

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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| In re | : | X |
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| Allegiance Telecom, Inc., <u>et al.</u> , | : | Chapter 11 Case No. |
| | : | 03-13057 (RDD) |
| | : | |
| Debtors. | : | Jointly Administered |

ORDER, PURSUANT TO SECTION 107(b) OF THE BANKRUPTCY CODE AND RULE 9018 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE, AUTHORIZING (A) THE DEBTORS TO FILE UNDER SEAL CERTAIN AGREEMENTS WITH NORTEL NETWORKS, INC. AND (B) THE COURT TO CONDUCT AN IN CAMERA HEARING ON MOTION OF THE DEBTORS FOR AN ORDER (I) PURSUANT TO RULE 9019 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE, APPROVING THAT CERTAIN SETTLEMENT AGREEMENT, DATED AS OF MARCH 16, 2004, WITH NORTEL NETWORKS, INC. AND (II) PURSUANT TO SECTION 365 OF THE BANKRUPTCY CODE, APPROVING AND AUTHORIZING THE ASSUMPTION OF AN EXECUTORY CONTRACT, AS AMENDED, WITH NORTEL NETWORKS, INC.

Upon consideration of the motion (the “Motion”), dated March 26, 2004, of Allegiance Telecom, Inc. and its direct and indirect subsidiaries, including Shared Technologies Allegiance, Inc., as debtors and debtors in possession (collectively, the “Debtors”), seeking entry of an order, pursuant to section 107(b) of the Bankruptcy Code¹ and Bankruptcy Rule 9018, authorizing (a) the Debtors to file under seal the Sealed Agreements and (b) the Court to conduct an in camera hearing on the Settlement and Assumption, as more fully set forth in the Motion; and it appearing that this Court has jurisdiction to consider and determine the Motion as a core proceeding pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that the relief requested in the Motion is in the best interest of the Debtors’ estates and creditors; and it appearing that no notice of the Motion need be provided; and after due deliberation and sufficient cause appearing therefor; it is

¹ Unless otherwise defined herein, capitalized terms shall have the meaning ascribed to them in the Motion.

ORDERED that the Motion is granted; and it is further

ORDERED that, pursuant to section 107(b) of the Bankruptcy Code and Bankruptcy Rule 9018, the Debtors are authorized to file the Sealed Agreements under seal; and it is further

ORDERED that the contents of the Sealed Agreements shall remain confidential, shall be served on and made available only to Nortel, the U.S. Trustee, attorneys for the Creditors Committee, attorneys for the Prepetition Lenders and attorneys for XO, and shall not be made available to the general public or any parties in interest in these chapter 11 cases, including any individual members of the Creditors Committee or any individual Prepetition Lenders; and it is further

ORDERED that, pursuant to section 107(b) of the Bankruptcy Code and Bankruptcy Rule 9018, the Debtors have demonstrated good cause to conduct an in camera hearing on the Settlement and Assumption Motion; and it is further

ORDERED that the in camera hearing shall be attended solely by (a) representatives from the Debtors, Nortel, the U.S. Trustee and XO and (b) respective attorneys for the Debtors, Nortel, XO, the Creditors Committee and the Prepetition Lenders; and it is further

ORDERED that the parties attending or participating in the in camera hearing are prohibited from disclosing or providing to third parties any information revealed during the in camera hearing or set forth in the Sealed Agreements.

Dated: New York, New York
_____, 2004

UNITED STATES BANKRUPTCY JUDGE