

LEVEL 3 COMMUNICATIONS INC

FORM 8-K (Current report filing)

Filed 12/20/07 for the Period Ending 12/14/07

Address	1025 ELDORADO BOULEVARD BLDG 2000 BROOMFIELD, CO 80021
Telephone	7208881000
CIK	0000794323
Symbol	LVLT
SIC Code	4813 - Telephone Communications, Except Radiotelephone
Industry	Communications Services
Sector	Services
Fiscal Year	12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): **December 14, 2007**

Level 3 Communications, Inc.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other
jurisdiction of incorporation)

0-15658

(Commission File
Number)

47-0210602

(IRS employer
Identification No.)

1025 Eldorado Blvd., Broomfield, Colorado

(Address of principal executive offices)

80021

(Zip code)

720-888-1000

(Registrant's telephone number including area code)

Not applicable

(Former name and former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-
-

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On December 14, 2007, the Compensation Committee of the Board of Directors of Level 3 Communications, Inc. (the “Company”) approved certain amendments to the Company’s 1995 Stock Plan. In addition, the Company has modified the terms of its standard award agreements relating to its outstanding Outperform Stock Options that were issued prior to April 2007 (the “OSO Agreement”); the outperform stock appreciate rights issued since April 2007 (the “2007 OSO Agreement”) and its Amended Master Deferred Issuance Stock Agreement related to the issuance of restricted stock units (the “RSU Agreement,” and together with the OSO Award Agreement and the 2007 OSO Agreement, the “Agreements”). The amendments to the Agreements are effective December 31, 2007. The amendments involve generally technical changes to the 1995 Stock Plan and the Agreements to comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury regulations promulgated thereunder.

The foregoing descriptions of the 1995 Stock Plan, the OSO Agreement, the 2007 OSO Agreement and the RSU Agreement are qualified in their entirety by the terms of the respective documents, which are filed as Exhibits 10.1, 10.2, 10.3 and 10.4, respectively, to this Form 8-K, and are incorporated herein by reference as if set forth in full.

Item 7.01. Regulation FD Disclosure.

On December 19, 2007, Level 3 issued a press release announcing that its wholly owned subsidiaries had entered into an Asset Purchase Agreement (the “Purchase Agreement”) among DG FastChannel, Inc., a Delaware corporation (the “Buyer”) and WilTel Communications, LLC, Level 3 Communications, LLC and Vyvx, LLC, each a wholly owned subsidiary of the Company (collectively, the “Sellers”). This press release is furnished as Exhibit 99.1 to this Form 8-K. The furnishing of this information shall not be deemed an admission as to the materiality of the information included in this Form 8-K. This information is not filed but is furnished to the Securities and Exchange Commission pursuant to Item 7.01 of Form 8-K.

Item 8.01 Other Events.

On December 19, 2007, the Company announced that its wholly owned subsidiaries, WilTel Communications, LLC, Level 3 Communications, LLC and Vyvx, LLC, had entered into an Asset Purchase Agreement with DG FastChannel, Inc. Pursuant to the terms of the Purchase Agreement, the Sellers will sell to the Buyer for cash certain assets of the Sellers relating to the business of providing advertising video and audio content distribution through satellite and physical tape-based distribution, post-production and other related services to advertisers, studios, advertising agencies and branded enterprises.

Under the terms of the Purchase Agreement, Level 3 will receive \$129 million in cash upon the closing of the transaction. The purchase price is subject to certain post closing working capital adjustments. Consummation of the transaction is subject to customary closing conditions, including receipt of applicable federal regulatory approvals. Closing is expected to occur in the first quarter 2008.

Item 9.01 Exhibits and Financial Statements

- (a) Financial Statements of Business Acquired

None

- (b) Pro Forma Financial Information

None

- (c) Shell Company Transactions

None

- (d) Exhibits

10.1 1995 Stock Plan, as amended December 14, 2007

10.2 Level 3 Communications, Inc. Outperform Stock Option Amended and Restated Master Award Agreement

10.3 Level 3 Communications, Inc. OSO Master Award Agreement

10.4 Level 3 Communications, Inc. Amended Master Deferred Issuance Stock Agreement

99.1 Press Release dated December 19, 2007 relating to the entry into an Asset Purchase Agreement with DG FastChannel, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Level 3 Communications, Inc.

By: /s/ Neil J. Eckstein
Neil J. Eckstein, Senior Vice President

Date: December 20, 2007

LEVEL 3 COMMUNICATIONS, INC.
1995 STOCK PLAN

ARTICLE I.

NAME AND PURPOSE

- 1.1. Name. The name of the Plan is the Level 3 Communications, Inc. 1995 Stock Plan (Amended and Restated as of April 1, 1998).
- 1.2. Purpose. The purpose of the Plan is to increase the value of Shares and the profitability of the Company and its subsidiaries (i) by enabling the Company to attract, retain, motivate and reward certain Employees and (ii) by aligning the interests of those Employees with the interests of the Company and the holders of Shares.

ARTICLE II.

DEFINITIONS

- 2.1. "Affiliate" means any corporation, partnership, or other entity with respect to which the Company owns, directly or indirectly, fifty percent or more of the issued and outstanding capital stock or other equity interests (measured in terms of total dollar value if the corporation, partnership or other entity has outstanding more than one class of capital stock or other equity interests).
- 2.2. "Agreement" means any written agreement, document or instrument that evidences a grant of an Award to a Participant and the terms, conditions and provisions of, and restrictions upon, the Award.
- 2.3. "Award" means any grant pursuant to the Plan of Incentive Stock Options, Nonqualified Stock Options, Restricted Shares, bargain Shares, bonuses of Shares, performance shares, Stock Appreciation Rights or other stock benefit or stock-based benefit granted to a Participant under this Plan.
- 2.4. "Board" means the Board of Directors of the Company.
- 2.5. "Certificate" means the certificate of incorporation of the Company, as amended from time to time.
- 2.6. "Change in Control" means the occurrence of any of the following events:
- (i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more (on a fully diluted basis) of either (i) the then outstanding shares of common stock of the Company, taking into account as outstanding for this purpose such common stock issuable upon the exercise of options or warrants, the conversion of convertible stock or debt, and the exercise of any similar right to
-

acquire such common stock (the “Outstanding Company Common Stock”) or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (a) any acquisition by the Company or any “affiliate”, within the meaning of 17 C.F.R. Section 230.405 (an “Affiliate”), of the Company, (b) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or an Affiliate of the Company, or (c) any acquisition by any Person pursuant to a transaction which complies with clauses (a), (b) and (c) of subsection (iii) of this Section 2.6.; or

(ii) Individuals who, as of April 1, 1998, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to April 1, 1998 whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person or entity other than the Board; or

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a “Business Combination”), unless, following such Business Combination, (a) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, and (b) no Person (excluding any employee benefit plan (or related trust) sponsored or maintained by the Company or an Affiliate of the Company, or such corporation resulting from such Business Combination or any Affiliate of such corporation) beneficially owns, directly or indirectly, 50% or more (on a fully diluted basis) of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination, taking into account as outstanding for this purpose such common stock issuable upon the exercise of options or warrants, the conversion of convertible stock or debt, and the exercise of any similar right to acquire such common stock, or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (c) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or (iv) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

Notwithstanding the foregoing provisions of Section 2.5 hereof, a “Change in Control” will not be deemed to have occurred as a result of the consummation of the Separation Transaction, or as a result of any event or transaction occurring prior to the consummation of the Separation Transaction.

In addition, the Committee may, by a written determination prior to the consummation of an event or transaction, determine that such event or transaction does not constitute a Change in Control, provided that the Committee reasonably concludes that such event or transaction (i) is not likely to result in a significant change to the identities of the persons functioning as senior management of the Company, either immediately in the foreseeable future (it being understood that the Committee need not conclude that no changes in senior management are likely to occur), and (ii) is not likely to result in control of the Board (or a significant portion of the Board’s functions) being transferred to a single Person other than an Affiliate of the Company or any employee benefit plan (or related trust) sponsored or maintained by the Company or an Affiliate of the Company, either immediately or in the foreseeable future.

- 2.7. “Class D Conversion Price” has the meaning ascribed to it in the Certificate prior to April 1, 1998.
- 2.8. “Class D Per Share Price” has the meaning ascribed to it in the Certificate prior to April 1, 1998.
- 2.9. “Class D Stock” means the Class D Diversified Group Convertible Exchangeable Common Stock, par value \$0.0625, issued by the Company, prior to the redesignation of Class D Stock as Stock as of April 1, 1998.
- 2.10. “Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated under the Code.
- 2.11. “Committee” means the Board or a committee or committees of the Board appointed by the Board to administer this Plan.
- 2.12. “Company” means Level 3 Communications, Inc., a Delaware corporation.
- 2.13. “Effective Date” means September 25, 1995.
- 2.14. “Employee” means any person who, with respect to the Company, is considered an “employee,” as such term is defined in Rule A.1. (a) to Form S-8 issued by the Securities and Exchange Commission (as such Rule may be renumbered from time to time) and who (a) is employed on a full-time basis by the Company or an Affiliate, (b) is a member of the Board of Directors of the Company or any Affiliate, or (c) provides services to the Company or any Affiliate in a capacity as other than an employee or a director, in each case at the time of the grant of the related Award.
- 2.15. “Exchange Act” means the Securities Exchange Act of 1934.
- 2.16. “Fair Market Value,” as of any determination date, means: (a) prior to April 1, 1998, with respect to Class D Stock, (i) the Class D Per Share Price, or (ii) the fair market value of

Class D Stock determined by such other reasonable method of valuation adopted by the Committee; and

(b) on and after April 1, 1998, with respect to Stock, (i) the closing price per share of Stock on the national securities exchange on which Stock is principally traded, on the next preceding date on which there was a sale of Stock on such exchange, or (ii) if the Stock is not listed or admitted to trading on any such exchange, the last sale price of a share of Stock as reported by the National Association of Securities Dealers Inc. Automated Quotation (“NASDAQ”) system on the next preceding date on which such bid and asked prices were reported, or (iii) if the Stock is not then listed on any securities exchange or prices therefor are not then quoted in the NASDAQ system, the value determined by the Committee in good faith through the reasonable application of a reasonable valuation method.

2.17. “Fiscal Year” means the taxable year of the Company for federal income tax purposes, including the taxable year in which the Plan is adopted.

2.18. “Incentive Stock Option” means any Option that is intended, at the time it is granted, to be an incentive stock option within the meaning of Section 422 of the Code.

2.19. “Nonqualified Stock Option” means any Option that is not an Incentive Stock Option.

2.20. “Outperform Stock Option” means a Stock-based Award having terms and conditions reflected in an “Outperform Stock Option Award Agreement” entered into between the Company and a Participant.

2.21. “Option” means any option to purchase Shares that is granted pursuant to Section 6.1.

2.22. “Participant” means any Employee who is granted an Award pursuant to this Plan.

2.23. “Plan” means the Level 3 Communications, Inc. 1995 Stock Plan (Amended and Restated as of April 1, 1998), as it may be further amended from time to time.

2.24. “Publicly Traded” has the meaning ascribed to it in the Certificate prior to March 31, 1998.

2.25. “Representative” means a member of the Committee acting on behalf of the Committee, or an Employee appointed by the Committee to exercise some or all of the authority of the Committee.

2.26. “Restricted Shares” means any Shares that are granted pursuant to Section 7.1 subject to restrictions on transfer, to forfeiture under certain circumstances and to such other restrictions as the Committee deems appropriate (including restrictions on the exercise of voting rights or the right to receive dividends, or a requirement to reinvest dividends).

2.27. “Rule 16b-3” means Rule 16b-3 promulgated under the Exchange Act, as it may be amended from time to time, or any successor rule in effect from time to time.

2.28. “Section 409A” means Section 409A of the Code.

2.29. “Separation Transaction” means the March 31, 1998 transaction effecting the separation of the construction business from the other businesses of the Company, as described in the Company’s Registration Statement on Form S-4 (Registration No. 333-34627).

2.30. “Share” means, prior to 5:00 p.m. CST, March 31, 1998, a share of Class D Stock and, on and after that time, a share of Stock.

2.31. “Stock” means common stock of the Company, par value \$0.01 per share, subsequent to the redesignation of Class D Stock as such common stock as of 5:00 p.m. CST, March 31, 1998.

2.32. “Stock Appreciation Right” means an Award pursuant to which a Participant shall be paid the increase in value of one or more Shares from the date of grant of such Award until the date of exercise of such Award, in cash or Shares, and subject to such terms and conditions as the Committee deems appropriate and as may be reflected in an Award Agreement (including the number of Shares subject to such Stock Appreciation Right, the date or dates on which the Stock Appreciation Right becomes exercisable or exercised, either wholly or in part, and the expiration date of the Stock Appreciation Right).

2.33. “Term” means the term of this Plan, as set forth in Section 11.2.

ARTICLE III.

ELIGIBILITY AND PARTICIPATION

3.1. Eligibility. Every Employee is eligible to become a Participant. A person who is not an Employee is not eligible to become a Participant.

