.M. New York City time on the Purchase Date if the Company elects) and (iii) deliver or cause to be delivered to the Trustee all Notes so accepted together with an Officers' Certificate stating the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail or deliver to Holders of Notes so accepted payment in an amount equal to the Purchase Price, and the Trustee shall promptly authenticate and mail or deliver to such Holders a new Note or Notes equal in principal amount to any unpurchased portion of the principal amount of the Note surrendered as requested by the Holder. Any Note not accepted for payment shall be promptly mailed or delivered by the Company to the Holder thereof. In the event that the aggregate Purchase Price is less than the amount delivered by the Company to the Trustee or the Paying Agent, the Trustee or the Paying Agent, as the case may be, shall deliver the excess to the Company immediately after the Purchase Date.

(e) Whenever in this Third Supplemental Indenture, Exhibit A hereto of the Indenture (including Article One hereof and Sections 201, 501(1) and 508 of the Indenture) there is a reference, in any context, to the principal of any Note as of any time, such reference shall be deemed to include reference to the Purchase Price payable in respect of such Note to the extent that such Purchase Price is, was or would be so payable at such time, and express mention of the Purchase Price in any provision of this Third Supplemental Indenture shall not be construed as excluding the Purchase Price in those provisions of this Third Supplemental Indenture when such express mention is not made.

(f) In the event that the Company makes an Offer to Purchase, the Company shall 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. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Section, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section by virtue thereof.

(g) Notwithstanding anything herein to the contrary, the Board of Directors shall not authorize the Company to make, and the Company shall not make (and shall not be required to make), any Offer to Purchase upon a Change of Control Triggering Event at such time as the terms and provisions of any agreement of the Company, including any agreement or instrument relating to its indebtedness, prohibits the making of such Offer to Purchase upon a Change of Control Triggering Event or provides that such Offer to Purchase upon a Change of Control Triggering Event would constitute a breach thereof, or a default thereunder, or if the making of such Offer to Purchase upon a Change of Control Triggering Event shall be restricted or prohibited by applicable law. If the Company is unable to purchase any Notes to be purchased pursuant to this Section 10.1 because such purchase would violate any such agreement or applicable law, then the Company shall purchase such Notes as soon thereafter as such purchase would not violate such agreement or laws.

(h) Notwithstanding anything to the contrary, no Change of Control Triggering Event shall be deemed to have occurred to the extent that a Change of Control Triggering Event contains events that are more favorable to the Holders of the Notes than the provisions set forth in the indentures governing the Senior Notes relating to "Change of Control Triggering Events"

(as defined in the indentures governing the Senior Notes) and similar provisions set forth in any agreements or instruments governing any Other Indebtedness.

ARTICLE ELEVEN

SUPPLEMENTAL INDENTURES

SECTION 11.1. AMENDMENTS TO ARTICLE NINE. (a) Section 901 is hereby amended with respect to the Notes by deleting the word "or" from the end of clause (9) thereof, deleting the "." from the end of clause (10) thereof and substituting a ";" in its place and by adding the following to the end thereof:

(11) to add guarantees with respect to the Notes; or

(12) to comply with any requirements of the Commission in connection with qualifying, or maintaining the qualification of, the Indenture under the Notes Act or the TIA.

(b) Section 902 is hereby amended by inserting "at any time after a Change of Control has occurred" after the words "Section 504, or" in clause (1) thereof and by adding the following to the end of the first paragraph of Section 902:

(6) modify Article Sixteen or Article Seventeen of the Indenture, as amended, or Article Seven of this Third Supplemental Indenture in a manner adverse to the Holders; and

(7) reduce the premium payable upon the redemption of any Notes or change the time at which any Notes may be redeemed pursuant to Section 7.1 hereof.

ARTICLE TWELVE

MEETINGS OF HOLDERS OF SECURITIES

SECTION 12.1. AMENDMENTS TO ARTICLE FIFTEEN. Section 1504 of the Indenture is amended with respect to the Notes by adding the following to the end of the first paragraph thereof:

"Subject to the proviso in the first sentence of this paragraph, the Persons entitled to vote 25% of the principal amount of the Outstanding Notes shall constitute a quorum for a reconvened meeting previously adjourned for lack of a quorum.

ARTICLE THIRTEEN

MISCELLANEOUS

SECTION 13.1 APPLICATION OF THIRD SUPPLEMENTAL INDENTURE. Each and every term and condition contained in this Third Supplemental Indenture that modifies,

amends or supplements the terms and conditions of the Indenture shall apply only to the Notes created hereby and not to any future series of Notes established under the Indenture.

SECTION 13.2. BENEFITS OF THIRD SUPPLEMENTAL INDENTURE. Nothing contained in this Third Supplemental Indenture shall or shall be construed to confer upon any person other than a Holder of the Notes, the Company and the Trustee any right or interest to avail itself or himself, as the case may be, of any benefit under any provision of the Indenture or this Third Supplemental Indenture, except for Holders of Senior Indebtedness as provided in Article Nine hereof.

SECTION 13.3. EFFECTIVE DATE. This Third Supplemental Indenture shall be effective as of the date first above written and upon the execution and delivery hereof by each of the parties hereto.

SECTION 13.4. GOVERNING LAW. This Third Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 13.5 COUNTERPARTS. This Third Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed by their respective officers hereunto duly authorized, all as of the day and year first above written.

LEVEL 3 COMMUNICATIONS, INC.

By: /s/ Thomas C. Stortz

Name: Thomas C. Stortz
Title: Group Vice President

THE BANK OF NEW YORK, as Trustee

By: /s/ Van Brown

Name: Van Brown
Title: Vice President

[Signature page to Third Supplemental Indenture]

EXHIBIT A

Form of Face of Note

LEVEL 3 COMMUNICATIONS, INC.

9% Junior Convertible Subordinated Note Due 2012

No. \$

Level 3 Communications, Inc., a Delaware corporation (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ Dollars on July 15, 2012, at the office or agency of the Company referred to below, and to pay interest thereon, in cash in arrears quarterly on April 15, July 15, October 15 and January 15 in each year, with payment commencing on October 15, 2002, and interest accruing from July 8, 2002, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rate of 9% per annum, until the principal amount hereof is paid or duly provided for. The Company shall pay interest on overdue principal at the rate borne by this Note, and it shall pay interest on overdue installments of interest at the same rate to the extent lawful.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such interest, which shall be April 1, July 1, October 1 or January 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date, and such defaulted interest, and (to the extent lawful) interest on such defaulted interest at the rate borne by the Notes, may be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner, all as more fully provided in said Indenture. Payment of the principal of (and premium, if any) and interest on this Note will be made at the office or agency of the Company maintained for that purpose in The City of New York, or at such other office or agency of the Company as may be maintained for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company by check mailed to the address of the Person entitled thereto as such address shall appear on the Security Register.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place. In the event of a conflict between the provisions of this Note and the Indenture, the terms of the Indenture shall govern.

Unless the certificate of authentication hereon has been duly executed by the Trustee referred to on the reverse hereof by manual signature, this Note shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: July 8, 2002

LEVEL 3 COMMUNICATIONS, INC.

By: _____
Authorized Signatory

Attest: _____

Form of Reverse of Note

This Note is one of a duly authorized issue of securities of the Company designated as its 9% Junior Convertible Subordinated Notes Due 2012 (herein called the "Notes"), limited (except as otherwise provided in the Indenture referred to below) in aggregate principal amount to \$500,000,000, which may be issued under an indenture (herein called the "Base Indenture") dated as of September 20, 1999, as supplemented by the Third Supplemental Indenture (the "Third Supplemental Indenture" and, together with the Base Indenture, the "Indenture") dated as of July 8, 2002, in each case between the Company and The Bank of New York, as trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties, obligations and immunities thereunder of the Company, the Trustee and the Holders of the Notes, and of the terms upon which the Notes are, and are to be, authenticated and delivered.

Optional Redemption

At any time or from time to time on or after July 15, 2007, the Company may, at its option, redeem this Note, in whole or in part, at the following Redemption Prices (expressed as a percentage of principal amount), in each case plus accrued and unpaid interest, if any, to the date of such redemption (herein called the "Optional Redemption Date"), if called for redemption during the twelve months beginning July 15, of the years indicated below.

Year	Redemption Price
----	-----
2007	104.50%
2008	103.00%
2009	101.50%
2010	100.00%

If less than all of the Notes are to be redeemed at any time, selection of

Notes for redemption will be made on a pro rata basis provided that no Notes of \$1,000 in principal amount or less shall be redeemed in part. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original Note. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Notice of the optional redemption will be given by the Company by first class mail to the Holders of the Notes not less than thirty days prior to any Optional Redemption Date. Such notice shall be irrevocable and will specify the Optional Redemption Date. The Notes subject to the optional redemption will be redeemed at the close of business on the Optional Redemption Date. If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed.

