

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission file number 001-35134

LEVEL 3 PARENT, LLC

(Exact name of registrant as specified in its charter)

Delaware

(State of Incorporation)

1025 Eldorado Blvd.,

Broomfield, CO

(Address of principal executive offices)

47-0210602

(I.R.S. Employer
Identification No.)

80021-8869

(Zip Code)

(720) 888-1000

(Registrant's telephone number,
including area code)

Securities registered pursuant to Section 12(b) of the Act: None

THE REGISTRANT, A WHOLLY-OWNED SUBSIDIARY OF LUMEN TECHNOLOGIES, INC., MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTIONS H(1) (a) AND (b) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM WITH REDUCED DISCLOSURE PURSUANT TO GENERAL INSTRUCTION H(2).

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒
Although the registrant is no longer required to file reports under Section 13 or 15(d) of such Act, it has filed all such reports for the preceding 12 months.

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

☐

Accelerated filer

☐

Non-accelerated filer

☒

Smaller reporting company

☐

Emerging growth company

☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

All of the limited liability company interest in the registrant is held by an affiliate of the registrant. None of the interest is publicly traded.

TABLE OF CONTENTS

	Special Note Regarding Forward-Looking Statements	3
Part I	Financial Information	
Item 1.	Financial Statements	6
	Consolidated Statements of Operations (Unaudited)	6
	Consolidated Statements of Comprehensive Income (Unaudited)	7
	Consolidated Balance Sheets (Unaudited)	8
	Consolidated Statements of Cash Flows (Unaudited)	9
	Consolidated Statements of Member's Equity (Unaudited)	10
	Notes to Consolidated Financial Statements (Unaudited)*	11
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	25
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	34
Item 4.	Controls and Procedures	34
Part II	Other Information	
Item 1.	Legal Proceedings	35
Item 1A.	Risk Factors	35
Item 6.	Exhibits	36
Signature		37

* All references to "Notes" in this quarterly report refer to these Notes to Consolidated Financial Statements.

Unless the context requires otherwise, references in this report to "Level 3," "we," "us," "its," the "Company" and "our" refer to Level 3 Parent, LLC and its predecessor Level 3 Communications, Inc., and their respective consolidated subsidiaries. References to "Lumen Technologies" or "Lumen" refer to our ultimate parent company, Lumen Technologies, Inc. and its consolidated subsidiaries.

Special Note Regarding Forward-Looking Statements

This report and other documents filed by us under the federal securities law include, and future oral or written statements or press releases by us and our management may include, forward-looking statements about our business, financial condition, operating results or prospects. These "forward-looking" statements are defined by, and are subject to the "safe harbor" protections under, the federal securities laws. These statements include, among others:

- forecasts of our anticipated future results of operations, cash flows or financial position;
- statements concerning the anticipated impact of our transactions, investments, product development, buildout plans, and other initiatives, including synergies or costs associated with these initiatives;
- statements about our liquidity, profitability, profit margins, tax position, tax assets, tax rates, asset values, contingent liabilities, growth opportunities, growth rates, acquisition and divestiture opportunities, business prospects, regulatory and competitive outlook, market share, product capabilities, investment and expenditure plans, business strategies, distribution and securities repurchase plans, leverage, capital allocation plans, financing alternatives and sources, and pricing plans;
- statements regarding how the COVID-19 pandemic and its aftermath may impact our business, financial position, operating results or prospects; and
- other similar statements of our expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts, many of which are highlighted by words such as "may," "will," "would," "could," "should," "plans," "believes," "expects," "anticipates," "estimates," "forecasts," "projects," "proposes," "targets," "intends," "likely," "seeks," "hopes," or variations or similar expressions with respect to the future.

These forward-looking statements are based upon our judgment and assumptions as of the date such statements are made concerning future developments and events, many of which are beyond our control. These forward-looking statements, and the assumptions upon which they are based, (i) are not guarantees of future results, (ii) are inherently speculative and (iii) are subject to a number of risks and uncertainties. Actual events and results may differ materially from those anticipated, estimated, projected or implied by us in those statements if one or more of these risks or uncertainties materialize, or if our underlying assumptions prove incorrect. All of our forward-looking statements are qualified in their entirety by reference below to factors that could cause our actual results to differ materially from those anticipated, estimated, projected or implied by us in those forward-looking statements. These factors include but are not limited to:

- the effects of intense competition from a wide variety of competitive providers, including decreased demand for our more mature service offerings and increased pricing pressures;
- the effects of new, emerging or competing technologies, including those that could make our products less desirable or obsolete;
- our ability to successfully and timely attain our key operating imperatives, including simplifying and consolidating our network, simplifying and automating our service support systems, strengthening our relationships with customers and attaining projected cost savings;
- our ability to safeguard our network, and to avoid the adverse impact of cyber-attacks, security breaches, service outages, system failures, or similar events impacting our network or the availability and quality of our services;

- the effects of ongoing changes in the regulation of the communications industry, including the outcome of legislative, regulatory or judicial proceedings relating to content liability standards, intercarrier compensation, broadband deployment, data protection, privacy and net neutrality;
- our ability to generate cash flows sufficient to fund our financial commitments and objectives, including our capital expenditures, operating costs, debt repayments and benefits payments;
- our ability to effectively retain and hire key personnel;
- changes in customer demand for our products and services, including increased demand for high-speed data transmission services;
- our ability to successfully maintain the quality and profitability of our existing product and service offerings, to introduce profitable new offerings on a timely and cost-effective basis and to transition customers from our legacy products to our newer offerings;
- our ability to successfully and timely implement our corporate strategies, including our deleveraging and buildout strategies;
- our ability to successfully and timely consummate the planned divestiture of our European, Middle Eastern and African business, to successfully and timely realize the anticipated benefits from that divestiture and our divestiture completed in 2022, and to successfully operate and transform our retained business after such divestitures;
- changes in our operating plans, corporate strategies and capital allocation plans, whether based upon changes in our cash flows, cash requirements, financial performance, financial position, market or regulatory conditions, or otherwise;
- the impact of any future material acquisitions or divestitures that we may transact;
- the negative impact of increases in the costs of Lumen's pension, healthcare and post-employment benefits, including those caused by changes in markets, interest rates, mortality rates, demographics or regulations;
- the potential negative impact of customer complaints, government investigations, security breaches or service outages impacting us or our industry;
- adverse changes in our access to credit markets on favorable terms, whether caused by changes in our financial position, lower credit ratings, unstable markets, debt covenant restrictions or otherwise;
- the ability of us and our affiliates to meet the terms and conditions of our respective debt obligations and covenants, including our ability to make transfers of cash in compliance therewith;
- our ability to maintain favorable relations with our security holders, key business partners, suppliers, vendors, landlords and financial institutions;
- our ability to timely obtain necessary hardware, software, equipment, services, governmental permits and other items on favorable terms;
- Lumen's ability to meet evolving environmental, social and governance ("ESG") expectations and benchmarks, and effectively communicate its ESG strategies;
- our ability to collect our receivables from, or continue to do business with, financially-troubled customers;
- our ability to continue to use or renew intellectual property used to conduct our operations;
- any adverse developments in legal or regulatory proceedings involving us or our affiliates, including Lumen Technologies;

- changes in tax, pension, healthcare or other laws or regulations, or in general government funding levels, including those arising from recently-enacted federal legislation promoting increased broadband development;
- our ability to use our net operating loss carryforwards in the amounts projected;
- the effects of changes in accounting policies, practices or assumptions, including changes that could potentially require additional future impairment charges;
- continuing uncertainties regarding the impact that COVID-19 and its aftermath could have on our business, operations, cash flows and corporate initiatives;
- the effects of adverse weather, terrorism, epidemics, pandemics, rioting, societal unrest, or other natural or man-made disasters or disturbances;
- the potential adverse effects if our internal controls over financial reporting have weaknesses or deficiencies, or otherwise fail to operate as intended;
- the effects of changes in interest rates and inflation;
- the effects of more general factors such as changes in exchange rates, in operating costs, in public policy, in the views of financial analysts, or in general market, labor, economic or geo-political conditions; and
- other risks referenced in the "Risk Factors" section or other portions of this report or other of our filings with the U.S. Securities and Exchange Commission (the "SEC").

Additional factors or risks that we currently deem immaterial, that are not presently known to us or that arise in the future could also cause our actual results to differ materially from our expected results. Given these uncertainties, investors are cautioned not to unduly rely upon our forward-looking statements, which speak only as of the date made. We undertake no obligation to publicly update or revise any forward-looking statements for any reason, whether as a result of new information, future events or developments, changed circumstances, or otherwise. Furthermore, any information about our intentions contained in any of our forward-looking statements reflects our intentions as of the date of such forward-looking statement, and is based upon, among other things, existing regulatory, technological, industry, competitive, economic and market conditions, and our assumptions as of such date. We may change our intentions, strategies or plans (including our distribution or other capital allocation plans) at any time and without notice, based upon any changes in such factors, in our assumptions or otherwise.

PART I-FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LEVEL 3 PARENT, LLC CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,	
	2023	2022
OPERATING REVENUE		
Operating revenue	\$ 1,727	1,890
Operating revenue - affiliates	57	56
Total operating revenue	1,784	1,946
OPERATING EXPENSES		
Cost of services and products (exclusive of depreciation and amortization)	771	851
Selling, general and administrative	286	314
Loss on disposal group held for sale	77	—
Operating expenses - affiliates	168	146
Depreciation and amortization	347	396
Total operating expenses	1,649	1,707
OPERATING INCOME	135	239
OTHER (EXPENSE) INCOME		
Interest income - affiliate	16	16
Interest expense	(93)	(90)
Other income (expense), net	5	(7)
Total other expense, net	(72)	(81)
INCOME BEFORE INCOME TAXES	63	158
Income tax expense	22	44
NET INCOME	\$ 41	114

See accompanying notes to consolidated financial statements.

LEVEL 3 PARENT, LLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended March 31,	
	2023	2022
NET INCOME	\$ 41	114
OTHER COMPREHENSIVE INCOME		
Foreign currency translation adjustments, net of \$(6) and \$10 tax	11	69
Other comprehensive income, net of tax	11	69
COMPREHENSIVE INCOME	\$ 52	183

See accompanying notes to consolidated financial statements.

LEVEL 3 PARENT, LLC
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	March 31, 2023	December 31, 2022
	(Dollars in millions)	
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 147	118
Accounts receivable, less allowance of \$19 and \$19	527	517
Note receivable - affiliate	1,466	1,468
Assets held for sale	1,873	1,853
Other	225	197
Total current assets	4,238	4,153
Property, plant and equipment, net of accumulated depreciation of \$3,180 and \$2,875	7,372	7,303
GOODWILL AND OTHER ASSETS		
Goodwill	1,970	1,970
Other intangible assets, net	4,825	4,973
Other, net	1,387	1,360
Total goodwill and other assets	8,182	8,303
TOTAL ASSETS	\$ 19,792	19,759
<u>LIABILITIES AND MEMBER'S EQUITY</u>		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 26	26
Accounts payable	434	365
Accounts payable - affiliates	107	70
Accrued expenses and other liabilities		
Salaries and benefits	113	146
Income and other taxes	75	86
Current operating lease liabilities	323	326
Other	95	109
Liabilities held for sale	466	446
Current portion of deferred revenue	272	274
Total current liabilities	1,911	1,848
LONG-TERM DEBT	8,963	8,070
DEFERRED REVENUE AND OTHER LIABILITIES		
Deferred revenue	1,471	1,420
Operating lease liabilities	879	922
Other	702	701
Total deferred revenue and other liabilities	3,052	3,043
COMMITMENTS AND CONTINGENCIES (Note 8)		
MEMBER'S EQUITY		
Member's equity	6,199	7,142
Accumulated other comprehensive loss	(333)	(344)
Total member's equity	5,866	6,798
TOTAL LIABILITIES AND MEMBER'S EQUITY	\$ 19,792	19,759

See accompanying notes to consolidated financial statements.

