

LEVEL 3 COMMUNICATIONS INC

FORM 8-K (Current report filing)

Filed 02/23/11 for the Period Ending 02/16/11

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): **February 16, 2011**

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))
-
-
-

Retirement Agreement.

On February 16, 2011, Thomas C. Stortz and Level 3 Communications, LLC (“Level 3 LLC”) on behalf of its parent and affiliates entered into a Retirement Agreement and General Release (the “Agreement”). Level 3 Communications, LLC is an indirect, wholly owned subsidiary of Level 3 Communications, Inc. (the “Company”). The Agreement confirms the retirement of Mr. Stortz effective April 1, 2011. In addition, as part of his retirement, Mr. Stortz resigned all of his officer and director or manager positions with each of the Company’s subsidiaries.

So long as Mr. Stortz does not revoke the Agreement, and in consideration of his years of service to Level 3 LLC and its affiliates, notice provided with respect to his plan to retire and his efforts in transitioning his responsibilities, subject to the terms of the Agreement, Level 3 LLC will pay to Mr. Stortz no later than June 6, 2011, a lump sum amount equal to \$712,500, which represents eighteen months of his base salary, less withholding for federal and state taxes and less appropriate payroll deductions.

In addition, Mr. Stortz will remain eligible for, the payment of any discretionary bonus to Mr. Stortz for calendar year 2010 should the Compensation Committee of the Company’s Board of Directors determine to award Mr. Stortz a bonus for 2010, as determined in its sole discretion. Also, if Level 3 LLC pays a discretionary bonus to its current employee base for calendar year 2011, Mr. Stortz will be eligible to receive twenty-five percent of his targeted bonus amount of \$475,000, multiplied by the percentage to which Level 3 LLC funds any such discretionary bonus for calendar year 2011, less withholding for federal and state taxes and less appropriate payroll deductions.

Mr. Stortz was granted certain outperform stock appreciation rights (“OSOs”), and consistent with the terms of the applicable master award agreement, 1,032,247 OSO awards will be unvested and outstanding as of April 1, 2011. In accordance with the current retirement benefit program and the terms of the applicable OSO award agreement, these 1,032,247 unvested and outstanding OSOs will not expire on April 1, 2011 and will remain outstanding. As of February 17, 2011, the OSOs had a value of \$335,642.75.

In accordance with the current retirement benefit program and the terms of the applicable restricted stock unit award agreement, the restrictions on his outstanding 773,779 restricted stock units or RSUs shall all lapse on April 1, 2011. The shares of common stock issuable upon the RSU restrictions lapsing will not be issued to Mr. Stortz until the expiration of such period of time as may be necessary to meet the requirements of Section 409A(a)(2)(B)(i) of the Internal Revenue Code of 1986, as amended (the “Code”). As of February 17, 2011, the shares of the Company’s common stock underlying these 773,779 RSUs had a value of \$1,091,028.39.

In exchange for the benefits offered in the Agreement, Mr. Stortz provided to Level 3 LLC a general release with respect to any claims arising out of his employment or retirement.

Mr. Stortz agreed, for a period of 12 months from April 1, 2011, that he will not: (i) directly or indirectly solicit the services of, induce away from employment with, or hire any employee of Level 3 LLC or its affiliates during their employment with Level 3 LLC; (ii) solicit from any corporation, firm, or organization that is a customer of Level 3 LLC any business, service, or product that Level 3 LLC provides to that customer; or (iii) induce or attempt to induce any customer, supplier, licensee or other business relation of Level 3 LLC to cease doing business with Level 3 LLC or interfere with the relationship between any such customer, supplier, licensee or business relation and Level 3 LLC; or (iv) without the express written consent of the Chief Executive Officer or the Chief Operating Officer of the Company, which consent shall not be unreasonably withheld, directly or indirectly engage in, own, manage, be employed by, assist, loan money to, or promote business for any person or entity who or which is a competitor of Level 3 LLC.

The Agreement is filed as Exhibit 10.1 to this Current Report on Form 8-K (this “Current Report”) and is incorporated by reference herein as if set forth in full. The descriptions of the material terms of the Agreement contained in this Current Report are qualified in their entirety by reference to such exhibit.

Consulting Agreement

On February 16, 2011, Mr. Stortz and Level 3 LLC entered into a Consulting Agreement, which will become effective on April 2, 2011 (the “Consulting Agreement”). The term of the Consulting Agreement will extend to April 1, 2012, unless earlier terminated.

In consideration for Mr. Stortz’s complete and timely performance of the services as agreed upon from time to time between Mr. Stortz and the Company’s Chief Executive Officer, the Company will pay Mr. Stortz the sum of \$50,000 per month for the month of April, 2011, and \$50,000 per month for each full month thereafter for the term of the Consulting Agreement (not to exceed a total of twelve monthly payments), subject to any quarterly adjustment as described below. The Consulting Agreement provides that Mr. Stortz will meet with the Company’s Chief Executive Officer prior to each calendar quarter during the term of the Agreement to discuss any adjustment in Mr. Stortz’s monthly compensation for the next quarter, based upon the expectation of Mr. Stortz’s services during that quarter. Any adjustment agreed will be effective for the following quarter. In addition, Mr. Stortz will receive a quarterly award of 58,486 OSOs on July 1, 2011 and for each calendar quarter thereafter for the term of the Consulting Agreement, and a single award of 233,942 RSUs on July 1, 2011, pursuant to the terms of separately executed OSO and RSU agreements between Mr. Stortz and the Company. Level 3 LLC will also pay Mr. Stortz’s reasonable out of pocket expenses incurred in connection with the delivery of the services, consistent with Level 3 LLC’s expense reimbursement policies.

