

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

FORM 10-K

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

For the fiscal year ended December 31, 2024
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 No. 001-35134

LEVEL 3 PARENT, LLC

(Exact name of registrant as specified in its charter)

Delaware

(State of Incorporation)

**931 14th Street
Denver, Colorado**

(Address of principal executive offices)

47-0210602

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

80202-2994

(Zip Code)

(720) 888-1000

(Registrant's telephone number,
including area code)

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☒ No ☐

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 and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>	Non-accelerated Filer	<input checked="" type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
						Emerging Growth Company	<input type="checkbox"/>

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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.

DOCUMENTS INCORPORATED BY REFERENCE: None.

TABLE OF CONTENTS

PART I

<u>Special Note Regarding Forward-Looking Statements</u>	<u>3</u>
<u>Item 1. Business</u>	<u>6</u>
<u>Item 1A. Risk Factors</u>	<u>14</u>
<u>Item 1B. Unresolved Staff Comments</u>	<u>28</u>
<u>Item 1C. Cybersecurity</u>	<u>28</u>
<u>Item 2. Properties</u>	<u>30</u>
<u>Item 3. Legal Proceedings</u>	<u>31</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>31</u>

PART II

<u>Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>32</u>
<u>Item 6. [Reserved]</u>	<u>32</u>
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>32</u>
<u>Overview</u>	<u>32</u>
<u>Results of Operations</u>	<u>34</u>
<u>Critical Accounting Policies and Estimates</u>	<u>38</u>
<u>Liquidity and Capital Resources</u>	<u>41</u>
<u>Market Risk</u>	<u>44</u>
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>45</u>
<u>Item 8. Consolidated Financial Statements and Supplementary Data</u>	<u>46</u>
<u>Consolidated Statements of Operations</u>	<u>48</u>
<u>Consolidated Statements of Comprehensive Loss</u>	<u>49</u>
<u>Consolidated Balance Sheets</u>	<u>50</u>
<u>Consolidated Statements of Cash Flows</u>	<u>51</u>
<u>Consolidated Statements of Member's Equity</u>	<u>52</u>
<u>Notes to Consolidated Financial Statements</u>	<u>53</u>
<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>92</u>
<u>Item 9A. Controls and Procedures</u>	<u>92</u>
<u>Item 9B. Other Information</u>	<u>93</u>
<u>Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</u>	<u>93</u>

PART III

<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	<u>94</u>
<u>Item 11. Executive Compensation</u>	<u>94</u>
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>94</u>
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	<u>94</u>
<u>Item 14. Principal Accounting Fees and Services</u>	<u>94</u>

PART IV

<u>Item 15. Exhibits and Financial Statements Schedules</u>	<u>95</u>
<u>Item 16. Summary of Business and Financial Information</u>	<u>102</u>
<u>Signatures</u>	<u>103</u>

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 (i) "Lumen Technologies" or "Lumen" refer to our ultimate parent company, Lumen Technologies, Inc. and its consolidated subsidiaries, (ii) "Level 3 Financing" refer to our finance subsidiary, Level 3 Financing, Inc., and (iii) "Qwest" refer to our affiliate Qwest Corporation, unless the context otherwise reports.

Part I

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 our completed, pending or proposed transactions, investments, product development, Private Connectivity FabricSM buildouts, transformation plans, participation in deleveraging plans and other initiatives, including benefits or costs associated therewith;
- 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, distributions, leverage, capital allocation plans, financing or refinancing alternatives and sources, and pricing plans; 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, replacing aging or obsolete plant and equipment, strengthening our relationships with customers and attaining projected cost savings;

- our ability to successfully and timely monetize our network related assets through leases, commercial service arrangements or similar transactions (including as part of our Private Connectivity FabricSM solutions), including the possibility that the benefits of these transactions may be less than anticipated, that the costs thereof may be more than anticipated or that we may be unable to satisfy any conditions of any such transactions in a timely manner, or at all;
- 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 obligations, 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 and artificial intelligence services;
- our ability to enhance our growth products and manage the decline of our older products, including by maintaining the quality and profitability of our existing offerings, introducing profitable new offerings on a timely and cost-effective basis, and transitioning customers from our mature products to our newer offerings;
- our ability to successfully and timely implement our corporate strategies, including our transformation, buildout and deleveraging strategies;
- our ability to successfully and timely realize the anticipated benefits from our 2022 and 2023 divestitures, and our 2024 debt modification and extinguishment transactions described elsewhere herein;
- changes in our operating plans, corporate strategies or 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 capital markets, interest rates, mortality rates, demographics or regulations;
- the impact of events that harm our reputation or brands, including 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 acceptable terms, whether caused by changes in our financial position, lower credit ratings, unstable markets, debt covenant restrictions or otherwise;
- the ability of us and our affiliates to meet the terms and conditions of our respective debt obligations and covenants, including our ability to make transfers of cash in compliance therewith;
- our ability to maintain favorable relations with our security holders, key business partners, suppliers, vendors, landlords and lenders;

- our ability to timely obtain necessary hardware, software, equipment, services, governmental permits and other items on favorable terms;
- our ability to collect our receivables from, or continue to do business with, financially-troubled customers;
- our ability to continue to use 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, trade, pension, healthcare or other laws or regulations, in governmental support programs, or in general government funding levels, including those arising from governmental programs promoting 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;
- the effects of adverse weather, terrorism, epidemics, pandemics, rioting, vandalism, societal unrest, political discord, 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, public health 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, our assessment of regulatory, technological, industry, competitive, economic and market conditions 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 or otherwise.

ITEM 1. BUSINESS

Business Overview and Purpose

We are a networking company with the goal of connecting people, data and applications quickly, securely and effortlessly. We are unleashing the world's digital potential by providing a broad array of integrated products and services to our domestic and global business customers. We operate one of the world's most interconnected communications networks. Our platform empowers our customers to swiftly adjust digital programs to meet immediate demands, create efficiencies, accelerate market access and reduce costs, which allows our customers to rapidly evolve their IT programs to address dynamic changes. Our specific products and services are detailed below under the heading "Operations - Products and Services."

Our fiber optic long-haul network throughout North America and Asia Pacific connects to metropolitan fiber networks that we operate. We believe our and Lumen's secure global platform plays a central role in facilitating communications worldwide.

We were incorporated under the laws of the State of Delaware in 1941. Our principal executive offices are located at 931 14th Street, Denver, Colorado 80202 and our telephone number is (720) 888-1000.

On August 1, 2022, certain of our affiliates sold our Latin American business. On November 1, 2023, certain of our affiliates sold our business conducted in Europe, Middle East and Africa ("EMEA"), to Colt Technology Services Group Limited, a portfolio company of Fidelity Investments, for pre-tax cash proceeds of \$1.7 billion after certain closing adjustments and transaction costs. This consideration is further subject to other post-closing adjustments and indemnities set forth in the purchase agreement, as amended and supplemented to date.

See Note 2—Divestitures of the Latin American and EMEA Businesses to our consolidated financial statements in Item 8 of Part II of this report.

For a discussion of certain risks applicable to our business, see "Risk Factors" in Item 1A of Part I of this report. The summary financial information in this Item 1 should be read in conjunction with, and is qualified by reference to, our consolidated financial statements and notes thereto in Item 8 of Part II of this report and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of Part II of this report.

Financial Highlights

The following table summarizes the results of our consolidated operations:

	Years Ended December 31,		
	2024	2023 ⁽¹⁾	2022 ⁽¹⁾
	(Dollars in millions)		
Operating revenue	\$ 6,496	7,037	7,493
Operating expenses	6,435	8,662	11,741
Operating income (loss)	\$ 61	(1,625)	(4,248)
Net loss	\$ (276)	(2,004)	(4,793)

⁽¹⁾ During 2023 and 2022, we recorded non-cash, non-tax-deductible goodwill impairment charges of \$2.0 billion and \$4.6 billion, respectively. For additional information, see Note 3—Goodwill, Customer Relationships and Other Intangible Assets to our consolidated financial statements in Item 8 of Part II of this report.

We estimate that during 2024, 2023, and 2022, approximately 3%, 10%, and 17%, respectively, of our consolidated revenue was derived from providing telecommunications, colocation and hosting services outside the United States.

The following table summarizes certain selected financial information from our consolidated balance sheets:

	As of December 31,	
	2024	2023
	(Dollars in millions)	
Total assets	\$ 16,426	17,253
Total long-term debt ⁽¹⁾	9,665	8,983
Total member's equity	196	3,616

⁽¹⁾ For additional information on our long-term debt, see Note 7—Long-Term Debt to our consolidated financial statements in Item 8 of Part II of this report. For information on our total obligations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Future Contractual Obligations" in Item 7 of Part II of this report.

The summary financial information appearing above should be read in conjunction with, and is qualified by reference to, our consolidated financial statements and notes thereto in Item 8 of Part II of this report and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of Part II of this report.

Operations

Products and Services

While most of our customized interactions with customers involve multiple integrated technologies and services, we organize our products and services to reflect product life cycles and our go to market approach. At December 31, 2024, we categorized our services among the following categories:

Grow

- *Colocation.* We provide different options for organizations' data center needs. Our data center services range from dedicated hosting and cloud services to more complex managed solutions, including disaster recovery, business continuity, applications management support and security services to manage mission critical applications;
- *Dark Fiber and Conduit.* We control an extensive array of unlit optical fiber known as "dark fiber" which has been laid but not yet been equipped with the equipment necessary for it to transmit data. We provide access to this unlit optical fiber to customers who are interested in building their networks with this high-bandwidth, highly secure optical technology. We also provide access to conduit, which are ducts installed underground to house and protect fiber optic cables. Additionally, we provide professional services to engineer these networks, and in some cases, manage them for customers;
- *Edge Cloud Services.* We provide access to both public and private cloud solutions that allow our customers to optimize cost and performance by offloading workloads. Lumen's cloud access products are designed to leverage our network edge to provide low-latency secure services for our customers. Additionally, we provide cloud orchestration tools that allow customers to shift work between cloud environments dynamically;
- *Internet Protocol ("IP").* Our IP services provide global internet access over a high performance, diverse network;
- *Managed Security Services.* We provide enterprise security solutions that help our customers secure networks, mitigate malicious attacks and identify potential security threats. These services include DDoS mitigation, remote and premise-based firewalls, professional consulting and management services, and threat intelligence services;
- *Unified Communications and Collaboration ("UC&C").* We provide access to various unified communications platforms. This offering includes both individual, license-based service models and more robust options that transform a customer's inbound and outbound calling platform; and

- *Optical Services.* We deliver high bandwidth optical wavelength networks to customers requiring an end-to-end solution with ethernet technology for a scalable amount of bandwidth connecting sites or providing high-speed access to cloud computing resources.

Nurture

- *Ethernet.* We deliver a robust array of networking services built on ethernet technology. Ethernet services include point-to-point and multi-point equipment configurations that facilitate data transmissions across metropolitan areas and larger enterprise-class wide area networks. Our ethernet technology is also used by wireless service providers for data transmission via our fiber-optic cables connected to their towers; and
- *VPN Data Networks.* Leveraging our extensive fiber-optic network, we create private networks tailored to our customers' needs. These technologies enable enterprises and government entities to streamline multiple networks into a single, cost-effective solution that simplifies the transmission of voice, video, and data over a single secure network.

Harvest

- *Voice Services.* We offer our customers a complete portfolio of traditional Time Division Multiplexing voice services including primary rate interference service, local inbound service, switched one-plus, toll free, long distance and international services;
- *Private Line.* We deliver private line services, a direct circuit or channel specifically dedicated for connecting two or more organizational sites. Private line service offers a high-speed, secure solution for frequent transmission of large amounts of data between sites, including wireless backhaul transmissions; and
- *Other Legacy Services.* We continue to provide certain services based on older platforms to support our customers as they transition to newer technology. These services include Synchronous Optical Network (SONET) based ethernet, legacy data hosting services, and conferencing services.

Other

- *IT Solutions.* We craft technology solutions for our customers and often manage these solutions on an ongoing basis. These services frequently enhance equipment or networks owned, acquired, or controlled by the customer and often include our consulting or software development services.

Affiliate Services

- *Affiliate Services.* We provide our affiliates certain communication services that we also provide to external customers. Please see our products and services listed above for further description of these services.

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

Our Network

Our and Lumen's network, through which we provide most of our products and services, primarily consists of fiber-optic cables and other supporting equipment. We operate part of our network with leased assets, and a substantial portion of our equipment with licensed software.

We created our communications network by constructing our own assets and through a combination of purchasing other companies and purchasing or leasing facilities from others. We designed our network to provide communications services that employ and take advantage of rapidly improving underlying optical, Internet Protocol, computing and storage technologies.

As discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of Part II of this report and Note 2—Divestitures of the Latin American and EMEA Businesses to our consolidated financial statements in Item 8 of Part II of this report, we sold portions of our network during 2022 and 2023.

We and Lumen view our network as one of our most critical assets. We and Lumen have devoted, and plan to continue to devote, substantial resources to (i) simplify and modernize our network and legacy systems (ii) retire aging or obsolete systems and (iii) expand our network to address demand for enhanced or new products.

Although we or Lumen own most of our network, we lease a substantial portion of our core fiber network from several other communication companies under arrangements that will periodically need to be renewed or replaced to support our current network operations.

As a critical infrastructure provider, we and our customers are a constant target of cyber-attacks from a wide range of intruders, including advanced persistent threat actors. From time to time in the ordinary course of our business, we experience security incidents and disruption in our services. We develop and maintain systems and programs designed to protect against cyber-attacks and network outages. The development, maintenance and operation of these systems and programs is costly and requires ongoing monitoring and updating as technologies change and efforts to bypass security measures become more sophisticated and evolve rapidly.

For additional information regarding risks relating to our systems, network assets, network operations, capital expenditure requirements and reliance upon third parties, see "Risk Factors" in Item 1A of Part I of this report.

Competition

We compete in a dynamic and highly competitive market in which demand for high-speed, secure data service continues to grow. We expect continued intense competition from a wide variety of sources under these evolving market conditions. In addition to competition from large international communications providers, we are facing competition from additional sources, including systems integrators, cloud service providers, software networking companies, infrastructure companies, cable companies, device providers, resellers and smaller niche providers.

Our ability to compete hinges upon effectively enhancing and better integrating our existing products, introducing new products on a timely and cost-effective basis, meeting changing customer needs, providing high-quality information security to build customer confidence and combat cyber-attacks, extending our core technology into new applications and anticipating emerging standards, business models, software delivery methods and other technological changes. Depending on the applicable market and requested services, competition can be intense, especially if one or more competitors in the market have network assets better suited to the customer's needs, offer faster transmission speeds, charge lower prices, or have a longer history of providing service in the market.

We compete to provide services to business customers based on a variety of factors, including the comprehensiveness and reliability of our network, our data transmission speeds, price, the latency of our available network services, the scope of our integrated offerings, the reach and peering capacity of our IP network, digital ordering capabilities, ease of access and use, billing simplicity and customer service. We continue to experience pricing pressure for several of our products and services due to a wide array of large communications companies and systems integrators providing high-speed fiber services to enterprise and wholesale business customers and other companies that market slower-speed non-fiber services typically at lower prices to more price-sensitive customers.

Additional information about competitive pressures is located under the heading "Risk Factors—Business Risks" in Item 1A of Part I of this report.

Sales and Marketing

Our enterprise sales and marketing approach revolves around solving complex customer problems with advanced technology and network solutions - striving to make core networks services compatible with digital tools. We also rely on our call center personnel and a variety of channel partners to promote sales of services that meet the needs of our customers. To meet the needs of different customers, our offerings include both stand-alone services and bundled services, such as our Private Connectivity FabricSM ("PCF") solutions, designed to provide a complete offering of integrated services.

Our business customers range from small business offices to the world's largest global enterprises customers. Our marketing plans include marketing our products and services primarily through direct sales representatives, inbound call centers, telemarketing and third parties, including telecommunications agents, system integrators, value-added resellers and other telecommunications firms. We support our distribution through digital advertising, events, television advertising, website promotions and public relations. Either we or Lumen maintain local offices in most major and secondary markets within the U.S. and many of the primary markets of the other countries in which we provide services.

We generally market our business services to members of in-house IT departments or other highly-sophisticated customers with deep technological experience. These individuals typically satisfy their IT requirements by contracting with us or a rapidly evolving group of competitors, or by deploying in-house solutions.

Research, Development & Intellectual Property

As of December 31, 2024, we had approximately 1,000 patents and patent applications in the U.S. and other countries. We have also received licenses to use patents held by others. We plan to continue to file new patent applications as we enhance and develop products and services, and we plan to continue to seek opportunities to expand our patent portfolio through strategic acquisitions and licensing.

In addition to our patent rights, we have rights in various trade names, trademarks, copyrights and other intellectual property that we use to conduct our business. Our services often use the intellectual property of others, including licensed software. We also occasionally license our intellectual property to others as we deem appropriate.

For information on various litigation risks associated with owning and using intellectual property rights, see "Risk Factors—Business Risks" in Item 1A of Part I of this report, and Note 16—Commitments, Contingencies and Other Items to our consolidated financial statements in Item 8 of Part II of this report.

Regulation of Our Business

Our domestic operations are regulated by the Federal Communications Commission (the "FCC"), by various state regulatory commissions and occasionally by local agencies. Our non-domestic operations are regulated by supranational groups (such as the European Union, or "EU"), national agencies and, frequently, state, provincial or local bodies. Generally, we must obtain and maintain operating licenses from these bodies in most areas where we offer regulated services.

Changes in the composition and leadership of the FCC, state regulatory commissions and other agencies that regulate our business could have significant impacts on our revenue, expenses, competitive position and prospects. Changes in the composition and leadership of these agencies are often difficult to predict, which makes future planning more difficult.

The following description discusses some of the major regulations affecting our operations, but others could have a substantial impact on us as well. For additional information, see "Risk Factors" in Item 1A of Part 1 of this report.

Federal Regulation of Domestic Operations

General

The FCC regulates the interstate services we provide, including the business data service charges we bill for wholesale network transmission and intercarrier compensation. Additionally, the FCC regulates several aspects of our business related to international communications services, privacy, public safety and network infrastructure, including (i) our access to and use of local telephone numbers, (ii) our provision of emergency 911 services and (iii) our use or removal (potentially on a reimbursable basis) of equipment produced by certain vendors deemed to cause potential national security risks. We could incur substantial penalties if we fail to comply with the FCC's applicable regulations.

Many of the FCC's regulations adopted in recent years remain subject to judicial review and additional rulemakings, thus increasing the difficulty of determining the ultimate impact of these changes on us and our competitors.

Broadband Regulation

In February 2015, the FCC adopted an order regulating broadband internet access services ("BIAS") as a Title II utility service under the Communications Act of 1934. In December 2017, the FCC voted to repeal this order. In May 2024, the FCC adopted a new order regulating BIAS as a Title II utility service, but a federal appeals court vacated this order in January 2025. Several states have proposed, implemented or enacted laws or orders focused on state-specific Internet service regulation. In addition, certain members of Congress and various consumer interest groups have advocated in favor of classifying BIAS as a Title II utility service. These developments make it difficult to predict the future degree of regulation of BIAS. Any imposition of heightened regulation of our Internet operations could potentially hamper our ability to operate our data networks efficiently, restrict our ability to implement network management practices necessary to ensure quality service, increase the cost of operating, maintaining and upgrading our network, and otherwise negatively impact our current operations.

State Regulation of Domestic Operations

State regulatory agencies have jurisdiction when our facilities and services are used to provide intrastate telecommunications services. Level 3 provides competitive services that are generally not subject to state regulation to the same degree as incumbent local exchange carriers ("ILECs").

Data Privacy Laws and Regulations

Various foreign, federal and state laws govern our storage, maintenance and use of customer data, including a wide range of consumer protection, data protection, privacy, intellectual property and similar laws. Data privacy regulations are complex and vary across jurisdictions. As a company providing global services, we must comply with various jurisdictional data privacy regulations, including the GDPR in the EU and similar laws adopted by various other jurisdictions in certain of our domestic and overseas markets. Domestically, the number of state privacy laws continues to increase. The application, interpretation and enforcement of these laws are often uncertain, and may be interpreted and applied inconsistently from jurisdiction to jurisdiction. These regulations require careful handling of personal and customer data and could have a significant impact on our business, especially if we violate any of those regulations.

Anti-Bribery and Corruption Regulations

As a provider of global services, we must comply with complex foreign and U.S. laws and regulations governing business ethics and practices, such as the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and other local laws prohibiting corrupt payments to governmental officials, and anti-competition regulations. We have compliance policies, programs and training designed to prevent non-compliance with such anti-corruption regulations in the U.S. and other jurisdictions.

Regulation of International Operations

Our subsidiaries operating outside of the U.S. are subject to various regulations in the markets where service is provided. The scope of regulation varies from country to country. The communications regulatory regimes in certain of our non-domestic markets are in the process of development and do not fully address many issues, including the pricing of services.

Our overseas operations are also subject to various other domestic or non-domestic laws or regulations, including various laws or regulations governing (i) exports and imports of various goods or technologies, (ii) certain sanctioned business activities, and (iii) competition.

Other Regulations

Our networks and properties are subject to numerous federal, state and local laws and regulations, including laws and regulations governing the use, storage and disposal of hazardous materials, the release of pollutants into the environment and the remediation of contamination. Our contingent liabilities under these laws are further described in Note 16—Commitments, Contingencies and Other Items. Certain federal and state agencies, including attorneys general, monitor and exercise oversight related to consumer protection issues. We are also subject to codes that regulate our trenching and construction operations or that require us to obtain permits, licenses or franchises to operate. Such regulations are enacted by municipalities, counties, state, federal or other regional governmental bodies, and can vary widely from jurisdiction to jurisdiction as a result. Such regulations may also require us to pay substantial fees or impact our network buildout initiatives.

Seasonality

Overall, our business is not materially impacted by seasonality. Our network-related operating expenses are, however, generally higher in the second and third quarters of the year. From time to time, weather-related problems have resulted in increased costs to repair our network and respond to service calls in some of our markets. The amount and timing of these costs are subject to the weather patterns of any given year, but have generally been highest during the third quarter and have been related to damage from severe storms, including hurricanes, tropical storms and tornadoes.

Employees

As of December 31, 2024, we had approximately 7,700 employees.

Additional Information

For further information on regulatory, technological and competitive factors that could impact our revenue, see "Risk Factors" under Item 1A below. For more information on the financial contributions of our various services, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of Part II of this report. For additional information about us and our ultimate parent, Lumen Technologies, please refer to the periodic reports filed by Lumen Technologies with the SEC, which can be accessed by visiting the websites listed below under "Website Access and Important Investor Information."

Website Access and Important Investor 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 report or any other periodic reports that we file with the SEC. Any references to our website in this report or any other periodic reports that we file with the SEC are provided for convenience only, and are not intended to make any of our website information a part of this or such other reports. You may obtain free electronic copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K filed by us or our ultimate parent, Lumen Technologies, (i) in the "Investor Relations" section of our website (ir.lumen.com) under the heading "FINANCIALS" and subheading "SEC Filings" or (ii) on the SEC's website at www.sec.gov. From time to time we also use our website to webcast our earnings calls and certain of our meetings with investors or other members of the investment community.

In connection with filing this report, our chief executive officer and chief financial officer made the certifications regarding our financial disclosures required under the Sarbanes-Oxley Act of 2002, and its related regulations.

As a large complex organization, we are from time to time subject to litigation, disputes, governmental or internal investigations, consent decrees, service outages, security breaches or other adverse events. We typically publicly disclose these occurrences (and their ultimate outcomes) only when we determine these disclosures to be material to investors or otherwise required by applicable law.

We typically disclose material non-public information by disseminating press releases, making public filings with the SEC, or disclosing information during publicly accessible meetings or conference calls. Nonetheless, from time to time we have used, and intend to continue to use, our website and social media accounts to augment our disclosures.

Although at various times, we answer questions raised by securities analysts, it is against our policy to disclose to them selectively any material non-public information or other confidential information. Accordingly, you should not assume that we agree with any statement or report issued by an analyst with respect to our past or projected performance. To the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

Unless otherwise indicated, information contained in this report and other documents filed by us under the federal securities laws concerning our views and expectations regarding industry conditions are based on estimates made by us using data from industry sources and making assumptions based on our industry knowledge and experience. You should be aware that we have not independently verified data from industry or other third-party sources and cannot guarantee its accuracy or completeness.

ITEM 1A. RISK FACTORS

The following discussion identifies material factors that could (i) materially and adversely affect our business, financial condition, results of operations or prospects or (ii) cause our actual results to differ materially from our anticipated results, projections or other expectations. The following information should be read in conjunction with the other portions of this annual report, including “Special Note Regarding Forward-Looking Statements”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 and our consolidated financial statements and related notes in Item 8. All references to “Notes” in this Item 1A of Part I refer to the Notes to Consolidated Financial Statements included in Item 8 of Part II of this report. Please note the following discussion is not intended to comprehensively list all risks or uncertainties faced by us. Our operations or actual results could also be similarly impacted by additional risks and uncertainties that are not currently known to us, that we currently deem to be immaterial, that arise in the future or that are not specific to us. In addition, certain of the risks described below apply only to a part or segment of our business.

Business Risks

Challenges with integrating or modernizing our existing applications and systems could harm our performance.

To attain our operational and strategic goals and our projected cost savings, we need to integrate, simplify, upgrade, and modernize our existing applications and systems, including many legacy systems from past acquisitions. This process will require us to, among other things, timely retire aging or obsolete systems, deploy a master data management platform, and integrate various legacy IT systems into a new, simplified structure. These modernization efforts will require efficient allocation of resources, development capacity, greater use of artificial intelligence (“AI”) and other emerging technologies, access to subject-matter experts, development of a sustainable and resilient operating model, advanced project management capabilities and successful collaboration among personnel with differing expertise. We cannot assure you these efforts will be successful. Any failure to timely accomplish these initiatives may negatively affect our (i) ability to deliver services to our customers at required speed and scale, (ii) ability to realize anticipated efficiencies and attain our operational cost reduction goals, (iii) network stability, (iv) ability to timely repair infrastructure and respond to service outages or (v) ability to meet regulatory, legal or contractual obligations.

We may not be able to create the global digital experience expected by customers.

Our customers expect us to create and maintain a global digital platform, including (i) automation and simplification of our offerings and (ii) digital self-service access to our products, services and customer support. To do so, we must timely and successfully complete the digital transformation of our operations that is currently underway. Effective digital transformation is a complex, dynamic process requiring efficient allocation and prioritization of resources, simplification of our product portfolio, faster product deployments, retirement of obsolete systems, migration of data and corresponding transformations and our workforce and systems. We cannot assure you we will be able to timely effect the successful digital transformation necessary to develop or deliver a global digital experience expected by our customers. If we are unable to do so, we could lose existing customers or fail to attract new ones, either of which could prevent us from attaining our financial goals.

We may not realize the anticipated benefits of our strategic focus on selling PCF solutions.

During the second half of 2024, Lumen announced that it and its subsidiaries, including us, had recently sold several billion dollars of new PCF solutions. Full payment for certain deals involving construction of new routes depends on fulfilling certain delivery obligations or other performance conditions, and revenue under our PCF agreements may be less than anticipated. Our costs under these agreements may be greater than anticipated due to construction delays or cost overruns as a result of weather, supply chain, labor, permitting, or other unforeseen issues. If demand for data center connectivity declines or customer needs or preferences change for any other reason, future demand for, and the profitability of, our PCF solutions could decline or cease.

Our attempts to capitalize on emerging market opportunities may not be as successful as envisioned.

Growth in AI products and other recent industry changes have fueled demand for higher transmission speeds, greater bandwidth, lower latency and more advanced networking services. In response, we are endeavoring to build a digital networking services ecosystem that enables us to offer attractive products and services (including PCF solutions) that fulfill this market demand. But, as indicated by other of the disclosures in this Item 1A, our success will be dependent on improving and integrating our systems and meeting evolving customer demands in a highly competitive industry experiencing rapid advances in technology. For these reasons and others, our attempts to capitalize on emerging market opportunities may not be as successful as we currently envision.

In connection with establishing our strategies, we have assumed that the continued development of AI will continue to drive robust demand for our products and services, which subjects us to the risk of misallocating our resources if AI-related demand fails to meet current expectations.

We operate in an intensely competitive industry and existing and future competitive pressures could harm our performance.

Each of our offerings faces increasingly intense competition from a wide range of sources under evolving market conditions that have increased the number and variety of companies that compete with us. Some of our current and potential competitors: (i) offer products or services that are substitutes for our traditional network services, (ii) offer a more comprehensive range of communications products and services, (iii) operate systems that are newer, more integrated or more advanced, which enable them to provision services faster and more efficiently, (iv) have greater financial, provisioning, technical, engineering, research, development, marketing, customer relations or other resources, (v) conduct operations or raise capital at a lower cost, (vi) are subject to less regulation, (vii) have stronger brand names, (viii) have deeper or more long-standing relationships with key customers, or (ix) have larger operations than ours, any of which may enable them to compete more successfully for customers, strategic partners and acquisitions. In recent years, competitive pressures have commoditized pricing for some of our products and services and lowered market prices for many of our other products and services. Continued competitive pressures will likely place further downward pressure on market pricing.

Our ability to successfully compete could be hampered if we fail to timely develop and market innovative technology solutions that address changing customer demands.

The technology and communications industry has been and continues to be impacted by significant technological changes, which are increasing demand for digitally-integrated products and enabling an increasing variety of companies to compete with us. Many of these technological changes are (i) displacing or reducing demand for certain of our services, (ii) enabling the development of competitive products or services, (iii) enabling customers to reduce or bypass use of our networks or (iv) reducing our profit margins. For example, our competitors may overbuild in our markets and roll out high speed connectivity products.

Increasingly, customers are demanding higher transmission speeds and more technologically advanced products that suit their evolving needs, including traditional and generative AI services. As we note below, several of our competitors have dedicated substantially more resources to developing such advanced services. If we fail to develop competitive AI services, our business and financial performance could be adversely impacted.