3.2. Participation. The Committee will select Employees to participate in the Plan from time to time, in its sole discretion. An Employee cannot become a Participant unless such person is selected by the Committee to participate in the Plan. In selecting such persons to participate in the Plan, the Committee may consider the past, present and expected future performance of the individual, the effort of the individual, the length of service of the individual, the level of responsibility of the individual and such other factors as the Committee deems appropriate.

ARTICLE IV.

AWARDS

4.1. Types of Awards. The Committee will determine the Awards to be granted to each Participant. The Committee may grant Awards in any one or any combination of (a) Incentive Stock Options; (b) Nonqualified Stock Options; (c) Restricted Shares; (d) Outperform Stock Options; (e) bargain purchases of Shares; (f) bonuses of Shares; (g) the grant of Shares based on performance or the satisfaction of other conditions; (h) Stock Appreciation Rights; or (i) any other form of stock benefit or stock-related benefit.

4.2. Terms and Conditions of Awards. The Committee will determine all terms, conditions and provisions of, and restrictions upon, any grant of Awards. Without limiting the Committee's authority, the Committee may: (a) make the grant of Awards conditional upon an election by a Participant to defer payment of a portion of his salary; (b) give a Participant a combination of Awards or a choice between two Awards; (c) grant Awards in the alternative so that acceptance of or exercise of one Award cancels the right of a Participant to another; (d) grant Awards subject to any condition that the Committee deems appropriate; (e) provide that grants of Awards in Shares or Share equivalents will include dividend or dividend equivalent payments or dividend credit rights; and (f) provide any vesting schedule for Awards as the Committee deems appropriate. The Committee may waive any term, condition, provision or restriction, in its sole discretion.

4.3. Agreements. Each grant of an Award to a Participant will be evidenced by an Agreement executed by the Participant and a Representative (on behalf of the Company and the Committee). Subject to the terms and conditions of this Plan, the Committee, in its sole and absolute discretion, will determine the form and content of all Agreements. Agreements with respect to a specific type of Award need not be identical.

4.4. Modification or Termination of Awards. The Committee, in its sole discretion, may modify, cancel or terminate any Award at any time if a Participant is not in compliance with this Plan, the related Agreement or any rules adopted by the Committee.

4.5. Optional Deferral. The Committee may defer the right to receive any Award, or the proceeds of the exercise of any Award, at the request of a Participant, for such period and upon such terms as the Committee determines; provided, that any such deferral subject to Section 409A shall comply with Section 409A. Any such deferral may, at the discretion of the Committee, involve crediting of interest on deferrals denominated in cash and crediting of dividend equivalents on deferrals denominated in Shares.

4.6. Code Section 162(m). The Committee, in its sole discretion, may require that one or more Agreements provide that, in the event that Section 162(m) of the Code or any similar provision would operate to disallow a deduction by the Company for all or part of any Award, a Participant's receipt of the portion of such Award that would not be deductible by the Company will be deferred until the next succeeding year or years in which such portion may be paid without causing the Participant's remuneration for such year to exceed the limit set forth in Section 162(m) of the Code; provided, that any such deferral subject to Section 409A shall comply with Section 409A. Any such deferred amounts denominated in cash shall have earnings credited thereon at a market rate of interest, as reasonably determined by the Committee, and any such deferred amounts denominated in Shares shall have dividend equivalents credited thereon, and earnings subsequently credited on such dividend equivalents at a market rate of interest, as reasonably determined by the Committee.

4.7. Code Section 280G. The Committee, in its sole discretion, may (but need not) provide in any Award Agreement for the payment of additional amounts in respect of the Award in order to make a Participant whole for some or all of the excise taxes imposed on a Participant pursuant to Section 4999 of the Code in the event that the grant, exercise, vesting or payment of such Award is deemed to be an "excess parachute payment" for purposes of Section 280G of

the Code. The terms and conditions of such additional payments shall be as determined by the Committee and reflected in the Award Agreement. To the extent that any Award Agreement provides for a tax gross-up payment to pay for or reimburse any Participant for any taxes owed by such Participant, the amount of such tax gross-up payment required to be paid shall be paid by the Company to such participant no later than the end of the Participant's taxable year following the Participant's taxable year in which such tax owed by such Participant that is subject to the tax gross-up payment is remitted to the applicable taxing authority.

4.8 Compliance with Code Section 409A. All Awards are intended to be either exempt from or compliant with Section 409A, and any ambiguity with respect to whether any such Award is so exempt or compliant shall be construed in a manner consistent with such exemption or compliance.

ARTICLE V.

SHARES SUBJECT TO PLAN

5.1. Aggregate Limitation. The Committee may not grant Awards under this Plan with respect to more than 200,000,000 Shares during the Term.

5.2. Individual Limitations. The Committee may not grant Options or Stock Appreciation Rights under this Plan to any Participant during any calendar year with respect to more than 3,000,000 Shares.

5.3. Unused Shares. If any Award expires or terminates, or if any Award is surrendered, canceled or forfeited without having been fully exercised, the Committee may again grant Awards with respect to the unused Shares allocable to the expired, terminated, surrendered, canceled or forfeited Award.

ARTICLE VI.

OPTIONS

6.1. Grant. The Committee may grant Options to any Employee. The Committee will determine the terms, conditions and provisions of, and the restrictions on, any Options, including the number of shares subject to such Options, the date or dates on which the Options become exercisable, either wholly or in part, and the expiration date of the Options. A Participant to whom an Option is granted will not be deemed the holder of any Shares subject to the Option until the Shares are fully paid, and issued and delivered to him following exercise of the Option.

6.2. Incentive Stock Options. Incentive Stock Options must include such terms and conditions as determined by the Committee to be reasonably necessary to cause the Options to qualify as incentive stock options under Section 422 of the Code.

6.3. Exchange. The Committee may grant Options to a Participant holding unexercised outstanding Options, or unexercised outstanding Options granted under another stock plan of the

Company, on the condition that the Participant surrenders for cancellation some or all of those unexercised outstanding options.

6.4. Substitution. The Committee may grant Options from time to time in substitution for similar rights held by employees of other entities who become Employees as a result of a merger or consolidation of the other entity with the Company or an Affiliate, the acquisition by the Company or an Affiliate of the assets of the other entity, or the acquisition by the Company or an Affiliate of an equity interest in another entity.

6.5. Exercise Price. The Committee may not grant Options pursuant to this Plan with a per-share exercise price that is less than the Fair Market Value of one Share, as of the date of the grant. In addition, with respect to each Outperform Stock Option, under no circumstances will the Adjusted Price (as defined in the applicable Outperform Stock Option Award Agreement) of such Outperform Stock Option ever be less than the Initial Price (as defined in the applicable Outperform Stock Option Award Agreement), which can be no less than the Fair Market Value of one Share, as of the date of grant.

6.6. Vesting. Options granted pursuant to this Plan will vest and become exercisable as determined by the Committee in its sole discretion and as reflected in an Award Agreement.

ARTICLE VII.

RESTRICTED SHARES

7.1. Grant. The Committee may grant Restricted Shares to any Participant. The Committee may make grants of Restricted Shares at such cost, or at no cost, as determined by the Committee in its sole discretion.

7.2. Beneficial Ownership. Except as set forth in an Agreement relating to Restricted Shares, each Participant who is awarded Restricted Shares will have the entire beneficial ownership of, and all rights and privileges of a stockholder with respect to, the Restricted Shares awarded to him. Notwithstanding the above, Restricted Shares may not be sold, transferred, pledged or otherwise encumbered during the restricted period set by the Committee.

ARTICLE VIII.

OTHER AWARDS

8.1. Grants. The Committee may grant any other stock or stock-related awards to a Participant under this Plan that the Committee deems appropriate, including, but not limited to, Stock Appreciation Rights, Outperform Stock Options, bargain purchases of Shares, bonuses of Shares and the grant of Shares based on performance or upon the satisfaction of other conditions. In the event that any Award granted pursuant to this Section 8.1 that is a "stock right" within the meaning of Section 409A is assigned an exercise price by the Committee, in no event may the per-share exercise price of such Award be less than the Fair Market Value of one Share, as of the date the Award is granted.

ARTICLE IX

CHANGES IN CAPITAL STRUCTURE AND CHANGE IN CONTROL

9.1 Changes in Capital Structure. Awards granted under the Plan and any agreements evidencing such Awards, the maximum number of Shares subject to all Awards and the maximum number of shares with respect to which any one person may be granted Options, Outperform Stock Options or Stock Appreciation Rights or other stock or stock related awards during the Term shall be adjusted or substituted, as determined by the Committee in its sole discretion, as to the number, price or kind of a Share or other consideration subject to such Awards or as otherwise determined by the Committee to be equitable (i) in the event of changes in the outstanding Shares or in the capital structure of the Company by reason of stock dividends, stock splits, reverse stock splits, recapitalizations, reorganizations, mergers, consolidations, combinations, exchanges, or other relevant changes in capitalization occurring after the date of grant of any such Award, or (ii) in the event of any change in applicable laws or any change in circumstances which results in or would result in any substantial dilution or enlargement of the rights granted to, or available for, Participants in the Plan, or which otherwise warrants equitable adjustment because it interferes with the intended operation of the Plan. In addition, in the event of any such adjustments or substitution, the aggregate number of Shares available under the Plan shall be appropriately adjusted by the Committee, whose determination shall be conclusive. Unless otherwise determined by the Committee, any adjustment in Incentive Stock Options under this Section 9.1 shall be made only to the extent not constituting a “modification” within the meaning of Section 424(h)(3) of the Code, and any adjustments under this Section 9.1 shall be made in a manner which does not adversely affect the exemption provided pursuant to Rule 16b-3 under the Exchange Act. Unless otherwise determined by the Committee, no adjustment or modification under this Section 9.1 may be made which would subject any Award recipient to the tax required to be imposed pursuant to Section 409A(a)(1)(B) of the Code. Further, with respect to Awards intended to qualify as “performance-based compensation” under Section 162(m) of the Code, such adjustments or substitutions shall be made only to the extent that the Committee determines that such adjustments or substitutions may be made without a loss of deductibility for Awards under Section 162(m) of the Code, unless the Committee specifically determines otherwise. The Company shall give each Participant notice of an adjustment hereunder and, upon notice, such adjustment shall be conclusive and binding for all purposes.

Notwithstanding the above, in the event of any of the following that does not constitute a Change in Control:

- A. The Company is merged or consolidated with another corporation or entity and, in connection therewith, consideration is received by stockholders of the Company in a form other than stock or other equity interests of the surviving entity;
- B. All or substantially all of the assets of the Company are acquired by another Person;
- C. The reorganization or liquidation of the Company; or
- D. The Company shall enter into a written agreement to undergo an event described in clauses A, B or C above,

then the Committee may, in its discretion and upon at least 10 days advance notice to the affected persons, cancel any outstanding Awards and pay to the holders thereof, in cash or stock, or any combination thereof, the value of such Awards based upon the price per Share received or to be received by other stockholders of the Company in the event; provided, however, that unless otherwise determined by the Committee, no such action to cancel and pay out any outstanding Award may be made to an award subject to Section 409A that is in violation of Treasury Regulation Section 1.409A-3(j). The terms of this Section 9.1, other than the prohibitions relating to Section 409A, may be varied by the Committee in any particular Award Agreement.

9.2 Effect of Change in Control. Except to the extent reflected in a particular Award Agreement:

(a) The Committee, in its sole discretion, may (but need not) provide in any Award Agreement that, in the event of a Change in Control, notwithstanding any vesting schedule otherwise effective with respect to the Award, (i) in the case of Options or Stock Appreciation Rights, the Award shall become immediately exercisable with respect to 100 percent of the Shares subject thereto, (ii) in the case of Restricted Shares, any restrictions shall expire immediately with respect to 100 percent of such Restricted Shares and (iii) in the case of any other Award, any other vesting or restricted period to which such Award is subject shall expire as to 100 percent of such Award.

(b) In addition, in the event of a Change in Control, the Committee may in its discretion and upon at least 10 days' advance notice to the affected persons, cancel any outstanding Awards and pay to the holders thereof, in cash or stock, or any combination thereof, the value of such Awards based upon the price per share received or to be received by other shareholders of the Company in the event; provided, however, that unless otherwise determined by the Committee, no such action to cancel and pay out any outstanding Award may be made to an award subject to Section 409A that is in violation of Treasury Regulation Section 1.409A-3(j).

9.3 Binding Upon Successors. The obligations of the Company under this Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company. Subject to the actions which the Committee may take with respect to Awards in accordance with Sections 9.1 and 9.2, the Company agrees that it will make appropriate provisions for the preservation of Participants' rights under the Plan in any agreement or plan which it may enter into or adopt to effect any such merger, consolidation, reorganization or transfer of assets.

ARTICLE X.

ADMINISTRATION

10.1. Administration. The Committee will administer this Plan. The Board may appoint a separate committee or committees to administer portions of the Plan applicable to persons subject to Rule 16b-3, Section 162(m) of the Code or other similar provisions of law. The Committee may act either through majority vote of the Committee at a meeting for which a quorum is present, or through the written consent of a majority of the members of the

Committee in lieu of a meeting. The Committee will maintain such books, accounts and records relating to the Plan and to Committee proceedings as it considers appropriate. The Committee may designate Employees to assist the Committee in the administration of the Plan and to act as Representatives of the Committee, and in that capacity to exercise any or all of the authority of the Committee under this Plan, and may grant authority to those Employees to execute any and all agreements contemplated by this Plan and any other documents reasonably required to implement this Plan. The Committee may employ agents, attorneys, accountants or other third parties for such purposes as the Committee considers appropriate.

