

**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 September 30, 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.

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* 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 completed, pending or proposed 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 or refinancing 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, taxes and benefits payments;
- our ability to effectively retain and hire key personnel;
- our ability to successfully adjust to 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 remaining business;
- 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;
- the impact of any purported notice of default or notice of acceleration arising from alleged breach of covenants under our credit documents;
- our ability to consummate the transactions contemplated by the transaction support agreement on the timeline currently expected or at all, including the ability of the parties to negotiate definitive agreements with respect to the matters covered by the term sheet included in the transaction support agreement. The occurrence of events may give rise to failure to satisfy any of the conditions to the closing of the transactions contemplated by, or a right of any of the parties to terminate, the transaction support agreement;
- our ability to maintain favorable relations with our security holders, key business partners, suppliers, vendors, landlords and financial lenders;
- 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 governmental programs 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, vandalism, 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 or 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 geopolitical 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(Dollars in millions)				
OPERATING REVENUE				
Operating revenue	\$ 1,706	1,762	5,144	5,548
Operating revenue - affiliates	57	57	167	170
Total operating revenue	1,763	1,819	5,311	5,718
OPERATING EXPENSES				
Cost of services and products (exclusive of depreciation and amortization)	779	785	2,281	2,472
Selling, general and administrative	342	269	946	901
Gain on sale of business	—	(119)	—	(119)
Loss on disposal group held for sale	28	—	113	—
Operating expenses - affiliates	172	173	571	481
Depreciation and amortization	354	377	1,056	1,178
Goodwill impairment	—	—	1,970	—
Total operating expenses	1,675	1,485	6,937	4,913
OPERATING INCOME (LOSS)	88	334	(1,626)	805
OTHER (EXPENSE) INCOME				
Interest expense	(123)	(99)	(336)	(284)
Interest income - affiliate	16	19	47	50
Other expense, net	(39)	(4)	(27)	(25)
Total other expense, net	(146)	(84)	(316)	(259)
(LOSS) INCOME BEFORE INCOME TAXES	(58)	250	(1,942)	546
Income tax (benefit) expense	(13)	312	(14)	397
NET (LOSS) INCOME	\$ (45)	(62)	(1,928)	149

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
NET (LOSS) INCOME	\$ (45)	(62)	(1,928)	149
OTHER COMPREHENSIVE LOSS				
Reclassification of realized loss on foreign currency translation to gain on sale of business, net of \$—, \$—, \$— and \$— tax	—	112	—	112
Foreign currency translation adjustments, net of \$5, \$28, \$(3) and \$70 tax	(14)	(114)	(2)	(229)
Other comprehensive loss, net of tax	(14)	(2)	(2)	(117)
COMPREHENSIVE (LOSS) INCOME	\$ (59)	(64)	(1,930)	32

See accompanying notes to consolidated financial statements.

LEVEL 3 PARENT, LLC
CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	September 30, 2023	December 31, 2022
	(Dollars in millions)	
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 146	118
Accounts receivable, less allowance of \$13 and \$19	567	517
Note receivable - affiliate	1,466	1,468
Assets held for sale	1,885	1,853
Other	220	197
Total current assets	4,284	4,153
Property, plant and equipment, net of accumulated depreciation of \$3,521 and \$2,875	7,384	7,303
GOODWILL AND OTHER ASSETS		
Goodwill	—	1,970
Other intangible assets, net	4,516	4,973
Other, net	1,320	1,360
Total goodwill and other assets	5,836	8,303
TOTAL ASSETS	\$ 17,504	19,759
<u>LIABILITIES AND MEMBER'S EQUITY</u>		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 29	26
Accounts payable	340	365
Accounts payable - affiliates	48	70
Accrued expenses and other liabilities		
Salaries and benefits	177	146
Income and other taxes	106	86
Current operating lease liabilities	310	326
Other	145	109
Liabilities held for sale	474	446
Current portion of deferred revenue	292	274
Total current liabilities	1,921	1,848
LONG-TERM DEBT	8,960	8,070
DEFERRED REVENUE AND OTHER LIABILITIES		
Deferred revenue	1,554	1,420
Operating lease liabilities	840	922
Other	657	701
Total deferred revenue and other liabilities	3,051	3,043
COMMITMENTS AND CONTINGENCIES (Note 9)		
MEMBER'S EQUITY		
Member's equity	3,918	7,142
Accumulated other comprehensive loss	(346)	(344)
Total member's equity	3,572	6,798
TOTAL LIABILITIES AND MEMBER'S EQUITY	\$ 17,504	19,759

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended September 30,	
	2023	2022
	(Dollars in millions)	
OPERATING ACTIVITIES		
Net (loss) income	\$ (1,928)	149
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	1,056	1,178
Loss on disposal group held for sale	113	—
Goodwill impairment	1,970	—
Gain on sale of business	—	(119)
Deferred income taxes	(20)	367
Changes in current assets and liabilities:		
Accounts receivable	(41)	2
Accounts payable	(30)	(37)
Other assets and liabilities, net	12	(141)
Other assets and liabilities, affiliate	(5)	81
Changes in other noncurrent assets and liabilities, net	101	117
Other, net	5	90
Net cash provided by operating activities	1,233	1,687
INVESTING ACTIVITIES		
Capital expenditures	(785)	(877)
Proceeds from sale of business	3	2,707
Proceeds from sale of property, plant and equipment and other assets	25	2
Other, net	(12)	—
Net cash (used in) provided by investing activities	(769)	1,832
FINANCING ACTIVITIES		
Distributions	(411)	(1,210)
Payments of long-term debt	(28)	(2,367)
Other	(13)	—
Net cash used in financing activities	(452)	(3,577)
Net increase (decrease) in cash, cash equivalents and restricted cash	12	(58)
Cash, cash equivalents and restricted cash at beginning of period	164	191
Cash, cash equivalents and restricted cash at end of period	\$ 176	133
Supplemental cash flow information:		
Income taxes paid, net	\$ (7)	(4)
Interest paid (net of capitalized interest of \$15 and \$12)	\$ (302)	(326)
Supplemental non-cash information regarding financing activities:		
Issuance of senior secured notes as part of exchange offers (Note 6)	\$ 924	—
Cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 146	130
Cash and cash equivalents and restricted cash included in assets held for sale	28	—
Restricted cash included in Other current assets	—	1
Restricted cash included in Other, net noncurrent assets	2	2
Total	\$ 176	133

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
MEMBER'S EQUITY				
Balance at beginning of period	\$ 4,215	13,018	7,142	13,360
Net (loss) income	(45)	(62)	(1,928)	149
Distributions	(250)	(657)	(1,335)	(1,210)
Other	(2)	(1)	39	(1)
Balance at end of period	3,918	12,298	3,918	12,298
ACCUMULATED OTHER COMPREHENSIVE LOSS				
Balance at beginning of period	(332)	(466)	(344)	(351)
Other comprehensive loss	(14)	(2)	(2)	(117)
Balance at end of period	(346)	(468)	(346)	(468)
TOTAL MEMBER'S EQUITY	\$ 3,572	11,830	3,572	11,830

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 nine 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 \$335 million and \$391 million as of September 30, 2023 and December 31, 2022, respectively. Additionally, current operating lease liabilities included the current portion of affiliate operating lease liabilities of \$131 million and \$125 million as of September 30, 2023 and December 31, 2022, respectively, and operating lease liabilities included the noncurrent portion of affiliate operating lease liabilities of \$224 million and \$286 million as of September 30, 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 (loss) 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 our 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 the potential magnitude of program transactions. The adoption of ASU 2022-04 did not have a material impact to our consolidated financial statements.