LEVEL 3 PARENT, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31,	
	2023	2022
	(Dollars in millions)	
OPERATING ACTIVITIES		
Net income	\$ 41	114
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	347	396
Loss on disposal group held for sale	77	—
Deferred income taxes	19	29
Changes in current assets and liabilities:		
Accounts receivable	(15)	84
Accounts payable	27	(28)
Other assets and liabilities, net	(108)	(121)
Other assets and liabilities, affiliate	42	(14)
Changes in other noncurrent assets and liabilities, net	(30)	40
Other, net	(21)	41
Net cash provided by operating activities	379	541
INVESTING ACTIVITIES		
Capital expenditures	(244)	(264)
Proceeds from sale of property, plant and equipment and other assets	23	1
Other, net	(4)	—
Net cash used in investing activities	(225)	(263)
FINANCING ACTIVITIES		
Distributions	(110)	(210)
Payments of long-term debt	(8)	(40)
Other	(11)	—
Net cash used in financing activities	(129)	(250)
Net increase in cash, cash equivalents and restricted cash	25	28
Cash, cash equivalents and restricted cash at beginning of period	164	191
Cash, cash equivalents and restricted cash at end of period	\$ 189	219
Supplemental cash flow information:		
Income taxes paid, net	\$ (1)	(9)
Interest paid (net of capitalized interest of \$5 and \$4)	\$ (114)	(113)
Supplemental non-cash information regarding financing activities:		
Issuance of senior secured notes as part of exchange offers (Note 6)	\$ 915	—
Cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 147	155
Cash and cash equivalents and restricted cash included in assets held for sale	40	58
Restricted cash included in Other current assets	—	2
Restricted cash included in Other, net noncurrent assets	2	4
Total	\$ 189	219

See accompanying notes to consolidated financial statements.

LEVEL 3 PARENT, LLC
CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY
(UNAUDITED)

	Three Months Ended March 31,	
	2023	2022
MEMBER'S EQUITY		
Balance at beginning of period	\$ 7,142	13,360
Net income	41	114
Distributions	(1,025)	(210)
Other	41	—
Balance at end of period	6,199	13,264
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
Balance at beginning of period	(344)	(351)
Other comprehensive income	11	69
Balance at end of period	(333)	(282)
TOTAL MEMBER'S EQUITY	\$ 5,866	12,982

See accompanying notes to consolidated financial statements.

LEVEL 3 PARENT, LLC
Notes To Consolidated Financial Statements
(UNAUDITED)

Unless the context requires otherwise, references in this report to "Level 3," "we," "us," "its," the "Company" and "our", refer to Level 3 Parent, LLC and its predecessor, Level 3 Communications, Inc. and their respective subsidiaries. References to "Lumen Technologies" or "Lumen" refer to our ultimate parent company, Lumen Technologies, Inc. and its consolidated subsidiaries.

(1) Background

General

We are an international facilities-based technology and communications company focused on providing our customers with a broad array of integrated products and services necessary to fully participate in our ever-evolving digital world. We operate one of the world's most interconnected networks. Our platform empowers our customers to swiftly adjust digital programs securely to meet immediate demands, create efficiencies, accelerate market access and reduce costs - allowing customers to rapidly evolve their IT programs to address dynamic changes. Our specific products and services are detailed in Note 4—Revenue Recognition.

Basis of Presentation

Our consolidated balance sheet as of December 31, 2022, which was derived from our audited consolidated financial statements, and our unaudited interim consolidated financial statements provided herein have been prepared in accordance with the instructions for Form 10-Q. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). However, in our opinion, the disclosures made therein are adequate to make the information presented not misleading. We believe these consolidated financial statements include all normal recurring adjustments necessary to fairly present the results for the interim periods. The consolidated results of operations and cash flows for the first three months of the year are not necessarily indicative of the consolidated results of operations and cash flows that might be expected for the entire year. These consolidated financial statements and the accompanying notes should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2022.

The accompanying consolidated financial statements include our accounts and the accounts of our subsidiaries in which we have a controlling interest. Intercompany amounts and transactions with our consolidated subsidiaries have been eliminated. Transactions with our non-consolidated affiliates (Lumen Technologies and its other subsidiaries, referred to herein as affiliates) have not been eliminated.

Operating lease assets are included in other, net under goodwill and other assets on our consolidated balance sheets. Other, net included affiliate operating lease assets of \$369 million and \$391 million as of March 31, 2023 and December 31, 2022, respectively. Additionally, current operating lease liabilities included the current portion of affiliate operating lease liabilities of \$127 million and \$125 million as of March 31, 2023 and December 31, 2022, respectively, and operating lease liabilities included the noncurrent portion of affiliate operating lease liabilities of \$262 million and \$286 million as of March 31, 2023 and December 31, 2022, respectively.

We reclassified certain prior period amounts to conform to the current period presentation, including our revenue by product and service categories. See Note 4—Revenue Recognition for additional information. These changes had no impact on total operating revenue, total operating expenses or net income for any period.

Segments

Our operations are integrated into and reported as part of Lumen Technologies. Lumen's chief operating decision maker ("CODM") is our CODM, but reviews our financial information on an aggregate basis only in connection with our quarterly and annual reports that we file with the SEC. Consequently, we do not provide our discrete financial information to the CODM on a regular basis. As such, we have one reportable segment.

Summary of Significant Accounting Policies

Refer to the significant accounting policies described in Note 1 — Background and Summary of Significant Accounting Policies to the consolidated financial statements and accompanying notes in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2022.

Recently Adopted Accounting Pronouncements

Supplier Finance Programs

On January 1, 2023, we adopted Accounting Standards Update (“ASU”) 2022-04, *“Liabilities-Supplier Finance Program (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations”* (“ASU 2022-04”). These amendments require that a company that uses a supplier finance program in connection with the purchase of goods or services disclose sufficient information about the program to allow a user of financial statements to understand the program’s nature, program activity during the period, changes from period to period and potential magnitude of program transactions. Please refer Note 6—Long-Term Debt to for more information.

Credit Losses

On January 1, 2023, we adopted ASU 2022-02, *“Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings (“TDR”) and Vintage Disclosures”* (“ASU 2022-02”). The ASU eliminates the TDR recognition and measurement guidance, enhances existing disclosure requirements, and introduces new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. The adoption of ASU 2022-02 did not have any impact to our consolidated financial statements.

Derivatives and Hedging

On January 1, 2023, we adopted ASU 2022-01, *“Derivatives and Hedging (Topic 815): Fair Value Hedging-Portfolio Layer Method”* (“ASU 2022-01”). The ASU expands the current single-layer method to allow multiple hedged layers of a single closed portfolio under the method. The adoption of ASU 2022-01 did not have any impact to our consolidated financial statements.

Business Combinations

On January 1, 2023, we adopted ASU 2021-08, *“Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers”* (“ASU 2021-08”). This ASU requires entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. The adoption of ASU 2021-08 did not have any impact to our consolidated financial statements.

Government Assistance

On January 1, 2022, we adopted ASU 2021-10, *“Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance”* (“ASU 2021-10”). This ASU requires business entities to disclose information about certain types of government assistance they receive. The ASU only impacts annual financial statement note disclosures. The adoption of ASU 2021-10 did not have a material impact to our consolidated financial statements.

Leases

On January 1, 2022, we adopted ASU 2021-05, *“Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments”* (“ASU 2021-05”). This ASU (i) amends the lease classification requirements for lessors to align them with practice under ASC Topic 840, (ii) provides criteria for lessors to classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease, and (iii) provides guidance with respect to net investments by lessors under operating leases and other related topics. The adoption of ASU 2021-05 did not have a material impact to our consolidated financial statements.

Recently Issued Accounting Pronouncements

In March 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-02, *"Investments-Equity method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method"* ("ASU 2023-02"). These amendments allow reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. ASU 2023-02 will become effective for us in the first quarter of fiscal 2024 and early adoption is permitted. As of March 31, 2023, we do not expect ASU 2023-02 to have an impact to our consolidated financial statements.

In March 2023, the FASB issued ASU 2023-01, *"Leases (Topic 842): Common Control Arrangements"* ("ASU 2023-01"). These amendments require all entities to amortize leasehold improvements associated with common control leases over the useful life to the common control group. ASU 2023-01 will become effective for us in the first quarter of fiscal 2024 and early adoption is permitted. As of March 31, 2023, we do not expect ASU 2023-01 to have an impact to our consolidated financial statements.

In June 2022, the FASB issued ASU 2022-03, *"Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions"* ("ASU 2022-03"). These amendments clarify that a contractual restriction on the sales of an investment in an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. ASU 2022-03 will become effective for us in the first quarter of fiscal 2024 and early adoption is permitted. As of March 31, 2023, we do not expect ASU 2022-03 to have an impact to our consolidated financial statements.

(2) Planned Divestiture of the EMEA Business

On November 2, 2022, affiliates of Level 3 Parent, LLC, an indirect wholly-owned subsidiary of Lumen Technologies, Inc., granted an option to Colt Technology Services Group Limited, a portfolio company of Fidelity Investments, to purchase certain of their operations in Europe, the Middle East and Africa (the "EMEA business"), in exchange for \$1.8 billion in cash, subject to certain working capital and other purchase price adjustments. Following the completion of a French consultative process, Colt exercised its option and on February 8, 2023, the parties entered into a definitive purchase agreement, which contains various customary covenants for transactions of this type including various indemnities. Level 3 Parent, LLC expects to close the transaction as early as late 2023, subject to receiving all requisite regulatory approvals in the U.S. and certain countries where the EMEA business operates, as well as the satisfaction of other customary conditions.

The actual amount of our net after-tax proceeds from this divestiture could vary substantially from the amounts we currently estimate, particularly if we experience delays in completing the transaction or if any of our other assumptions prove to be incorrect.

We do not believe this divestiture represents a strategic shift for us. Therefore, the planned divestiture of the EMEA business does not meet the criteria to be classified as discontinued operations. As a result, we will continue to report our operating results for the EMEA business (the "disposal group") in our consolidated operating results until the transaction is closed.

The pre-tax net income of the disposal group is estimated to be and reported as follows in the table below:

	Three Months Ended March 31,	
	2023	2022
	(Dollars in millions)	
EMEA business pre-tax net income (loss)	\$ 48	(19)

As of March 31, 2023 in the accompanying consolidated balance sheet, the assets and liabilities of our EMEA business are classified as held for sale and measured at the lower of (i) the carrying value when we classified the disposal group as held for sale and (ii) the fair value of the disposal group, less costs to sell. Effective with the designation of the disposal group as held for sale on November 2, 2022, we suspended recording depreciation of property, plant and equipment and amortization of finite-lived intangible assets and right-of-use assets while these assets are classified as held for sale. We estimate that we would have recorded an additional \$71 million of depreciation, intangible amortization, and amortization of right-of-use assets for the three months ended March 31, 2023 if the EMEA business did not meet the held for sale criteria.