10.2. Discretion and Authority. Subject to the express limitations set forth in this Plan, the Committee, in its sole and absolute discretion, may take any and all actions necessary, advisable or appropriate to implement the Plan and may make any and all determinations deemed appropriate for the administration of the Plan, including actions and determinations with respect to (a) the Participants in the Plan, (b) adequacy of consideration received by the Company in exchange for Awards granted under the Plan, (c) the types and amounts of Awards to be granted to Participants or to any particular Participant, (d) the terms, conditions and provisions of, and restrictions on, all Awards, (e) amounts payable, if any, by a Participant in connection with the grant, award or receipt of any Award, (f) restrictions on transfer of any Award by a Participant, and (g) the circumstances under which any Award may expire, terminate or be surrendered, canceled or forfeited.

10.3. Payment. Upon the exercise of an Option or in the case of any other Award that requires a payment by a Participant to the Company, the amount due the Company may be paid (a) in cash; (b) by the surrender of all or part of an Award (including the Award being exercised); (c) by the tender to the Company of Shares acquired by the Participant on the open market or owned by the Participant for at least six months and registered in his or her name having a Fair Market Value equal to the amount due to the Company; (d) by delivering to the Committee a copy of irrevocable instructions to a stockbroker to deliver promptly to the Company an amount of sale or loan proceeds sufficient to pay the exercise price, in the case of an Option; (e) in other property, rights and credits deemed acceptable by the Committee, including the Participant's promissory note; or (f) by any combination of the payment methods specified in (a) through (e). Notwithstanding the foregoing, any method of payment other than in cash may be used only with the consent of the Committee or if and to the extent so provided in the related Agreement. The proceeds of the sales of Shares purchased pursuant to an Option and any payment to the Company for other Awards will be added to the general funds of the Company or to the reacquired Shares held by the Company, as the case may be, and used for the corporate purposes of the Company as the Board determines.

10.4. Rules. The Committee may make, amend and rescind such rules and regulations and establish, modify or repeal such procedures as it deems appropriate for the administration of the Plan. The Committee may make special rules or regulations that apply only to persons covered by Rule 16b-3, Section 162(m) of the Code or other provisions of law.

10.5. Interpretation. In the event of a disagreement as to the interpretation of the Plan, any rule, regulation or procedure under the Plan, or as to any right or obligation arising from or related to the Plan (including but not limited to under an Agreement), the interpretation of the Committee will be final and binding.

10.6. Legal Requirements. The Committee will cause the Plan, and any grants or awards of Awards, to comply with all applicable laws.

ARTICLE XI.

AMENDMENT AND TERMINATION

11.1. Amendment. The Committee may amend the Plan from time to time as it deems appropriate. The Committee, however, may not amend any provision of Article V, Section 6.2 or this Article XI without the approval of the Board. Unless otherwise determined by the Committee, no amendment to this Plan may deprive a Participant of any Award or rights with respect to an Award or cause the imposition of a tax on such Participant pursuant to Section 409A(a)(1)(B) of the Code without the Participant's consent.

11.2. Term. The Plan will terminate on the fifteenth anniversary of the Effective Date (September 25, 2010). The Board, however, may terminate the Plan at any time. Neither amendment nor termination of the Plan will deprive Participants of their rights with respect to outstanding Awards.

ARTICLE XII.

MISCELLANEOUS

12.1. Continuation of Employment. Neither this Plan nor any Award granted under this Plan confers upon any Employee any right to continue in the service of the Company or any Affiliate or limits the right of the Company to terminate an Employee's service at will at any time.

12.2. Discretionary Acceleration of Vesting. The Committee may accelerate the vesting, exercisability or payment of any Award at any time and for any reason as it determines in its sole discretion (including but not limited to retirement of a Participant); provided, that unless otherwise determined by the Committee, no such acceleration of the payment of any Award subject to Section 409A shall be made in violation of Treasury Regulation 1.409A-3(j).

12.3. Unfunded Plan. This Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments or deliveries of Shares not yet made to a Participant by the Company, nothing contained in this Plan will give any Participant rights that are greater than those of a general creditor of the Company. The Committee may authorize the creation of trusts or other arrangements to meet the obligations to deliver Shares or payments under the Plan.

12.4. Designation of Beneficiary. A Participant may file with the Committee a written designation of a beneficiary or beneficiaries (subject to such limitations as to the classes and numbers of beneficiaries and contingent beneficiaries as the Committee may from time to time prescribe) to exercise, in the event of the death of the Participant, an Option, Outperform Stock Option or Stock Appreciation Right, or to receive, in such event, any Awards. The Committee reserves the right to review and approve beneficiary designations. A Participant may from time to time revoke or change any such designation of beneficiary and any designation of beneficiary under the Plan will be controlling over any other disposition, testimony or otherwise; provided,

however, that if the Committee will be in doubt as to the right of any such beneficiary to exercise any Option, Outperform Stock Option or Stock Appreciation Right, or to receive any Award, the Committee may determine to recognize only the legal representative of the recipient.

12.5. Nontransferability. Unless otherwise determined by the Committee or specified in an Agreement, (a) no Award granted under this Plan may be transferred or assigned by the Participant to whom it is granted other than by beneficiary designation, will, or pursuant to the laws of descent and distribution, and (b) an Award granted under this Plan may be exercised, during the Participant's lifetime, only by the Participant or by the Participant's guardian or legal representative.

12.6. Rule 16b-3. With respect to Participants subject to Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable provisions of Rule 16b-3 or its successors under the Exchange Act, and the provisions of the Plan shall be construed accordingly.

12.7. No Effect on Other Awards. The receipt of Awards under the Plan shall have no effect on any benefits to which a Participant may be entitled from his or her employer, under another plan or otherwise, or preclude a Participant from receiving any such benefits.

12.8. Withholding. If the Company is required to withhold any taxes in connection with an Award, and a Participant is obligated to pay to the Company any or all of the amount required to be withheld, the Committee may permit the Participant to satisfy the withholding obligation, in whole or in part, either (a) by having the Company withhold from any Shares to be issued upon the receipt of an Award with a Fair Market Value sufficient to satisfy the withholding amount due, or (b) by delivering to the Company sufficient Shares to satisfy the withholding amount due. In the absence of such Committee permission, the withholding obligation shall be satisfied by the payment of cash or its equivalent by the Participant to the Company. The Company shall have no obligation to deliver to a Participant Shares or other consideration in respect of an Award until arrangements satisfactory to the Committee have been made to satisfy any required withholding obligation of the Company.

12.9. Effective Date. This Plan is originally effective as of September 25, 1995, and has been amended and restated by the Board effective as of October 22, 1997, further amended and restated effective as of November 10, 1997 and further amended and restated effective as of April 1, 1998, July 24, 2002, May 18, 2004 and May 15, 2006. This Plan was further amended on December 14, 2007.

12.10. Liability. No member of the Board or the Committee, or any officer or employee of the Company or its subsidiaries, will be personally liable for any action, omission or determination made in good faith or upon the advice of counsel in connection with the Plan or any Award granted or awarded under the Plan.

12.11. Governing Law. The law of the state of Delaware will govern issues related to the validity and issuance of Shares. All other terms, conditions and provisions of, and restrictions upon, this Plan, and Awards granted hereunder, will be construed and administered in

accordance with the law of the state in which the Company's principal executive offices are located.

12.12. Conflict. Unless specifically stated otherwise in an Agreement, if a term, condition or provision of, or restriction upon, the Plan conflicts with the term, condition or provision of, or restriction upon, any Agreement, the term of the Plan will control.

December 14, 2007



LEVEL 3 COMMUNICATIONS, INC.

OUTPERFORM STOCK OPTION

AMENDED AND RESTATED MASTER AWARD AGREEMENT

Index of Defined Terms

	<u>Page No.</u>
Accounting Firm	7
Adjusted Price	1
Affiliate	11
Aggregate Percentage S&P Performance	1
Agreement	1
Annualized Percentage Company Stock Price Performance	4
Annualized Percentage S&P Performance	4
Award	1
Award Date	1
Award Letter	1
Award Shares	1
Cause	6
Change in Control	3
Code	5
Committee	1
Company	1
Duration	4
Excise Tax	7
Exercise Consideration	3
Exercise Date	1
Fair Market Value	10
Full Vesting Date	2
Grantee	13
Gross-Up Payment	7
Limited Exercise Number	2
Multiplier	4
NASDAQ	10
Outperform Percentage	4
Payment	7
Period	1
Permanent Total Disability	2
Plan	1
S&P End Number	4
S&P Start Number	4
Stock	3
Stock End Number	4
Stock Start Number	4
Trading Day	10
Underpayment	7

LEVEL 3 COMMUNICATIONS, INC.
OUTPERFORM STOCK OPTION
AMENDED AND RESTATED MASTER AWARD AGREEMENT

THIS AMENDED AND RESTATED OUTPERFORM STOCK OPTION MASTER AWARD AGREEMENT (the "Agreement") is dated August 19, 2002, between Level 3 Communications, Inc., a Delaware corporation (the "Company"), and the individual whose name appears on the signature page to this Agreement (the "Grantee"), an "Employee" as deemed in the Company's 1995 Stock Plan (Amended and Restated as of April 1, 1998, and further amended on July 24, 2002) (the "Plan").

WHEREAS, the Company, pursuant to a grant of authority from the Compensation Committee of the Company's Board of Directors (the "Committee"), may, from time to time, grant to the Grantee a certain number of "Outperform Stock Options" (each grant an "Award"), as described below, pursuant to the Plan.

NOW, THEREFORE, the parties agree as follows:

1. Grants of Awards. Pursuant to the provisions of Section 8.1 of the Plan, the Company, from time to time in its sole discretion, may grant Awards to the Grantee relating to a specified number of Outperform Stock Options that, under certain circumstances and in accordance with the terms hereof, may result in the Grantee having the right to acquire shares of common stock of the Company, par value \$.01 per share (the "Award Shares"). Each Award will be evidenced by an Outperform Stock Option Award Letter (an "Award Letter") in the form attached as Exhibit A hereto (or such other form as approved by the Company), which sets forth the date of the Award (the "Award Date"), the number of Outperform Stock Options that are the subject of the Award, and the "Initial Price" of the Award Shares covered by the Award. This Agreement sets forth general terms and conditions applicable to all Awards granted before, on, or after the date hereof and supersedes and replaces all prior versions of the Master Award Agreement, including those dated June 30, 1998, and March 1, 2001.

2. Terms and Conditions of Awards

2.1. Adjustment of Initial Price. The "Adjusted Price" shall be the Initial Price, adjusted upward or downward as of the date of exercise of an Outperform Stock Option (the "Exercise Date"), by a percentage equal to the aggregate percentage increase or decrease (expressed as a whole percentage point followed by three decimal places) in the Standard and Poor's 500 Index over the period (the "Period") beginning on the Trading Day immediately preceding the relevant Award Date and ending on the Trading Day immediately preceding the relevant Exercise Date (the "Aggregate Percentage S&P Performance"). For purposes of determining the Aggregate Percentage S&P Performance with respect to any Period, the Standard and Poor's 500 Index as of the first day of the Period shall be deemed to equal the closing value of such index on the Trading Day immediately preceding the Award Date, and the Standard and Poor's 500 Index on the last day of the Period shall be deemed to equal the average closing value of such index over the ten-consecutive-Trading Day period immediately preceding the Exercise Date. Notwithstanding anything in this Agreement to the contrary, under no circumstances will the Adjusted Price be less than the Initial Price. In addition, if at any time

during which the provisions of this Section 2.1 would cause the Adjusted Price to be less than the Initial Price, the Adjusted Price shall be fixed at the Initial Price.

2.2. Term. The term of each Award shall be four (4) years from the grant date set forth in the related Award Letter (subject to such shorter period as set forth in Section 4 hereof), after which the Award and any unexercised Outperform Stock Options thereunder shall expire.

2.3. Vesting and Exercisability. Subject to Section 2.4 hereof, the Outperform Stock Options granted under an Award shall become vested as follows:

(a) With respect to each Award in which the Award Date is before the date of this Agreement, the Outperform Stock Options granted thereunder shall vest over a period of two years after the Award Date at the rate of 1/8 of the total number of Outperform Stock Options under the Award (rounded to the nearest whole share) on the last day of each three (3) calendar months after the Award Date, such that the last 1/8 of the Outperform Stock Options under the Award will become fully vested on the day preceding the second anniversary of the Award Date. All vested Outperform Stock Options granted on and prior to December 1, 1998, shall be fully exercisable as of and after the Full Vesting Date. All vested Outperform Stock Options granted after December 1, 1998, shall be fully exercisable as of and after the vesting date.