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 October 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-06, *"Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative"* ("ASU 2023-06"). This ASU incorporates certain SEC disclosure requirements into the FASB Accounting Standards Codification ("Codification"). The amendments in the ASU are expected to clarify or improve disclosure and presentation requirements of a variety of Codification Topics, allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the requirements, and align the requirements in the Codification with the SEC's regulations. ASU 2023-06 will become effective for each amendment on the effective date of the SEC's corresponding disclosure rule changes. As of September 30, 2023, we do not expect ASU 2023-06 will have any impact to our consolidated financial statements.

In August 2023, the FASB issued ASU 2023-05, *"Business Combinations – Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement"* ("ASU 2023-05"). This ASU applies to the formation of entities that meet the definition of a joint venture (or a corporate joint venture). The amendments in the ASU require that a joint venture apply a new basis of accounting upon formation. ASU 2023-05 will become effective for us in the first quarter of fiscal 2025 and early adoption is permitted. As of September 30, 2023, we do not expect ASU 2023-05 will have any impact to our consolidated financial statements.

In August 2023, the FASB issued ASU 2023-04, *"Liabilities (Topic 405): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 121"* ("ASU 2023-04"). This ASU amends and adds various SEC paragraphs to the FASB Codification to reflect guidance regarding the accounting for obligations to safeguard crypto assets an entity holds for platform users. The ASU does not provide any new guidance. ASU 2023-04 will become effective for us once the addition to the FASB Codification is made available. As of September 30, 2023, we do not expect ASU 2023-04 will have any impact to our consolidated financial statements.

In July 2023, the FASB issued ASU 2023-03, *"Presentation of Financial Statements (Topic 205), Income Statement—Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation—Stock Compensation (Topic 718): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 120, SEC Staff Announcement at the March 24, 2022 EITF Meeting, and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280—General Revision of Regulation S-X: Income or Loss Applicable to Common Stock"* ("ASU 2023-03"). This ASU amends or supersedes various SEC paragraphs within the applicable codification to conform to past SEC staff Announcements. This ASU does not provide any new guidance. ASU 2023-03 will become effective for us once the addition to the FASB Codification is made available. As of September 30, 2023, we do not expect ASU 2023-03 will have any impact to our consolidated financial statements.

In March 2023, the 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 September 30, 2023, we do not expect ASU 2023-02 will have any 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 September 30, 2023, we do not expect ASU 2023-01 will have any 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 its fair value. ASU 2022-03 will become effective for us in the first quarter of fiscal 2024 and early adoption is permitted. As of September 30, 2023, we do not expect ASU 2022-03 will have any 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. Subject to satisfaction of customary closing conditions, Level 3 Parent, LLC expects to close the transaction November 1, 2023, although it can provide no assurance to this effect.

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
EMEA business pre-tax net income (loss)	\$ 32	(21)	131	(55)

As of September 30, 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 as of such date, 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 \$90 million and \$232 million of depreciation, intangible amortization, and amortization of right-of-use assets for the three and nine months ended September 30, 2023, respectively, 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 each reporting period until disposal. 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 in the fourth quarter of 2022. 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 September 30, 2023, we recorded a \$28 million and \$113 million estimated loss on disposal during the three and nine months ended September 30, 2023, respectively, and adjusted the valuation allowance by the same amounts. For each reporting period through the closing date, 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:

	September 30, 2023	December 31, 2022
	(Dollars in millions)	
Assets held for sale		
Cash and cash equivalents	\$ 27	43
Accounts receivable, less allowance of \$4 and \$5	70	76
Other current assets	54	56
Property, plant and equipment, net accumulated depreciation of \$1,013 and \$998	1,954	1,864
Customer relationships and other intangibles, net	103	100
Operating lease assets	215	156
Valuation allowance on assets held for sale ⁽¹⁾	(729)	(616)
Deferred tax assets	145	131
Other non-current assets	34	32
Total assets held for sale	<u>\$ 1,873</u>	<u>1,842</u>
Liabilities held for sale		
Accounts payable	\$ 56	78
Salaries and benefits	20	23
Current portion of deferred revenue	28	28
Current operating lease liabilities	41	33
Other current liabilities	33	28
Deferred income taxes	60	38
Asset retirement obligations	31	30
Deferred revenue, non-current	99	85
Operating lease liabilities, non-current	106	103
Total liabilities held for sale	<u>\$ 474</u>	<u>446</u>

⁽¹⁾ Includes the impact of \$341 million and \$353 million as of September 30, 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:

	September 30, 2023 ⁽¹⁾	December 31, 2022 ⁽¹⁾
	(Dollars in millions)	
Goodwill ⁽²⁾	\$ —	1,970
Customer relationships, less accumulated amortization of \$3,735 and \$3,265	\$ 4,088	4,563
Capitalized software, less accumulated amortization of \$401 and \$387	428	410
Trade names, less accumulated amortization of \$— and \$130 ⁽³⁾	—	—
Total other intangible assets, net	\$ 4,516	4,973

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

(2) We recorded a non-cash, non-tax-deductible goodwill impairment charge of \$2.0 billion during the second quarter of 2023.

(3) 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 at December 31, 2022 was derived from Lumen's acquisition of us where the purchase price exceeded the fair value of the net assets acquired.

Second Quarter 2023 Goodwill Impairment Analysis

When we performed our October 31, 2022 annual impairment test, we estimated the fair value of our reporting unit by considering both a market approach and a discounted cash flow method.

The sustained decline in Lumen's share price during the second quarter of 2023 was considered a triggering event requiring evaluation of goodwill impairment; as such, we estimated the fair value using only the market approach. Applying this approach, we utilized company comparisons and analyst reports within the telecommunications industry which supported a range of fair values derived from annualized revenue and EBITDA multiples between 1.5x and 4.3x and 4.6x and 10.5x, respectively. The revenue and EBITDA multiples were below these comparable market multiples. For the three months ended June 30, 2023, based on our assessment performed as described above, we concluded the estimated fair value was less than our carrying value of equity. As a result, we recorded a non-cash, non-tax-deductible goodwill impairment charge of \$2.0 billion for the three months ended June 30, 2023.

The market approach that we used in the quarter ended June 30, 2023 incorporated estimates and assumptions related to the forecasted results for the remainder of the year, including revenues, expenses, and the achievement of certain strategic initiatives. In developing the market multiples, we considered observed trends of our industry participants. Our assessment included many factors that required significant judgment. Alternative interpretations of these factors could have resulted in different conclusions regarding the size of our impairments.

The following table shows the rollforward of goodwill assigned to our reportable segment from December 31, 2022 through September 30, 2023:

	(Dollars in Millions)
As of December 31, 2022 ⁽¹⁾	\$ 1,970
Impairment	(1,970)
As of September 30, 2023 ⁽¹⁾	\$ —

⁽¹⁾ Goodwill at September 30, 2023 and December 31, 2022 is net of accumulated impairment losses of \$10.2 billion and \$8.2 billion, respectively.

Total amortization expense for finite-lived intangible assets for the three months ended September 30, 2023 and 2022 totaled \$184 million and \$187 million, respectively, and for the nine months ended September 30, 2023 and 2022 totaled \$540 million and \$565 million, respectively. As of September 30, 2023, the gross carrying amount of customer relationships, capitalized software, indefinite-life and other intangible assets was \$8.7 billion.

