



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu

IN THE MATTER OF THE VERIFIED) TELECOMMUNICATIONS
PETITION OF LEVEL 3 COMMUNICATIONS,)
LLC, BROADWING COMMUNICATIONS,) ORDER
LLC, LOOKING GLASS NETWORKS, LLC,)
TELCOVE OPERATIONS, LLC, AND WILTEL) DOCKET NO. TF09040301
COMMUNICATIONS, LLC FOR APPROVAL)
TO PARTICIPATE IN A FINANCING)
ARRANGEMENT)

(SERVICE LIST ATTACHED)

BY THE BOARD:

On April 6, 2009, Level 3 Communications, LLC ("Level 3 LLC"), Broadwing Communications, LLC ("Broadwing"), Looking Glass Networks, LLC ("LGN"), TelCove Operations, LLC ("TelCove Operations"), and WilTel Communications, LLC ("WilTel") (collectively, "Petitioners") submitted a Verified Petition to the New Jersey Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:3-7 and N.J.S.A. 48:3-9 requesting approval to participate in a financing arrangement. In the transaction, Level 3 Financing, Inc. ("Level 3 Financing"), the immediate corporate parent of Level 3 LLC, will incur up to an additional \$500 million pursuant to the accordion provision in an existing Credit Facility.¹ Petitioners seek approval from the Board to incur additional indebtedness under the existing Credit Facility. Petitioners also seek authority from the Board to pledge their assets and act as guarantors of this transaction.

Petitioners

Level 3 LLC is a Delaware limited liability company and is a wholly-owned subsidiary of Level 3 Financing, which, in turn, is a wholly-owned subsidiary of Level 3 Communications, Inc. ("Parent"). All three companies have principal offices located at 1025 Eldorado Boulevard, Broomfield, CO 80021. Level 3 LLC provides high-quality voice and data services to carriers, ISPs, and other business customers over its IP-based network. Level 3 LLC is authorized to provide resold and facilities-based local exchange and interexchange telecommunications

¹ See Order of Approval issued in BPU Docket No. TF07020102 on May 24, 2007. The 2007 Financing documents incorporated an "accordion" provision that enables Level 3 Financing to obtain additional debt funding as its operating income grows. Under the approved agreement, Level 3 Financing is able to borrow the greater of \$1.4 billion or the dollar amount that results from an approximation of the operating income of the business as defined in the Credit Facility being multiplied by 1.5.

Level 3 LLC has several direct and indirect subsidiaries that are authorized to provide telecommunications service in New Jersey. Those entities are:

Broadwing, a subsidiary of Level 3 LLC, is a telecommunications provider that is authorized to provide telecommunications service in forty-nine states and the District of Columbia. In New Jersey, Broadwing is authorized to provide local exchange and interexchange telecommunications services pursuant to authority granted by the Board. See BPU Docket Nos. TE99030202 and TM04080767.

LGN provides data transport services including SONET/SDH, Wavelength and Ethernet as well as high-capacity dark fiber and carrier-neutral collocation. LGN's physically diverse networks provide customers with connections to primary carrier hotels, ILEC Central Offices, key enterprise buildings and other major data aggregation facilities. In New Jersey, LGN is authorized to provide local exchange and interexchange telecommunications services pursuant to authority granted by the Board on April 11, 2001 in Docket No. TE00050288.

TelCove Operations is a facilities-based provider of integrated communications services. TelCove offers local and long-distance voice, dedicated data, ATM, frame relay, and Internet services and is focused on serving communications-intensive end users. TelCove is authorized by the FCC to provide domestic interstate services as a non-dominant carrier. In New Jersey, TelCove is authorized to provide local exchange and interexchange telecommunications services by Board Order in BPU Docket Nos. TM97110843, TE97050370, TM98101156, and TM00040275.

WilTel Communications, LLC operates and manages a technologically advanced, fully operational, next-generation fiber-optic broadband network that spans approximately 30,000 route-miles connecting 118 cities in the United States and extends to Europe, Mexico and the Pacific Rim. In New Jersey, WilTel is authorized to provide interexchange, competitive local exchange and exchange access telecommunications services pursuant to authority granted by the Board in Docket Nos. TE98080699 and TE99110883, dated September 4, 1998 and September 12, 2000, respectively.

