

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

PROOF OF CLAIM



CRDID 20506

In re **Allegiance Telecom Inc et al, Debtors.**

Case Number **03-13057 (RRD)**

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.

Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.

Check box if you have never received any notices from the bankruptcy court in this case.

Check box if this address differs from the address on the envelope sent to you by the court.

FILED
U.S. BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK
ALLEGIANCE TELECOM, INC
03-13057 (RRD)
673

Name of Creditor and Address

FRANCIS BILL M
SR VP NETWORK ADMIN
3200 OAK HOLLOW DR
PLANO TX 75093



03805890020506

Creditor Telephone Number ()

If you have already filed a proof of claim with the Bankruptcy Court or BMC you do not need to file again.

CREDITOR TAX I D #

ACCOUNT OR OTHER NUMBER BY WHICH CREDITOR IDENTIFIES DEBTOR

Check here replaces or amends a previously filed claim dated _____ if this claim

1 BASIS FOR CLAIM

Goods sold Personal injury/wrongful death Retiree benefits as defined in 11 U.S.C. § 1114(a)

Services performed Taxes Wages salaries and compensation (Fill out below)

Money loaned Other (describe briefly)

Your social security number **441-36-5704**

Unpaid compensation for services performed from _____ to _____ (date) (date)

2 DATE DEBT WAS INCURRED **3-12-02**

3 IF COURT JUDGMENT, DATE OBTAINED

4 TOTAL AMOUNT OF CLAIM AS OF PETITION DATE

\$ _____ (unsecured) \$ _____ (secured) \$ _____ (unsecured priority) \$ _____ (total)

If all or part of your claim is secured or entitled to priority, also complete Item 5 or 6 below

Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.

5 SECURED CLAIM

Check this box if your claim is secured by collateral (including a right of setoff)

Brief description of collateral

Real Estate

Motor Vehicle

Other _____

Value of collateral \$ _____

Amount of arrearage and other charges at time case filed included in secured claim above if any \$ _____

6 UNSECURED PRIORITY CLAIM

Check this box if you have an unsecured priority claim

Specify the priority of the claim

Wages salaries or commissions (up to \$4 650* earned within 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))

Contributions to an employee benefit plan 11 U.S.C. § 507(a)(4)

Up to \$2 100* of deposits toward purchase lease or rental of property or services for personal family or household use 11 U.S.C. § 507(a)(6)

Alimony maintenance or support owed to a spouse former spouse or child 11 U.S.C. § 507(a)(7)

Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8)

Other Specify applicable paragraph of 11 U.S.C. § 507(a) _____

* Amounts are subject to adjustment on 4/1/01 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment

REC'D OCT 17 2003

7 CREDITS The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim

8 SUPPORTING DOCUMENTS Attach copies of supporting documents, such as promissory notes purchase orders invoices itemized statements of running accounts contracts court judgments mortgages security agreements and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS if the documents are not available explain. If the documents are voluminous attach a summary.

9 DATE-STAMPED COPY To receive an acknowledgment of your claim, please enclose a self-addressed stamped additional copy of this proof of claim



USE ONLY

The original of this completed proof of claim form must be sent by mail or hand delivered (FAXES NOT ACCEPTED) so that it is received on or before 4 00 p m , October 1, 2003, Eastern Daylight Time

BY MAIL TO United States Bankruptcy Court
re Allegiance Telecom Inc et al
P O Box 95 Bowling Green Station
New York, NY 10274

BY HAND OR OVERNIGHT DELIVERY TO Clerk of the United States Bankruptcy Court
re Allegiance Telecom Inc , et al
One Bowling Green 6th Floor
New York NY 10004-11408

DATE SIGNED
10/9/03

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)

[Signature]

RECEIVED
OCT 14 2003
CLAIMS PROCESSING CENTER
USBC, SDNY

Penalty for presenting fraudulent claim is a fine of up to \$500 000 or imprisonment for up to 5 years or both 18 U.S.C. §§ 152 AND 3571