Mr. Stortz agreed to indemnify and hold harmless Level 3 LLC and its officers, directors, agents and employees, from and against any and all claims, demands, causes of action, losses, damages, costs and expenses (including reasonable attorneys’ fees) (“Losses”) arising out of or relating to the Consulting Agreement, except to the extent such claim, demand, cause of action, loss, damage, cost and expense is caused solely by the negligent acts or failures to act of Level 3 LLC, its officers, directors, agents and employees, in which case Level 3 LLC shall indemnify Mr. Stortz for any Losses caused by Level 3 LLC’s (or its officers, directors, agents and employees’) negligent acts or failures to act.

Mr. Stortz agreed, that for a period of 15 months from April 1, 2011, he, or any of his employees, officers or directors, will not: (a) directly or indirectly, solicit the services of, induce away from employment with, or hire any employee of the Company or its affiliates during their employment with the Company and for a period of six months after they are no longer employed by the Company, without the Company’s prior written consent; or (b) solicit, directly or indirectly, for himself or on behalf of a third party any corporation, firm, or organization that is a customer of the Company any business, service or product that the Company is providing that customer.

In addition, Level 3 LLC may terminate the Consulting Agreement for “cause.” For purposes of the Consulting Agreement “cause” means Level 3 LLC’s good faith determination that Mr. Stortz has committed any of the following in breach of the Consulting Agreement: (1) failure to provide the services as contemplated by the Consulting Agreement; (2) conduct that is materially injurious to Level 3 LLC or any of its affiliates; (3) fraud, theft or embezzlement or any other material act of dishonesty with respect to Level 3 LLC or its affiliates; (4) willful use or imparting of any confidential or proprietary information of Level 3 LLC or an affiliate; or (5) a felony or crime involving moral turpitude.

The Consulting Agreement is filed as Exhibit 10.2 to this Current Report and is incorporated by reference herein as if set forth in full. The descriptions of the material terms of the Consulting Agreement contained in this Current Report are qualified in their entirety by reference to such exhibit.

In addition, the forms of the Company’s OSO Master Award Agreement for consultants and the Company’s Master Deferred Issuance Stock Agreement for consultants are filed as Exhibits 10.3 and 10.4, respectively, and are incorporated by reference herein as if set forth in full.

Item 9.01. Financial Statements and Exhibits

- (a) Financial Statements of Business Acquired
None
- (b) Pro Forma Financial Information
None
- (c) Shell Company Transactions
None
- (d) Exhibits

- 10.1 Retirement Agreement and General Release, dated February 16, 2011, between Level 3 Communications, LLC and Thomas C. Stortz.
- 10.2 Consulting Agreement, dated as of February 16, 2011, between Level 3 Communications, LLC and Thomas C. Stortz.
- 10.3 Form of Master OSO Master Award Agreement for consultants
- 10.4 Form of Master Deferred Issuance Stock Agreement for consultants

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: February 23, 2011

Exhibit Index

Exhibit	Description
10.1	Retirement Agreement and General Release, dated February 16, 2011, between Level 3 Communications, LLC and Thomas C. Stortz.
10.2	Consulting Agreement, dated as of February 16, 2011, between Level 3 Communications, LLC and Thomas C. Stortz.
10.3	Form of Master OSO Master Award Agreement for consultants
10.4	Form of Master Deferred Issuance Stock Agreement for consultants

RETIREMENT AGREEMENT AND GENERAL RELEASE

This Retirement Agreement and General Release ("Agreement") is entered into by and between Thomas C. Stortz ("RETIREE") and LEVEL 3 COMMUNICATIONS, LLC including its direct and indirect parent, subsidiary, and affiliated entities ("COMPANY").

In consideration of the promises contained in this Agreement, the COMPANY and RETIREE agree as follows:

1. Retirement. RETIREE'S retirement from the COMPANY will be effective April 1, 2011 (the "Retirement Date") and RETIREE shall no longer be employed with COMPANY following the Retirement Date. Effective automatically upon the Retirement Date, or such prior date(s) as RETIREE and COMPANY may agree upon, RETIREE hereby resigns all director and/or officer positions that the RETIREE holds with the COMPANY and any COMPANY affiliates.

2. Retirement Payment and Continuing Eligibility for Other Benefits.

- a. Provided that RETIREE signs and does not revoke this Agreement, upon the expiration of the seven day revocation period explained in paragraph 17 or as soon thereafter as administratively feasible, and provided that RETIREE complies with the terms and provisions of this Agreement and in consideration of RETIREE's years of service to the COMPANY, notice provided with respect to his retirement, and his efforts in transitioning his responsibilities, COMPANY will pay RETIREE \$712,500, equal to eighteen months base salary, less any legally required withholdings and/or any applicable deductions. Such payment shall be made in a lump sum distribution as soon as administratively feasible after the Retirement Date, but in no event later than June 6, 2011, or at such time as otherwise required in accordance with Section 3 of this Agreement.
 - b. RETIREE shall remain eligible for, and neither this Agreement nor RETIREE's retirement shall affect, COMPANY's payment of any discretionary bonus to RETIREE for calendar year 2010, if the COMPANY's Compensation Committee shall determine to award RETIREE a bonus for 2010, as determined in its sole discretion. In addition, if COMPANY pays a discretionary bonus to its current employee base for calendar year 2011, RETIREE will be eligible to receive twenty-five percent of RETIREE's targeted bonus amount of \$475,000, multiplied by the percentage to which COMPANY funds any such discretionary bonus for calendar year 2011, to be paid by COMPANY to EXECUTIVE on the date that COMPANY pays any such discretionary bonus to its then-current employees. All bonus amounts shall be paid less any legally required withholdings and/or applicable deductions.
 - c. RETIREE shall remain eligible for, and neither this Agreement nor RETIREE's retirement shall affect, COMPANY's vesting of certain Outperforming Stock Options
-

