

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re : Chapter 11
: :
ALLEGIANCE TELECOM, INC., et al., : Case No. 03-13057 (RDD)
: :
Debtors. : (Jointly Administered)
: :
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**ORDER PURSUANT TO SECTION 107(b) OF THE BANKRUPTCY CODE
AND RULE 9018 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE
PERMITTING THE FILING OF: (I) A REDACTED VERSION OF THE LIMITED
OBJECTION OF KMC TELECOM XI LLC TO 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 A 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;
AND (II) AN EXHIBIT TO SUCH LIMITED OBJECTION UNDER SEAL**

Upon the motion dated March 22, 2004 (the "Motion") of KMC Telecom XI LLC ("KMC") for seeking permission to file: (i) KMC's limited objection (the "Limited Objection") to the 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 a 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”);¹ and (ii) an exhibit in support of such Limited Objection under seal; and no notice being required pursuant to Bankruptcy Rule 9018; and a memorandum of law pursuant to Local Bankruptcy Rule 9013 not being required under the circumstances; and after due deliberation and sufficient cause appearing therefor, it is hereby:

ORDERED, that the Motion is granted as provided herein; and it is further

ORDERED, pursuant to section 107(b) of the Bankruptcy Code and Bankruptcy Rule 9018, that KMC be, and it hereby is, authorized to file and serve a redacted version of the Limited Objection; and it is further

ORDERED, pursuant to section 107(b) of the Bankruptcy Code and Bankruptcy Rule 9018, that KMC be, and it hereby is, authorized file under seal and unredacted copy of the Limited Objection and the copy of the KMC Agreement which is designated as Exhibit 1 to the Affidavit of Constance Loosemore being filed in support of the Limited Objection; and it is further

ORDERED, that the redacted information in the Limited Objection and the KMC Agreement shall remain confidential; and it is further

ORDERED, that KMC shall serve upon, and make copies of the unredacted Limited Objection and the KMC Agreement, as filed with the Court, available only to, this Court, the Debtors, Level 3, counsel to the prepetition secured lenders to the Debtors and counsel to the official committee of unsecured creditors of the Debtors; and it is further

ORDERED, that the parties served with the KMC Agreement and the unredacted Limited Objection are prohibited from disclosing or providing to third parties any information

¹ Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in

set forth in the KMC Agreement or the redacted portions of the Limited Objection; and it is further

ORDERED, that the requirement of a separate accompanying memorandum of law be dispensed with and waived.

Dated: New York, New York
March 23, 2004

/s/ ROBERT D. DRAIN
Honorable Robert D. Drain
United States Bankruptcy Judge

the Motion.