See Other Side For Instructions

EMPLOYMENT

AGREEMENT FOR SEPARATION OF

This Agreement for Separation of Employment (this "Agreement") is made by and between Allegiance Telecom, Inc , a Delaware corporation (including its subsidiaries and divisions, "Employer") and Bill Francis ("you", together with Employer, the "Parties") The Parties agree as follows

1 Separation You acknowledge that your separation from Employer is effective as of February 13, 2002 (the "Separation Date") As of the Separation Date, you will no longer be required to fulfill any of the duties and responsibilities associated with your position nor are you authorized to act on behalf of the Employer or direct the activities of any of Employer's employees This Agreement will be null and void if not executed by both parties and returned by you to Allegiance Telecom, Inc , 700 E Butterfield Road, Suite 400, Lombard, Illinois 60148, attention Legal Department, facsimile no 630/522-5250 on or prior to March 15, 2002

2 Severance Payment and Other Consideration

- (a) In consideration for signing this Agreement, including the release of claims set forth in paragraph 3 below, your covenants set forth in this Agreement and your continued performance of your obligations under this Agreement, Employer will (i) continue to pay you your current salary on an uninterrupted basis from the Separation Date through August 30, 2002, less standard withholdings, so that you continue to get your current pay amount on each payroll payment date through August 30, 2002 (the "Severance Payment"), (ii) allow you to keep the rights you have under your existing Employer issued stock options, it being understood that (1) you will cease to vest under those options effective on the Separation Date and, as such, will have a total of ~~253,604~~ vested options (the terms of your stock options are defined under your separate stock option agreements) and (2) notwithstanding any provision in your separate stock option agreements to the contrary, you will have until January 31, 2004 to exercise your vested stock options (i e , eighteen months after July 31, 2002) and (iii) grant you 100,000 shares of restricted stock, one half of which will vest on July 31, 2002 and one half of which will vest on January 31, 2003, subject to acceleration of all vesting in the event of a change of control of Employer (the terms of your restricted stock grant are defined under a separate Restricted Stock Agreement to be entered into in connection with this Agreement) Your rights to the Severance Payment, restricted stock and other rights hereunder shall survive your death and be payable to your estate
- (b) The Severance Payment shall not be considered compensation for purposes of any employee benefit plan, program, policy or arrangement maintained or hereafter established by Employer or any of its affiliates
- (c) You understand that any Severance Payment and all other promises made to you hereunder represent consideration for signing and performing this Agreement and not salary, wages or benefits to which you were already entitled You will be responsible for any and all COBRA health insurance payments (if you so elect) after February 28, 2002

3 Release by You

- (a) You (for yourself, your heirs, assigns or executors) release and forever discharge Employer, any of its affiliates, successors, assigns, insurers or attorneys, and its and their directors, officers, agents and employees from any and all claims, suits, demands, causes of action, contracts, covenants, obligations, debts, costs, expenses, attorneys' fees, liabilities of whatever kind or nature in law or equity, by

statute or otherwise, whether now known or unknown, vested or contingent, suspected or unsuspected, and whether or not concealed or hidden, which have existed or may have existed, or which do exist, through the Separation Date, of any kind, which relate in any way to your employment with Employer or the termination of that employment ("Claims"), except (i) those arising out of the performance of this Agreement and (ii) your rights under the employee benefit plans of Employer that by their terms are available to terminated employees. Such released Claims include, without in any way limiting the generality of the foregoing language, any and all claims for accrued unused vacation and any and all claims of employment discrimination under any local, state or federal law or ordinance, including, without limitation, Title VII or the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, the Americans with Disabilities Act of 1990, and, including any claims of age discrimination, under the Age Discrimination in Employment Act of 1967, as amended.