(“OSOs”) and Restricted Stock Units (“RSUs”) in accordance with COMPANY’s current retirement benefit program, as follows:

- (i) RETIREE and COMPANY are parties to one or more Outperform Stock Option Master Award Agreements (the “OSO Master Award Agreements”), which incorporates and is governed by the Level 3 Communications, Inc. Stock Plan, as amended from time to time (the “Stock Plan”). RETIREE was granted certain OSO awards consistent with the OSO Master Award Agreements and 1,032,247 OSO awards will be unvested and outstanding as of the Retirement Date. In accordance with COMPANY’s current retirement benefit program and the terms of the OSO Master Award Agreements, RETIREE’S 1,032,247 unvested and outstanding OSOs shall not expire on the Retirement Date and shall remain outstanding until the Settlement Date (as that term is defined in each Award Letter issued pursuant to the OSO Master Award Agreements).
 - (ii) RETIREE and COMPANY are parties to an Amended Master Deferred Issuance Stock Agreement (“RSU Agreement”), which incorporates and is governed by the Stock Plan. RETIREE was granted certain RSU awards consistent with the above-referenced Amended Master Deferred Issuance Stock Agreement and 773,779 will remain restricted as of the Retirement Date. In accordance with COMPANY’s current retirement benefit program and the terms of the RSU Agreement, the restrictions on 773,779 RSUs shall lapse on the Retirement Date.
- d. Upon the Retirement Date, in consideration of this Agreement and all other benefits RETIREE shall receive in accordance with COMPANY’s current retirement benefit program, RETIREE agrees to execute a separate release with terms substantially the same as set forth in this Agreement.

Except as provided herein, RETIREE will not be entitled to any additional vesting in any of the COMPANY’S stock plans, stock option plans or other benefit plans, including the RSU Agreement and OSO Master Award Agreements, and all unvested RSU and OSO awards shall be forfeited. COMPANY reserves the right to make, and the RETIREE hereby consents to, any amendments to the Plan, the RETIREE’S Amended Master Issuance Deferred Stock Agreement, RSU Award Letters, OSO Master Award Agreements, and Outperform Stock Option Award letters, as COMPANY deems necessary to comply with the provisions of Section 409A of the Internal Revenue Code of 1986 and the applicable rules and regulations thereunder. This Agreement is not intended to nor shall it modify the expiration date of any award of OSOs or RSUs.

3. Tax Requirements. Notwithstanding any provision in this Agreement to the contrary, any payment otherwise required to be made hereunder to RETIREE, at any date as a result of the termination of RETIREE’S employment (other than any payment made in reliance

upon Treas. Reg. Section 1.409A-1(b)(9) (Separation Pay Plans) or Treas. Reg. Section 409A-1(b)(4) (Short-Term Deferrals)) shall be delayed for such period of time as may be necessary to meet the requirements of Section 409A(a)(2)(B)(i) of the Internal Revenue Code of 1986, as amended (the "Code"). On the earliest date on which such payments can be made without violating the requirements of Section 409A(a)(2)(B)(i) of the Code, they shall be paid to RETIREE, in a single cash lump sum, an amount equal to the aggregate amount of all payments delayed pursuant to the preceding sentence.

4. RETIREE'S Obligation To Satisfy Loans And/Or Debts. RETIREE agrees that it is a condition of this Agreement that he will satisfy fully any debt, loan or other financial obligation that RETIREE has with COMPANY. COMPANY reserves the right to deduct any outstanding debt or obligations from the retirement payment.

5. Breach Of Agreement. RETIREE agrees that if he breaches this Agreement, COMPANY may bring an action in a court of competent jurisdiction and seek to recover damages and COMPANY's costs and attorney's fees. The parties agree that the exact harm to the COMPANY by virtue of any breach of Sections 11 (Confidential Information), 12 (Non-Solicitation), and 13 (Non-Disparagement and Cooperation) of this Agreement would be impossible to calculate and that liquidated damages are appropriate. RETIREE agrees that if he breaches or acts in a manner inconsistent with Sections 11 (Confidential Information), 12 (Non-Solicitation), and 13 (Non-Disparagement and Cooperation) of this Agreement, COMPANY may bring an action in a court of competent jurisdiction and recover as liquidated damages any amounts RETIREE has received pursuant to this Agreement, plus the COMPANY'S costs and attorney's fees.