Repurchase at the Option of Holders upon a Change of Control Triggering Event

Upon the occurrence of a Change of Control Triggering Event, the Holder of this Note may require the Company, subject to certain limitations provided in the Indenture, to repurchase this Note at a purchase price in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest (if any) to the 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).

Whenever in this Note there is a reference, in any context, to the principal of any Note as of any time, such reference shall be deemed to include reference to the Purchase Price payable in respect of such Note to the extent that such Purchase Price is, was or would be so payable at such time, and express mention of the Purchase Price in any provision of this Note shall not be construed as excluding the Purchase Price so payable in those provisions of this Note when such express mention is not made.

In the event of repurchase of this Security in part only, a new Note or Notes for the unreurchased portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

Conversion Rights

Subject to and upon compliance with the provisions of the Indenture, the Holder of this Note is entitled, at his or her option, at any time following the original issue date of the Notes and on or before the close of business on the Business Day immediately preceding July 15, 2012 or the date the Holder hereof has exercised his right to require the Company to repurchase this Security or such portion hereof, then in respect of this Note until but (unless the Company defaults in making the payment due upon redemption or repurchase, as the case may be) not after the Business Day immediately preceding the Purchase Date, to convert each \$1,000 principal amount of Notes into such number of fully paid and nonassessable shares of Common Stock of the Company as shall be determined by dividing \$1,000 by the Conversion Price then in effect (which Conversion Price shall be subject to adjustment as provided in the Indenture) by surrender of this Note, duly endorsed or assigned to the Company or in blank and, in case such surrender shall be made during the period from the close of business on any Regular Record Date next preceding any Interest Payment Date to the opening of business on such Interest Payment Date (except if this Note or portion thereof repurchasable on a Purchase Date or redeemable on an Optional Redemption Date and the conversion rights of this Note, or such portion thereof, would terminate during the period between such Regular Record Date and the close of business on such Interest Payment Date), also accompanied by payment in New York Clearing House or other funds acceptable to the Company of an amount equal to the interest payable on such Interest Payment Date on the principal amount of this Note then being converted, and also the conversion notice hereon duly executed, to the Company at the Corporate Trust Office of the Trustee, or at such other office or agency of the Company, subject to any laws or regulations applicable thereto and subject to the right of the Company to terminate the appointment of any Conversion Agent (as defined below) as may be designated by it for such purpose in the Borough of Manhattan, The City of New York, or at such other offices or agencies as the Company may designate (each a "Conversion Agent"), provided, however, that if this Note or portion hereof is

repurchasable on a Purchase Date or redeemable on an Optional Redemption Date and the conversion rights of this Note, or such portion thereof, would terminate during the period between such Regular Record Date and the close of business on such Interest Payment Date, then the Holder of this Note on such Regular Record Date will be entitled to receive the interest accruing on this Note or a portion hereof from the Interest Payment Date next preceding the date of such conversion to such succeeding Interest Payment Date and the Holder of this Note who converts this Note or a portion hereof during such period shall not be required to pay such interest upon surrender of this Note for conversion. Subject to the provisions of the preceding sentence and, in the case of a conversion after the close of business on the Regular Record Date next preceding any Interest Payment Date and on or before the close of business on such Interest Payment Date, to the right of the Holder of this Note (or any Predecessor Note of record as of such Regular Record Date) to receive the related installment of interest to the extent and under the circumstances provided in the Indenture, no cash payment or adjustment is to be made on conversion for interest accrued hereon from the Interest Payment Date next preceding the day of conversion, or for dividends on the Common Stock of the Company issued on conversion hereof. The Company shall thereafter deliver to the Holder the fixed number of shares of Common Stock of the Company (together with any cash adjustment, as provided in the Indenture) into which this Note is convertible and such delivery will be deemed to satisfy the Company's obligation to pay the principal amount of this Note. No fractions of shares or scrip representing fractions of shares will be issued on conversion, but instead of any fractional interest the Company shall, at its option, either: (i) pay a cash adjustment as provided in the Indenture or (ii) round upward to the next whole number the number of shares of Common Stock issuable upon conversion. The Conversion Rate and Conversion Price are subject to adjustment as provided in the Indenture. In addition, the Indenture provides that in case of certain consolidations or mergers to which the Company is a party (other than a consolidation or merger that does not result in any reclassification, conversion, exchange or cancellation of the Common Stock of the Company) or the conveyance, transfer, sale or lease of all or substantially all of the property and assets of the Company, the Indenture shall be amended, without the consent of any Holders of Notes, so that this Note, if then Outstanding, will be convertible thereafter, during the period this Note shall be convertible as specified above, only into the kind and amount of securities, cash and other property receivable upon such consolidation, merger, conveyance, transfer, sale or lease by a holder of the number of shares of Common Stock of the Company into which this Note could have been converted immediately prior to such consolidation, merger, conveyance, transfer, sale or lease.

Mandatory Conversion

The Company has the right, but not the obligation, at any time, to require the Holder of this Note, subject to certain limitations set forth in the Indenture, to convert all, but not less than all, of this Note into shares of the Company's Series B Convertible Preferred Stock having a liquidation preference per share equal to \$1,000 for each \$1,000 principal amount of Notes converted, and having a conversion price and dividend rate equal to the conversion price and interest rate for the Notes so converted. Any accrued but unpaid interest as of the effective date of the Mandatory Conversion shall be paid in cash to the Holder on the effective date of the Mandatory Conversion.

Subordination

The indebtedness evidenced by this Note is, to the extent and in the manner provided in the Indenture, subordinate and subject in right of payment to the prior payment in full in cash of all Senior Indebtedness of the Company, and this Note is issued subject to such provisions of the Indenture with respect thereto. Each Holder of this Note, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination so provided and (c) appoints the Trustee his attorney-in-fact for any and all such purposes.

Events of Default

If an Event of Default shall occur and be continuing, the principal amount of all the Notes may be declared due and payable in the manner and with the effect provided in the Indenture.

Defeasance

The Indenture contains provisions for defeasance at any time of (a) the entire indebtedness of the Company on this Note and (b) its obligation to repurchase Notes upon the occurrence of a Change of Control and related Defaults and Events of Default, upon compliance by the Company with certain conditions set forth therein, which provisions apply to this Note.

Modification and Amendment

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Notes at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Notes at the time Outstanding, on behalf of the Holders of all the Notes, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Without the consent of any Holder of Notes, the Company and the Trustee may amend or modify the Indenture for certain purposes specified therein. Any such consent or waiver by or on behalf of the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Note.

Miscellaneous

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Note at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registerable on the Security Register of the Company, upon surrender of this Note for registration of transfer at the office or agency of the Company maintained for such purpose in The City of New York, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees. The Notes are issuable only in registered form without coupons in denominations of \$1,000 principal amount and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, the Notes are exchangeable for a like aggregate principal amount of Notes of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any registration of transfer or exchange of the Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

Prior to the time of due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any agent shall be affected by notice to the contrary.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

All terms used in this Note which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

Form of Trustee's Certificate of Authentication

The Trustee's certificate of authentication shall be in substantially the following form:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Dated:

This is one of the Securities referred to in the within-mentioned Indenture.

THE BANK OF NEW YORK, as Trustee By:

Authorized Signatory

A-9

CONVERSION NOTICE

The undersigned Holder of this Note hereby irrevocably exercises the option to convert this Note, or any portion of the principal amount hereof (which is \$1,000 or an integral multiple of \$1,000 in excess thereof, PROVIDED that the unconverted portion of such principal amount is \$1,000 or any integral multiple of \$1,000 in excess thereof) below designated, into shares of Common Stock of the Company in accordance with the terms of the Indenture referred to in this Note, and directs that such shares, together with a check in payment for any fractional share and any Notes representing any unconverted principal amount hereof, be delivered to and be registered in the name of the undersigned unless a different name has been indicated below. If shares of Common Stock of the Company or Notes are to be registered in the name of a Person other than the undersigned, (a) the undersigned will pay all transfer taxes payable with respect thereto and (b) signature(s) must be guaranteed by an Eligible Guarantor Institution with membership in an approved signature guarantee program pursuant to Rule 17Ad-15 under the Securities Exchange Act of 1934. Any amount required to be paid by the undersigned on account of interest accompanies this Note.