- (b) In signing this release, you acknowledge that you intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. You expressly consent that this release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. You acknowledge and agree that this release is an essential and material term of this Agreement and without such release, Employer would not have made available to you the benefits provided for herein. You further agree that in the event you bring any Claim in which you seek damages against Employer, or any of its affiliates, successors, assigns, insurers or attorneys, and/or its and their directors, officers, agents and employees, this release shall serve as a complete defense to such Claims, and Employer will be (i) relieved of its obligations to make continued payments under this Agreement and provide the benefits hereunder, and (ii) entitled to recover all payments previously made by Employer under this Agreement (except as prohibited by law). Excepted from this release are any claims which cannot be waived by law, including the right to file a charge with or participate in an investigation conducted by the Equal Employment Opportunity Commission ("EEOC") and any claims for unemployment benefits under applicable state law. You are, however, waiving any right to a monetary recovery should the EEOC or any agency pursue any claim on your behalf.
- (c) In signing this release, you are waiving any rights or benefits you may have under the provisions of 1542 of the California Civil Code, or of the provisions of any similar statute of any other jurisdiction. Civil Code Section 1542 provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

You understand the statutory language of Section 1542 of the California Civil Code but nevertheless elect to and hereby do release Employer from all claims you may have against Employer, whether known or unknown, as herein provided, and specifically waive any rights which you may have under said Civil Code Section

- (d) By signing this Agreement, you acknowledge that

- (i) you have carefully read and fully understand all of the provisions of this Agreement,
- (ii) you knowingly and voluntarily agree to all of the terms set forth in this Agreement,
- (iii) you knowingly and voluntarily agree to be legally bound by this Agreement,
- (iv) you are hereby advised to consult with an attorney prior to signing this Agreement,
- (v) you have been given twenty-one (21) days after receipt of this Agreement within which to consider it,
- (vi) you have seven (7) days from the Execution Date to revoke this Agreement, and understand that this Agreement shall not become effective or enforceable until the seven days have expired (in which case, that will be the "Effective Date"), such revocation shall be effective when written notice of revocation is received by Allegiance Telecom, Inc , 700 E Butterfield Road, Suite 400, Lombard, Illinois 60148, attention Legal Department, facsimile no 630/522-5250, on or prior to the seventh day from the Execution Date. If you revoke this Agreement in this manner, it will no longer be binding on you or Employer and you will not be entitled to the benefits outlined herein,
- (vii) you have two (2) days from the Execution Date to revoke this Agreement, and understand that this Agreement shall not become effective or enforceable until the two days have expired (in which case, that will be the "Effective Date"), such revocation shall be effective when written notice of revocation is received by on or prior to the seventh day Allegiance Telecom, Inc , 700 E Butterfield Road, Suite 400, Lombard, Illinois 60148, attention Legal Department, facsimile no 630/522-5250, from the Execution Date. If you revoke this Agreement in this manner, it will no longer be binding on you or Employer and you will not be entitled to the benefits outlined herein, and
- (viii) if you revoke this agreement as permitted hereunder, your rights under this agreement (including with respect to any options or restricted stock under any other agreement) shall terminate

4 Additional Agreements

- (a) By signing this Agreement you agree to immediately return all Employer files, records, documents, equipment, plans, pictures, or any other property or items concerning the business of Employer, whether prepared by you or otherwise in your possession or control
- (b) You further agree to cooperate with and assist Employer, its successors and assigns, to assist and cooperate (including but not limited to testifying or providing information) in the investigation and handling of any actual or threatened court action, arbitration or administrative proceeding involving any action that arose during your employment, provided however that you shall not be required to cooperate with or assist Employer in any action against you by Employer
- (c) You have had access to and have become acquainted with various trade secrets,

other intellectual property and confidential information of Employer, including, but not limited to, the identities and requirements of Employer's customers, Employer's billing processes and Employer's pricing and financial information, which are owned by Employer. By signing this Agreement, you agree that you will never disclose any of the trade secrets, other intellectual property or confidential information of Employer, directly or indirectly, and will never use them in any way, unless given permission in writing by the Chief Executive Officer of Employer or its successor. By signing this Agreement, you further agree that you will assist and cooperate with Employer's efforts to record or otherwise deliver to Employer any and all such intellectual property to ensure that it remains available to Employer after your separation from Employer.