The classification of the EMEA business as held for sale was considered an event or change in circumstance which requires an assessment of the goodwill of the disposal group for impairment. We performed a pre-classification and post-classification goodwill impairment test of the disposal group as described further in Note 3—Goodwill, Customer Relationships and Other Intangible Assets, in our Annual Report on Form 10-K for the year ended December 31, 2022. As a result of our impairment tests, we determined the EMEA business disposal group was impaired resulting in a non-cash, non-tax-deductible goodwill impairment charge of \$224 million. We evaluated the recoverability of the carrying value of the assets and liabilities held for sale relative to the agreed upon sales price, adjusted for costs to sell, and recorded an estimated loss on disposal of \$616 million during the year ended December 31, 2022 in the consolidated statement of operations and a valuation allowance included in assets held for sale on the consolidated balance sheet. As a result of our evaluation of the recoverability of the carrying value of the EMEA assets and liabilities held for sale relative to the agreed upon sales price, adjusted for costs to sell, as of March 31, 2023, we recorded an additional \$77 million estimated loss on disposal during the three months ended March 31, 2023 and increased the valuation allowance by the same amount. In future quarters, we will conduct similar evaluations and adjust the valuation allowance for the EMEA assets held for sale as necessary.

The principal components of the held for sale assets and liabilities of the EMEA business as of the dates below are as follows:

	March 31, 2023	December 31, 2022
	(Dollars in millions)	
Assets held for sale		
Cash and cash equivalents	\$ 39	43
Accounts receivable, less allowance of \$5 and \$5	84	76
Other current assets	70	56
Property, plant and equipment, net accumulated depreciation of \$1,012 and \$998	1,925	1,864
Customer relationships and other intangibles, net	103	100
Operating lease assets	170	156
Valuation allowance on assets held for sale ⁽¹⁾	(693)	(616)
Deferred tax assets	141	131
Other non-current assets	34	32
Total assets held for sale	\$ 1,873	1,842
Liabilities held for sale		
Accounts payable	\$ 74	78
Salaries and benefits	13	23
Current portion of deferred revenue	37	28
Current operating lease liabilities	38	33
Other current liabilities	33	28
Deferred income taxes	45	38
Asset retirement obligations	31	30
Deferred revenue, non-current	95	85
Operating lease liabilities, non-current	100	103
Total liabilities held for sale	\$ 466	446

⁽¹⁾ Includes the impact of \$340 million and \$353 million as of March 31, 2023 and December 31, 2022, respectively, primarily related to loss on foreign currency translation, expected to be reclassified out of accumulated other comprehensive loss upon close of the sale.

(3) Goodwill, Customer Relationships and Other Intangible Assets

Goodwill, customer relationships and other intangible assets consisted of the following:

	March 31, 2023 ⁽¹⁾	December 31, 2022 ⁽¹⁾
	(Dollars in millions)	
Goodwill	\$ 1,970	1,970
Customer relationships, less accumulated amortization of \$3,423 and \$3,265	\$ 4,405	4,563
Capitalized software, less accumulated amortization of \$365 and \$387	420	410
Trade names, less accumulated amortization of \$— and \$130 ⁽²⁾	—	—
Total other intangible assets, net	\$ 4,825	4,973

(1) These values exclude assets classified as held for sale.

(2) Trade names with a gross carrying value of \$130 million became fully amortized during 2022 and were retired during the first quarter of 2023.

Our goodwill was derived from Lumen's acquisition of us where the purchase price exceeded the fair value of the net assets acquired. As of both March 31, 2023 and December 31, 2022, our total goodwill was \$2.0 billion. Total goodwill as of both March 31, 2023 and December 31, 2022 was net of accumulated impairment losses of \$8.2 billion.

We are required to assess our goodwill for impairment annually, or, under certain circumstances, more frequently, such as when events or changes in circumstances indicate there may be impairment. We are required to write down the value of goodwill only when our assessment determines the carrying value of equity of our reporting unit exceeds its fair value. Our annual impairment assessment date for goodwill is October 31, at which date we assess goodwill at our reporting unit. In reviewing the criteria for reporting units, we have determined that our operations consist of one reporting unit.

Total amortization expense for finite-lived intangible assets for the three months ended March 31, 2023 and 2022 totaled \$176 million and \$192 million, respectively. As of March 31, 2023, the gross carrying amount of goodwill, customer relationships, capitalized software, indefinite-life and other intangible assets was \$10.6 billion.

We estimate that total amortization expense for intangible assets for the years ending December 31, 2023 through 2027 will be as provided in the table below. As a result of classifying our EMEA business as being held for sale on our March 31, 2023 consolidated balance sheet, the amounts presented below do not include the future amortization of the intangible assets for the business to be divested. See Note 2—Planned Divestiture of the EMEA Business for more information.

	(Dollars in millions)
2023 (remaining nine months)	\$ 513
2024	680
2025	660
2026	648
2027	602

(4) Revenue Recognition

We categorize our products and services and related revenue among the following categories:

- *Grow*, which includes products and services that we anticipate will grow, including our colocation, dark fiber, Edge Cloud services, IP, managed security, software-defined wide area networks ("SD WAN"), secure access service edge ("SASE"), Unified Communications and Collaboration ("UC&C") and wavelengths services;
- *Nurture*, which includes our more mature offerings, including ethernet and VPN data network services;
- *Harvest*, which includes our legacy services managed for cash flow, including Time Division Multiplexing ("TDM") voice, private line and other legacy services;
- *Other*, which includes equipment, IT solutions and other services; and
- *Affiliate Services*, which include communications services provided to our affiliates that we also provide to our external customers.

From time to time, we may change the categorization of our products and services.

Disaggregated Revenue by Service Offering

The following table provides disaggregation of revenue from contracts with customers based on service offering for the three months ended March 31, 2023 and 2022. It also shows the amount of revenue that is not subject to ASC 606, but is instead governed by other accounting standards. The amounts in the tables below include revenue for the Latin American business prior to it being sold on August 1, 2022. See Note 2—Completed Divestiture of the Latin American Business and Planned Divestiture of European, Middle Eastern and African Business in our Annual Report on Form 10-K for the year ended December 31, 2022 for additional information on these divestitures.

	Three Months Ended March 31, 2023			Three Months Ended March 31, 2022		
	Total Revenue	Adjustments for Non-ASC 606 Revenue ⁽¹⁾	Total Revenue from Contracts with Customers	Total Revenue	Adjustments for Non-ASC 606 Revenue ⁽¹⁾	Total Revenue from Contracts with Customers
(Dollars in millions)						
Grow	\$ 973	(162)	811	1,024	(182)	842
Nurture	439	(3)	436	503	(4)	499
Harvest	290	—	290	336	—	336
Other	25	—	25	27	—	27
Affiliate Services	57	(57)	—	56	(56)	—
Total revenue	\$ 1,784	(222)	1,562	1,946	(242)	1,704

⁽¹⁾ Includes lease revenue which is not within the scope of ASC 606.

Operating Lease Income

We lease various dark fiber, office facilities, colocation facilities, switching facilities, other network sites and service equipment to third parties under operating leases. Lease and sublease income are included in operating revenue in our consolidated statements of operations.

For the three months ended March 31, 2023 and 2022, our gross rental income was \$181 million and \$203 million, which represents approximately 10% of our operating revenue for both periods.

Customer Receivables and Contract Balances

The following table provides balances of customer receivables, contract assets and contract liabilities, net of amounts classified as held for sale as of March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
	(Dollars in millions)	
Customer receivables ⁽¹⁾	\$ 525	515
Contract assets ⁽²⁾	11	13
Contract liabilities ⁽³⁾	230	222

(1) Reflects gross customer receivables of \$544 million and \$534 million, net of allowance for credit losses of \$19 million, at both March 31, 2023 and December 31, 2022. As of March 31, 2023 and December 31, 2022, this amount excludes customer receivables classified as held for sale of \$84 million and \$76 million, respectively.

(2) As of March 31, 2023 and December 31, 2022, amount excludes contract assets classified as held for sale of \$13 million and \$16 million, respectively.

(3) As of March 31, 2023 and December 31, 2022, amount excludes contract liabilities classified as held for sale of \$57 million and \$59 million, respectively.

Contract liabilities are consideration we have received from our customers or billed in advance of providing the goods or services promised in the future. We defer recognizing this consideration until we have satisfied the related performance obligation to the customer. Contract liabilities include recurring services billed one month in advance and installation and maintenance charges that are deferred and recognized over the actual or expected contract term, which typically ranges from one to five years depending on the service. Contract liabilities are included within deferred revenue and liabilities held for sale in our consolidated balance sheets. During the three months ended March 31, 2023, we recognized \$79 million of revenue that was included in contract liabilities of \$281 million as of January 1, 2023, including contract liabilities that were classified as held for sale. During the three months ended March 31, 2022, we recognized \$85 million of revenue that was included in contract liabilities of \$305 million as of January 1, 2022, including contract liabilities that were classified as held for sale.

Performance Obligations

As of March 31, 2023, we expect to recognize approximately \$4.1 billion of revenue in the future related to performance obligations associated with existing customer contracts that are partially or wholly unsatisfied. As of March 31, 2023, the transaction price related to unsatisfied performance obligations that are expected to be recognized for the remainder of 2023, 2024 and thereafter was \$1.5 billion, \$1.3 billion and \$1.3 billion, respectively.

These amounts exclude (i) the value of unsatisfied performance obligations for contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed (for example, uncommitted usage or non-recurring charges associated with professional or technical services to be completed), (ii) contracts that are classified as leasing arrangements that are not subject to ASC 606 and (iii) the value of unsatisfied performance obligations for contracts which relate to our planned divestiture of the EMEA business.

Contract Costs

The following table provides changes in our contract acquisition costs and fulfillment costs:

	Three Months Ended March 31, 2023		Three Months Ended March 31, 2022	
	Acquisition Costs	Fulfillment Costs	Acquisition Costs	Fulfillment Costs
(Dollars in millions)				
Beginning of period balance ⁽¹⁾	\$ 76	106	76	99
Costs incurred	17	23	15	21
Amortization	(15)	(16)	(14)	(20)
Change in contract costs held for sale	(4)	(14)	—	—
End of period balance ⁽²⁾	<u>\$ 74</u>	<u>99</u>	<u>77</u>	<u>100</u>

⁽¹⁾ Beginning of period balance for the three months ended March 31, 2023 excludes \$6 million of acquisition costs and no fulfillment costs classified as held for sale related to the EMEA business. Beginning of period balance for the three months ended March 31, 2022 excludes no acquisition costs and \$27 million fulfillment costs classified as held for sale related to the Latin American business.

⁽²⁾ End of period balance for the three months ended March 31, 2023 excludes \$10 million of acquisition costs and \$14 million fulfillment costs classified as held for sale related to the EMEA business. End of period balance for the three months ended March 31, 2022 excludes no acquisition costs and \$27 million of fulfillment costs classified as held for sale related to the Latin American business.

Acquisition costs include commission fees paid to employees as a result of obtaining contracts. Fulfillment costs include third party and internal costs associated with the provision, installation and activation of services to customers, including labor and materials consumed for these activities.

Deferred acquisition and fulfillment costs are amortized based on the transfer of services on a straight-line basis over the average expected contract life of approximately 35 months for our business customers. Amortized fulfillment costs are included in cost of services and products, and amortized acquisition costs are included in selling, general and administrative expenses in our consolidated statements of operations. The amount of these deferred costs that are anticipated to be amortized in the next 12 months are included in other current assets on our consolidated balance sheets. The amount of deferred costs expected to be amortized beyond 12 months is included in other non-current assets on our consolidated balance sheets. Deferred acquisition and fulfillment costs are assessed for impairment on a quarterly basis.

