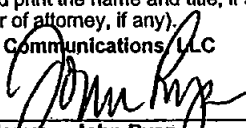


UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK		PROOF OF CLAIM	
In re Allegiance Telecom Company Worldwide		Case Number: 03-13064 (RDD)	
NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. §503.			
Name of Creditor: Level 3 Communications, LLC Attn: John Ryan 1025 Eldorado Blvd. Broomfield, CO 80021 (720) 888-6150		<input type="checkbox"/> Check box if you are aware that anyone has filed a proof of claim relating to your claim. Attach a copy of statement giving particulars.	
Name and Addresses where notices should be sent: Michael B. Schaedle, Esq. Blank Rome LLP One Logan Square Philadelphia, PA 19103 Telephone: (215) 569-5507		<input type="checkbox"/> Check box if you have never received any notices from the bankruptcy court in this case. <input checked="" type="checkbox"/> Check box if the address differs from the address on the envelope sent to you by the court.	
Account or other number by which Creditor identifies Debtor:		Check here if this claim <input type="checkbox"/> replaces <input type="checkbox"/> amends a previously filed claim, dated:	
1. BASES FOR CLAIM <input type="checkbox"/> Goods sold <input checked="" type="checkbox"/> Services performed (See Attachments) <input type="checkbox"/> Money loaned <input type="checkbox"/> Personal injury/wrongful death <input type="checkbox"/> Taxes <input checked="" type="checkbox"/> Other: Contingent Unliquidated Damages for (a) Rejection of Executory Contracts and Leases; and (b) Indemnification (See Attachment)			
<input type="checkbox"/> Retiree benefits as defined in 11 U.S.C. § 1114(a) <input type="checkbox"/> Wages, salaries, and compensation (fill out below) Your social security number _____ Unpaid compensations for services performed from (date) _____ to _____ (date)		THIS SPACE IS FOR COURT USE ONLY	
2. Date debt was incurred: On or before July 24, 2000			
4. CLASSIFICATION OF CLAIM. Under the Bankruptcy Code all claims are classified as one or more of the following: (1) Unsecured Nonpriority, (2) Unsecured Priority, or (3) Secured. It is possible for part of a claim to be in one category and part in another. CHECK THE APPROPRIATE BOX OR BOXES that best describe your claim and STATE THE AMOUNT OF THE CLAIM.			
<input checked="" type="checkbox"/> SECURED CLAIM: See Attachment _____ Attach evidence of security interest. Brief Description of Collateral: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicles <input checked="" type="checkbox"/> Other (describe briefly) (See attachment) Amount of arrearage and other charges included in secured claim above, if any: (See attachment)		<input checked="" type="checkbox"/> UNSECURED PRIORITY CLAIM: See Attachment _____ Specify the priority of the claim. <input type="checkbox"/> Wages, salaries, or commissions (up to \$4,300)*, earned not more than 90 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(3). <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(4) <input type="checkbox"/> Up to \$1950 of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(6) <input type="checkbox"/> Taxes or penalties of governmental units - 11 U.S.C. § 507(a)(8) <input checked="" type="checkbox"/> Other - specify applicable paragraph of 11 U.S.C. §§ 507(a)(1)* (See Attachment) *Amounts are subject to a adjustment on 4/1/01 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.	
<input checked="" type="checkbox"/> UNSECURED NONPRIORITY CLAIM: See Attachment _____ A claim is unsecured if there is no collateral or lien on property of the debtor securing the claim or to the extent that the value of such property is less than the amount of the claim.			
5. TOTAL AMOUNT OF CLAIM AT TIME CASE FILED: \$ _____ (UNSECURED) \$42,177,094.00* (SECURED) \$ _____ (PRIORITY) \$42,177,094.00*			
<input checked="" type="checkbox"/> Check this box if claim includes prepetition charges in addition to the principal amount of the claim. Attach itemized statement of additional charges.			
6. CREDITS: The amount of all payments on this claim has been credited and deducted for the purposes of making this proof of claim. 7. SUPPORTING DOCUMENTS: Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, or evidence of security interests. If the documents are not available, explain. If the documents are voluminous, attach a summary. 8. TIME-STAMPED COPY: To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.			THIS SPACE IS FOR COURT USE ONLY
DATE: November 21, 2003	Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any). Level 3 Communications LLC By:  Name: John Ryan Title: Vice President		
Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§152 and 3571			