- (d) You will not directly or indirectly through others interfere with Employer's or any of its affiliates' or successors' relationships with their employees, suppliers or customers. You acknowledge that you have signed that certain Agreement to Protect Intellectual Property between you and Employer.
- (e) You will not directly or indirectly disparage or give testimony against (unless required by law in a proceeding not initiated directly or indirectly by you) Employer (including with respect to the quality of its services, its management, its processes and its prospects), or any of its affiliates or successors with other employees, suppliers, customers or other third parties. Without limiting the generality of the foregoing, you will not post any disparaging remarks about Employer or CLECs generally on any chat board (including but not limited to, the Yahoo chat board) or any other Web site or provide any disparaging commentary regarding Employer or CLECs generally to any media or other parties.
- (f) Employer agrees to reimburse you for properly submitted expense reports relating to business expenses incurred prior to your Separation Date.
- (g) Employer acknowledges that your mere employment with a competitor of Employer shall not constitute a breach of this Agreement, it being understood that the provisions hereof and those of the Agreement to Protect Intellectual Property referred to above do not prohibit you from working for such a competitor but rather prohibit certain actions you might otherwise be able to take whether on behalf of such a competitor or otherwise.

5 **Confidentiality of this Agreement** The contents of this Agreement, including but not limited to its financial terms, are strictly confidential. By signing this Agreement, you agree and represent that you will maintain the confidential nature of this Agreement, except (i) to legal counsel, tax and financial planners, and immediate family who agree to keep it confidential, and to the Internal Revenue Service, (ii) as otherwise required by law, in which case you shall notify Employer in writing in advance of disclosure, and (iii) as necessary to enforce this Agreement.

6 **Assignment**

- (a) This Agreement shall be binding upon and inure to the benefit of the Employer and any successor or assign of Employer. You may not assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of Employer.
- (b) The Parties agree that no interest or right you have or any of your beneficiaries has to receive payment or to receive benefits under this Agreement shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind, except as required by law. Nor may such interest or right to receive payment or distribution be taken

voluntarily or involuntarily, for the satisfaction of the obligations or debts of, or other claims against you or your beneficiaries, including for alimony, except to the extent required by law

- 7 **No Admissions** This Agreement shall not be construed as an admission of any wrongdoing either by Employer, or any of its affiliates, successors, assigns, insurers or attorneys, or any of its or their directors, officers, agents or employees
- 8 **Amendments** This Agreement cannot be amended without the prior written consent of you and Employer
- 9 **Complete Agreement** This Agreement contains the entire agreement between you and Employer regarding the matters set forth herein
- 10 **Governing Law, Severability** This Agreement shall be interpreted in accordance with the laws of the State of Texas Whenever possible, each provision of this Agreement shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision shall be held to be prohibited or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting the remainder of such provision or any of the remaining provisions of this Agreement
- 11 **Construction** The various titles of the sections herein are used solely for convenience and shall not be used for interpreting or construing any word, clause, section, paragraph, or subparagraph of this Agreement The language used in this Agreement shall be deemed to be the language chosen by the Parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any Party
- 12 **Counterparts** This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same Agreement
- 12 **Delivery by Facsimile** This Agreement any amendments hereto to the extent signed and delivered by means of a facsimile machine, will be treated in all manner and respects as an original agreement and will be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person At the request of any Party, each other Party hereto will reexecute original forms thereof and deliver them to all other Parties No Party hereto will raise the use of a facsimile machine to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a facsimile machine as a defense to the formation or enforceability of a contract and each such party forever waives any such defense

Please indicate your agreement by signing this and returning an originally executed Agreement to Allegiance Telecom, Inc, attention Allegiance Telecom, Inc , 700 E Butterfield Road, Suite 400, Lombard, Illinois 60148, Legal Department, facsimile no 630/522-5250

Sincerely,

Allegiance Telecom, Inc


By

Printed Name *RANDALL E. HAND*

Its *SENIOR COUNSEL*

AGREED TO AND ACCEPTED BY

Signature

A handwritten signature in black ink, appearing to read "Bill Francis", written over a horizontal line.