Financing Transaction

Petitioners request Board approval to participate in a financing arrangement pursuant to provisions of the existing Credit Facility approved by the Board in 2007. Specifically, Petitioners will incur additional debt obligations of up to 1.5 times the approximate operating income of Level 3 Financing and its subsidiaries. Based on that formula, the Petitioners will raise an additional \$280 million. Petitioners also seek approval to engage in further borrowing up to an additional \$220 million as allowed by the provisions of the 2007 Financing for a total of an additional \$500 million. Petitioners state that the financing arrangement will involve long-term

² Level 3 also is authorized to provide resold services in New Jersey pursuant to its Authorized Resale Carrier Letter of Acknowledgment, filed with and accepted by Bell Atlantic - New Jersey, Inc. on January 6, 1998.

loans under the accordion provision of the existing Credit Facility. The accordion provision allows Level 3 Financing to increase the amount of debt based on a modified version of the company's earnings before interest, taxes, depreciation, and amortization (EBITDA). Petitioners state that Level 3 Communications, Inc. and its subsidiaries, including Petitioners, on a consolidated basis were free cash flow positive for the fourth quarter 2008 and expect to be free cash flow positive for all of 2009. As a result of Level 3 Financing's and Petitioners' improving financial performance through the fourth quarter 2008, Level 3 Financing is able to seek additional debt funding under the 2007 Financing. Petitioners will incur this debt either as co-borrowers or guarantors of Financing's debt. Consistent with the terms of the existing Credit Facility, Petitioners will grant a security interest in their assets, and their capital stock or membership interests will be pledged. Petitioners emphasize that all of the jurisdictional assets, capital stock and/or membership interests were pledged in the 2007 Financing. Petitioners state that no new jurisdictional assets are pledged. Proceeds of this transaction will be used for working capital and for other general corporate purposes, including debt repurchases. In addition, the proceeds from the increased borrowing under the Credit Facility will be advanced to Level 3 LLC in exchange for an inter-company demand note.

Petitioners emphasize that neither the pledging of jurisdictional assets nor the guarantee obligations will result in a change in the Petitioners' management or in their day-to-day operations in New Jersey. Petitioners state that this financing transaction will be transparent to consumers and consumers will benefit from the continued receipt of quality telecommunications services that are priced competitively.

The Division of Rate Counsel has reviewed this matter and, by a letter dated May 18, 2009, recommends the Board approve this petition.

After review, the Board FINDS that the proposed transaction is consistent with the applicable law. The Board HEREBY AUTHORIZES Petitioners to participate in the financing arrangement described herein and to take those actions necessary to effectuate participation in the financing arrangement.

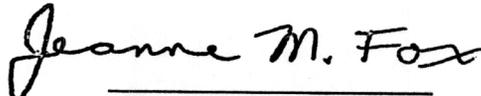
This Order is issued subject to the following provisions:

1. This Order shall not affect or in any way limit the exercise of the authority of the Board or the State of New Jersey in any future petition or in any proceeding regarding rates, costs of service, franchises, service, financing, accounting, capitalization, depreciation or any other matters affecting Petitioners.
2. Petitioners shall notify the Board, within five business days, of any material changes in the notes and shall provide complete details of such transactions including any anticipated effects upon service in New Jersey.
3. Petitioners shall notify the Board of any material default on the terms of the notes within five business days of such occurrence.
4. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transaction or other supporting documents, a default or assignment under such agreement does not constitute an automatic transfer of Petitioners' assets. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq. where applicable.

5. This order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of tangible or intangible assets now owned or hereafter to be owned by the Petitioners.

DATED: 6/10/09

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

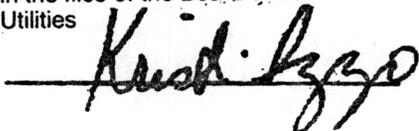

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



BOARD OF PUBLIC UTILITIES
OFFICE OF THE ECONOMIST

FINANCING FACT SHEET

DOCKET NO. TF09040301

PETITIONER: Level 3 Communications, LLC; Broadwing Communications LLC; Looking Glass Networks LLC; TelCove Operations, LLC and WitTel Communications, LLC

AMOUNT: \$500,000,000

TYPE OF SECURITY: Senior Secured Tranche B under the existing credit facility

MATURITY: 2014

INTEREST RATE: Confidentiality requested

METHOD OF SALE: Negotiated

USE OF PROCEEDS: Proceeds of this transaction will be used for working capital and for other general corporate purposes, including debt repurchases. In addition, the proceeds from the increased borrowing under the Credit Facility will be advanced to Level 3 LLC in exchange for an inter-company demand note.

NJ PRESENCE: Confidentiality Requested for the following:
2008 revenue \$430 million and 1039 customers.

PETITIONER'S TEAM

COUNSEL: Colleen A. Foley, Esq.

BPU STAFF

ECONOMIST OFFICE: Robert Wojciak

D A G: Kenneth J. Sheehan, Esq.

AGENDA DATE: June 8, 2009

PREPARED BY: Robert Wojciak

REVIEWED BY: Mark C. Beyer

SERVICE LIST

In the Matter of the Verified Petition of Level 3 Communications, LLC for Approval to Participate in Certain Financing Arrangements

Docket No. TF06100749

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