(5) Credit Losses on Financial Instruments

To assess our expected credit losses on financial instruments, we aggregate financial assets with similar risk characteristics to monitor their credit quality or deterioration over the life of such assets. We periodically monitor certain risk characteristics within our aggregated financial assets and revise their composition accordingly, to the extent internal and external risk factors change. We separately evaluate financial assets that do not share risk characteristics with other financial assets. Our financial assets measured at amortized cost primarily consist of accounts receivable.

We use a loss rate method to estimate our allowance for credit losses. Our determination of the current expected credit loss rate begins with our review of historical loss experience as a percentage of accounts receivable. We measure our historical loss period based on the average days to recognize accounts receivable as credit losses. When asset specific characteristics and current conditions change from those in the historical period, due to changes in our credit and collections strategy, certain classes of aged balances, or credit loss and recovery policies, we perform a qualitative and quantitative assessment to adjust our historical loss rate. We use regression analysis to develop an expected loss rate using historical experience and economic data over a forecast period. We measure our forecast period based on the average days to collect payment on billed accounts receivable. To determine our current allowance for credit losses, we combine the historical and expected credit loss rates and apply them to our period end accounts receivable.

If there is an unexpected deterioration of a customer's financial condition or an unexpected change in economic conditions, including macroeconomic events, we assess the need to adjust the allowance for credit losses. Any such resulting adjustments would affect earnings in the period that adjustments are made.

The assessment of the correlation between historical observed default rates, current conditions and forecasted economic conditions requires judgment. Alternative interpretations of these factors could have resulted in different conclusions regarding our allowance for credit losses. The amount of credit loss is sensitive to changes in circumstances and forecasted economic conditions. Our historical credit loss experience, current conditions and forecast of economic conditions may also not be representative of the customers' actual default experience in the future and we may use methodologies that differ from those used by other companies.

The following table presents the activity of our allowance for credit losses for our accounts receivable portfolio:

	(Dollars in millions)	
Beginning balance at December 31, 2022 ⁽¹⁾	\$	19
Provision for expected losses		4
Write-offs charged against the allowance		(5)
Recoveries collected		1
Ending balance at March 31, 2023 ⁽¹⁾	\$	19

⁽¹⁾ As of March 31, 2023 and December 31, 2022, amounts exclude allowance for credit losses classified as held for sale of \$5 million, respectively. See Note 2—Planned Divestiture of the EMEA Business.

(6) Long-Term Debt

The following table reflects our consolidated long-term debt, including finance leases and other obligations, unamortized discounts and premiums, net and unamortized debt issuance costs, but excluding intercompany debt:

	Interest Rates ⁽¹⁾	Maturities ⁽¹⁾	March 31, 2023	December 31, 2022
(Dollars in millions)				
Level 3 Financing, Inc.				
Senior Secured Debt: ⁽²⁾				
Senior notes	3.400% - 10.500%	2027 - 2030	\$ 2,415	1,500
Tranche B 2027 Term Loan ⁽³⁾	LIBOR + 1.75%	2027	2,411	2,411
Senior Notes and other debt:				
Senior notes ⁽⁴⁾	3.625% - 4.625%	2027 - 2029	3,940	3,940
Finance leases and other obligations	Various	Various	278	291
Unamortized premiums, net			3	3
Unamortized debt issuance costs			(58)	(49)
Total long-term debt			8,989	8,096
Less current maturities			(26)	(26)
Long-term debt, excluding current maturities			\$ 8,963	8,070

⁽¹⁾ As of March 31, 2023.

⁽²⁾ See Note 7—Long-Term Debt in our Annual Report on Form 10-K for the year ended December 31, 2022 for a description of certain affiliate guarantees and liens securing this debt.

⁽³⁾ The Tranche B 2027 Term Loan had an interest rate of 6.672% and 6.134% as of March 31, 2023 and December 31, 2022, respectively.

⁽⁴⁾ See Note 7—Long-Term Debt in our Annual Report on Form 10-K for the year ended December 31, 2022 for a description of guarantees provided by certain affiliates of Level 3 Financing, Inc.

Long-Term Debt Maturities

Set forth below is the aggregate principal amount of our long-term debt as of March 31, 2023 (excluding unamortized premiums, net, unamortized debt issuance costs, and intercompany debt), maturing during the following years:

	(Dollars in millions)	
2023 (remaining nine months)	\$	19
2024		30
2025		37
2026		35
2027		4,180
2028 and thereafter		4,743
Total long-term debt	\$	9,044

New Issuances

Pursuant to exchange offers commenced on March 16, 2023 (the "Exchange Offers"), on March 31, 2023, Level 3 Financing, Inc. issued \$915 million of its 10.500% Senior Secured Notes due 2030 (the "Initial Notes") in exchange for \$1.535 billion of Lumen's outstanding senior unsecured notes. The transaction resulted in a distribution of the senior unsecured notes to Lumen, at which point they were concurrently cancelled.

Supplier Finance Program

Pursuant to our purchase of network equipment under a supplier finance program implemented in 2021 with one of our key equipment vendors, we are obligated to make quarterly installment payments over a 5-year period and pay annual interest of 1.25% on unpaid balances. The first unsecured quarterly payment was due April 27, 2022, with remaining quarterly payments due through the end of the term on July 1, 2026. The supplier also agreed to certain milestone performance and other provisions that could result in us earning credits to be applied by us towards future equipment purchases. As of March 31, 2023 and December 31, 2022, we had not earned any such credits and our outstanding obligations under the plan were \$65 million and \$67 million, respectively, of which \$13 million and \$12 million were included in current maturities of long-term debt and the remaining balances were included in the long-term debt.

Covenants

The term loan and senior notes of Level 3 Financing, Inc. contain extensive affirmative and negative covenants. Such covenants include, among other things and subject to certain significant exceptions, restrictions on their ability to declare or pay dividends, repay certain other indebtedness, create liens, incur additional indebtedness, make investments, dispose of assets and merge or consolidate with any other person. Also, in connection with a "change of control" of Level 3 Parent, LLC, or Level 3 Financing, Inc., Level 3 Financing will be required to offer to repurchase or repay certain of its long-term debt at a price of 101% of the principal amount of debt repurchased or repaid, plus accrued and unpaid interest.

Certain of Lumen's and our debt instruments contain cross-acceleration provisions.

Compliance

As of March 31, 2023, we believe we were in compliance with the provisions and financial covenants contained in our debt agreements in all material respects.

Subsequent Event

On April 17, 2023, in connection with the Exchange Offers, Level 3 Financing, Inc. issued an additional \$9 million of its 10.500% Senior Secured Notes due 2030 in exchange for \$19 million aggregate principal amount of Lumen's senior unsecured notes.

(7) Fair Value of Financial Instruments

Our financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, note receivable-affiliate and long-term debt (excluding finance leases and other obligations) and certain indemnification obligations. Due to their short-term nature, the carrying amounts of our cash and cash equivalents, restricted cash, accounts receivable, note receivable-affiliate and accounts payable approximate their fair values.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent and knowledgeable parties who are willing and able to transact for an asset or liability at the measurement date. We use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs when determining fair value and then we rank the estimated values based on the reliability of the inputs used following the fair value hierarchy.

We determined the fair values of our long-term debt, including the current portion, based primarily on inputs other than quoted market prices in active markets that are either directly or indirectly observable such as discounted future cash flows using current market interest rates.

The three input levels in the hierarchy of fair value measurements are defined by the FASB are generally as follows:

Input Level	Description of Input
Level 1	Observable inputs such as quoted market prices in active markets.
Level 2	Inputs other than quoted prices in active markets that are either directly or indirectly observable.
Level 3	Unobservable inputs in which little or no market data exists.

The following table presents the carrying amounts and estimated fair values of our financial liabilities as of March 31, 2023 and December 31, 2022, as well as the input level used to determine the fair values indicated below:

	Input Level	March 31, 2023		December 31, 2022	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(Dollars in millions)			
Liabilities-Long-term debt, excluding finance leases	2	\$ 8,711	6,159	7,805	6,581
Indemnifications related to the sale of the Latin American business	3	86	86	86	86

(8) Commitments, Contingencies and Other Items

We are subject to various claims, legal proceedings and other contingent liabilities, including the matters described below, which individually or in the aggregate could materially affect our financial condition, future results of operations or cash flows. As a matter of course, we are prepared to both litigate these matters to judgment as needed, as well as to evaluate and consider reasonable settlement opportunities.

We review our litigation accrual liabilities on a quarterly basis, but in accordance with applicable accounting guidelines only establish accrual liabilities when losses are deemed probable and reasonably estimable and only revise previously established accrual liabilities when warranted by changes in circumstances, in each case based on then-available information. As such, as of any given date we could have exposure to losses under proceedings as to which no liability has been accrued or as to which the accrued liability is inadequate. Subject to these limitations, at March 31, 2023, we had accrued \$38 million in the aggregate for our litigation and non-income tax contingencies which is included in other current liabilities, other liabilities, or liabilities held for sale on our consolidated balance sheet as of such date. We cannot at this time estimate the reasonably possible loss or range of loss in excess of this \$38 million accrual due to the inherent uncertainties and speculative nature of contested proceedings. The establishment of an accrual does not mean that actual funds have been set aside to satisfy a given contingency. Thus, the resolution of a particular contingency for the amount accrued could have no effect on our results of operations but nonetheless could have an adverse effect on our cash flows.

Latin American Tax Litigation and Claims

In connection with the recent divestiture of our Latin American business, the purchaser assumed responsibility for the Peruvian tax litigation and Brazilian tax claims described in our prior periodic reports filed with the SEC. We have agreed to indemnify the purchaser for amounts paid in respect to the Brazilian tax claims. The value of this indemnification is included in the indemnification amount as disclosed in Note 7—Fair Value of Financial Instruments.

Other Proceedings, Disputes and Contingencies

From time to time, we are involved in other proceedings incidental to our business, including patent infringement allegations, regulatory hearings relating primarily to our rates or services, actions relating to employee claims, various tax issues, environmental law issues, grievance hearings before labor regulatory agencies and miscellaneous third-party tort actions.

We are currently defending several patent infringement lawsuits asserted against us by non-practicing entities, many of which are seeking substantial recoveries. These cases have progressed to various stages and one or more may go to trial within the next twelve months if they are not otherwise resolved. Where applicable, we are seeking full or partial indemnification from our vendors and suppliers. As with all litigation, we are vigorously defending these actions and, as a matter of course, are prepared to litigate these matters to judgment, as well as to evaluate and consider all reasonable settlement opportunities.

We are subject to various foreign, federal, state and local environmental protection and health and safety laws. From time to time, we are subject to judicial and administrative proceedings brought by various governmental authorities under these laws. Several such proceedings are currently pending, but none is reasonably expected to exceed \$300,000 in fines and penalties.

The outcome of these other proceedings described under this heading is not predictable. However, based on current circumstances, we do not believe that the ultimate resolution of these other proceedings, after considering available defenses and any insurance coverage or indemnification rights, will have a material adverse effect on us.

The matters listed in this Note do not reflect all of our contingencies. For additional information on our contingencies, see Note 16—Commitments, Contingencies and Other Items to the consolidated financial statements included in Item 8 of Part II of our Annual Report on Form 10-K for the year ended December 31, 2022. The ultimate outcome of the above-described matters may differ materially from the outcomes anticipated, estimated, projected or implied by us in certain of our statements appearing above in this Note, and proceedings currently viewed as immaterial by us may ultimately materially impact us.