6. Return of Property. RETIREE will immediately return to the COMPANY'S Chief Executive Officer ("CEO") any information in his custody that is (i) considered a COMPANY record; (ii) subject to a legal hold; or (iii) otherwise critical to the conduct of Level 3 business. RETIREE represents that he has not deleted, removed or altered and will not delete or otherwise remove or alter any data or configuration from any COMPANY equipment or system that he is not authorized to remove in the ordinary course of business without prior written approval from the CEO. Additionally, RETIREE will promptly return to COMPANY all COMPANY equipment, Confidential Information (as defined in paragraph 11), and other materials; provided, however, that following COMPANY's imaging of RETIREE's laptop computer on or after RETIREE's Retirement Date and deletion of COMPANY information as deemed appropriate in COMPANY's discretion, COMPANY will return such laptop to RETIREE for his personal use.

7. Release Of Claims By RETIREE. RETIREE releases and discharges COMPANY, and any COMPANY-sponsored benefit plans in which RETIREE participates, and all of their respective owners, officers, directors, trustees, shareholders, agents, employees, attorneys, insurers, predecessors, successors and assigns, past, present, and future, from any and all claims, actions, causes of action, rights, benefits, compensation, incentives, or damages, (including costs and attorneys' fees), of whatever nature, whether known or unknown, suspected or unsuspected, matured or unmatured, now existing or arising in the future from any act,

omission, or event, prior to the date RETIREE signs this Agreement arising out of or in any way related to RETIREE'S employment with COMPANY. This release includes but is not limited to any claims under any federal, state, or local laws prohibiting discrimination in employment, including Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, Americans with Disabilities Amendment Act, and the Uniformed Services Employment and Reemployment Rights Act; based upon any other law governing the workplace, based upon any workplace policy, representation, or compensation plan including the Employee Retirement Income Security Act of 1974; based upon any employment agreement, severance plan, or change in control agreement; and based upon any alleged legal restriction on COMPANY'S right to terminate its RETIREE'S employment. This release does not include, however, any claims that cannot be released by private agreement. RETIREE understands that RETIREE is releasing potentially unknown claims, and that RETIREE has limited knowledge with respect to some of the claims being released. RETIREE acknowledges that there is a risk that, after signing this agreement, RETIREE may learn information that might have affected RETIREE's decision to enter into this Agreement. RETIREE assumes this risk and all other risks of any mistake in entering into this Agreement. RETIREE agrees that this release is fairly and knowingly made. The foregoing release does not waive any rights or claims with respect to any other claim that cannot be released by private agreement. RETIREE warrants that RETIREE has no known workplace injuries other than those RETIREE has already reported as of the date of this Agreement and that RETIREE has been paid and/or has received all leave (paid or unpaid), compensation, wages, bonuses, commissions, and/or benefits to which RETIREE may be entitled and that no other leave (paid or unpaid), compensation, wages, bonuses, commissions, and/or benefits are due to RETIREE, except as provided or otherwise referenced in this Agreement. RETIREE agrees that the retirement benefits described herein exceed any claim that RETIREE might have to any other wages, compensation, or benefits of any kind earned by RETIREE by operation of law or agreement, and that the retirement benefits therefore includes consideration for the remainder of RETIREE's promises in this Agreement. The foregoing release does not waive any rights or claims with respect to: (a) RETIREE's vested interest in any RETIREE benefit plan (other than severance plans) maintained by COMPANY; (b) RETIREE's rights under this Agreement; (c) COMPANY's indemnity obligations to RETIREE under COMPANY's or any of its affiliates' (including its parent company's) articles or certificates of incorporation or formation, bylaws, or other documents providing such indemnity obligations, respecting all claims associated with or otherwise arising from RETIREE's actions taken within the scope of his employment as an employee, officer or director of COMPANY or any of its affiliates, including its parent company, prior to the Retirement Date, which shall include the availability of all insurance coverages that may apply to such claims; and (d) RETIREE's rights under the worker's compensation laws of the State of Colorado.

8. Releases Apply To Representative Actions. This release applies to any claims brought by any person or agency on behalf of RETIREE, or any class or representative action pursuant to which RETIREE may have any right or benefit. RETIREE covenants and agrees not to participate in any class or representative action that may include or encompass any of the released claims. RETIREE promises not to accept any recoveries or benefits which may be obtained on her/his behalf by any other person or agency or in any class or representative action

that may include or encompass any of the released claims, and RETIREE assigns any such recovery or benefit to the COMPANY or its successors and assigns.

9. No Claims Filed or Assigned. RETIREE warrants that RETIREE has not filed any claim against COMPANY or any of the individuals or entities released in paragraph 7, and that RETIREE will not do so at any time in the future concerning any of the claims released in this Agreement. RETIREE covenants that RETIREE has the necessary authority to execute this Agreement, and has not assigned any interest in any claims to a third party. COMPANY covenants that it has the necessary authority to execute this Agreement and has not assigned any interest in any claims to a third party.

10. Parties Bound. This Agreement is binding on and shall inure to the benefit of the parties and to those individuals and entities released in paragraph 7, as well as to all of their heirs, successors, and assigns.

11. Confidential Information. RETIREE acknowledges that, as a result of his employment by COMPANY, he has been exposed to confidential information that is not generally known to the public, all of which information is owned by COMPANY. This includes information developed by RETIREE, alone or with others, or entrusted to RETIREE by customers or others. COMPANY'S confidential information includes, without limitation, information relating to its personnel, human resources, legal issues, finances, business and strategic plans, trade secrets, know-how, procedures, purchasing, accounting, marketing, sales, customers and executives. RETIREE agrees that as long as such information is not made public by the COMPANY, RETIREE shall hold such information in strict confidence and not disclose or use it except as specifically authorized by the COMPANY and for the COMPANY'S benefit. RETIREE further acknowledges and agrees that he continues to be bound by the COMPANY'S Intellectual Property and Confidential Information Agreement.