**SUPPLEMENT TO PROOF OF CLAIM OF LEVEL 3 COMMUNICATIONS, LLC
IN THE CHAPTER 11 CASE OF ALLEGIANCE TELECOM COMPANY
WORLDWIDE, BANKRUPTCY CASE NUMBER 03-13064 (BANKR. S.D.N.Y.)**

The nature and extent of the claims of Level 3 Communications, LLC, 1025 Eldorado Blvd., Broomfield, CO 80021, and affiliated entities, (collectively, "Level 3") under this Proof of Claim, including, without limitation, the assertion of cumulative remedies (no election of remedies being intended hereby) are asserted herein as: (i) secured claims; (ii) unsecured, priority claims under §§503(b)(1)(A) and 507(a)(1) of Title 11 of the United States Code, 11 U.S.C. §101 *et seq.* (the "Bankruptcy Code"); and (iii) unsecured, non-priority claims as indicated below. Various documents, agreements, and instruments summarized or referenced to below are not attached hereto as they are voluminous, but such documents, agreements, and instruments are available from Level 3 counsel (Michael B. Schaedle, Esquire, Blank Rome LLP, One Logan Square, Philadelphia, PA 19103, telephone: (215) 569-5762), upon request.

1. On May 14, 2003 (the "Filing Date"), Allegiance Telecom Company Worldwide ("Allegiance") and its affiliated debtors (collectively, Allegiance and such debtors are referred to hereafter as, the "Debtors") each filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code.

I. The INSPA.

2. On July 24, 2000, Level 3, by its predecessor in interest, Genuity Solutions, Inc. ("Genuity"), and Allegiance entered into a certain Integrated Network Solution Purchase Agreement (collectively, with subsequent amendments, the "INSPA"). The amendments are identified as follows: (i) Amendment One to the INSPA between Genuity and Allegiance, dated September 29, 2000; (ii) Amendment Two to the INSPA between Genuity and Allegiance, dated December 29, 2000; (iii) Amendment Three to the INSPA between Genuity and

Allegiance, dated December 31, 2001, and (iv) Amendment Four to the INSPA between Genuity and Allegiance, dated August 21, 2002 ("Amendment Four"). A redacted copy of the INSPA is attached hereto as Exhibit "A." Initially capitalized terms not otherwise expressly defined in ¶¶1 through 25 of this Supplement shall have meanings defined in the INSPA.

3. Pursuant to the INSPA, Allegiance provides an integrated network solution for Level 3's dial-up modem services business. The INSPA was sold and assigned to Level 3 by Genuity in the context of Genuity's own Chapter 11 bankruptcy cases pending before this Court, In re Genuity Solutions, Inc., et al., Bankruptcy Case No. 02-43550 (Bankr. S.D.N.Y.), pursuant to an Order of the United States Bankruptcy Court for the Southern District of New York, dated January 24, 2003.

4. Pursuant to the INSPA, Allegiance agreed to provide Level 3 with 468,600 "Ports¹" in exchange for the payment over time of \$563,010,886 pursuant to Attachment B to Amendment Four, and subject to the payment, invoice and notice requirements of the INSPA.

5. [Pursuant to the INSPA, on a quarterly basis through August 2006, Level 3 may owe Allegiance a "Purchase Price Payment" (as that term is defined in the INSPA) in the maximum amount of \$25 million. (INSPA, Amendment 4, Attachment B). In December 2006, Level 3 may owe Allegiance a final Purchase Price Payment of \$8,010,886.00. Id.] From November 3, 2003, the maximum amount due and owing in respect of the INSPA by Level 3 to Allegiance is \$283,010,890.00 (where appropriate, the "Maximum Offset").