To remain competitive, we will need to accurately predict and respond to changes in technology, to continue developing and offering products and services attractive to our customers, to migrate our customers from legacy to newer products and services, to timely provision our products and services, to maintain and expand our network to enable it to support customer demands for significantly greater transmission capacity and speeds, and to discontinue outdated products and services on a cost-effective basis. Our ability to do so could be restricted by various factors, including limitations of our existing network, technology, capital or personnel. If we fail at that, we could fail to retain customers or attract new ones.

As we continue to transform our organization, we may be unable to attract, develop and retain leaders and employees with the right skill sets and technical expertise.

Lumen and Level 3 may be unable to attract and retain skilled and motivated leaders and employees who possess the technical, development, operational, sales or managerial expertise to execute our plans for transformation, innovation and strategic growth. We operate in a highly competitive and expanding industry, where competition for highly skilled employees has grown increasingly intense and competitors have targeted hiring our employees. Further, the prevalence of remote working arrangements has expanded the pool of companies that can compete for our employees and employee candidates. We believe some of our competitors with greater resources and fewer cost constraints than us have from time to time been able to offer compensation or benefits in excess of what we are able to offer. These risks to attracting and retaining key personnel may have been exacerbated by the impacts of the low trading price of Lumen's common stock, which, as discussed below, has diminished Lumen's ability in 2024 to offer competitive equity incentive compensation to our key employees. Our failure to successfully attract and retain key personnel could materially adversely impact our business or financial performance.

Over half of our employees work fully from home, and a substantial portion of the remainder work partly from home under "hybrid" work schedules. These work arrangements may impair our ability to maintain our collaborative and innovative culture, and may lower the productivity and collegiality of our workforce

Uncertainty regarding our future prospects could adversely impact our ability to maintain satisfactory relations with our employees, customers, vendors and others.

For several years we have experienced declining revenues and high debt levels, which has created uncertainties regarding our future prospects and ability to discharge our obligations. Despite the positive impacts of our 2024 PCF agreements and debt transactions, these uncertainties persist.

Concerns regarding our future prospects and ability to discharge our obligations, coupled with Lumen's relatively low stock trading price and recent reductions of our workforce, could adversely impact our ability to attract, retain and motivate our employees. Lumen grants equity-based incentive awards to key personnel, the value of which is tied to Lumen's stock price, its financial performance or both. If recipients of those awards are concerned about Lumen's future stock price or financial performance, they may view less favorably the value of such equity-based incentive awards and the competitiveness of their total compensation package.

Similarly, customers, vendors, landlords, banks or other third parties may be less willing to transact business with us if they believe our future is uncertain, any of which could adversely impact our business, financial performance, financial position or future prospects.

We could be harmed if our reputation is damaged.

We believe the Lumen and Level 3 brand names and our reputation are important corporate assets that help us attract and retain customers and talented employees. However, our corporate reputation is susceptible to material damage by events such as disputes with customers or competitors, cyber-attacks, service outages, data breaches, internal control deficiencies, performance failures, compliance violations, employee misconduct, government investigations or legal proceedings. Similar events impacting one of our competitors could result in negative publicity for our entire industry that indirectly harms our business. We may also experience reputational damage if customers, vendors, employees, advocacy groups, regulators, investors, the media, social media influencers or others criticize our services, operations or public positions. For instance, we could be harmed if our customer experience scores, as measured by "NPS" (Net Promoter Score) and "CHS" (Customer Health Score), for our products and services are low or declining relative to our competitors. In addition, the reputational risk of unauthorized disclosure of confidential company or customer data could increase to the extent our employees inappropriately use social networking sites or other emerging technologies, such as generative AI tools.

There is a risk that negative or inaccurate information about us, even if based on rumor or misunderstanding, could adversely affect our business. Damage to our reputation could be difficult, expensive and time-consuming to repair. Damage to our reputation could also reduce the value and effectiveness of the Lumen brand name and could reduce investor confidence in us, having a material adverse impact on the value of our securities.

We could be harmed by cyber-attacks.

As a critical infrastructure service provider, we transmit large amounts of data over our systems and process and store highly sensitive customer data. Consequently we, our third-party service providers, and our customers are under constant threat of cyber-attacks. The number and sophistication of these attacks continues to increase. Despite our efforts to prevent these events, some of these attacks could result in a material adverse impact to our operations due to distributed denial of service attacks, ransomware attacks, malware, virus, credential harvesting, man-in-the-middle attacks, or social engineering attacks.. As previously disclosed in our 2023 reports to the SEC and various 2024 media reports, (i) sophisticated threat actors accessed our internal information technology systems in 2023 and 2024 and (ii) we experienced a ransomware attack on a limited number of our servers in 2023. The ransomware attack did not impact any operations or customer data. We do not believe these incidents had or are likely to have a material adverse impact on our ability to serve our customers or our business, operations or financial results.

As further described in Item 1C of this annual report, cyber-attacks on our systems may stem from a variety of sources and take many forms. Cyber-attacks can put at risk personally identifiable information customer data or protected health information, thereby implicating stringent domestic and foreign data protection laws. These threats may also arise from failure or intrusions of systems owned, operated or controlled by other unaffiliated third-party operators, upon whom we are materially reliant to operate our business. Various other factors could intensify these risks, including (i) our maintenance of information in digital form stored on servers connected to the Internet, (ii) our use of open and software-defined networks, (iii) the challenges of operating and maintaining our complex multi-continent network composed of legacy and acquired properties, which is more difficult to safeguard than newer fully-integrated networks, (iv) growth in the size and sophistication of our customers and their service requirements, (v) increased use of our network due to greater demand for data services, (vi) the large number of our employees working from remote locations, (vii) our IT support agreements with purchasers of businesses we have divested over the past few years and (viii) as further discussed below, the difficulty of defending against increasingly sophisticated attacks.

Cyber-attacks could (i) disrupt the proper functioning of our networks and systems, which could in turn disrupt the operations of our customers, (ii) result in the destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive, classified or otherwise valuable information of ours, our employees, our customers or our customers' end users, (iii) require us to notify customers, regulatory agencies or the public of data incidents, (iv) damage our reputation or result in a loss of business, (v) require us to provide credits for future service to our customers or to offer expensive incentives to retain customers, (vi) subject us to claims by our customers or regulators for damages, fines, penalties, license or permit revocations or other remedies, (vii) result in the loss of industry certifications or (viii) require significant management attention or financial resources to remedy the resulting damages or to change our systems. Any or all of the foregoing developments could have a material adverse impact on us.

We believe the importance of our network to global internet data flows will continue to make it a target to a wide range of threat actors, including nation state actors and other advanced persistent threat actors. Moreover, the risk of incidents is likely to continue to increase due to several factors, including (i) the increasing use of machine learning, AI and other sophisticated techniques to initiate cyber and phishing attacks, (ii) the wider accessibility of cyber-attack tools that can circumvent security controls and evade detection, which can delay and limit our ability to accurately assess and fully remediate the impact of the attack, and (iii) growing threats from Chinese, Russian and other state actors due to heightened geopolitical tensions and rivalries, and the attendant increased possibility of cyber warfare targeting us in the event of a direct conflict. It should also be noted that defenses against cyber-attacks currently available to us and others are unlikely to prevent intrusions by a highly-determined, highly-sophisticated threat actor. Consequently, you should assume that we will continue to experience cyber incidents in the future. Thus far, none of our past security incidents have had a material adverse effect on us, and we continue to take steps designed to limit our cyber risks. Nonetheless, we cannot assure you that future cyber incidents or events will not ultimately have a material adverse impact on our business, operations or financial results.

Although Lumen Technologies maintains insurance coverage that may, subject to policy terms and conditions (including self-insured deductibles, coverage restrictions and monetary coverage caps), cover certain aspects of our cyber risks, such insurance coverage may be unavailable or insufficient to cover our losses.

We could be harmed by outages in our network or various platforms, or other failures of our services.

From time to time in the ordinary course of our business, we experience outages in our network, hosting, cloud or IT platforms, or failures of our products or services to perform in the manner anticipated. These disruptions expose us to several of the same risks listed above for cyber-attacks, including the loss of customers, the issuance of credits or refunds, and regulatory fines. We remain vulnerable to future disruptions due to several factors, including the challenges of maintaining and replacing aging or obsolete network elements, human error, continuous changes in our network, the introduction of new products or technologies, vulnerabilities in our vendors or supply chain, aberrant employees and hardware and software limitations. The process for remediating any interruptions, outages, delays or cessations of service could be more expensive, time-consuming, disruptive and resource intensive than planned. Delayed sales, lower margins, fines or lost customers resulting from future disruptions could have a material adverse impact on our business, reputation, results of operations, financial condition, and cash flows.

Market prices for many of our services have decreased in the past, and any similar price decreases in the future will adversely affect our revenue and margins.

Over the past several years, a range of competitive and technological factors, including robust network construction and intense competition, have lowered market prices for many of our products and services. If these market conditions persist, we may need to continue to reduce prices to retain customers and revenue. If future price reductions are necessary, our operating results will suffer unless we are able to offset these reductions by reducing our operating expenses or increasing our sales volumes.

Our operations, financial performance and liquidity are materially reliant on key suppliers, vendors and other third parties.

Our ability to conduct our operations could have a material adverse impact on us if certain of our arrangements with third parties were terminated, including those further described below.

Reliance on other communications providers. To offer certain services in certain of our markets, we must either purchase services or lease network capacity from, or interconnect our network with, the infrastructure of other communications carriers or cloud companies who typically compete against us in those markets. Our reliance on these supply or interconnection arrangements limits our control over the delivery, quality and quantity of these purchased services. In addition, we are exposed to the risk that other companies may be unwilling or unable to continue or renew these arrangements in the future for several reasons, including bankruptcy. Those risks are heightened when we contract with a competitor who may have incentives to act in ways unfavorable to us, including by terminating those contracts, imposing price increases or favoring their transmissions over ours. Additionally, several companies rely on our network to transmit their data or voice traffic. Their reliance on our network exposes us to the risk that they may transfer all or a portion of this traffic from our network to alternative networks owned, constructed or leased by them, thereby reducing our revenue. For instance, certain of our hyperscaler customers have built infrastructure that has reduced their reliance on us.

Reliance on key suppliers and vendors. We depend on a limited number of suppliers and vendors to provide us, directly or through other suppliers, with equipment and services relating to our network infrastructure, including fiber optic cable, software, optronics, transmission electronics, digital switches, routing equipment, customer premise equipment, and related components. We also rely on software and service vendors or other parties to assist us with operating, maintaining and administering our business, including billing, security, provisioning and general operations. Our operations could be adversely affected in the future if any of these vendors are unable or unwilling for any reason to continue to deliver their products or services or terms acceptable to us, including due to business interruptions, security incidents, litigation, financial distress, bankruptcy or changes in their operations or business strategies.

Reliance on key licensors. We rely on key technologies licensed from third parties to deliver certain of our products and services. Our agreements with these licensors may expire or be terminated, and some of the licenses may not be available to us in the future on terms acceptable to us or at all, including if the third-party licensor violates, or is alleged to have violated, the intellectual property rights of others. Moreover, if we incorporate licensed technology into our network, we may have limited flexibility to deploy different technologies from alternative licensors.

Reliance on key customer contracts. We have several complex high-value national and global customer contracts. These contracts are frequently impacted by a variety of factors that could reduce or eliminate the profitability of these contracts. Moreover, we would be adversely impacted if we fail to renew major contracts upon their expiration.

Reliance on landowners. We rely on rights-of-way, colocation agreements, franchises, licenses and other authorizations granted by governmental bodies, railway companies, utilities, carriers and other third parties to locate a portion of our network equipment over, on or under their respective properties, or to conduct operations within their jurisdictions. A significant number of these authorizations are scheduled to lapse over the next five to 10 years, unless we are able to extend or renew them. Our operations could be adversely affected if any of these authorizations are cancelled, or otherwise terminate or lapse, or if the landowner requests price increases. Similarly, our buildout plans can be delayed if we cannot receive necessary landowner authorizations or governmental permits. We cannot assure you we will be able to successfully extend these arrangements when their terms expire, or to enter into new arrangements that may be necessary to implement our network expansion opportunities.

Extreme weather conditions and climate changes could disrupt our operations, cause us to incur substantial additional capital and operating costs or negatively affect our business.

A substantial number of our domestic facilities are located in areas that subject them to the risks associated with severe tropical storms, hurricanes, tornadoes, earthquakes, floods, wildfires or other similar casualty events. From time to time these events have disrupted our operations, and similar future events could cause substantial damages, including downed transmission lines, flooded facilities, power outages, fuel shortages, network delays or failures, damaged or destroyed property and equipment, and business interruptions. Due to substantial deductibles, coverage limits and exclusions, and limited availability, we have typically recovered only a portion of our losses through insurance. Our system redundancy and other measures we take to protect our infrastructure and operations from the impacts of such events may be ineffective or inadequate to sustain our operations following such events. Any of these occurrences could result in lost revenues from business interruption, damage to our reputation and reduced profits.

Climate changes may increase the frequency or severity of natural disasters and other extreme weather events in the future, which would increase our exposure to the above-cited risks and could disrupt our supply chain from our key suppliers and vendors. Climate changes could also require us to continue to increase our spending on network resilience initiatives, and could result in additional regulation impacting our operations or profitability.

Our environmental programs and disclosures may expose us to reputational, legal and business risks.

Our reputation and brands could be impacted by our public environmental initiatives, including our environmental sustainability initiatives. These initiatives, goals, or targets could be difficult to achieve and costly to implement. To the extent that our required and voluntary disclosures about environmental initiatives increase, we could be criticized for their accuracy, adequacy, or completeness. We could fail to achieve, or be perceived to fail to achieve, our environmental-related targets, goals, or commitments. Our actual or perceived failure to achieve our environmental-related targets, goals, commitments or to meet evolving stakeholder expectations or standards could adversely impact us by resulting in legal or regulatory proceedings against us, customer or employee attrition, reputational damage, or other negative impacts on our business. Conversely, we may fail to attract or retain customers, vendors, employees or other stakeholders who are opposed to our environmental-related initiatives, or may face claims from stakeholders who believe such initiatives harmed them or us.

Adverse developments impacting our non-consolidated affiliates could indirectly impact us.

Our consolidated operations constitute only a portion of the consolidated operations of our corporate parent, Lumen. We engage in various intercompany transactions with affiliates of Lumen that are not members of our consolidated group of companies. Events or developments that adversely impact these non-consolidated affiliates will not directly impact our consolidated financial position or performance as reported under GAAP, but could nonetheless indirectly adversely impact us to the extent such developments interfere with the ability of such non-consolidated affiliates to provide services or pay amounts to which we or our subsidiaries are entitled. For these reasons, you are urged to review the risk factor disclosures contained in Item 1A of Lumen's Annual Report on Form 10-K for the year ended December 31, 2024.

We face other business risks.

We face other business risks, including among others, (i) the difficulties of managing and administering an organization that offers a complex set of products to a diverse range of customers across several continents, (ii) the possibility that supply constraints, labor shortages, construction delays or other factors could hamper our ability to attain our infrastructure buildout plans, (iii) the risk that the continuation of high vacancy rates in the fiber on-net buildings we serve could reduce demand for our services and (iv) risks and uncertainties inherent in acquiring or disposing of businesses, or engaging in other strategic transactions.

Legal and Regulatory Risks

We are subject to an extensive, evolving regulatory framework that could create operational or compliance costs.

As explained in greater detail elsewhere in this annual report, (i) our domestic operations are regulated by the FCC and other federal, state and local agencies and (ii) our international operations are regulated by a wide range of various foreign and international bodies. We cannot assure you we will be successful in obtaining or retaining all regulatory licenses necessary to carry out our business in our various markets. Even if we are, the prescribed service standards and conditions imposed on us under these licenses and related laws may increase our costs, limit our operational flexibility or result in third-party claims.

While Level 3 provides competitive services that are generally not subject to state regulation to the same degree as ILECs, we are subject to numerous requirements and interpretations under various international, federal, state and local laws, rules and regulations, which are often quite detailed or unclear and are occasionally in conflict with each other. Accordingly, we cannot ensure we will always be in compliance with all these requirements at any particular time.

Various governmental agencies, including state attorneys general, with jurisdiction over our operations have routinely in the past investigated our business practices either in response to customer complaints or on their own initiative, and are expected to continue to do the same in the future. Certain of these investigations have resulted in substantial fines in the past. On occasion, we have resolved such matters by entering into consent decrees, which are court orders that frequently restrict our future conduct. If breached by us, these consent decrees expose us not only to contractual remedies, but also to judicial enforcement via contempt of court proceedings, any of which could have material adverse consequences. Additionally, future investigations can potentially result in enforcement actions, litigation, fines, settlements or reputational harm, or could cause us to change our sales practices or operations.

We provide products or services to various federal, state and local agencies. Our failure to comply with complex governmental regulations and laws applicable to these programs, or the terms of our governmental contracts, could result in us suffering substantial negative publicity or penalties, being suspended or debarred from future governmental programs or contracts for a significant period of time and in certain instances could lead to the revocation of our FCC licenses. Moreover, certain governmental agencies frequently reserve the right to terminate their contracts for convenience or if funding is unavailable. If our governmental contracts are terminated for any reason, or if we are suspended or debarred from governmental programs or contracts, it could have a material adverse impact on our results of operations and financial condition.

A variety of state, national, foreign and international laws and regulations apply to the collection, use, retention, protection, security, disclosure, transfer and other processing of personal and other data. The European Union and other international regulators, as well as some state governments, have recently enacted or enhanced data privacy legal requirements, and other governments are considering establishing similar or stronger protections. Many of these laws are complex and change frequently and often conflict with the laws in other jurisdictions. Some of our customers impose similar requirements on us that are equally or more demanding. If we fail to comply with any of these governmental or contractual requirements, we could incur potential substantial penalties and reputational damage.

For years, the laws governing our operations have been unsettled, which has impacted our ability to plan for the future. We expect regulatory uncertainty to increase following a 2024 U.S. Supreme Court decision reversing a prior ruling that required courts to defer to reasonable agency interpretations of ambiguous federal laws. New laws or court decisions could affect our services or expose us to burdensome requirements or liabilities. In particular, our business could be materially impacted if the U.S. Congress amends or eliminates current federal law limitations on the liability of private network providers, such as us, against claims related to third-party content stored or transmitted on private networks, as currently proposed by certain governmental officials, legislative leaders and consumer interest groups. We could also be materially affected if proposals to increase the regulation of internet service providers or to further strengthen data privacy laws are enacted or implemented.

Third-party content stored or transmitted on our networks could result in liability or otherwise damage our reputation.

While we disclaim liability for third-party content in most of our service contracts, as a private network provider we potentially could be exposed to legal claims relating to third-party content stored or transmitted on our networks. Such claims could involve, among others, allegations of defamation, invasion of privacy, copyright infringement, or aiding and abetting restricted activities such as online gambling or pornography. Although we believe our liability for these types of claims is limited under current law, suits against other carriers have been successful and we cannot assure you that our defenses will prevail. Such third-party content could also result in adverse publicity and damage our reputation. Moreover, as noted above, pending proposals to change the law could materially heighten our legal exposure and potentially require us to implement changes to manage this exposure.

Pending legal proceedings against us or our affiliates could have a material adverse impact on us.

There are several potentially material proceedings pending against us and our affiliates, including several derivative and class action suits. Results of these legal proceedings cannot be predicted with certainty. As of any given date we could have exposure to losses under proceedings in excess of our accrued liability. For each of these reasons, any of the proceedings described in Note 16—Commitments, Contingencies and Other Items, as well as current litigation not described therein or future litigation, could have a material adverse effect on our business, reputation, financial position, operating results, the trading price of our debt securities and our ability to access the capital markets. We can give you no assurances as to the ultimate impact of these matters on us.

We may not be successful in protecting and enforcing our intellectual property rights.

We rely on various patents, copyrights, trade names, trademarks, service marks, trade secrets and other similar intellectual property rights, as well as confidentiality agreements and procedures, to establish and protect our proprietary rights. For a variety of reasons, however, these steps may not fully protect us, including due to inherent limitations on the ability to enforce these rights. If we are unsuccessful in protecting or enforcing our intellectual property rights, our business, competitive position, results of operations and financial condition could be adversely affected.

Issues related to our use of artificial intelligence (AI) could give rise to legal or regulatory actions, damage our reputation or otherwise materially harm our business.

We currently incorporate AI technology in certain of our products and services and in our business operations. Due to the complexity of its design and algorithms, AI presents various risks and challenges, and its use could cause operational disruptions or have other unintended adverse consequences. While we aim to use AI responsibly and attempt to identify and mitigate ethical and legal issues presented by its use, we may be unsuccessful in identifying or resolving issues before they arise. Our use of AI may give rise to risks related to harmful content, inaccurate output, bias, intellectual property infringement or misappropriation, defamation, privacy incidents, and cybersecurity vulnerabilities, among others. The United States, the European Union and other governmental bodies have taken initial steps to regulate AI, which could ultimately increase AI's legal risks or decrease its usefulness. For all these reasons, our use of AI could materially harm our business, operations or reputation.

We have been accused of infringing the intellectual property rights of others and will likely face similar accusations in the future.

We routinely receive notices from third parties or are named in lawsuits filed by third parties claiming we have infringed or are infringing their intellectual property rights. We are currently responding to several of these notices and claims and expect this industry-wide trend will continue. If these claims succeed, we could be required to pay significant monetary damages, to cease using the applicable technology or to make royalty payments to continue using the applicable technology. If we are required to take one or more of these actions, our revenues or profit margins may decline, our operations could be materially impaired or we may be required to stop selling or redesign one or more of our products or services, any of which could have a material adverse impact on our business. Similarly, from time to time, we may need to obtain the right to use certain patents or other intellectual property from third parties to be able to offer new products and services. If we cannot obtain rights to use any required technology from a third-party on reasonable terms, our ability to offer new products and services may be prohibited, restricted, made more costly or delayed.

Our international operations expose us to various regulatory, currency, tax, legal and other risks.

Our international operations are subject to a wide range of U.S. and non-U.S. laws, regulations, treaties, tariffs and other directives governing our operations in international jurisdictions in which we provide services, either directly or indirectly through our contractual arrangements with other carriers. Many of these laws or other directives are complex, change frequently and conflict with the laws in other jurisdictions to which we are bound. There is a risk that these laws or other directives could materially restrict our ability to deliver services in various international jurisdictions or expose us to the risk of potential penalties, license revocations or contract terminations if we violate them. In addition, if the U.S. continues increasing its tariffs, we could incur additional expense that we are unable to recover from our customers.

In addition to these international regulatory risks, some of the other risks inherent in conducting business internationally include: economic, social and political instability, with the attendant risks of terrorism, kidnapping, extortion, civic unrest, potential seizure or nationalization of assets; currency and exchange controls, repatriation restrictions and fluctuations in currency exchange rates, problems collecting accounts receivable; the difficulty or inability in certain jurisdictions to enforce contract or intellectual property rights; reliance on certain third parties with whom we lack extensive experience; supply chain challenges; and challenges in securing and maintaining the necessary physical and telecommunications infrastructure.

Financial Risks

Our significant debt levels expose us to a broad range of risks.

As of December 31, 2024, we had approximately \$8.8 billion of outstanding consolidated secured indebtedness and \$964 million of outstanding consolidated unsecured indebtedness (excluding (i) finance leases and other obligations, (ii) unamortized premiums, net, (iii) unamortized debt issuance costs and (iv) intercompany debt.)

Our significant levels of debt and related debt service obligations could adversely affect us in several respects, including:

- requiring us to dedicate a substantial portion of our cash flow from operations to the payment of interest and principal on our debt, thereby reducing the funds available to us for other purposes, including acquisitions, capital expenditures, strategic initiatives and dividends to our direct parent company;
- hindering our ability to capitalize on business opportunities and to plan for or react to changing market, industry, competitive or economic conditions;
- making us more vulnerable to economic or industry downturns, including interest rate increases (especially with respect to our variable rate debt);
- placing us at a competitive disadvantage compared to less leveraged companies;
- adversely impacting other parties' perception of Lumen, including but not limited to existing or potential customers, vendors, employees or creditors;
- making it more difficult or expensive for us to obtain any necessary future financing or refinancing, including the risk that this could force us to sell assets or take other less desirable actions to raise capital; and
- increasing the risk that we may not meet the covenants contained in our debt agreements or timely make all required debt payments, either of which could result in the acceleration of some or all of our outstanding indebtedness.

The effects of each of these factors could be intensified if we increase our borrowings or experience any downgrade in our credit ratings or those of our affiliates. Subject to certain limitations and restrictions, the current terms of our debt instruments and our subsidiaries' debt instruments permit us or them to incur additional indebtedness.

We expect to periodically require financing, and we cannot assure you we will be able to obtain such financing on terms that are acceptable to us, or at all.

We expect to periodically require financing in the future to refinance existing indebtedness and potentially for other purposes. Our ability to arrange additional financing will depend on, among other factors, our financial position, performance, credit ratings, and debt covenants. Our ability to obtain additional financing could also depend on prevailing market conditions, which could be adversely affected by (i) general market conditions, such as disruptions in domestic or overseas sovereign or corporate debt markets, geo-political instabilities, trade restrictions, pandemics, weak economic conditions or other similar adverse economic developments in the U.S. or abroad, and (ii) specific conditions in the communications industry. Instability in the domestic or global financial markets has from time to time resulted in periodic volatility and disruptions in capital markets that have partially or severely limited the ability of leveraged companies like us to obtain debt financing. For these and other reasons, we can give no assurance additional financing for any of these purposes will be available on terms acceptable to us, or at all.

If we are unable to make required debt payments or refinance our debt, we would likely have to consider other options, such as selling assets, cutting or delaying costs or otherwise reducing our cash requirements, or negotiating with our lenders to restructure our applicable debt. The current and future debt instruments of us or our affiliates may restrict, or market or business conditions may limit, our ability to complete some of these actions on favorable terms, or at all. For these and other reasons, we cannot assure you we could implement these steps in a sufficient or timely manner, or at all. Even if successfully implemented, these transactions could be detrimental to our operations, financial performance or future prospects.

We are part of a highly complex debt structure, which could impact the rights of our investors.

Most of the debt of our subsidiary Level 3 Financing is (i) secured by a pledge of substantially all of its assets and (ii) guaranteed on a secured basis by certain of its affiliates. The remainder of the debt of Level 3 Financing is not secured by any of its assets, but is guaranteed by certain of its affiliates, including us. Lumen Technologies, Inc. and various of its subsidiaries owe substantial sums pursuant to various debt and financing arrangements, certain of which are guaranteed by other principal subsidiaries. Roughly three-quarters of the debt of Lumen Technologies, Inc. is guaranteed by certain of its principal domestic subsidiaries, some of which have pledged substantially all of their assets (including certain of their respective subsidiaries) to secure their guarantees. The remainder of the debt of Lumen Technologies, Inc. is neither guaranteed nor secured. Substantial amounts of debt are also owed by two direct or indirect subsidiaries of Qwest Communications International Inc. Most of the over 200 subsidiaries of Lumen Technologies, Inc. have neither borrowed money nor guaranteed any of the debt of Lumen Technologies, Inc. or its affiliates. As such, our investors should be aware that (i) determining the priority of the rights of holders of the debt instruments of us and our affiliates is a complex matter which is substantially dependent upon the assets and earning power of the entities that issued or guaranteed (if any) the applicable debt and (ii) such debt is structurally subordinated to all liabilities of the non-guarantor subsidiaries of Lumen Technologies, Inc. to the extent of the value of those subsidiaries that are obligors.

Our and our affiliates' various debt agreements include restrictions and covenants that could (i) limit our ability to conduct operations or borrow additional funds, (ii) restrict our ability to engage in inter-company transactions, and (iii) lead to the acceleration of our repayment obligations in certain instances.

Under our and our affiliates' consolidated debt and financing arrangements, the issuer of the debt is subject to various covenants and restrictions, the most restrictive of which pertain to the debt of Lumen Technologies, Inc. and Level 3 Financing, Inc.

Lumen Technologies, Inc. senior secured credit facilities and secured notes contain several significant limitations restricting the ability of it and its subsidiaries to, among other things, borrow additional money or issue guarantees; pay dividends or other distributions to shareholders; make loans; create liens on assets; sell assets; transact with its affiliates and engage in mergers, consolidations or other similar transactions. These restrictive covenants could have a material adverse impact on our and our affiliates' ability to operate or reconfigure our respective businesses, to issue additional priority debt, to pursue acquisitions, divestitures or strategic transactions, or to otherwise pursue our respective plans and strategies.

The debt and financing arrangements of Level 3 Financing contain substantially similar limitations that restrict our operations on a standalone basis as a separate restricted group. Consequently, certain of these covenants may significantly restrict our ability to distribute cash to other of our affiliated entities or to enter into other transactions among our wholly-owned entities.

Lumen Technologies, Inc. senior secured credit facilities contain financial maintenance covenants.

The failure of us or our affiliates to comply with the above-described restrictive or financial covenants could result in an event of default, which, if not cured or waived, could accelerate our debt repayment obligations. Any such acceleration of our debt could have materially adverse consequences, including reducing the possibility of obtaining financing and potentially forcing us to seek bankruptcy protection. Certain of our debt instruments have cross-default or cross-acceleration provisions. When present, these provisions could have a wider impact on liquidity than might otherwise arise from a default or acceleration of a single debt instrument.

In 2023, holders of a substantial portion of our funded indebtedness asserted that we had violated certain of our debt covenants. Other creditors could potentially seek to assert similar claims in the future, the risk of which is heightened by the complexity of our debt structure, debt covenants and operations.

Our recent debt transactions may not achieve their anticipated benefits.

During 2024, we engaged in a series of transactions designed principally to extend our debt maturities, and reduce our net indebtedness. In connection with announcing the closing of these transactions, we indicated that they would provide us with additional time to transform our operations and improve our financial performance.