(9) Accumulated Other Comprehensive Loss

The table below summarizes changes in accumulated other comprehensive loss recorded on our consolidated balance sheets by component for the three months ended March 31, 2023:

	Pension Plans	Foreign Currency Translation Adjustment and Other	Total
	(Dollars in millions)		
Balance at December 31, 2022	\$ 21	(365)	(344)
Other comprehensive income, net of tax	—	11	11
Net other comprehensive income	—	11	11
Balance at March 31, 2023	\$ 21	(354)	(333)

The table below summarizes changes in accumulated other comprehensive loss recorded on our consolidated balance sheets by component for the three months ended March 31, 2022:

	Pension Plans	Foreign Currency Translation Adjustment and Other	Total
	(Dollars in millions)		
Balance at December 31, 2021	\$ 3	(354)	(351)
Other comprehensive income, net of tax	—	69	69
Net other comprehensive income	—	69	69
Balance at March 31, 2022	\$ 3	(285)	(282)

(10) Other Financial Information

Other Current Assets

The following table presents details of other current assets reflected on our consolidated balance sheets:

	March 31, 2023	December 31, 2022
	(Dollars in millions)	
Prepaid expenses	\$ 125	99
Contract fulfillment costs	46	44
Contract acquisition costs	43	42
Contract assets	8	10
Other	3	2
Total other current assets ⁽¹⁾	\$ 225	197

⁽¹⁾ Excludes \$70 million and \$56 million of other current assets related to EMEA business that were classified as held for sale as of March 31, 2023 and December 31, 2022, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless the context requires otherwise, references in this report to "Level 3 Communications, Inc.," "Level 3," "we," "us," "its," the "Company" and "our" refer to Level 3 Parent, LLC and its consolidated subsidiaries. References to "Lumen Technologies" or "Lumen" refer to our ultimate parent company, Lumen Technologies, Inc. and its consolidated subsidiaries.

All references to "Notes" in this Item 2 of Part I refer to the Notes to Consolidated Financial Statements included in Item 1 of Part I of this report.

Certain statements in this report constitute forward-looking statements. See "Special Note Regarding Forward-Looking Statements" appearing at the beginning of this report for factors relating to these statements and "Risk Factors" referenced in Item 1A of Part II of this report or other of our filings with the SEC for a discussion of certain risk factors applicable to our business, financial condition, results of operations, liquidity or prospects.

Overview

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") included herein should be read in conjunction with MD&A and the other information included in our Annual Report on Form 10-K for the year ended December 31, 2022, and with the consolidated financial statements and related notes in Item 1 of Part I of this report. The results of operations and cash flows for the first three months of the year are not necessarily indicative of the results of operations and cash flows that might be expected for the entire year.

We are an international facilities-based technology and communications company engaged in providing a broad array of integrated communication services to our business customers.

Pending Divestiture of our European, Middle Eastern and African Business

Under agreements entered into on November 2, 2022 and February 8, 2023, affiliates of Level 3 Parent, LLC have agreed to divest certain operations in EMEA to Colt Technology Services Group Limited, a portfolio company of Fidelity Investments, in exchange for \$1.8 billion in cash, subject to certain post-closing adjustments. We expect to close the transaction as early as late 2023, following receipt of all requisite regulatory approvals in the U.S. and certain countries where the EMEA business operates, as well as the satisfaction of other customary conditions. The actual amount of our net after-tax proceeds from this divestiture could vary substantially from the amounts we currently estimate, particularly if we experience delays in completing the transaction or any of our other assumptions prove to be incorrect.

Impact of COVID-19 Pandemic and the Macroeconomic Environment

Societal, governmental, and macroeconomic changes arising out of the COVID-19 pandemic have impacted us, our customers and our business in several ways since March 2020. Beginning in the second half of 2020 and continuing into 2023, we rationalized our leased footprint and ceased using 13 leased property locations that were underutilized. In conjunction with our plans to continue to reduce costs, we expect to continue our real estate rationalization efforts and expect to incur additional accelerated lease costs in future periods. Additionally, as discussed further elsewhere herein, the pandemic and macroeconomic changes arising therefrom have resulted in (i) increases in certain revenue streams and decreases in others, (ii) operational challenges resulting from inflation and, to a lesser extent, shortages of certain components and other supplies that we use in our business, (iii) delays in our cost transformation initiatives, and (iv) delayed decision-making by certain of our customers. None of these effects, individually or in the aggregate, have to date materially impacted our financial performance or financial position.

We reopened our offices in April 2022 under a "hybrid" working environment, which will permit some of our employees the flexibility to work remotely at least some of the time for the foreseeable future.

If any of the above-listed factors intensify, our financial results could be materially impacted in a variety of ways, including by increasing our expenses, decreasing our revenues, further delaying our network expansion plans or otherwise interfering with our ability to deliver products and services. For additional information on the impacts of the pandemic and the macroeconomic changes arising therefrom, see (i) the remainder of this item, including "—Liquidity and Capital Resources—Overview" and (ii) Item 1A of this report.

Products, Services and Revenue

We categorize our products and services and related revenue among the following categories:

- *Grow*, which includes products and services that we anticipate will grow, including our colocation, dark fiber, Edge Cloud services, IP, managed security, software-defined wide area networks ("SD WAN"), secure access service edge ("SASE"), Unified Communications and Collaboration ("UC&C") and wavelengths services;
- *Nurture*, which includes our more mature offerings, including ethernet and VPN data network services;
- *Harvest*, which includes our legacy services managed for cash flow, including Time Division Multiplexing ("TDM") voice, private line and other legacy services;
- *Other*, which includes equipment, IT solutions and other services; and
- *Affiliate Services*, which include communications services provided to our affiliates that we also provide to our external customers.

From time to time, we may change the categorization of our products and services.

Results of Operations

Results in this section include the results of our Latin American business prior to it being sold on August 1, 2022.

The following table summarizes the results of our consolidated operations for the three months ended March 31, 2023 and March 31, 2022:

	Three Months Ended March 31,	
	2023	2022
Operating revenue	\$ 1,784	1,946
Operating expenses	1,649	1,707
Operating income	135	239
Other expense, net	(72)	(81)
Income before income taxes	63	158
Income tax expense	22	44
Net income	\$ 41	114

For a discussion of certain trends that impact our business, see the MD&A discussion of trends impacting Lumen's non-mass markets business included in Lumen's reports filed with the SEC, including its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023.

Operating Revenue

The following table summarizes our consolidated operating revenue recorded under our revenue categories described above:

	Three Months Ended March 31,		% Change
	2023	2022	
	(Dollars in millions)		
Grow	\$ 973	1,024	(5)%
Nurture	439	503	(13)%
Harvest	290	336	(14)%
Other	25	27	(7)%
Affiliate Services	57	56	2 %
Total operating revenue	<u>\$ 1,784</u>	<u>1,946</u>	(8)%

Our total operating revenue decreased by \$162 million for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022. Approximately \$178 million of the decrease was due to the sale of the Latin American business in the second half of 2022. More specifically, within each revenue category:

- Grow decreased by \$51 million for the three months ended March 31, 2023 compared to March 31, 2022 due to a decrease of approximately \$129 million associated with the sale of the Latin American business. This decline was partially offset by growth in most products, primarily due to an increase of \$78 million in products such as IP, dark fiber, wavelengths and colocation;
- Nurture decreased by \$64 million for the three months ended March 31, 2023 compared to March 31, 2022. Approximately \$43 million of the decrease was attributable to the sale of the Latin American business. The remainder of the decline is principally attributable to a decline in Ethernet services of \$20 million;
- Harvest decreased by \$46 million for the three months ended March 31, 2023 compared to March 31, 2022. Approximately \$6 million of the decrease was attributable to the sale of the Latin American business. The remainder of the decline is principally attributable to a \$39 million decline in legacy voice services;
- Other decreased for the three months ended March 31, 2023 compared to March 31, 2022 primarily due to a decrease in IT solutions revenue.

Operating Expenses

The following table summarizes our consolidated operating expenses:

	Three Months Ended March 31,		
	2023	2022	% Change
	(Dollars in millions)		
Cost of services and products (exclusive of depreciation and amortization)	\$ 771	851	(9)%
Selling, general and administrative	286	314	(9)%
Loss on disposal group held for sale	77	—	nm
Operating expenses - affiliates	168	146	15 %
Depreciation and amortization	347	396	(12)%
Total operating expenses	<u>\$ 1,649</u>	<u>1,707</u>	(3)%

nm Percentages greater than 200% and comparisons between positive and negative values or to/from zero values are considered not meaningful.

Cost of Services and Products (Exclusive of depreciation and amortization)

Cost of services and products (exclusive of depreciation and amortization) decreased by \$80 million for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022, primarily due to an \$88 million decrease associated with the sale of the Latin American business in the second half of 2022, as well as a \$12 million decrease in network expenses. These decreases were partially offset by an increase of \$18 million in facilities costs.

Selling, General and Administrative

Selling, general and administrative decreased by \$28 million for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022 primarily due to a \$34 million decrease associated with the sale of our Latin American business in the second half of 2022, as well as a \$13 million decrease associated with a gain on the sale of property. These decreases were partially offset by an increase of \$16 million in employee related expenses.

Loss on Disposal Group Held for Sale

For a discussion of the loss on the disposal group held for sale that we recognized for the three months ended March 31, 2023, see Note 2—Planned Divestiture of the EMEA Business.

Operating Expenses - Affiliates

Operating expenses - affiliates increased by \$22 million for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022, primarily due to higher employee related affiliate expenses and a decrease in expenses we allocated to other affiliates.

Depreciation and Amortization

The following table provides detail regarding depreciation and amortization expense:

	Three Months Ended March 31,		% Change
	2023	2022	
	(Dollars in millions)		
Depreciation	\$ 171	204	(16)%
Amortization	176	192	(8)%
Total depreciation and amortization	\$ 347	396	(12)%

Depreciation expense decreased by \$33 million for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022, primarily due to the discontinuation during the fourth quarter of 2022 of the depreciation of the tangible assets of our planned divestiture of our EMEA business, resulting in a decrease of \$45 million of depreciation expense during the three months ended March 31, 2023 compared to the three months ended March 31, 2022. This was partially offset by higher depreciation expense of \$12 million associated with net growth in depreciable assets.

Amortization expense decreased by \$16 million for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022, primarily due to a decrease of \$8 million due to the discontinuation during the fourth quarter of 2022 of the amortization of the intangible assets of our planned divestiture of our EMEA business and a decrease of \$6 million associated with net reductions in amortizable assets.

Other Consolidated Results

The following table summarizes other expense, net and income tax expense:

	Three Months Ended March 31,		% Change
	2023	2022	
	(Dollars in millions)		
Interest income - affiliate	\$ 16	16	— %
Interest expense	(93)	(90)	3 %
Other expense, net	5	(7)	nm
Total other expense, net	\$ (72)	(81)	(11)%
Income tax expense	\$ 22	44	(50)%

nm Percentages greater than 200% and comparisons between positive and negative values or to/from zero values are considered not meaningful.

Interest Income - Affiliate

Interest income - affiliate remained flat for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022.

Interest Expense

Interest expense increased by \$3 million for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022. The increase was due to an increase in average interest rates from 3.53% to 4.67% for the three months ended March 31, 2022 as compared to the three months ended March 31, 2023, which was offset by the decrease in average outstanding long-term debt from \$10.4 billion to \$8.6 billion for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022.

Other Income (Expense), Net

The following table summarizes our total other income (expense), net:

	Three Months Ended March 31,	
	2023	2022
	(Dollars in millions)	
Foreign currency gain (loss)	\$ 3	(9)
Other	2	2
Total other income (expense), net	<u>\$ 5</u>	<u>(7)</u>

Income Tax Expense

For the three months ended March 31, 2023 and 2022, our effective income tax rate was 34.9% and 27.8%, respectively. The increase in our effective income tax rate is primarily a result of the sale of the Latin American business in the second half of 2022.