1 The INSPA defines "Port" as "...an individual data channel in [Level 3's network] and all connections thereto, and to be deployed in [Level 3's network] regardless of the physical product that houses such data channel in accordance with Configuration Plan, and includes the NAS, PRI, IMT's, Ethernet Switches, terminal concentration and POP router." See INSPA, Schedule A.

6. Pursuant to §2.6 of the INSPA, “if Allegiance fails to provide the Integrated Network Solution in accordance with the Performance Warranties, Genuity, at its election, may receive the applicable remedies set forth in Schedule 2.6(a) (the “Performance Warranty Remedies”), and will offset such charges against the amount owed to Allegiance by Genuity for the next payment of the purchase price in accordance with §3.2(c).” (INSPA, §2.6(a)). Likewise, other Allegiance INSPA breaches give rise to offset, recoupment, or setoff rights.

7. Pursuant to Schedule 2.6(a) to the INSPA in connection with “Call Blocking Events” (as that term is defined in the INSPA), absent Allegiance’s remedy within a twenty-four hour period, then “for the Ports with respect to which the Call Blocking Events occurred, Genuity shall offset against the next Purchase Price Payment an amount equal to the number of Ports for (i) the entire month in which the unavailability occurs multiplied by twenty dollars (\$20.00); and (ii) two (2) additional months thereafter.” (INSPA, Schedule 2.6(a) at 66). Pursuant to Schedule 2.6(a) to the INSPA in connection with “Backhaul Latency,” if Allegiance does not meet relevant performance standards over a three consecutive month period, then Level 3 “shall offset the next Purchase Price Payment in an amount equal to 5,000 Ports multiplied by twenty dollars (\$20.00) for each month beyond the three (3) in which the Performance Warranty is not met.” (INSPA, Schedule 2.6(a) at 69). Level 3 claims against Allegiance in respect of Call Blocking Events under the INSPA are hereafter referred to as “Call Blocking Claims.” Level 3 claims against Allegiance in respect of Backhaul Latency and related service are hereafter referred to as “Backhaul Claims.” Collectively, Level 3 Performance Warranty Remedy claims against Allegiance including, without limitation, Call Blocking Claims and Backhaul Claims, are referred to hereafter as “Performance Warranty Claims.”

8. Further, Allegiance has at times claimed Force Majeure to justify its failure to install 1,392 Ports for Level 3 in the Iowa, Wisconsin, and Missouri marketplaces. Pursuant to §6.2(d) of the INSPA, inter alia, Level 3 may and prior to the Filing Date has claimed an “offset against the next Purchase Price Payment [in] an amount equal to the number of affected Ports (i) installed, (ii) pending installation pursuant to an accepted Request, and (iii) expected to be installed but unable to be installed because of the Force Majeure Event in the applicable Serviceable Rate Center(s) multiplied by twenty dollars (\$20.00) for each five (5) consecutive day period or ten (10) out of thirty (30) day period in which Allegiance is unable to provide the affected portion of the Integrated Network Solution.” (INSPA, §§2.4(b) and 6.2). Level 3 claims against Allegiance for Allegiance’s failure to deliver Ports, whether due to Force Majeure Events or not, are referred to hereafter as “Delivery Claims.”

9. Termination of the INSPA is governed by Article X thereof. Pursuant to §10.2(a), either party to the INSPA may terminate the agreement for “material breach ... of this Agreement by the other party that remains uncured for thirty (30) days after written notice thereof.” Further, pursuant to §10.3(a), Level 3 may terminate the agreement upon thirty (30) days written notice if “Allegiance fails to meet any Tier 1 Performance Warranties for any three (3) consecutive months, or three (3) months in any five (5) month period”, or if “Allegiance fails to meet any Tier 2 Performance Warranties for any six (6) consecutive months, or eight (8) months in any twelve (12) month period; provided, however, that in the case of Call Blocking Events, a minimum of two hundred (200) modems must have been blocked during each of the relevant months.”