In completing these transactions, we incurred substantial transaction expenses, agreed to pay higher levels of interest and committed to more restrictive debt covenants, which collectively could have important consequences, including the potentially adverse consequences of carrying significant debt or failing to comply with applicable debt covenants, each as specified elsewhere in this Item 1A. For all these reasons and more, we may not realize some or all of the benefits we anticipate receiving from completing our 2024 debt transactions.

Our cash flows may not adequately fund all of our cash requirements.

Our business is very capital intensive. We expect to continue to require significant capital to perform our buildout obligations under certain of our PCF agreements and to otherwise maintain, upgrade and expand our network infrastructure and product offerings. These capital requirements are driven by several factors, including (i) changes in customers' service requirements; (ii) our need to continue to maintain our infrastructure; (iii) our continuing need to expand and improve our network to remain competitive and meet customer demand; and (iv) our regulatory and contractual commitments. Any failure to make appropriate capital expenditures could adversely impact our financial performance or prospects. We will also continue to need substantial amounts of cash to meet our fixed commitments and other business objectives, including without limitation funding our debt repayments, interest expense, operating costs, maintenance expenses, tax obligations, periodic pension contributions and other benefits payments. Although our recent PCF agreements have significantly increased our near term liquidity, we cannot assure you our future cash flows from operating activities will be sufficient to fund our capital investments, debt obligations or any other long-term cash requirements.

We rely on payments from our operating companies to meet our obligations.

Because both we and Level 3 Financing are holding companies, substantially all of our income and operating cash flow is dependent upon the earnings of our respective subsidiaries and their distribution of those earnings to us in the form of dividends, loans or other payments. As a result, we rely upon our subsidiaries to generate cash flows in amounts sufficient to fund our obligations, including the payment of our long-term debt. Our respective subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts owed by us, except to the extent they have guaranteed such payments. Similarly, subject to limited exceptions for tax or cash management purposes, our non-guarantor subsidiaries have no obligation to make any funds available to us to repay our obligations, whether by dividends, loans or other payments. As discussed in greater detail elsewhere herein, restrictions imposed by credit instruments or other agreements applicable to Level 3 and certain of our other subsidiaries limit the amount of funds our subsidiaries are permitted to transfer to us, including the amount of dividends that may be paid to us. Moreover, our rights to receive assets of our respective non-guarantor subsidiaries upon their liquidation or reorganization will be effectively subordinated to the claims of creditors of that subsidiary, including trade creditors. In addition, the laws under which our subsidiaries were organized typically restrict the amount of dividends they may pay. The ability of our subsidiaries to transfer funds could be further restricted under applicable state or federal tax laws, regulatory orders or regulations. For all these reasons, you should not assume our respective subsidiaries will be able in the future to generate and distribute to us cash in amounts sufficient to fund our respective cash requirements.

We periodically transfer our cash to our controlling equity owner, which exposes us to certain risks.

We are controlled by Lumen Technologies, our ultimate parent company.

As of December 31, 2024, Lumen Technologies owed us approximately \$2.7 billion under our affiliate credit facilities discussed elsewhere in this report. Developments that adversely impact Lumen Technologies could adversely impact our ability to collect this debt.

There are no limitations on the ability of Level 3 Financing to transfer assets to us, and we intend to continue to distribute to our direct equity holder a substantial portion of our consolidated cash flow, thereby reducing our capital resources for debt repayments or other purposes. These and other risks of investing in our debt securities are more fully described in the disclosure documents distributed at the time of issuance.

We may not be able to fully utilize our NOLs.

As of December 31, 2024, we had substantial gross federal net operating loss carryforwards ("NOLs"), net of uncertain tax positions, some of which remain subject to limitations under Section 382 of the Internal Revenue Code and related regulations ("Section 382"). These limitations could restrict our ability to use these NOLs under our separate return method in the amounts we project. In an effort to safeguard these NOLs, Lumen has maintained an NOL rights agreement which is scheduled to lapse in late 2026. As of December 31, 2024, we also had substantial state NOLs which we believe are subject to legal and practical limitations on our ability to realize their full benefit. We cannot assure you we will be able to utilize these NOLs as projected or at all.

High inflation could continue to adversely impact us.

Although inflation has recently been declining, during the past several years our operations were impacted by the highest domestic inflation rates in decades. If inflation rates remain elevated or increase, our operations will likely continue to be impacted. Potential impacts of high inflation include (i) lower revenue if inflationary pressures cause our customers to defer or decrease their orders, (ii) lower profit margins, (iii) higher interest costs to the extent inflation places upwards pressure on prevailing interest rates and (iv) as noted above, potential difficulties retaining personnel if we do not match the salary increase expectations of our workforce.

Lapses in our disclosure controls and procedures or internal control over financial reporting could materially and adversely affect us.

We maintain (i) disclosure controls and procedures designed to provide reasonable assurances regarding the accuracy and completeness of our SEC reports and (ii) internal control over financial reporting designed to provide reasonable assurance regarding the reliability of our financial statements and their compliance with U.S. generally accepted accounting principles ("GAAP"). We cannot assure you these measures will be effective.

We face other financial risks.

We face other financial risks, including among others the risk that:

- downgrades in our credit ratings or unfavorable financial analyst reports regarding us, our affiliates or our industry could adversely impact the liquidity or market prices of our outstanding debt securities;
- higher prevailing interest rates would increase interest expense under our floating-rate debt;
- a change of control of us or certain of our affiliates could accelerate a substantial portion of our outstanding indebtedness in an amount that we might not be able to repay; and
- ongoing attempts of the United States, various foreign countries and supranational or international organizations to reform taxes or identify new tax sources could materially impact our taxes, or that one or more of our ongoing tax audits or examinations could result in tax liabilities that differ materially from those we have recognized in our consolidated financial statements.

Divestiture Risks

We may be unable to realize the anticipated benefits of our 2022 and 2023 divestitures.

In connection with divesting our Latin American and EMEA businesses in 2022 and 2023, we completed internal restructurings and entered into multi-year agreements with the purchasers to provide certain transitional services and to provide or receive certain commercial services.

It has been challenging and time-consuming to provide transition services to the purchasers of our divested operations, and we expect this will continue to be the case. We may experience (i) disputes with the purchasers regarding the nature and sufficiency of the transition services we provide or the terms and conditions of our commercial agreements with the purchasers, (ii) greater tax or other costs or realize fewer benefits than anticipated under our post-closing agreements with the purchasers, (iii) higher vendor costs due to reduced economies of scale or other similar dis-synergies, (iv) weaker performance to the extent segregation and support of the divested businesses distracts personnel or diverts resources from the operation, digitization, and transformation of our retained business, (v) losses or increased inefficiencies from stranded or underutilized assets, (vi) the loss of any customers dissatisfied with our services post-closing, (vii) challenges in retaining and attracting personnel or (viii) operational or commercial difficulties segregating the divested assets from our retained assets.

The divestitures have reduced our cash flows. If our remaining business fails to perform as expected, the divestitures could exacerbate certain of the other financial risks specified in this Item 1A, including our ability to fund all of our current cash requirements.

General Risk Factors

Unfavorable general economic, societal, health or environmental conditions could negatively impact us.

Unfavorable general economic, societal, health or environmental conditions, including unstable economic and credit markets, or depressed economic activity caused by trade wars, epidemics, pandemics, wars, societal unrest, rioting, civic disturbances, natural disasters, terrorist attacks, environmental disasters, political instability or other factors, could negatively affect our business or operations in a variety of ways.

Shareholder or debtholder activism efforts could cause a material disruption to our business.

While we always welcome constructive input from stakeholders, activist shareholders at the Lumen level may from time to time engage in proxy solicitations, submit shareholder proposals or otherwise attempt to effect changes or acquire control over Lumen and its affiliates, including us. Responding to these actions can be costly and time-consuming and may disrupt Lumen's and our operations and divert the attention of our Board and management. These adverse impacts could be intensified if activist shareholders advocate actions that are not supported by other shareholders, Lumen's Board or management. The recent increase in the activism of debtholders could increase the risk of claims being made under the debt agreements of us or our affiliates.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

As a technology and communications company that globally transmits large amounts of information over our networks, we recognize the critical importance of maintaining the security and integrity of information and systems under our control. We view cybersecurity risk as one of our principal enterprise-wide risks, subject to control and monitoring at various levels of management throughout the Company. We dedicate significant resources towards programs designed to identify, assess, manage, mitigate and respond to cybersecurity threats.

As described in Item 1A “Risk Factors,” several features of our operations heighten our susceptibility to cyber-attacks, including (i) our material reliance on systems owned, operated or controlled by unaffiliated third-party operators and (ii) our processing and storage of large amounts of sensitive customer data. Cyber-attacks on our systems may be initiated by a wide variety of intruders, including employees, cyber-criminals, nation state actors and other advanced persistent threat actors, and may include attempts by outside parties to gain access to sensitive data that is stored in or transmitted across our network. Cyber-attacks can take many forms, including computer hackings, computer viruses, ransomware, worms or other destructive or disruptive software, denial of service attacks, or other malicious activities.

To identify, assess and mitigate cybersecurity risk, we have implemented a global information security management program that includes administrative, technical, and physical safeguards. This program seeks to identify, detect, protect and respond to threats to our information systems. Our security operations center provides advanced threat detection and response capabilities. Lumen maintains an insider threat program to detect, investigate and mitigate insider threat risks to Lumen assets, data, services and personnel globally.

Our cybersecurity and privacy policies encompass information security, incident response procedures, and vendor management. Our risk management team works closely with our information technology, privacy, product, and operations departments to continuously evaluate emerging cyber risk. We monitor existing or proposed cybersecurity and privacy laws, regulations and guidance that are or may be applicable to us in the regions where we operate, including in the European Union and the United Kingdom where we are subject to the General Data Protections Regulations (“GDPR”), as well as various other laws governing privacy rights, data protection and cybersecurity in other regions. As a U.S. government contractor we are required to comply with extensive governmental regulations and standards regarding cyber security.

Lumen periodically engage both internal and external auditors and consultants to assess and enhance our program. These independent external auditors and consultants are accredited under various information security standards, including those administered by the International Organization for Standardization and the PCI Security Standards Council. These engagements typically include penetration testing, third-party certifications, compliance assessments, audits, and assessments of vulnerabilities and emerging threats. We also periodically deploy our Internal Audit processes to conduct additional reviews and assessments. We also mutually exchange threat intelligence with government agencies, cyber analysis centers and cybersecurity associations.

As noted elsewhere in this annual report, we are materially reliant on a variety of third-party service providers to operate our business, which exposes us to the risk of cyber incidents impacting those providers’ systems. We have a vendor risk management program that assesses, manages and oversees risks associated with third-party service providers who have access to our data and systems. We maintain ongoing monitoring to ensure their compliance with our cybersecurity standards.

Despite our efforts to prevent security incidents, (i) some of these attacks have resulted in security incidents (although thus far we do not believe that any of these incidents has resulted in a material adverse effect on our operating results or financial condition) and (ii) future security incidents are likely (some of which could have a material adverse effect on our operating results or financial condition). See Item 1A “Risk Factors” for a further discussion of cybersecurity risks.

Lumen maintains an Incident Response Playbook that provides a set of guidelines for our stakeholders to follow when handling any data incident. This Playbook describes how we assess incidents and how our security team shares information about such incidents with others at Lumen, including senior leadership and, if warranted, with some or all members of its Board of Directors. These escalation provisions, together with Lumen's Disclosure Controls and Procedures, are designed to ensure that appropriate representatives throughout the Company are available to assess how to respond to such incidents and make any necessary public notifications.

Our Cybersecurity Incident Response Team ("CIRT") is responsible for detecting and coordinating responses to security incidents. This team regularly assesses its communication plan to confirm that its members can be alerted quickly in the event of an actual crisis and meet as a team to discuss response options. The CIRT also addresses each incident, unless it determines that an incident is sufficiently serious. In those instances, it will notify our Cyber Security Watch Team, which is responsible for addressing cybersecurity incidents that raise more significant risks.

Our Cyber Security Watch Team ("CSWAT") is comprised of senior IT, operations, risk, legal and compliance leaders across business segments. In addition to addressing our more significant cyber incidents, the CSWAT manages risks from matters related to business continuity, including risks posed by cybersecurity threats, and implements controls to mitigate such operational risks. Among other processes, this team reviews the our programs and processes related to information security, third-party risk, vendor management, facilities, unplanned downtime, business disruption, business continuity and disaster recovery.

Governance

As part of our overall risk management approach, Lumen prioritizes the identification and management of cybersecurity risk at several levels, including oversight by Lumen's Board of Directors, executive commitment and employee training. Lumen's Risk and Security Committee, comprised of independent directors from its Board, assists the Board in overseeing our cybersecurity and data privacy risk. Specifically, the Risk and Security Committee, which meets quarterly, (i) receives periodic reports from Lumen's Chief Security Officer ("CSO") on security programs, including incident reports, (ii) reviews cybersecurity risk assessments from information security, privacy, and internal audit management teams, including the adequacy and effectiveness of the Company's internal controls regarding cybersecurity; (iii) reviews emerging cybersecurity developments and threats; (iv) reviews compliance with applicable laws and industry standards; and (v) periodically reviews our strategy to mitigate cybersecurity risks, such as our cyber insurance coverage and contingency plans in the event of security incidents or other system disruptions. At least quarterly, the Risk and Security Committee provides reports to the full Board regarding matters recently discussed by the Committee, which enables the full Board of Directors to provide additional oversight of our cyber risks and cyber processes. The full Board also reviews our cybersecurity risks in connection with its annual review of our enterprise risk mitigation programs.

Lumen's CSO has extensive experience working in the public and private sectors leading security organizations, risk management functions, and driving large information technology deployments. He has an Engineering degree, a Master of Business Administration, a Chief Information Security Officer Certification, and a Global Information Assurance Certification Security Leadership Certification. He oversees the implementation and compliance of our information security standards and mitigation of information security related risks.

Lumen's cybersecurity organization includes a response team and management-level committees who support our processes to assess and manage cybersecurity risk as follows:

- At the day-to-day operational level, we maintain an experienced information security team who are tasked with implementing our privacy and cybersecurity program and support the CSO in implementing our detection, reporting, security and mitigation functions. This team and the CSO work to develop and implement tools and processes designed to assist in identifying, containing and remediating cybersecurity incidents, and periodically retain consultants to assist with these activities. We generally seek to promote a company-wide awareness of cybersecurity risk through broad-based communications and educational initiatives, including regularly conducting phishing tests and holding employee trainings on our privacy, cybersecurity and information management policies, at least annually and more frequently when legal or other developments warrant.

- The Technology, Security, and Privacy Council, co-chaired by the CSO, the Chief Information Officer (CIO), and the Chief Privacy Officer (CPO), leverages the combined expertise of various security, IT, legal, internal audit, and operational leaders across the company. This council provides a forum for these cross-functional members of management of our leadership team to consider emerging technologies, such as artificial intelligence and emerging cybersecurity risks; review cybersecurity and privacy regulations; review and update policies and standards as appropriate; and promote cross-functional collaboration to manage cybersecurity and privacy risks across the enterprise. Members of this council are responsible for reporting on cybersecurity and privacy risks to the Risk Oversight Committee ("ROC").
- The ROC, whose core members include the CFO, Chief Technology Officer, Chief Product Officer, and Chief Legal Officer, oversees our company-wide risk mitigation strategies. With respect to cyber risks, the ROC's oversight function helps to ensure accountability, adequacy of resourcing, implementation of Company directives, and alignment of oversight provided by the Board of Directors and senior leadership team. Some of the more significant risks discussed by the ROC are also reported to Lumen's Security Committee at least quarterly.

ITEM 2. PROPERTIES

Our property, plant and equipment consists principally of land, fiber, conduit and other outside plant, central office and other network electronics and support assets. Our gross property, plant and equipment consisted of the following components as of the dates below:

	As of December 31,	
	2024	2023
Land	2 %	2 %
Fiber, conduit and other outside plant ⁽¹⁾	39 %	40 %
Central office and other network electronics ⁽²⁾	32 %	31 %
Support assets ⁽³⁾	19 %	20 %
Construction in progress ⁽⁴⁾	8 %	7 %
Gross property, plant and equipment	100 %	100 %

(1) Fiber, conduit and other outside plant consists of fiber and metallic cable, conduit, poles and other supporting structures.

(2) Central office and other network electronics consists of circuit and packet switches, routers, transmission electronics and electronics providing service to customers.

(3) Support assets consist of buildings, data centers, computers and other administrative and support equipment.

(4) Construction in progress includes inventory held for construction and property of the aforementioned categories that is under construction and has not yet been placed in service.

We own or lease properties to house and operate our fiber optic backbone and distribution network facilities, our point-to-point distribution capacity, as well as our switching equipment and connecting lines between other carriers' equipment and facilities and the equipment and facilities of our customers. Our Gateway facilities are designed to house local sales staff, operational staff, our transmission and IP routing/switching facilities and technical space to accommodate colocation of equipment by high-volume Level 3 customers. We operate approximately 7 million square feet of space for our Gateway and technical or transmission facilities.

We have entered into various agreements regarding our unused office and technical space to reduce our ongoing operating expenses regarding such space.

Substantial portions of our property, plant and equipment are pledged to secure the long-term debt of Level 3 Financing, Inc. or the obligations of the affiliate guarantors of such debt.

ITEM 3. LEGAL PROCEEDINGS

For information regarding legal proceedings in which we are involved, see Note 16—Commitments, Contingencies and Other Items to our consolidated financial statements included in Item 8 of Part II of this report.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Part II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Not Applicable.

ITEM 6. [Reserved]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 and references to "Lumen Technologies" or "Lumen" refer to our ultimate parent company, Lumen Technologies, Inc. and its consolidated subsidiaries, in each case unless the context otherwise provides.

All references to "Notes" in this Item 7 of Part II refer to the Notes to Consolidated Financial Statements included in Item 8 of Part II of this report.

Certain statements in this report constitute forward-looking statements. See "Special Note Regarding Forward-Looking Statements" immediately prior to Item 1 of Part I of this report for factors relating to these statements and "Risk Factors" in Item 1A of Part I of this report for a discussion of certain risk factors applicable to our business, financial condition, results of operations, liquidity or prospects.

Overview

We are a networking company with the goal of connecting people, data and applications quickly, securely and effortlessly. We are unleashing the world's digital potential by providing broad array of integrated products and services to our domestic and global business customers.

For the reasons noted in Note 1—Background and Summary of Significant Accounting Policies we have determined that we have one reportable segment.

Divestitures of the Latin American and EMEA Businesses

On August 1, 2022, certain of our affiliates sold our Latin American business to an affiliate of a fund advised by Stonepeak Partners LP in exchange for pre-tax cash proceeds of approximately \$2.7 billion.

On November 1, 2023, affiliates of Level 3 Parent, LLC completed the sale of its operations in EMEA business to Colt Technology Services Group Limited, a portfolio company of Fidelity Investments, for pre-tax cash proceeds of \$1.7 billion after certain closing adjustments and transaction costs. This consideration is further subject to certain indemnities set forth in the Purchase Agreement, as amended and supplemented to date.

For more information, see (i) Note 2—Divestitures of the Latin American and EMEA Businesses to our consolidated financial statements in Item 8 of Part II of this report and (ii) the risk factors included in Item 1A of Part I of this report.

Macroeconomic Changes

Over the past few years macroeconomic changes have impacted us and our customers in several ways.

We believe macroeconomic changes over the past few years have resulted in (i) increases in certain revenue streams and decreases in others, (ii) operational challenges resulting from inflation and 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.

Continued business uncertainty, supply constraints or inflationary pressures could materially impact our financial results 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.

These above-mentioned macroeconomic factors, coupled with dis-synergies resulting from our 2022 and 2023 divestitures, changes in customer preferences and negotiations with our creditors through the end of the first quarter of 2024, placed additional pressures on our financial performance and Lumen's market capitalization. These developments contributed to us fully impairing our goodwill and recognizing a total of approximately \$6.6 billion in goodwill impairment charges in 2022 and 2023.

Trends Impacting Our Operations

In addition to the above-described impact of macroeconomic pressures, our consolidated operations have been, and will continue to be, impacted by the following trends:

- Customers' demand for automated products and services and competitive pressures will require that we continue to invest in new technologies and automated processes to improve the customer experience and reduce our operating expenses.
- The increased use of multi-cloud storage, digital applications, video streaming, gaming, robotics, quantum computing and artificial intelligence has substantially increased demand for robust, scalable network services. We are continuing to enhance our product and service offerings and taking other steps to enable customers to have access to greater bandwidth and capacity.
- Businesses continue to adopt distributed, global operating models. We are expanding and enhancing our fiber network, connecting more buildings to our network to generate revenue opportunities and reducing our reliance upon other carriers.
- Changes in customer preferences and in the regulatory, technological and competitive environment are (i) significantly reducing demand for our more mature service offerings, commoditizing certain offerings, or resulting in volume or rate reductions for other offerings and (ii) also creating certain opportunities for us arising out of increased demand for advanced networking services and high-speed, low latency secure data transmissions.
- The operating margins of several of our newer, more technologically advanced services, some of which may connect to customers through other carriers, are lower than the operating margins on our traditional, on-net wireline services.
- Uncertainties regarding our financial performance and overall leverage have caused, and may continue to cause, certain customers and other third parties to avoid transacting business with us.
- Our expenses will be impacted by higher vendor costs, reduced economies of scale and other dis-synergies due to our 2022 and 2023 divestitures and any future divestitures.
- Declines in our traditional wireline services and other more mature offerings have necessitated right-sizing our cost structure to remain competitive.
- We have historically generated revenue by entering into transactions that utilize conduit, fiber or other assets on our network to create custom networks for our customers, including through our Private Connectivity FabricSM solutions. We plan to continue to actively pursue additional revenue-generating opportunities with respect to these assets through right-of-use agreements, leases or other agreements. We may or may not consummate such transactions from time to time, and the revenue from and obligations associated with any such opportunities may be significant, either individually or in the aggregate. The completion of any future transactions may be subject to customary conditions, and may not be executed in a timely manner, or at all.

These and other developments and trends impacting our operations are discussed elsewhere in Item 1A and this Item 7.

Results of Operations

Our analysis presented below is organized to provide the information we believe will be useful for understanding the relevant trends affecting our business. This discussion should be read in conjunction with our consolidated financial statements and the Notes thereto in Item 8 of this report.

Results in this section include the results of our EMEA business prior to being sold on November 1, 2023.

The following table summarizes the results of our consolidated operations for the years ended December 31, 2024 and 2023:

	Years Ended December 31,	
	2024	2023
	(Dollars in millions)	
Operating revenue	\$ 6,496	7,037
Operating expenses	6,435	8,662
Operating income (loss)	61	(1,625)
Other expense, net	(372)	(381)
Loss before income taxes	(311)	(2,006)
Income tax benefit	(35)	(2)
Net loss	\$ (276)	(2,004)

Operating Revenue

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

- *Grow*, which includes existing and emerging products and services in which we are significantly investing, including our colocation, dark fiber and conduit, Edge Cloud, IP, managed security, software-defined wide area networks ("SD WAN"), Unified Communications and Collaboration ("UC&C") and wavelengths services;
- *Nurture*, which includes our more mature offerings, including ethernet and VPN data networks services;
- *Harvest*, which includes our legacy services managed for cash flow, including Time Division Multiplexing voice, and private line services;
- *Other*, which includes primarily managed and professional service solutions and content delivery network ("CDN") revenue, prior to the sale of select CDN contracts in late 2023; and
- *Affiliate Services*, which includes 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.

For more information, see "Products and Services" in Item I of Part I of this report.

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

	Years Ended December 31,		% Change
	2024	2023	
	(Dollars in millions)		
Grow	\$ 3,837	3,898	(2)%
Nurture	1,523	1,699	(10)%
Harvest	756	972	(22)%
Other	118	244	(52)%
Affiliate Services	262	224	17 %
Total operating revenue	\$ 6,496	7,037	(8)%

Our total operating revenue decreased by \$541 million for the year ended December 31, 2024 as compared to the year ended December 31, 2023. Approximately \$547 million of this decrease was due to the sale of our EMEA business and select CDN contracts in the fourth quarter of 2023. Within each revenue category this decrease was primarily due to the following:

- Grow decreased by \$61 million primarily driven by a decrease of approximately \$272 million associated with the sale of the EMEA business. This was partially offset by growth in dark fiber and conduit revenue of \$111 million and an increase in IP revenue of \$103 million.
- Nurture decreased by \$176 million primarily due to a \$88 million decrease from the sale of the EMEA business. The remainder of the decline was primarily due to a decrease in Ethernet services of \$56 million and declines in traditional VPN services of \$42 million.
- Harvest decreased by \$216 million, of which approximately \$70 million was due to the sale of the EMEA business. The remainder of the decline was primarily due to a decrease in legacy voice and private line services of \$111 million and a decline in managed hosting revenue of \$19 million.
- Other decreased by \$126 million, of which approximately \$93 million and \$24 million was attributable to the sale of select CDN contracts and the sale of the EMEA business, respectively, in the fourth quarter of 2023. These decreases were partially offset by an increase in equipment sales revenue of \$26 million.
- Affiliate Services increased by \$38 million primarily due to a \$29 million increase in Ethernet services and \$11 million increase in dark fiber services provided to our affiliates.

Operating Expenses

The following table summarizes our consolidated operating expenses:

	Years Ended December 31,		% Change
	2024	2023	
	(Dollars in millions)		
Cost of services and products (exclusive of depreciation and amortization)	\$ 2,720	3,028	(10)%
Selling, general and administrative	1,227	1,360	(10)%
Net loss on sale of businesses	17	123	(86)%
Operating expenses - affiliates	1,066	781	36 %
Depreciation and amortization	1,405	1,400	— %
Goodwill impairment	—	1,970	nm
Total operating expenses	\$ 6,435	8,662	(26)%

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 \$308 million for the year ended December 31, 2024 as compared to the year ended December 31, 2023. This decrease was primarily due to a decrease of \$440 million associated with the sale of the EMEA business in the fourth quarter of 2023, as well as reductions of \$69 million in employee-related expense from lower headcount in the business we retained following that sale and the 2022 sales of our Latin American business. These decreases were partially offset by approximately \$208 million of higher facilities costs.

Selling, General and Administrative

Selling, general and administrative expenses decreased by \$133 million for the year ended December 31, 2024 as compared to the year ended December 31, 2023. The decrease was due to (i) a decrease in employee related costs of approximately \$100 million primarily due to lower headcount, (ii) a decrease of approximately \$80 million associated with the sale of the EMEA business in the fourth quarter of 2023, (iii) a decrease of \$95 million related to the sale of select CDN contracts in the fourth quarter 2023, which is made up of a \$73 million loss recognized relating to the sale in the fourth quarter of 2023 and a \$22 million deferred gain recognized in the first quarter of 2024 and (iv) lower marketing advertising expense of \$20 million. These decreases were partially offset by (i) an increase of \$100 million in legal and other professional fees, mainly driven by our first and third quarter 2024 debt transactions and (ii) an increase of \$80 million attributable to an impairment loss related to the initiation of marketing our Broomfield, Colorado office buildings to locate a buyer and the classification of those buildings as held for sale.

Net Loss on Sale of Businesses

For a discussion of the net loss on the sale of businesses that we recognized for the years ended December 31, 2024 and 2023, see Note 2—Divestitures of the Latin American and EMEA Businesses.

Operating Expenses - Affiliates

Operating expenses - affiliates increased by \$285 million for the year ended December 31, 2024 as compared to the year ended December 31, 2023 primarily due to \$185 million of higher ethernet and other legacy direct telecommunication services purchased from affiliates and \$58 million of increased network services purchased from affiliates. Additionally, we had an increase of \$42 million in allocated employee and corporate expense provided to us by our affiliates.

Depreciation and Amortization

The following table provides detail of our depreciation and amortization expense:

	Years Ended December 31,		% Change
	2024	2023	
	(Dollars in millions)		
Depreciation	\$ 676	686	(1)%
Amortization	729	714	2 %
Total depreciation and amortization	\$ 1,405	1,400	— %

Depreciation expense decreased by \$10 million for the year ended December 31, 2024 as compared to the year ended December 31, 2023 primarily due to \$27 million due to changes in depreciation lives of fiber assets and \$16 million associated with net growth in depreciable assets. These decreases were partially offset by an \$18 million increase from the accelerated depreciation of CDN assets.

Amortization expense increased by \$15 million for the year ended December 31, 2024 as compared to the year ended December 31, 2023 primarily due to \$25 million increase in accelerated amortization in decommissioned assets, mostly related to our 2023 sale of CDN contracts. These increases were partially offset by a \$12 million decrease associated with CDN customer relationships.

Goodwill Impairment

Prior to becoming fully impaired in the second quarter of 2023, we were 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 impairment tests during the second quarter of 2023, we concluded the estimated fair value of our reporting unit was less than our carrying value of equity as of our testing dates. As a result, we recorded a non-cash, non-tax-deductible goodwill impairment charge of \$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 Item 8 of Part II of this report for further details on these tests and impairment charges.

Other Consolidated Results

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

	Years Ended December 31,		% Change
	2024	2023	
	(Dollars in millions)		
Interest expense	\$ (819)	(458)	79 %
Interest income - affiliate	245	62	nm
Net gain on early retirement of debt (Note 7)	119	—	nm
Other income, net	83	15	nm
Total other expense, net	\$ (372)	(381)	(2)%
Income tax benefit	\$ (35)	(2)	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 \$361 million for the year ended December 31, 2024 as compared to the year ended December 31, 2023. The increase was primarily due to (i) an increase in the average interest rate from 4.78% to 6.81% and (ii) an increase in average outstanding long-term debt of approximately \$780 million.

Interest Income - Affiliate

Interest income - affiliate increased by \$183 million for the year ended December 31, 2024 as compared to the year ended December 31, 2023 primarily due to an increase in the average interest rate received by us from our affiliates from 4.25% to 9.57%. Additionally average outstanding long-term debt owed to us by our affiliates increased by approximately \$1 billion. See Note 15—Affiliate Transactions for more information on these facilities.