Dated:

Signature(s)

If shares of Notes are to be registered in the name of a Person other than the Holder, please print such Person's name and address:

Name

Address

Social Security or other Identification
Number, if any

Signature Guaranteed

If only a portion of the Notes is to be converted, please indicate:

1. Principal amount to be converted:

\$

2. Principal amount and denomination of Notes representing unconverted principal amount to be issued:

Amount \$

(\$1,000 or any integral multiple of \$1,000 in excess thereof, provided that the unconverted portion of such principal amount is \$1,000 or any integral multiple of \$1,000 in excess thereof)

Assignment Form

If you, the Holder, want to assign this Note, fill in the form below and have your signature guaranteed:

I or we assign and transfer this Note to
(Insert assignee's social security or tax ID number)

(Print or type assignee's name, address and zip code)

and irrevocably appoint
of

agent to transfer this Note on the books of the Company. The agent may substitute another to act for such agent.

Dated: _____

Your signature: _____
(Sign exactly as your name appears on
the other side of this Note)

By: _____
NOTICE: To be executed by an
executive officer

Signature Guarantee:

Option of Holder to Elect Purchase

If you wish to have this Note purchased by the Company pursuant to Section 10.1 of the Third Supplemental Indenture, check the box: ☐

If you wish to have a portion of this Note purchased by the Company pursuant to Section 10.1 of the Third Supplemental Indenture, state the principal amount:

\$-----.

Dated:

Your Signature:

(Sign exactly as your name appears on
the other side of this Note)

Signature Guarantee:

**SERIES B PREFERRED STOCK
CERTIFICATE OF DESIGNATIONS**

Exhibit 1.3

**CERTIFICATE OF DESIGNATIONS, NUMBER, VOTING POWERS,
PREFERENCES AND RIGHTS OF SERIES B CONVERTIBLE
PREFERRED STOCK
OF
LEVEL 3 COMMUNICATIONS, INC.**

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

The undersigned DOES HEREBY CERTIFY that the following resolution was duly adopted by the Board of Directors of Level 3 Communications, Inc., a Delaware corporation (hereinafter called the "Corporation"), with the preferences and rights set forth therein relating to dividends, conversion, redemption, dissolution and distribution of assets of the Corporation having been fixed by the Board of Directors pursuant to authority granted to it under Article VII of the Corporation's Restated Certificate of Incorporation and in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware:

RESOLVED: That, pursuant to authority conferred upon the Board of Directors by the Restated Certificate of Incorporation of the Corporation, the Board of Directors hereby authorizes the issuance of 500,000 shares of Series B Convertible Preferred Stock of the Corporation, and hereby fixes the designations, powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of such shares, in addition to those set forth in the Restated Certificate of Incorporation of the Corporation, as follows:

1. DESIGNATION AND AMOUNT. The shares of such series shall be designated "Series B Convertible Preferred Stock" (the "Series B Preferred Stock") and the number of shares constituting such series shall be 500,000.

2. DIVIDENDS.

(a) The holders of Series B Preferred Stock shall be entitled to receive, if, as and when declared by the Board of Directors of the Corporation (the "Board of Directors"), out of legally available funds of the Corporation, dividends per share equal to 9% per annum of the Stated Value (as herein defined) of such Series B Preferred Stock, before any dividends shall be declared, set apart for or paid upon the Series A Junior Participating Preferred Stock, Class R Stock or Common Stock or any other stock ranking with respect to dividends or on liquidation junior to the Series B Preferred Stock (such stock being referred to hereinafter collectively as "Junior Stock") in any year. All dividends declared upon the Series B Preferred Stock shall be declared pro rata per share. Such dividends shall accrue from the date of issuance and shall be payable in cash if, as and when declared by the Board of Directors on April 15, July 15, October 15 and January 15 of each year, commencing on October 15, 2002, to the holders of record of shares of Series B Preferred Stock on April 1, July 1, October 1 and January 1, as applicable. For purposes hereof, the term "Stated Value" shall mean \$1,000 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, stock distribution or combination with respect to the Series B Preferred Stock.

(b) Dividends on the Series B Preferred Stock shall be cumulative and shall continue to accrue whether or not declared and whether or not in any fiscal year there shall be net profits or surplus available for the payment of dividends in such fiscal year, so that if in any fiscal year or years, dividends in whole or in part are not paid upon the Series B Preferred Stock, unpaid dividends shall accumulate as against the holders of the Junior Stock. No interest, premium or penalty shall accrue or be payable in respect of any dividends accrued on the Series B Preferred Stock that are in arrears.

(c) No dividends on the Series B Preferred Stock shall be declared by the Board of Directors or paid or set apart for payment by the Corporation at such time as the terms and provisions of any agreement of the Corporation, including any agreement or instrument relating to its indebtedness, prohibits such declaration, payment or setting apart for payment or provides that such declaration, payment or setting apart for payment would constitute a breach thereof, or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

3. LIQUIDATION, DISSOLUTION OR WINDING UP.

(a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of Series B Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, after and subject to the payment in full of all amounts required to be distributed to the holders of any other Preferred Stock of the Corporation ranking on liquidation prior and in preference to the Series B Preferred Stock (such Preferred Stock being referred to hereinafter as "Senior Preferred Stock") upon such liquidation, dissolution or winding up, but before any payment shall be made to the holders of Junior Stock, an amount in cash equal to the Stated Value per share plus any dividends thereon accrued but unpaid. If upon any such liquidation, dissolution or winding up of the Corporation, the assets of the Corporation available for the distribution to its stockholders (after payment in full of all amounts required to be paid or distributed to holders of any Senior Preferred Stock) shall be insufficient to pay the holders of shares of Series B Preferred Stock the full amount to which they shall be entitled, the holders of shares of Series B Preferred Stock, and any other Preferred Stock ranking on liquidation on a parity with the Series B Preferred Stock, shall share ratably in any distribution of the remaining assets and funds of the Corporation in proportion to the respective amounts which would otherwise be payable in respect to the shares held by them upon such distribution if all amounts payable on or with respect to said shares were paid in full.

(b) After the payment of all preferential amounts required to be paid to the holders of Senior Preferred Stock and Series B Preferred Stock and any other series of Preferred Stock upon the dissolution, liquidation or winding up of the Corporation, the holders of shares of Common Stock then outstanding shall be entitled to receive the remaining assets and funds of the Corporation available for distribution to its stockholders.

(c) The merger or consolidation of the Corporation into or with another corporation, the merger or consolidation of any other corporation into or with the Corporation, or the sale, conveyance, mortgage, pledge or lease of all or substantially all the assets of the

Corporation shall not be deemed to be a liquidation, dissolution or winding up of the Corporation for purposes of this Section 3.

4. VOTING.

(a) Each issued and outstanding share of Series B Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which each such share of Series B Preferred Stock is convertible (as adjusted from time to time pursuant to Section 6 hereof), at each meeting of stockholders of the Corporation (or pursuant to any action by written consent) with respect to any and all matters presented to the stockholders of the Corporation for their action or consideration. Except as provided by applicable law or by the provisions of Sections 4(b) below, holders of Series B Preferred Stock shall vote together with the holders of Common Stock as a single class.

(b) The Corporation shall not amend, alter or repeal the preferences, special rights or other powers of the Series B Preferred Stock so as to affect adversely the Series B Preferred Stock, without the written consent or affirmative vote of the holders of at least a majority of the then outstanding shares of Series B Preferred Stock, given in writing, by proxy or by vote at a meeting, consenting or voting (as the case may be) separately as a class. For this purpose, the authorization or issuance by the Corporation of any series of Preferred Stock with preference or priority over, the Series B Preferred Stock as to the right to receive either dividends or amounts distributable upon liquidation, dissolution or winding up of the Corporation shall be deemed so to affect adversely the Series B Preferred Stock.

5. OPTIONAL CONVERSION. Each share of Series B Preferred Stock may be converted at any time, at the option of the holder thereof, into the number of fully paid and nonassessable shares of Common Stock obtained by dividing the Stated Value by the Conversion Price then in effect (the "Conversion Rate"), provided, however, that on any redemption of any Series B Preferred Stock or any liquidation of the Corporation, the right of conversion shall terminate at the close of business on the full business day next preceding the date fixed for such redemption or for the payment of any amounts distributable on liquidation to the holders of Series B Preferred Stock.

(a) The initial conversion price, subject to adjustment as provided herein, is equal to \$3.41 (the "Conversion Price"). The initial Conversion Rate for the Series B Preferred Stock shall be approximately 293.255 shares of Common Stock for each one share of Series B Preferred Stock surrendered for conversion. The applicable Conversion Rate and Conversion Price from time to time in effect is subject to adjustment as hereinafter provided.

(b) The Corporation shall not issue fractions of shares of Common Stock upon conversion of Series B Preferred Stock or scrip in lieu thereof. If any fraction of a share of Common Stock would, except for the provisions of this Section 5(b), be issuable upon conversion of any Series B Preferred Stock, the Corporation, at its option, shall either (i) in lieu thereof pay to the person entitled thereto an amount in cash equal to the current value of such fraction, calculated to the nearest one-hundredth (1/100) of a share by multiplying such fraction by the Current Market Price (as defined in Section 6(b) hereof) as of the conversion date for such

shares Series B Preferred Stock, or (ii) round upward to the next whole number the number of shares of Common Stock to be issued upon conversion.