10. Pursuant to correspondence dated May 1, 2003, between Level 3 and Allegiance, which is deemed incorporated here by reference, Allegiance agreed that Level 3’s rights, remedies, and claims under the INSPA, including, without limitation, Call Blocking

Claims, Backhaul Claims and Delivery Claims, future offset rights (such as certain of the offset rights that are the subject of this Motion), were reserved in full.

11. Among other things, Allegiance has been in "Call Blocking Event" and "Backhaul Latency" warranty breach, which are "Tier 2" warranty breaches (INSPA, Schedule 2.6(a)), for at least six (6) consecutive months, and during such period in excess of two hundred (200) modems have been blocked and latency requirements have been breached by Allegiance.

12. Allegiance Delivery, Call Blocking Event, Backhaul Latency and other breaches of the INSPA continued to subsist after the Filing Date. Accordingly, on or about August 8, 2003, Level 3 withheld a portion of the August 8, 2003 Purchase Price Payment Installment of \$25 million and specifically withheld \$12,664,775.00 in respect of Performance Warranty Claims and withheld and otherwise acted under the INSPA in respect of \$500,688.00 for Delivery Claims. [On or about September 5, 2003, Level 3 and Allegiance entered into a certain Stipulation and Agreed Order (the "First Stipulation") regarding certain Offsets, Reservations of Rights and Related Matters, which is attached hereto as Exhibit "B" and is incorporated here by reference as if set forth in full. Pursuant to this First Stipulation, Level 3 agreed to pay the withheld amount in respect of Performance Warranty Claims, and Allegiance agreed that Level 3 might withhold payment, among other things, of Delivery Claims and that Level 3 is permitted, if privileged to do so, to assert rights to offset, recoup, or setoff all Performance Warranty Claims whenever arising, against future Purchase Price Payment Installments, irrespective of interim Purchase Price Payments.

13. On or about September 5, 2003, after review by the Statutory Committee of Unsecured Creditors of the Debtors, and the Debtors' secured lenders, and upon their consent thereto, the Court approved the First Stipulation by agreed Order.]

14. Pursuant to the INSPA, and the invoice and requirements thereof, Level 3 owed another Purchase Price Payment Installment on or about November 1, 2003.

15. On November 1, 2003, Level 3 withheld \$11,028,632.00 in respect of Performance Warranty Claims and \$88,500.00 in respect of Delivery Claims and Backhaul Claims. On or about November 11, 2003, Level 3 and Allegiance entered into that certain Second Stipulation (the "Second Stipulation") and Agreed Order Regarding Certain Offsets, Reservations of Right and Related Matters, which is attached hereto as Exhibit "C" and is incorporated here by reference as if set forth in full. Pursuant to the Second Stipulation, Level 3 agreed to pay the newly withheld amount in respect of Performance Warranty Claims and Allegiance agreed that Level 3 might withhold payment, among other things, of newly asserted Delivery Claims (and certain newly asserted Backhaul Claims) and that Level 3 is permitted, if privileged to do so, to assert rights to offset, recoup or setoff all Performance Warranty Claims whenever arising, against future Purchase Price Payment Installments, irrespective of interim Purchase Price Payments. On or about September 19, 2003, the Court approved the Second Stipulation by agreed Order.

A. Performance Warranty Claims.

16. Pursuant to the INSPA, Level 3 has notified Allegiance of Call Blocking Claims and Backhaul Claims by the issuance of tickets "trouble tickets" since at least December 16, 2002 through the filing of this Proof of Claim, which trouble tickets remain open. Level 3 asserts, without limitation, the following fixed and liquidated Performance Warranty Claims:

- a. Performance Warranty Claims through the Filing Date;
\$26,737,215.00, and;

- b. Performance Warranty Claims from the Filing Date through at least September 15, 2003;
\$15,109,504.00.