Other Income, Net

The following table summarizes our total other income, net:

	Years Ended December 31,	
	2024	2023
	(Dollars in millions)	
Foreign currency loss	\$ (19)	(8)
Interest income	54	22
Other	48	1
Total other income, net	<u>\$ 83</u>	<u>\$ 15</u>

Interest Income

Interest income increased for the year ended December 31, 2024 as compared to the year ended December 31, 2023 primarily due to a higher average cash and cash equivalents balance during the period and higher interest rates earned thereon.

Income Tax Expense

For the years ended December 31, 2024 and 2023, our effective income tax rate was 11.3% and 0.1%, respectively. The effective tax rate for the year ended December 31, 2023 includes a \$389 million unfavorable impact of a non-deductible goodwill impairment charge. See Note 13—Income Taxes and "Critical Accounting Policies and Estimates—Income Taxes" below for additional information.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles that are generally accepted in the United States. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of our assets, liabilities, revenue and expenses. We have identified certain policies and estimates as critical to our business operations and the understanding of our past or present results of operations related to (i) goodwill, customer relationships and other intangible assets; (ii) loss contingencies; (iii) affiliate transactions; and (iv) income taxes. These policies and estimates are considered critical because they had a material impact, or they have the potential to have a material impact, on our consolidated financial statements and because they require us to make significant judgments, assumptions or estimates. We believe that the estimates, judgments and assumptions made when accounting for the items described below were reasonable, based on information available at the time they were made. However, actual results may differ from those estimates, and these differences may be material.

Goodwill, Customer Relationships and Other Intangible Assets

Intangible assets arising from business combinations, such as goodwill, customer relationships, capitalized software, trademarks and trade names, are initially recorded at estimated fair value. We amortize customer relationships primarily over an estimated life of seven to 14 years, using the straight-line method. We amortize capitalized software using the straight-line method primarily over estimated lives ranging up to seven years. We amortized our other intangible assets over an estimated life of five years prior to becoming fully amortized in the fourth quarter of 2022. We annually review the estimated lives and methods used to amortize our other intangible assets. The amount of future amortization expense may differ materially from current amounts, depending on the results of our annual reviews. At December 31, 2024, our definite-lived intangible assets totaled \$3.6 billion, or 22% of our total assets and we had no goodwill or indefinite-lived intangible assets.

Our goodwill was derived from Lumen's acquisition of us where the purchase price exceeded the fair value of the net assets acquired. Prior to becoming fully impaired in the second quarter of 2023, we were required to assess our goodwill for impairment annually, or more frequently if an event occurred or circumstances changed that indicate it is more likely than not the fair value of our reporting unit was less than our carrying value. In assessing goodwill for impairment, we would first assess qualitative factors to determine whether it was more likely than not that the fair value of our reporting unit was less than our carrying value.

Prior to our goodwill becoming fully impaired in the second quarter of 2023, our annual impairment assessment date for goodwill was October 31, at which date we compared our estimated fair value of equity of our reporting unit to the carrying value of equity. If the estimated fair value was greater than the carrying value, we concluded no impairment exists. If the estimated fair value was less than the carrying value, we recorded a non-cash impairment charge equal to the excess amount. Depending on the facts and circumstances, we typically estimated the fair value by considering either or both of (i) a discounted cash flow method, which was based on the present value of projected cash flows over a discrete projection period and a terminal value, which was based on the expected normalized cash flows following the discrete projection period, and (ii) a market approach, which included the use of multiples of publicly-traded companies whose services were comparable to ours. With respect to our analysis using the discounted cash flow method, the timing and amount of projected cash flows under these forecasts required estimates developed from our long-range plan, which is informed by wireline industry trends, the competitive landscape, product lifecycles, operational initiatives, capital allocation plans and other company-specific and external factors that influence our business. These projected cash flows considered recent historical results and are consistent with the Company's short-term financial forecasts and long-term business strategies. Due to inherent uncertainties, actual cash flows could vary significantly from our projected cash flows. Our determination of the discount rate was based on a weighted average cost of capital approach, which used a market participant's cost of equity and after-tax cost of debt and reflects certain risks inherent in the projected cash flows. With respect to our analysis using the market approach, the fair value was estimated based upon a market multiple applied to revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted for an appropriate control premium based on recent market transactions. The fair value of our reporting unit was estimated under the market approach, using revenue and EBITDA market multiples weighted depending on the characteristics of the reporting unit. We performed sensitivity analyses that considered a range of discount rates and a range of EBITDA market multiples and we believe the estimates, judgments, assumptions and allocation methods used by us were reasonable.

For additional information on our goodwill balances and results of our impairment analyses, see Note 3—Goodwill, Customer Relationships and Other Intangible Assets for additional information.

Loss Contingencies

We are involved in several potentially material legal proceedings, as described in more detail in Note 16—Commitments, Contingencies and Other Items. On a quarterly basis, we assess potential losses in relation to these and other pending or threatened tax and legal matters. For matters not related to income taxes, if a loss is considered probable and the amount can be reasonably estimated, we recognize an expense for the estimated loss. To the extent these estimates are more or less than the actual liability incurred upon resolving these matters, our earnings will be increased or decreased accordingly. If the differences are material, our consolidated financial statements could be materially impacted.

For matters related to income taxes, if we determine in our judgment that the impact of an uncertain tax position is more likely than not to be sustained upon audit by the relevant taxing authority, then we recognize in our financial statements a benefit for the largest amount that is more likely than not to be sustained. We do not recognize any portion of an uncertain tax position if we determine in our judgment that the position has less than a 50% likelihood of being sustained. Though the validity of any tax position is a matter of tax law, the body of statutory, regulatory and interpretive guidance on the application of the law is complex and often ambiguous, particularly in certain of the non-U.S. jurisdictions in which we operate. As such, our tax positions may not be sustained, which could materially impact our consolidated financial statements.

Affiliate Transactions

We provide to and receive from Lumen Technologies and its subsidiaries ("our affiliates") various communications and other services. We recognize intercompany charges for the amounts billed to us by our affiliates and we recognize intercompany revenue for services we bill to our affiliates.

Because of the significance of the services we provide to our affiliates and our other affiliate transactions, and the services our affiliates provide to us, the results of operations, financial position and cash flows presented herein are not necessarily indicative of the results of operations, financial position and cash flows we would have achieved had we operated as a stand-alone entity during the periods presented. Regarding telecommunications services that we received from our affiliates, we expect a significant reduction to affiliate expense for the fiscal year ended December 31, 2025. This is primarily due to the repricing of certain services provided to us to align with lower market rates including certain transport services, along with the termination of certain affiliate circuits that we no longer need to provide services to our external customers. See Note 15—Affiliate Transactions for additional information.

Income Taxes

We are included in the consolidated federal income tax return of Lumen Technologies. Lumen Technologies treats our consolidated results as if we were a separate taxpayer. We are required to pay our tax liabilities to Lumen Technologies based upon our separate return taxable income. We are also included in the combined state tax returns filed by Lumen Technologies.

Our provision for income taxes includes amounts for tax consequences deferred to future periods. We record deferred income tax assets and liabilities reflecting future tax consequences attributable to (i) tax credit carryforwards (ii) differences between the financial statement carrying value of assets and liabilities and the tax basis of those assets and liabilities, and (iii) tax NOLs. Deferred taxes are computed using enacted tax rates expected to apply in the year in which the differences are expected to affect taxable income. The effect of a change in tax rate on deferred income tax assets and liabilities is recognized in earnings in the period that includes the enactment date.

The measurement of deferred taxes often involves the exercise of considerable judgment related to the realization of tax basis. Our deferred tax assets and liabilities reflect our assessment that tax positions taken in filed tax returns and the resulting tax basis, are more likely than not to be sustained if they are audited by taxing authorities. Assessing tax rates that we expect to apply and determining the years when the temporary differences are expected to affect taxable income requires judgment about the future apportionment of our income among the states in which we operate. Any changes in our practices or judgments involved in the measurement of deferred tax assets and liabilities could materially impact our financial condition or results of operations.

In connection with recording deferred income tax assets and liabilities, we establish valuation allowances when necessary to reduce deferred income tax assets to amounts that we believe are more likely than not to be realized. We evaluate our deferred tax assets quarterly to determine whether adjustments to our valuation allowances are appropriate in light of changes in facts or circumstances, such as changes in tax law, interactions with taxing authorities and developments in case law. In making this evaluation, we rely on our recent history of pre-tax earnings. We also rely on our forecasts of future earnings and the nature and timing of future deductions and benefits represented by the deferred tax assets, all of which involve the exercise of significant judgment. As of December 31, 2024, we established a valuation allowance of \$126 million primarily related to state NOLs, based on the determination that it was more likely than not that this amount of these NOLs would expire unused. If forecasts of future earnings and the nature and estimated timing of future deductions and benefits change in the future, we may determine that existing valuation allowances must be revised or eliminated or new valuation allowances created, any of which could materially impact our financial condition or results of operations. See Note 13—Income Taxes for additional information.

Liquidity and Capital Resources

Overview of Sources and Uses of Cash

We are a wholly-owned subsidiary of Lumen Technologies, Inc. As such, factors relating to, or affecting, Lumen's liquidity and capital resources could have material impacts on us, including impacts on our credit ratings, our access to capital markets and changes in the financial market's perception of us.

As of December 31, 2024, we had \$2.7 billion of outstanding notes receivable-affiliate under credit facilities that we extended to Lumen Technologies on the terms and conditions described in Note 15—Affiliate Transactions. A significant component of our liquidity is dependent upon Lumen's ability to repay its obligation to us.

As of December 31, 2024, we held cash and cash equivalents of \$600 million, of which \$21 million were 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) our ability to refinance our debt obligations to the extent permitted under applicable debt covenants and (iv) 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.

In August 2022, the Inflation Reduction Act was signed into law, which, among other things, implemented a corporate alternative minimum tax ("CAMT") on adjusted financial statement income effective for tax periods occurring after December 31, 2022. The CAMT had no material impact on our financial results as of December 31, 2024. In addition, the Organization for Economic Co-operation and Development has issued Pillar Two model rules introducing a new global minimum tax of 15% intended to be effective on January 1, 2024. While the U.S. has not yet adopted the Pillar Two rules, various other governments around the world are enacting legislation, some of which are effective for tax periods after December 31, 2023. While the global minimum tax will increase our administrative and compliance burdens, we expect that it will have an immaterial impact on our financial statements for the tax period ending December 31, 2024.

For additional information, see "Risk Factors—Financial Risks" in Item 1A of Part I of this report.

Impact of the Divestiture of our Latin American and EMEA Businesses

As discussed in Note 2—Divestitures of the Latin American and EMEA Businesses to our consolidated financial statements in Item 8 of Part II of this report, we sold our Latin American business on August 1, 2022 and our EMEA business on November 1, 2023. As further described elsewhere herein, these transactions have provided us with a substantial amount of cash proceeds but have also reduced our base of income-generating assets that generate our recurring cash from operating activities.

Impact of PCF Transactions

During the second half of 2024 Lumen announced that Lumen and its subsidiaries, including us, sold several billion dollars in new PCF solutions.

Lumen and its subsidiaries expect to receive the majority of cash from these agreements, which include advance payments to fund network expansion projects, over the next three to four years. Lumen and its subsidiaries will incur certain material expenditures in connection with these agreements, and expect the majority of such expenditures to be made over the same period of time. The payments Lumen and its subsidiaries actually make and receive may vary materially from what is expected and will depend, among other things, on the timing of delivery and installation of the products and services by Lumen and its subsidiaries.

During the second half of 2024, we began receiving advance payments under these agreements, which increased our net cash provided by operating activities reflected in our consolidated statements of cash flows and our deferred revenue reflected in our consolidated balance sheets. We anticipate that our continued receipt of cash payments under these agreements will (i) cause our consolidated cash flows to vary from quarter to quarter over the next several years and (ii) enable us to accelerate our network simplification initiatives. In addition, we expect our consolidated capital expenditures to increase as we use these cash receipts to fund network expansion projects contemplated under such agreements.

We expect to enter into additional agreements in the future to sell products and services as part of our PCF solutions but cannot provide any assurances. See "Risk Factors" under Item 1A of Part II of this report.

Capital Expenditures

We incur capital expenditures on an ongoing basis in order to enhance and modernize our networks, compete effectively in our markets and expand our service offerings. Lumen Technologies and we evaluate capital expenditure projects based on a variety of factors, including expected strategic impacts (such as forecasted impact on revenue growth, productivity, expenses, service levels and customer retention) and the expected return on investment. The amount of Lumen's consolidated capital investment is influenced by, among other things, demand for Lumen's services and products, cash flow generated by operating activities, cash required for other purposes and the availability of requisite supplies, labor and permits. For more information on our capital spending, see "Business" and "Risk Factors" in Items 1 and 1A, respectively, of Part I of this report.

Debt Instruments and Financing Arrangements

Debt Instruments

On March 22, 2024 (the "Effective Date") Lumen Technologies, Level 3 Financing, Qwest and a group of creditors holding a majority of our consolidated debt completed transactions contemplated under the amended and restated transaction support agreement ("TSA") dated January 22, 2024 (the "TSA Transactions"), which included Level 3 Financing privately placing \$1.575 billion aggregate principal amount of newly-issued first lien notes. As of December 31, 2024, our long-term debt (including current maturities and finance leases but excluding unamortized (discounts) premiums, net and unamortized debt issuance costs) outstanding totaled \$10.0 billion, approximately \$8.8 billion of which is secured. For more information on the terms and impact of these March 2024 transactions our consolidated debt, see Note 7—Long-Term Debt to our consolidated financial statements in Item 8 of Part II of this report.

Pursuant to exchange offers commenced on September 3, 2024 (the "Exchange Offers"), on September 24, 2024, Level 3 Financing issued \$350 million aggregate principal amount of its newly-issued 10.000% Second Lien Notes due 2032 in exchange for \$357 million aggregate principal amount of two series of its outstanding senior unsecured notes maturing in 2027 (which were concurrently cancelled). These transactions reduced the aggregate principal amount of Level 3 Financing's consolidated indebtedness by approximately \$7 million.

Future Debt Transactions

Subject to market conditions, we plan to continue to issue debt securities from time to time to refinance a substantial portion of our maturing debt, including issuing debt securities of certain of our subsidiaries to refinance their maturing debt to the extent permitted under debt covenants and consistent with our capital allocation strategies. The availability, interest rate and other terms of any new borrowings will depend on the ratings assigned by 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 were as follows:

Borrower	Moody's Investors Service, Inc.	Standard & Poor's	Fitch Ratings
Level 3 Financing, Inc.			
Unsecured	Caa1	CCC-	CCC-
Secured	B2/Caa1	CCC+	B+/CCC

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 this report.

From time to time over the past couple of years, we have engaged in various debt refinancings, redemptions, tender offers, exchange offers, open market purchases and other transactions designed principally to reduce our consolidated indebtedness, extend our debt maturities, improve our financial flexibility or otherwise enhance our debt profile. Subject to market conditions, restrictions under our debt covenants, and other limitations, we expect to opportunistically pursue similar transactions in the future to the extent feasible. See Note 7—Long-Term Debt to our consolidated financial statements in Item 8 of Part II of this report 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 December 31, 2024, we had outstanding letters of credit or other similar obligations of approximately \$2 million, all of which were collateralized by restricted cash.

Future Contractual Obligations

Our estimated future obligations as of December 31, 2024 include both current and long term obligations. For our long-term debt as noted in Note 7—Long-Term Debt, we have a current obligation of \$36 million and a long-term obligation of \$10.0 billion of long-term debt (excluding unamortized premiums, net and unamortized debt issuance costs). Under our operating leases as noted in Note 5—Leases, we have a current obligation of \$326 million and a long-term obligation of \$1.0 billion. As noted in Note 16—Commitments, Contingencies and Other Items, we have a current obligation related to right-of-way agreements and purchase commitments of \$187 million and a long-term obligation of \$582 million. Additionally, we have a current asset retirement obligation of \$16 million and a long-term obligation of \$81 million.

Distributions and Contributions

From time to time we make distributions to and receive contributions from our controlling parent company, which decrease or increase our capital resources for debt repayments and other purposes. For additional information, see our consolidated statements of member's equity and consolidated statements of cash flows.

Cash Flow Activities

The following table summarizes our consolidated cash flow activities:

	Years Ended December 31,		\$ Change
	2024	2023	
	(Dollars in millions)		
Net cash provided by operating activities	\$ 3,131	1,621	1,510
Net cash (used in) provided by investing activities	(2,204)	872	3,076
Net cash used in financing activities	(2,345)	(637)	1,708

Operating Activities

Net cash provided by operating activities increased by \$1.5 billion for the year ended December 31, 2024 compared to the year ended December 31, 2023, primarily due to advance cash payments received in the third quarter of 2024 pursuant to our recent PCF transactions. This increase was additionally impacted by a lower net loss. 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 \$3.1 billion for the year ended December 31, 2024 compared to the year ended December 31, 2023, primarily due to an issuance of notes receivable - affiliate to our ultimate parent company under the credit facilities described elsewhere herein as well as a decrease in proceeds from the sale of businesses in 2023.

Financing Activities

Net cash used in financing activities increased by \$1.7 billion for the year ended December 31, 2024 compared to the year ended December 31, 2023, due to an increase in distributions paid to our parent, partially offset by proceeds from issuance of new debt.

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 16—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 increase broadband regulation. 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. Although it remains premature to speculate on the potential impact of this legislation on us.

Market Risk

As of December 31, 2024, we were exposed to market risk from changes in interest rates on our variable rate long-term debt obligations.

As of December 31, 2024, we had approximately \$9.8 billion (excluding unamortized (discounts) premiums, net, unamortized debt issuance costs and finance leases) of long-term debt outstanding, approximately \$7.4 billion of which bears interest at fixed rates and is therefore not exposed to interest rate risk and approximately \$2.4 billion of which is unhedged floating rate debt based on the secured overnight financing rate ("SOFR"). A hypothetical increase of 100 basis points in SOFR relating to our debt would, among other things, decrease our annual pre-tax earnings by approximately \$24 million.

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 December 31, 2024.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Risk" in Item 7 of Part II of this report is incorporated herein by reference.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Member
Level 3 Parent, LLC:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Level 3 Parent, LLC and subsidiaries (the Company) as of December 31, 2024 and 2023, the related consolidated statements of operations, comprehensive loss, cash flows, and member's equity for each of the years in the three-year period ended December 31, 2024, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2024, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to those charged with governance and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which they relate.

Testing of revenue

As discussed in Note 4 to the consolidated financial statements, the Company recorded \$6.5 billion of operating revenues for the year ended December 31, 2024. The processing and recording of revenue are reliant upon multiple information technology (IT) systems.

We identified the evaluation of the sufficiency of audit evidence over revenue as a critical audit matter. Complex auditor judgment was required in evaluating the sufficiency of audit evidence over revenue due to the large volume of data and the number and complexity of the revenue accounting systems. Specialized skills and knowledge were needed to test the IT systems used for the processing and recording of revenue.

The following are the primary procedures we performed to address this critical audit matter. We applied auditor judgment to determine the nature and extent of procedures to be performed over the processing and recording of revenue, including the IT systems tested. We evaluated the design and tested the operating effectiveness of certain internal controls related to the processing and recording of revenue. This included manual and automated controls over the IT systems used for the processing and recording of revenue. For a selection of transactions, we compared the amount of revenue recorded to a combination of Company internal data, executed contracts, and other relevant third-party data. In addition, we involved IT professionals with specialized skills and knowledge who assisted in the design and performance of audit procedures related to certain IT systems used by the Company for the processing and recording of revenue. We evaluated the sufficiency of audit evidence obtained by assessing the results of procedures performed, including the relevance and reliability of evidence obtained.

/s/ KPMG LLP

We have served as the Company's auditor since 2002.

Denver, Colorado
February 20, 2025

LEVEL 3 PARENT, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	2024	2023	2022
	(Dollars in millions)		
OPERATING REVENUE			
Operating revenue	\$ 6,234	6,813	7,266
Operating revenue - affiliates	262	224	227
Total operating revenue	6,496	7,037	7,493
OPERATING EXPENSES			
Cost of services and products (exclusive of depreciation and amortization)	2,720	3,028	3,229
Selling, general and administrative	1,227	1,360	1,188
Net loss on sale of businesses	17	123	493
Operating expenses - affiliates	1,066	781	659
Depreciation and amortization	1,405	1,400	1,534
Goodwill impairment	—	1,970	4,638
Total operating expenses	6,435	8,662	11,741
OPERATING INCOME (LOSS)	61	(1,625)	(4,248)
OTHER (EXPENSE) INCOME			
Interest expense	(819)	(458)	(374)
Interest income - affiliate	245	62	62
Net gain on early retirement of debt (Note 7)	119	—	8
Other income, net	83	15	15
Total other expense, net	(372)	(381)	(289)
LOSS BEFORE INCOME TAXES	(311)	(2,006)	(4,537)
Income tax (benefit) expense	(35)	(2)	256
NET LOSS	\$ (276)	(2,004)	(4,793)

See accompanying notes to consolidated financial statements.

LEVEL 3 PARENT, LLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Years Ended December 31,		
	2024	2023	2022
	(Dollars in millions)		
NET LOSS	\$ (276)	(2,004)	(4,793)
OTHER COMPREHENSIVE INCOME			
Reclassification of realized loss on foreign currency translation to net loss on sale of businesses, net of \$—, \$—, and \$— tax	—	350	112
Defined benefit pension plan adjustment, net of \$—, \$— and \$— tax	—	—	18
Reclassification of net actuarial loss to net loss on the sale of businesses, net of \$—, \$— and \$— tax	—	(22)	—
Foreign currency translation adjustment, net of \$—, \$(3) and \$58 tax	2	(12)	(123)
Other comprehensive income, net of tax	2	316	7
COMPREHENSIVE LOSS	\$ (274)	(1,688)	(4,786)

See accompanying notes to consolidated financial statements.

LEVEL 3 PARENT, LLC
CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2024	2023
	(Dollars in millions)	
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 600	2,017
Accounts receivable, less allowance of \$12 and \$13	532	545
Note receivable - affiliate	2,668	1,466
Other	246	244
Total current assets	4,046	4,272
Property, plant and equipment, net of accumulated depreciation \$4,139 and \$3,665	7,554	7,398
<u>OTHER ASSETS</u>		
Intangible assets, net	3,569	4,237
Other, net	1,257	1,346
Total other assets	4,826	5,583
TOTAL ASSETS	\$ 16,426	17,253
<u>LIABILITIES AND MEMBER'S EQUITY</u>		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 36	31
Accounts payable	294	392
Accounts payable - affiliates	241	37
Accrued expenses and other liabilities		
Salaries and benefits	179	195
Income and other taxes	116	105
Current operating lease liabilities	266	288
Interest	124	82
Other	64	78
Current portion of deferred revenue	529	300
Total current liabilities	1,849	1,508
LONG-TERM DEBT	9,629	8,952
DEFERRED REVENUE AND OTHER LIABILITIES		
Deferred revenue	3,392	1,623
Operating lease liabilities	719	845
Other	641	709
Total deferred revenue and other liabilities	4,752	3,177
COMMITMENTS AND CONTINGENCIES (Note 16)		
MEMBER'S EQUITY		
Member's equity	222	3,644
Accumulated other comprehensive loss	(26)	(28)
Total member's equity	196	3,616
TOTAL LIABILITIES AND MEMBER'S EQUITY	\$ 16,426	17,253

See accompanying notes to consolidated financial statements.

LEVEL 3 PARENT, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2024	2023	2022
	(Dollars in millions)		
OPERATING ACTIVITIES			
NET LOSS	\$ (276)	(2,004)	(4,793)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	1,405	1,400	1,534
Net loss on sale of businesses	17	123	493
Goodwill impairment	—	1,970	4,638
Impairment of long-lived assets	83	9	3
Deferred income taxes	(52)	(10)	209
Net gain on early retirement of debt	(119)	—	(8)
Changes in current assets and liabilities:			
Accounts receivable	6	(23)	10
Accounts payable	(66)	6	(19)
Other assets and liabilities, net	224	(39)	(131)
Other assets and liabilities, affiliate	219	(26)	73
Changes in deferred revenue	1,769	221	101
Changes in other noncurrent assets and liabilities, net	(33)	94	42
Other, net	(46)	(100)	99
Net cash provided by operating activities	3,131	1,621	2,251
INVESTING ACTIVITIES			
Capital expenditures	(1,076)	(998)	(1,198)
Proceeds from sale of business	15	1,746	2,732
Proceeds from sale of property, plant and equipment and other assets	59	136	2
Increase in notes receivable - affiliate	(1,202)	—	—
Other, net	—	(12)	—
Net cash (used in) provided by investing activities	(2,204)	872	1,536
FINANCING ACTIVITIES			
Net proceeds from issuance of long-term debt	1,325	—	—
Distributions	(3,156)	(586)	(1,425)
Contributions	210	—	—
Payments of long-term debt	(514)	(38)	(2,387)
Debt issuance and extinguishment costs and related fees	(210)	(14)	—
Other	—	1	(2)
Net cash used in financing activities	(2,345)	(637)	(3,814)
Net (decrease) increase in cash, cash equivalents and restricted cash	(1,418)	1,856	(27)
Cash, cash equivalents and restricted cash at beginning of period	2,020	164	191
Cash, cash equivalents and restricted cash at end of period	\$ 602	2,020	164
Supplemental cash flow information:			
Income taxes paid, net	\$ —	(8)	(10)
Interest paid (net of capitalized interest of \$36, \$22 and \$16)	(723)	(433)	(387)
Supplemental non-cash information regarding financing activities:			
Issuance of senior secured notes as part of exchange offers (Note 7)	\$ —	924	—
Distribution to Lumen Technologies in exchange for reduction of advances to affiliates	200	—	—
Cash, cash equivalents and restricted cash:			
Cash and cash equivalents	\$ 600	2,017	118
Cash and cash equivalents, and restricted cash included in assets held for sale	—	—	44
Restricted cash included in Other current assets	1	1	—
Restricted cash included in Other, net noncurrent assets	1	2	2
Total	\$ 602	2,020	164

See accompanying notes to consolidated financial statements.

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

	Years Ended December 31,		
	2024	2023	2022
	(Dollars in millions)		
MEMBER'S EQUITY			
Balance at beginning of period	\$ 3,644	7,119	13,337
Net loss	(276)	(2,004)	(4,793)
Distributions	(3,156)	(1,510)	(1,425)
Contributions	210	—	—
Other	(200)	39	—
Balance at end of period	222	3,644	7,119
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Balance at beginning of period	(28)	(344)	(351)
Other comprehensive income	2	316	7
Balance at end of period	(26)	(28)	(344)
TOTAL MEMBER'S EQUITY	\$ 196	3,616	6,775

See accompanying notes to consolidated financial statements.

LEVEL 3 PARENT, LLC
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 subsidiaries. References to (i) "Lumen Technologies" or "Lumen" refer to our ultimate parent company, Lumen Technologies, Inc. and its consolidated subsidiaries, (ii) "Level 3 Financing" refer to our finance subsidiary, Level 3 Financing, Inc., and (iii) "Qwest" refers to Qwest Corporation, unless the context otherwise requires.

Note 1—Background and Summary of Significant Accounting Policies

General

We are a networking company with the goal of connecting people, data and applications quickly, securely and effortlessly. We are unleashing the world's digital potential by providing a broad array of integrated products and services to our domestic and global business customers. We operate one of the world's most interconnected networks. Our platform empowers our customers to swiftly adjust digital programs to meet immediate demands, create efficiencies, accelerate market access and reduce costs, which allows our 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

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.

We reclassified certain prior period amounts to conform to the current period presentation, including our revenue by product and service categories for 2023 and 2022. See Note 4—Revenue Recognition for additional information. These changes had no impact on total operating revenue, total operating expenses or net loss for any period.

Segments

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

Operating Expenses

Our current definitions of operating expenses are as follows:

- *Cost of services and products (exclusive of depreciation and amortization)* are expenses incurred in providing products and services to our customers. These expenses include: employee-related expenses directly attributable to operating and maintaining our network (such as salaries, wages, benefits and professional fees); facilities expenses (which include third-party telecommunications expenses we incur for using other carriers' networks to provide services to our customers); rents and utilities expenses; equipment sales expenses; and other expenses directly related to our operations; and

- *Selling, general and administrative expenses* are corporate overhead and other operating expenses. These expenses include: employee-related expenses (such as salaries, wages, internal commissions, benefits and professional fees) directly attributable to selling products or services and employee-related expenses for administrative functions; marketing and advertising; property and other operating taxes and fees; external commissions; legal expenses associated with general matters; bad debt expense; and other selling, general and administrative expenses.

These expense classifications may not be comparable to those of other companies.

Summary of Significant Accounting Policies

Use of Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles. These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions we make when accounting for specific items and matters are reasonable, based on information available at the time they are made. These estimates, judgments and assumptions can materially affect the reported amounts of assets, liabilities and components of member's equity as of the dates of the consolidated balance sheets, as well as the reported amounts of revenue, expenses and components of cash flows during the periods presented in our other consolidated financial statements. We also make estimates in our assessments of potential losses in relation to threatened or pending tax and legal matters. See Note 13—Income Taxes and Note 16—Commitments, Contingencies and Other Items for additional information.

For matters not related to income taxes, if a loss is considered probable and the amount can be reasonably estimated, we recognize an expense for the estimated loss. If we have the potential to recover a portion of the estimated loss from a third-party, we make a separate assessment of recoverability and reduce the estimated loss if recovery is also deemed probable.

For matters related to income taxes, if we determine the impact of an uncertain tax position is more likely than not to be sustained upon audit by the relevant taxing authority, then we recognize a benefit for the largest amount that is more likely than not to be sustained. We do not recognize any portion of an uncertain tax position if the position has less than a 50% likelihood of being sustained. We recognize interest on the amount of unrecognized benefit from uncertain tax positions.

For all of these and other matters, actual results could differ materially from our estimates.