(c) Whenever the Conversion Rate and Conversion Price shall be adjusted as provided in Section 6 hereof, the Corporation shall promptly (and in any event within 20 business days) file at the office designated for the conversion of Series B Preferred Stock, a statement, signed by the Chairman of the Board, the President, any Vice President or Treasurer of the Corporation, showing in reasonable detail the facts requiring such adjustment and the Conversion Rate that will be effective after such adjustment. The Corporation shall also cause a notice setting forth any such adjustments to be sent by mail, first class, postage prepaid, to each record holder of Series B Preferred Stock at his or its address appearing on the stock register. If such notice relates to an adjustment resulting from an event referred to in Section 6(f) hereof, such notice shall be included as part of the notice required to be mailed and published under the provisions of Section 6(f) hereof.

(d) In order to exercise the conversion privilege, the holder of any Series B Preferred Stock to be converted shall surrender his or its certificate or certificates therefor to the principal office of the transfer agent for the Series B Preferred Stock (or if no transfer agent be at the time appointed, then the Corporation at its principal office), and shall give written notice to the Corporation at such office that the holder elects to convert the Series B Preferred Stock represented by such certificates, or any number thereof. Such notice shall also state the name or names (with address) in which the certificate or certificates for shares of Common Stock which shall be issuable on such conversion shall be issued, subject to any restrictions on transfer relating to shares of the Series B Preferred Stock or shares of Common Stock upon conversion thereof. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly authorized in writing. The date of receipt by the transfer agent (or by the Corporation if the Corporation serves as its own transfer agent) of the certificates and notice shall be the conversion date. As soon as practicable after receipt of such notice and the surrender of the certificate or certificates for Series B Preferred Stock as aforesaid, but in no event more than 10 business days after such notice and surrender, the Corporation shall cause to be issued and delivered at such office to such holder a certificate or certificates registered in the name of such holder for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof, cash as provided in Section 5(b) hereof in respect of any fraction of a share of Common Stock otherwise issuable upon such conversion and, if less than all shares of Series B Preferred Stock represented by the certificate or certificates so surrendered are being converted, a residual certificate or certificates representing the shares of Series B Preferred Stock not converted.

(e) The Corporation shall at all times when the Series B Preferred Stock shall be outstanding reserve and keep available out of its authorized but unissued stock, for the purposes of effecting the conversion of the Series B Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Series B Preferred Stock.

(f) Upon any such conversion, all accrued and unpaid dividends on the Series B Preferred Stock surrendered for conversion shall be paid at the election of the Corporation, in cash or in shares of Common Stock. In the event such dividends are paid in additional shares of Common Stock, the number of shares of Common Stock to be issued in payment of the dividend with respect to each outstanding share of Common Stock shall be determined by dividing the amount of the dividend that would have been payable had such dividend been paid in cash by an amount equal to the Conversion Price. To the extent that any such dividend would result in the issuance of a fractional share of Common Stock (which shall be determined with respect to the aggregate number of shares of Common Stock held of record by each holder) then the amount of such fraction multiplied by the Conversion Price shall, at the option of the Corporation, either (i) be paid in cash (unless there are no legally available funds with which to make such cash payment, in which event such cash payment shall be made as soon as possible), or (ii) round upward to the next whole number the number of shares of Common Stock to be issued in payment of the dividend.

(g) All shares of Series B Preferred Stock which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares, including the rights, if any, to receive notices, to vote and to receive any dividends thereon, other than as provided by Section 5(f), shall forthwith cease and terminate except only the right of the holder thereof to receive shares of Common Stock in exchange therefor. Any shares of Series B Preferred Stock so converted shall be retired and canceled and shall not be reissued, and the Corporation may from time to time take such appropriate action as may be necessary to reduce the authorized Series B Preferred Stock accordingly.

6. ANTI-DILUTION PROVISIONS.

(a) The Conversion Price shall be subject to adjustment from time to time in accordance with this Section 6. For purposes of this Section 6, the term "Number of Common Shares Deemed Outstanding" at any given time shall mean the sum of (x) the number of shares of Common Stock outstanding at such time, (y) the number of shares of Common Stock issuable assuming conversion at such time of the Corporation's Convertible Securities, including the Series B Preferred Stock and (z) the maximum number of shares of the Common Stock issuable upon exercise of outstanding Options with an exercise price less than the Conversion Price then in effect.

(b) Except as provided in Section 6(c) or 6(e) hereof, if and whenever on or after July 5, 2002 (the "Measurement Date"), the Corporation shall issue or sell, or shall in accordance with paragraphs 6(b)(1) to (8), inclusive, be deemed to have issued or sold any shares of its Common Stock for a consideration per share less than both (x) the Average Current Market Price of the Corporation's Common Stock as of the date of such issue or sale and (y) the Conversion Price in effect immediately prior to the time of such issue or sale, then forthwith upon such issue or sale (the "Adjustment Triggering Transaction"), the Conversion Price shall, subject to paragraphs (1) to (8) of this Section 6(b), be reduced to the Conversion Price (calculated to the nearest tenth of a cent) determined by dividing:

- (i) an amount equal to the sum of (x) the product derived by multiplying the Number of Common Shares Deemed Outstanding immediately prior to such Adjustment Triggering Transaction by the Conversion Price then in effect, plus
- (y) the consideration, if any, received by the Corporation upon consummation of such Adjustment Triggering Transaction, by
- (ii) an amount equal to the sum of (x) the Number of Common Shares Deemed Outstanding immediately prior to such Adjustment Triggering Transaction plus (y) the number of shares of Common Stock issued (or deemed to be issued in accordance with paragraphs 6(b)(1) to (8)) in connection with the Adjustment Triggering Transaction.

"Average Current Market Price" of the Corporation's Common Stock shall mean the average of the daily Current Market Prices for the ten consecutive trading days preceding the day in question. "Current Market Price" of the Corporation's Common Stock for any day shall mean the last reported per share sale price, regular way on such day, or if no sale takes place on such day, the average of the reported closing bid and asked prices on such day, regular way, in either case as reported on the Nasdaq National Market or, if such Common Stock is not quoted or admitted to trading on such quotation system, on the principal national securities exchange or quotation system on which such Common Stock may be listed or admitted to trading or quoted, or, if not listed or admitted to trading or quoted on any national securities exchange or quotation system, the average of the closing per share bid and asked prices of such Common Stock on the over-the-counter market on the day on question as reported by the National Quotation Bureau Incorporated, or similar generally accepted reporting service, or, if not so available in such manner, as furnished by any Nasdaq member firm selected from time to time by the Board of Directors for that purpose, or, if not so available in such manner, as otherwise determined in good faith by the Board of Directors.

For purposes of determining the adjusted Conversion Price under this Section 6(b), the following paragraphs (1) to (8), inclusive, shall be applicable:

- (1) In case the Corporation at any time shall in any manner grant (whether directly or by assumption in a merger or otherwise) after the Measurement Date any rights to subscribe for or to purchase, or any options for the purchase of, Common Stock or any stock or other securities convertible into or exchangeable for Common Stock (such rights or options being herein called "Options" and such convertible or exchangeable stock or securities being herein called "Convertible Securities"), whether or not such Options or the right to convert or exchange any such Convertible Securities are immediately exercisable and the price per share for which the Common Stock is issuable upon exercise, conversion or exchange (determined by dividing (x) the total amount, if any, received or receivable by the Corporation as consideration for the granting of such Options, plus the minimum aggregate amount of additional consideration payable to the Corporation upon the exercise of all such Options, plus, in the case of such Options which relate to Convertible Securities, the minimum aggregate amount of additional consideration, if any, payable upon the issue or sale of such

Convertible Securities and upon the conversion or exchange thereof, by (y) the total maximum number of shares of Common Stock issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities) shall be less than both (a) the Average Current Market Price as of the day of granting of such Option and (b) the Conversion Price in effect immediately prior to the time of the granting of such Option, then the total maximum amount of Common Stock issuable upon the exercise of such Options or in the case of Options for Convertible Securities, upon the conversion or exchange of such Convertible Securities shall (as of the date of granting of such Options) be deemed to be outstanding and to have been issued and sold by the Corporation for such price per share. No adjustment of the Conversion Price shall be made upon the actual issue of such shares of Common Stock or such Convertible Securities upon the exercise of such Options, except as otherwise provided in paragraph (3) below.