We estimate that 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 September 30, 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 three months)	\$ 172
2024	682
2025	663
2026	651
2027	609

(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 sales, 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 tables provide disaggregation of revenue from contracts with customers based on service offering for the three and nine months ended September 30, 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 September 30, 2023			Three Months Ended September 30, 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	\$ 988	(151)	837	956	(153)	803
Nurture	428	(3)	425	464	(4)	460
Harvest	264	—	264	316	—	316
Other	26	—	26	26	—	26
Affiliate Services	57	(57)	—	57	(57)	—
Total revenue	\$ 1,763	(211)	1,552	1,819	(214)	1,605

	Nine Months Ended September 30, 2023			Nine Months Ended September 30, 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	\$ 2,947	(465)	2,482	3,022	(518)	2,504
Nurture	1,296	(11)	1,285	1,462	(12)	1,450
Harvest	825	—	825	982	—	982
Other	76	—	76	82	—	82
Affiliate Services	167	(167)	—	170	(170)	—
Total revenue	\$ 5,311	(643)	4,668	5,718	(700)	5,018

⁽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 September 30, 2023 and 2022, our gross rental income was \$170 million and \$175 million, which represents approximately 10% of our operating revenue for both periods. For the nine months ended September 30, 2023 and 2022, our gross rental income was \$525 million and \$581 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 September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
	(Dollars in millions)	
Customer receivables ⁽¹⁾	\$ 567	515
Contract assets ⁽²⁾	9	13
Contract liabilities ⁽³⁾	239	222

(1) Reflects gross customer receivables of \$580 million and \$534 million, net of allowance for credit losses of \$13 million and \$19 million, at both September 30, 2023 and December 31, 2022. As of September 30, 2023 and December 31, 2022, this amount excludes customer receivables classified as held for sale of \$70 million and \$76 million, respectively.

(2) As of September 30, 2023 and December 31, 2022, amount excludes contract assets classified as held for sale of \$11 million and \$16 million, respectively.

(3) As of September 30, 2023 and December 31, 2022, amount excludes contract liabilities classified as held for sale of \$47 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 and nine months ended September 30, 2023, we recognized \$21 million and \$119 million, respectively, 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 and nine months ended September 30, 2022, we recognized \$20 million and \$128 million, respectively, 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 September 30, 2023, we expect to recognize approximately \$3.9 billion of revenue in the future related to performance obligations associated with existing customer contracts that are partially or wholly unsatisfied. As of September 30, 2023, the transaction price related to unsatisfied performance obligations that are expected to be recognized for the remainder of 2023, 2024 and thereafter was \$517 million, \$1.6 billion and \$1.8 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 EMEA business classified as held for sale.

Contract Costs

The following tables provide changes in our contract acquisition costs and fulfillment costs:

	Three Months Ended September 30, 2023		Three Months Ended September 30, 2022	
	Acquisition Costs	Fulfillment Costs	Acquisition Costs	Fulfillment Costs
(Dollars in millions)				
Beginning of period balance ⁽¹⁾⁽²⁾	\$ 69	102	78	101
Costs incurred	12	24	16	20
Amortization	(14)	(18)	(14)	(17)
Change in contract costs held for sale	—	—	—	1
End of period balance ⁽⁵⁾⁽⁶⁾	\$ 67	108	80	105

	Nine Months Ended September 30, 2023		Nine Months Ended September 30, 2022	
	Acquisition Costs	Fulfillment Costs	Acquisition Costs	Fulfillment Costs
(Dollars in millions)				
Beginning of period balance ⁽³⁾⁽⁴⁾	\$ 76	106	76	99
Costs incurred	39	68	45	63
Amortization	(44)	(52)	(41)	(57)
Change in contract costs held for sale	(4)	(14)	—	—
End of period balance ⁽⁵⁾⁽⁶⁾	\$ 67	108	80	105

- (1) Beginning of period balance for the three months ended September 30, 2023 excludes \$10 million of acquisition costs and \$14 million of fulfillment costs classified as held for sale related to the EMEA business.
- (2) Beginning of period balance for the three months ended September 30, 2022 excludes no acquisition costs and \$28 million of fulfillment costs classified as held for sale (related to the Latin American business, sold in the third quarter of 2022).
- (3) Beginning of period balance for the nine months ended September 30, 2023 excludes \$6 million of acquisition costs and no fulfillment costs classified as held for sale related to the EMEA business.
- (4) Beginning of period balance for the nine months ended September 30, 2022 excludes no acquisition costs and \$27 million of fulfillment costs classified as held for sale (related to the Latin American business, sold in the third quarter of 2022).
- (5) End of period balance for the three and nine months ended September 30, 2023 excludes \$10 million of acquisition costs and \$14 million of fulfillment costs classified as held for sale related to the EMEA business.
- (6) End of period balance for the three and nine months ended September 30, 2022 excludes no acquisition costs and no of fulfillment costs classified as held for sale (related to the Latin American business, sold in the third quarter of 2022).

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.

We amortize deferred acquisition and fulfillment costs 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. We include amortized fulfillment costs in cost of services and products, and amortized acquisition costs in selling, general and administrative expenses in our consolidated statements of operations. We include the amount of deferred costs that are anticipated to be amortized in the next 12 months in other current assets on our consolidated balance sheets. We include the amount of deferred costs expected to be amortized beyond 12 months in other non-current assets on our consolidated balance sheets. We assess deferred acquisition and fulfillment costs 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		5
Write-offs charged against the allowance		(15)
Recoveries collected		3
Change in allowance in assets held for sale		1
Ending balance at September 30, 2023 ⁽¹⁾	\$	13

⁽¹⁾ As of September 30, 2023 and December 31, 2022, amounts exclude a \$4 million and \$5 million allowance for credit losses classified as held for sale. 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⁾	September 30, 2023	December 31, 2022
(Dollars in millions)				
Level 3 Financing, Inc.				
Senior Secured Debt: ⁽²⁾				
Senior notes	3.400% - 10.500%	2027 - 2030	\$ 2,425	1,500
Tranche B 2027 Term Loan ⁽³⁾	SOFR + 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 ⁽⁵⁾	Various	Various	266	291
Unamortized premiums, net			3	3
Unamortized debt issuance costs			(56)	(49)
Total long-term debt			8,989	8,096
Less current maturities			(29)	(26)
Long-term debt, excluding current maturities			\$ 8,960	8,070

⁽¹⁾ As of September 30, 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 7.181% and 6.134% as of September 30, 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.

⁽⁵⁾ Excludes finance lease obligations of our EMEA business classified as held for sale.

Long-Term Debt Maturities

Set forth below is the aggregate principal amount of our long-term debt as of September 30, 2023 (excluding unamortized premiums, net, unamortized debt issuance costs, and intercompany debt), maturing during the following years:

	(Dollars in millions)
2023 (remaining three months)	\$ 9
2024	30
2025	37
2026	35
2027	4,180
2028 and thereafter	4,751
Total long-term debt	\$ 9,042

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.

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.

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 September 30, 2023 and December 31, 2022, we have not received significant credits and our outstanding obligations under the plan were \$59 million and \$67 million, respectively, of which \$15 million and \$12 million were included in current maturities of long-term debt and the remaining balances were reflected as 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 September 30, 2023, we believe we were in compliance with the provisions and financial covenants contained in our debt agreements in all material respects.

(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 using the below-described 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 following financial liabilities as of September 30, 2023 and December 31, 2022, as well as the input level used to determine the fair values indicated below:

	Input Level	September 30, 2023		December 31, 2022	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(Dollars in millions)			
Liabilities-Long-term debt, excluding finance leases	2	\$ 8,723	7,002	7,805	6,581
Indemnifications related to the sale of the Latin American business ⁽¹⁾	3	86	86	86	86

⁽¹⁾ Nonrecurring fair value is measured as of August 1, 2022.

(8) Affiliate Transactions

We provide competitive local exchange carrier telecommunications services to our affiliates that we also provide to external customers. We believe these services are priced consistent with non-regulated rates charged to external customers. These services are billed directly to our affiliates and recognized as affiliate revenue on our consolidated statements of operations.