Liquidity and Capital Resources

Overview

As of March 31, 2023, we held cash and cash equivalents of \$186 million, \$39 million of which is classified as held for sale. We had approximately \$76 million of cash and cash equivalents held in foreign bank accounts for funding our foreign operations. Due to various factors, our access to foreign cash is generally more restricted than our access to domestic cash.

We anticipate that any future liquidity needs will be met through (i) our cash provided by operating activities, (ii) amounts due to us from Lumen Technologies, (iii) proceeds from the recently completed divestiture of our Latin American business, (iv) our ability to refinance our debt obligations and (v) capital contributions, advances or loans from Lumen Technologies or its affiliates if and to the extent they have available funds or access to funds that they are willing and able to contribute, advance or loan.

We are currently experiencing competitive, macroeconomic and financial pressures, such as operational challenges resulting from inflation, dis-synergies resulting from our 2022 divestiture and, to a lesser extent, shortages of certain components and other supplies that we use in our business. If these pressures continue, we may experience significant deterioration in our projected cash flows or market capitalization, or make significant changes to our assumptions of discount rates and market multiples. Any of these could result in a determination in a future quarter that our goodwill has been impaired.

Impact of Planned Divestiture of the EMEA Business

During 2022, we agreed to divest our EMEA business subject to the receipt of various approvals and the satisfaction of other customary conditions. See Note 2—Planned Divestiture of the EMEA Business. As further described in previous reports, these transactions have provided or are expected to provide us with a substantial amount of cash proceeds, but ultimately will reduce our base of income-generating assets that generate our recurring cash from operating activities.

Debt Instruments and Financing Arrangements

As of March 31, 2023, our long-term debt (including current maturities and finance leases) outstanding totaled \$9.0 billion. See Note 6—Long-Term Debt.

Pursuant to exchange offers commenced on March 16, 2023 (the “Exchange Offers”), on March 31, 2023, Level 3 Financing, Inc. issued \$915 million of its 10.500% Senior Secured Notes due 2030 (the “Initial Notes”) in exchange for \$1.535 billion of Lumen’s outstanding senior unsecured notes. On April 17, 2023, in connection with the final settlement under the Exchange Offers, Level 3 Financing, Inc. issued an additional \$9 million of its 10.500% Senior Secured Notes due 2030 in exchange for \$19 million aggregate principal amount of Lumen’s senior unsecured notes. These transactions resulted in distributions of the senior unsecured notes to Lumen, at which point they were concurrently cancelled.

Subject to market conditions and to the extent permitted under applicable debt covenants, from time to time we expect to continue to issue term debt or senior notes to refinance our maturing debt. The availability, interest rate and other terms of any new borrowings will be impacted by the ratings assigned us by the three major credit rating agencies, among other factors. As of the filing date of this report, the credit ratings for the senior secured and unsecured debt of Level 3 Financing, Inc. were as follows:

Borrower	Moody's Investor Services, Inc.	Standard & Poor's	Fitch Ratings
Level 3 Financing, Inc.			
Unsecured	B1	B	B+
Secured	Ba2	BB-	BB

Our credit ratings are reviewed and adjusted from time to time by the rating agencies. Any future changes in the senior unsecured or secured debt ratings of us or our subsidiaries could impact our access to capital or borrowing costs. With the recent downgrades of our credit ratings, we may find it more difficult to borrow on favorable terms, or at all. See "Risk Factors—Financial Risks" in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2022.

From time to time over the past couple of years, we have engaged in various refinancings, redemptions, tender offers, open market purchases and other transactions designed to reduce our consolidated indebtedness, lower our aggregate interest costs, improve our financial flexibility or otherwise enhance our debt profile. We plan to continue to pursue similar transactions in the future to the extent feasible. Whether and when we implement any additional such transactions depends on a wide variety of factors, including without limitation market conditions, our upcoming debt maturities, our cash requirements and limitations under our debt covenants. There is no guarantee that we will be successful in implementing any such transactions or attaining our stated objectives. We may not disclose these transactions in advance, unless required by applicable law or material in nature or amount. See Note 6—Long-Term Debt for additional information.

Letters of Credit

It is customary for us to use various financial instruments in the normal course of business. These instruments include letters of credit. Letters of credit are conditional commitments issued on our behalf in accordance with specified terms and conditions. As of March 31, 2023, we had outstanding letters of credit or other similar obligations of approximately \$3 million, all of which were collateralized by restricted cash.

Future Contractual Obligations

For information regarding our estimated future contractual obligations, see the MD&A discussion included in Item 7 of Part II of our Annual Report on Form 10-K for the year ended December 31, 2022.

Cash Flow Activities

The following table summarizes our consolidated cash flow activities:

	Three Months Ended March 31,		\$ Change
	2023	2022	
	(Dollars in millions)		
Net cash provided by operating activities	\$ 379	541	(162)
Net cash used in investing activities	(225)	(263)	(38)
Net cash used in financing activities	(129)	(250)	(121)

Operating Activities

Net cash provided by operating activities decreased by \$162 million for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022, primarily due to lower net income adjusted for non-cash expenses and income and an increase in accounts receivable. Cash provided by operating activities is subject to variability period over period as a result of timing, including the collection of receivables and payments of interest, accounts payable and bonuses.

Investing Activities

Net cash used in investing activities decreased by \$38 million for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022. The decrease was primarily due to a decrease in capital expenditures as well as an increase in proceeds from the sale of property, plant and equipment.

Financing Activities

Net cash used in financing activities decreased by \$121 million for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022 primarily due to a decrease in distributions paid to our parent and debt repayments.

Other Matters

We are subject to various legal proceedings and other contingent liabilities that individually or in the aggregate could materially affect our financial condition, future results of operations or cash flows. See Note 8—Commitments, Contingencies and Other Items for additional information.

Lumen Technologies is involved in several legal proceedings to which we are not a party that, if resolved against it, could have a material adverse effect on its business and financial condition. As a wholly owned subsidiary of Lumen Technologies, our business and financial condition could be similarly affected. You can find descriptions of these legal proceedings in Lumen's quarterly and annual reports filed with the SEC. Because we are not a party to any of the matters, we have not accrued any liabilities for these matters.

Federal officials have proposed changes to current programs and laws that could impact us, including proposals designed to increase broadband access, increase competition among broadband providers, lower broadband costs and re-adopt "net neutrality" rules similar to those adopted under the Obama Administration. In November 2021, the U.S. Congress enacted legislation that appropriated \$65 billion to improve broadband affordability and access, primarily through federally funded state grants. As of the date of this report, various state and federal agencies are continuing to take steps to make this funding available to eligible applicants, including us. It remains premature to speculate on the potential impact of this legislation on us.

Market Risk

At March 31, 2023, we were exposed to market risk from changes in interest rates on our variable rate long-term debt obligations.

As of March 31, 2023, we had approximately \$8.8 billion (excluding unamortized premiums, net, unamortized debt issuance costs and finance leases) of long-term debt outstanding, 72% of which bears interest at fixed rates and is therefore not exposed to interest rate risk. We also held approximately \$2.4 billion of floating rate debt exposed to changes in the London InterBank Offered Rate ("LIBOR"). A hypothetical increase of 100 basis points in LIBOR relative to this debt would decrease our annual pre-tax earnings by approximately \$24 million. Our credit agreements contain language about a possible change from LIBOR to an alternative index. Additionally, we executed an amendment in March 2023 to change the reference rate in our credit agreement to SOFR from LIBOR.

We conduct a portion of our business in currencies other than the U.S. dollar, the currency in which our consolidated financial statements are reported. Our European subsidiaries use, and prior to the August 1, 2022 divestiture of our Latin American business, certain of our former Latin American subsidiaries used the local currency as their functional currency, as the majority of their sales and purchases are or were transacted in their local currencies. Although we continue to evaluate strategies to mitigate risks related to the effect of fluctuations in currency exchange rates, we will likely recognize gains or losses from international transactions. Accordingly, changes in foreign currency rates relative to the U.S. dollar could positively or negatively impact our operating results.

Certain shortcomings are inherent in the method of analysis presented in the computation of exposures to market risks. Actual values may differ materially from those disclosed by us from time to time if market conditions vary from the assumptions used in the analyses performed. These analyses only incorporate the risk exposures that existed at March 31, 2023.

Other Information

Lumen's and our website is www.lumen.com. We routinely post important investor information in the "Investor Relations" section of our website at ir.lumen.com. The information contained on, or that may be accessed through, our website is not part of this quarterly report. You may obtain free electronic copies of annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K filed by us or our ultimate controlling member Lumen Technologies, Inc., and all amendments to those reports, in the "Investor Relations" section of our website (ir.lumen.com) under the heading "SEC Filings." These reports are available on our website as soon as reasonably practicable after they are electronically filed with the SEC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Omitted pursuant to General Instruction H(2).

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act")) designed to provide reasonable assurance that the information required to be disclosed by us in the reports we file or furnish under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. These include controls and procedures designed to ensure this information is accumulated and communicated to our senior management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Management, with the participation of our President and Chief Executive Officer, Kate Johnson, and our Executive Vice President and Chief Financial Officer, Chris Stansbury, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2023. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded our disclosure controls and procedures were effective, as of March 31, 2023, in providing reasonable assurance the information required to be disclosed by us in this report was accumulated and communicated in the manner provided above.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the first quarter of 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations of Internal Controls

The effectiveness of our or any system of disclosure controls and procedures is subject to certain limitations, including the exercise of judgment in designing, implementing and evaluating the controls and procedures, the assumptions used in identifying the likelihood of future events and the inability to eliminate misconduct completely. As a result, there can be no assurance that our disclosure controls and procedures will detect all errors or fraud. By their nature, our or any system of disclosure controls and procedures can provide only reasonable assurance regarding management's control objectives.

PART II-OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information contained in Note 8—Commitments, Contingencies and Other Items, included in Item 1 of Part I of this quarterly report on Form 10-Q is incorporated herein by reference. The ultimate outcome of the matters described in Note 8 may differ materially from the outcomes anticipated, estimated, projected or implied by us in certain of our statements appearing in such Note, and proceedings currently viewed as immaterial by us may ultimately materially impact us. For more information, see “Risk Factors—Legal and Regulatory Risks—Our pending legal proceedings could have a material adverse impact on our financial condition and operating results and on our ability to access the capital markets” in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2022.

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, which could adversely affect our business, financial condition or future results. We recommend that you carefully consider (i) the other information set forth in this report and (ii) the risk factors discussed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022, which are supplemented by the disclosure immediately below:

Like many businesses, we continue to face a growing threat from cyber-attacks, and, notwithstanding our extensive cybersecurity measures, we cannot provide any assurances that these attacks will not ultimately have a material adverse effect on our business, operations or financial results.

As we noted in our Annual Report on Form 10-K for the year ended December 31, 2022, we faced a growing number of cyber-attacks in 2022. On March 27, 2023, we announced two cybersecurity incidents, including one that involved a sophisticated intruder that had accessed our internal information technology systems. Since March 27, 2023, we have continued taking the measures described in our Current Report on Form 8-K filed with the U.S. Securities and Exchange Commission on March 27, 2023 to assess, contain and remediate both incidents, including working with outside forensic firms.