(b) (i) With respect to each Award in which the Award Date is on and after the date of this Agreement, the Outperform Stock Options granted thereunder shall vest over a period of two years after the Award Date, with the first 1/2 of the total number of Outperform Stock Options under the Award (rounded to the nearest whole share) vesting on the day preceding the first anniversary of the Award Date, and the remainder vesting at the rate of 1/8 of the total number of Outperform Stock Options (rounded to the nearest whole share) on the last day of each three (3) calendar months after the first anniversary of the Award Date, such that the last 1/8 of the Outperform Stock Options under the Award will become fully vested on the day preceding the second anniversary of the Award Date. Subject to the provisions of Section 2.3(b)(ii), vested Outperform Stock Options shall be fully exercisable as of and after the vesting date. (ii) Notwithstanding the foregoing, for Grantees that have the title of Senior Vice President or higher, a portion of the Outperform Stock Options granted pursuant to an Award Letter will not be fully exercisable until the Full Vesting Date with respect to the Award (that is, the second anniversary of the Award Date). The Award Letter will indicate the number of Outperform Stock Options that are subject to the further restriction on exercise contained in this Section 2.3(b)(ii) (the "Limited Exercise Number").

(c) For purposes of this Agreement, the "Full Vesting Date" shall mean the second anniversary of the Award Date.

2.4. Accelerated Vesting and Exercisability.

(a) Notwithstanding anything herein or in the Plan to the contrary, in the event that the Grantee dies, retires (in accordance with the Company's Retirement Benefit), or suffers a "Permanent Total Disability" (as defined in the following sentence), each Award and all Outperform Stock Options thereunder shall thereupon become fully vested and fully exercisable.

The Grantee shall be considered to have suffered a Permanent Total Disability if the Committee determines that the Grantee is permanently unable to earn any wages in the same or other employment.

(b) Notwithstanding anything herein or in the Plan to the contrary, and in accordance with the authority granted to the Committee in Section 9.2(b) of the Plan, on the effective date of a “Change in Control” (as defined in the Plan), (i) each Award shall be canceled as to any unexercised Outperform Stock Options, and (ii) the Company or its successor shall pay to the Grantee in consideration thereof an amount of cash equal to the value of any unexercised Outperform Stock Options (regardless of whether the Outperform Stock Options were theretofore vested), assuming for this purpose that each Outperform Stock Option had been exercised at the price and on the day during the prior 60-day period ending on the effective date of the Change in Control which produces the highest such value, and (iii) any required withholding related to such payment shall be satisfied by withholding the appropriate amount of cash from such payment.

2.5. Exercise. Subject to the limitations in Sections 2.2 and 2.3 hereof, each Outperform Stock Option which is vested and exercisable may be exercised by the Grantee, in whole or in part, by written, electronic, or telephonic notice to the Company or its designated agent, in the form as may be approved from time to time by the Committee. The notice must be delivered or made by the Grantee, unless (i) the Grantee is disabled or otherwise incapacitated, in which case the notice must be delivered or made by the Grantee’s court-appointed legal guardian, (ii) the Grantee has died, in which case the notice must be delivered or made by a court-appointed representative of the Grantee’s estate, or the heirs or legatees to whom the Award has passed, or (iii) the Grantee has properly transferred the Award in accordance with Section 5, in which case the notice must be delivered or made by such transferee or the transferee’s legal representative, estate, heirs or legatees, as applicable. The notice must specify the Award and the number of Award Shares with respect to such Award which are being exercised. The Exercise Date shall be considered to be the date on which the exercise notice is actually received by the Company or its designated agent, or, if the exercise notice is actually received by the Company or its designated agent after the close of trading of Company’s common stock, par value \$.01 per share, (the “Stock”), on the Trading Day following the day the exercise notice is so received by the Company or its designated agent.

2.6. Consideration. Upon exercise of Outperform Stock Options, the Company shall deliver or pay to the Grantee with respect to and in cancellation of each Outperform Stock Option exercised, consideration (the “Exercise Consideration”) equal to the product obtained when (a) the Fair Market Value (as defined in Section 9.1) of a share of Stock as of the day prior to the Exercise Date, less the Adjusted Price for the relevant Award Shares, is multiplied by (b) the Multiplier (as defined in Section 2.7 below). The Exercise Consideration may be paid in (a) cash, (b) Stock or (c) any combination of cash or Stock, at the Committee’s sole and absolute discretion. In the event that the Company elects to pay some or all of the Exercise Consideration in Stock, the number of shares of Stock to be delivered shall be determined by dividing that portion of the Exercise Consideration to be paid in Stock by the Fair Market Value of a share of Stock as of the day prior to the Exercise Date. The payment of the Exercise Consideration shall be, in each case, subject to withholding in accordance with Section 9.5.

2.7. Multiplier. For purposes of this Section 2.7, the following terms are defined:

- (a) “S&P Start Number” means the closing value of the Standard and Poor’s 500 Index on the Trading Day immediately preceding the relevant Award Date.
- (b) “S&P End Number” means the simple arithmetic average of the closing value of the Standard and Poor’s 500 Index over the ten-consecutive-Trading Day period immediately preceding the Exercise Date.
- (c) “Stock Start Number” means the Fair Market Value of the Stock on the Trading Day immediately preceding the relevant Award Date.
- (d) “Stock End Number” means the simple arithmetic average of the Fair Market Value of the Stock over the ten-consecutive-Trading Day period immediately preceding the Exercise Date.
- (e) “Duration” means the length of the relevant Period, measured in years and fractions of years (expressed as a whole number followed by three decimal places).
- (f) “Annualized Percentage S&P Performance” means the annualized increase (or decrease) between the S&P Start Number and the S&P End Number over the Period (expressed as a whole percentage point followed by three decimal places), captured by the following formula:

$$\frac{\text{S\&P End Number} - \text{S\&P Start Number}}{\text{S\&P Start Number}} \times \frac{100\%}{\text{Duration}}$$

- (g) “Annualized Percentage Company Stock Price Performance” means the annualized increase (or decrease) between the Stock Start Number and the Stock End Number over the Period (expressed as a whole percentage point followed by three decimal places), captured by the following formula:

$$\frac{\text{Stock End Number} - \text{Stock Start Number}}{\text{Stock Start Number}} \times \frac{100\%}{\text{Duration}}$$

The “Multiplier” shall be based on the “Outperform Percentage,” which is the excess, if any, of the Annualized Percentage Company Stock Price Performance over the Annualized Percentage S&P Performance. The Multiplier shall be expressed as a whole number and decimals, rounded to three decimal places, and be determined as follows:

- (i) With respect to each Award that has an Award Date that is prior to the date of this Agreement:

<u>If the Outperform Percentage is:</u>	<u>The Multiplier will equal:</u>
0% or less	0
More than 0% but less than 11%	The Outperform Percentage multiplied by 100 multiplied by 8/11 . (E.g., if Outperform Percentage = 5%, then the Multiplier = 5.000 times 8/11 = 3.636)
11% or more	8.000

In no event will the Multiplier exceed 8.000 for Awards in which the Award Date is before the date of this Agreement.

- (ii) With respect to each Award that has an Award Date that is on or after the date of this Agreement:

<u>If the Outperform Percentage is:</u>	<u>The Multiplier will equal:</u>
0% or less	0
More than 0% but less than 11%	The Outperform Percentage multiplied by 100 multiplied by 4/11. (E.g., if Outperform Percentage = 5%, the Multiplier = 5.000 times 4/11 = 1.818)
11% or more	4.000

In no event will the Multiplier exceed 4.000 for Awards in which the Award Date is on or after the date of this Agreement.

3. Exempt 162(m) Treatment. The terms and conditions relating to Awards are designed so that each Award will qualify as performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), and the provisions of this Agreement shall be construed accordingly. Consequently, if at the time of any purported exercise of an Award by the Grantee, the Grantee is a “covered employee” within the meaning of Section 162(m) of the Code, such purported exercise shall not be effective prior to the time that the Company’s shareholders have issued such approvals, and such other actions have been taken as may be required, to qualify the Award as such performance-based compensation.

4. Termination of Employment/Expiration of Award.

4.1. Unvested Outperform Stock Options. Awards shall expire as to any unvested Outperform Stock Options as of the date the Grantee ceases to be employed by the

Company or any of its Affiliates for any reason (after taking into account any accelerated vesting upon termination of employment pursuant to Section 2.4).

4.2. Vested Outperform Stock Options. Each Award shall expire as to all vested Outperform Stock Options on the earliest of:

- (a) The fourth anniversary of the related Award Date.
- (b) The first anniversary of the Grantee's death or Disability.
- (c) The date the Grantee's employment with the Company and all of its subsidiaries is terminated by the Company for "Cause," as defined in Section 4.3 below.
- (d) If the Grantee ceases to be employed by the Company and all of its Affiliates for any reason other than death, Disability or termination for "Cause," the 180th day following cessation of employment or the date the relevant Outperform Stock Options first become exercisable, subject to Section 4.2(a) above.

4.3. Cause. The Grantee shall be considered to have been terminated by the Company for Cause if the Grantee's termination is on account of (i) the Grantee's conviction of or pleading guilty or no contest to a felony, (ii) the habitual use of drugs (including alcohol) which adversely affects Grantee's job performance, or (iii) engaging in willful misconduct or willful neglect which is injurious to the Company; provided, however, that the Committee may in its discretion change from time to time the circumstances which constitute Cause, so long as any such change is communicated to the Grantee prior to any purported termination of the Grantee for Cause. Whether the Grantee has been terminated for the reasons listed in clauses (ii) or (iii) above shall be determined in good faith by the Committee. If the Grantee voluntarily terminates Grantee's employment at a time when circumstances constituting Cause exist with respect to the Grantee (as determined by the Committee good faith), the Committee may in its discretion treat the Grantee's termination as being by the Company for Cause.

5. **Non-Transferability**. Except as specifically allowed by the Committee in writing, an Award and the related Outperform Stock Options shall not be transferable other than by will or the laws of descent and distribution, and Outperform Stock Options may be exercised, during the lifetime of the Grantee, only (i) by the Grantee or (ii) on the Grantee's behalf by a court-appointed legal guardian. More particularly (but without limiting the generality of the foregoing), except as provided above an Award, Outperform Stock Options, and the right to receive Exercise Consideration may not be assigned, transferred, pledged or hypothecated in any way, shall not be assignable by operation of law, and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of an Award, Outperform Stock Options, or the right to receive Exercise Consideration contrary to the provisions hereof and the levy of any execution, attachment or similar process upon an Award, Outperform Stock Options, or the right to receive Exercise Consideration shall be null and void and without effect.

6. **Changes in Capital Structure, Etc.** Section 9.1 of the Plan shall apply to each Award, provided that no action may be taken by the Committee pursuant thereto which would prevent a Pooling Transaction from qualifying as such.

7. **Golden Parachute Gross-Up.**

(a) In the event it is determined (as hereafter provided) that any payment or distribution by the Company to or for the benefit of the Grantee pursuant to the terms of the Agreement, whether paid or payable or distributed or distributable, including without limitation the lapse or termination of any restriction on or the vesting or exercisability of an Award or Outperform Stock Options granted under the Agreement (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such excise tax (such tax or taxes, together with any such interest and penalties, are hereafter collectively referred to as the "Excise Tax"), then the Grantee will be entitled to receive an additional payment or payments (a "Gross-Up Payment") in an amount equal to the Excise Tax plus any penalties or taxes imposed on the Grantee by virtue of such Gross-Up Payment such that, after payment by the Grantee of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, the Grantee retains the full value of an Award and the Outperform Stock Options thereunder, with the exception of any regular income taxes owed by the Grantee on account of exercise of Outperform Stock Options.

(b) Subject to the provisions of Section 7(d) hereof, all determinations required to be made under this Agreement, including whether an Excise Tax is payable by the Grantee and the amount of such Excise Tax and whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, will be made by an outside "Big 4" or similar international accounting firm chosen by the Company (the "Accounting Firm"). The Grantee will direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and the Grantee within 15 calendar days after the date of the Change in Control, and any other such time or times as may be requested by the Company or the Grantee. If the Accounting Firm determines that any Excise Tax is payable by the Grantee, the Company will pay the required Gross-Up Payment to the Grantee within five business days after receipt of such determination and calculations, but in no event later than the end of the Grantee's taxable year following the Grantee's taxable year in which such tax owed by such Grantee that is subject to the Gross-Up Payment is remitted to the applicable taxing authority. If the Accounting Firm determines that no Excise Tax is payable by the Grantee, it will, at the same time as it makes such determination, furnish the Grantee with an opinion (addressed to both the Grantee and the Company) or other evidence reasonably acceptable to the Grantee that the Grantee has substantial authority not to report any Excise Tax on the Grantee's federal, state, local income or other tax return. Any determination by the Accounting Firm as to the amount of the Gross-Up Payment will be binding upon the Company and the Grantee. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company

exhausts or fails to pursue its remedies pursuant to Section 7(d) hereof and the Grantee thereafter is required to make a payment of any Excise Tax, the Grantee will direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and the Grantee as promptly as possible. The amount of any such Underpayment will be promptly paid by the Company to, or for the benefit of, the Grantee within five business days after receipt of such determination and calculations, but in no event later than the end of the Grantee's taxable year following the Grantee's taxable year in which such tax owed by such Grantee that is subject to the Gross-Up Payment is remitted to the applicable taxing authority.

