

1025 Eldorado Boulevard Broomfield, CO 80021

September 20, 2010

Via email

Mr. Russell G. Golden Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

File Reference Number: 1840-100

Re: The Exposure Draft of the Proposed Accounting Standards Update, Contingencies (Topic 450), Disclosure of Certain Loss Contingencies (the "Exposure Draft")

Dear Mr. Golden:

Level 3 Communications, Inc. ("Level 3") is an international communications company headquartered in Broomfield, Colorado. The company operates one of the largest communications and Internet backbones in the world. In 2009, we reported consolidated total revenues of \$3.8 billion and total assets of \$9 billion. We are a publicly traded company listed on the NASDAQ stock market under the symbol LVLT. We appreciate the opportunity to respond to the issues being considered by the Board in the above-referenced Exposure Draft.

While we support the Board's objective to enhance disclosures to help users of financial statements make their own assessments about the possible outcomes of a loss contingency, we have considerable concerns about the Exposure Draft and do not support it in its current form. We defer to others who represent the legal community, for additional issues we understand will be raised regarding the disclosure of litigation accruals required by the Exposure Draft. In addition, we believe that if finalized in its present form, the Exposure Draft would change the existing standard in significant ways and could result in unintended economic consequences to the Board's constituents. Our comments on the Exposure Draft address issues related to the scope, the disclosure requirements to be provided on an aggregated basis, the disclosure requirements related to possible recoveries from insurance and other sources, and the proposed effective date. In limiting our specific comments to these topics, we do not intend to imply that

we otherwise are in agreement with the Exposure Draft's treatment of the other topics addressed in the Exposure draft. We defer to the legal experts' comments on the broader issue that the disclosures will significantly prejudice a preparer's defense in litigation cases.

Scope

We believe that the Exposure Draft has expanded the scope without the benefit of a sufficient opportunity for public analysis and comment, and if adopted in its current form, would apply to certain contingencies that would not result in more meaningful information to users of financial statements and may have a detrimental effect to a company's competitive position. The disclosure requirements for all contingencies that are at least reasonably possible include information about possible recoveries... from other sources... if it relates to a recognized receivable for such recoveries. While the scope addresses all loss contingencies, except for the four transactions noted in the Exposure Draft, it did not carry forward the exception for certain loss contingencies recognized as impairments in the statement of financial position included in the 2008 Exposure Draft and we believe the disclosure guidance effectively expands the scope of this guidance with unintended consequences. It appears that the Board added these requirements on the basis of the input regarding insurance coverage that may be subject to dispute. However, the Board considered and specifically decided against disclosure requirements of settlement offers, which could be misleading because they are often used as a negotiating tool and may differ significantly from an entity's ultimate exposure. We believe that the disclosure requirements in the Exposure Draft could result in the inclusion of additional contingencies in the scope of the project, including contingencies related to the collectability of receivables and contingencies arising from disputes with other parties.

Level 3 recognizes the cost of network services as incurred in accordance with contractual requirements, and disputes incorrect billings from its suppliers of network services. Depending on the type and complexity of the issues involved, it may and often does take several quarters to resolve the disputes. While we do not believe it was the intent of the Board to expand the scope to routine contingencies associated with the collectability of receivables or disputes with suppliers, we believe the disclosure requirements could be interpreted to do so. Furthermore, disclosure of such routine disputes could be misleading as they are also used as a negotiating tool and often differ significantly from the Company's ultimate exposure. If required to include disclosure of possible recoveries from other sources in this manner, and with the greater level of specificity required by other amendments in the Exposure Draft, it would have a direct economic effect on the Board's constituents as it would be detrimental to their negotiating position. We would encourage the Board to modify the language related to these disclosure requirements, or expand the scope paragraph to exclude contingencies related to the collectability of receivables and possible recoveries from other disputes not related to insurance or litigation.

Disclosure requirements to be provided on an aggregated basis

We do not believe that the Exposure Draft provides sufficient information to assist preparers in applying the disclosure requirements when loss contingencies meet the aggregation principle. We agree with the aggregation thresholds, and the disclosure requirements to provide the basis for aggregation, but it remains unclear as to how a company would be able to apply the specific

disclosure requirements when loss contingencies meet the thresholds for aggregation. While we believe that the Board was attempting to codify existing practice, the proposed disclosures may produce greater disparity in practice when applied to certain classes of similar loss contingencies. When classes of similar loss contingencies meeting the disclosure threshold for aggregation are disclosed, we believe the Board should include additional examples to illustrate the minimum requirements to disclose the contentions between the parties, progress toward resolution and timing of resolution of a class of asserted contingencies. In addition, the Board should provide illustrative examples of the level of publicly available quantitative information it would expect for aggregated loss contingencies, to help convey how it expects its constituents to comply with the enhanced disclosure requirements on an aggregated basis.

Disclosure requirements related to possible recoveries from insurance and other sources

The Exposure Draft does not adequately address the information required to be provided about possible insurance recoveries that may have been provided under seal or court issued protective order, and does not consider the routine and ordinary course of business nature to which insurance providers regularly reserve their rights related to claims for recovery and coverage matters in general. With the exception of general liability claims, the standard response from insurance carriers will include provisions that reserve a carrier's right for recovery and to dispute coverage. Inclusion of this right in all of a company's disclosures related to pending litigation may mislead users into believing that the company's potential exposure to loss is greater than is ultimately the case.

We believe that the Board had attempted to provide enhanced disclosures related to disputed claims, or where a receivable has been recognized for insurance recoveries, but do not believe the information about reservation of rights accomplishes the objective to help users clarify the exposure to loss. Instead, we believe that the proposed language should be modified to refer to situations where an insurance carrier has stated that they have denied coverage, rather than reserved its rights related to claims for recovery or other coverage matters. Finally, we believe that the final standard should clarify that information provided under seal or court issued protective order would not qualify for disclosure of, and expressly does not constitute, publicly available information.

Proposed effective date

The proposed effective date is not operational. We do not believe that implementation this year is a realistic possibility, and believe it would be more appropriate for the Board to delay any changes in the existing disclosure requirements until it is able to fully deliberate the issues noted above and to allow time for the accounting and legal professions to address the significant differences between the auditing standards and the American Bar Association's statement of policy regarding responses to auditor requests for information. For companies with a large number of litigation matters, the qualitative and quantitative disclosure requirements will require significant time and effort to develop, including careful review of the nature of information that is deemed to be publicly available. We believe that the Board should perform extensive field testing of the revised disclosure provisions in the Exposure Draft with preparers and their legal advisors to address the concerns raised by its constituents during the comment period, and to

enable the Board to provide more meaningful examples in a final standard. The time and effort required by the Board to fully deliberate the issues raised by its constituents, other associations in finalizing and implementing new standards associated with this Exposure Draft, and by entities pursuing good faith efforts to comply with the new disclosure requirements, is substantial. Therefore, finalizing the Exposure Draft with an implementation date for the calendar year-end 2010 financial statements is not feasible.

We strongly encourage continuance of the existing standard, especially as it relates to litigation disclosures. However, we support the Board's desire to provide users of financial statements with additional information about the judgment involved around possible outcomes of loss contingencies. We do not believe that the Board's objectives can be met without appropriate due process given the significant changes included in the Exposure Draft.

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We appreciate the opportunity to comment on the matters addressed in the Exposure draft. Thank you for your consideration.

Sincerely,

/s/ Eric J. Mortensen

Eric J. Mortensen Senior Vice President, Controller and Principal Accounting Officer

/s/ Neil J. Eckstein
Neil J. Eckstein
Senior Vice President and Group General Counsel