Based on our ongoing investigations and information known at this time, we continue to believe that these incidents have neither had nor are likely to have a material adverse impact on our ability to serve our customers or our business, operations or financial results. Based on these ongoing investigations and information known at this time, we have determined that the sophisticated intruder that accessed our internal information technology systems is an advanced persistent threat actor that conducted activity best characterized as surveillance.

More generally, we believe the importance of our network to global internet data flows makes it a target to a wide range of intruders, including advanced persistent threat actors. And while we currently do not believe the recently reported events are likely to have a material adverse effect on our business, cybersecurity events inherently involve a range of risks and uncertainties, and we cannot assure you that future events or developments will not ultimately have a material adverse impact on our ability to serve our customers or our business, operations or financial results.

ITEM 6. EXHIBITS

Exhibits identified in parentheses below are on file with the SEC and are incorporated herein by reference. All other exhibits are provided as part of this electronic submission.

Exhibit Number	Description
4.1	<u>Indenture dated March 31, 2023, among Level 3 Financing, Inc., as Issuer, Level 3 Parent, LLC, as Guarantor, the subsidiary guarantors party thereto, and The Bank of New York Mellon Trust Company, as Trustee and Note Collateral Agent, designating and outlining the terms and conditions of Level 3 Financing, Inc.'s 10.500% Senior Secured Notes due 2030 (incorporated by reference to Exhibit 4.1 to Level 3 Parent, LLC's Current Report on Form 8-K (File No. 001-35134) filed with the Securities and Exchange Commission on March 31, 2023).</u>
10.1*	<u>LIBOR Transition Amendment, dated as of March 17, 2023, by and among Level 3 Parent, LLC, Level 3 Financing, Inc., the Subsidiary Loan Parties party thereto, and Merrill Lynch Capital Corporation, as administrative agent, amending the parties' Amended and Restated Credit Agreement dated as of November 29, 2019.</u>
31.1*	<u>Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1*	<u>Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2*	<u>Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101*	The following materials from the Quarterly Report on Form 10-Q of Level 3 Parent, LLC for the quarter ended March 31, 2023, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations, (ii) Consolidated Statements Of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Member's Equity and (vi) Notes to Consolidated Financial Statements.
104*	Cover page formatted as Inline XBRL and contained in Exhibit 101.

* Exhibit filed herewith.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) 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 on May 3, 2023.

LEVEL 3 PARENT, LLC

By: /s/ Andrea Genschaw
Andrea Genschaw
Senior Vice President, Controller
(Principal Accounting Officer)

LIBOR TRANSITION AMENDMENT

THIS LIBOR TRANSITION AMENDMENT (this “Agreement”), dated as of March 17, 2023, is entered into among LEVEL 3 PARENT, LLC (formerly known as WWG Merger Sub LLC, the surviving company of its merger with Level 3 Communications, Inc.) (“Level 3”), LEVEL 3 FINANCING, INC. (the “Borrower”), the Subsidiary Loan Parties party hereto and MERRILL LYNCH CAPITAL CORPORATION, as administrative agent (the “Administrative Agent”).

RECITALS

WHEREAS, Level 3, the Borrower, the lenders from time to time party thereto (the “Lenders”), and Merrill Lynch Capital Corporation, as Administrative Agent and Collateral Agent, have entered into that certain Amended and Restated Credit Agreement dated as of November 29, 2019 (as amended, modified, extended, restated, replaced, or supplemented from time to time, the “Credit Agreement”);

WHEREAS, certain loans and/or other extensions of credit (the “Loans”) under the Credit Agreement incur or are permitted to incur interest, fees, commissions or other amounts based on the London Interbank Offered Rate as administered by the ICE Benchmark Administration (“LIBOR”) in accordance with the terms of the Credit Agreement;

WHEREAS, the applicable parties under the Credit Agreement have determined in accordance with the Credit Agreement that LIBOR should be replaced with a successor rate in accordance with the Credit Agreement and, in connection therewith, the Administrative Agent and the Borrower have determined that certain conforming changes are necessary or advisable; and

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms. Capitalized terms used herein but not otherwise defined herein (including on any Appendix attached hereto) shall have the meanings provided to such terms in the Credit Agreement, as amended by this Agreement.

2. Agreement. Notwithstanding any provision of the Credit Agreement or any other document related thereto (the “Loan Documents”) to the contrary, the parties hereto hereby agree that the terms set forth on Appendix A shall apply to the Loans. For the avoidance of doubt, to the extent provisions in the Credit Agreement apply to the Loans and such provisions are not specifically addressed by Appendix A, the provisions in the Credit Agreement shall continue to apply to the Loans. Further, the form of Interest Election Request is hereby added as an exhibit to the Credit Agreement and attached hereto as Exhibit A.

3. Conflict with Loan Documents. In the event of any conflict between the terms of this Agreement and the terms of the Credit Agreement or the other Loan Documents, the terms hereof shall control.

4. Conditions Precedent. This Agreement shall become effective on the date (such date and time of effectiveness, the “Amendment Effective Date”) that each of the conditions precedent set forth below shall have been satisfied:

(a) The Administrative Agent shall have received counterparts hereof properly executed by (i) each of the Loan Parties and (ii) the Administrative Agent;

(b) The Administrative Agent shall have posted this Agreement to all Lenders and the Borrower, and the Administrative Agent shall not have received, prior to 5:00 p.m. (New York time) on the fifth Business Day after the Administrative Agent shall have posted this Agreement to all Lenders

and the Borrower, written notice from Lenders comprising the Required Lenders that such Required Lenders object to the SOFR Adjustment; and

(c) The Borrower shall have paid, or concurrently herewith shall pay to the Administrative Agent, to the extent invoiced, the reasonable documented out-of-pocket expenses of the Administrative Agent in connection with this Agreement (including the reasonable documented fees and expenses of legal counsel).

5. Miscellaneous.

(1) The Loan Documents, and the obligations of Level 3, the Borrower and the Subsidiary Loan Parties under the Loan Documents, are hereby ratified and confirmed and shall remain in full force and effect according to their terms. This Agreement is a Loan Document.

(2) Level 3, the Borrower and each Subsidiary Loan Party (i) acknowledges and consents to all of the terms and conditions of this Agreement, (ii) affirms all of its obligations under the Loan Documents, (iii) agrees that this Agreement and all documents executed in connection herewith do not operate to reduce or discharge its obligations under the Loan Documents, (iv) agrees that the Security Documents continue to be in full force and effect and are not impaired or adversely affected in any manner whatsoever, (v) confirms its grant of security interests pursuant to the Security Documents to which it is a party as Collateral for the Obligations, and (vi) acknowledges that all Liens granted (or purported to be granted) pursuant to the Security Documents remain and continue in full force and effect in respect of, and to secure, the Obligations. Each Guarantor hereby reaffirms its obligations under the Guarantee Agreement and agrees that its obligation to guarantee the Obligations is in full force and effect as of the date hereof.

(3) Level 3, the Borrower and each Subsidiary Loan Party represents and warrants that:

(i) the execution, delivery, and performance by each of Level 3, the Borrower and the Subsidiary Loan Parties of this Agreement are within the powers of Level 3, the Borrower or such Subsidiary Loan Party, as applicable, and have been duly authorized by all necessary corporate or other action and, if required, stockholder or member action;

(ii) this Agreement has been duly executed and delivered by Level 3, the Borrower and each Subsidiary Loan Party and constitutes, a legal, valid and binding obligation of Level 3, the Borrower and each Subsidiary Loan Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and to general principles of equity, regardless of whether considered in a proceeding in equity or at law; and

(iii) before and after giving effect to this Agreement, (A) the representations and warranties of (i) Level 3 and the Borrower contained in Article III of the Credit Agreement and (ii) each Loan Party contained in any other Loan Document are true and correct in all material respects on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date, and except that the representations and warranties contained in Section 3.04(a) of the Credit Agreement shall be deemed to refer to the financial statements most recently furnished pursuant to Section 5.01(a) of the Credit Agreement as of the Amendment Effective Date, and (B) no Event of Default exists.

(4) This Agreement may be in the form of an electronic record (in ".pdf" form or otherwise) and may be executed using electronic signatures, which shall be considered as

originals and shall have the same legal effect, validity and enforceability as a paper record. This Agreement may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts shall be one and the same Agreement. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Administrative Agent of a manually signed Agreement which has been converted into electronic form (such as scanned into “.pdf” format), or an electronically signed Agreement converted into another format, for transmission, delivery and/or retention.

(5) Any provision of this Agreement held to be illegal, invalid or unenforceable in any jurisdiction, shall, as to such jurisdiction, be ineffective to the extent of such illegality, invalidity or unenforceability without affecting the legality, validity or enforceability of the remaining provisions hereof and the illegality, invalidity or unenforceability of a particular provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(6) The terms of the Credit Agreement with respect to governing law, submission to jurisdiction, waiver of venue and waiver of jury trial are incorporated herein by reference, *mutatis mutandis*, and the parties hereto agree to such terms.

[remainder of page intentionally left blank]

Each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

LEVEL 3 PARENT, LLC,

by: /s/ Chris Stansbury

Name: Chris Stansbury

Title: Executive Vice President and Chief Financial
Officer

LEVEL 3 FINANCING, INC.,

by: /s/ Chris Stansbury

Name: Chris Stansbury

Title: Executive Vice President and Chief Financial
Officer

BROADWING, LLC,
BROADWING COMMUNICATIONS, LLC,
BTE EQUIPMENT, LLC,
GLOBAL CROSSING TELECOMMUNICATIONS, INC.,
LEVEL 3 COMMUNICATIONS, LLC,
LEVEL 3 ENHANCED SERVICES, LLC,
LEVEL 3 INTERNATIONAL, INC.,
TELCOVE OPERATIONS, LLC,
LEVEL 3 TELECOM HOLDINGS, LLC,
LEVEL 3 TELECOM, LLC,
WILTEL COMMUNICATIONS, LLC,

by: /s/ Chris Stansbury

Name: Chris Stansbury

Title: Executive Vice President and Chief
Financial Officer

MERRILL LYNCH CAPITAL CORPORATION,
as Administrative Agent

By: /s/ Don B. Pinzon
Name: Don B. Pinzon
Title: Vice President

Appendix A

TERMS APPLICABLE TO TERM SOFR LOANS

1. Defined Terms. The following terms shall have the meanings set forth below:

“Applicable Rate” means the “Applicable Margin” as defined in the Credit Agreement.

“Base Rate” means the “Alternate Base Rate” as defined in the Credit Agreement.

“Base Rate Loans” means a Loan that bears interest at a rate based on the Base Rate.

“Borrowing” means a “Borrowing” as defined in the Credit Agreement.

“Business Day” means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed.

“CME” means CME Group Benchmark Administration Limited.

“Committed Loan Notice” means an “Interest Election Request” as defined in the Credit Agreement, and such term shall be deemed to include the Interest Election Request attached hereto as Exhibit A.

“Conforming Changes” means, with respect to the use, administration of or any conventions associated with SOFR or any proposed Successor Rate or Term SOFR, as applicable, any conforming changes to the definitions of “Base Rate”, “SOFR”, “Term SOFR” and “Interest Period”, timing and frequency of determining rates and making payments of interest and other technical, administrative or operational matters (including, for the avoidance of doubt, the definitions of “Business Day” and “U.S. Government Securities Business Day”, timing of borrowing requests or prepayment, conversion or continuation notices and length of lookback periods) as may be appropriate, in the discretion of the Administrative Agent, to reflect the adoption and implementation of such applicable rate(s) and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent determines that adoption of any portion of such market practice is not administratively feasible or that no market practice for the administration of such rate exists, in such other manner of administration as the Administrative Agent determines is reasonably necessary in connection with the administration of this Agreement and any other Loan Document).