(c) The Company and the Grantee will each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or the Grantee, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determination contemplated by Section 7(b) hereof

(d) The federal, state and local income and other tax returns filed by the Grantee will be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by the Grantee. The Grantee will make proper payment of the amount of any Excise Tax, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of the Grantee's federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of the Grantee's federal income tax return, or corresponding state and local tax return, if relevant, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, the Grantee will within five business days pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Sections 7(b) and (d) hereof will be borne by the Company. If such fees and expenses are initially advanced by the Grantee, the Company will reimburse the Grantee the full amount of such fees and expenses within five business days after receipt from the Grantee of a statement therefor and reasonable evidence of his payment thereof

(f) The Grantee will notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification will be given as promptly as practicable but no later than 10 business days after the Grantee actually receives notice of such claim and the Grantee will further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by the Grantee). The Grantee will not pay such claim prior to the earlier of (a) the expiration of the 30-calendar-day period following the date on which he gives such notice to the Company, and (b) the date that any payment of an amount with respect to such claim is due. If the Company notifies the Grantee in writing prior to the expiration of such period that it desires to contest such claim, the Grantee will (i) provide the Company with any written records or documents in the Grantee's possession relating to such claim reasonably requested by the Company, (ii) take such action in connection with contesting

such claim as the Company will reasonably request in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company, (iii) cooperate with the Company in good faith in order effectively to contest such claim, and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company will bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and will indemnify and hold harmless the Grantee, on an after-tax basis, from and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Section 7(f), the Company may, at its option, control all proceedings taken in connection with the contest of any claim contemplated by this Section 7(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that the Grantee may participate therein at his own cost and expense) and may, at its option, either direct the Grantee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Grantee agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company will determine; provided, however, that if the Company directs the Grantee to pay the tax claimed and sue for a refund, the Company will advance the amount of such payment to the Grantee on an interest-free basis and will indemnify and hold the Grantee harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Grantee with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of any such contested claim will be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Grantee will be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(g) If, after the receipt by the Grantee of an amount advanced by the Company pursuant to Section 7(f) hereof, the Grantee receives any refund with respect to such claim, the Grantee will (subject to the Company's complying with the requirements of Section 7(f) hereof) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by the Grantee of an amount advanced by the Company pursuant to Section 7(f) hereof, a determination is made that the Grantee will not be entitled to any refund with respect to such claim and the Company does not notify the Grantee in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance will be forgiven and will not be required to be repaid and the amount of such advance will offset, to the extent thereof, the amount of Gross-Up Payment required to be paid pursuant to this Agreement.

(h) If Grantee takes action to enforce this Section 7 against the Company (which for this purpose shall include making preparations for taking such enforcement action), and such enforcement action is in whole or part successful (whether by decision of a court or arbitrator, by settlement, by mutual agreement of Grantee and the Company, or otherwise), the

Company shall promptly pay directly or, at Grantee's election, reimburse Grantee for, all legal and other expert fees and expenses incurred by Grantee in connection with such action.

8. General. Subject to the provisions of Section 2.6 with respect to the form of the payment of the Exercise Consideration, the Company shall at all times during the term of this Agreement reserve and keep available such number of shares of Stock as will be sufficient to satisfy the requirements of this Agreement, shall pay all original issue and transfer taxes with respect to the issue and transfer of shares of Stock pursuant hereto and all other fees and expenses necessarily incurred by the Company in connection therewith, and will from time to time use its best efforts to comply with all laws and regulations which, in the opinion of counsel for the Company, shall be applicable thereto.

9. Miscellaneous

9.1. **Fair Market Value and Trading Day.** For purposes of this Agreement, the "Fair Market Value" of the Stock shall mean as of any date of determination (i) the closing price per share of Stock on the national securities exchange on which the Stock is principally traded as of 4:15 pm New York City Time, or (ii) if the Stock is not listed or admitted to trading on any such exchange, the last sale price of a share of Stock as reported by the NASD, Inc. Automated Quotation ("NASDAQ") system, or (iii) if the Stock is not then listed on any securities exchange and prices therefore are not then quoted in the NASDAQ system, then the value determined by the Committee in good faith. The term "Trading Day" means any day on which the Stock is traded, as contemplated by subsection (i) or (ii) above.

9.2. **No Stockholder Rights.** The Grantee shall not have any of the rights of a stockholder with respect to the Award Shares resulting from any Award prior to the issuance of Stock, if any, to the Grantee upon the due exercise of the Outperform Stock Options.

9.3. **No Abrogation of Company's Rights.** Nothing in this Agreement shall confer upon the Grantee any right to continued employment with the Company or interfere in any way with the right of the Company to terminate the Grantee's employment at any time. The transfer of employment between any combination of the Company and any Affiliate of the Company shall not be deemed a termination of employment.

9.4. **Effect of the Plan.** The terms and provisions set forth in the Plan are incorporated herein by reference as if they were set forth herein; provided, however, that in the event of a direct conflict between the terms of the Plan and the terms of this Agreement, the terms of this Agreement shall govern. Reference to provisions of the Plan are to such provisions as they shall be subsequently amended or renumbered; provided that no amendment to the Plan which adversely affects an Award shall be effective as to that Award without the written consent of the Grantee. The Grantee acknowledges that a current version of the Plan is available on the Company's intranet site, and the Company agrees to supply to the Grantee a paper copy of the current version of the Plan upon the Grantee's request.

9.5. **Withholding.** Notwithstanding anything contained herein to the contrary, other than Subsection 2.4(b)(iii) and Section 7, no payment shall be made to a Grantee upon the

exercise of Outperform Stock Options until provision has been made for the satisfaction of all required withholding in accordance with the Plan.

9.6. Plan and Agreement Govern . Although any information sent to or made available to the Grantee concerning the Plan and this Award is intended to be an accurate summary of the terms and conditions of the Award, this Agreement and the Plan are the authoritative documents governing the Award and any inconsistency between the Agreement and the Plan, on one hand, and any other summary information, on the other hand, shall be resolved in favor of the Agreement and the Plan.

9.7. Affiliate . The term “Affiliate” shall have the mean ascribed to it in the Plan.

IN WITNESS WHEREOF, this Agreement is executed by the Grantee and by an authorized officer on behalf of the Company, as of the date first above written.

LEVEL 3 COMMUNICATIONS, INC.

BY: _____

ITS: _____

GRANTEE: _____
(Please sign)

Name: _____
(Please print)

Date of Hire: _____

EXHIBIT A

**LEVEL 3 COMMUNICATIONS, INC.
OUTPERFORM STOCK OPTION AWARD LETTER**

This Outperform Stock Option Award (the "Award") when taken together with the Amended and Restated Master Award Agreement (version dated August 19, 2002) ("Master Agreement") constitutes an award to the individual whose name appears on the signature line below ("Grantee") of Outperform Stock Options with respect to the shares of common stock of Level 3 Communications, Inc. (the "Common Stock") under the Level 3 Communications, Inc. 1995 Stock Plan (Amended and Restated as of April 1, 1998, and further amended on July 24, 2002).

The terms and conditions of this Award are set forth below and in the Master Agreement, the provisions of which are incorporated herein by reference.

- A. The date of grant of this Award is _____ (the "Award Date").
- B. The number of Outperform Stock Options with respect to which this Outperform Stock Option Award Letter relates pursuant to Section 2.3(b)(i) of the Master Agreement is _____.
- C. The Initial Price per share for each Award Share covered by this Award is \$ _____.
- D. The Limited Exercise Number for this Award pursuant to Section 2.3(b)(ii) of the Master Agreement is _____.(1)

LEVEL 3 COMMUNICATIONS, INC.

BY: _____
ITS: _____

GRANTEE: _____

(1) Applies only to Grantees with the title of Senior Vice President and above.

**LEVEL 3 COMMUNICATIONS, INC.
OSO MASTER AWARD AGREEMENT**

THIS OSO MASTER AWARD AGREEMENT (the “Agreement”) is dated as of _____, between Level 3 Communications, Inc., a Delaware corporation (the “Company”), and the individual whose name appears on the signature page to this Agreement (the “Grantee”), an “Employee” as defined in the Company’s 1995 Stock Plan (as amended from time to time) (the “Plan”).

WHEREAS, the Company, pursuant to a grant of authority from the Compensation Committee of the Company’s Board of Directors (the “Committee”), may, from time to time, grant to the Grantee a certain number of outperform stock appreciation rights, which are referred to as “OSOs” (each such grant an “Award”), as described below, pursuant to the Plan.

NOW, THEREFORE, the parties agree as follows:

1. Grants of Awards. Pursuant to the provisions of Section 8.1 of the Plan, the Company, from time to time in its sole discretion, may grant Awards to the Grantee relating to a specified number of OSOs that, under certain circumstances and in accordance with the terms hereof, may result in the Grantee having the right to acquire shares of common stock of the Company, par value \$.01 per share (the “Award Shares”). Each Award will be evidenced by an Outperform Stock Appreciation Right Award Letter (an “Award Letter”) in the form attached as Exhibit A hereto (or such other form as approved by the Company), which sets forth the date of the Award (the “Award Date”), the number of OSOs that are the subject of the Award, and the “Initial Price” of the Award Shares covered by the Award. This Agreement sets forth general terms and conditions applicable to all Awards granted on, or after the date hereof.

2. Terms and Conditions of Awards

2.1. Adjustment of Initial Price. The “Adjusted Price” shall be the Initial Price, adjusted upward or downward as of the Settlement Date, by a percentage equal to the aggregate percentage increase or decrease (expressed as a whole percentage point followed by three decimal places) in the Standard and Poor’s 500 Index over the period (the “Period”) beginning on the Trading Day immediately preceding the Award Date applicable to the Award and ending on the Trading Day immediately preceding the relevant Settlement Date (the “Aggregate Percentage S&P Performance”). For purposes of this Agreement, the “Settlement Date” shall mean the earlier to occur of (i) the date set forth in the applicable Award Letter as the Settlement Date of the Award and (ii) the effective date of a Change in Control, as defined below. For purposes of determining the Aggregate Percentage S&P Performance with respect to any Period, the Standard and Poor’s 500 Index as of the first day of the Period shall be deemed to equal the closing value of such index on the Trading Day immediately preceding the Award Date, and the Standard and Poor’s 500 Index on the last day of the Period shall be deemed to equal the average closing value of such index over the ten-consecutive-Trading Day period immediately preceding the Settlement Date. Notwithstanding anything in this Agreement to the contrary, under no circumstances will the Adjusted Price be less than the Initial Price on the Settlement Date. In addition, if at any time during which the provisions of this Section 2.1

would cause the Adjusted Price to be less than the Initial Price, the Adjusted Price shall be fixed at the Initial Price.

2.2. Term. The term of each Award shall expire on the earlier of the Settlement Date, the effective date of a Change in Control or earlier as set forth in Section 4 hereof.

2.3. Vesting. Subject to Section 2.4 hereof, the OSOs granted under an Award shall vest on the Settlement Date.

2.4. Accelerated Vesting upon Change in Control. Notwithstanding anything herein or in the Plan to the contrary, and in accordance with the authority granted to the Committee in Section 9.2(b) of the Plan, on the effective date of a “Change in Control” (as defined in the Plan), (i) each Award shall be canceled, and (ii) the Company or its successor shall pay to the Grantee in consideration thereof an amount of cash equal to the value of any OSOs (regardless of whether the OSOs were theretofore vested), assuming for this purpose that the effective date of the Change in Control had been the day during the prior 60-day period ending on the effective date of the Change in Control which produces the highest such value, and (iii) any required withholding related to such payment shall be satisfied by withholding the appropriate amount of cash from such payment.

2.5. Consideration. Vested OSOs shall be settled on the Settlement Date as set forth in this Agreement. As promptly as practicable, the Company shall deliver or pay to the Grantee with respect to and in cancellation of each vested OSO, consideration (the “Settlement Consideration”) equal to the product obtained when (a) the Fair Market Value (as defined in Section 9.1) of a share of Stock as of the day prior to the Settlement Date, less the Adjusted Price for the relevant Award Shares, is multiplied by (b) the Multiplier (as defined in Section 2.6 below); *provided*, that the Settlement Consideration would be a positive number. The Settlement Consideration, if any, may be paid in (a) cash, (b) Stock or (c) any combination of cash or Stock, at the Committee’s sole and absolute discretion. In the event that the Company elects to pay some or all of the Settlement Consideration in Stock, the number of shares of Stock to be delivered shall be determined by dividing that portion of the Settlement Consideration to be paid in Stock by the Fair Market Value of a share of Stock as of the day prior to the Settlement Date. The payment of the Settlement Consideration, if any, shall be, in each case, subject to withholding in accordance with Section 9.5. For purposes of this Agreement, “Stock” shall mean the Company’s common stock, par value \$.01 per share.

2.6. Multiplier. For purposes of this Section 2.6, the following terms are defined:

- (a) “S&P Start Number” means the closing value of the Standard and Poor’s 500 Index on the Trading Day immediately preceding the relevant Award Date.
- (b) “S&P End Number” means the simple arithmetic average of the closing value of the Standard and Poor’s 500 Index over the ten-consecutive-Trading Day period immediately preceding the Settlement Date.