12. Non-Solicitation. In recognition of the consideration set forth in this Agreement, RETIREE agrees that beginning on the Retirement Date and for twelve (12) months thereafter, RETIREE will not: (i) directly or indirectly solicit the services of, induce away from employment with, or hire any employee of COMPANY or its affiliates during their employment with the COMPANY; (ii) solicit from any corporation, firm, or organization that is a customer of COMPANY any business, service, or product that the COMPANY provides to said customer; or (iii) induce or attempt to induce any customer, supplier, licensee or other business relation of the COMPANY to cease doing business with the COMPANY or interfere with the relationship between any such customer, supplier, licensee or business relation and COMPANY; or (iv) without the express written consent of the CEO or the Chief Operating Officer of the Company, which consent shall not be unreasonably withheld, directly or indirectly engage in, own, manage, be employed by, assist, loan money to, or promote business for any person or entity who or which is a competitor of COMPANY.

13. Non-Disparagement And Cooperation. RETIREE will not directly or indirectly, publicly or privately disparage COMPANY or any of its officers, directors, methods, services, or products. COMPANY agrees not to directly or indirectly, publicly or privately, disparage

RETIREE. COMPANY'S obligations with respect to non-disparagement hereunder shall be applicable to COMPANY'S officers with the title of president, executive vice president, or higher. RETIREE further agrees to reasonably cooperate with COMPANY and its representatives in all pending and future claims, litigation, and/or legal or regulatory matters involving the COMPANY and to otherwise reasonably assist the COMPANY in such matters. COMPANY shall pay all reasonable expenses incurred by RETIREE resulting from RETIREE's cooperation in litigation and related matters.

14. No Admission. This Agreement is intended to set forth the terms of RETIREE's separation from the COMPANY and the terms and conditions surrounding this cessation of his employment with the COMPANY. Nothing contained herein shall be construed as an admission of any wrongdoing or liability by the COMPANY.

15. Voluntary Agreement. RETIREE understands the final and binding effect of this Agreement and is signing it voluntarily. RETIREE acknowledges that RETIREE has been advised to consult with an attorney and that RETIREE has had the opportunity to do so, if desired, prior to signing this Agreement.

16. Review Period. RETIREE has the right to consider this Agreement for a period of twenty-one (21) calendar days from his last day of employment before signing it, though RETIREE may elect to sign the Agreement prior to the expiration of that time.

17. Effective Date and Right of Revocation. RETIREE has the right to revoke this Agreement for a period of seven (7) calendar days following the signing of this Agreement. To revoke this Agreement, RETIREE must notify COMPANY in writing, directed to Lon Licata, Senior Vice President, Legal, Level 3 Communications, LLC, 1025 Eldorado Blvd., Broomfield, CO 80021. This Agreement shall become effective when this revocation period has expired.

18. Entire Agreement. This Agreement constitutes a single integrated contract expressing the entire agreement of the parties and supersedes all prior and contemporaneous oral and written agreements and discussions with respect to the subject matter. There are no other agreements, written or oral, express or implied, between the parties, concerning the subject matter. This Agreement may not be amended or modified except by written agreement signed by RETIREE and an officer of the COMPANY. If any of the provisions of the Agreement are held to be invalid or unenforceable, the remaining provisions will nevertheless continue to be valid and enforceable.

19. Governing Law. This Agreement shall be construed in accordance with the laws of the State of Colorado.

20. No Waiver. Failure by any party to enforce any of its rights or remedies provided to it in this Agreement shall not be deemed a waiver of those rights.

THIS IS A RELEASE - MY SIGNATURE BELOW ACKNOWLEDGES THAT I HAVE READ THIS AGREEMENT CAREFULLY IN ITS ENTIRETY BEFORE SIGNING AND THAT I KNOW AND UNDERSTAND ITS CONTENTS AND VOLUNTARILY AGREE TO ALL OF ITS TERMS.

DATED this 16th day of February, 2011.

/s/ Thomas C. Stortz

Thomas C. Stortz

Level 3 Communications, LLC

/s/ James Q. Crowe

By: James Q. Crowe

Title: CEO

CONSULTING AGREEMENT

This CONSULTING AGREEMENT (“Agreement”) is made as of the 16th day of February, 2011 by and between **LEVEL 3 COMMUNICATIONS, LLC**, a Delaware limited liability company (“Company”), whose address is 1025 Eldorado Boulevard, Broomfield, CO 80021 and **THOMAS C. STORTZ** (“Consultant”), whose address is 13 Waterside Terrace, Englewood, CO, 80113. Company and Consultant hereby agree as follows:

1. **Services**. During the Term of this Agreement, Consultant agrees to perform the following work and services: business advisor to the Chief Executive Officer, President and Chief Operating Officer, Chief Legal Officer and Chief Human Resources Officer, mergers and acquisitions support, and any other activities related to his prior responsibilities with Company, requested by a President, Chief Operating Officer, or Chief Executive Officer, to be performed at such locations as are designated by Company (“Services”); provided, however, that the Services shall not include the provision of legal advice to the Company, and Company acknowledges that Consultant is not engaged under this Agreement in his capacity as an attorney or in any other legal advisory capacity. Consultant shall be available to provide Company the Services under this Agreement for such time as reasonably requested by Company.
2. **Representations**. Consultant represents and warrants that the execution of this Agreement and the performance of Consultant’s obligations hereunder shall not violate the terms of any other agreement or any rule, law, order or consent decree by which Consultant is bound.
3. **Term**. Unless earlier terminated, the Term of this Agreement shall be from April 2, 2011 (the “Effective Date”) to April 1, 2012, unless earlier terminated as provided herein (the “Term”).
4. **Consideration**. In consideration for Consultant’s complete and timely performance of the Services as agreed upon from time to time between Consultant and Company’s Chief Executive Officer, Company shall pay Consultant the sum of \$50,000 per month for the month of April, 2011, and \$50,000 per month for each full month thereafter for the Term of this Agreement (not to exceed a total of twelve monthly payments for the Term), payable in arrears on the 1st day of each month during the Term of this Agreement, subject to any quarterly adjustment as described herein. Consultant shall meet with Company’s Chief Executive Officer prior to each calendar quarter during the Term of this Agreement to discuss any adjustment in Consultant’s monthly compensation for the next quarter, based upon the expectation of Consultant’s Services during such quarter. Any adjustment agreed upon by Consultant and Company’s Chief Executive Officer shall apply to Consultant’s monthly compensation for the next quarter or, if no adjustment is made, Consultant’s monthly compensation in effect from the previous quarter shall continue. In addition, Consultant shall receive a quarterly award of 58,486 Outperform Stock Options (“OSOs”) on July 1, 2011 and

CONSULTING AGREEMENT — Thomas C. Stortz

for each calendar quarter thereafter for the Term of the Agreement, and a single award of 233,942 Restricted Stock Units ("RSUs") on July 1, 2011, pursuant to the terms of separately executed OSO and RSU agreements between Consultant and Company.

5. **Expenses and Administrative Support** . Subject to the Company's travel and expense reimbursement policies, the Company shall reimburse Consultant for Consultant's reasonable expenses incurred in performing the Services. Company will provide Consultant with administrative support, to the extent it is necessary for the performance of Services. All expenses to be reimbursed shall be submitted directly to the Chief Legal Officer for payment.
6. **Independent Contractor** . Consultant and Company, expressly intending that no employment, partnership, or joint venture relationship is created by this Agreement, hereby agree as follows:
 - A. Consultant shall act at all times as an independent contractor hereunder and is not an employee, partner, or co-venturer of, or in any other relationship with Company. The manner in which Consultant's services are rendered shall be within Consultant's sole control and discretion.
 - B. Neither Consultant nor anyone employed by or acting for or on behalf of Consultant shall ever be construed as an employee of Company and Company shall not be liable for employment or withholding taxes or any benefits respecting Consultant or any employee of Consultant.
 - C. Consultant shall determine when, where and how Consultant shall perform the Services.
 - D. Consultant shall take all steps to ensure that Consultant and Consultant's employees (if any) are treated as independent contractors of Company.
 - E. Consultant expressly acknowledges and agrees that except to the extent expressly provided in Sections 4 and 5 above, neither Consultant nor anyone employed by or acting for or on behalf of Consultant shall receive or be entitled to any consideration, compensation or benefits of any kind from Company, including without limitation, pension, stock options, profit sharing or similar plans or benefits, or accident, health, medical, life or disability insurance benefits or coverages.
 - F. To the extent permitted by law, Consultant, for Consultant and for anyone claiming through Consultant, waives any and all rights to any consideration, compensation or benefits, except as expressly provided for herein.
7. **Indemnity** . Consultant shall indemnify and hold harmless Company and its officers, directors, agents and employees, from and against any and all claims, demands, causes of action, losses, damages, costs and expenses (including reasonable attorneys' fees) arising out of or relating to Consultant's execution of this Agreement, Consultant's performance of the Services, a breach

of the Consultant's representations contained in this Agreement or any claim for withholding or other taxes that might arise or be imposed due to this Agreement or the performance of the Services, except to the extent such claim, demand, cause of action, loss, damage, cost and expense is caused solely by the negligent acts or failures to act of Company, its officers, directors, agents and employees, in which case Company shall indemnify and hold Consultant harmless from any and all claims, demands, causes of action, losses, damages, costs and expenses (including reasonable attorney fees) to the extent and in the same proportion as said loss or damage was caused by Company's (or its officers, directors, agents and employees') negligent acts or failures to act.

8. **Confidential Information**. All information and materials disclosed during the performance of this Agreement shall be subject to the Non-Disclosure Agreement executed by Consultant and Company, which is incorporated herein and is considered a material part of this Agreement.
9. **Confidentiality of Agreement**. The terms of this Agreement, and the proposal of and discussions relating to this Agreement, are and shall remain confidential as between the parties, unless, and to the extent, disclosure is required by law or to secure advice from a legal or tax advisor.
10. **Standard of Conduct**. In rendering Services under this Agreement, Consultant shall conform to high professional standards of work and business ethics.
11. **Public Relations**. This Agreement shall not be construed as granting to Consultant any right to use any of Company or its affiliates' trademarks, service marks or trade names, or otherwise refer to Company in any marketing, promotional or advertising materials or activities. Without limiting the generality of the forgoing, Consultant shall not disclose (i) the terms and conditions of this Agreement, or (ii) the existence of the project or any contractual relationship between Company and Consultant, except as is reasonably necessary to perform the Services, or (iii) issue any publication or press release relating directly or indirectly to (i) or (ii) above; without Company's prior written consent.
12. **No - Solicitation / No Competition**. Consultant agrees, that for a period of 15 months from the Effective Date, it, or any of its employees, officers or directors, shall not: (a) directly or indirectly, solicit the services of, induce away from employment with, or hire any employee of Company or its affiliates during their employment with Company and for a period of six months after they are no longer employed by Company, without Company's prior written consent; or (b) solicit, directly or indirectly, for himself or on behalf of a third party any corporation, firm, or organization that is a customer of Company any business, service or product that the Company is providing said customer.
13. **Conceptions**. Consultant acknowledges that Company is engaged in a continuous program of research, development and marketing in connection with its business and that, in the performance of the Services, Consultant may participate in and support such activities. To