“Dollar” and “\$” mean lawful money of the United States.

“Eurocurrency Rate” means “LIBO Rate” as defined in the Credit Agreement.

“Eurocurrency Rate Loans” means a Loan that bears interest at a rate based on the Eurocurrency Rate.

“Interest Payment Date” means, as to any Term SOFR Loan, the last day of each Interest Period applicable to such Loan and the applicable maturity date set forth in the Credit Agreement; provided, however, that if any Interest Period for a Term SOFR Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates.

“Interest Period” means as to each Term SOFR Loan, the period commencing on the date such Term SOFR Loan is disbursed or converted to or continued as a Term SOFR Loan and ending on the date one, three or six months thereafter, as selected by the Borrower in its Committed Loan Notice (in the case of each requested Interest Period, subject to availability); provided that:

(a) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless, in the case of a Term SOFR Loan, such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(b) any Interest Period pertaining to a Term SOFR Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(c) no Interest Period shall extend beyond the Maturity Date.

“SOFR” means the Secured Overnight Financing Rate as administered by the Federal Reserve Bank of New York (or a successor administrator).

“SOFR Adjustment” with respect to Term SOFR means 0.11448% (11.448 basis points) for an Interest Period of one-month’s duration, 0.26161% (26.161 basis points) for an Interest Period of three-month’s duration, and 0.42826% (42.826 basis points) for an Interest Period of six-months’ duration.

“Successor Rate” means the “Successor Rate” as defined in the Credit Agreement.

“Term SOFR” means:

(a) for any Interest Period with respect to a Term SOFR Loan, the rate per annum equal to the Term SOFR Screen Rate two U.S. Government Securities Business Days prior to the commencement of such Interest Period with a term equivalent to such Interest Period; provided that if the rate is not published prior to 11:00 a.m. on such determination date then Term SOFR means the Term SOFR Screen Rate on the first U.S. Government Securities Business Day immediately prior thereto, in each case, plus the SOFR Adjustment for such Interest Period; and

(b) for any interest calculation with respect to a Base Rate Loan on any date, the rate per annum equal to the Term SOFR Screen Rate with a term of one month commencing that day;

provided that if Term SOFR determined in accordance with either of the foregoing provisions (a) or (b) of this definition would otherwise be less than zero, Term SOFR shall be deemed zero for purposes of this Agreement.

“Term SOFR Loan” means a Loan that bears interest at a rate based on clause (a) of the definition of Term SOFR.

“Term SOFR Screen Rate” means the forward-looking SOFR term rate administered by CME (or any successor administrator satisfactory to the Administrative Agent) and published on the applicable Reuters screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time).

“Type” means, with respect to a Loan, its character as a Base Rate Loan or a Term SOFR Loan.

“U.S. Government Securities Business Day” means any Business Day, except any Business Day on which any of the Securities Industry and Financial Markets Association, the New York Stock Exchange or the Federal Reserve Bank of New York is not open for business because such day is a legal holiday under the federal laws of the United States or the laws of the State of New York, as applicable.

2. Terms Applicable to Term SOFR Loans. From and after the Amendment Effective Date, the parties hereto agree as follows:

(a) Impacted Currencies. (i) Dollars shall not be considered a currency for which there is a published LIBO rate and (ii) any request for a new Eurocurrency Rate Loan, or to continue an existing Eurocurrency Rate Loan, shall be deemed to be a request for a new Loan bearing interest at Term SOFR; provided, that, to the extent any Loan bearing interest at the Eurocurrency Rate is outstanding on the Amendment Effective Date, such Loan shall continue to bear interest at the Eurocurrency Rate until the end of the current Interest Period or payment period applicable to such Loan.

(b) References to Eurocurrency Rate and Eurocurrency Rate Loans in the Credit Agreement and Loan Documents.

(i) References to the Eurocurrency Rate and Eurocurrency Rate Loans in provisions of the Credit Agreement and the other Loan Documents that are not specifically addressed herein (other than the definitions of Eurocurrency Rate and Eurocurrency Rate Loan) shall be deemed to include Term SOFR and Term SOFR Loans, as applicable. In addition, references to the Eurocurrency Rate in the definition of Base Rate in the Credit Agreement shall be deemed to refer to Term SOFR.

(ii) For purposes of any requirement for the Borrower to compensate Lenders for losses in the Credit Agreement resulting from any continuation, conversion, payment or prepayment of any Loan on a day other than the last day of any Interest Period (as defined in the Credit Agreement), references to the Interest Period (as defined in the Credit Agreement) shall be deemed to include any relevant interest payment date or payment period for a Term SOFR Loan.

(c) Interest Rates. The Administrative Agent does not warrant, nor accept responsibility, nor shall the Administrative Agent have any liability with respect to the administration, submission or any other matter related to any reference rate referred to herein or with respect to any rate (including, for the avoidance of doubt, the selection of such rate and any related spread or other adjustment) that is an alternative or replacement for or successor to any such rate (including, without limitation, any Successor Rate) (or any component of any of the foregoing) or the effect of any of the foregoing, or of any Conforming Changes. The Administrative Agent and its affiliates or other related entities may engage in transactions or other activities that affect any reference rate referred to herein, or any alternative, successor or replacement rate (including, without limitation, any Successor Rate) (or any component of any of the foregoing) or any related spread or other adjustments thereto, in each case, in a manner adverse to the Borrower. The Administrative Agent may select information sources or services in its reasonable discretion to ascertain any reference rate referred to herein or any alternative, successor or replacement rate (including, without limitation, any Successor Rate) (or any component of any of the foregoing), in each case pursuant to the terms of this Agreement, and shall have no liability to the Borrower, any Lender or any other person or entity for damages of any kind, including direct or indirect, special, punitive, incidental or consequential damages, costs, losses or expenses (whether in tort, contract or otherwise and whether at law or in equity), for any error or other action or omission related to or affecting the selection, determination, or calculation of any rate (or component thereof) provided by any such information source or service.

(d) Borrowings, Conversions, Continuations and Prepayments of Term SOFR Loans. In addition to any other borrowing or prepayment requirements set forth in the Credit Agreement:

(i) Term SOFR Loans. Each Borrowing, each conversion of Loans from one Type to the other, and each continuation of Term SOFR Loans shall be made upon the Borrower's irrevocable notice to the Administrative Agent, which may be given by (A) telephone or (B) a Committed Loan Notice; provided that any telephonic notice must be confirmed immediately by delivery to the Administrative Agent of a Committed Loan

Notice. Each such Committed Loan Notice must be received by the Administrative Agent not later than 11:00 a.m. (Eastern time) (1) two Business Days prior to the requested date of any Borrowing of, conversion to or continuation of Term SOFR Loans or of any conversion of Term SOFR Loans to Base Rate Loans. Each Borrowing of, conversion to or continuation of Term SOFR Loans shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof. Each Committed Loan Notice shall specify (i) whether the Borrower is requesting a Borrowing, a conversion of Loans from one Type to the other, or a continuation of Term SOFR Loans, (ii) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Loans to be borrowed, converted or continued, (iv) the Type of Loans to be borrowed or to which existing Loans are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the Borrower fails to specify a Type of Loan in a Committed Loan Notice or if the Borrower fails to give a timely notice requesting a conversion or continuation, then the applicable Loans shall be made as, or converted to, Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Term SOFR Loans. If the Borrower requests a Borrowing of, conversion to, or continuation of Term SOFR Loans in any such Committed Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

(ii) Conforming Changes. With respect to SOFR or Term SOFR, the Administrative Agent will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Loan Document; provided that, with respect to any such amendment effected, the Administrative Agent shall post each such amendment implementing such Conforming Changes to the Borrower and the Lenders reasonably promptly after such amendment becomes effective.

(iii) Committed Loan Notice. For purposes of a Borrowing of Term SOFR Loans, or a continuation of a Term SOFR Loan, the Borrower shall use the Committed Loan Notice attached hereto as Exhibit A.

(iv) Voluntary Prepayments of Term SOFR Loans. The Borrower may, upon notice to the Administrative Agent pursuant to delivery to the Administrative Agent of a notice of loan prepayment, at any time or from time to time voluntarily prepay the Term SOFR Loans in whole or in part without premium or penalty (except as otherwise specified in the Credit Agreement); provided that such notice must be received by the Administrative Agent not later than 11:00 a.m. (Eastern time) two Business Days prior to any date of prepayment of Term SOFR Loans.

(e) Interest.

(i) Subject to the provisions of the Credit Agreement with respect to default interest, each Term SOFR Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the sum of Term SOFR plus the Applicable Rate.

(ii) Interest on each Term SOFR Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified in the Credit Agreement; provided, that any prepayment of any Term SOFR Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 2.10. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any debtor relief law.

(f) Computations. All computations of interest for Base Rate Loans (including Base Rate Loans determined by reference to Term SOFR) shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest with respect to Term SOFR Loans shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year). Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to the provisions in the Credit Agreement addressing payments generally, bear interest for one day. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

(g) Successor Rates. The provisions in the Credit Agreement addressing the replacement of a current Successor Rate shall be deemed to apply to Term SOFR Loans and Term SOFR, as applicable, and the related defined terms shall be deemed to include Term SOFR.

Exhibit A**FORM OF INTEREST ELECTION REQUEST**

To: Merrill Lynch Capital Corporation, as Administrative Agent

Date: _____, _____

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Credit Agreement, dated as of November 29, 2019 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the “Credit Agreement,” the terms defined therein being used herein as therein defined), among Level 3 Parent, LLC (formerly known as WWG Merger Sub LLC, the surviving company of its merger with Level 3 Communications, Inc.), Level 3 Financing, Inc. (the “Borrower”), the Lenders from time to time party thereto and Merrill Lynch Capital Corporation, as Administrative Agent.

The undersigned hereby requests (select one):

<u>Indicate: Conversion or Continuation</u>	<u>Indicate: Borrower Name</u>	<u>Indicate: Requested Amount</u>	<u>Indicate: Term SOFR Loans or ABR Loans</u>	<u>For Term SOFR Rate Loans Indicate: Interest Period (e.g., 1, 3 or 6 month interest period)</u>

The Borrowing, if any, requested herein complies with the requirements set forth in the Credit Agreement.

LEVEL 3 FINANCING, INC.

By:_____
Name: [Type Signatory Name]
Title: [Type Signatory Title]

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Kate Johnson, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Level 3 Parent, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2023

 /s/ Kate Johnson
 Kate Johnson
 Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Chris Stansbury, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Level 3 Parent, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2023

/s/ Chris Stansbury

Chris Stansbury
Executive Vice President and Chief
Financial Officer

**Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

I, Kate Johnson, Chief Executive Officer of Level 3 Parent, LLC ("Level 3"), certify that, to my knowledge, the Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 of Level 3 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Level 3 as of the dates and for the periods covered by such report.

A signed original of this statement has been provided to Level 3 and will be retained by Level 3 and furnished to the Securities and Exchange Commission or its staff upon request.

Date: May 3, 2023

/s/ Kate Johnson
Kate Johnson
Chief Executive Officer

**Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

I, Chris Stansbury, Chief Financial Officer of Level 3 Parent, LLC ("Level 3"), certify that, to my knowledge, the Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 of Level 3 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Level 3 as of the dates and for the periods covered by such report.

A signed original of this statement has been provided to Level 3 and will be retained by Level 3 and furnished to the Securities and Exchange Commission or its staff upon request.

Date: May 3, 2023

/s/ Chris Stansbury

Chris Stansbury
Executive Vice President and Chief
Financial Officer