(2) In case the Corporation at any time shall in any manner issue (whether directly or by assumption in a merger or otherwise) or sell after the Measurement Date any Convertible Securities, whether or not the rights to exchange or convert thereunder are immediately exercisable, and the price per share for which Common Stock is issuable upon such conversion or exchange (determined by dividing (x) the total amount received or receivable by the Corporation as consideration for the issue or sale of such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Corporation upon the conversion or exchange thereof, by (y) the total maximum number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities) shall be less than both (a) the Average Current Market Price as of the day of granting of such Option and (b) the Conversion Price in effect immediately prior to the time of such issue or sale, then the total maximum number of shares of Common Stock issuable upon conversion or exchange of all such Convertible Securities shall (as of the date of the issue or sale of such Convertible Securities) be deemed to be outstanding and to have been issued and sold by the Corporation for such price per share. No adjustment of the Conversion Price shall be made upon the actual issue of such Common Stock upon exercise of the rights to exchange or convert under such Convertible Securities, except as otherwise provided in paragraph (3) below.

(3) If the purchase price provided for in any Options referred to in paragraph (1), the additional consideration, if any, payable upon the conversion or exchange of any Convertible Securities referred to in paragraphs (1) or (2), or the rate at which any Convertible Securities referred to in paragraphs (1) or (2) are convertible into or exchangeable for Common Stock shall change at any time (including by reason of provisions designed to protect against dilution of the type set forth in Sections 6(b)), the Conversion Price in effect at the time of such change shall forthwith be readjusted to the Conversion Price which would have been in effect at such time had such Options or Convertible Securities still outstanding provided for such changed purchase price, additional consideration or conversion rate, as the case may be, at the time initially granted, issued or sold.

(4) On the expiration of any Option or the termination of any right to convert or exchange any Convertible Securities, the Conversion Price then in effect hereunder shall forthwith be increased to the Conversion Price which would have been in effect at the time of such expiration or termination had such Option or Convertible Securities, to the extent outstanding immediately prior to such expiration or termination, never been issued.

(5) In case any shares of Common Stock, Options or Convertible Securities shall be issued or sold or deemed to have been issued or sold for cash, the consideration received therefor shall be deemed to be the amount received by the Corporation therefor. In case any shares of Common Stock, Options or Convertible Securities shall be issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Corporation shall be the fair value of such consideration as determined in good faith by the Board of Directors. In case any shares of Common Stock, Options or Convertible Securities shall be issued in connection with any merger in which the Corporation is the surviving corporation, the amount of consideration therefor shall be deemed to be the fair value of such portion of the net assets and business of the non-surviving corporation as shall be attributable to such Common Stock, Options or Convertible Securities, as the case may be, as determined in good faith by the Board of Directors.

(6) The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Corporation, and the disposition of any shares so owned or held shall be considered an issue or sale of Common Stock for the purpose of this Section 6(b).

(7) In case the Corporation shall declare a dividend or make any other distribution upon the stock of the Corporation payable in Options or Convertible Securities, then in such case any Options or Convertible Securities, as the case may be, issuable in payment of such dividend or distribution shall be deemed to have been issued or sold without consideration.

(8) For purposes of this Section 6(b), in case the Corporation shall take a record of the holders of its Common Stock for the purpose of entitling them (x) to receive a dividend or other distribution payable in Common Stock, Options or in Convertible Securities, or (y) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date shall be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right or subscription or purchase, as the case may be.

(c) In case the Corporation shall at any time (i) subdivide the outstanding Common Stock or (ii) issue a dividend on its outstanding Common Stock payable in shares of Common Stock, the number of shares of Common Stock issuable upon conversion of the Series

B Preferred Stock shall be proportionately increased by the same ratio as the subdivision or dividend (with appropriate adjustments to the Conversion Price in effect immediately prior to such subdivision or dividend). In case the Corporation shall at any time combine its outstanding Common Stock, the number of shares issuable upon conversion of the Series B Preferred Stock immediately prior to such combination shall be proportionately decreased by the same ratio as the combination (with appropriate adjustments to the Conversion Price in effect immediately prior to such combination).

(d) If any capital reorganization or reclassification of the capital stock of the Corporation, or consolidation or merger of the Corporation with another corporation, or the sale of all or substantially all of its assets to another corporation shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities, cash or other property with respect to or in exchange for Common Stock, then, adequate provision shall be made whereby the holders of the Series B Preferred Stock shall have the right to acquire and receive upon conversion of the Series B Preferred Stock, which right shall be prior to the rights of the holders of Junior Stock (but subject to the rights of holders of Senior Preferred Stock, if any), such shares of stock, securities, cash or other property issuable or payable (as part of the reorganization, reclassification, consolidation, merger or sale) with respect to or in exchange for such number of outstanding shares of Common Stock as would have been received upon conversion of the Series B Preferred Stock at the Conversion Price then in effect.

(e) The provisions of this Section 6 shall not apply to any Common Stock issued, issuable or deemed outstanding under paragraphs 6(b)(1) to (8) inclusive: (i) to any person pursuant to any stock option, stock purchase or similar equity compensation plan or arrangement for the benefit of employees of the Corporation or its subsidiaries in effect on the Initial Issuance Date or thereafter adopted by the Board of Directors, (ii) pursuant to options, warrants and conversion rights in existence on the Initial Issuance Date, (iii) on conversion of the Series B Preferred Stock or the sale of any additional shares of Series B Preferred Stock, (iv) the issuance of shares of Common Stock in any public offering, (v) the issuance of capital stock in connection with any bona fide acquisitions of assets or securities of another person or entity, or (vi) in exchange for the Corporation's outstanding debt securities, (vii) the issuance of the Company's 9% Junior Convertible Subordinated Notes due 2012 (the "Notes") or (viii) on conversion of the Notes.

(f) In the event that:

(1) the Corporation shall offer for subscription pro rata to the holders of its Common Stock any additional shares of stock of any class or other rights, or

(2) there shall be any capital reorganization or reclassification of the capital stock of the Corporation, including any subdivision or combination of its outstanding shares of Common Stock, or consolidation or merger of the Corporation with, or sale of all or substantially all of its assets to, another corporation, or

(3) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Corporation;

then, in connection with such event, the Corporation shall give to the holders of the Series B Preferred Stock:

(i) at least twenty (20) days prior written notice of the date on which the books of the Corporation shall close or a record shall be taken for such dividend, distribution or subscription rights or for determining rights to vote in respect of any such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up; and

(ii) in the case of any such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up, at least twenty (20) days prior written notice of the date when the same shall take place. Each such written notice shall be given by first class mail, postage prepaid, addressed to the holders of the Series B Preferred Stock at the address of each such holder as shown on the books of the Corporation.

7. CHANGE OF CONTROL; PROCEDURES UPON CHANGE OF CONTROL.

(a) Upon the occurrence of a Change of Control Triggering Event, each holder of Series B Preferred Stock shall have the right to require that the Corporation repurchase such holder's shares of Series B Preferred Stock in whole or in part, in accordance with the procedures set forth in this Section 7.

(b) Within 30 days of the occurrence of both a Change of Control and a Rating Decline with respect to all of the Corporation's 9-1/8% Senior Notes due 2008, 10-1/2% Senior Discount Notes due 2008, 11% Senior Notes due 2008, 11-1/4% Senior Notes due 2010, 12-7/8% Senior Discount Notes due 2010, 10-3/4% Euro-Denominated Senior Notes due 2008, 11-1/4% Euro-Denominated Senior Notes due 2010 (collectively, the "Senior Notes") and any other indebtedness of the Corporation subject to similar change of control provisions ("Other Indebtedness") (such occurrence of both a Change of Control and a Rating Decline are referred to herein as a "Change of Control Triggering Event"), the Corporation will be required to make an Offer to Purchase all outstanding shares of Series B Preferred Stock at a price in cash equal to 101% of the Stated Value of such shares on the Purchase Date (as specified in the Offer to Purchase), plus accrued and unpaid dividends to such purchase date. Notwithstanding anything herein to the contrary, the Board of Directors shall not authorize the Corporation to make, and the Corporation shall not make (and shall not be required to make), any Offer to Purchase pursuant to this Section 7 at such time as the terms and provisions of any agreement of the Corporation, including any agreement or instrument relating to its indebtedness, prohibits the making of such Offer to Purchase or provides that such Offer to Purchase would constitute a breach thereof, or a default thereunder, or if the making of such Offer to Purchase shall be restricted or prohibited by applicable law. If the Corporation is unable to purchase any shares of Series B Preferred Stock to be purchased pursuant to this Section 7 because such purchase would

violate any such agreement or applicable law, then the Corporation shall purchase such shares as soon thereafter as such purchase would not violate such agreement or laws.