the extent that Consultant participates in or supports such activities on behalf of Company, Consultant hereby agrees to promptly disclose exclusively to Company all improvements, original works of authorship, process, computer programs, ideas, discoveries, techniques, data bases and trade secrets (“Conceptions”), whether or not patentable or copyrightable, that are made, conceived, first reduced to practice or created by Consultant, either alone or jointly with others. Consultant further agrees that all Conceptions that (a) are developed using equipment, supplies, facilities or trade secrets of Company, or (b) result from or are any way connected with the Services performed by Consultant, or (c) relate to the business or the actual or anticipated research or development of Company, including any “moral” rights under any copyright or other similar law, shall be the sole and exclusive property of, and are hereby automatically assigned to, Company. Consultant agrees to assist Company in obtaining and enforcing all rights and other legal protections for the Proprietary Information and the Conceptions and to execute any and all documents that Company may reasonably request in connection therewith. Consultant’s agreement set forth in the preceding sentence shall continue throughout the period of five (5) years following the termination or expiration of this Agreement; however, Company agrees to pay Consultant reasonable consideration for time actually spent and sufficiently documented by Consultant for such assistance during such five (5) year period.

14. **Termination**. Company may terminate this Agreement for “cause”. For purposes of this Agreement “cause” shall mean the Company’s good faith determination that the Consultant or Consultant’s employees, officers or directors has committed any of the following in breach of this Agreement: (1) failure to provide Services; (2) conduct that is materially injurious to Company or any of its affiliates; (3) fraud, theft or embezzlement or any other material act of dishonesty with respect to Company or its affiliates; (4) willful use or imparting of any confidential or proprietary information of Company or an affiliate; or (5) a felony or crime involving moral turpitude. In the event that Company reasonably believes, in good faith, that Consultant has breached the Agreement, Company shall provide Consultant prior written notice of such alleged breach (the “Alleged Breach Notice”), which notice shall identify with reasonable particularity the basis for such belief, along with the provision of the Agreement that Company alleges has been breached. If Consultant disagrees with Company’s belief as set forth in the Alleged Breach Notice, Consultant and the Chairman of the Compensation Committee, on Company’s behalf, shall attempt in good faith to resolve the dispute within fourteen (14) business days of Consultant’s receipt of the Alleged Breach Notice. If Consultant and Company are unable to definitively resolve the dispute and Company, in good faith, maintains its position that Consultant has breached the Agreement, Company shall promptly send a second notice to Consultant (the “Notice of Breach”). If Consultant does not cure such alleged breach within five (5) business days of receipt of the Notice of Breach, Company may take any action at law or in equity that it may otherwise have against Consultant, including terminating the Agreement, and paying to Consultant the pro-rata amount due for Services performed as of the date of termination. Except for such payment, Company’s payment obligations under this Agreement shall cease.

If this Agreement is terminated, the provisions of Sections 2, 6, 7, 8, 9, 11, 12, 13, 17, 18, 19, 20, and 21 shall survive and be enforceable by either party to this Agreement.

- 15. Assignment.** Neither this Agreement nor any rights or obligations created hereby may be assigned by either party and any attempt to do so shall be void, provided, however, Company may freely assign this Agreement to Company affiliates and subsidiaries and in connection with a change in control of Company.

16. Notice.

- A.** Whenever under the provisions of this Agreement it shall be necessary or desirable for one party to serve any notice, request, demand, report or other communication on another party, the same shall be in writing and shall be served (i) personally; (ii) by independent, reputable, overnight commercial carrier; or (iii) by electronic transmission where the sender is able to obtain verification of receipt and review, and where the electronic transmission is immediately followed by service of the original of the subject item in the manner provided in clause (i), or (ii) hereof; addressed as follows:

If to Company: Level 3 Communications, LLC
Attn: Chief Legal Officer
1025 Eldorado Blvd.
Broomfield, CO 80021
Facsimile (720) 888-5127

If to Consultant: Thomas C. Stortz
13 Waterside Terrace
Englewood, CO 80113

- B.** Any party may, from time to time, by notice in writing served upon the other party as aforesaid, designate an additional and/or a different mailing address or an additional and/or a different person to whom all such notices, requests, demands, reports and communications are thereafter to be addressed. Any notice, request, demand, report or other communication served personally shall be deemed delivered upon receipt, if received by independent courier shall be deemed delivered on the date of receipt as shown by the addressee's registry or certification receipt or on the date receipt at the appropriate address, as shown on the records or manifest of the independent courier, and if served by facsimile transmission shall be deemed delivered on the date of receipt as shown on the received facsimile (provided the original is thereafter delivered as aforesaid).