Revenue Recognition

We earn most of our consolidated revenue from contracts with customers, primarily through the provision of communications and other services. Revenue from contracts with customers is accounted for under Accounting Standards Codification ("ASC") 606. We also earn revenue from leasing arrangements (primarily from fiber capacity and colocation agreements) which are not accounted for under ASC 606.

Revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to receive in exchange for those goods or services. Revenue is recognized based on the following five-step model:

- Identification of the contract with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, we satisfy a performance obligation.

We provide an array of communications services to business customers, including local voice, VPN, Ethernet, data, broadband, private line (including special access), network access, transport, voice, information technology, video and other ancillary services. We provide these services to a wide range of businesses, including global, enterprise, wholesale, government, and small and medium business customers. Certain contracts also include the sale of equipment, which is not significant to our business.

We recognize revenue for services when we provide the applicable service or when control of a product is transferred. Recognition of certain payments received in advance of services being provided is deferred. These advance payments may include design, planning and engineering fees, as well as certain activation and installation charges. If these advance payments are not separate performance obligations, we recognize them as revenue over the actual or expected contract term using historical experience, which typically ranges from one to five years depending on the service. In most cases, termination fees or other fees on existing contracts that are negotiated in conjunction with new contracts are deferred and recognized over the new contract term.

For access services, we generally bill fixed monthly charges one month in advance to customers and recognize revenue as service is provided over the contract term in alignment with the customer's receipt of service. For usage and other ancillary services, we generally bill in arrears and recognize revenue as usage or delivery occurs. In most cases, the amount invoiced for our service offerings constitutes the price that would be billed on a standalone basis.

In certain cases, customers may be permitted to modify their contracts. We evaluate the change in scope or price to identify whether the modification should be treated as a separate contract, as a termination of the existing contract and creation of a new contract, or as a change to the existing contract.

Customer contracts are evaluated to determine whether the performance obligations are separable. If the performance obligations are deemed separable and separate earnings processes exist, the total transaction price that we expect to receive with the customer is allocated to each performance obligation based on its relative standalone selling price. The revenue associated with each performance obligation is then recognized as earned.

We periodically sell transmission capacity on our network. These transactions are generally structured as indefeasible rights of use, commonly referred to as IRUs, which are the exclusive right to use a specified amount of capacity or fiber for a specified term, typically 20 years. In most cases, we account for the cash consideration received on transfers of transmission capacity as ASC 606 revenue, which is adjusted for the time value of money and is recognized ratably over the term of the agreement. Cash consideration received on transfers of dark fiber is accounted for as non-ASC 606 lease revenue, which we also recognize ratably over the term of the agreement. We do not recognize revenue on any contemporaneous exchanges of our optical capacity assets for other non-owned optical capacity assets.

In connection with offering products and services provided to the end user by third-party vendors, we review the relationship between us, the vendor and the end user to assess whether revenue should be reported on a gross or net basis. In assessing whether revenue should be reported on a gross or net basis, we consider whether we act as a principal in the transaction and control the goods and services used to fulfill the performance obligations associated with the transaction.

We have service level commitments pursuant to contracts with certain of our customers. To the extent that we determine that such service levels were not achieved or may not have been achieved, we estimate the amount of credits to be issued and record a corresponding reduction to revenue in the period that the service level commitment was not met or may not be met.

Customer payments are made based on billing schedules included in our customer contracts, which is typically on a monthly basis.

We defer (or capitalize) incremental contract acquisition and fulfillment costs and recognize (or amortize) such costs over the average contract life. Our deferred contract costs for our customers have average amortization periods of approximately 36 months. These deferred costs are periodically monitored to reflect any significant change in assumptions.

See Note 4—Revenue Recognition for additional information.

Affiliate Transactions

We provide services to our affiliates that we also provide to external customers. These services are recognized as operating revenue-affiliates in our consolidated statements of operations. Services provided to us from our affiliates are recognized as operating expenses-affiliates on our consolidated statements of operations. Because of the significance of the services we provide to our affiliates and our affiliates provide to us, the results of operations, financial position and cash flows presented herein are not necessarily indicative of the results of operations, financial position and cash flows we would have achieved had we operated as a stand-alone entity during the periods presented.

We recognize intercompany charges at the amounts billed to us by our affiliates and we recognize intercompany revenue for services we bill to our affiliates. The resulting net balance for transactions between us and our affiliates at the end of each period is reported as accounts receivables - affiliates or accounts payable - affiliates on the accompanying consolidated balance sheets.

From time to time, to the extent permitted by our debt covenants, we make distributions to and receive contributions from our parent, which decrease or increase our capital resources for debt repayments or other purposes. Distributions and contributions are reflected on our consolidated statements of member's equity and our consolidated statements of cash flows reflects distributions and contributions made as financing activities. Non-cash distributions are reflected in the supplemental non-cash information regarding financing activities in our consolidated statements of cash flows.

Our ultimate parent company, Lumen Technologies, is currently indebted to us under a revolving credit facility.

For additional information, see Note 15—Affiliate Transactions.

Legal Costs

In the normal course of our business, we incur costs to hire and retain external legal counsel to advise us on finance, regulatory, litigation and other matters. Subject to certain exceptions, we expense these costs as the related services are received.

Income Taxes

Lumen Technologies treats our consolidated results as if we were a separate taxpayer. Our reported deferred tax assets and liabilities, as discussed below and in Note 13—Income Taxes, are primarily determined as a result of the application of the separate return method and therefore the settlement of these amounts is dependent upon our parent, Lumen Technologies, rather than tax authorities. We are required to pay our tax liabilities based upon our separate return taxable income. We are also included in the combined state tax returns filed by Lumen Technologies. The provision for income taxes consists of an amount for taxes currently payable, an amount for tax consequences deferred to future periods and adjustments to our liabilities for uncertain tax positions. We record deferred income tax assets and liabilities reflecting future tax consequences attributable to tax NOLs, tax credit carryforwards and differences between the financial statement carrying value of assets and liabilities and the tax basis of those assets and liabilities. Deferred taxes are computed using enacted tax rates expected to apply in the year in which the differences are expected to affect taxable income. The effect on deferred income tax assets and liabilities of a change in tax rate is recognized in earnings in the period that includes the enactment date.

We establish valuation allowances when necessary to reduce deferred income tax assets to the amounts that we believe are more likely than not to be recovered. Each quarter we evaluate the need to retain or adjust each valuation allowance on our deferred tax assets. See Note 13—Income Taxes for additional information.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments that are readily convertible into cash and are not subject to significant risk from fluctuations in interest rates. As a result, the value at which cash and cash equivalents are reported in our consolidated financial statements approximates their fair value. In evaluating investments for classification as cash equivalents, we require that individual securities have original maturities of ninety days or less and that individual investment funds have dollar-weighted average maturities of ninety days or less. To preserve capital and maintain liquidity, we invest with financial institutions we deem to be of sound financial condition and in high quality and relatively risk-free investment products. Our cash investment policy limits the concentration of investments with specific financial institutions or among certain products and includes criteria related to credit worthiness of any particular financial institution.

Book overdrafts occur when we have issued checks but they have not yet been presented to our controlled disbursement bank accounts for payment. Disbursement bank accounts allow us to delay funding of issued checks until the checks are presented for payment. Until the issued checks are presented for payment, the book overdrafts are included in accounts payable on our consolidated balance sheets. This activity is included in the operating activities section in our consolidated statements of cash flows. There were no book overdrafts included in accounts payable at December 31, 2024 or 2023, respectively.

Restricted Cash

Restricted cash consist primarily of cash and investments that serve to collateralize our outstanding letters of credit and certain performance and operating obligations. Restricted cash is recorded as current or non-current assets in the consolidated balance sheets depending on the duration of the restriction and the purpose for which the restriction exists.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are recognized based upon the amount due from customers for the services provided or at cost for other receivables, less an allowance for credit losses. We use a loss rate method to estimate our allowance for credit losses. For more information on our methodology for estimating our allowance for credit losses, see Note 6—Credit Losses on Financial Instruments.

We generally consider our accounts past due if they are outstanding over 30 days. Our past due accounts are written off against our allowance for credit losses and any recoveries of accounts previously written off are generally recognized as a reduction in bad debt expense in the period received. The carrying value of accounts receivable net of the allowance for credit losses approximates fair value.

Concentration of Credit Risk

We provide communications services to a wide range of wholesale and enterprise customers, ranging from well capitalized global enterprises to small early stage companies primarily in the United States. Credit risk with respect to accounts receivable is generally diversified due to the large number of entities comprising our customer base and their dispersion across many different industries and geographical regions. We perform ongoing credit evaluations of our customers' financial condition and generally require no collateral from our customers, although letters of credit and deposits are required in certain limited circumstances. We have, from time to time, entered into agreements with value added resellers and other channel partners to reach enterprise markets for voice services. We have policies and procedures in place to evaluate the financial condition of these resellers prior to initiating service to the final customer. We are not able to predict changes in the financial stability of our customers. Any material changes in the financial status of any one or a particular group of customers may cause us to adjust our estimate of the recoverability of receivables and could have a material effect on our results of operation.

Assets Held for Sale

We classify assets and related liabilities as held for sale when: (i) management has committed to a plan to sell the assets, (ii) the net assets are available for immediate sale, (iii) there is an active program to locate a buyer and (iv) the sale and transfer of the net assets is probable within one year. Assets and liabilities held for sale are presented separately on our consolidated balance sheets with a valuation allowance, if necessary, to recognize the net carrying amount at the lower of cost or fair value, less costs to sell. Depreciation of property, plant and equipment and amortization of finite-lived intangible assets and right-of-use assets are not recorded while these assets are classified as held for sale. For each period that assets are classified as being held for sale, they are tested for recoverability. See Note 2—Divestitures of the Latin American and EMEA Businesses and Note 9—Property, Plant And Equipment for additional information.

Property, Plant and Equipment

We record purchased and constructed property, plant and equipment at cost, plus the estimated value of any associated legally or contractually required retirement obligations. We depreciate our property, plant and equipment using the straight-line method. Leasehold improvements are amortized over the shorter of the useful lives of the assets or the expected lease term. Expenditures for maintenance and repairs are expensed as incurred. During the construction phase of network and other internal-use capital projects, we capitalize related employee and interest costs. Property, plant and equipment supplies used internally are carried at average cost, except for significant individual items which are carried at actual cost.

We perform annual internal reviews to evaluate the reasonableness of the depreciable lives for our property, plant and equipment. Our reviews take into account actual usage, the physical condition of our property, plant, and equipment, industry data, and other relevant factors. Our remaining useful life assessments evaluate the possible loss in service value of assets that may precede the physical retirement. Assets shared among many customers may lose service value as those customers reduce their use of the asset. However, the asset is not retired until all customers no longer utilize the asset and we determine there is not alternative use for the asset.

We have asset retirement obligations associated with the legally or contractually required removal of a limited group of property, plant and equipment assets from leased properties and the disposal of certain hazardous materials present in our owned properties. When an asset retirement obligation is identified, usually in association with the acquisition of the asset, we record the fair value of the obligation as a liability. The fair value of the obligation is also capitalized as property, plant and equipment and then amortized over the estimated remaining useful life of the associated asset. Where the removal obligation is not legally binding, we expense the net cost to remove assets in the period in which the costs are actually incurred.

We review long-lived tangible assets for impairment whenever facts and circumstances indicate that the carrying amounts of the assets may not be recoverable. For assessment purposes, long-lived assets are grouped with other assets and liabilities at the lowest identifiable level for which we generate cash flows independently of other groups of assets and liabilities, absent a material change in operations. An impairment loss is recognized only if the carrying amount of the asset group is not recoverable and exceeds its estimated fair value. Recoverability of the asset group to be held and used is assessed by comparing the carrying amount of the asset group to the estimated undiscounted future net cash flows expected to be generated by the asset group. If the asset group's carrying value is not recoverable, we recognize an impairment charge for the amount by which the carrying amount of the asset group exceeds its estimated fair value.

Goodwill, Customer Relationships and Other Intangible Assets

Intangible assets arising from business combinations, such as goodwill, customer relationships, capitalized software, trademarks and trade names, are initially recorded at estimated fair value. We amortize customer relationships primarily over an estimated life of seven to 14 years, using the straight-line method, depending on the type of customer. We amortize capitalized software using the straight-line method primarily over estimated lives ranging up to seven years. We amortized our other intangible assets over an estimated life of five years prior to becoming fully amortized in the fourth quarter of 2023. Other intangible assets not arising from business combinations are initially recorded at cost. Where there are no legal, regulatory, contractual or other factors that would reasonably limit the useful life of an intangible asset, we classify the intangible asset as indefinite-lived and such intangible assets are not amortized.

Internally used software, whether purchased or developed by us, is capitalized and amortized using the straight-line method over its estimated useful life. We have capitalized certain costs associated with software such as costs of employees devoted to software development and external direct costs for materials and services. Costs associated with software to be used for internal purposes are expensed until the point at which the project has reached the development stage. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance, data conversion and training costs are expensed in the period in which they are incurred. We review the remaining economic lives of our capitalized software annually. Capitalized software is included in other intangible assets, net, in our consolidated balance sheets.

Prior to becoming fully impaired in the second quarter of 2023, we were required to assess our goodwill for impairment annually, or more frequently if an event occurred or circumstances changed that would indicate it was more likely than not the fair value of our reporting unit was less than the carrying value. The impairment assessment was performed at the reporting unit level. We have determined that our operations consist of one reporting unit, consistent with our determination that our business consists of one operating segment. We were required to write-down the value of goodwill in periods in which the carrying amount of our reporting unit's equity exceeded the estimated fair value of the equity of the reporting unit, limited to the goodwill balance.

For more information, see Note 3—Goodwill, Customer Relationships and Other Intangible Assets.

Foreign Currency

Local currencies of our foreign subsidiaries are the functional currencies for financial reporting purposes except for certain foreign subsidiaries, primarily in Latin America prior to the August 1, 2022 sale of our Latin American business. For operations outside the United States that have functional currencies other than the U.S. dollar, assets and liabilities are translated to U.S. dollars at period-end exchange rates, and revenue, expenses and cash flows are translated using average monthly exchange rates. Prior to the November 1, 2023 sale of our EMEA business and the August 1, 2022 sale of our Latin American business, a significant portion of our non-United States subsidiaries used the British pound, the Euro or the Brazilian Real, as their functional currency, each of which experienced significant fluctuations against the U.S. dollar during the periods covered by this report when we operated the divested businesses. We recognize foreign currency translation gains and losses as a component of accumulated other comprehensive loss in member's equity in our consolidated balance sheet and in our consolidated statements of comprehensive (loss) income in accordance with accounting guidance for foreign currency translation. Prior to the completion of our divestitures as discussed in Note 2—Divestitures of the Latin American and EMEA Businesses, we considered the majority of our investments in our foreign subsidiaries to be long-term in nature. Our foreign currency transaction gains (losses), including where transactions with our non-United States subsidiaries are not considered to be long-term in nature, are included within Other income, net on our consolidated statements of operations.

Change in Accounting Estimate

During the first quarter of 2024, we updated our analysis of economic lives of owned fiber network assets. As of January 1, 2024, we extended the estimated economic life and depreciation period of such assets from 25 years to 30 years to better reflect the physical life of the assets that we have experienced and absence of technological changes that would replace fiber. The change in accounting estimate decreased depreciation expense by approximately \$27 million, \$20 million net of tax, for the year ended December 31, 2024.

Recently Adopted Accounting Pronouncements

Segments

On January 1, 2024 we adopted Accounting Standards Update ("ASU") 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." This ASU is intended to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The ASU does not change how a public entity identifies its operating segments, aggregates them or applies quantitative thresholds to determine reportable segments. Public entities with a single reportable segment are required to provide the new disclosures and all the disclosures required under ASC 280, "Segment Reporting." We did not early adopt this standard. The adoption of this ASU did not have a material impact on our consolidated financial statements.

Investments

On January 1, 2024, we adopted ASU 2023-02, "Investments-Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method." This ASU allows 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. The adoption of this ASU did not have any impact on our consolidated financial statements.

On January 1, 2024, we adopted ASU 2022-03, "Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions." This ASU clarifies 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. The adoption of this ASU did not have any impact on our consolidated financial statements.

Leases

On January 1, 2024, we adopted ASU 2023-01, "Leases (Topic 842): Common Control Arrangements." This ASU requires all entities to amortize leasehold improvements associated with common control leases over the useful life to the common control group. The adoption of this ASU did not have any impact on our consolidated financial statements.

On January 1, 2022, we adopted ASU 2021-05, "Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments." This ASU (i) amends the lease classification requirements for lessors, (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 this ASU did not have a material impact on our consolidated financial statements.

Reference Rate Reform

In December 2022, the Financial Accounting Standards Board ("FASB") issued ASU 2022-06, "Reference Rate Reform (Topic 848) – Deferral of the Sunset Date of Topic 848." This ASU, which was effective upon issuance, extends the period of time preparers can utilize the reference rate reform relief guidance in Topic 848, by deferring the sunset date from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. Based on our review of our key material contracts through December 31, 2024, this ASU does not have a material impact on our consolidated financial statements.

Supplier Finance Programs

On January 1, 2023, we adopted ASU 2022-04, "Liabilities-Supplier Finance Program (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations." This ASU requires that a company that uses a supplier finance program in connection with the purchase of goods or services to 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 this ASU did not have a material impact on 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." 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 this ASU did not have a material impact on our consolidated financial statements.

Adoption of Other ASUs

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." This ASU became effective for us once the addition to the FASB Codification was made available in July 2023. 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. The adoption of this ASU did not have any impact on our consolidated financial statements.

Recently Issued Accounting Pronouncements

In November 2024, the FASB issued ASU 2024-04, "Debt—Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments." This ASU clarifies the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as induced conversions rather than as debt extinguishments. This standard is effective for the annual period of fiscal 2026, and early adoption is permitted. As of December 31, 2024, we do not hold convertible debt instruments and do not expect this ASU will have any impact on our consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03 "Disaggregation of Income Statement Expenses." This ASU requires additional footnote disclosure of the details of certain income statement expense line items as well as, additional disclosure about selling expenses. This standard is effective for the annual period of fiscal 2027, and early adoption is permitted. The guidance is to be applied prospectively, with the option for retrospective application. We are currently evaluating the impact the adoption of this standard will have on our disclosures.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." This ASU requires that public business entities must annually (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income or loss by the applicable statutory income tax rate)." This ASU will become effective for us in the annual period of fiscal 2025 and early adoption is permitted. We have chosen not to early adopt this ASU and are currently evaluating its impact on our consolidated financial statements, including our annual disclosure within our Income Taxes footnote.

In December 2023, the FASB issued ASU 2023-08, "Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets." This ASU is intended to improve the accounting for certain crypto assets by requiring an entity to measure those crypto assets at fair value each reporting period with changes in fair value recognized in net income. The amendments also improve the information provided to investors about an entity's crypto asset holdings by requiring disclosure about significant holdings, contractual sale restrictions, and changes during the reporting period. This ASU will become effective for us in the first quarter of fiscal 2025 and early adoption is permitted. As of December 31, 2024, we do not hold crypto assets and do not expect this ASU to have any impact on our consolidated financial statements.

In October 2023, the FASB issued ASU 2023-06, "Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative." This ASU incorporates certain SEC disclosure requirements into the FASB Codification. The amendments in the ASU are expected to clarify or improve disclosure and presentation requirements of a variety of FASB 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 FASB Codification with the SEC's regulations. This ASU will become effective for each amendment on the effective date of the SEC's corresponding disclosure rule changes. As of December 31, 2024, we do not expect this ASU will have any impact on 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." 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. This ASU will become effective for us in the first quarter of fiscal 2025 and early adoption is permitted. As of December 31, 2024, we do not expect this ASU will have any impact on our consolidated financial statements.

Note 2—Divestitures of the Latin American and EMEA Businesses

Latin American Business

On August 1, 2022, affiliates of Level 3 Parent, LLC sold its Latin American business pursuant to a definitive agreement dated July 25, 2021 for pre-tax cash proceeds of approximately \$2.7 billion.

For the year ended December 31, 2022, we recorded a \$123 million net pre-tax gain on disposal associated with the sale of our Latin American business. This gain is reflected as operating income within the consolidated statements of operations.

In connection with the sale, Lumen entered into a transition services agreement under which it provides to the purchaser various support services. In addition, Lumen and the purchaser entered into commercial agreements whereby they provide each other various network and other commercial services. Lumen also agreed to indemnify the purchaser for certain matters for which future cash payments by Lumen could be required. Lumen estimated the fair value of these indemnifications to be \$86 million and reduced our gain on the sale accordingly. See Note 12—Fair Value of Financial Instruments for detail related to the carrying value and fair value of these indemnifications as of December 31, 2024 and 2023.

The Latin American business was included in our continuing operations and classified as assets and liabilities held for sale on our consolidated balance sheets through the closing of the transaction on August 1, 2022. As a result of closing the transaction, we derecognized \$2.4 billion of net assets, primarily made up of (i) property, plant and equipment, net of accumulated depreciation, of \$1.7 billion, (ii) goodwill of \$719 million, (iii) other intangible assets, net of accumulated amortization, of \$140 million, and (iv) deferred income tax liabilities, net, of \$154 million.

EMEA Business

On November 1, 2023, affiliates of Level 3 Parent, LLC completed the sale of its operations in EMEA business to Colt Technology Services Group Limited, a portfolio company of Fidelity Investments, for pre-tax cash proceeds of \$1.7 billion after certain closing adjustments and transaction costs. This consideration is further subject to other post-closing adjustments and indemnities set forth in the Purchase Agreement, as amended and supplemented to date. In connection with the sale, we entered into a transition services agreement under which we provide the purchaser various support services. In addition, Lumen and the purchaser entered into commercial agreements whereby they provide each other various network and other commercial services.

The classification of the EMEA business as held for sale was considered an event or change in circumstance which required 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. 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. As a result of our evaluation of 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, we 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 of December 31, 2022. For the year ended December 31, 2023, we recorded a \$104 million net loss on disposal associated with the sale of our EMEA business. This loss is reflected as operating expense within the consolidated statements of operations.

The EMEA business was included in our continuing operations and classified as assets and liabilities held for sale on our consolidated balance sheets through the closing of the transaction on November 1, 2023. As a result of closing the transaction, we derecognized \$1.4 billion of net assets, the principal components of which were as follows:

	November 1, 2023
	EMEA Business
	(Dollars in millions)
Assets held for sale	
Cash and cash equivalents	\$ 12
Accounts receivable, less allowance of \$4	70
Other current assets	59
Property, plant and equipment, net accumulated depreciation of \$1,019	1,957
Customer relationships and other intangible assets, net	107
Operating lease assets	208
Valuation allowance on assets held for sale ⁽¹⁾	(720)
Deferred tax assets	144
Other non-current assets	37
Total assets held for sale	<u>\$ 1,874</u>
Liabilities held for sale	
Accounts payable	\$ 69
Salaries and benefits	20
Current portion of deferred revenue	25
Current operating lease liabilities	42
Other current liabilities	30
Deferred income taxes	60
Asset retirement obligations	32
Deferred revenue, non-current	102
Operating lease liabilities, non-current	93
Total liabilities held for sale	<u>\$ 473</u>

⁽¹⁾ Includes the impact of \$350 million realized loss on foreign currency translation, net of tax, reclassified out of accumulated other comprehensive loss as of December 31, 2023 to the valuation allowance and loss on sale of the EMEA business.

We do not believe these divestiture transactions represent a strategic shift for us. Therefore, the divested businesses discussed above did not meet the criteria to be classified as discontinued operations. As a result, we continued to report our operating results for the Latin American and EMEA businesses in our consolidated operating results through their respective disposal dates of August 1, 2022 and November 1, 2023, respectively.

Note 3—Goodwill, Customer Relationships and Other Intangible Assets

Customer relationships and other intangible assets consisted of the following:

	As of December 31,	
	2024	2023
	(Dollars in millions)	
Customer relationships ⁽¹⁾ , less accumulated amortization of \$4,504 and \$3,896	\$ 3,196	3,810
Capitalized software, less accumulated amortization of \$451 and \$419	373	427
Total other intangible assets, net	\$ 3,569	4,237

⁽¹⁾ For the year ended December 31, 2023, customer relationships decreased \$121 million in conjunction with the sale of select CDN contracts in the fourth quarter of 2023 that resulted in a net loss of \$73 million included in selling, general and administrative expenses in our consolidated statement of operations.

As of December 31, 2024 and 2023, the gross carrying amount of customer relationships and capitalized software was \$8.5 billion and \$8.6 billion, respectively.

Our goodwill was derived from Lumen's 2017 acquisition of us where the purchase price exceeded the fair value of the net assets acquired. Prior to becoming fully impaired in the second quarter of 2023, we were required to assess our goodwill for impairment annually, or, under certain circumstances, more frequently, such as when events or changes in circumstances indicate there may be impairment. We were required to write down the value of goodwill only when our assessment determines the carrying value of equity of our reporting unit exceeds its fair value. Our annual impairment assessment date for goodwill was October 31, at which date we assessed goodwill at our reporting unit. In reviewing the criteria for reporting units, we determined that our operations consisted of one reporting unit.

Second Quarter 2023 Goodwill Impairment Analysis

During the second quarter of 2023, the Company determined circumstances existed indicating it was more likely than not that the carrying value of our reporting unit exceeded its fair value. Given the continued erosion in Lumen's market capitalization, we determined our quantitative impairment analysis would estimate the fair value of our reporting unit 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 earnings before interest, tax, depreciation and amortization ("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, our goodwill became fully impaired and 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 test 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.

2022 Goodwill Impairment Analyses

As of October 31, 2022, we estimated the fair value of equity of our reporting unit by considering both a market approach and a discounted cash flow method. We discounted the projected cash flows using a rate that represented weighted average cost of capital of 9.4% as of the assessment date, which comprised an after-tax cost of debt of 4.8% and a cost of equity of 14.0%. We utilized company comparisons and analyst reports within the telecommunications industry which at the time of assessment supported a range of fair values derived from annualized revenue and EBITDA multiples between 1.8x and 4.6x and 4.7x and 10.8x, respectively, resulting in an overall company revenue and EBITDA multiple of 2.5x and 7.1x, respectively. The market approach method includes the use of comparable multiples of publicly traded companies whose services are comparable to ours. The discounted cash flow method is based on the present value of projected cash flows and a terminal value equal to the present value of all normalized cash flows after the projection period. As of October 31, 2022, based on our assessment performed, the carrying value of our equity exceeded our fair value of equity and as a result, we recorded a non-cash, non-tax-deductible goodwill impairment charge of approximately \$4.4 billion at October 31, 2022.

The classification of the EMEA business as being held for sale as described in Note 2—Divestitures of the Latin American and EMEA Businesses, was considered an event or change in circumstance which required an assessment of our goodwill for impairment as of October 31, 2022. We performed a pre-announcement goodwill impairment test described above to determine whether there was an impairment prior to the classification of these assets as held for sale and to determine the November 2, 2022 fair values to be utilized for goodwill allocation regarding the disposal group to be classified as assets held for sale. We also performed a post-announcement goodwill impairment test using our estimated post-divestiture cash flows and carrying value of equity to evaluate whether the fair value that will remain following the divestiture exceeds the carrying value of the equity after classification of assets held for sale. We concluded no impairment existed following the divestiture.

Separate from the annual, pre-announcement and post-announcement goodwill assessments discussed above, we performed an assessment of our EMEA business disposal group for impairment using the purchase price compared to the carrying value of the EMEA business net assets. As a result, we concluded the EMEA business disposal group was impaired, resulting in a non-cash, non-tax-deductible goodwill impairment charge of \$224 million. See Note 2—Divestitures of the Latin American and EMEA Businesses for additional information regarding the purchase price, carrying value, and impairment for goodwill of the EMEA business.

The following table shows the rollforward of goodwill from December 31, 2022 through December 31, 2023:

	(Dollars in millions)
As of December 31, 2022 ⁽¹⁾	\$ 1,970
Impairment	(1,970)
As of December 31, 2023	—
As of December 31, 2024	\$ —

⁽¹⁾ Goodwill at December 31, 2022 is net of accumulated impairment loss of \$8.2 billion.

Total amortization expense for finite-lived intangible assets for the years ended December 31, 2024, 2023 and 2022 was \$729 million, \$714 million and \$744 million, respectively. As of December 31, 2024, the weighted average remaining useful lives of our finite-lived intangible assets was approximately six years in total; six years for customer relationships, and four years for capitalized software.

We estimate that future total amortization expense for finite-lived intangible assets will be as follows:

	(Dollars in millions)	
2025	\$	654
2026		642
2027		600
2028		558
2029		368
2030 and thereafter		747
Total finite-lived intangible assets future amortization expense	\$	3,569

Note 4—Revenue Recognition

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

- *Grow*, which includes existing and emerging products and services in which we are significantly investing, including our colocation, dark fiber and conduit, Edge Cloud, IP, managed security, software-defined wide area networks ("SD WAN"), Unified Communications and Collaboration ("UC&C") and wavelengths services;
- *Nurture*, which includes our more mature offerings, including ethernet and VPN data networks services;
- *Harvest*, which includes our legacy services managed for cash flow, including Time Division Multiplexing voice, and private line services;
- *Other*, which includes primarily managed and professional service solutions and content delivery network ("CDN") revenue, prior to the sale of select CDN contracts in late 2023; and
- *Affiliate Services*, which includes 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.