17. Each of the Performance Warranty Claims asserted in ¶(16)(a) and (b) immediately above is asserted against Allegiance by Level 3 as a claim secured by the Maximum Offset (and any lesser due and otherwise payable Purchase Price Payment Installment amounts) by right of: (i) offset under the INSPA; (ii) recoupment; and (iii) setoff.

18. Level 3 asserts a presently contingent, unliquidated secured claim for offset, recoupment and setoff against Allegiance in respect of Performance Warranty Claims arising on or after September 15, 2003.

19. To the extent that: (i) post-Filing Date Performance Warranty Claims exceed the Maximum Offset, or (ii) it is determined by a court of competent jurisdiction that the post-Filing Date Performance Warranty Claims exist (in whole or in part), but are not secured by offset, recoupment or setoff rights, such Claims are asserted by Level 3 against Allegiance hereby as priority, unsecured claims as an administrative expense under Bankruptcy Code §§503(b)(1)(A) and 507(a)(1). Such Claims are asserted as fixed and liquidated through September 15, 2003, and presently as contingent and unliquidated thereafter.

20. To the extent that: (i) pre-Filing Date Performance Warranty Claims exceed the Maximum Offset; (ii) it is finally determined by a court of competent jurisdiction that the pre-Filing Date Performance Warranty Claims exist (in whole or in part), but are not secured by offset, recoupment or setoff rights; and/or (iii) a court of competent jurisdiction finally determines that post-Filing Date Performance Warranty Claims are not entitled to Bankruptcy Code priority, all such Claims are asserted by Level 3 against Allegiance as unsecured, non-

priority claims, which are fixed and liquidated through September 15, 2003, and presently as contingent and unliquidated thereafter.

B. Delivery Claims.

21. Pursuant to the INSPA, Level 3 has notified Allegiance of Delivery Claims in writing. Level 3 asserts, as necessary, to the extent not already satisfied by offset or recoupment, fixed and liquidated Delivery Claims in at least the amount of \$595,248.00, as a claim secured by the Maximum Offset (and any lesser due and otherwise payable Purchase Price Payment Installment Amounts) by right of: (i) offset under the INSPA; (ii) recoupment; and (iii) setoff.

22. Level 3 asserts a presently contingent, unliquidated secured claim for offset, recoupment and setoff against Allegiance in respect of Delivery Claims arising on or after November 1, 2003:

23. To the extent necessary as set forth above and to the extent that: (i) post-Filing Date Delivery Claims exceed the Maximum Offset, or (ii) it is finally determined by a court of competent jurisdiction that some or part of the post-Filing Date Delivery Claims exist (in whole or in part), but are not secured by offset, recoupment or setoff rights, such Claims are asserted by Level 3 against Allegiance hereby as priority, unsecured claims for administrative expense under Bankruptcy Code §§503(b)(1)(A) and 507(a)(1). Such Claims are asserted as fixed and liquidated through November 1, 2003, and as presently contingent and unliquidated thereafter.

24. To the extent necessary as set forth above and to the extent that: (i) pre-Filing Date Delivery Claims exceed the Maximum Offset; (ii) it is finally determined by a court of competent jurisdiction that some or part of the pre-Filing Date Delivery Claims exist (in whole or in part), but are not secured by offset, recoupment or setoff rights; and/or (iii) a court of

competent jurisdiction finally determines that post-Filing Date Delivery Claims are not entitled to Bankruptcy Code priority, all such Claims are asserted by Level 3 against Allegiance hereby as non-priority, unsecured claims. Such Claims are asserted as fixed and liquidated through November 1, 2003, and presently as contingent and unliquidated in respect of Delivery Claims arising on or after November 1, 2003.