Costs are incurred directly by our affiliates for the services they use whenever possible. When such costs are not directly incurred, they are allocated among all affiliates based upon the most reasonable method, first using cost causative measures, or, if no cost causative measure is available, using a general allocator. Unlike other affiliates of Lumen, we do not operate as a service company to our affiliates and therefore any allocated affiliate revenue we earn reduces the affiliate charges incurred by us and is presented on a net basis within Operating expenses – affiliates on our consolidated statements of operations. From time to time, we may adjust the basis for allocating the costs of a shared service among affiliates. Any such changes in allocation methodologies are generally applied prospectively.

We also purchase services from our affiliates, including telecommunication services, insurance, flight services, and other support services such as legal, regulatory, finance, administration and executive support. Our affiliates charge us for those services using the allocation methodology described above.

(9) 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 September 30, 2023, we had accrued \$39 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 \$39 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 2022 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 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. In addition, in the past we acquired companies that operated certain manufacturing companies in the first part of the 1900s. Under applicable environmental laws, we could be named as a potentially responsible party for a share of the remediation of environmental conditions arising from the historical operations of our predecessors.

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.

(10) Accumulated Other Comprehensive Income (Loss)

The table below summarizes changes in accumulated other comprehensive income (loss) recorded on our consolidated balance sheets by component for the nine months ended September 30, 2023:

	Pension Plans	Foreign Currency Translation Adjustment and Other	Total
	(Dollars in millions)		
Balance at December 31, 2022	\$ 21	(365)	(344)
Other comprehensive loss, net of tax	—	(2)	(2)
Net other comprehensive loss	—	(2)	(2)
Balance at September 30, 2023	\$ 21	(367)	(346)

The table below summarizes changes in accumulated other comprehensive income (loss) recorded on our consolidated balance sheets by component for the nine months ended September 30, 2022:

	Pension Plans	Foreign Currency Translation Adjustment and Other	Total
	(Dollars in millions)		
Balance at December 31, 2021	\$ 3	(354)	(351)
Other comprehensive loss, net of tax	—	(229)	(229)
Amounts reclassified from accumulated other comprehensive income (loss)	—	112	112
Net other comprehensive loss	—	(117)	(117)
Balance at September 30, 2022	\$ 3	(471)	(468)

The tables below present further information about our reclassifications out of accumulated other comprehensive income (loss) by component for the three and nine months ended September 30, 2022:

Three and Nine Months Ended September 30, 2022	Decrease (Increase) in Net Income	Affected Line Item in Consolidated Statement of Operations
	(Dollars in millions)	
Reclassification of realized loss on foreign currency translation to gain on sale of business	\$ 112	Gain on sale of business
Income tax benefit	—	Income tax expense
Net of tax	\$ 112	

(11) Other Financial Information

Other Current Assets

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

	September 30, 2023	December 31, 2022
	(Dollars in millions)	
Prepaid expenses	\$ 110	99
Contract fulfillment costs	47	44
Contract acquisition costs	39	42
Contract assets	7	10
Other	17	2
Total other current assets ⁽¹⁾	\$ 220	197

⁽¹⁾ Excludes \$54 million and \$56 million of other current assets related to EMEA business that were classified as held for sale as of September 30, 2023 and December 31, 2022, respectively.

(12) Subsequent Events

Distributions to Parent

As of the date of this report, \$50 million of distributions were made to our ultimate parent in the fourth quarter of 2023.

Sale of Select Content Delivery Network ("CDN") Customer Contracts

On October 10, 2023, Lumen announced the sale of substantially all of our CDN service contracts. We will provide certain transition services to the purchaser for 90 days, following which we plan to wind down the remaining portion of our remaining CDN contracts in 2024.

Workforce Reduction

On October 31, 2023, Lumen announced a plan to reduce its global workforce as part of its ongoing efforts to reorganize it for growth by right-sizing its operations to improve its profitability. The workforce reduction is expected to be substantially completed by the end of the fourth quarter of 2023. As a result of this plan, we expect to incur severance and related costs in the range of approximately \$17 to \$27 million. The Company does not expect to incur any material impairment or exit costs related to this plan. The workforce reduction is considered a subsequent event for the purposes of these financial statements, and therefore, no accrual for severance and related costs has been recorded as of September 30, 2023.

Debt Transaction Support Agreement

On October 31, 2023, Lumen announced that it has entered into a transaction support agreement with a group of creditors representing over \$7 billion of the outstanding indebtedness of Lumen and its subsidiaries to, among other things, extend maturities of the debt instruments of Lumen and Level 3 Financing, Inc. In addition, the creditors have committed to provide \$1.2 billion of financing to Lumen through new long-term debt. The consummation of the transactions contemplated by the transaction support agreement is subject to the satisfaction of various closing conditions.

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 nine 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.

On August 1, 2022, we sold our Latin American business. For additional information regarding this divestiture, see Note 2—Completed Divestiture of the Latin American Business and Planned Divestiture of European, Middle Eastern and African Business to the audited financial statements included within our Annual Report on Form 10-K for the year ended December 31, 2022.

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. Subject to the satisfaction of customary closing conditions, Level 3 Parent LLC expects to close the transaction November 1, 2023, although it can provide no assurances to this effect. 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.

Changes in the Macroeconomic, Industry and Work Environments

Societal, governmental, and macroeconomic changes have impacted us, our customers and our business in several ways since the onset of the COVID-19 pandemic in the U.S. in 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. These lease cancellations resulted in accelerated lease costs, but will lower our future operating costs. 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 real estate 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.

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 Part II 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 sales, 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 and nine months ended September 30, 2023 and September 30, 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Dollars in millions)			
Operating revenue	\$ 1,763	1,819	5,311	5,718
Operating expenses	1,675	1,485	6,937	4,913
Operating income (loss)	88	334	(1,626)	805
Other expense, net	(146)	(84)	(316)	(259)
(Loss) income before income taxes	(58)	250	(1,942)	546
Income tax (benefit) expense	(13)	312	(14)	397
Net (loss) income	\$ (45)	(62)	(1,928)	149

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 September 30, 2023.

Operating Revenue

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

	Three Months Ended September 30,		% Change
	2023	2022	
	(Dollars in millions)		
Grow	\$ 988	956	3 %
Nurture	428	464	(8)%
Harvest	264	316	(16)%
Other	26	26	— %
Affiliate Services	57	57	— %
Total operating revenue	\$ 1,763	1,819	(3)%

	Nine Months Ended September 30,		% Change
	2023	2022	
	(Dollars in millions)		
Grow	\$ 2,947	3,022	(2)%
Nurture	1,296	1,462	(11)%
Harvest	825	982	(16)%
Other	76	82	(7)%
Affiliate Services	167	170	(2)%
Total operating revenue	\$ 5,311	5,718	(7)%

Our total operating revenue decreased by \$56 million and \$407 million for the three and nine months ended September 30, 2023, as compared to the three and nine months ended September 30, 2022. Approximately \$58 million and \$418 million, respectively, of these decreases were due to the sale of the Latin American business in the second half of 2022. More specifically, within each revenue category:

- Grow increased by \$32 million and decreased by \$75 million for the three and nine months ended September 30, 2023, respectively, compared to September 30, 2022. The three and nine months ended September 30, 2022 included approximately \$41 million and \$305 million, respectively, of Grow revenue associated with the sale of the Latin American business. For the three months ended September 30, 2023, these declines were fully offset and for the nine months ended September 30, 2023, these declines were partially offset by growth in most products, primarily due to an increase of \$64 million and \$220 million, respectively, in products such as IP, dark fiber, wavelengths and colocation for the three and nine months ended September 30, 2023.
- Nurture decreased by \$36 million and \$166 million for the three and nine months ended September 30, 2023, respectively, compared to September 30, 2022 due primarily to a decrease of approximately \$14 million and \$99 million, respectively, associated with the sale of the Latin American business for the three and nine months ended September 30, 2023. The remainder of the decline is principally attributable to declines in Ethernet services of \$13 million and \$49 million, respectively, and declines in VPN data network services of \$11 million and \$25 million, respectively, for the three and nine months ended September 30, 2023;

- Harvest decreased by \$52 million and \$157 million for the three and nine months ended September 30, 2023 compared to September 30, 2022 due primarily to the decline in legacy voice services of \$34 million and \$123 million, respectively, for the three and nine months ended September 30, 2023. The decrease in Harvest revenue additionally includes a decrease of approximately \$3 million and \$14 million associated with the sale of the Latin American business for the three and nine months ended September 30, 2023. ;
- Other decreased for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due to a decrease in IT solutions revenue.