Reconciliation of Total Revenue to Revenue from Contracts with Customers

The following tables provide our total revenue by product and service category. They also provide the amount of revenue that is not subject to ASC 606, "Revenue from Contracts with Customers" ("ASC 606"), but is instead governed by other accounting standards. The amounts in the tables below include revenue for the Latin American and EMEA businesses prior to their sales on August 1, 2022 and November 1, 2023, respectively:

	Year Ended December 31, 2024		
	Total Revenue	Adjustments for Non-ASC 606 Revenue ⁽¹⁾	Total Revenue from Contracts with Customers
	(Dollars in millions)		
Grow	\$ 3,837	(603)	3,234
Nurture	1,523	(14)	1,509
Harvest	756	—	756
Other	118	—	118
Affiliate Services	262	(262)	—
Total Revenue	<u>\$ 6,496</u>	<u>(879)</u>	<u>5,617</u>
Timing of revenue:			
Goods transferred at a point in time			\$ 20
Services performed over time			5,597
Total revenue from contracts with customers			<u>\$ 5,617</u>

	Year Ended December 31, 2023		
	Total Revenue	Adjustments for Non-ASC 606 Revenue ⁽¹⁾	Total Revenue from Contracts with Customers
	(Dollars in millions)		
Grow	\$ 3,898	(595)	3,303
Nurture	1,699	(15)	1,684
Harvest	972	—	972
Other	244	—	244
Affiliate Services	224	(224)	—
Total Revenue	<u>\$ 7,037</u>	<u>(834)</u>	<u>6,203</u>
Timing of revenue:			
Goods transferred at a point in time			\$ —
Services performed over time			6,203
Total revenue from contracts with customers			<u>\$ 6,203</u>

	Year Ended December 31, 2022		
	Total Revenue	Adjustments for Non-ASC 606 Revenue ⁽¹⁾	Total Revenue from Contracts with Customers
	(Dollars in millions)		
Grow	\$ 3,964	(665)	3,299
Nurture	1,902	(15)	1,887
Harvest	1,139	—	1,139
Other	261	—	261
Affiliate Services	227	(227)	—
Total Revenue	<u>\$ 7,493</u>	<u>(907)</u>	<u>6,586</u>
Timing of revenue:			
Goods transferred at a point in time			\$ 4
Services performed over time			6,582
Total revenue from contracts with customers			<u>\$ 6,586</u>

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

We do not have any single external customer that comprises more than 10% of our total consolidated operating revenue. Substantially all of our consolidated revenue comes from customers located in the United States.

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 December 31,	
	2024	2023
	(Dollars in millions)	
Customer receivables, less allowance of \$12 and \$13	\$ 529	544
Contract assets	12	8
Contract liabilities	267	222

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 as revenue 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 in our consolidated balance sheets. During the years ended December 31, 2024 and 2023, we recognized \$120 million and \$139 million, respectively, of revenue that was included in contract liabilities of \$222 million and \$281 million as of January 1, 2024 and 2023, respectively, including contract liabilities that were classified as held for sale.

Performance Obligations

As of December 31, 2024, we expect to recognize approximately \$4.2 billion of revenue in the future related to performance obligations associated with existing customer contracts that are partially or wholly unsatisfied. As of December 31, 2024, the transaction price related to unsatisfied performance obligation that are expected to be recognized in 2025, 2026 and thereafter was \$2.0 billion, \$1.2 billion and \$1.0 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) and (ii) contracts that are classified as leasing arrangements that are not subject to ASC 606.

Contract Costs

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

	Year Ended December 31, 2024	
	Acquisition Costs	Fulfillment Costs
	(Dollars in millions)	
Beginning of period balance	\$ 70	97
Costs incurred	55	103
Amortization	(48)	(73)
End of period balance	<u>\$ 77</u>	<u>127</u>

	Year Ended December 31, 2023	
	Acquisition Costs	Fulfillment Costs
	(Dollars in millions)	
Beginning of period balance ⁽¹⁾	\$ 76	106
Costs incurred	55	87
Amortization	(57)	(69)
Classified as held for sale	(4)	(27)
End of period balance	<u>\$ 70</u>	<u>97</u>

⁽¹⁾ Beginning of period balance for the year ended December 31, 2023 excludes \$6 million of acquisition costs and no fulfillment costs classified as held for sale related to the EMEA business.

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

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 36 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. The amount of deferred costs expected to be amortized beyond 12 months is included in other non-current assets on our consolidated balance sheets. We assess deferred acquisition and fulfillment costs for impairment on a quarterly basis.

Note 5—Leases

We primarily lease various office facilities, colocation facilities, equipment and transmission capacity to or from third parties. Leases with an initial term of twelve months or less are not recorded on our consolidated balance sheets; we recognize lease expense for these leases on a straight-line basis over the lease term.

We determine if an arrangement is a lease at inception and whether that lease meets the classification criteria of a finance or operating lease at the commencement date. Lease-related assets, or right-of-use assets, are recognized at the lease commencement date at amounts equal to the respective lease liabilities. Lease-related liabilities are recognized at the present value of the remaining contractual fixed lease payments, discounted using our incremental borrowing rates. As part of the present value calculation for the lease liabilities, we use an incremental borrowing rate as the rates implicit in the leases are not readily determinable. The incremental borrowing rates used for lease accounting are based on our unsecured rates, adjusted to approximate the rates at which we could borrow on a collateralized basis over a term similar to the recognized lease term. We apply the incremental borrowing rates to lease components using a portfolio approach based upon the length of the lease term and the reporting entity in which the lease resides. Operating lease expense is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred. Operating lease assets are included in Other, net under Other assets on our consolidated balance sheets.

Some of our lease arrangements contain lease components, non-lease components (including common-area maintenance costs) and executory costs (including real estate taxes and insurance costs). We generally account for each component separately based on the estimated standalone price of each component. For colocation leases, we account for the lease and non-lease components as a single lease component.

Many of our lease agreements contain renewal options; however, we do not recognize right-of-use assets or lease liabilities for renewal periods unless we determine that we are reasonably certain of renewing the lease. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain to be exercised. Our lease agreements do not generally contain any material residual value guarantees or material restrictive covenants.

Lease expense consisted of the following:

	Years Ended December 31,		
	2024	2023	2022
	(Dollars in millions)		
Operating and short-term lease cost	\$ 375	384	348
Finance lease cost:			
Amortization of right-of-use assets	18	23	25
Interest on lease liability	10	10	11
Total finance lease cost	28	33	36
Total lease cost	\$ 403	417	384

We lease various equipment, office facilities, retail outlets, switching facilities and other network sites or components from third parties. These leases, with few exceptions, provide for renewal options and rent escalations that are either fixed or based on the consumer price index. Any rent abatements, along with rent escalations, are included in the computation of rent expense calculated on a straight-line basis over the lease term. The lease term for most leases includes the initial non-cancelable term plus any term under renewal options that we believe are reasonably assured.

On a regular basis, we rationalize our lease footprint. When we determine that we no longer need leased space, we may incur accelerated lease costs. Our accelerated lease costs in December 31, 2024, 2023 and 2022 were not material.

For the years ended December 31, 2024, 2023 and 2022, our gross rental expense, including the accelerated lease costs discussed above, was \$403 million, \$417 million and \$384 million, respectively. We also received sublease rental income for the years ended December 31, 2024, 2023 and 2022 of \$13 million, \$14 million and \$14 million, respectively.

Supplemental consolidated balance sheet information and other information related to leases is included below:

Leases (Dollars in millions)	Classification on the Balance Sheet	As of December 31,	
		2024	2023
Assets			
Operating lease assets	Other, net ⁽¹⁾	\$ 918	1,056
Finance lease assets	Property, plant and equipment, net of accumulated depreciation	175	191
Total leased assets		\$ 1,093	1,247
Liabilities			
Current			
Operating	Current operating lease liabilities ⁽²⁾	\$ 266	288
Finance	Current maturities of long-term debt	16	14
Noncurrent			
Operating	Operating lease liabilities ⁽³⁾	719	845
Finance	Long-term debt	174	190
Total lease liabilities		\$ 1,175	1,337
Weighted-average remaining lease term (years)			
Operating leases		6.6	7.1
Finance leases		10.1	10.0
Weighted-average discount rate			
Operating leases		7.56 %	6.63 %
Finance leases		4.69 %	4.97 %

⁽¹⁾ Includes affiliate operating lease assets of \$234 million and \$311 million as of December 31, 2024 and 2023, respectively.

⁽²⁾ Includes current portion of affiliate operating lease liabilities of \$113 million and \$129 million as of December 31, 2024 and 2023, respectively.

⁽³⁾ Includes noncurrent portion of affiliate operating lease liabilities of \$128 million and \$201 million as of December 31, 2024 and 2023, respectively.

Supplemental consolidated cash flow statement information related to leases is included below:

	Years Ended December 31,	
	2024	2023
	(Dollars in millions)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 365	384
Operating cash flows for finance leases	10	10
Financing cash flows for finance leases	16	23
Supplemental lease cash flow disclosures:		
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities	\$ 124	104
Right-of-use assets obtained in exchange for new finance lease liabilities	2	8

As of December 31, 2024, maturities of lease liabilities were as follows:

	Operating Leases	Finance Leases
	(Dollars in millions)	
2025	\$ 326	25
2026	233	25
2027	156	26
2028	114	26
2029	81	24
Thereafter	378	111
Total lease payments	1,288	237
Less: interest	(303)	(47)
Total	985	190
Less: current portion	(266)	(16)
Long-term portion	\$ 719	174

As of December 31, 2024, we had no material operating or finance leases that had not yet commenced.

Operating Lease Revenue

We lease various dark fiber and conduit, office facilities and colocation facilities to third parties under operating leases. Lease and sublease income are included in operating revenue in the consolidated statements of operations. See "Revenue Recognition" in Note 1—Background and Summary of Significant Accounting Policies.

For the years ended December 31, 2024, 2023 and 2022 our gross rental income was \$694 million, \$676 million and \$746 million, respectively, which represents 11% of our operating revenue for year ended December 31, 2024 and 10% of our operating revenue for each of the years ended December 31, 2023 and 2022.

Note 6—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:

	Years Ended December 31,		
	2024	2023	2022
	(Dollars in millions)		
Balance at beginning of period	\$ 13	19	39
Provision for expected losses	8	8	4
Write-offs charged against the allowance	(12)	(19)	(22)
Recoveries collected	3	4	3
Change in allowance in assets held for sale ⁽¹⁾	—	1	(5)
Balance at end of period	\$ 12	13	19

⁽¹⁾ Represents changes in amounts classified as held for sale related to the divestitures of our Latin American and EMEA businesses prior to the divestitures on August 1, 2022 and November 1, 2023, respectively. See Note 2—Divestitures of the Latin American and EMEA Businesses.

Note 7—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:

			As of December 31,	
	Interest Rates ⁽¹⁾	Maturities ⁽¹⁾	2024	2023
			(Dollars in millions)	
Level 3 Financing, Inc.				
Senior Secured Debt ⁽²⁾ :				
New Facilities:				
Term Loan B-1 ⁽³⁾	SOFR + 6.56%	2029	\$ 1,199	—
Term Loan B-2 ⁽³⁾	SOFR + 6.56%	2030	1,199	—
Former Facility ⁽⁴⁾	SOFR + 1.75%	2027	12	2,411
First Lien Notes ⁽⁵⁾	10.500% - 11.000%	2029 - 2030	3,846	925
Second Lien Notes	3.875% - 10.000%	2029 - 2032	2,579	—
Former Secured Notes ⁽⁶⁾	N/A	N/A	—	1,500
Unsecured Senior Notes:				
Senior notes ⁽⁷⁾	3.400% - 4.625%	2027 - 2029	964	3,940
Finance leases and other obligations	Various	Various	229	259
Unamortized (discounts) premiums, net			(225)	2
Unamortized debt issuance costs			(138)	(54)
Total long-term debt			9,665	8,983
Less current maturities			(36)	(31)
Long-term debt, excluding current maturities			\$ 9,629	\$ 8,952

N/A - Not applicable

(1) As of December 31, 2024. All references to "SOFR" refer to the Secured Overnight Financing Rate.

(2) As discussed further below in this Note, the debt listed under the caption "Senior Secured Debt" is secured by assets of Level 3 Financing and guaranteed on a secured basis by certain of its affiliates. As discussed further in footnote 6, we reclassified in the "December 31, 2024" column of the table above certain notes that were secured prior to the TSA Effective Date (as defined below) from "secured" to "unsecured" in light of amendments that released such prior security interests.

(3) The Term Loan B-1 and B-2 each had an interest rate of 11.133% as of December 31, 2024.

(4) Reflects Level 3 Tranche B 2027 Term Loan issued under a predecessor facility, which had an interest rate of 6.437% and 7.220% as of December 31, 2024 and December 31, 2023, respectively.

(5) Includes Level 3 Financing's 10.500% Senior Secured Notes due 2030 issued in early 2023, the terms of which have been amended to be consistent with Level 3 Financing's First Lien Notes issued on March 22, 2024.

(6) Two series of former Level 3 Senior Notes due in 2027 and 2029 bearing interest rates of 3.400% and 3.875% as of December 31, 2023, were amended on the TSA Effective Date in the manner discussed in Note 7—Long-Term Debt.

(7) The total debt for these notes at December 31, 2024 includes the remaining aggregate principal amount due under Level 3 Financing's Former Secured Notes, the terms of which were amended on March 22, 2024 to release the security interests relating thereto.

Long-Term Debt Maturities

Set forth below is the aggregate principal amount of our long-term debt as of December 31, 2024 (excluding unamortized (discounts) premiums, net, unamortized debt issuance costs and intercompany debt) maturing during the following years:

	(Dollars in millions)	
2025	\$	36
2026		35
2027		101
2028		197
2029		4,782
2030 and thereafter		4,877
Total long-term debt	\$	10,028

2024 Debt Transactions

Cash Tender Offers

Pursuant to cash tender offers that commenced on November 12, 2024 (the "Cash Tender Offers"), in November 2024 we reduced the aggregate principal amount of our consolidated indebtedness by approximately \$324 million. In conjunction with the Cash Tender Offers, we recorded a gain of \$31 million including an offset of immaterial third-party fees in our aggregate Net gain on early retirement of debt in Other income, net in our consolidated statement of operations for the year ended December 31, 2024.

The following table sets forth the aggregate principal amount of each series of senior notes retired in exchange for cash in November 2024 in connection with the Cash Tender Offers:

Debt	Aggregate Principal Amount	
	(Dollars in millions)	
Level 3 Financing, Inc.		
3.400% Senior Secured Notes due 2027 (unsecured)	\$	1
4.625% Senior Notes due 2027		48
4.250% Senior Notes due 2028		275
Total	\$	324

Exchange Offers

Pursuant to exchange offers that commenced on September 3, 2024 (the "Exchange Offers"), on September 24, 2024, Level 3 Financing issued approximately \$350 million aggregate principal amount of its newly-issued 10.000% Second Lien Notes due 2032 in exchange for \$357 million aggregate principal amount of two series of its outstanding senior unsecured notes maturing in 2027 (which were concurrently cancelled). These transactions reduced the aggregate principal amount of Level 3 Financing's consolidated indebtedness by approximately \$7 million. The Company determined that the Exchange Offers constituted a debt modification consistent with ASC 470 and recorded no gain or loss. In conjunction with the Exchange Offers, we recorded \$8 million of fees to Selling, general and administrative expense in our consolidated statements of operations for the year ended December 31, 2024.

The following table sets forth the aggregate principal amount of each series of senior unsecured notes of Level 3 Financing exchanged and retired on September 24, 2024 in connection with the Exchange Offers:

Debt	Aggregate Principal Amount	
	(Dollars in millions)	
<i>Level 3 Financing, Inc.</i>		
3.400% senior secured notes due 2027 (unsecured)	\$	77
4.625% senior notes due 2027		280
Total	\$	357

Transaction Support Agreement Transactions

On March 22, 2024, the TSA Parties completed the TSA Transactions, including the termination, repayment or exchange of previous commitments and debt of Level 3 Financing and the issuance of new term loan facilities and notes by Level 3 Financing.

The following table sets forth the aggregate principal amount of (i) former debt of Level 3 Financing exchanged for new Level 3 Financing debt and (ii) new debt issued by Level 3 in exchange for former Level 3 debt (except as otherwise noted), in each case during the first quarter of 2024 in connection with the TSA Transactions:

Former notes or facility exchanged	New notes or facility issued	Aggregate principal amount exchanged/issued ⁽¹⁾	
		(Dollars in millions)	
Term Loan B	Term Loan B-1, B-2	\$	2,398
3.400% Senior Notes due 2027	10.500% First Lien Notes due 2029		668
4.625% Senior Notes due 2027	4.875% Second Lien Notes due 2029		606
3.875% Senior Notes due 2029	10.750% First Lien Notes due 2030		678
4.250% Senior Notes due 2028	4.500% Second Lien Notes due 2030		712
3.625% Senior Notes due 2029	3.875% Second Lien Notes due 2030		458
3.750% Senior Notes due 2029	4.000% Second Lien Notes due 2031		453
N/A	11.000% First Lien Notes due 2029 ⁽²⁾		1,575
Total		\$	7,548

N/A - Not applicable

⁽¹⁾ See our long-term debt table above for information on the amount of former debt that remains outstanding as of December 31, 2024.

In evaluating the terms of the TSA Transactions, we determined that for certain of our creditors the new debt instruments were substantially different than pre-existing debt and therefore constituted a non-cash extinguishment of old debt of \$2.6 billion and the establishment of new debt for which we recorded a gain on extinguishment in the first quarter of 2024. This new debt was recorded at fair value generating a reduction to debt of \$261 million which resulted in a net gain of \$54 million, and is included in our aggregate Net gain on early retirement of debt in Other income, net in our consolidated statement of operations for the year ended December 31, 2024. The remaining creditors' debt was not substantially different under the terms of the TSA Transactions and was treated under modification accounting rules. In conjunction with the TSA Transactions, we paid \$209 million in lender fees and \$112 million in additional third-party costs. Of these amounts, we offset \$157 million of lender fees against the gain on extinguishment and recorded \$61 million in third-party costs to Selling, general and administrative expense in our consolidated statement of operations for the year ended December 31, 2024. In accordance with GAAP provisions for modification and extinguishment accounting, \$52 million in lender fees and \$51 million in third-party costs, respectively, were capitalized and will be amortized over the terms of the newly-issued indebtedness.

Repurchases of Debt Instruments

During 2024, Level 3 Financing repurchased various debt instruments on the open market. These repurchases resulted in an aggregate net gain of \$34 million which is included in our aggregate Net gain on early retirement of debt in Other income, net in our consolidated statement of operations for the year ended December 31, 2024. The following table sets forth the aggregate principal amount of each series of notes repurchased during the year ended December 31, 2024:

Debt	Principal Amount Repurchased (in millions)
<i>Level 3 Financing, Inc.</i>	
4.250% Senior Notes due 2028	\$ 34
3.625% Senior Notes due 2029	81
3.750% Sustainability-Linked Senior Notes due 2029	86
3.875% Senior Secured Notes due 2029 (unsecured)	18
Total	\$ 219

2023 Debt Modification Transactions

Pursuant to exchange offers that commenced on March 16, 2023 (the "2023 Exchange Offers"), on March 31, 2023, Level 3 Financing issued \$915 million of its 10.500% Senior Secured Notes due 2030 (the "10.500% Notes") in exchange for \$1.535 billion of Lumen's outstanding senior unsecured notes.

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

Level 3 Financing Credit Agreements

Credit Agreement dated March 22, 2024

On the TSA effective date, Level 3 Financing, as borrower, Level 3 Parent, the lenders party thereto and Wilmington Trust, National Association, as administrative agent and collateral agent, entered into a credit agreement (the "New Level 3 Agreement"), providing for:

- a secured term B-1 loan facility in the principal amount of approximately \$1.2 billion maturing April 15, 2029; and
- a secured term B-2 loan facility in the principal amount of approximately \$1.2 billion maturing April 15, 2030

Interest on borrowings under the New Level 3 Agreement is payable at the end of each interest period at a rate equal to, at Level 3 Financing's option, term SOFR (subject to a 2.000% floor) plus 6.56% for term SOFR loans or a base rate plus 5.56% for base rate loans.

Amounts outstanding under the New Level 3 Agreement may be prepaid at any time, subject to a premium of (i) 2.00% of the aggregate principal amount if prepaid on or prior to the 12-month anniversary of the TSA Effective Date and (ii) 1.00% of the aggregate principal amount if prepaid after the 12-month anniversary of the TSA Effective Date and on or prior to the 24-month anniversary of the TSA Effective Date. The New Level 3 Facilities require Level 3 to make certain specified mandatory prepayments upon the occurrence of certain transactions.

Former Facility

In connection with entering into the New Level 3 Agreement, substantially all of the indebtedness issued under Level 3 Financing's amended and restated credit agreement dated as of November 29, 2019 (the "Former Level 3 Facility") was repaid.

Level 3 Guarantees of Lumen Credit Agreements

Lumen's obligations under its Superpriority Revolving/Term A Credit Agreement dated as of March 22, 2024 (the "RCF/TLA Credit Agreement") are unsecured, but Level 3 Parent, Level 3 Financing and certain of Level 3 Financing's subsidiaries (collectively, the "Level 3 Collateral Guarantors") have provided an unconditional guarantee of payment of up to \$150 million of Lumen's obligations under both of the revolving credit facilities created under the RCF/TLA Credit Agreement. Certain of such guarantees will be secured by a lien on substantially all of the assets of the applicable Level 3 Collateral Guarantors. The guarantee by the Level 3 Collateral Guarantors may be reduced or terminated under certain circumstances.

Senior Notes

The Company's consolidated indebtedness at December 31, 2024 included (i) first and second lien secured notes issued by Level 3 Financing and (ii) senior unsecured notes issued by Level 3 Financing. All of these notes carry fixed interest rates and all principal is due on the notes' respective maturity dates, which rates and maturity dates are summarized in the table above. Level 3 Financing generally can redeem the notes, at its option, in whole or in part, (i) pursuant to a fixed schedule of pre-established redemption prices, (ii) pursuant to a "make whole" redemption price or (iii) under certain other specified limited conditions.

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 December 31, 2024 and 2023, we had outstanding letters of credit or other similar obligations of approximately \$2 million, all of which were collateralized by restricted cash in each year. None of our conditional commitments under our outstanding letters of credit are reflected as debt on our balance sheets.

Certain Guarantees and Security Interests

Level 3 Financing's obligations under the New Level 3 Agreement are secured by a first lien on substantially all of its assets. In addition, the other Level 3 Collateral Guarantors have provided an unconditional guarantee of payment of Level 3 Financing's obligations under the New Level 3 Agreement secured by a lien on substantially all of their assets.

Level 3 Financing's obligations under its first lien notes are secured by a first lien on substantially all of its assets (subject, in certain cases, to receipt of necessary regulatory approvals), and are guaranteed by the other Level 3 Collateral Guarantors (or, for certain such guarantors, for certain notes will be guaranteed upon the receipt of required regulatory approvals) on the same basis as the guarantees provided by such entities under the New Level 3 Agreement. Level 3 Financing's obligations under its second lien notes are secured by a second lien on substantially all of its assets, and are guaranteed by the other Level 3 Collateral Guarantors on the same basis as the guarantees provided by such entities under the New Level 3 Agreement, except the lien securing such guarantees is a second lien.

Level 3 Financing's obligations under its unsecured notes are guaranteed on an unsecured basis by the same affiliated entities that guarantee the New Level 3 Agreement and secured 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 five-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 December 31, 2024 and 2023, we have received approximately \$24 million and \$15 million of credits, respectively.

Changes in our supplier finance program outstanding obligations were as follows:

	Years Ended December 31,	
	2024	2023
	(Dollars in millions)	
Balance at beginning of period	\$ 55	67
Liabilities settled	(16)	(12)
Balance at end of period	\$ 39	55

As of December 31, 2024 and 2023, \$21 million and \$16 million were included in current maturities of long-term debt and \$18 million and \$39 million were included in long-term debt.

Interest Expense

Interest expense includes interest on total long-term debt. The following table presents the amount of gross interest expense, net of capitalized interest:

	Years Ended December 31,		
	2024 ⁽¹⁾	2023	2022
	(Dollars in millions)		
Interest expense:			
Gross interest expense	\$ 855	480	390
Capitalized interest	(36)	(22)	(16)
Total interest expense	\$ 819	458	374

⁽¹⁾ The increase in interest expense for the year ended December 31, 2024 was primarily driven by an increase in average outstanding long-term debt of approximately \$780 million.

Covenants

The New Level 3 Agreement and Level 3 Financing's first and second lien secured notes contain various representations and 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, under certain circumstances in connection with a "change of control" of Level 3 Parent or Level 3 Financing, Level 3 Financing will be required to make an offer to repurchase each series of its outstanding senior notes at a price of 101% of the principal amount redeemed, plus accrued and unpaid interest.

The debt covenants applicable to Level 3 Financing and its subsidiaries could have a material adverse impact on their ability to operate or expand their respective businesses, to pursue strategic transactions, or to otherwise pursue their plans and strategies.

Certain of Lumen's and our debt instruments contain cross payment default or cross acceleration provisions. When present, these provisions could have a wider impact on liquidity than might otherwise arise from a default or acceleration of a single debt instrument.

The ability of Level 3 Financing and its subsidiaries to comply with the covenants in its debt instruments could be adversely impacted by a wide variety of events, including unforeseen contingencies, many of which are beyond its control.

Compliance

As of December 31, 2024, we believe we were in compliance with the provisions and financial covenants contained in our debt agreements in all material respects.

Subsequent Events

As of February 15, 2025, Level 3 Financing redeemed approximately \$70 million aggregate principal amount of its unsecured senior notes in exchange for cash.

Note 8—Accounts Receivable

The following table presents details of our accounts receivable balances:

	Years Ended December 31,	
	2024	2023
	(Dollars in millions)	
Trade receivables	\$ 457	435
Earned and unbilled receivables	85	122
Other	2	1
Total accounts receivable	544	558
Less: allowance for credit losses	(12)	(13)
Accounts receivable, less allowance	\$ 532	545

We are exposed to concentrations of credit risk from our customers and other telecommunications service providers. We generally do not require collateral to secure our receivable balances.

Note 9—Property, Plant and Equipment

Net property, plant and equipment is composed of the following:

	Depreciable Lives	As of December 31,	
		2024	2023
		(Dollars in millions)	
Land	N/A	\$ 191	202
Fiber conduit and other outside plant ⁽¹⁾	15-45 years	4,563	4,380
Central office and other network electronics ⁽²⁾	7-10 years	3,752	3,467
Support assets ⁽³⁾	3-30 years	2,278	2,252
Construction-in-progress ⁽⁴⁾	N/A	909	762
Gross property, plant and equipment		11,693	11,063
Accumulated depreciation		(4,139)	(3,665)
Net property, plant and equipment		\$ 7,554	7,398

⁽¹⁾ Fiber, conduit and other outside plant consists of fiber and metallic cable, conduit, poles and other supporting structures.

⁽²⁾ Central office and other network electronics consists of circuit and packet switches, routers, transmission electronics and electronics providing service to customers.

⁽³⁾ Support assets consist of buildings, data centers, computers and other administrative and support equipment.

⁽⁴⁾ Construction in progress includes construction and property of the aforementioned categories that has not been placed in service as it is still under construction.

Depreciation expense was \$676 million, \$686 million and \$790 million for the years ended December 31, 2024, 2023 and 2022, respectively.

During 2024, we initiated marketing our Broomfield, Colorado office buildings to locate a buyer and have classified those buildings as held for sale resulting in an impairment loss of \$80 million.

Asset Retirement Obligations

As of December 31, 2024 and 2023, our asset retirement obligations consisted primarily of restoration requirements for leased facilities. We recognize our estimate of the fair value of our asset retirement obligations in the period incurred in other long-term liabilities. The fair value of the asset retirement obligation is also capitalized as property, plant and equipment and then depreciated over the estimated remaining useful life of the associated asset.

The following table provides asset retirement obligation activity:

	Years Ended December 31,	
	2024	2023
	(Dollars in millions)	
Balance at beginning of period	\$ 94	85
Accretion expense	6	4
Liabilities settled	(10)	(6)
Change in estimate	7	11
Balance at end of period	\$ 97	94

The change in estimate referred to in the table above was offset against gross property, plant and equipment.

Note 10— Severance

Periodically, we reduce our workforce and accrue liabilities for the related severance costs. These workforce reductions result primarily from the progression or completion of our post-acquisition integration plans, increased competitive pressures, cost reduction initiatives, process improvements through automation and reduced workloads due to reduced demand for certain services.

During April 2024, we reduced our workforce by approximately 7% as a part of our efforts to change our workforce composition to reflect our ongoing transformation and cost reduction opportunities that align with our shapeshifting and focus on our strategic priorities. As a result of this plan, we incurred severance and related costs of approximately \$37 million. We have not incurred, and do not expect to incur, any material impairment or exit costs related to this plan.

We report severance liabilities within accrued expenses and other liabilities - salaries and benefits in our consolidated balance sheets and report severance expenses in selling, general and administrative expenses in our consolidated statements of operations.

Changes in our accrued liabilities for severance expenses were as follows:

	Years Ended December 31,	
	2024	2023
	(Dollars in millions)	
Balance at beginning of period	\$ 13	1
Accrued to expense	45	34
Payments, net	(53)	(22)
Balance at end of period	\$ 5	13

Note 11—Employee Benefits

Defined Contribution Plans

Lumen Technologies sponsors a qualified defined contribution plan covering substantially all of our employees. Under this plan, employees may contribute a percentage of their annual compensation up to certain maximums, as defined by the plan and by the Internal Revenue Service ("IRS"). Currently, we match a percentage of our employee's contributions in cash. For the years ended December 31, 2024, 2023 and 2022, we recognized \$30 million, \$32 million, and \$31 million, respectively, in expense related to this plan.

Defined Benefit Plans

We have certain contributory and non-contributory employee pension plans, which are not significant to our financial position or operating results. We recognize in our balance sheet the funded status of our qualified defined benefit post-retirement plan, which is measured as the difference between the fair value of the plan assets and the plan benefit obligations. We are also required to recognize changes in the funded status within accumulated other comprehensive income, net of tax, to the extent such changes are not recognized in earnings as components of periodic net benefit cost.

The following table presents the funded status of our defined benefit plans as of December 31, 2024 and 2023:

	Years Ended December 31,	
	2024	2023
	(Dollars in millions)	
Fair value of plan assets	\$ 37	40
Benefit obligation	35	39
Funded status	\$ 2	1

The plans were fully funded as of December 31, 2024 and December 31, 2023.