(c) For purposes of this Section 7, the following terms shall have the following meanings:

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

a. 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 Securities Exchange Act of 1934, as amended (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 the Corporation; 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 the Corporation than such other person or group (for purposes of this clause (a), 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

b. the sale, transfer, assignment, lease, conveyance or other disposition, directly or indirectly, of all or substantially all the assets of the Corporation and its subsidiaries that are restricted under any of the Corporation's outstanding indebtedness, considered as a whole (other than a disposition of such assets as an entirety or virtually as an entirety to such a restricted subsidiary that is wholly owned or one or more Permitted Holders) shall have occurred; or

c. during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors (together with any new directors whose election or appointment by such board or whose nomination for election by the shareholders of the Corporation 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 then in office; or

d. the stockholders of the Corporation shall have approved any plan of liquidation or dissolution of the Corporation;

provided that no Change of Control shall be deemed to have occurred as a result of the holders of the Notes as of the Measurement Date acquiring shares of the Corporation's Common Stock.

(ii) "Issue Date Rating" means, with respect to the Senior Notes, B3 in the case of Moody's and B in the case of S&P and, with respect to any Other Indebtedness, the ratings assigned to such Other Indebtedness in the date such Other Indebtedness is initially issued.

(iii) "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 trustees for the Senior Notes by a written notice given to the Corporation.

(iv) "Offer to Purchase" means a written offer (the "Offer") sent by the Corporation by first-class mail, postage prepaid, to each registered holder of shares of Series B Preferred Stock on the date of the Offer offering to purchase all the outstanding shares of Series B Preferred Stock at the purchase price specified in such Offer (as determined pursuant this Section 7(b)). 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 shares of Series B Preferred Stock within five business days after the Expiration Date. The Offer shall contain all instructions and materials necessary to enable such holders of Series B Preferred Stock to tender shares pursuant to the Offer to Purchase.

(v) "Permitted Holders" means the members of the Corporation's Board of Directors on April 28, 1998 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.

(vi) "Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association or joint venture.

(vii) "Rating Agencies" means Moody's and S&P.

(viii) "Rating Date" means the earlier of the date of public notice of the occurrence of the Change of Control or of the intention of the Corporation to effect a Change of Control.

(ix) "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 Senior Notes or any outstanding Indebtedness 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 Senior Notes or any outstanding Indebtedness 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 Senior Notes or any Other Indebtedness 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 raised 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.

(x) "S&P" means Standard & Poor's Ratings Services or if Standard & Poor's Rating Services 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 trustees for the Senior Notes by a written notice given to the Corporation.

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

(d) In the event that the Corporation makes an offer to purchase shares of Series B Preferred Stock pursuant to this Section 7, the Corporation shall 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. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Section, the Corporation shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section by virtue thereof.

(e) Notwithstanding anything to the contrary contained in this Section 7, no Change of Control Triggering Event shall be deemed to have occurred to the extent that a Change of Control Triggering Event contains events that are more favorable to the holders of the Series B Preferred Stock than the provisions set for the in the indentures governing the Senior Notes relating to "Change of Control Triggering Events" (as defined in the indentures governing

the Senior Notes) and similar provisions set forth in any agreements or instruments governing any Other Indebtedness.

8. REDEMPTION.

(a) The Corporation shall redeem (to the extent that such redemption shall not violate any applicable provisions of the laws of the State of Delaware or the terms of any of the Corporation's then outstanding indebtedness) at a price in cash equal to the Stated Value per share, plus an amount equal to any dividends accrued but unpaid thereon (such amount is hereinafter referred to as the "Redemption Price"), on July 15, 2012 (the "Mandatory Redemption Date") all of the shares of Series B Preferred Stock outstanding on the Mandatory Redemption Date. Notwithstanding anything herein to the contrary, the Board of Directors shall not authorize the Corporation to, and the Corporation shall not (and shall not be required to), redeem shares of Series B Preferred Stock pursuant to this Section 8(a) at such time as the terms and provisions of any agreement of the Corporation, including any agreement or instrument relating to its indebtedness, prohibits the making of such redemption or provides that such redemption would constitute a breach thereof, or a default thereunder, or if the making of such redemption shall be restricted or prohibited by applicable law. If the Corporation is unable at the Mandatory Redemption Date to redeem any shares of Series B Preferred Stock then to be redeemed because such redemption would violate any such agreement or applicable law, then the Corporation shall redeem such shares as soon thereafter as redemption would not violate such agreement or laws.

(b) The Corporation shall be entitled to redeem, at the option of the Corporation, in whole or in part, at any time or from time to time on or after July 15, 2007, at the redemption prices (expressed as percentages of Stated Value) set forth below, plus accrued and unpaid dividends thereon to the date of such redemption (each, an "Optional Redemption Date"), if redeemed during the twelve months beginning July 15th of the years indicated below:

Year	Redemption Price
----	-----
2007.....	104.5%
2008.....	103.0%
2009.....	101.5%
2010 and thereafter.....	100.0%

(c) In the event of any redemption of only a part of the then outstanding Series B Preferred Stock, the Corporation shall effect such redemption pro rata among the holders thereof (based on the number of shares of Series B Preferred Stock held on the date of notice of redemption).

(d) Subject to the limitations in Section 8(a), at least thirty (30) days prior to the Mandatory Redemption Date or any Optional Redemption Date, written notice shall be mailed, postage prepaid, to each holder of record of Series B Preferred Stock to be redeemed, at his or its post office address last shown on the records of the Corporation, notifying such holder of the number of shares so to be redeemed, specifying the Mandatory Redemption Date or Optional Redemption Date, as applicable, and the date on which such holder's conversion rights

(pursuant to Section 5 hereof) as to such shares terminate and calling upon such holder to surrender to the Corporation, in the manner and at the place designated, his or its certificate or certificates representing the shares to be redeemed (such notice is hereinafter referred to as the "Redemption Notice"). On or prior to the Mandatory Redemption Date and each Optional Redemption Date, each holder of Series B Preferred Stock to be redeemed shall surrender his or its certificate or certificates representing such shares to the Corporation, in the manner and at the place designated in the Redemption Notice, and thereupon the Mandatory Redemption Price or Optional Redemption Price, as applicable, of such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be canceled. In the event less than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares. From and after the Mandatory Redemption Date or any Optional Redemption Date, as applicable, unless there shall have been a default in payment of the Mandatory Redemption Price or Optional Redemption Price, as applicable, all rights of the holders of the Series B Preferred Stock designated for redemption in the Redemption Notice as holders of Series B Preferred Stock (except the right to receive the Mandatory Redemption Price or Optional Redemption Price, as applicable, without interest upon surrender of their certificate or certificates) shall cease with respect to such shares, and such shares shall not thereafter be transferred on the books of the Corporation or be deemed to be outstanding for any purpose whatsoever.

(e) Except as provided in Sections 8(a) and (b) hereof, the Corporation shall have no right to redeem the shares of Series B Preferred Stock. Any shares of Series B Preferred Stock so redeemed shall be permanently retired, shall no longer be deemed outstanding and shall not under any circumstances be reissued, and the Corporation may from time to time take such appropriate corporate action as may be necessary to reduce the authorized Series B Preferred Stock accordingly. Nothing herein contained shall prevent or restrict the purchase by the Corporation, from time to time either at public or private sale, of the whole or any part of the Series B Preferred Stock at such price or prices as the Corporation may determine, subject to the provisions of applicable law.

IN WITNESS WHEREOF, Level 3 Communications, Inc. has caused this Certificate of Designations, Number, Voting Powers, Preferences and Rights of Series B Convertible Preferred Stock to be duly executed by its _____ this ____ day of July, 2002.

LEVEL 3 COMMUNICATIONS, INC.

By

Name:

Title:

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Exhibit 1.4

AGREEMENT

This Agreement (this "Agreement") is dated as of the 5th day of July 2002 by and among Level 3 Communications, Inc., a Delaware corporation with its principal office at 1025 Eldorado Boulevard, Broomfield, Colorado 80021 (the "Company"), and each of the investors named in EXHIBIT A attached hereto (each, an "Investor" and collectively, the "Investors").

