Level(3)
COMMUNICATIONS

LETTER OF COMMENT NO. 13

October 10, 2007

Mr. Robert Herz
Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference: Proposed FSP APB 14-a

RE: Proposed FASB Staff Position APB 14-a - *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*

Dear Mr. Herz:

Level 3 Communications, Inc. ("Level 3") appreciates the opportunity to comment on the recently proposed FASB Staff Position APB 14-a ("the FSP") related to the accounting treatment for certain convertible debt instruments that may be settled entirely or partially in cash upon conversion.

Level 3 is a telecommunications provider with a market capitalization of approximately $7.5 billion. We have issued approximately $3.9 billion of convertible debt in various issuances since 1999. We issued $345 million of 5.25% Convertible Senior Notes Due 2011 in December 2004 and $335 million of 3.5% Convertible Senior Notes Due 2012 in June 2006 that we believe may be subject to the FSP. In issuing this debt, Level 3 relied on the existing accounting guidance under EITF 90-19, "Convertible Bonds with Issuer Option to Settle for Cash upon Conversion".

Level 3 has three main concerns with the FSP:

1) The FASB appears to have elected to address this issue in an accelerated timeframe and as an independent issue rather than as a part of the FASB's liability and equity project;

2) The FASB has proposed that the accounting prescribed under the FSP be applied retrospectively rather than prospectively; and

3) The FASB has proposed a rapid implementation timeline compared to the implementation timelines of other new accounting changes.

The FASB appears to be addressing the issues related to a very specific type of convertible debt instrument independently and in an accelerated timeframe rather than considering this issue in the context of the larger FASB project on liability and equity. This could result in the accounting standard applicable to these types of debt instruments changing more than once. The FASB appears to have decided an accelerated timeframe is required for the development of this FSP based on the fact that in January 2007 the FASB had indicated it would not establish a project to amend the guidance in APB 14 on accounting for convertible debt instruments. As a result, the EITF added an item to its agenda to address the accounting for convertible debt instruments. On March 15, 2007 the majority of the EITF members did not support amending APB 14 and the FASB representative at the meeting reiterated that the FASB would not be addressing the issue separately. However, at the June 14, 2007 EITF meeting the FASB changed its decision and agreed to complete a short-term project to address the accounting for convertible debt instruments. On August 31, 2007 the FASB issued the proposed FSP with an effective date for fiscal years beginning after December 15, 2007. *We believe that this issue should not be "fast-tracked" through the standards setting process and that it should be addressed as part of the FASB liability and equity project to ensure consistency with the broader issues that will be addressed in that project and to ensure that the accounting guidance in this area will not change more than once.*

The FSP as proposed would require retroactive restatement of all periods presented in the financial statements. We believe that the limited timeframe proposed for implementation once the FSP is issued and the challenges that some companies may have in determining the fair value of the liability component of their existing convertible debt instruments subject to this FSP should be evaluated more closely by the FASB. We believe the significant and unexpected volatility reflected in the financial statements for applicable convertible debt instruments that have been accounted for properly under EITF 90-19 for several years now far outweighs the consideration to report similar instruments on a consistent basis within the financial statements. *We do not believe the previously issued convertible debt instruments issued under the existing accounting guidance should be subject to the proposed FSP and would encourage the FASB to apply the provisions of the FSP prospectively to new issuances only.*

The FSP was issued in August 31, 2007 and the comment period is open until October 15, 2007. The final FSP will probably not be issued until sometime in November or December 2007. Based on the proposed FSP, it will be effective for fiscal years beginning after December 15, 2007 or January 1, 2008 for calendar year end companies. Under this timeline, companies will have less than two months, possibly less, before the FSP is effective. Many calendar year end companies are currently in their 2008 planning and budgeting cycles and are preparing for their year end reporting cycles, including developing earnings guidance for investors. The compressed timeframe proposed between the issuance and effective dates of the FSP does not provide adequate time for companies to evaluate the effect of the accounting change, incorporate the effect into their 2008 planning and budgeting cycle, communicate the effect of the change to investors and evaluate and negotiate any necessary changes to debt covenants or other commercial agreements that would be affected by this retroactive change in accounting guidance. *Based on these factors, we believe that the FASB should reconsider the effective date for the FSP if it is issued and we would recommend making it effective for fiscal years beginning after December 15, 2008.*

Sincerely,

Sunit Patel
Group Vice President and
Chief Financial Officer
Level 3 Communications, Inc.

Eric J. Mortensen
Senior Vice President and
Controller
Level 3 Communications, Inc.