Operating Expenses

The following table summarizes our consolidated operating expenses:

	Three Months Ended September 30,		% Change
	2023	2022	
	(Dollars in millions)		
Cost of services and products (exclusive of depreciation and amortization)	\$ 779	785	(1)%
Selling, general and administrative	342	269	27 %
Gain on sale of business	—	(119)	nm
Loss on disposal group held for sale	28	—	nm
Operating expenses - affiliates	172	173	(1)%
Depreciation and amortization	354	377	(6)%
Total operating expenses	\$ 1,675	1,485	13 %

	Nine Months Ended September 30,		% Change
	2023	2022	
	(Dollars in millions)		
Cost of services and products (exclusive of depreciation and amortization)	\$ 2,281	2,472	(8)%
Selling, general and administrative	946	901	5 %
Gain on sale of business	—	(119)	nm
Loss on disposal group held for sale	113	—	nm
Operating expenses - affiliates	571	481	19 %
Depreciation and amortization	1,056	1,178	(10)%
Goodwill impairment	1,970	—	nm
Total operating expenses	\$ 6,937	4,913	41 %

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 \$6 million and \$191 million, respectively, for the three and nine months ended September 30, 2023, as compared to the three and nine months ended September 30, 2022, primarily due to a decrease of \$35 million and \$214 million for the three and nine months ended September 30, 2023, respectively, associated with the sale of the Latin American business in the second half of 2022, partially offset by increases of \$8 million and \$25 million, respectively, in real estate and power costs. Cost of services and products (exclusive of depreciation and amortization) for the three months ended September 30, 2023 also increased from the three months ended September 30, 2022 due to an increase in facilities costs of \$10 million and an increase in employee related expenses of \$9 million.

Selling, General and Administrative

Selling, general and administrative increased by \$73 million and \$45 million, respectively, for the three and nine months ended September 30, 2023 as compared to the three and nine months ended September 30, 2022 primarily due to an increase of \$50 million and \$98 million, respectively, in direct employee-related expenses and an increase of \$4 million and \$19 million, respectively, in marketing and advertising expenses for the three and nine months ended September 30, 2023. Additionally, for the three months ended September 30, 2023, allocated employee related costs increased \$11 million as compared to the three months ended September 30, 2022. These increases were partially offset by a decrease of \$8 million and \$73 million for the three and nine months ended September 30, 2023, respectively, associated with the sale of our Latin American business in the second half of 2022.

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 and nine months ended September 30, 2023, see Note 2—Planned Divestiture of the EMEA Business.

Operating Expenses - Affiliates

Operating expenses - affiliates decreased by \$1 million and increased by \$90 million, respectively, for the three and nine months ended September 30, 2023, as compared to the three and nine months ended September 30, 2022. The three and nine months ended September 30, 2023 as compared to the comparable periods for September 30, 2022 decreased due to a \$29 million reduction in allocated affiliate costs due to lower operating expenses in 2023. This decrease was partially offset for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 and fully offset for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 by \$15 million and \$87 million higher utilization of affiliates' sales and operational employee services, increased allocated corporate expense due to Lumen's 2022 ILEC divestiture and \$13 million and \$32 million higher pricing and utilization of direct access and government services provided by affiliates, respectively.

Depreciation and Amortization

The following table provides detail regarding depreciation and amortization expense:

	Three Months Ended September 30,		% Change
	2023	2022	
	(Dollars in millions)		
Depreciation	\$ 170	190	(11)%
Amortization	184	187	(2)%
Total depreciation and amortization	\$ 354	377	(6)%

	Nine Months Ended September 30,		% Change
	2023	2022	
	(Dollars in millions)		
Depreciation	\$ 516	613	(16)%
Amortization	540	565	(4)%
Total depreciation and amortization	\$ 1,056	1,178	(10)%

Depreciation expense decreased by \$20 million and \$97 million, respectively, for the three and nine months ended September 30, 2023, as compared to the three and nine months ended September 30, 2022, primarily due to the discontinuation during the fourth quarter of 2022 of the depreciation of the tangible EMEA assets that we plan to divest, resulting in a decrease of \$47 million and \$136 million, respectively, of depreciation expense during the three and nine months ended September 30, 2023 compared to the three and nine months ended September 30, 2022. The decreases were partially offset by higher depreciation expense of \$16 million and \$34 million, respectively, associated with net growth in depreciable assets.

Amortization expense decreased by \$3 million and \$25 million, respectively, for the three and nine months ended September 30, 2023, as compared to the three and nine months ended September 30, 2022, primarily due to a decrease of \$10 million and \$26 million, respectively, due to the discontinuation during the fourth quarter of 2022 of the amortization of the intangible EMEA assets that we plan to divest and a decrease of \$7 million in amortizable assets for the nine months ended September 30, 2023. The decreases were partially offset by accelerated amortization of decommissioned applications of \$8 million and \$10 million, respectively, for the three and nine months ended September 30, 2023.

Goodwill Impairment

We are required to perform impairment tests related to our goodwill annually, which we perform as of October 31, or sooner if an indicator of impairment occurs. The sustained decline in Lumen's share price during the second quarter of 2023 was considered a triggering event requiring evaluation of goodwill impairment.

When we performed an impairment test during the second quarter of 2023, we concluded that the estimated fair value of our reporting unit was less than our carrying value of equity as of our testing date. As a result, we recorded a non-cash, non-tax-deductible goodwill impairment charge aggregating to \$2.0 billion in the second quarter of 2023.

See Note 3—Goodwill, Customer Relationships and Other Intangible Assets to our consolidated financial statements in this report for further details on these tests and impairment charges.

Other Consolidated Results

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

	Three Months Ended September 30,		% Change
	2023	2022	
	(Dollars in millions)		
Interest expense	(123)	(99)	24 %
Interest income - affiliate	16	19	(16)%
Other expense, net	(39)	(4)	nm
Total other expense, net	\$ (146)	(84)	74 %
Income tax (benefit) expense	\$ (13)	312	nm

	Nine Months Ended September 30,		% Change
	2023	2022	
	(Dollars in millions)		
Interest expense	\$ (336)	(284)	18 %
Interest income - affiliate	47	50	(6)%
Other expense, net	(27)	(25)	8 %
Total other expense, net	\$ (316)	(259)	22 %
Income tax (benefit) expense	\$ (14)	397	nm

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

Interest Expense

Interest expense increased by \$24 million and \$52 million for the three and nine months ended September 30, 2023, as compared to the three and nine months ended September 30, 2022. The increase was due to the increase in the average interest rates from 4.13% to 5.20% and from 3.89% to 4.78% respectively, for the three and nine months ended September 30, 2022 compared to the three and nine months ended September 30, 2023, which was partially offset by the decrease in average outstanding long-term debt of \$0.3 billion and \$0.8 billion for the three and nine months ended September 30, 2023, respectively.

Interest Income - Affiliate

Interest income - affiliate decreased by \$3 million for both the three and nine months ended September 30, 2023, as compared to the three and nine months ended September 30, 2022.