17. **Affiliates** . All representations, covenants and agreements of Consultant set forth in this Agreement made to or for the benefit or protection of Company shall also benefit and protect, with equal force and effect, all affiliates of Company.
18. **Authority** . Consultant shall have no authority to legally bind Company or its affiliates to any liability or obligation whatsoever. Consultant shall advise all persons and entities with whom he communicates on behalf of Company that Consultant is only a consultant and has no authority to bind Company or its affiliates.
19. **Entire Agreement** . The foregoing constitutes the entire agreement between the parties relating to the subject matter hereof, and supersedes all prior understandings, agreements and documentation relating to the subject matter hereof. This Agreement may be amended only by an instrument executed by Company and Consultant.
20. **Severability** . If any provision of this Agreement is held to be unenforceable for any reason, it shall be modified rather than voided, if possible, in order to achieve the intent of the parties to the extent possible. In any event, all other provisions of this Agreement shall be deemed valid and enforceable to the fullest extent possible.
21. **Governing Law** . This Agreement and the rights and obligations of the parties hereto shall be governed by, and construed and enforced in accordance with, the laws of the State of Colorado.

LEVEL 3 COMMUNICATIONS, LLC

By: /s/ James. Q. Crowe

Name: James Q. Crowe

Title: CEO

CONSULTANT

By: /s/ Thomas C. Stortz

Thomas C. Stortz

**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 Level 3 Communications, Inc. 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 9.1 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 10.2.2 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.

OSO Master Award Agreement (Consultants)

- (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:

If Outperform Percentage is:

The Multiplier will equal :

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. [Reserved].

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 a consultant to 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 a consultant to the Company as a result of the Grantee's death 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 10.1 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. [Reserved].

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 engagement as a consultant by the Company or interfere in any way with the right of the Company to terminate the Grantee's any consulting agreement entered into by the Grantee and the Company or any of its Affiliates.

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. As of the date of this Agreement, the Grantee is not subject to Withholding Taxes (as defined below). Notwithstanding anything contained herein to the contrary, at such time that the Grantee is subject to Withholding Taxes, 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 as of date after the date of this Agreement to be collected by the Company under Federal, State, local or foreign law as a result of the issuance of the Settlement Consideration ("Withholding Taxes"); provided, however, that if the Withholding Taxes are not paid within thirty (30) days following the date on which the Grantee is entitled to receive the Settlement Consideration, the Grantee shall forfeit such Settlement Consideration.

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.

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).

[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. 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: _____

Consultant Name:

(Please Print)

MASTER DEFERRED ISSUANCE STOCK AGREEMENT

This 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 “Consultant”), an “Consultant” as defined in the Company’s Level 3 Communications, Inc. Stock Plan (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 Consultant 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 Consultant as an Consultant 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 Consultant relating to a specified number of shares of Stock that, under certain circumstances and in accordance with the terms hereof, may result in the Consultant 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 Consultant 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 Consultant (i) promptly after the death of the Consultant, or the Permanent Total Disability of the Consultant, or (ii) upon or following a Change in Control, as provided in Section 8. For purposes of this Agreement, “Permanent Total Disability” means that: (i) the Consultant 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.

3. Forfeiture of Right to Acquire Deferred Shares. If the Consultant ceases to be a Consultant of the Company or of a Subsidiary (other than as a result of death or Permanent Total Disability), including as a result of the Company terminating any consulting agreement between the Company or any of its Subsidiaries as a result of the breach of that agreement by the Consultant, the Company will no longer be obligated to issue any unissued Deferred Shares to

the Consultant, and the Consultant will forfeit any right to acquire any unissued Deferred Shares from the Company.

4. Taxes; Withholding. . As of the date of this Agreement, the Consultant is not subject to Withholding Taxes (as defined below). Notwithstanding anything contained herein to the contrary, other than Section 8, at such time that the Consultant is subject to Withholding Taxes, the Company will not be obligated to issue the Deferred Shares unless the Consultant has paid (in cash or by certified or cashier's check) to the Company all withholding taxes required as of date after the date of this Agreement 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 Consultant is entitled to receive the Deferred Shares, the Consultant shall forfeit such Deferred Shares.

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

6. Non-Transferability of Right to Receive Deferred Shares. Unless specifically permitted by the Committee, the Consultant 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 10.1 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 Consultant in accordance with Section 10.2 of the Plan or (b) pay the Consultant in a combination of cash and stock the value of the Deferred Shares in accordance with Section 10.2 of the Plan.

9. 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 Consultant 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 Consultant agrees to be bound by, all of the terms and conditions of the Plan. The Consultant 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 Consultant of any of his or her rights under this Agreement.

13. Miscellaneous. (a) The Consultant 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 Consultant must be in writing addressed to the Consultant at the address for the Consultant 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) 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.

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

(e) Although any information sent to or made available to the Consultant 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.

(f) Notwithstanding anything herein to the contrary, this Agreement may be amended by the Committee from time to time without the consent of the Consultant 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 Consultant a notice of any amendments made to this Agreement pursuant to this subsection.

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

LEVEL 3 COMMUNICATIONS, INC.

By: _____
Title: _____

CONSULTANT

Name:

EXHIBIT A

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

This Deferred Issuance Stock Award Letter (the "Award") when taken together with the Master Deferred Issuance Stock Agreement ("Master Agreement") constitutes an award to the individual whose name appears on the signature line below ("Consultant") 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. Stock Plan (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: _____

CONSULTANT: _____