- (c) “Stock Start Number” means the Fair Market Value of the Stock on the Trading Day immediately preceding the relevant Award Date.
- (d) “Stock End Number” means the simple arithmetic average of the Fair Market Value of the Stock over the ten-consecutive-Trading Day period immediately preceding the Settlement Date.
- (e) “Duration” means the length of the relevant Period, measured in years and fractions of years (expressed as a whole number followed by three decimal places).
- (f) “Annualized Percentage S&P Performance” means the annualized increase (or decrease) between the S&P Start Number and the S&P End Number over the Period (expressed as a whole percentage point followed by three decimal places), captured by the following formula:

$$\frac{\text{S\&P End Number} - \text{S\&P Start Number}}{\text{S\&P Start Number}} \times \frac{100\%}{\text{Duration}}$$

- (g) “Annualized Percentage Company Stock Price Performance” means the annualized increase (or decrease) between the Stock Start Number and the Stock End Number over the Period (expressed as a whole percentage point followed by three decimal places), captured by the following formula:

$$\frac{\text{Stock End Number} - \text{Stock Start Number}}{\text{Stock Start Number}} \times \frac{100\%}{\text{Duration}}$$

The “Multiplier” shall be based on the “Outperform Percentage,” which is the excess, if any, of the Annualized Percentage Company Stock Price Performance over the Annualized Percentage S&P Performance. The Multiplier shall be expressed as a whole number and decimals, rounded to three decimal places, and be determined as follows:

With respect to each Award that has an Award Date that is on or after the date of this Agreement:

<u>If Outperform Percentage is:</u>	<u>The Multiplier will equal:</u>
0% or less	0
More than 0% but less than 11%	The Outperform Percentage multiplied by 100 multiplied by 4/11. (<i>E.g.</i> , if Outperform Percentage = 5%, the Multiplier = 5.000 times 4/11 = 1.818)
11% or more	4.000

In no event will the Multiplier exceed 4.000 for Awards in which the Award Date is on or after the date of this Agreement.

3. Exempt 162(m) Treatment . The terms and conditions relating to Awards are designed so that each Award will qualify as performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), and the provisions of this Agreement shall be construed accordingly. Consequently, if at the time of any purported exercise of an Award by the Grantee, the Grantee is a “covered employee” within the meaning of Section 162(m) of the Code, such purported exercise shall not be effective prior to the time that the Company’s shareholders have issued such approvals, and such other actions have been taken as may be required, to qualify the Award as such performance-based compensation.

4. Termination of Employment/Expiration of Award .

4.1. Unvested OSOs . Except as set forth in Section 4.2 below, Awards shall expire as to any unvested Awards as of the date the Grantee ceases to be employed by the Company or any of its Affiliates for any reason .

4.2. Death, Disability and Retirement . Notwithstanding the provisions of Section 4.1 above, if the Grantee ceases to be employed by the Company as a result of the Grantee’s death, retirement (in accordance with the Company’s Retirement Benefit then in effect), or “Permanent Total Disability” (as defined in the following sentence), each Award shall not expire and shall remain outstanding until the Settlement Date. The Grantee shall be considered to have suffered a Permanent Total Disability if the Committee determines that the Grantee is permanently unable to earn any wages in the same or other employment.

5. Non-Transferability . Except as specifically allowed by the Committee in writing, an Award and the related OSOs shall not be transferable other than by will or the laws of descent and distribution, and OSOs may be exercised, during the lifetime of the Grantee, only (i) by the Grantee or (ii) on the Grantee’s behalf by a court-appointed legal guardian. More particularly (but without limiting the generality of the foregoing), except as provided above an Award, OSOs, and the right to receive Settlement Consideration may not be assigned, transferred, pledged or hypothecated in any way, shall not be assignable by operation of law, and shall not be subject to execution, attachment or similar process. Any attempted assignment,

transfer, pledge, hypothecation or other disposition of an Award, OSOs, or the right to receive Settlement Consideration contrary to the provisions hereof and the levy of any execution, attachment or similar process upon an Award, OSOs, or the right to receive Settlement Consideration shall be null and void and without effect.

6. Changes in Capital Structure, Etc. Section 9.1 of the Plan shall apply to each Award, provided that no action may be taken by the Committee pursuant thereto which would prevent a Pooling Transaction from qualifying as such.

7. Golden Parachute Gross-Up .

(a) In the event it is determined (as hereafter provided) that any payment or distribution by the Company to or for the benefit of the Grantee pursuant to the terms of the Agreement, whether paid or payable or distributed or distributable, including without limitation the lapse or termination of any restriction on or the vesting of an Award or OSOs granted under the Agreement (a “Payment”), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such excise tax (such tax or taxes, together with any such interest and penalties, are hereafter collectively referred to as the “Excise Tax”), then the Grantee will be entitled to receive an additional payment or payments (a “Gross-Up Payment”) in an amount equal to the Excise Tax plus any penalties or taxes imposed on the Grantee by virtue of such Gross-Up Payment such that, after payment by the Grantee of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, the Grantee retains the full value of an Award and the OSOs thereunder, with the exception of any regular income taxes owed by the Grantee on account of exercise of OSOs.

(b) Subject to the provisions of Section 7(d) hereof, all determinations required to be made under this Agreement, including whether an Excise Tax is payable by the Grantee and the amount of such Excise Tax and whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, will be made by an outside “Big 4” or similar international accounting firm chosen by the Company (the “Accounting Firm”). The Grantee will direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and the Grantee within 15 calendar days after the effective date of the Change in Control, and any other such time or times as may be requested by the Company or the Grantee. If the Accounting Firm determines that any Excise Tax is payable by the Grantee, the Company will pay the required Gross-Up Payment to the Grantee within five business days after receipt of such determination and calculations, but in no event later than the end of the Grantee’s taxable year following the Grantee’s taxable year in which such tax owed by such Grantee that is subject to the Gross-Up Payment is remitted to the applicable taxing authority. If the Accounting Firm determines that no Excise Tax is payable by the Grantee, it will, at the same time as it makes such determination, furnish the Grantee with an opinion (addressed to both the Grantee and the Company) or other evidence reasonably acceptable to the Grantee that the Grantee has substantial authority not to report any Excise Tax on the Grantee’s federal, state, local income or other tax return. Any determination by the Accounting Firm as to the amount of the Gross-Up Payment will be binding upon the Company and the Grantee. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the

possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an “Underpayment”), consistent with the calculations required to be made hereunder. In the event that the Company exhausts or fails to pursue its remedies pursuant to Section 7 (d) hereof and the Grantee thereafter is required to make a payment of any Excise Tax, the Grantee will direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and the Grantee as promptly as possible. The amount of any such Underpayment will be promptly paid by the Company to, or for the benefit of, the Grantee within five business days after receipt of such determination and calculations, but in no event later than the end of the Grantee’s taxable year following the Grantee’s taxable year in which such tax owed by such Grantee that is subject to the Gross-Up Payment is remitted to the applicable taxing authority.

(c) The Company and the Grantee will each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or the Grantee, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determination contemplated by Section 7 (b) hereof.

(d) The federal, state and local income and other tax returns filed by the Grantee will be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by the Grantee. The Grantee will make proper payment of the amount of any Excise Tax, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of the Grantee’s federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of the Grantee’s federal income tax return, or corresponding state and local tax return, if relevant, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, the Grantee will within five business days pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Sections 7(b) and (d) hereof will be borne by the Company. If such fees and expenses are initially advanced by the Grantee, the Company will reimburse the Grantee the full amount of such fees and expenses within five business days after receipt from the Grantee of a statement therefor and reasonable evidence of his payment thereof.

(f) The Grantee will notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification will be given as promptly as practicable but no later than 10 business days after the Grantee actually receives notice of such claim and the Grantee will further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by the Grantee). The Grantee will not pay such claim prior to the earlier of (a) the expiration of the 30-calendar-day period following

the date on which he gives such notice to the Company, and (b) the date that any payment of an amount with respect to such claim is due. If the Company notifies the Grantee in writing prior to the expiration of such period that it desires to contest such claim, the Grantee will (i) provide the Company with any written records or documents in the Grantee's possession relating to such claim reasonably requested by the Company, (ii) take such action in connection with contesting such claim as the Company will reasonably request in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company, (iii) cooperate with the Company in good faith in order effectively to contest such claim, and (iv) permit the Company to participate in any proceedings relating to such claim; *provided, however*, that the Company will bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and will indemnify and hold harmless the Grantee, on an after-tax basis, from and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Section 7(f), the Company may, at its option, control all proceedings taken in connection with the contest of any claim contemplated by this Section 7(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that the Grantee may participate therein at his own cost and expense) and may, at its option, either direct the Grantee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Grantee agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company will determine; provided, however, that if the Company directs the Grantee to pay the tax claimed and sue for a refund, the Company will advance the amount of such payment to the Grantee on an interest-free basis and will indemnify and hold the Grantee harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Grantee with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of any such contested claim will be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Grantee will be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(g) If, after the receipt by the Grantee of an amount advanced by the Company pursuant to Section 7(f) hereof, the Grantee receives any refund with respect to such claim, the Grantee will (subject to the Company's complying with the requirements of Section 7(f) hereof) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by the Grantee of an amount advanced by the Company pursuant to Section 7(f) hereof, a determination is made that the Grantee will not be entitled to any refund with respect to such claim and the Company does not notify the Grantee in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance will be forgiven and will not be required to be repaid and the amount of such advance will offset, to the extent thereof, the amount of Gross-Up Payment required to be paid pursuant to this Agreement.

(h) If Grantee takes action to enforce this Section 7 against the Company (which for this purpose shall include making preparations for taking such enforcement action), and such enforcement action is in whole or part successful (whether by decision of a court or arbitrator, by settlement, by mutual agreement of Grantee and the Company, or otherwise), the Company shall promptly pay directly or, at Grantee's election, reimburse Grantee for, all legal and other expert fees and expenses incurred by Grantee in connection with such action.

8. General. Subject to the provisions of Section 2.5 with respect to the form of the payment of the Settlement Consideration, the Company shall at all times during the term of this Agreement reserve and keep available such number of shares of Stock, as determined by the Compensation Committee from time to time, as will be sufficient in the Compensation Committee's good faith determination to satisfy the requirements of this Agreement, shall pay all original issue and transfer taxes with respect to the issue and transfer of shares of Stock pursuant hereto and all other fees and expenses necessarily incurred by the Company in connection therewith, and will from time to time use its best efforts to comply with all laws and regulations which, in the opinion of counsel for the Company, shall be applicable thereto.

9. Miscellaneous

9.1. Fair Market Value and Trading Day. For purposes of this Agreement, the "Fair Market Value" of the Stock shall mean as of any date of determination (i) the closing price per share of Stock on the national securities exchange on which the Stock is principally traded as of 4:15 pm New York City Time, or (ii) if the Stock is not listed or admitted to trading on any such exchange, the last sale price of a share of Stock as reported by the NASD, Inc. Automated Quotation ("NASDAQ") system, or (iii) if the Stock is not then listed on any securities exchange and prices therefore are not then quoted in the NASDAQ system, then the value determined by the Committee in good faith. The term "Trading Day" means any day on which the Stock is traded, as contemplated by subsection (i) or (ii) above.

9.2. No Stockholder Rights. The Grantee shall not have any of the rights of a stockholder with respect to the Award Shares resulting from any Award prior to the issuance of Stock, if any, to the Grantee upon the due exercise of the OSOs.

9.3. No Abrogation of Company's Rights. Nothing in this Agreement shall confer upon the Grantee any right to continued employment with the Company or interfere in any way with the right of the Company to terminate the Grantee's employment at any time. The transfer of employment between any combination of the Company and any Affiliate of the Company shall not be deemed a termination of employment.

9.4. Effect of the Plan. The terms and provisions set forth in the Plan are incorporated herein by reference as if they were set forth herein; *provided, however*, that in the event of a direct conflict between the terms of the Plan and the terms of this Agreement, the terms of this Agreement shall govern. Reference to provisions of the Plan are to such provisions as they shall be subsequently amended or renumbered; provided that no amendment to the Plan which adversely affects an Award shall be effective as to that Award without the written consent of the Grantee. The Grantee acknowledges that a current version of the Plan is available on the

Company's intranet site, and the Company agrees to supply to the Grantee a paper copy of the current version of the Plan upon the Grantee's request.

9.5. Withholding. (a) Notwithstanding anything contained herein to the contrary, other than Subsection 2.4 and Section 7, the Company will not be obligated to issue the Settlement Consideration unless the Grantee has paid (in cash or by certified or cashier's check) to the Company all withholding taxes required to be collected by the Company under Federal, State, local or foreign law as a result of the issuance of the Deferred Shares (" Withholding Taxes "). The Company shall be responsible for the determination of the amount of any Withholding Taxes based on the value of the Settlement Consideration. To the extent that the Grantee desires to pay the Withholding Taxes in cash or by certified or cashier's check, the Grantee must deliver a Withholding Taxes Cash Payment Notification to the Company's stock administrator substantially in the form of Exhibit B no later than 45 days prior to the Settlement Date of any Award issued under this Agreement. To the extent that the Grantee elects to pay the Withholding Taxes in cash or by certified or cashier's check, such payment must be received by the Company's stock administrator no later than one (1) Business Day after the Settlement Date of any Award that is the subject of the Withholding Taxes Cash Payment Notification.