C. Other INSPA Claims.

25. Without limitation, Level 3 asserts against Allegiance as contingent, unliquidated claims secured by the Maximum Offset by right of offset, recoupment, or setoff, or as appropriate, as unsecured priority or non-priority claims, all Performance Warranty Claims, all other damage claims arising under or in connection with the INSPA rights in respect of market pricing if a "Competitive Offer" is received by Level 3 (INSPA, §4.1(a)(b)), rights in respect of best pricing if a "Comparable Solution" is offered by Allegiance to a third party (INSPA, §4.2), rights in respect of Port reduction if a "Business Downturn" occurs, rights in respect of any non-exclusive licenses granted Allegiance by Level 3 in Level 3 intangibles (INSPA, §5.3), rights in respect of Level 3 "Confidential Information" or Level 3 "Trade Secrets," rights associated with any INSPA termination, including, without limitation, relating to the disposition of transfer of equipment and other personal property subject to the INSPA, and in respect of "Termination Amounts" (e.g., INSPA §§10.3(a)(B), 10.6 and Schedule 10.6), rights of indemnity arising under INSPA §11.1(a), (b)(i), (ii), and (iii) and otherwise, rights in respect of first bid offers, cooperation, exclusivity, non-solicitation, AOL contingencies, and "Buyout and Assumption Options," (INSPA, Article XIV), in respect of Off-Net Performance (e.g., INSPA, §2.6(d)), and otherwise under the INSPA, other documents, agreements, instruments and tariffs, at applicable law or in equity.

II. Other Agreements.

26. By and through its acquisition of private line service, customer orders and related assets from Genuity, as of the Filing Date, Level 3 asserts against Allegiance as a fixed, liquidated claim secured by the Maximum Offset (by right of setoff), and as appropriate, as unsecured, non-priority claims, in respect of Level 3 Account No. 91973 or Genuity Account No. 13960-01, an amount equal to \$330,374.69, which claim is evidenced by the invoices attached hereto as Exhibit "D."

27. Level 3 asserts against Allegiance as contingent, unliquidated claims secured by the Maximum Offset, and as appropriate as unsecured priority and non-priority claims, all rights under each of: (i) IRU Agreement between Allegiance, as agent for Allegiance Telecom of California, Inc. ("California"), Allegiance Telecom of Colorado, Inc. ("Colorado"), and Allegiance Telecom of Michigan, Inc. ("Michigan") and Level 3, dated December 30, 1999, and amendments, supplements, related documents and exhibits thereto, all of which are incorporated here by reference; (ii) the Fiber Termination Agreement between Level 3 and Allegiance, dated October 3, 2001, as amended and restated, and including related documents and exhibits thereto, which are incorporated here by reference; (iii) the Telecommunications Service Agreement between Level 3 and Allegiance, dated September 19, 2001, and any amendments, supplements, related documents and exhibits, which are incorporated here by reference; and (iv) Agreement between Level 3 and Allegiance, dated March 20, 2002, and any amendments, supplements, related documents and exhibits thereto, which are incorporated here by reference.

III. Miscellaneous.

28. Level 3 reserves its right to amend this Proof of Claim in respect of any liabilities against Allegiance and any other Debtor, including, without limitation, Allegiance Telecom, Inc., Allegiance Internet, Inc., California, Colorado, Michigan and Jump.Net, Inc.,

related to claims made herein or that may arise hereafter or otherwise. As regards to ¶27(i) hereof, this Proof of Claim is deemed filed by each of California, Colorado and Michigan.

29. Nothing herein contained is intended to limit Level 3's rights in connection herewith against any third party and Level 3 reserves its rights to proceed against any third party for any existing or future liabilities under the documents, agreements and instruments attached hereto or referenced herein and in connection with Level 3's claims against the Debtors.

30. All Level 3 claims set forth herein are asserted against Allegiance and as appropriate, each other Debtor, jointly and severally. In addition, Level 3, as that term is used herein, is intending to include any subsidiary, related or affiliated Level 3 entity that may hold all or part of the claims asserted herein.

31. Level 3 reserves its rights under the documents, agreements and instruments attached hereto or referenced herein, including, without limitation, the INSPA and in connection with Level 3's claims against Allegiance and all other Debtors.