Other Expense, Net

The following table summarizes our total other expense, net:

	Three Months Ended September 30,	
	2023	2022
	(Dollars in millions)	
Gain on extinguishment of debt	\$ —	9
Foreign currency loss	(43)	(21)
Interest income	2	5
Other	2	3
Total other expense, net	<u>\$ (39)</u>	<u>(4)</u>

	Nine Months Ended September 30,	
	2023	2022
	(Dollars in millions)	
Gain on extinguishment of debt	\$ —	9
Foreign currency loss	(29)	(41)
Interest income	5	5
Other	(3)	2
Total other expense, net	<u>\$ (27)</u>	<u>(25)</u>

Income Tax (Benefit) Expense

For the three months ended September 30, 2023 and 2022, our effective income tax rate was 22.4% and 124.8%, respectively. For the nine months ended September 30, 2023 and 2022, our effective income tax rate was 0.7% and 72.7%, respectively. The effective tax rate for the three and nine months ended September 30, 2022 was significantly impacted by the gain on the sale of our Latin American business. Without the gain on the sale of our Latin American business, our effective tax would have been 28.0% and 28.5%, respectively, for the three and nine months ended September 30, 2022. The effective tax rate for the nine months ended September 30, 2023 includes a \$389 million unfavorable impact of a non-deductible goodwill impairment charge recorded in the second quarter of 2023.

Liquidity and Capital Resources

Overview

As of September 30, 2023, we held cash and cash equivalents of \$173 million, \$27 million of which is classified as held for sale. As of such date, we had approximately \$50 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, including 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. These and other factors contributed to us recognizing a goodwill impairment in the fourth quarter of 2022, and, coupled with the sustained decline in Lumen's share price during the second quarter of 2023 contributed to us recognizing an additional goodwill impairment for the three months ended June 30, 2023.

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 September 30, 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 in exchange for \$1.535 billion of Lumen's outstanding senior unsecured notes. On April 17, 2023, 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.

Subject to market conditions and to the extent permitted under applicable debt covenants, from time to time we plan 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	B3	CCC+	B
Secured	B1	B	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 September 30, 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:

	Nine Months Ended September 30,		
	2023	2022	\$ Change
	(Dollars in millions)		
Net cash provided by operating activities	\$ 1,233	1,687	(454)
Net cash (used in) provided by investing activities	(769)	1,832	2,601
Net cash used in financing activities	(452)	(3,577)	(3,125)

Operating Activities

Net cash provided by operating activities decreased by \$454 million for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022, primarily due to lower net income adjusted for non-cash expenses and gains, partially driven by the sale of the Latin American business in the second half of 2022. 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) provided by investing activities changed by \$2.6 billion for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022. The change was primarily due to the receipt of pre-tax cash proceeds of \$2.7 billion from the sale of the Latin American business in the prior year period and a decrease in capital expenditures in the current year period.

Financing Activities

Net cash used in financing activities decreased by \$3.1 billion for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022 primarily due to a decrease in distributions paid to our parent and a decrease in debt repayments from the prior year period.

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 9—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 late 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 September 30, 2023, we were exposed to market risk from changes in interest rates on our variable rate long-term debt obligations.

As of September 30, 2023, we had approximately \$8.8 billion (excluding unamortized premiums, net, unamortized debt issuance costs and finance leases) of long-term debt outstanding, 73% of which bears interest at fixed rates and is therefore not exposed to interest rate risk. We also held approximately \$2.4 billion of unhedged floating rate debt based on the secured overnight financing rate ("SOFR"). A hypothetical increase of 100 basis points in SOFR relative to this debt would decrease our annual pre-tax earnings by approximately \$24 million.

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 September 30, 2023.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Omitted pursuant to General Instruction H(2).

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 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 September 30, 2023. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded our disclosure controls and procedures were effective, as of September 30, 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 third 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 9—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 9 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, as supplemented by the disclosures included in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 and Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023.

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>Supplement, dated as of October 26, 2023, to the Supplemental Indenture dated as of April 15, 2020, among Level 3 Financing, Inc., as Issuer, The Bank of New York Mellon Trust Company, N.A., as Trustee and Notes Collateral Agent, and Level 3 Parent, LLC and several of its subsidiaries, as guarantors, clarifying which subsidiaries are guarantors of the 3.400% Senior Secured Notes due 2027 of Level 3 Financing, Inc.</u>
4.2*	<u>Supplement, dated as of October 26, 2023, to the Supplemental Indenture dated as of April 15, 2020, among Level 3 Financing, Inc., as Issuer, The Bank of New York Mellon Trust Company, N.A., as Trustee and Notes Collateral Agent, and Level 3 Parent, LLC and several of its subsidiaries, as guarantors, clarifying which subsidiaries are guarantors of the 3.875% Senior Secured Notes due 2029 of Level 3 Financing, Inc.</u>
4.3*	<u>Supplemental Indenture, dated as of October 23, 2023, among Level 3 Financing, Inc., as Issuer, The Bank of New York Mellon Trust Company, N.A., as Trustee and Notes Collateral Agent, and Level 3 Parent, LLC and several of its subsidiaries, as guarantors, designating and outlining the terms and conditions of certain specified secured guarantees of the 10.500% Senior Secured Notes due 2030 of Level 3 Financing, Inc.</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 September 30, 2023, formatted in Inline XBRL (eXtensible Business Reporting Language); (i) Consolidated Statements of Operations, (ii) Consolidated Statements Of Comprehensive (Loss) 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 October 31, 2023.

LEVEL 3 PARENT, LLC

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

SUPPLEMENT (this “Supplement”) dated as of October 26, 2023 to the SUPPLEMENTAL INDENTURE (the “Supplemental Indenture”) dated as of April 15, 2020 (the “Effective Date”) among LEVEL 3 COMMUNICATIONS, LLC, a Delaware limited liability company, BROADWING, LLC, a Delaware limited liability company, BROADWING COMMUNICATIONS, LLC, a Delaware limited liability company, GLOBAL CROSSING TELECOMMUNICATIONS, INC., a Michigan corporation, LEVEL 3 TELECOM HOLDINGS, LLC, a Delaware limited liability company, TELCOVE OPERATIONS, LLC, a Delaware limited liability company, and WILTEL COMMUNICATIONS, LLC, a Delaware limited liability company (each an “Additional Guarantor” and collectively, the “Additional Guarantors”), LEVEL 3 PARENT, LLC, a Delaware limited liability company (“Level 3 Parent”), LEVEL 3 FINANCING, INC., a Delaware corporation (the “Issuer”), on behalf of itself and the existing guarantors (other than Level 3 Parent) (the “Existing Guarantors”), under the Indenture referred to below, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association, as trustee and collateral agent under the Indenture referred to below (the “Trustee”).

W I T N E S S E T H :

WHEREAS, the Issuer, Level 3 Parent and the other Guarantors party thereto have heretofore executed and delivered to the Trustee an Indenture dated as of November 29, 2019 (as supplemented, the “Indenture”; capitalized terms used but not defined herein having the meanings assigned thereto in the Indenture), providing for the issuance of its 3.400% Senior Secured Notes due 2027;

WHEREAS, the Supplemental Indenture constituted a “Note Guarantee”, and each of the Additional Guarantors constituted a “Guarantor”, for all purposes of the Indenture;

WHEREAS, pursuant to Section 801(9) and Section 1207 of the Indenture, the Trustee and the Issuer are authorized to execute and deliver this Supplement to cure an inconsistency in the Supplemental Indenture; and

WHEREAS, all acts and requirements necessary to make this Supplement the legal, valid and binding obligation of the Issuer and the Guarantor signatory hereto have been done.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guarantor signatory hereto, the Issuer and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Securities as follows:

1. Agreement to Guaranty. The Guarantor signatory hereto hereby acknowledges that, as of the Effective Date, it agreed, and it hereby agrees, jointly and severally with all the existing Guarantors, to unconditionally guarantee the Issuer’s obligations under the Securities and the Indenture on the terms and subject to the conditions set forth in Article Twelve of the Indenture and to be bound by all other applicable provisions of the Indenture, the Supplemental Indenture and the Securities, in each case, effective as of the Effective Date.