Note 12—Fair Value of Financial Instruments

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

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

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

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

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

The following table presents the carrying amounts and estimated fair values of our financial liabilities as of December 31, 2024 and 2023, as well as the input level used to determine the fair values indicated below:

	Input Level	As of December 31,			
		2024		2023	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(Dollars in million)			
Liabilities-Long-term debt, excluding finance leases and other obligations	2	\$ 9,436	9,716	8,724	6,418
Indemnifications related to the sale of the Latin American business ⁽¹⁾	3	87	84	86	86

⁽¹⁾ Non-recurring fair value recorded in connection with the sale of our Latin American business was measured as of August 1, 2022. See Note 2—Divestitures of the Latin American and EMEA Businesses for further details.

Note 13—Income Taxes

The components of the income tax (benefit) expense are as follows:

	Years Ended December 31,		
	2024	2023	2022
(Dollars in millions)			
Federal			
Current	\$ —	(1)	—
Deferred	(44)	(9)	271
State and local			
Current	15	8	21
Deferred	—	(11)	4
Foreign			
Current	2	1	26
Deferred	(8)	10	(66)
Total income tax (benefit) expense	<u>\$ (35)</u>	<u>(2)</u>	<u>256</u>

Income tax (benefit) expense was allocated as follows:

	Years Ended December 31,		
	2024	2023	2022
	(Dollars in millions)		
Income tax (benefit) expense in the consolidated statements of operations:			
Attributable to income	\$ (35)	(2)	256
Member's equity:			
Tax effect of the change in accumulated other comprehensive loss	\$ —	3	(58)

The following is a reconciliation from the statutory federal income tax rate to our effective income tax rate:

	Years Ended December 31,		
	2024	2023	2022
	(Percentage of pre-tax loss)		
Statutory federal income tax rate	21.0 %	21.0 %	21.0 %
State income taxes, net of federal income tax benefit	3.8 %	0.3 %	(0.3)%
Change in liability for unrecognized tax position	(27.8)%	— %	0.4 %
Goodwill impairment	— %	(19.4)%	(21.4)%
Divestiture of business ⁽¹⁾	(19.4)%	(2.5)%	(5.1)%
Change in valuation allowance	34.4 %	— %	(0.6)%
Net foreign income tax	(0.1)%	— %	0.2 %
Research and development credits	1.4 %	0.1 %	0.1 %
Other, net	(2.0)%	0.6 %	0.1 %
Effective income tax rate	11.3 %	0.1 %	(5.6)%

⁽¹⁾ Includes Global Intangible Low-Taxes Income ("GILTI") incurred as a result of the sale of our Latin American business.

For the year ended December 31, 2024, the effective tax rate was 11.3% compared to 0.1% and (5.6)% for the years ended December 31, 2023 and 2022, respectively. The effective tax rate for the year ended December 31, 2023 includes a \$389 million of a non-deductible goodwill impairment charge recorded in the second quarter of 2023. The effective tax rate for the year ended December 31, 2022 includes a \$969 million unfavorable impact of non-deductible goodwill impairment and a \$256 million unfavorable impact related to incurring GILTI as a result of the sale of our Latin American business.

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities were as follows:

	As of December 31,	
	2024	2023
	(Dollars in millions)	
Deferred tax assets		
Net operating loss carry forwards	\$ 1,319	1,598
Other	604	575
Gross deferred tax assets	1,923	2,173
Less valuation allowance	(126)	(248)
Net deferred tax assets	1,797	1,925
Deferred tax liabilities		
Property, plant and equipment	(1,216)	(1,189)
Intangible assets	(858)	(1,063)
Other	(6)	(9)
Gross deferred tax liabilities	(2,080)	(2,261)
Net deferred tax liabilities	\$ (283)	(336)

Of the \$283 million and \$336 million net deferred tax liabilities as of December 31, 2024 and 2023, respectively, \$337 million and \$375 million is reflected as a long-term liability, in other on our consolidated balance sheets and \$54 million and \$39 million is reflected as a net noncurrent deferred tax asset, in other, net on our consolidated balance sheets.

As of December 31, 2024, we had gross federal NOLs net of uncertain tax positions of \$5.1 billion, which will expire between 2025 and 2037 if unused, and state NOLs net of uncertain tax positions of \$5.1 billion. Our deferred tax asset balance is based on our historical balance and subsequent standalone activity since we were acquired by Lumen in 2017 and does not correspond to the amount of NOLs that are available for use by Lumen.

We establish valuation allowances when necessary to reduce the deferred tax assets to amounts we expect to realize. As of December 31, 2024, a valuation allowance of \$126 million was recorded as it is more likely than not that this amount of NOL and tax credit carryforwards will not be utilized prior to expiration. Our valuation allowance as of December 31, 2024 is primarily related to state NOL carryforwards. As of December 31, 2023, our valuation allowance is primarily related to federal capital loss carryforwards and state NOL carryforwards.

A reconciliation of the change in our gross unrecognized tax benefits (excluding both interest and any related federal benefit) for the years ended December 31, 2024 and 2023 is as follows:

	2024	2023
	(Dollars in millions)	
Unrecognized tax benefits at beginning of period	\$ 799	813
Decrease in tax positions of current year netted against deferred tax assets	(24)	(50)
Increase in tax positions of prior periods netted against deferred tax assets	91	43
Decreases related to divestitures of businesses	—	(2)
Decrease from the lapse of statute of limitations	(15)	(5)
Unrecognized tax benefits at end of period	\$ 851	799

As of December 31, 2024 the total amount of unrecognized tax benefits that, if recognized, would impact the effective income tax rate was \$3 million. The unrecognized tax benefits also includes tax positions that, if recognized, would result in adjustments to other tax accounts, primarily deferred taxes, that would not impact the effective tax rate but could impact cash tax amounts payable to taxing authorities.

Our policy is to reflect interest expense associated with unrecognized tax benefits in income tax expense. We had accrued interest (presented before related tax benefits) of approximately \$1 million as of December 31, 2024 and 2023.

We, or at least one of our affiliates, file income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2004. The Internal Revenue Service and state and local taxing authorities reserve the right to audit any period where NOL carry forwards are available.

Based on our current assessment of various factors, including (i) the potential outcomes of these ongoing examinations, (ii) the expiration of statute of limitations for specific jurisdictions, (iii) the negotiated settlement of certain disputed issues, and (iv) the administrative practices of applicable taxing jurisdictions, it is reasonably possible that the related unrecognized tax benefits for uncertain tax positions previously taken may decrease by up to \$7 million within the next 12 months. The actual amount of such decrease, if any, will depend on several future developments and events, many of which are outside our control.

In August 2022, the Inflation Reduction Act was signed into law and which, among other things, implemented a corporate alternative minimum tax ("CAMT") on adjusted financial statement income effective for tax periods occurring after December 31, 2022. The CAMT had no material impact on our financial results as of December 31, 2024. In addition, in 2021 the Organization for Economic Co-operation and Development ("OECD") issued Pillar Two model rules introducing a new global minimum corporate tax of 15% and the OECD and the majority of its participating countries continue to work toward the enactment of such tax. While the US has not yet adopted the Pillar Two rules, various other governments around the world have enacted such legislation that is effective for tax periods after December 31, 2023. These global minimum tax rules have increased our administrative and compliance burdens, but the impact to our financial statements for the year ended December 31, 2024 was immaterial. We anticipate further legislative activity and administrative guidance throughout 2025 and continue to monitor evolving global tax legislation.

Note 14—Geographic and Customer Concentrations

For the years ended December 31, 2024 and 2023, all of our assets were in North America. The table below shows our operating revenue for the years ended December 31, 2024, 2023 and 2022 by geographic region:

	Revenue		
	Years Ended December 31,		
	2024	2023	2022
	(Dollars in millions)		
North America	\$ 6,331	6,345	6,256
Europe, Middle East and Africa ⁽²⁾	118	628	734
Latin America ⁽¹⁾	47	64	503
Total	\$ 6,496	7,037	7,493

⁽¹⁾ Includes revenue prior to closing the sale of the Latin American business on August 1, 2022, revenue recognized through post-closing commercial agreements subsequent to the sale and revenue related to servicing our customers in those regions.

⁽²⁾ Includes revenue prior to closing the sale of the EMEA business on November 1, 2023.

A relatively small number of customers account for a significant percentage of our revenue. Our top ten customers accounted for approximately 20%, 18% and 15% of our total operating revenue for the years ended December 31, 2024, 2023 and 2022, respectively.

Note 15—Affiliate Transactions

We provide competitive local exchange carrier telecommunications services to our affiliates that we also provide to external customers. We periodically review and update our prices for affiliate network services to align with competitive non-regulated market-based rates charged to external customers, taking into consideration the average third-party customer contract term to which those affiliate services pertain. These services are billed directly to our affiliates and recognized as affiliate revenue on our consolidated statements of operations.

Whenever possible, costs are incurred directly by our affiliates for the services they use. 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 certain other affiliates of Lumen, we do not operate as a shared 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 methodologies described above.

On March 22, 2024, we entered into a \$1.2 billion secured revolving credit facility with Lumen Technologies with an 11% interest rate per annum. The principal amount is payable upon demand by us and prepayable by Lumen Technologies at any time, but no later than May 31, 2030, which maturity date may be extended for two additional one-year periods. The facility has covenants and is subject to other limitations, including a collateral agreement.

On March 22, 2024, we amended and restated our unsecured credit facility with Lumen Technologies pursuant to which Lumen Technologies may borrow up to \$1.825 billion from us. As of December 31, 2024, the interest rate was 11.03% and is subject to certain adjustments as set forth in the facility (SOFR + 6%). The principal amount is payable upon demand by us and prepayable by Lumen Technologies at any time prior to maturity. The facility has covenants and is subject to other limitations. On September 24, 2024, we further amended and restated this facility to extend the maturity date to November 30, 2032, which may be extended for two additional one-year periods.

As of December 31, 2024, Lumen Technologies owed us approximately \$2.7 billion, of which \$1.2 billion was due under the above-mentioned secured revolving credit facility and approximately \$1.5 billion was due under the above-mentioned unsecured revolving credit facility. As of December 31, 2023, Lumen Technologies owed us approximately \$1.5 billion under the above-mentioned revolving credit facility.

In the first quarter of 2024, we made a distribution of cash to Lumen Technologies in the amount of approximately \$1.8 billion, thereby reducing equity by the same amount, which was partially offset by a contribution from Lumen Technologies of \$210 million, thereby increasing equity by the same amount. In the fourth quarter of 2024, we made a non-cash distribution to Lumen Technologies in exchange for a reduction in advances to affiliates of \$200 million, in addition to a cash distribution of an additional \$1.4 billion.

Note 16—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.

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 December 31, 2024 and December 31, 2023, we had accrued \$36 million and \$38 million, respectively, in the aggregate for our litigation and non-income tax contingencies which is included in Other under Current Liabilities or Other under Deferred Revenue and Other Liabilities in our consolidated balance sheets as of such date. We cannot at this time estimate the reasonably possible loss or range of loss, if any, in excess of our \$36 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 Brazilian tax claims described in our prior periodic reports filed with the SEC. We agreed to indemnify the purchaser for amounts paid with respect to the Brazilian tax claims. The value of this indemnification and others associated with the Latin American business divestiture are included in the indemnification amount as disclosed in Note 12—Fair Value of Financial Instruments.

Huawei Network Deployment Investigations

Level 3 has received requests from the following federal agencies for information relating to the use of equipment manufactured by Huawei Technologies Company ("Huawei") in Lumen's networks.

- DOJ. Lumen has received a civil investigative demand from the U.S. Department of Justice in the course of a False Claims Act investigation alleging that Lumen Technologies, Inc. and Lumen Technologies Government Solutions, Inc. failed to comply with certain specified requirements in federal contracts concerning their use of Huawei equipment.
- FCC. The FCC's Enforcement Bureau issued a Letter of Inquiry to Lumen Technologies, Inc. regarding its written certifications to the FCC that Lumen has complied with FCC rules governing the use of resources derived from the High Cost Program, Lifeline Program, Rural Health Care Program, E-Rate Program, Emergency Broadband Benefit Program, and the Affordable Connectivity Program. Under these programs, federal funds may not be used to facilitate the deployment or maintenance of equipment or services provided by Huawei, a company that the FCC has determined poses a national security threat to the integrity of U.S. communications networks or the communications supply chain.
- Team Telecom. The Committee for the Assessment of Foreign Participation in the United States Telecommunications Service Sector (comprised of the U.S. Attorney General, and the Secretaries of the Department of Homeland Security, and the Department of Defense), commonly referred to as Team Telecom, issued questions and requests for information relating to Lumen's FCC licenses and its use of Huawei equipment.

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, tax issues, or environmental law issues, grievance hearings before labor regulatory agencies, miscellaneous third-party tort actions, or commercial disputes.

We are currently defending several patent infringement lawsuits asserted against us by non-practicing entities 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.

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 outcomes of these other proceedings described under this heading are 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. 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 we currently consider immaterial may ultimately affect us materially.

Right-of-Way

At December 31, 2024, our future rental commitments and Right-of-Way ("ROW") agreements were as follows:

	(Dollars in millions)
2025	\$ 117
2026	43
2027	42
2028	41
2029	30
2030 and thereafter	291
Total future minimum payments	\$ 564

Purchase Commitments

We have several commitments to a variety of vendors for services to be used in the ordinary course of business totaling \$205 million as of December 31, 2024. Of this amount, we expect to purchase \$70 million in 2025, \$68 million in 2026 through 2027, \$25 million in 2028 through 2029 and \$42 million in 2030 and thereafter. These amounts do not represent our entire anticipated purchases in the future, but represent only those items for which we are the contractually committed party as of December 31, 2024. In addition to our above-described contractual obligations, our ultimate parent company Lumen Technologies is contractually committed to purchase additional services under arrangements from which we may purchase in the future.

Note 17—Accumulated Other Comprehensive Income (Loss)

The table below summarizes changes in accumulated other comprehensive loss recorded on our consolidated balance sheet by component for the years ended December 31, 2024 and 2023:

	Pension Plans	Foreign Currency Translation Adjustments and Other	Total
	(Dollars in millions)		
Balance at December 31, 2022	\$ 21	(365)	(344)
Other comprehensive loss, net of tax	—	(12)	(12)
Amounts reclassified from accumulated other comprehensive (loss) income	(22)	350	328
Net other comprehensive (loss) income	(22)	338	316
Balance at December 31, 2023	\$ (1)	(27)	(28)
Other comprehensive income, net of tax	—	2	2
Net other comprehensive income	—	2	2
Balance at December 31, 2024	\$ (1)	(25)	(26)

The table below presents further information about our reclassifications out of accumulated other comprehensive (loss) income by component for the year ended December 31, 2023:

Year Ended December 31, 2023	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 valuation allowance within assets held for sale	\$ 353	Assets held for sale
Reclassification of realized loss on foreign currency translation to loss on sale of business	(3)	Net loss (gain) on sale of businesses
Subtotal reclassification of realized loss on foreign currency	350	
Reclassification of net actuarial loss to valuation allowance within assets held for sale	(24)	Assets held for sale
Reclassification of net actuarial gain to loss on sale of business	2	Net loss (gain) on sale of businesses
Subtotal reclassification of net actuarial loss	(22)	
Income tax benefit	—	Income tax expense
Net of tax	\$ 328	

Note 18—Other Financial Information

Other Current Assets

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

	As of December 31,	
	2024	2023
	(Dollars in millions)	
Prepaid expenses	\$ 108	123
Contract fulfillment costs	57	50
Contract acquisition costs	41	40
Contract assets	10	6
Assets held for sale	23	12
Other	7	13
Total other current assets	\$ 246	244

Other Current Liabilities

Included in accounts payable at December 31, 2024 and 2023 were \$106 million and \$94 million, respectively, associated with capital expenditures.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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 leadership team, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our 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 December 31, 2024. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded our disclosure controls and procedures were effective, as of December 31, 2024, 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 fourth quarter of 2024 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.

Internal Control Over Financial Reporting

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act), a process designed 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 in the United States. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our evaluation under the framework of COSO, our management concluded that our internal control over financial reporting was effective as of December 31, 2024.

Management's Report on the Consolidated Financial Statements

Management of the Company has prepared and is responsible for the integrity and objectivity of our consolidated financial statements for the year ended December 31, 2024. The consolidated financial statements included in this report have been prepared in accordance with accounting principles generally accepted in the United States and necessarily include amounts determined using our best judgments and estimates.

Our consolidated financial statements have been audited by KPMG LLP, an independent registered public accounting firm, who have expressed an unqualified opinion on the consolidated financial statements. Their audit was conducted in accordance with standards of the Public Company Accounting Oversight Board (United States).

ITEM 9B. OTHER INFORMATION

Not applicable.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

Part III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We have omitted this information pursuant to General Instruction I.

ITEM 11. EXECUTIVE COMPENSATION

We have omitted this information pursuant to General Instruction I.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

We have omitted this information pursuant to General Instruction I.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

We have omitted this information pursuant to General Instruction I.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Pre-Approval Policies and Procedures

The Audit Committee of Lumen's Board of Directors is responsible for the appointment, compensation and oversight of the work of our independent registered public accounting firm. Under the Audit Committee's charter, the Audit Committee pre-approves all audit and permissible non-audit services provided by our independent registered public accounting firm. The approval may be given as part of the Audit Committee's approval of the scope of the engagement of our independent registered public accounting firm or on an individual basis. The pre-approval of non-audit services may be delegated to one or more of the Audit Committee's members, but the decision must be reported to the full Audit Committee. Our independent registered public accounting firm may not be retained to perform the non-audit services specified in Section 10A(g) of the Exchange Act.

Fees Paid to the Independent Registered Public Accounting Firm

Level 3 Parent, LLC first engaged KPMG LLP to be our independent registered public accounting firm in 2002. The aggregate fees billed or allocated to us were \$2.0 million and \$2.2 million for the years ended December 31, 2024 and 2023, respectively, for professional accounting services, including KPMG's audit of our annual consolidated financial statements.

Audit fees are fees billed for the year shown for professional services performed for the audit of the consolidated financial statements included in our Form 10-K filing for that year, the review of condensed consolidated financial statements included in our Form 10-Q filings made during that year, comfort letters, consents and assistance with and review of documents filed with the SEC. Audit fees for 2024 and 2023 include amounts that have been billed through the date of this filing and any additional amounts that are expected to be billed thereafter.

The Audit Committee of Lumen Technologies, Inc. approved in advance all of the services performed by KPMG described above.

Part IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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 No. ⁽¹⁾	Description	Filed or Furnished with this Form 10-K	Incorporated by Reference ⁽²⁾	
			Form	Date ⁽³⁾
3.1	Certificate of Formation of Level 3 Parent, LLC (formerly named WWG Merger Sub LLC).		8-K	11/1/17
3.2	Amended and Restated Limited Liability Company Agreement of Level 3 Parent, LLC, effective as of November 1, 2017 (formerly named WWG Merger Sub LLC).		8-K	11/1/17
4.1	Indenture, dated as of September 25, 2019, among Level 3 Parent, LLC, as Guarantor, Level 3 Financing, Inc., as Issuer, and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to the 4.625% Senior Notes due 2027 of Level 3 Financing, Inc.		8-K	9/25/19
	a. First Supplemental Indenture, dated as of March 2, 2020, among Level 3 Parent, LLC, as guarantor, Level 3 Communications, LLC, as guarantor, Level 3 Financing, Inc., as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to Level 3 Communications, LLC's unsecured guarantee of the 4.625% Senior Notes due 2027 of Level 3 Financing, Inc.		10-K	12/31/20
	b. Second Supplemental Indenture, dated as of March 2, 2020, among Level 3 Parent, LLC, as guarantor, Level 3 Communications, LLC, as guarantor, Level 3 Financing, Inc., as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to the subordination in any bankruptcy, liquidation or winding up proceeding of the guarantee by Level 3 Communications, LLC of the 4.625% Senior Notes due 2027 of Level 3 Financing, Inc.		10-K	12/31/20
	c. Third Supplemental Indenture, dated as of March 22, 2024, among Level 3 Parent, LLC, Level 3 Financing, Inc., the guarantors party thereto, and the Bank of New York Mellon Trust Company, N.A., as trustee and note collateral agent, relating to the 4.625% Senior Notes due 2027 of Level 3 Financing, Inc.		8-K	3/28/24
	d. Fourth Supplemental Indenture, dated as of August 28, 2024, among Level 3 Parent, LLC, Level 3 Financing, Inc., the guarantors party thereto, and the Bank of New York Mellon Trust Company, N.A., as trustee and note collateral agent, relating to the 4.625% Senior Notes due 2027 of Level 3 Financing, Inc.		10-Q	9/30/24
4.2	Indenture, dated as of November 29, 2019, among Level 3 Parent, LLC and the other guarantors party thereto, Level 3 Financing, Inc., as Issuer, and The Bank of New York Mellon Trust Company, N.A., as Trustee and Notes Collateral Agent, relating to the 3.400% Senior Secured Notes due 2027 of Level 3 Financing, Inc.		8-K	12/4/19
	a. 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 Level 3 Parent, LLC and several of its subsidiaries, as guarantors, designating and outlining the terms and conditions of the secured guarantees of the 3.400% Senior Secured Notes due 2027 of Level 3 Financing, Inc.		10-K	12/31/20

Exhibit No. ⁽¹⁾	Description	Filed or Furnished with this Form 10-K	Incorporated by Reference ⁽²⁾	
			Form	Date ⁽³⁾
	b. 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.		10-Q	9/30/23
	c. Second Supplemental Indenture, dated as of December 29, 2023, among Level 3 Financing, Inc., on behalf of itself as issuer and certain specified existing guarantors, The Bank of New York Mellon Trust Company, N.A., as trustee and collateral agent, Level 3 Parent, LLC, as guarantor, and several subsidiaries thereof, designating such subsidiaries as additional guarantors of Level 3 Financing, Inc.'s 3.400% Senior Secured Notes due 2027.		10-K	12/31/23
	d. Third Supplemental Indenture, dated as of March 22, 2024, among Level 3 Parent, LLC, Level 3 Financing, Inc., the guarantors party thereto, and the Bank of New York Mellon Trust Company, N.A., as trustee and note collateral agent, relating to the 3.400% Senior Secured Notes due 2027 of Level 3 Financing, Inc.		8-K	3/28/24
	e. Fourth Supplemental Indenture, dated as of August 28, 2024, among Level 3 Parent, LLC, Level 3 Financing, Inc., the guarantors party thereto, and the Bank of New York Mellon Trust Company, N.A., as trustee and note collateral agent, relating to the 3.400% Senior Secured Notes due 2027 of Level 3 Financing, Inc.		10-Q	9/30/24
4.3	Indenture, dated as of November 29, 2019, among Level 3 Parent, LLC and the other guarantors party thereto, Level 3 Financing, Inc., as Issuer, and The Bank of New York Mellon Trust Company, N.A., as Trustee and Notes Collateral Agent, relating to the 3.875% Senior Secured Notes due 2029 of Level 3 Financing, Inc.		8-K	11/29/19
	a. 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 Level 3 Parent, LLC and several of its subsidiaries, as guarantors, designating and outlining the terms and conditions of the secured guarantees of the 3.875% Senior Secured Notes due 2029 of Level 3 Financing, Inc.		10-K	12/31/20
	b. 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.		10-Q	9/30/23
	c. Second Supplemental Indenture, dated as of December 29, 2023, among Level 3 Financing, Inc., on behalf of itself as issuer and certain specified existing guarantors, The Bank of New York Mellon Trust Company, N.A., as trustee and collateral agent, Level 3 Parent, LLC, as guarantor, and several subsidiaries thereof, designating such subsidiaries as additional guarantors of Level 3 Financing, Inc.'s 3.875% Senior Secured Notes due 2029.		10-K	12/31/23

Exhibit No. ⁽¹⁾	Description	Filed or Furnished with this Form 10-K	Incorporated by Reference ⁽²⁾	
			Form	Date ⁽³⁾
	d. Third Supplemental Indenture, dated as of March 22, 2024, among Level 3 Parent, LLC, Level 3 Financing, Inc., the guarantors party thereto, and the Bank of New York Mellon Trust Company, N.A., as trustee and note collateral agent, relating to the 3.875% Senior Secured Notes due 2029 of Level 3 Financing, Inc.		8-K	3/28/24
	e. Fourth Supplemental Indenture, dated as of August 28, 2024, among Level 3 Parent, LLC, Level 3 Financing, Inc., the guarantors party thereto, and the Bank of New York Mellon Trust Company, N.A., as trustee and note collateral agent, relating to the 3.875% Senior Secured Notes due 2029 of Level 3 Financing, Inc.		10-Q	9/30/24
4.4	Indenture, dated as of June 15, 2020, among Level 3 Parent, LLC, as Guarantor, Level 3 Financing, Inc., as Issuer, and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to the 4.250% Senior Notes due 2028 of Level 3 Financing, Inc.		8-K	6/15/20
	a. First Supplemental Indenture, dated as of December 21, 2020, among Level 3 Parent LLC, as guarantor, Level 3 Communications, LLC, as guarantor, Level 3 Financing, Inc., as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to Level 3 Communications, LLC's unsecured guarantee of the 4.250% Senior Notes due 2028 of Level 3 Financing, Inc.		10-K	12/31/20
	b. Second Supplemental Indenture, dated as of December 21, 2020, among Level 3 Parent LLC, as guarantor, Level 3 Communications, LLC, as guarantor, Level 3 Financing, Inc., as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to the subordination in any bankruptcy, liquidation or winding up proceeding of the guarantee by Level 3 Communications, LLC of the 4.250% Senior Notes due 2028 of Level 3 Financing, Inc.		10-K	12/31/20
	c. Third Supplemental Indenture, dated as of March 22, 2024, among Level 3 Parent, LLC, Level 3 Financing, Inc., the guarantors party thereto, and the Bank of New York Mellon Trust Company, N.A., as trustee and note collateral agent, relating to the 4.250% Senior Notes due 2028 of Level 3 Financing, Inc.		8-K	3/28/24
	d. Fourth Supplemental Indenture, dated as of August 28, 2024, among Level 3 Parent, LLC, Level 3 Financing, Inc., the guarantors party thereto, and the Bank of New York Mellon Trust Company, N.A., as trustee and note collateral agent, relating to the 4.250% Senior Notes due 2028 of Level 3 Financing, Inc.		10-Q	9/30/24
4.5	Indenture, dated as of August 12, 2020, among Level 3 Parent, LLC, as Guarantor, Level 3 Financing, Inc., as Issuer, and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to the 3.625% Senior Notes due 2029 of Level 3 Financing, Inc.		8-K	8/12/20
	a. First Supplemental Indenture, dated as of December 21, 2020, among Level 3 Parent LLC, as guarantor, Level 3 Communications, LLC, as guarantor, Level 3 Financing, Inc., as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to Level 3 Communications, LLC's unsecured guarantee of the 3.625% Senior Notes due 2029 of Level 3 Financing, Inc.		10-K	12/31/20

Exhibit No. ⁽¹⁾	Description	Filed or Furnished with this Form 10-K	Incorporated by Reference ⁽²⁾	
			Form	Date ⁽³⁾
	b. <u>Second Supplemental Indenture, dated as of December 21, 2020, among Level 3 Parent LLC, as guarantor, Level 3 Communications, LLC, as guarantor, Level 3 Financing, Inc., as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to the subordination in any bankruptcy, liquidation or winding up proceeding of the guarantee by Level 3 Communications, LLC of the 3.625% Senior Notes due 2029 of Level 3 Financing, Inc.</u>		10-K	12/31/20
	c. <u>Third Supplemental Indenture, dated as of March 22, 2024, among Level 3 Parent, LLC, Level 3 Financing, Inc., the guarantors party thereto, and the Bank of New York Mellon Trust Company, N.A., as trustee and note collateral agent, relating to the 3.625% Senior Notes due 2029 of Level 3 Financing, Inc.</u>		8-K	3/28/24
	d. <u>Fourth Supplemental Indenture, dated as of August 28, 2024, among Level 3 Parent, LLC, Level 3 Financing, Inc., the guarantors party thereto, and the Bank of New York Mellon Trust Company, N.A., as trustee and note collateral agent, relating to the 3.625% Senior Notes due 2029 of Level 3 Financing, Inc.</u>		10-Q	9/30/24
4.6	<u>Indenture, dated as of January 13, 2021, among Level 3 Parent, LLC, as Guarantor, Level 3 Financing, Inc., as Issuer, and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to the 3.750% Sustainability-Linked Senior Notes due 2029 of Level 3 Financing, Inc.</u>		8-K	1/13/21
	a. <u>First Supplemental Indenture, dated as of May 7, 2021, among Level 3 Parent, LLC, as guarantor, Level 3 Communications, LLC, as guarantor, Level 3 Financing, Inc., as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee, designating and outlining the terms and conditions of Level 3 Communications, LLC's unsecured guarantee of the 3.750% Sustainability-Linked Senior Notes due 2029 of Level 3 Financing, Inc.</u>		10-K	12/31/21
	b. <u>Second Supplemental Indenture, dated as of May 7, 2021, among Level 3 Parent, LLC, as guarantor, Level 3 Communications, LLC, as guarantor, Level 3 Financing, Inc., as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to the subordination in any bankruptcy, liquidation or winding up proceeding of the guarantee by Level 3 Communications, LLC of the 3.750% Sustainability-Linked Senior Notes due 2029 of Level 3 Financing, Inc.</u>		10-K	12/31/21
	c. <u>Third Supplemental Indenture, dated as of March 22, 2024, among Level 3 Parent, LLC, Level 3 Financing, Inc., the guarantors party thereto, and the Bank of New York Mellon Trust Company, N.A., as trustee and note collateral agent, relating to the 3.750% Sustainability-Linked Senior Notes due 2029 of Level 3 Financing, Inc.</u>		8-K	3/28/24
	d. <u>Fourth Supplemental Indenture, dated as of August 28, 2024, among Level 3 Parent, LLC, Level 3 Financing, Inc., the guarantors party thereto, and the Bank of New York Mellon Trust Company, N.A., as trustee and note collateral agent, relating to the 3.750% Sustainability-Linked Senior Notes due 2029 of Level 3 Financing, Inc.</u>		10-Q	9/30/24