WHEREAS, the Company and the Investors have been discussing a potential investment by the Investors in the Company, the use of proceeds of that investment is intended for the Company's general corporate purposes, including potential acquisitions of complementary telecommunications businesses or assets as a means to act as a catalyst for consolidation in the telecommunications industry; and

WHEREAS, it was the mutual desire of the Company and the Investors that the Investors investment in the Company would take the form of a newly issued series of the Company's preferred stock, which preferred stock would 1) be mandatorily redeemable on the tenth anniversary of issuance, 2) have a dividend payable in cash on a quarterly basis at the rate of 9% of the liquidation value of the preferred stock, 3) be convertible into shares of the Company's common stock at any time at the option of the holder at a rate that would be agreed to by the Company and the Investors but would represent an 11% premium to the closing price of the Company's common stock, par value \$.01 per share (the "Common Stock") on the Nasdaq National Market to be agreed by the parties, and 4) be redeemable at the option of the Company after the fifth anniversary of issuance beginning at a rate of 104.5% of the liquidation value, declining ratably to par after the ninth anniversary of issuance (the "Proposed Preferred Stock"); and

WHEREAS, in connection with the finalization of the terms of the investment and the form of security that would be issued by the Company to the Investors to represent that investment, the parties determined that for a variety of reasons, including state corporate law limitations on the Company's ability to pay cash dividends and limitations contained in certain of the Company's existing debt agreements, it would not be possible at this time for the Company to issue the Proposed Preferred Stock; and

WHEREAS, the Company and the Investors agreed that in order for the Company to be in a position to pursue its plans for consolidation in the telecommunications industry as soon as possible that the Company and the Investors would restructure the nature of the Investors investment in the Company from the Proposed Preferred Stock to a junior subordinated convertible note that would have, as nearly as possible, the same economic terms as the Proposed Preferred Stock (the "New Junior Convertible Debt"); and

WHEREAS, the Investors have agreed that the terms of the New Junior Convertible Debt will include a provision that will allow the Company, at its option, to mandate the conversion of the New Junior Debt to a newly issued series of the Company's preferred stock that would have the same economic terms as the Proposed Preferred Stock (the "Preferred Stock") at such time as the Board of Directors of the Company determines, in its good faith, that the Company's ability to issue the Preferred Stock and to pay cash dividends for a reasonably foreseeable period into

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the future would not be limited by applicable state corporate law or the terms and conditions of any the Company's then existing debt obligations; and

WHEREAS, the Investors have also agreed that the terms of the New Junior Convertible Debt will include a provision that states that upon any liquidation of the Company, the New Junior Convertible Debt will rank senior to the Company's Common Stock and preferred stock, but will rank junior to all of the Company's existing indebtedness; and

WHEREAS, the Investors and the Company desire to memorialize their commitment to explore the issuance to the Investors of alternative non-debt securities, which securities would be issued in exchange for the New Junior Convertible Debt.

NOW THEREFORE, in consideration of the mutual agreements herein contained, the parties hereto agree as follows.

1. Purchase of New Junior Convertible Debt. Pursuant to the Purchase Agreement, dated the date hereof and attached as Exhibit B, the Company has issued and sold to the Investors the New Junior Convertible Debt, which includes a provision that will allow the Company, at its option, to mandate the conversion of the New Junior Convertible Debt to a Preferred Stock at such time as the Board of Directors of the Company determines, in its good faith, among other things, that the Company's ability to issue the Preferred Stock and to pay cash dividends for a reasonably foreseeable period into the future is not prohibited by applicable provisions of law or the terms and provisions of any agreement of the Company, including any agreement or instrument relating to its indebtedness or the Company's Certificate of Incorporation or Bylaws, or if the conversion would constitute a breach thereof, or a default thereunder, or if the making of the conversion shall be restricted or prohibited by any applicable law, rule or regulation.

2. Continued Review of Alternative Securities. The Investors and the Company agree to continue to analyze, review and consider the issuance to the Investors by the Company or one of its affiliates (including a wholly owned subsidiary) of a security that is a preferred equity security and would provide to the Investors comparable economic terms and conditions. Any such issuance would only take place if such alternate security would comply with the Company's existing debt obligations and applicable provisions of law and if the all of the terms thereof are mutually agreeable to the Company and the Investors, in each case in their sole discretion.

3. Further Investment. The Investors and the Company agree to discuss, from time to time, possible future investments by the Investors in the securities of the Company in connection with future acquisition opportunities that the Company may identify. The Company acknowledges that no Investor has made any commitment to make any such future investment, and that the decision to make any such future investment is in the sole discretion of each Investor. The Investors acknowledge that the Company has made no commitment to offer any such future investment to any Investor, and that the decision to make any such offer of future investment is in the sole discretion of the Company.

Confidential

4. Public Statements or Releases. Neither the Company nor any Investor shall make any public announcement with respect to the existence or terms of this Agreement or the transactions provided for herein without the prior approval of the other parties, which shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, nothing in this Section 4 shall prevent any party from making any public announcement it considers necessary in order to satisfy its obligations under the law or the rules of any national securities exchange or market, provided such party, to the extent practicable, provides the other parties with an opportunity to review and comment on any proposed public announcement before it is made.

5. Captions. The captions and paragraph headings of this Agreement are solely for the convenience of reference and shall not affect its interpretation.

6. Severability. Should any part or provision of this Agreement be held unenforceable or in conflict with the applicable laws or regulations of any jurisdiction, the invalid or unenforceable part or provisions shall be replaced with a provision which accomplishes, to the extent possible, the original business purpose of such part or provision in a valid and enforceable manner, and the remainder of this Agreement shall remain binding upon the parties hereto.

7. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to conflict of law principles thereof.

8. Counterparts. This Agreement may be signed in one or more counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

9. Conflict With Other Agreements. Notwithstanding any other provision of this Agreement to the contrary, to the extent that any provision of this Agreement conflicts with or contradicts any provision in any agreement, document or instrument that sets forth the terms and conditions, rights, privileges or preferences of either the 9% Junior Convertible Subordinated Notes due 2012 or the Series B Convertible Preferred Stock (the "Other Documents") the terms of the Other Documents shall govern and supersede the provisions of this Agreement.

[Signature page follows]

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement under seal as of the day and year first above written.

LEVEL 3 COMMUNICATIONS, INC.

By: /s/ Thomas C. Stortz

Name: Thomas C. Stortz
Title: Group Vice President

INVESTORS:

LONGLEAF PARTNERS FUND,

a series of Longleaf Partners Funds Trust,
a Massachusetts business trust

By: /s/ O. Mason Hawkins

Name: O. Mason Hawkins
Title: Chairman of the Board

LONGLEAF PARTNERS SMALL-CAP FUND,

a series of Longleaf Partners Funds Trust,
a Massachusetts business trust

By: /s/ O. Mason Hawkins

Name: O. Mason Hawkins
Title: Chairman of the Board

LEGG MASON SPECIAL INVESTMENT TRUST, INC.

By: Legg Mason Funds Management, Inc.
Investment Manager

By: /s/ Mary Chris Gay

Name: Mary Chris Gay
Title: Senior Vice President

LEGG MASON INVESTMENT TRUST, INC.

By: Legg Mason Funds Management, Inc.
Investment Manager

By: /s/ Mary Chris Gay

Name: Mary Chris Gay

Title: Senior Vice President

NATIONAL INDEMNITY CO.

By: /s/ Marc B. Hamburg

Name: Marc B. Hamburg

Title: Treasurer

Exhibit 1.5

AMENDMENT NO. 1 TO THE RIGHTS AGREEMENT

This Amendment to the Rights Agreement, dated as of July 5, 2002, is made by and between Level 3 Communications, Inc., a Delaware corporation (the "Company"), and Wells Fargo Bank Minnesota, NA (formerly known as Norwest Bank Minnesota, N.A.), a Delaware corporation (the "Rights Agent"), and amends the Rights Agreement, dated as of May 29, 1998, between the Company and the Rights Agent (the "Rights Agreement").

RECITALS

WHEREAS, the Company intends to enter into a Securities Purchase Agreement, dated as of July 5, 2002 (the "Purchase Agreement"), with the institutional investors indicated on Exhibit A thereto (the "Investors"), pursuant to which the Investors will purchase \$500,000,000 aggregate principal amount of the Company's 9% Junior Convertible Subordinated Notes due 2012, the Board of Directors of the Company having approved the Purchase Agreement and the transactions contemplated therein; and

WHEREAS, pursuant to Section 26 of the Rights Agreement, the Board Directors of the Company has determined that an amendment to the Rights Agreement as set forth herein is necessary and desirable in connection with the foregoing, and the Company and the Rights Agent desire to evidence such amendment in writing.

NOW, THEREFORE, the Company and the Rights Agent agree as follows:

1. Amendment to Definition of "Acquiring Person". The definition of "Acquiring Person" in Section 1(a) of the Rights Agreement is hereby amended to add the following sentences to the end of such definition:

"Notwithstanding the foregoing, Southeastern Asset Management, Inc., a Tennessee corporation ("Southeastern"), Longleaf Partners Fund ("Longleaf"), a series of Longleaf Partners Funds Trust, a Massachusetts business trust ("Longleaf Trust"), Longleaf Partners Small-Cap Fund, a series of Longleaf Trust ("Longleaf Small-Cap," and together with Southeastern and Longleaf, the "Southeastern Entities"), and the Affiliates and Associates of any of the Southeastern Entities shall not be deemed, individually or collectively, to be an Acquiring Person by virtue of (A) the execution, delivery and performance of the Securities Purchase Agreement, dated as of July 5, 2002 (the "Purchase Agreement"), among the Company and the investors named therein or any of the transactions contemplated therein, including the purchase by Longleaf and Longleaf Small-Cap of the Company's 9% Junior Convertible Subordinated Notes due 2012 (the "Notes"), or (B) becoming the Beneficial Owner of any other shares of Common Stock; so long as, in any such case, none of the Southeastern Entities, their Affiliates or their Associates, individually or collectively, shall be the Beneficial Owner of 30% or more of the shares of Common Stock then outstanding.