2. Successors and Assigns. This Supplement shall be binding upon the Guarantor signatory hereto and its successors and assigns and shall inure to the benefit of the successors and assigns of the Trustee and the Holders and, in the event of any transfer or assignment of

rights by any Holder or the Trustee, the rights and privileges conferred upon that party in the Indenture and in the Securities shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions of the Indenture.

3. No Waiver. Neither a failure nor a delay on the part of either the Trustee or the Holders in exercising any right, power or privilege under this Supplement, the Supplemental Indenture, the Indenture or the Securities shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any right, power or privilege. The rights, remedies and benefits of the Trustee and the Holders herein and therein expressly specified are cumulative and not exclusive of any other rights, remedies or benefits which either may have under this Supplement, the Supplemental Indenture, the Indenture or the Securities at law, in equity, by statute or otherwise

4. Modification. No modification, amendment or waiver of any provision of this Supplement, nor the consent to any departure by the Guarantor signatory hereto therefrom, shall in any event be effective unless the same shall be in writing and signed by the Trustee, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Guarantor signatory hereto in any case shall entitle such Guarantor to any other or further notice or demand in the same, similar or other circumstances.

5. Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly supplemented hereby, the Indenture and the Supplemental Indenture are in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplement and the Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of Securities heretofore or hereafter authenticated and delivered shall be bound hereby.

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

7. Counterparts. The parties may sign any number of copies of this Supplement. Each signed copy shall be an original, but all of them together represent the same agreement. The use of electronic signatures and electronic records (including, without limitation, any contract or other record created, generated, sent, communicated, received, or stored by electronic means) shall be of the same legal effect, validity and enforceability as a manually executed signature or use of a paper-based record-keeping system to the fullest extent permitted by applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, and any other applicable law, including, without limitation, any state law based on the Uniform Electronic Transactions Act or the Uniform Commercial Code.

8. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction thereof.

9. Trustee. The Trustee makes no representations as to the validity or sufficiency of this Supplement. The recitals and statements herein are deemed to be those of the Issuer, and the Guarantor signatory hereto, and not of the Trustee.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to the Supplemental Indenture to be duly executed as of the date first written above.

LEVEL 3 FINANCING, INC., as the Issuer

By /s/ Rahul Modi

Name: Rahul Modi
Title: Senior Vice President and
Treasurer

LEVEL 3 COMMUNICATIONS, LLC, as
Guarantor

By /s/ Rahul Modi

Name: Rahul Modi
Title: Senior Vice President and
Treasurer

THE BANK OF NEW YORK
MELLON TRUST COMPANY, N.A., as
Trustee and as Note Collateral Agent
By /s/ April Bradley

Name: April Bradley
Title: Vice President

SUPPLEMENT (this “Supplement”) dated as of October 26, 2023 to the SUPPLEMENTAL INDENTURE (the “Supplemental Indenture”) dated as of April 15, 2020 (the “Effective Date”) among LEVEL 3 COMMUNICATIONS, LLC, a Delaware limited liability company, BROADWING, LLC, a Delaware limited liability company, BROADWING COMMUNICATIONS, LLC, a Delaware limited liability company, GLOBAL CROSSING TELECOMMUNICATIONS, INC., a Michigan corporation, LEVEL 3 TELECOM HOLDINGS, LLC, a Delaware limited liability company, TELCOVE OPERATIONS, LLC, a Delaware limited liability company, and WILTEL COMMUNICATIONS, LLC, a Delaware limited liability company (each an “Additional Guarantor” and collectively, the “Additional Guarantors”), LEVEL 3 PARENT, LLC, a Delaware limited liability company (“Level 3 Parent”), LEVEL 3 FINANCING, INC., a Delaware corporation (the “Issuer”), on behalf of itself and the existing guarantors (other than Level 3 Parent) (the “Existing Guarantors”), under the Indenture referred to below, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association, as trustee and collateral agent under the Indenture referred to below (the “Trustee”).

W I T N E S S E T H :

WHEREAS, the Issuer, Level 3 Parent and the other Guarantors party thereto have heretofore executed and delivered to the Trustee an Indenture dated as of November 29, 2019 (as supplemented, the “Indenture”; capitalized terms used but not defined herein having the meanings assigned thereto in the Indenture), providing for the issuance of its 3.875% Senior Secured Notes due 2029;

WHEREAS, the Supplemental Indenture constituted a “Note Guarantee”, and each of the Additional Guarantors constituted a “Guarantor”, for all purposes of the Indenture;

WHEREAS, pursuant to Section 801(9) and Section 1207 of the Indenture, the Trustee and the Issuer are authorized to execute and deliver this Supplement to cure an inconsistency in the Supplemental Indenture; and

WHEREAS, all acts and requirements necessary to make this Supplement the legal, valid and binding obligation of the Issuer and the Guarantor signatory hereto have been done.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guarantor signatory hereto, the Issuer and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Securities as follows:

1. Agreement to Guaranty. The Guarantor signatory hereto hereby acknowledges that, as of the Effective Date, it agreed, and it hereby agrees, jointly and severally with all the existing Guarantors, to unconditionally guarantee the Issuer’s obligations under the Securities and the Indenture on the terms and subject to the conditions set forth in Article Twelve of the Indenture and to be bound by all other applicable provisions of the Indenture, the Supplemental Indenture and the Securities, in each case, effective as of the Effective Date.

2. Successors and Assigns. This Supplement shall be binding upon the Guarantor signatory hereto and its successors and assigns and shall inure to the benefit of the successors and assigns of the Trustee and the Holders and, in the event of any transfer or assignment of

rights by any Holder or the Trustee, the rights and privileges conferred upon that party in the Indenture and in the Securities shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions of the Indenture.

3. No Waiver. Neither a failure nor a delay on the part of either the Trustee or the Holders in exercising any right, power or privilege under this Supplement, the Supplemental Indenture, the Indenture or the Securities shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any right, power or privilege. The rights, remedies and benefits of the Trustee and the Holders herein and therein expressly specified are cumulative and not exclusive of any other rights, remedies or benefits which either may have under this Supplement, the Supplemental Indenture, the Indenture or the Securities at law, in equity, by statute or otherwise

4. Modification. No modification, amendment or waiver of any provision of this Supplement, nor the consent to any departure by the Guarantor signatory hereto therefrom, shall in any event be effective unless the same shall be in writing and signed by the Trustee, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Guarantor signatory hereto in any case shall entitle such Guarantor to any other or further notice or demand in the same, similar or other circumstances.

5. Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly supplemented hereby, the Indenture and the Supplemental Indenture are in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplement and the Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of Securities heretofore or hereafter authenticated and delivered shall be bound hereby.

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

7. Counterparts. The parties may sign any number of copies of this Supplement. Each signed copy shall be an original, but all of them together represent the same agreement. The use of electronic signatures and electronic records (including, without limitation, any contract or other record created, generated, sent, communicated, received, or stored by electronic means) shall be of the same legal effect, validity and enforceability as a manually executed signature or use of a paper-based record-keeping system to the fullest extent permitted by applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, and any other applicable law, including, without limitation, any state law based on the Uniform Electronic Transactions Act or the Uniform Commercial Code.

8. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction thereof.