Printed Name Bill Francis

3-12-02

Dated

("Execution Date")

RESTRICTED STOCK AGREEMENT

This Restricted Stock Agreement (this "Agreement") is made and entered into as of the date of award indicated below (the "Award Date") by and between Allegiance Telecom, Inc., a Delaware corporation ("we" or the "Company"), and the person named below as participant ("you" or the "Participant"). All capitalized terms used in this Agreement shall have the meaning assigned to them in Paragraph 5 of this Agreement.

WHEREAS, Participant is an employee of the Company, and

WHEREAS, pursuant to that certain Agreement for Separation of Employment (the "Separation Agreement"), the Company has agreed to award Participant under the Company's 1998 Stock Incentive Plan (as this plan may be amended from time to time according to its terms, the "Plan") shares of the common stock, \$01 par value per share, of the Company (the "Common Stock"), on the terms and conditions set forth herein,

NOW, THEREFORE, in consideration of the mutual promises made herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1 Award Certain Terms and Conditions

(a) Number of Shares Awarded - Purchase Price The Company hereby awards to you, and you hereby accepts, as of the Award Date the number of shares of Common Stock indicated below (the "Restricted Shares"). Concurrently with the delivery of this Agreement, you shall deliver a duly executed blank Assignment Separate from Certificate (in the form attached hereto as Exhibit I) with respect to the Restricted Shares:

Participant Bill Francis

Award Date February 13, 2002

Number of Restricted Shares Awarded ~~100,000~~^{100,000}

(b) You are Bound by the Plan A copy of the Plan is attached to this Agreement. When you sign this Agreement, you will be deemed to have completely and carefully reviewed this Agreement and the Plan and we therefore advise you to do so before you sign. When you sign this Agreement, you agree to be bound by all of the terms of the Plan and this Agreement with respect to the Restricted Shares.

(c) You are Bound by all of the Company's Policies As consideration for the award of Restricted Shares hereunder, you agree to be bound by (i) all Company policies, including but not limited to, the Company's Anti-Slamming and Anti-Cramming policy, as such policies may be updated from time to time and (ii) the Company's Agreement to Protect Intellectual Property. The Anti-Slamming and Anti-Cramming policy and the Agreement to Protect Intellectual Property is specifically incorporated herein by reference, as if fully stated in this Agreement.

(d) Retention of Company's Rights When you sign this Agreement, you will also be deemed to agree that nothing in this Agreement or in the fact that we have awarded you the Restricted Shares entitles you to any employment at the Company or obligates the Company to provide for any adjustment to the number of Restricted Shares upon the occurrence of any events except as described in paragraph 4 below.

(e) Binding Agreement, Noncontravention You represent and warrant to the Company that this Agreement constitutes the legal, valid and binding obligation of you, enforceable in accordance with its terms, and your execution, delivery and performance of this Agreement does not and shall not conflict with, violate or cause a breach of any agreement, contract or instrument to which you are a party or any judgment, order or decree to which you are subject.

2 Vesting of Restricted Shares

(a) Vesting Schedule You shall acquire a vested interest in the

Restricted Shares as set forth in the following table

Vesting Date	Cumulative percentage of Restricted Shares
Vested on Such Vesting Date	
Award Date	0%
July 31, 2002	50.00%
January 31, 2003	100.00%

Notwithstanding the foregoing sentence, and except as otherwise provided herein, (i) the above described vesting shall cease and no Unvested Restricted Shares (as defined below) shall vest after the date on which you breach the Separation Agreement or any other agreement you have with the Company (a "Termination Date") and (ii) if you die and prior to your death there has not been a Termination Date, all of your Unvested Restricted Shares shall immediately upon your death become Vested Restricted Shares. Restricted Shares which have become vested pursuant to the terms of this Agreement are referred to herein as "Vested Restricted Shares," and all other Restricted Shares are referred to herein as "Unvested Restricted Shares."

