

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

_____	X	
In re	:	
	:	Chapter 11 Case No. 03-13057 (RDD)
Allegiance Telecom, Inc., <u>et al.</u> ,	:	
	:	
Debtors.	:	Jointly Administered
_____	X	
Level 3 Communications, LLC,	:	
	:	
Plaintiff,	:	Adversary Proceeding No. 04-2325
v.	:	
	:	
Allegiance Telecom Company Worldwide,	:	
	:	
Defendant.	:	
_____	X	

STIPULATION AND ORDER ADJOURNING (A) THE HEARING ON MOTION FOR AN ORDER PERMITTING RECOUPMENT AND RELIEF FROM THE AUTOMATIC STAY, AS MAY BE NECESSARY: (i) TO PERMIT RECOUPMENT AND/OR SETOFF OF CERTAIN CLAIMS; (ii) TO REQUIRE THE PARTIES TO PROCEED WITH THE DISPUTE RESOLUTION PROCEDURES SET FORTH IN THE PARTIES' AGREEMENT; AND (iii) FOR CERTAIN OTHER ANCILLARY RELIEF AND (B) THE ADVERSARY PROCEEDING PRETRIAL CONFERENCE

Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), and Level 3 Communications, LLC ("Level 3"), by and through their respective undersigned attorneys, hereby stipulate and agree, subject to Court approval, as follows:

WHEREAS, on May 14, 2003, the Debtors each commenced with this Court a voluntary case under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"); and

WHEREAS, the Debtors continue to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code; and

WHEREAS, on February 10, 2004, the Court issued a Summons and Notice of Pretrial Conference in an Adversary Proceeding, scheduling a pretrial conference (the “Pretrial Conference”) for March 18, 2004 at 10:00 a.m.; and

WHEREAS, on February 11, 2004, Level 3 filed that certain Motion of Level 3 Communications, LLC Seeking an Order Permitting Recoupment and Relief From the Automatic Stay, as May Be Necessary: (i) to Permit Recoupment and/or Setoff of Certain Claims; (ii) to Require the Parties to Proceed With the Dispute Resolution Procedures Set Forth in the Parties’ Agreement; and (iii) for Certain Other Ancillary Relief (the “Credit Motion”); and

WHEREAS, the Credit Motion was set for a hearing (the “Hearing”) on March 18, 2004 at 10:00 a.m., prevailing Eastern Time; and

WHEREAS, on February 11, 2004, Level 3 filed a Complaint, Filed in Part Under Seal, of Level 3 Communications, LLC for Declaratory Judgment in Connection With a Certain Executory Contract against one of the Debtors, Allegiance Telecom Company Worldwide (the “Complaint”); and

WHEREAS, on March 5, 2004 the Debtors filed that certain Motion of the Debtors for an Order, Pursuant to (A) Rule 9019 of the Federal Rules of Bankruptcy Procedure, Approving the Confidential Settlement Agreement and Mutual Release, Dated February 27, 2004, Among Level 3 Communications, LLC and the Debtors; (B) Section 363 of the Bankruptcy Code Authorizing the Transfer, as a Part of Such Settlement, of Certain Assets Free and Clear of Liens, Claims and Encumbrances, and (C) Section 365 of the Bankruptcy Code, Approving and Authorizing, as a Part of Such Settlement, the Assumption and Assignment of an Executory Contract (the “Settlement Motion”); and

WHEREAS, the hearing on the Settlement Motion is scheduled for March 25, 2004 at 10:00 a.m.; and

WHEREAS, pending the Court's consideration of the Settlement Motion, the Debtors and Level 3 have mutually agreed to adjourn the Hearing on the Credit Motion and the Pretrial Conference, without prejudice, to March 25, 2004 at 10:00 a.m., prevailing Eastern Time.

ACCORDINGLY, IT IS HEREBY STIPULATED AND AGREED AS FOLLOWS:

1. The Hearing and the Pretrial Conference are adjourned to March 25, 2004 at 10:00 a.m., prevailing Eastern Time, at the United States Bankruptcy Court, Room 610, One Bowling Green, New York, New York 10004.
2. The adjournment shall be without prejudice to the right of Level 3 to the relief requested in the Credit Motion or the Complaint.
3. The adjournment shall be without prejudice to the right of the Debtors to object to the relief requested in the Credit Motion or the Complaint.
4. This Court shall retain jurisdiction to resolve any disputes between the parties arising with respect to this Stipulation and Order.
5. The undersigned on behalf of each respective party warrants and represents that he or she has been duly authorized and empowered to execute and deliver this Stipulation and Order on behalf of such party.
6. This Stipulation and Order shall have no force or effect and shall not be binding upon either the Debtors or Level 3 unless and until it is approved by the Court.

Dated: New York, New York
March 11, 2004

KIRKLAND & ELLIS LLP

BLANK ROME LLP

By: /s/ Robert Burns
Jonathan Henes (JH 1979)
Robert Burns (RB-0970)
Citigroup Center
153 East 53rd Street
New York, New York 10022-4675
(212) 446-4800

By: /s/ Edward J. LoBello
Edward J. LoBello (EL 3337)
Harris N. Cogan (HC 9319)
The Chrysler Building
405 Lexington Ave
New York, NY 10174
(212) 885-5000

ATTORNEYS FOR THE DEBTORS AND
DEBTORS IN POSSESSION

- and -

Thomas E. Biron
Michael B. Schaedle
One Logan Square
Philadelphia, PA 19103
(215) 569-5500

ATTORNEYS FOR LEVEL 3
COMMUNICATIONS, LLC

SO ORDERED, this 15th day of March, 2004

/s/Robert D. Drain
UNITED STATES BANKRUPTCY JUDGE