(b) The Company, in its sole discretion, may permit the Grantee to pay any or all Withholding Taxes through delivery of outstanding Stock or by the Company withholding a portion of the Settlement Consideration issuable pursuant to this Agreement. The Grantee, however, will have no absolute right to pay the Withholding Taxes with Stock, and, if such payment is permitted by the Company, such payment must be made in strict compliance with rules for such payments established by the Company. As of the date of this Agreement, unless the Company has received a properly executed and delivered Withholding Taxes Cash Payment Notification from the Grantee, the Company currently intends to have the Withholding Taxes paid through the withholding of Stock issuable upon satisfaction of the terms and conditions set forth in this Agreement whenever the Settlement Consideration is delivered by the Company in the form of shares of Stock (a " net issuance "). The Stock that is withheld by the Company as part of the net issuance (the "Withheld Shares") will be sold on behalf of the Grantee as contemplated by Section 9.9 of this Agreement; *provided*, however, that at the sole discretion of the Company, the Withheld Shares may be retained by the Company and the Company will satisfy the Withholding Taxes from the Company's available cash. The Company reserves the right to change its method with respect to the Grantee for the collection of Withholding Taxes that may be owed by the Grantee at any time in its sole discretion, upon notice to the Grantee, which notice may be written or electronic notice.

9.6. Plan and Agreement Govern. Although any information sent to or made available to the Grantee concerning the Plan and this Award is intended to be an accurate summary of the terms and conditions of the Award, this Agreement and the Plan are the authoritative documents governing the Award and any inconsistency between the Agreement and the Plan, on one hand, and any other summary information, on the other hand, shall be resolved in favor of the Agreement and the Plan.

9.7. Affiliate. The term " Affiliate " shall have the meaning ascribed to it in the Plan.

9.8. Amendments. Notwithstanding anything herein to the contrary, this Agreement may be amended by the Committee from time to time without the consent of the Grantee to the extent the Committee deems it appropriate to cause this Agreement and/or each Award hereunder to comply with Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”) (including the distribution requirements thereunder) or be exempt from Section 409A and/or the tax penalty under Section 409A(a)(1)(B).

9.9 Authorization to Trade. By the execution of this Agreement, to the extent that the Company elects to issue the Settlement Consideration as a net issuance for the settlement of any Award of OSOs, and, the Grantee has not properly executed and delivered to the Company’s OSO administrator a Withholding Taxes Cash Payment Notification, the Grantee hereby irrevocably instructs the Company and a broker of the Company’s choosing, to sell on behalf of the Grantee at the “market price,” that number of shares of Stock required to generate sufficient funds to equal the Withholding Taxes required to be paid by the Grantee pursuant to Section 9.5. The Grantee represents to the Company and the broker that the Grantee is entering into this Agreement in good faith. The Grantee shall have no ability to modify these instructions other than by the proper execution and delivery to the Company’s OSO administrator of a Withholding Taxes Cash Payment Notification. It is the Grantee’s intention that this provision comply with the requirements of Rule 10b5-1 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

[Signature page follows]

IN WITNESS WHEREOF, this Agreement is executed by the Grantee and by an authorized officer on behalf of the Company, as of the date first above written.

LEVEL 3 COMMUNICATIONS, INC.

BY: _____

ITS: _____

GRANTEE: _____
(Please sign)

Name: _____
(Please print)

Date of Hire: _____

EXHIBIT A

**LEVEL 3 COMMUNICATIONS, INC.
OSO AWARD LETTER**

This OSO Award (the “Award”) when taken together with the OSO Master Award Agreement dated as of _____ and the individual whose name appears on the signature line below (the “Grantee”) (the “Master Agreement”) constitutes an award to of outperform stock appreciation rights that are referred to as OSOs under the Level 3 Communications, Inc. 1995 Stock Plan (as amended from time to time).

The terms and conditions of this Award are set forth below and in the Master Agreement, the provisions of which are incorporated herein by reference.

- A. The date of grant of this Award is _____ (the “Award Date”).
- B. The Initial Price per share for each Award Share covered by this Award is \$ _____. .
- C. The Settlement Date of this Award is _____ .

LEVEL 3 COMMUNICATIONS, INC.

BY: _____
ITS: _____

GRANTEE: _____

EXHIBIT B
LEVEL 3 COMMUNICATIONS, INC.
WITHHOLDING TAXES CASH PAYMENT NOTIFICATION

This Withholding Taxes Cash Payment Notification is being delivered by the individual whose name appears on the signature line below (the “Grantee”) in reference to an OSO Award granted to the Grantee by Level 3 Communications, Inc. (the “Company”) pursuant to that certain OSO Master Award Agreement dated as of _____ between the Company and the Grantee (the “Master Agreement”).

Capitalized terms used in this Withholding Taxes Cash Payment Notification without definition have the meaning given to those terms in the Master Agreement.

This Withholding Taxes Cash Payment Notification relates to the OSO Award granted to the Grantee pursuant to the Award Letter issued to the Grantee dated _____, the Settlement Date of which OSO Award is _____ (the “Referenced OSO Award”).

The Grantee hereby irrevocable elects to pay any Withholding Taxes that are owed by the Grantee upon the Settlement Date of the Referenced OSO Award in cash or by certified or cashier’s check made payable to Level 3 Communications, Inc. within one (1) Business Day of the Settlement Date of the Referenced OSO Award. All payments of Withholding Taxes are to be made to the Company’s OSO award administrator.*

The Grantee hereby represents and warrants to the Company that on the date hereof, the Grantee is not in possession of material non-public information regarding the business or financial condition of the Company and its subsidiaries.

To the extent that the Grantee is subject to the Company’s Insider Trading Policy’s restrictions on the ability to trade the Company’s securities other than during an open trading window, the Grantee expressly acknowledges that: (a) the Grantee has executed this Withholding Taxes Cash Payment Notification during an open trading window pursuant to the Company’s Insider Trading Policy; and (b) the Grantee may not sell any shares of Stock that are distributed to the Grantee upon the expiration of the Referenced OSO Award, so long as the trading window is closed.

GRANTEE: _____
(Please sign)

Name: _____
(Please print)

Date of Hire: _____

Date: _____

* Delivery information with respect to the payment of Withholding Taxes must be obtained from the Company’s OSO administrator.

Employee Name: _____
(Please Print)

AMENDED MASTER DEFERRED ISSUANCE STOCK AGREEMENT

This Amended Master Deferred Issuance Stock Agreement (along with the Exhibits hereto, this "Agreement") is entered into as of _____, by and between Level 3 Communications, Inc., a Delaware corporation (the "Company"), and the individual whose name appears on the signature page to this Agreement (the "Employee"), an "Employee" as defined in the Company's 1995 Stock Plan (Amended and Restated as of April 1, 1998, and as further amended from time to time, the "Plan").

The Company, pursuant to a grant of authority from the Compensation Committee of the Company's Board of Directors (the "Committee"), may, from time to time, grant to the Employee the opportunity to acquire a certain number of shares of its common stock, par value \$.01 per share (the "Stock"), in order to retain the Employee as an employee of the Company or a Subsidiary, pursuant to the Plan (an "Award").

The parties agree as follows:

1. Obligation to Issue Deferred Shares. Subject to the terms and conditions of this Agreement, the Company, from time to time in its sole discretion, may grant Awards to the Employee relating to a specified number of shares of Stock that, under certain circumstances and in accordance with the terms hereof, may result in the Employee having the right to receive shares of Stock (the "Deferred Shares"). Each Award will be evidenced by a Deferred Issuance Stock Award Letter (an "Award Letter") in the form attached as Exhibit A hereto (or such other form as approved by the Company), which sets forth the date of the Award (the "Award Date"), the number of Deferred Shares that are the subject of the Award, and the dates on which the Company will issue the Deferred Shares to the Employee subject to the terms of this Agreement and any further terms that may be set forth in the applicable Award Letter (each such date, an "Issuance Date").

2. Acceleration of Issuance of Deferred Shares. Notwithstanding Section 1, the Company will issue all unissued Deferred Shares to the Employee (i) promptly after the death of the Employee, or the Permanent Total Disability of the Employee, or (ii) upon or following a Change in Control, as provided in Section 8. In addition, the Company will issue all unissued Deferred Shares to the Employee promptly after the date of the Employee's Separation from Service (as defined below) on account of retirement in accordance with the Company's retirement plan then in effect; *provided, however*, that if the Employee is a "specified employee" as defined in Treasury Regulation 1.409A-1(i)(1), the issuance of the Deferred Shares shall be delayed until the date that is six months and one day following the date of the Employee's Separation from Service as a result of retirement. For purposes of this Agreement, "Permanent Total Disability" means that: (i) the Employee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of less than 12 months, or (ii) the Employee is, by reason of any medically determinable physical or mental

impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident or health plan covering employees of the Company. For purposes of this Agreement, "Separation from Service" shall mean a separation from service as defined in Treasury Regulation 1.409A-1(h)(1).

3. Forfeiture of Right to Acquire Deferred Shares. If the Employee ceases to be an employee of the Company or of a Subsidiary (other than as a result of death, Permanent Total Disability, Separation from Service on account of retirement, in accordance with the Company's retirement plan then in effect or Separation from Service on account of a termination of the Employee's employment by the Company without Cause following a Change in Control), the Company no longer will be obligated to issue any unissued Deferred Shares to the Employee, and the Employee will forfeit any right to acquire any unissued Deferred Shares from the Company.

4. Taxes; Withholding. (a) Notwithstanding anything contained herein to the contrary, other than Section 8 and Section 9, the Company will not be obligated to issue the Deferred Shares unless the Employee has paid (in cash or by certified or cashier's check) to the Company all withholding taxes required to be collected by the Company under Federal, State, local or foreign law as a result of the issuance of the Deferred Shares ("Withholding Taxes"); *provided, however*, that if the Withholding Taxes are not paid within thirty (30) days following the date on which the Employee is entitled to receive the Deferred Shares, the Employee shall forfeit such Deferred Shares. The Company shall be responsible for the determination of the amount of any Withholding Taxes based on the last sale price for the Stock on the Stock's principal trading market on the Issuance Date or the last trading date if the Issuance Date is not a day upon which the Stock has traded. To the extent that the Employee desires to pay the Withholding Taxes in cash or by certified or cashier's check, with respect to a specific Issuance Date, the Employee must deliver a separate Withholding Taxes Cash Payment Notification to the Company's stock plan administrator substantially in the form of Exhibit B no later than 45 days prior to that specific Issuance Date. To the extent that the Employee elects to pay the Withholding Taxes in cash or by certified or cashier's check, such payment must be received by the Company's stock plan administrator no later than one (1) Business Day after the Issuance Date of any Deferred Shares that is the subject of the Withholding Taxes Cash Payment Notification.

(b) The Company, in its sole discretion, may permit the Employee to pay any or all Withholding Taxes through delivery of outstanding Stock or by the Company withholding a portion of the Deferred Shares issuable pursuant to this Agreement. The Employee, however, will have no absolute right to pay the Withholding Taxes with Stock, and, if such payment is permitted by the Company, such payment must be made in strict compliance with rules for such payments established by the Company. As of the date of this Agreement, unless the Company has received a properly executed and delivered Withholding Taxes Cash Payment Notification from the Employee, the Company currently intends to have the Withholding Taxes paid through the withholding of Stock issuable upon satisfaction of the terms and conditions set forth in this Agreement (a "net issuance"). The Stock that is withheld by the Company as part of the net issuance (the "Withheld Shares") will be sold on behalf of the Employee as contemplated by

subsection (c) of this Section 4; *provided*, however, that at the sole discretion of the Company, the Withheld Shares may be retained by the Company and the Company will satisfy the Withholding Taxes from the Company's available cash. The Company reserves the right to change its method with respect to the Employee for the collection of Withholding Taxes that may be owed by the Employee at any time in its sole discretion, upon notice to the Employee, which notice may be written or electronic notice.

(c) By the execution of this Agreement, to the extent that the Company elects to issue the Deferred Shares as a net issuance, and, the Employee has not properly executed and delivered to the Company's stock plan administrator a Withholding Taxes Cash Payment Notification, the Employee hereby irrevocably instructs the Company and a broker of the Company's choosing, to sell on behalf of the Employee at the "market price," that number of shares of Stock required to generate sufficient funds to equal the Withholding Taxes required to be paid by the Employee pursuant to this Section 4. The Employee represents to the Company and the broker that the Employee is entering into this Agreement in good faith. The Employee shall have no ability to modify these instructions other than by the proper execution and delivery to the Company's stock plan administrator of a Withholding Taxes Cash Payment Notification. It is the Employee's intention that this provision comply with the requirements of Rule 10b5-1 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

5. Share Certificates. Share certificates for Deferred Shares will not be issued. Upon issuance, Deferred Shares will be deposited into an account for the Employee that is established by the Company.