9. Trustee. The Trustee makes no representations as to the validity or sufficiency of this Supplement. The recitals and statements herein are deemed to be those of the Issuer, and the Guarantor signatory hereto, and not of the Trustee.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to the Supplemental Indenture to be duly executed as of the date first written above.

LEVEL 3 FINANCING, INC., as the Issuer

By /s/ Rahul Modi

Name: Rahul Modi
Title: Senior Vice President and
Treasurer

LEVEL 3 COMMUNICATIONS, LLC, as
Guarantor

By /s/ Rahul Modi

Name: Rahul Modi
Title: Senior Vice President and
Treasurer

THE BANK OF NEW YORK
MELLON TRUST COMPANY, N.A., as
Trustee and as Note Collateral Agent

By /s/ April Bradley

Name: April Bradley
Title: Vice President

SUPPLEMENTAL INDENTURE (this “Supplemental Indenture”) dated as of October 23, 2023 among LEVEL 3 COMMUNICATIONS, LLC, a Delaware limited liability company, BROADWING, LLC, a Delaware limited liability company, BROADWING COMMUNICATIONS, LLC, a Delaware limited liability company, GLOBAL CROSSING TELECOMMUNICATIONS, INC., a Michigan corporation, LEVEL 3 TELECOM HOLDINGS, LLC, a Delaware limited liability company, TELCOVE OPERATIONS, LLC, a Delaware limited liability company, and WITEL COMMUNICATIONS, LLC, a Delaware limited liability company (each a “New Guarantor” and collectively, the “New Guarantors”), LEVEL 3 PARENT, LLC, a Delaware limited liability company (“Level 3 Parent”), LEVEL 3 FINANCING, INC., a Delaware corporation (the “Issuer”), on behalf of itself and the existing guarantors (other than Level 3 Parent) (the “Existing Guarantors”), under the Indenture referred to below, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association, as trustee and note collateral agent under the Indenture referred to below (the “Trustee”).

W I T N E S S E T H :

WHEREAS, the Issuer, Level 3 Parent and the other Guarantors party thereto have heretofore executed and delivered to the Trustee an Indenture dated as of March 31, 2023 (the “Indenture”; capitalized terms used but not defined herein having the meanings assigned thereto in the Indenture), providing for the issuance of its 10.500% Senior Secured Notes due 2030;

WHEREAS, the Indenture permits the New Guarantors to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Guarantors shall unconditionally guarantee all the Issuer’s obligations under the Securities pursuant to a Guarantee on the terms and conditions set forth herein;

WHEREAS, the Guarantee contained in this Supplemental Indenture shall constitute a “Note Guarantee”, and each of the New Guarantors shall constitute a “Guarantor”, for all purposes of the Indenture;

WHEREAS, pursuant to Section 801, Section 916 and Section 1207 of the Indenture, the Trustee and the Issuer are authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, all acts and requirements necessary to make this Supplemental Indenture the legal, valid and binding obligation of Level 3 Parent, the Issuer and the New Guarantors have been done.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, each New Guarantor, Level 3 Parent, the Issuer, the Existing Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Securities as follows:

1. Agreement to Guaranty. Each New Guarantor hereby agrees, jointly and severally with all the Existing Guarantors, to unconditionally guarantee the Issuer's obligations under the Securities and the Indenture on the terms and subject to the conditions set forth in Article Twelve of the Indenture and to be bound by all other applicable provisions of the Indenture and the Securities.

2. Successors and Assigns. This Supplemental Indenture shall be binding upon each New Guarantor and its successors and assigns and shall inure to the benefit of the successors and assigns of the Trustee and the Holders and, in the event of any transfer or assignment of rights by any Holder or the Trustee, the rights and privileges conferred upon that party in the Indenture and in the Securities shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions of the Indenture.

3. No Waiver. Neither a failure nor a delay on the part of either the Trustee or the Holders in exercising any right, power or privilege under this Supplemental Indenture, the Indenture or the Securities shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any right, power or privilege. The rights, remedies and benefits of the Trustee and the Holders herein and therein expressly specified are cumulative and not exclusive of any other rights, remedies or benefits which either may have under this Supplemental Indenture, the Indenture or the Securities at law, in equity, by statute or otherwise.

4. Modification. No modification, amendment or waiver of any provision of this Supplemental Indenture, nor the consent to any departure by any New Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by the Trustee, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any New Guarantor in any case shall entitle any such New Guarantor to any other or further notice or demand in the same, similar or other circumstances.

5. Opinion of Counsel. Concurrently with the execution and delivery of this Supplemental Indenture, the Issuer shall deliver to the Trustee an Opinion of Counsel to the effect that this Supplemental Indenture has been duly authorized, executed and delivered by the Issuer and each New Guarantor and that, subject to the application of bankruptcy, insolvency, moratorium, fraudulent conveyance or transfer and other similar laws relating to creditors' rights generally and to the principles of equity, whether considered in a proceeding at law or in equity, the Guarantee of each New Guarantor is a legal, valid and binding obligation of such New Guarantor, enforceable against such New Guarantor in accordance with its terms.

6. Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of Securities heretofore or hereafter authenticated and delivered shall be bound hereby.

7. Governing Law. **THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE**

STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

8. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. Electronic Signatures. For the avoidance of doubt, for all purposes of this Supplemental Indenture and any document to be signed or delivered in connection with or pursuant to this Supplemental Indenture (except where a manual signature is expressly required by the terms of the Indenture), the words “execution,” “signed,” “signature,” “delivery,” and words of like import shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form, as the case may be, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery or the use of a paper-based recordkeeping system, as the case may be, and the parties hereto consent to conduct the transactions contemplated hereunder by electronic means.

10. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction thereof.

11. Trustee. The Trustee makes no representations as to the validity or sufficiency of this Supplemental Indenture. The recitals and statements herein are deemed to be those of the Issuer, Level 3 Parent, the Existing Guarantors and the New Guarantors, and not of the Trustee.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

BROADWING COMMUNICATIONS, LLC

By: /s/ Stacey W. Goff
Name: Stacey W. Goff
Title: Executive Vice President & General Counsel

BROADWING, LLC

By: /s/ Stacey W. Goff
Name: Stacey W. Goff
Title: Executive Vice President & General Counsel

GLOBAL CROSSING TELECOMMUNICATIONS, INC.

By: /s/ Stacey W. Goff
Name: Stacey W. Goff
Title: Executive Vice President & General Counsel

LEVEL 3 COMMUNICATIONS, LLC

By: /s/ Stacey W. Goff
Name: Stacey W. Goff
Title: Executive Vice President & General Counsel

LEVEL 3 TELECOM HOLDINGS, LLC

By: /s/ Stacey W. Goff
Name: Stacey W. Goff
Title: Executive Vice President & General Counsel

TELCOVE OPERATIONS, LLC

By: /s/ Stacey W. Goff
Name: Stacey W. Goff
Title: Executive Vice President & General Counsel

WILTEL COMMUNICATIONS, LLC

By: /s/ Stacey W. Goff
Name: Stacey W. Goff
Title: Executive Vice President & General Counsel

LEVEL 3 PARENT, LLC

By: /s/ Stacey W. Goff
Name: Stacey W. Goff
Title: Executive Vice President & General Counsel

LEVEL 3 FINANCING, INC., on behalf of itself as the Issuer and the other
Existing Guarantors

By: /s/ Stacey W. Goff
Name: Stacey W. Goff
Title: Executive Vice President & General Counsel

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee and as
Note Collateral Agent

By: /s/ April Bradley
Name: April Bradley
Title: Vice President

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: October 31, 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: October 31, 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 September 30, 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: October 31, 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 September 30, 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: October 31, 2023

/s/ Chris Stansbury

Chris Stansbury
Executive Vice President and Chief
Financial Officer