"Notwithstanding the foregoing, Legg Mason, Inc. a Maryland corporation, ("Legg Mason"), Legg Mason Special Investment Trust, Inc. ("Special Investment Trust"), Legg Mason Investment Trust, Inc. ("Investment Trust" and together with Legg Mason and Special Investment Trust, the "Legg Mason Entities") and the Affiliates and Associates of any of the Legg Mason Entities shall not be deemed, individually or collectively, to be an Acquiring Person by virtue of (A) the execution, delivery and

performance of the Securities Purchase Agreement, dated as of July 5, 2002 (the "Purchase Agreement"), among the Company and the investors named therein or any of the transactions contemplated therein, including the purchase by Special Investment Trust and Investment Trust of the Notes, or (B) becoming the Beneficial Owner of any other shares of Common Stock; so long as, in any such case, none of the Legg Mason Entities, their Affiliates or their Associates, individually or collectively, shall be the Beneficial Owner of 20% or more of the shares of Common Stock then outstanding."

2. Amendment to Definition of "Distribution Date". The definition of "Distribution Date" in Section 1(o) of the Rights Agreement is hereby amended to add the following sentence to the end of such definition:

"Notwithstanding anything in this Agreement to the contrary, a Distribution Date shall not be deemed to have occurred as a result of (i) the execution of the Purchase Agreement, (ii) the announcement of the Purchase Agreement or any of the transactions contemplated in the Purchase Agreement or (iii) the consummation of the transactions contemplated in the Purchase Agreement."

3. Amendment to Definition of "Stock Acquisition Date". The definition of "Stock Acquisition Date" in Section 1(kk) of the Rights Agreement is hereby amended to add the following sentence to the end of such definition:

"Notwithstanding anything in this Agreement to the contrary, a Stock Acquisition Date shall not be deemed to have occurred as the result of (i) the execution of the Purchase Agreement, (ii) the announcement of the Purchase Agreement or any of the transactions contemplated in the Purchase Agreement or (iii) the consummation of the transactions contemplated in the Purchase Agreement."

4. Amendment to Section 29. Section 29 of the Rights Agreement is hereby amended to add the following sentence at the end thereof:

"Nothing in this Agreement shall be construed to give any holder of Rights or any other Person any legal or equitable rights, remedies or claims under this Agreement by virtue of (i) the execution of the Purchase Agreement, (ii) the announcement of the Purchase Agreement or any of the transactions contemplated in the Purchase Agreement or (iii) the consummation of the transactions contemplated in the Purchase Agreement."

5. Miscellaneous.

(a) Except as otherwise expressly provided, or unless the context otherwise requires, all capitalized terms used herein have the meanings assigned to them in the Rights Agreement.

(b) Each party hereto waives any requirement under the Rights Agreement that any additional notice be provided to it pertaining to the matters covered by this Agreement.

- (c) This Amendment may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one end and the same document.
- (d) Except as expressly provided herein, the Rights Agreement is not being amended, modified or supplemented in any respect, and it remains in full force and effect.
- (e) This Amendment shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts made and to be performed entirely within such State.
- (f) This Amendment shall be deemed effective as of the date first written above, as if executed on such date.

IN WITNESS WHEREOF, the parties have caused this Amendment to the Rights Agreement to be duly executed as of the day and year first written above.

LEVEL 3 COMMUNICATIONS, INC.

By: /s/ Neil J. Eckstein

Name: Neil J. Eckstein
Title: Vice President

WELLS FARGO BANK MINNESOTA, NA

By: /s/ Kenneth P. Swanson

Name: Kenneth P. Swanson
Title: Vice President

Exhibit 99.1

1025 Eldorado Boulevard
Broomfield, Colorado 80021

www.Level3.com

NEWS RELEASE

Level 3 contacts:

Media: Josh Howell
720-888-2517

Investors: Robin Grey
720-888-2518

Arthur Hodges
720-888-6184

Level 3 Signs Agreement to Raise \$500 Million in New Capital

Longleaf Partners Funds, Berkshire Hathaway and Legg Mason To Jointly Invest in Level 3

BROOMFIELD, Colo., July 8, 2002 -- Level 3 Communications, Inc. (Nasdaq:LVL3), announced today that it has signed an agreement to sell \$500 million aggregate principal amount of its 9% junior convertible subordinated notes due 2012 to three institutions: Longleaf Partners Funds, Berkshire Hathaway Inc., and Legg Mason, Inc. The transaction is expected to close today. Level 3 intends to use the net proceeds for general corporate purposes, including potential acquisitions relating to industry consolidation opportunities, capital expenditures and working capital.

"It is widely recognized that the telecommunications industry is going through a period of unprecedented turmoil," said James Q. Crowe, Level 3's chief executive officer. "At the same time, however, the ongoing shakeout is creating extraordinary opportunities, as telecommunications companies, their network assets and customer bases become

available. We are fortunate to have both network management expertise and financial dry powder, which will allow us to continue pursuing opportunities that create value for our stockholders."

Longleaf Partners Funds (Partners Fund and Small-Cap Fund) is purchasing \$300 million of the convertible notes; Berkshire Hathaway is purchasing \$100 million; and Legg Mason is purchasing \$100 million. The notes, which mature in 10 years, pay 9% cash interest. The notes are convertible, at the option of the holders, into common stock at any time at a conversion price of \$3.41, subject to certain adjustments. The notes are convertible at the company's option into convertible preferred stock under certain conditions and circumstances. The convertible notes rank junior to substantially all of the company's existing indebtedness. In addition, all three institutions have indicated that they would consider possible additional investment in the company in the future, although neither the company nor the institutions have an obligation with respect to any future investment. Pro forma for the \$500 million new investment, the company had a cash and marketable securities balance of approximately \$1.5 billion at June 30, 2002.

Walter Scott Jr., chairman of Level 3, said: "We are particularly pleased that Level 3 was able to secure additional investment of this magnitude given the constraints of today's capital markets. Perhaps more important is the reputation and stature of the investors who have chosen to partner with us. We look forward to working with Longleaf Partners Funds, Berkshire Hathaway and Legg Mason as we pursue the opportunities that lie before us."

O. Mason Hawkins, chairman and CEO of Southeastern Asset Management, adviser to Longleaf Partners Funds, said, "We invested in Level 3 to take advantage of consolidation opportunities in the telecommunications arena. We believe these opportunities are substantial. Level 3 is uniquely and competitively positioned, and its management team, led by Jim Crowe, is most able."

Warren Buffett, chairman of Berkshire Hathaway, issued the following comment on his company's investment in Level 3: "Liquid resources and strong financial backing are

scarce and valuable assets in today's telecommunications world. Level 3 has both. Coupled with the management of Walter Scott and Jim Crowe, in whom I have great confidence, Level 3 is well equipped to seize important opportunities that are likely to develop in the communications industry."

Bill Miller, chief executive of Legg Mason Funds Management, noted that demand for communications services continues to grow at the same time that the number of service providers is shrinking. "Spending on communications services is non-discretionary," Miller said. "We believe more strongly than ever that Level 3 is emerging as one of the ultimate leaders, survivors and consolidators in the industry."

Level 3 will hold a conference call to discuss today's announcement on Monday, July 8, at 4:30 p.m. eastern time. Investors and analysts in the United States who want to join the call can dial 888-423-3276, 612-332-1020, or 612-332-0630. International callers should dial 612-288-0337. A live broadcast of the call can also be heard on Level 3's web site at www.level3.com.

About Level 3 Communications

Level 3 (Nasdaq:LVT) is an international 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.

The company offers information services through its wholly-owned subsidiaries, (i)Structure, Corporate Software and Software Spectrum. (i)Structure is an Application Infrastructure Provider that provides managed IT infrastructure services and enables businesses to outsource IT operations. Its Web address is www.i-structure.com. Corporate Software and Software Spectrum help Fortune 500 companies acquire, implement, and manage software. Their Web addresses are www.corporatesoftware.com and www.softwarespectrum.com.

Forward Looking Statement

Some of the statements made by Level 3 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: changes in the overall economy relating to, among other things, the September 11 attacks and subsequent events, substantial capital requirements; development of effective internal processes and systems; the ability to attract and retain high quality employees; 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.

End of Filing

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