Exhibit No. ⁽¹⁾	Description	Filed or Furnished with this Form 10-K	Incorporated by Reference ⁽²⁾	
			Form	Date ⁽³⁾
4.7	<u>Indenture dated March 31, 2023, among Level 3 Financing, Inc., as Issuer, Level 3 Parent, LLC, as Guarantor, the subsidiary guarantors party thereto, and The Bank of New York Mellon Trust Company, as Trustee and Note Collateral Agent, designating and outlining the terms and conditions of Level 3 Financing, Inc.'s 10.500% Senior Secured Notes due 2030.</u>		8-K	3/31/23
	a. <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>		10-Q	9/30/23
	b. <u>Second Supplemental Indenture, dated as of December 29, 2023, among Level 3 Financing, Inc., on behalf of itself as issuer and certain specified existing guarantors, The Bank of New York Mellon Trust Company, N.A., as trustee and collateral agent, Level 3 Parent, LLC, as guarantor, and several subsidiaries thereof, designating such subsidiaries as additional guarantors of Level 3 Financing, Inc.'s 10.500% Senior Secured Notes due 2030.</u>		10-K	12/31/23
	c. <u>Third Supplemental Indenture, dated as of March 22, 2024, among Level 3 Parent, LLC, Level 3 Financing, Inc., the guarantors party thereto, and the Bank of New York Mellon Trust Company, N.A., as trustee and note collateral agent, relating to the 10.500% Senior Secured Notes due 2030 of Level 3 Financing, Inc.</u>		8-K	3/28/24
4.8	<u>Indenture, dated as of March 22, 2024, among Level 3 Financing, Inc., as issuer, Level 3 Parent, LLC, the other guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent, relating to the 10.500% First Lien Notes due 2029 of Level 3 Financing, Inc.</u>		8-K	3/28/24
	a. <u>Supplemental Indenture, dated October 31, 2024, among Level 3 Parent, LLC, as guarantor, Level 3 Financing, Inc., as issuer, the guarantors party thereto, and Wilmington Trust, National Association, as trustee and collateral agent, adding additional guarantors of the 10.500% First Lien Notes due 2029 of Level 3 Financing, Inc.</u>		10-Q	9/30/24
4.9	<u>Indenture, dated as of March 22, 2024, among Level 3 Financing, Inc., as issuer, Level 3 Parent, LLC, the other guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent, relating to the 11.000% First Lien Notes due 2029 of Level 3 Financing, Inc.</u>		8-K	3/28/24
	a. <u>Supplemental Indenture, dated October 31, 2024, among Level 3 Parent, LLC, as guarantor, Level 3 Financing, Inc., as issuer, the guarantors party thereto, and Wilmington Trust, National Association, as trustee and collateral agent, adding additional guarantors of the 11.000% First Lien Notes due 2029 of Level 3 Financing, Inc.</u>		10-Q	9/30/24
4.10	<u>Indenture, dated as of March 22, 2024, among Level 3 Financing, Inc., as issuer, Level 3 Parent, LLC, the other guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent, relating to the 10.750% First Lien Notes due 2030 of Level 3 Financing, Inc.</u>		8-K	3/28/24

Exhibit No. ⁽¹⁾	Description	Filed or Furnished with this Form 10-K	Incorporated by Reference ⁽²⁾	
			Form	Date ⁽³⁾
	a. Supplemental Indenture, dated October 31, 2024, among Level 3 Parent, LLC, as guarantor, Level 3 Financing, Inc., as issuer, the guarantors party thereto, and Wilmington Trust, National Association, as trustee and collateral agent, adding additional guarantors of the 10.750% First Lien Notes due 2030 of Level 3 Financing, Inc.		10-Q	9/30/24
4.11	Indenture, dated as of March 22, 2024, among Level 3 Financing, Inc., as issuer, Level 3 Parent, LLC, the other guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent, relating to the 4.875% Second Lien Notes due 2029 of Level 3 Financing, Inc.		8-K	3/28/24
	a. Supplemental Indenture, dated October 31, 2024, among Level 3 Parent, LLC, as guarantor, Level 3 Financing, Inc., as issuer, the guarantors party thereto, and Wilmington Trust, National Association, as trustee and collateral agent, adding additional guarantors of the 4.875% Second Lien Notes due 2029 of Level 3 Financing, Inc.		10-Q	9/30/24
4.12	Indenture, dated as of March 22, 2024, among Level 3 Financing, Inc., as issuer, Level 3 Parent, LLC, the other guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent, relating to the 4.500% Second Lien Notes due 2030 Level 3 Financing, Inc.		8-K	3/28/24
	a. Supplemental Indenture, dated October 31, 2024, among Level 3 Parent, LLC, as guarantor, Level 3 Financing, Inc., as issuer, the guarantors party thereto, and Wilmington Trust, National Association, as trustee and collateral agent, adding additional guarantors of the 4.500% Second Lien Notes due 2030 of Level 3 Financing, Inc.		10-Q	9/30/24
4.13	Indenture, dated as of March 22, 2024, among Level 3 Financing, Inc., as issuer, Level 3 Parent, LLC, the other guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent, relating to the 3.875% Second Lien Notes due 2030 Level 3 Financing, Inc.		8-K	3/28/24
	a. Supplemental Indenture, dated October 31, 2024, among Level 3 Parent, LLC, as guarantor, Level 3 Financing, Inc., as issuer, the guarantors party thereto, and Wilmington Trust, National Association, as trustee and collateral agent, adding additional guarantors of the 3.875% Second Lien Notes due 2030 of Level 3 Financing, Inc.		10-Q	9/30/24
4.14	Indenture, dated as of March 22, 2024, among Level 3 Financing, Inc., as issuer, Level 3 Parent, LLC, the other guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent, relating to the 4.000% Second Lien Notes due 2031 of Level 3 Financing, Inc.		8-K	3/28/24
	a. Supplemental Indenture, dated October 31, 2024, among Level 3 Parent, LLC, as guarantor, Level 3 Financing, Inc., as issuer, the guarantors party thereto, and Wilmington Trust, National Association, as trustee and collateral agent, adding additional guarantors of the 4.000% Second Lien Notes due 2031 of Level 3 Financing, Inc.		10-Q	9/30/24

Exhibit No. ⁽¹⁾	Description	Filed or Furnished with this Form 10-K	Incorporated by Reference ⁽²⁾	
			Form	Date ⁽³⁾
4.15	Indenture, dated September 24, 2024, among Level 3 Financing, Inc., as issuer, Level 3 Parent, LLC, as a guarantor, certain other guarantors party thereto, U.S. Bank Trust Company, National Association, as trustee, and Wilmington Trust, National Association, as collateral agent, designating and outlining the terms and conditions of 10.000% Second Lien Notes due 2032 issued thereunder by Level 3 Financing, Inc.		8-K	9/24/24
4.16	Fourteenth Amendment Agreement, dated as of March 22, 2024, among Level 3 Parent, LLC, Level 3 Financing, Inc., as borrower, the guarantors party thereto, the lenders party thereto and Merrill Lynch Capital Corporation, as administrative agent and collateral agent, to the Amended and Restated Credit Agreement, dated as of November 29, 2019, among Level 3 Parent, LLC, Level 3 Financing, Inc., as borrower, the lenders party thereto and Merrill Lynch Capital Corporation, as administrative agent and collateral agent.		8-K	3/28/24
4.17	Credit Agreement, dated as of March 22, 2024, among Level 3 Parent, LLC, Level 3 Financing, Inc., as borrower, the lenders party thereto and Wilmington Trust, National Association, as administrative agent and collateral agent.		8-K	3/28/24
19	Insider Trading Policy of Lumen Technologies, Inc.	X		
10.1	Amended and Restated Transaction Support Agreement by and among Lumen Technologies, Inc., Level 3 Financing, Inc., Qwest Corporation, and the Consenting Parties identified therein, dated January 22, 2024.		8-K	1/25/24
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X		
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X		
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X		
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X		
101	The following materials from the Annual Report on Form 10-K of Level 3 Parent, LLC for the year ended December 31, 2024, formatted in Inline XBRL: (i) Consolidated Statements of Operations, (ii) Consolidated Statements Of Comprehensive Loss, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Changes in Member's Equity and (vi) Notes to Consolidated Financial Statements.	X		
104	Cover page formatted as Inline XBRL and contained in Exhibit 101.	X		

(1) Certain of the items in Sections 4.1 through 4.15 may (i) omit supplemental indentures or other instruments governing debt that has been retired, or (ii) refer to trustees who may have been replaced, acquired or affected by similar changes. In accordance with applicable rules of the SEC, copies of certain instruments defining the rights of holders of certain of our long-term debt are not filed herewith.

(2) All documents listed below were filed by the registrant (File No. 001-35134), except for Exhibit 19, which was filed by the registrant's parent company, Lumen Technologies, Inc. (File No. 001-07784).

(3) Represents (i) the date appearing on the cover page of each applicable 10-K or 10-Q report and (ii) the date of filing with respect to all other reports.

ITEM 16. SUMMARY OF BUSINESS AND FINANCIAL INFORMATION

Not Applicable

SIGNATURES

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, this February 20, 2025.

Date: February 20, 2025

By:

LEVEL 3 PARENT, LLC

/s/ Andrea Genschaw

Andrea Genschaw

Chief Accounting Officer and Controller (Principal
Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Kate Johnson</u> Kate Johnson	Chair of the Board and Chief Executive Officer (Principal Executive Officer)	February 20, 2025
<u>/s/ Chris Stansbury</u> Chris Stansbury	Executive Vice President and Chief Financial Officer (Principal Financial Officer) and Director	February 20, 2025
<u>/s/ Andrea Genschaw</u> Andrea Genschaw	Chief Accounting Officer and Controller (Principal Accounting Officer)	February 20, 2025

Nov. 13, 2024

Insider Trading Policy

Nov. 13, 2024

The Board of Directors (the “Board”) of Lumen Technologies, Inc. (“Lumen,” and together with its subsidiaries, the “Company”) has adopted this Insider Trading Policy (the “Policy”) on behalf of the Company. This Policy sets forth the general standards for all Personnel (defined below) and directors of the Company with respect to (1) the handling of confidential information about the Company, and (2) engaging in transactions in Company securities and securities of other publicly traded companies. This Policy also explains the prohibitions against “insider trading” based on federal securities laws and establishes Lumen’s policies and procedures to promote and monitor compliance with those laws.

1. Reasons for adopting this policy

- 1.1. **Insider Trading Under the Securities Laws.** Various federal, state, and foreign securities laws prohibit persons who possess material nonpublic information from (1) trading securities on the basis of such information and (2) disclosing such information to others who might be expected to trade while in possession of that information (also known as “tipping”). In addition, public companies and their directors can be subject to liability if they fail to take appropriate steps to prevent insider trading violations. Accordingly, we have adopted this Policy to highlight the importance of complying with insider trading laws and to take measures where appropriate to prevent violations of such laws. In addition, we have adopted this Policy to avoid even the appearance of improper conduct. We have worked hard over the years to establish the Company’s reputation for integrity and ethical conduct, and it is important that we continue to uphold that standard.
- 1.2. Insider trading laws are distinct from and in addition to the other securities laws to which the Company’s Personnel and directors may be subject. A transaction that is structured specifically in order to meet the requirements of other securities laws (for example, the Section 16(b) prohibition against short-swing profits) may nonetheless be a violation of insider trading laws if the applicable person possesses material nonpublic information at the time of the transaction.
- 1.3. **Penalties for Insider Trading.** Insider trading violations are pursued vigorously by the Securities and Exchange Commission (the “SEC”), the Department of Justice and state and foreign enforcement authorities. The consequences of insider trading violations are extremely serious. Individuals who engage in insider trading or tipping may be liable for substantial penalties, including, as of the date of this Policy:
 - 1.3.1. a civil penalty of up to three times the profit gained or loss avoided;
 - 1.3.2. a criminal fine (no matter how small the benefit) of up to \$5 million; and
 - 1.3.3. a jail term of up to 20 years.
- 1.4. In addition, if the Company fails to take appropriate steps to prevent unlawful insider trading, it may have “controlling person” liability for an insider trading violation. Controlling person liability may also extend to any officer or director of the Company or any supervisory employee who fails to take appropriate steps to prevent unlawful insider trading by other Personnel over whom he or she exercises control. As of the date of this Policy, controlling persons may be held liable for civil penalties equal to the greater of (1) \$1 million and (2) three times the profit gained or loss avoided. In addition, if the Company is found to be a “controlling person,” it may also be liable for criminal penalties of up to \$25 million.
- 1.5. In addition to the criminal and civil penalties, anyone who buys from, or sells to, persons subject to this Policy or who buys from, or sells to, an individual who has been “tipped” by a person subject to this Policy could have a civil cause of action for damages against the trading or tipping person. Moreover, as discussed further below, failure to comply with this Policy could result in disciplinary action, including your dismissal for cause.
- 1.6.

2. Scope of this policy

- 2.1. Persons Subject to this Policy.** This Policy applies to you if you are an employee, including an officer, consultant, or independent contractor (each and collectively “Personnel”) or a director of the Company. The same restrictions that apply to you also apply to
- 2.1.1. members of your family who reside with you,
 - 2.1.2. anyone else who lives in your household,
 - 2.1.3. any parents, children or other family members who do not live in your household but whose transactions in Company Securities (as defined below) are directed by you or are subject to your influence or control, and
 - 2.1.4. all trusts, corporations, partnerships, limited liability companies or other entities controlled by you or any other person specified in items (2.1.1), (2.1.2) or (2.1.3) above (with all persons referred to in the foregoing items (2.1.1), (2.1.2), (2.1.3) and (2.1.4) being referred to collectively as “related persons”).
- 2.2. Transactions Covered.** For purposes of this Policy, “Securities” means any debt or equity securities within the meaning of the federal securities laws, including without limitation, common stock, preferred stock, options or warrants to purchase common or preferred stock, senior or subordinated notes, and other instruments convertible into or exchangeable for any of the foregoing. This Policy applies to transactions in any Securities of any type issued by Lumen or any of its subsidiaries that file periodic reports with the SEC (collectively referred to in this Policy as “Company Securities”), as well as derivative securities that are not issued by the Company, such as exchange-traded put or call options or swaps, relating to Company Securities. Transactions subject to this Policy include purchases, sales and bona fide gifts of Company Securities.
- 2.3. Individual Responsibility.** Persons subject to this Policy have ethical and legal obligations to maintain the confidentiality of information about the Company and to not engage in transactions in Company Securities while in possession of material nonpublic information. All persons subject to this Policy are responsible for (1) determining whether they possess material nonpublic information, (2) complying with this Policy and (3) ensuring that all of their related persons also comply with this Policy. While the Company provides policies, procedures and training on insider trading, those or similar actions by the Company, or by any of its employees, officers or directors, shall not constitute legal advice and do not insulate you from liability under applicable securities laws.
- 2.4. Application to the Company.** It is Lumen’s policy that it will not engage in transactions in Company Securities in violation of applicable securities laws.

3. Statement of policy

- 3.1. Prohibition Against Trading on or Disclosing Material Nonpublic Information.** No person subject to this Policy who is in possession of material nonpublic information relating to the Company, nor any related person, may directly or indirectly:
- 3.1.1. engage in transactions in Company Securities, except as otherwise specified in this Policy (see Section 5 “Transactions excluded from this policy”);
 - 3.1.2. recommend that others engage in transactions in any of the Company’s Securities;
 - 3.1.3. disclose material nonpublic information to persons (a) within the Company whose jobs do not require them to have that information, or (b) outside of the Company, including family, friends, business associates, investors and consulting firms, unless any such disclosure is made in accordance with Lumen’s policies and procedures; or
 - 3.1.4. assist anyone engaged in the above activities.
- 3.2. It makes no difference whether or not you relied upon or otherwise considered material nonpublic information in deciding to transact in Company Securities. If you are aware of material nonpublic information about the Company, the prohibition applies. You should avoid even the appearance of an improper transaction.
- 3.3. A transaction that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure) is not an exception to this Policy. Even the appearance of an improper transaction must be avoided to preserve Lumen’s reputation for adhering to the highest standard of conduct.

3.4. Serious problems could be caused for Lumen by unauthorized disclosure of internal information about the Company or other companies with which it does business, whether or not for the purpose of facilitating improper trading in securities. This prohibition against unauthorized disclosures of nonpublic information to others will apply regardless of whether or not you derive any monetary benefit from such disclosure.

3.5. Specific Prohibited Transactions. The Company has determined that there is a heightened legal risk and the appearance of improper or inappropriate conduct if Personnel and directors engage in certain types of transactions. Therefore, it is the Company's policy that you may not engage in any of the following transactions with respect to Company Securities:

3.5.1. **Short-Term Trading.** Short-term trading of Company Securities may unduly focus you on the Company's short-term stock market performance instead of the Company's long-term business objectives. For this reason, any Personnel or director of the Company who purchases Company Securities in the open market may not sell any Company Securities of the same class during the six months following the purchase (or vice versa).

3.5.2. **Publicly-Traded Options.** Given the relatively short term of publicly-traded options, transactions in options may create the appearance that you are focused on short-term performance at the expense of the Company's long term objectives. Accordingly, transactions in put options, call options or other derivative securities with respect to Company Securities, on an exchange or in any other organized market, are prohibited by this Policy.

3.5.3. **Short Sales.** Short sales of Company Securities (i.e., the sale of a security that the seller does not own) may evidence an expectation that the Company Securities will decline in value, and therefore have the potential to signal to the market that you lack confidence in the Company's prospects. In addition, short sales may reduce your incentive to improve the Company's performance. For these reasons, short sales of Company Securities are prohibited by this Policy.

3.5.4. **Hedging Transactions.** Hedging or monetization transactions can be accomplished through a number of possible mechanisms, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds. Such transactions may permit you to continue to own Company Securities obtained through employee benefit plans or otherwise, but without the full risks and rewards of ownership. When that occurs, you may no longer have the same objectives as the Company's other Personnel and directors. Therefore, these types of transactions are prohibited by this Policy.

3.6. Prohibition against trading on material nonpublic information about other companies. If any Personnel or director, in the course of working for, or providing services to, the Company, learns of material nonpublic information about a company that transacts business with the Company, then neither that person nor their related persons may trade in such company's Securities, or any derivative securities relating to such company's Securities, until the information becomes public or is no longer material. Such companies include current or prospective customers or suppliers of the Company, companies with which the Company may be negotiating a significant agreement, and companies that may be a party to potential corporate transactions such as an acquisition, investment or sale.

4. Material nonpublic information

4.1. Material Information. Material information includes any information, whether positive or negative, that a reasonable investor would consider important in a decision to buy, hold, or sell Securities. Information is material even if it alone would not influence the investor's decision; the fact that a reasonable investor would want to know it in connection with the investor's decision to buy, hold or sell Securities will suffice. Any information that could reasonably be expected to affect the market price of a Security is likely to be considered material. This determination is made based on the facts and circumstances of each particular situation. Material information can relate to any aspect of the Company's business or to any type of Company Securities, whether debt, equity or a hybrid. Information that could be considered material to the Company includes, but is not limited to, information regarding:

- Revenues, expenses or other financial or operational results, including anticipated results or projections;
- Proposed or pending mergers, acquisitions, divestitures, joint ventures, exchange offers or tender offers;
- Significant borrowings or financing transactions;
- A major change in strategy;
- Development of a new product or service;
- Plans to open or close a particular operation;
- Changes in the Company's pricing or cost structure or significant developments regarding major customers or contracts;
- Changes in dividend policy, the declaration of a stock split or an offering of additional securities, a default on securities or a call of securities for redemption;
- Establishment of, or change in, a repurchase program for Company Securities;
- Significant cybersecurity incidents, such as a data breach, or any other significant disruption in the Company's operations or loss, potential loss, breach or unauthorized access of its property or assets, whether at its facilities or through its information technology infrastructure;
- Changes in Lumen's executive officers or directors;
- Change in auditors or notification that the auditor's reports may no longer be relied upon;
- Developments regarding threatened, new or pending significant litigation or government investigations, or the resolution of such litigation or investigations;
- Significant unusual accounting charges or gains;
- A change in control of the Company; and
- Bankruptcies or receiverships involving the Company.

4.2. The above list (which also applies in connection with determining the materiality of any other company's information) is not exclusive and many other types of information may be considered material, depending on the circumstances. The probability of whether an event will or will not occur affects the determination of whether it is material. The determination of whether information was material will be viewed in hindsight, and any questions concerning the materiality of particular information should be resolved in favor of materiality and trading should be avoided.

4.3. Policy on When Information is Public. In order for information to be considered public, it must be widely disseminated in a manner making it generally available to investors, including through the issuance of a press release, a webcast or a filing with the SEC. Generally, information regarding relatively simple matters, such as quarterly or annual financial results, will be considered public one full business day after its release. For example, if we release the information after the normal trading day ends in the U.S. markets on a Tuesday and you are not otherwise in possession of material nonpublic information, you are permitted to trade immediately after the trading day begins on Thursday. If the information involves more complex matters such as a prospective major acquisition or disposition, it may be necessary to allow additional time for the information to be adequately absorbed. In such circumstances, Personnel and directors desiring to trade Company Securities should consult with the Office of the Chief Legal Officer regarding a suitable waiting period before trading.

4.4. "Window Period." As a general guideline, unless you are subject to a blackout period (as described in Section 6.2), the most appropriate time to trade in Company Securities is during the 20-business day period commencing one full business day following the release of quarterly or annual financial results. This period of time is frequently referred to as the "window period." Unless you are subject to a blackout period, it may be permissible to trade at other times. *However, you may never engage in transactions in Company Securities (whether during or outside of a window period), if you are in possession of material, nonpublic information.*

5. Transactions excluded from this policy

This Policy does not apply to the following transactions, except as specifically noted:

- 5.1. Restricted Stock and Restricted Stock Unit Awards.** This Policy does not apply to the vesting of restricted stock and restricted stock units, or the exercise of a tax withholding right pursuant to which you elect to have the Company withhold shares of stock to satisfy tax withholding obligations upon the vesting of such compensatory awards. However, this Policy does apply to any sale of common stock received by you as a result of the vesting, including to satisfy tax liabilities.
- 5.2. Stock Option Exercises.** This Policy does not apply to the exercise of a compensatory stock option if the exercise price is paid in cash or to an award recipient's use of shares delivered or withheld from the exercise to cover the cost of the option exercise or the satisfaction of tax withholding obligations. However, this Policy does apply to any sale of the underlying stock or to a cashless option exercise through a broker (which entails the sale of a portion of the underlying stock on the market to cover the costs of exercise or the resulting taxes), or any other market sale for the purpose of generating cash to pay the exercise price.
- 5.3. Company Benefit Plans.** This Policy does not apply to purchases of Company Securities under any employee stock purchase plan, retirement plan or other broad-based benefit plan of the Company that automatically allocates shares to employee accounts at pre-established intervals pursuant to pre-established and non-discretionary procedures. This Policy does apply, however, to certain elections you may make under such plans, including: (1) an election to increase or decrease the percentage of your periodic contributions that are to be allocated to the Company Securities fund; (2) an election to make an intra-plan transfer of an existing account balance into or out of the Company Securities fund; (3) an election to borrow money against your plan account if the loan will result in a liquidation of some or all of your Company Securities fund balance; and (4) an election to pre-pay a plan loan if the pre-payment will result in allocation of loan proceeds to the Company Securities fund.
- 5.4. Transactions with the Company.** Any other purchase of Company Securities from the Company or sale of Company Securities to the Company are not subject to this Policy.
- 5.5. Transactions Pursuant to Rule 10b5-1 Plans.** Notwithstanding this Policy, you may engage in transactions involving Company Securities if made in accordance with a compliant Rule 10b5-1 plan and Section 9 of this Policy. Rule 10b5-1 under the Securities Exchange Act of 1934 provides an affirmative defense from insider trading liability to a person who enters into a trading plan for transactions in Company Securities that meets the conditions specified in Rule 10b5-1. It is your responsibility to ensure that your trading plan, and transactions made pursuant to such plan, meet all the conditions of Rule 10b5-1. See Section 9 of this Policy for additional requirements with respect to Rule 10b5-1 plans, some of which apply to all persons covered by this Policy and some of which apply only to directors and Section 16 officers.

6. Additional restrictions applicable to Directors, Section 16 Officers and certain other personnel.

7. In addition to all of the other requirements of this Policy, the following additional restrictions apply:

- 7.1. Pre-Clearance.** You must pre-clear your transaction with the Office of the Chief Legal Officer if you are a Section 16 officer, a director or have otherwise been notified by the Company that you are subject to this pre-clearance requirement. All pre-cleared transactions must be effected within two business days following the date of receipt of pre-clearance or the pre-clearance automatically expires. However, under no circumstance may you effect a transaction while in possession of material nonpublic information, even if pre-cleared. Lumen's approval of any particular transaction under this pre-clearance procedure does not insulate you from liability under securities laws.

7.2. Blackout Periods. Section 16 officers, directors and other persons who have been notified in writing by the Company that they are subject to additional restrictions on when they may trade are considered “Insiders.” If you are an Insider, you may not trade during any blackout period that the Company indicates is applicable to you. All Section 16 officers and directors, and other designated Insiders, are subject to quarterly “blackout periods” that begin at the close of business on the tenth day of the third month of each fiscal quarter and ends on the date the next succeeding window period commences. The Company may also designate other periods during which trading is not permitted for some or all Insiders.

7.3. For example, an event may occur or information may arise that is material to the Company and is known by only certain directors or Personnel. If you are one of the persons with such knowledge and the Company imposes a related blackout period, you may not transact in Company Securities as long as the event or information remains material and nonpublic, even if a window period would otherwise be open. The existence of such an event or information specific blackout period will not be announced, and should not be communicated by you to any other person.

7.4. Under certain extremely limited circumstances, a person may request an exception to trade during a blackout period, but only if the person does not in fact possess material nonpublic information and the Chief Legal Officer approves such request. Persons wishing to request an exception to trade during a blackout period must contact the Office of the Chief Legal Officer at least 10 business days in advance of any proposed transaction.

7.5. Notwithstanding the foregoing, during a blackout period you may: purchase or sell Company Securities under a written plan, contract or other arrangement that (1) has been approved in advance in writing by the Office of the Chief Legal Officer, (2) satisfies all the requirements of Rule 10b5-1 promulgated under the Securities Exchange Act of 1934 and (3) otherwise complies with Section 9 below.

7.6. Pledging. If you are a Section 16 officer or a director of the Company, you are prohibited from holding Company Securities in a margin account or otherwise pledging Company Securities as collateral.

8. Post-termination transactions

If a person subject to this Policy is in possession of material nonpublic information when the individual's service terminates, that person may not disclose that information or trade in Company Securities until that information has become public or is no longer material. Further, individuals who are subject to a blackout period in effect at the time of termination are prohibited from trading Company Securities until such blackout period expires.

9. Sanctions for violations of policy

The Company expects the strictest compliance with the terms of this Policy. Failure to comply will result in disciplinary action, up to and including dismissal for cause.

10. Policies and procedures related to the adoption or termination of 10b5-1 trading plans

Directors and Personnel may enter into trading plans under Rule 10b5-1 under the Securities Exchange Act of 1934, which provides a defense from insider trading liability to a person who enters into a plan in compliance with such rule. Any Rule 10b5-1 trading plan must be pre-cleared with the Office of the Chief Legal Officer. A compliant Rule 10b5-1 trading plan must satisfy the requirements of the rule, including the following:

- 10.1. Written Certifications When Entering Into Plans.** You must certify at the time of adoption or modification of a Rule 10b5-1 plan that you are (1) not aware of material nonpublic information about the Company or the Company Securities and (2) adopting the plan in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5.
- 10.2. Mandatory Cooling-Off Period.** Rule 10b5-1 plans adopted by directors and Section 16 officers must not permit trading under the plan until the later of (1) 90 days after the adoption or modification date and (2) two business days after the Company's disclosure of financial results in the Form 10-Q or 10-K for the fiscal quarter in which the plan was adopted or modified (but not to exceed 120 days). Persons other than directors and Section 16 officers have a "cooling-off" period of 30 days.
- 10.3. Restrictions on Overlapping and Single-Trade Plans.** Multiple overlapping plans are prohibited except for: (1) plans that authorize sell-to-cover transactions to satisfy tax withholding obligations on vesting of compensatory equity awards where the insider has no control over timing of the sales and (2) trades under contracts with multiple broker-dealers or agents that constitute a "single plan" for securities held in different accounts. For single-trade plans, the affirmative defense is limited to one such plan during any consecutive 12-month period.

Directors and Section 16 officers should be aware that the Company must disclose in its Form 10-Qs and Form 10-K the adoption (including modification) or termination of Rule 10b5-1 trading plans by directors and Section 16 officers during the last quarter, and the material terms of the plan (other than price), including the person's name, date of adoption or termination, duration of plan, aggregate number of securities subject to the plan and, if applicable, description of any modification.

I1. Other

If your transactions in Company Securities become the subject of scrutiny, the transactions would be analyzed after the fact with the benefit of hindsight. Before any transaction, you should carefully consider how regulators and others might view the transaction in hindsight. If you have any questions about specific transactions or this Policy, please email Insider.Trading@lumen.com. However, as noted above, the ultimate responsibility for adhering to this Policy and avoiding improper transactions rests with you.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

1. I have reviewed this Annual Report on Form 10-K 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: February 20, 2025

/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 Annual Report on Form 10-K 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: February 20, 2025

/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 Annual Report on Form 10-K for the year ended December 31, 2024 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-K 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: February 20, 2025

/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 Annual Report on Form 10-K for the year ended December 31, 2024 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-K 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: February 20, 2025

/s/ Chris Stansbury

Chris Stansbury
Executive Vice President and Chief
Financial Officer