Agenda Date: 2/11/10
Agenda Item: IVB

STATE OF NEW JERSEY

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

TELECOMMUNICATIONS

IN THE MATTER OF THE VERIFIED PETITION OF LEVEL 3 COMMUNICATIONS, LLC FOR APPROVAL TO PARTICIPATE IN A FINANCING AGREEMENT	)	ORDER
	)	Docket No. TF10010008

Colleen A. Foley Esq. Saul Ewing LLP One Riverfront Plaza Newark, NJ 07102

BY THE BOARD:

On January 6, 2010, Level 3 Communications, LLC ("Level 3 LLC" or "Petitioner") filed a petition pursuant to N.J.S.A. 48:3-9 and N.J.S.A. 48:3-7 requesting approval from the New Jersey Board of Public Utilities ("Board"), to the extent necessary, to participate in a financing arrangement. On January 20, 2010, Level 3 Financing, Inc. ("Issuer") issued $640 million in 10% Senior Notes due 2018 to qualified institutional buyers ("Buyers") in an offering that is exempt from registration under U.S. Federal securities laws.[1] The Issuer will lend the net proceeds it receives in the offering of the notes to its subsidiary, Level 3 LLC, in return for an inter-company demand note issued by Level 3 LLC to the Issuer. Level 3 LLC seeks approval for this refinancing transaction and its related guarantee of the notes issued by the Issuer to Buyers.

Level 3 Financing, Inc. ("Issuer"), is a Delaware corporation with principal offices located at 1025 Eldorado Boulevard, Broomfield, Colorado 80021. Issuer is a wholly owned subsidiary of Level 3 Communications, Inc. ("Parent"), a Delaware corporation, and is the direct parent of Level 3 LLC and other subsidiaries, and is not a certificated telecommunications service provider in New Jersey or elsewhere. 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 a non-dominant carrier authorized to provide resold and/or facilities-based

[1]The Board previously granted approval to Petitioner for a similar financing arrangement of $700 million in Docket No. TF06030245 on May 16, 2006. As described herein, the funds will be used to repurchase previously issued notes that were issued at the rate of 12.25% and are due in 2013.

telecommunications services nationwide pursuant to certification, registration or tariff requirements, or on a deregulated basis. Level 3 LLC is also authorized by the Federal Communications Commission to provide international and domestic interstate services as a non-dominant carrier.

Petitioner requests Board approval to participate in a financing arrangement between the Issuer and Level 3 LLC whereby Level 3 LLC will incur indebtedness and provide a guarantee for a total aggregate amount of $640 million in notes issued by the Issuer to Buyers. Level 3 Financing, as the issuer of the notes, will lend the net proceeds it receives along with additional cash on hand to Level 3 LLC in return for an inter-company demand note issued by Level 3 LLC in the amount of $640 million.

The funds will be used to purchase previously issued notes that were issued at the rate of 12.25% and are due in 2013. Level 3 LLC will also issue an unsecured guarantee of the Issuer's 10% Senior Notes due 2018. Accordingly, Level 3 LLC seeks approval from the Board for this indebtedness and the guarantee of the notes issued by Level 3 Financing.

The financing arrangement replaces an existing financing arrangement, pursuant to substantially similar terms and conditions, coupled with an extended maturity date to 2018 from 2013. This arrangement will enable the Issuer to refinance $550 million of debt at very attractive economic terms.

The Division of Ratepayer Advocate has reviewed this matter and, by letter dated January 21, 2010 recommends the Board approve this petition.

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 Petitioner.

2. Petitioner shall notify the Board, within five business days, of any material changes in the proposed financing, and shall provide complete details of such transactions including any anticipated effects upon service in New Jersey.

3. Petitioner shall notify the Board of any material default on the terms of the Initial and Additional Offering within five business days of such occurrence.

4. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transactions or other supporting documents, a default or assignment under such agreement does not constitute an automatic transfer of Petitioner's 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 Petitioner.

DATED: 2/11/10

BOARD OF PUBLIC UTILITIES
BY:

ELIZABETH RANDALL
ACTING PRESIDENT

FREDERICK F. BUTLER
COMMISSIONER

JEANNE M. FOX
COMMISSIONER

JOSEPH L. FIORDALISO
COMMISSIONER

NICHOLAS ASSELTA
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

SERVICE LIST

In The Matter Of The Petition Of The Verified Petition Of Level 3 Communications, LLC For Approval To Participate In A Financing Agreement

Docket No. TF10010008

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