6. Non-Transferability of Right to Receive Deferred Shares. Unless specifically permitted by the Committee, the Employee may not transfer, assign, pledge or hypothecate the right to receive the Deferred Shares, and the right to receive the Deferred Shares may not be transferred or assigned by operation of law, or be subject to execution, attachment or similar process other than by will or the laws of descent and distribution.

7. Changes in Capital Structure. The number of Deferred Shares subject to this Agreement is subject to adjustment pursuant to Section 9.1 of the Plan upon the occurrence of the events described in that Section.

8. Change in Control. Notwithstanding Section 1, upon a Change in Control of the Company that also qualifies as a "change in control event" as defined in Treasury Regulation 1.409A-3(i)(5)(i) (a "409A Change in Control"), the Company will, in its sole discretion, either (a) issue all unissued Deferred Shares to the Employee in accordance with Section 9.2(a) of the Plan or (b) pay the Employee in a combination of cash and stock the value of the Deferred Shares in accordance with Section 9.2(b) of the Plan. In the event that there is a Change in Control that does not qualify as a 409A Change in Control, if the Employee undergoes a Separation from Service on account of his termination of employment by the Company without Cause following such Change in Control, the Company will, in its sole discretion, either (a) issue all unissued Deferred Shares to the Employee in accordance with Section 9.2(a) of the Plan or (b) pay the Employee in a combination of cash and stock the value of the Deferred Shares in

accordance with Section 9.2(b) of the Plan; *provided, however*, that if the Employee is a “specified employee” as defined in Treasury Regulation 1.409A-1(i)(1), the issuance of the Deferred Shares or cash shall be delayed until the date that is six months and one day following the date of such Separation from Service. For purposes of this Agreement, “Cause” means: (i) the Employee’s conviction of or pleading guilty or no contest to a felony, (ii) the Employee’s habitual use of drugs (including alcohol) which adversely affects the Employee’s job performance, or (iii) the Employee’s engaging in willful misconduct or willful neglect which is injurious to the Company.

9. Gross-Up. If the issuance of Deferred Shares would result in “excess parachute payments” to the Employee pursuant to Section 280G of the Internal Revenue Code of 1986, as amended (the “Code”), the Company will pay the Employee an amount sufficient to put the Employee in the same position as the Employee would have been if the taxes imposed on the Employee pursuant to Section 4999 of the Code had not been imposed. Any such payment will include payment of an amount equal to any income taxes assessed on the Employee with respect to payments pursuant to this Section. The Company will make any such payment no later than the end of the Employee’s taxable year following the Employee’s taxable year in which such tax owed by such Employee that is subject to the tax gross-up payment is remitted to the applicable taxing authority. Any such payment will in all other respects be made in accordance with the rules, regulations and procedures adopted by the Company from time to time with respect to such payments under the Plan.

10. Costs. The Company will pay all original issue and transfer taxes with respect to, and all other costs, fees and expenses incurred by the Company in connection with, the issuance of Deferred Shares. Upon issuance, the Employee shall be responsible for all brokerage expenses associated with the permitted sale of any Deferred Shares.

11. Applicable Law. No Deferred Shares will be issued and delivered unless and until, in the opinion of legal counsel for the Company, such securities may be issued and delivered without causing the Company to be in violation of or incur any liability under any federal, state or other legal requirement, including applicable securities laws.

12. The Plan. This Agreement is subject to, and the Employee agrees to be bound by, all of the terms and conditions of the Plan. The Employee acknowledges that the Plan may be amended from time to time, and that under the Plan, the Committee has conclusive authority to interpret and construe the Plan and this Agreement and is authorized to adopt rules for carrying out the Plan. In the event of any inconsistency or discrepancy between the provisions of this Agreement and the terms and conditions of the Plan, the provisions of the Plan will govern and prevail. No amendment to or interpretation of the Plan, however, may deprive the Employee of any of his or her rights under this Agreement.

13. Miscellaneous. (a) The Employee will not have any interest in, or any dividend, voting or other rights of a stockholder with respect to, the Deferred Shares until the Deferred Shares are issued in accordance with this Agreement.

(b) Any notice to be given to the Company must be in writing addressed to the Company in care of the Administrator, at its principal office, and any notice to be given to the Employee must be in writing addressed to the Employee at the address for the Employee in the records of the Company or by email or other electronic means using a system maintained by the Company or its Subsidiary. Any such notice will be deemed duly given when delivered by hand, deposited in the United States mail, registered or certified mail or transmitted electronically without a notice of failed delivery.

(c) The Employee is an employee at will, and nothing in this Agreement confers upon the Employee any right to continued employment with the Company or limits in any way the right of the Company to terminate the employment of the Employee at any time.

(d) This Agreement must be construed in accordance with the laws of the State of Colorado, other than choice of law rules thereof calling for the application of laws of another jurisdiction.

(e) Terms used but not defined in this Agreement have the meanings ascribed to them under the Plan.

(f) Although any information sent to or made available to the Employee concerning the Plan and this Award is intended to be an accurate summary of the terms and conditions of the Award, this Agreement and the Plan are the authoritative documents governing the Award and any inconsistency between the Agreement and the Plan, on one hand, and any other summary information, on the other hand, shall be resolved in favor of the Agreement and the Plan.

(g) Notwithstanding anything herein to the contrary, this Agreement may be amended by the Committee from time to time without the consent of the Employee to the extent the Committee deems it appropriate to cause this Agreement and/or each Award hereunder to comply with Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") (including the distribution requirements thereunder) or be exempt from Section 409A and/or the tax penalty under Section 409A(a)(1)(B). The Company will provide to the Employee a notice of any amendments made to this Agreement pursuant to this subsection.

(h) To the extent that the Company has issued a Deferred Issuance Stock Award Letter to the Employee on a date prior to the date of this Agreement, the terms of this Agreement shall supersede, amend and restate the terms of any such previously executed agreement governing such Deferred Issuance Stock Award Letter between the Company and the Employee with respect to the issuance of Deferred Shares; *provided*, however, that the terms of any outstanding Deferred Issuance Stock Award Letter as to the number of Deferred Shares that is the subject of the Deferred Issuance Stock Award Letter and the applicable Issuance Date(s) set forth in the Deferred Issuance Stock Award Letter shall remain in full force and effect.

IN WITNESS WHEREOF, this Agreement is entered into by the Employee and by the Company as of the date first above written.

LEVEL 3 COMMUNICATIONS, INC.

By: _____
Title: _____

EMPLOYEE

Name:

Date of Hire: _____

EXHIBIT A

**LEVEL 3 COMMUNICATIONS, INC.
DEFERRED ISSUANCE STOCK AWARD LETTER**

This Deferred Issuance Stock Award Letter (the "Award") when taken together with the Amended Master Deferred Issuance Stock Agreement ("Master Agreement") constitutes an award to the individual whose name appears on the signature line below ("Employee") of Deferred Shares with respect to the shares of common stock of Level 3 Communications, Inc. (the "Common Stock") under the Level 3 Communications, Inc. 1995 Stock Plan (Amended and Restated as of April 1, 1998, and as further amended from time to time).

The terms and conditions of this Award are set forth below and in the Master Agreement, the provisions of which are incorporated herein by reference.

- A. The date of this Award is _____ (the "Award Date").
- B. The number of Deferred Shares with respect to which this Deferred Issuance Award Letter relates is _____.
- C. The Issuance Date(s) for the Deferred Shares are as follows:
- D. The following are conditions to the occurrence of the Issuance Date(s):

LEVEL 3 COMMUNICATIONS, INC.

BY: _____

ITS: _____

EMPLOYEE: _____

EXHIBIT B
LEVEL 3 COMMUNICATIONS, INC.
WITHHOLDING TAXES CASH PAYMENT NOTIFICATION

This Withholding Taxes Cash Payment Notification is being delivered by the individual whose name appears on the signature line below (the “Employee”) in reference to an Award of Deferred Shares made to the Employee by Level 3 Communications, Inc. (the “Company”) pursuant to that certain Amended Master Deferred Issuance Agreement dated as of _____ between the Company and the Employee (the “Master Agreement”). Capitalized terms used in this Withholding Taxes Cash Payment Notification without definition have the meaning given to those terms in the Master Agreement.

This Withholding Taxes Cash Payment Notification relates to the Award of Deferred Shares granted to the Employee pursuant to the Award Letter issued to the Employee dated _____, the restrictions on which will lapse as to _____ Deferred Shares on _____ (the “Referenced Award”).

The Employee hereby irrevocable elects to pay any Withholding Taxes that are owed by the Employee upon the Issuance Date in cash or by certified or cashier’s check made payable to Level 3 Communications, Inc. within one (1) Business Day of the Issuance Date. All payments of Withholding Taxes are to be made to the Company’s stock award administrator.*

The Employee hereby represents and warrants to the Company that on the date hereof, the Employee is not in possession of material non-public information regarding the business or financial condition of the Company and its subsidiaries.

To the extent that the Employee is subject to the Company’s Insider Trading Policy’s restrictions on the ability to trade the Company’s securities other than during an open trading window, the Employee expressly acknowledges that: (a) the Employee has executed this Withholding Taxes Cash Payment Notification during an open trading window pursuant to the Company’s Insider Trading Policy; and (b) the Employee may not sell any shares of Stock that are distributed to the Employee on the Issuance so long as the trading window is closed.

Employee: _____
(Please sign)

Name: _____
(Please print)

Date of Hire: _____

Date: _____

* Delivery information with respect to the payment of Withholding Taxes must be obtained from the Company’s stock plan administrator.



1025 Eldorado Boulevard
Broomfield, Colorado 80021
www.Level3.com

NEWS RELEASE

Level 3 contacts:

Media: Josh Howell
720-888-2517

Chris Hardman
720-888-2292

Investors: Robin Grey
720-888-2518

Valerie Finberg
720-888-2501

**Level 3 Signs Agreement to Sell
Advertising Distribution Business for \$129 Million**

BROOMFIELD , Colo., December 19, 2007 — Level 3 Communications, Inc. (Nasdaq: LVL3) today announced that it has signed a definitive agreement to sell the advertising distribution business of Vyvx LLC to DG FastChannel, Inc. Vyvx, LLC is a wholly owned subsidiary of Level 3 Communications, LLC.

Under the terms of the agreement, Level 3 will receive total consideration of \$129 million payable in cash at closing. The purchase price is subject to customary working capital and certain other post-closing adjustments. Revenue and Adjusted EBITDA for the Vyvx Services Advertising Distribution Business for 2007 are expected to be approximately \$36 million and \$11 million, respectively.

Level 3 will retain ownership of Vyvx, LLC and its core broadcast business including all of the Vyvx Services Broadcast Business' content distribution capabilities. Level 3 will also retain an ongoing network services relationship with DG FastChannel, enabling DG FastChannel to distribute advertising content between its regional offices.

"We are pleased that we have reached this agreement with DG FastChannel," said Brady Rafuse, president of Level 3's Content Markets Group. "The Vyvx Services Advertising Distribution Business is not core to Level 3's strategy as it relies primarily on satellite and physical dub and ship methods for distribution and does not utilize the Level 3 network to deliver content to end destinations. We are focused on services that enable the distribution of large volumes of content over the Level 3 network. Additionally, Level 3's core communications services continue to grow and represent attractive future growth

opportunities. The proceeds from the sale of the Vyvx Services Advertising Distribution Business will be deployed toward opportunities that are more central to Level 3's communications business."

The sale is subject to regulatory approvals as well as certain other customary closing conditions, and is expected to close in the first quarter of 2008.

About Level 3 Communications

Level 3 Communications, Inc. (NASDAQ: LVLTT), an international communications company, operates one of the largest Internet backbones in the world, connecting 180 markets in 18 countries. The company serves a broad range of wholesale, enterprise and content customers with a comprehensive suite of services including: Internet Protocol (IP) services, broadband transport and infrastructure services, colocation services, voice and voice over IP services, and content delivery and media distribution services. These services provide the building blocks to enable Level 3's customers to meet their growing demands for advanced communications solutions. The company's Web address is www.Level3.com.

"Level 3 Communications," "Level 3," the red 3D brackets and the Level 3 Communications logo are registered service marks of Level 3 Communications, LLC in the United States and/or other countries. Level 3 services are provided by wholly owned subsidiaries of Level 3 Communications, Inc. Any other service, product or company names recited herein may be trademarks or service marks of their respective owners.

Forward-Looking Statement

Some of the statements made in this press release are forward looking in nature. These statements are based on management's current expectations or beliefs. These forward looking statements are not a guarantee of performance and are subject to a number of uncertainties and other factors, many of which are outside Level 3's control, which could cause actual events to differ materially from those expressed or implied by the statements. The most important factors that could prevent Level 3 from achieving its stated goals include, but are not limited to the company's ability to: successfully integrate acquisitions; increase the volume of traffic on the network; defend intellectual property and proprietary rights; develop new products and services that meet customer demands and generate acceptable margins; successfully complete commercial testing of new technology and information systems to support new products and services; attract and retain qualified management and other personnel; and meet all of the terms and conditions of debt obligations. Additional information concerning these and other important factors can be found within Level 3's filings with the Securities and Exchange Commission. Statements in this press release should be evaluated in light of these important factors. Level 3 is under no obligation to, and expressly disclaims any such obligation to, update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.