(b) Acceleration of Vesting upon a Change in Control Upon the consummation of a Change in Control that occurs prior to the Termination Date, all Unvested Restricted Shares shall become Vested Restricted Shares.

(d) Escrow The Company shall have the right to hold the Unvested Restricted Shares in escrow until those shares have vested in accordance with the Vesting Schedule and until such time as you have paid the Company the federal and state income and employment withholding taxes to which you become subject as a result of the vesting of your Restricted Shares, by cash payment. If you decide to make an election under Section 83(b) of the Internal Revenue Code, you must provide for payment of federal and state employment and withholding taxes at this time.

(f) Cancellation of Shares If requested by the Company, you or the holder of Unvested Restricted Shares forfeited pursuant to paragraph 2(a) shall deliver to the Company any certificates therefor, provided, however, that if Participant forfeits shares as provided in paragraph 2(a), then from and after such time, you or the holder of such shares shall no longer have any rights as a holder of such shares and the Company shall be deemed the owner and holder of such shares, whether or not the certificates therefor have been delivered to Company as required by this Agreement.

(g) Withholding of Taxes We will be entitled, if necessary or desirable, to withhold from you from any amounts due and payable by the Company to you the amount of any withholding or other tax due from the Company with respect to the issuance, vesting or distribution of the Restricted Shares, and we may defer the issuance or distribution of these shares unless you agree to indemnify us of this withholding obligation to our satisfaction. The Committee may, in its sole discretion, permit you to satisfy this withholding obligation by (i) having the Company withhold from the shares to be issued a number of shares having a Fair Market Value equal to the required withholding amount, or (ii) delivering to the Company shares of Common Stock owned by you having a Fair Market Value equal to the required withholding amount.

3

Restrictions on Transfer of Restricted Shares

(a) Retention of Restricted Shares You cannot sell, transfer, assign, pledge, hypothecate, or otherwise dispose of (whether with or without consideration and whether voluntarily or involuntarily or by operation of law) any interest in any Restricted Shares (a "Transfer" of Restricted Shares), except (i) to your "family members" as defined in and in accordance with the General Instructions to Form S-8 (in which case the restrictions set forth in the Plan and in this Agreement will continue to apply to such Restricted Shares after such Transfer and such permitted transferees of such Restricted Shares will have agreed in writing to be bound by the provisions of this Agreement with respect to such Restricted Shares) or (ii) in exchange for other Restricted Shares as described in paragraph 4 below (each such transfer a "Permitted Transfer").

(b) Transfers in Violation of Agreement Any Transfer or attempted Transfer of any Restricted Shares in violation of any provision of this Agreement will be void, and the Company will not record any such purported Transfer on its books or treat any purported transferee of such Restricted Shares as the owner thereof for any purpose

(c) Adjustments In the event of any merger, consolidation, reorganization, recapitalization, stock dividend, stock split, combination of shares, exchange of shares, change in corporate structure, or other change in the shares of Common Stock, the Committee may in its discretion make such adjustments in the number and type of Restricted Shares specified herein as it determines to be appropriate and equitable (and such adjustment will in no event be considered an amendment or modification of the Plan or of this Agreement) The issuance by the Company of shares of stock of any class, or options or securities exercisable or convertible into shares of stock of any class, for cash or property, or for labor or services either upon direct sale, or upon the exercise of rights or warrants to subscribe therefor, or upon exercise or conversion of other securities, will not affect, and no adjustment by reason thereof will be made with respect to, the Restricted Shares

Without limitation of the foregoing, in the event of any merger, consolidation or other reorganization in which the Company is not the surviving or continuing corporation or in which a Change in Control is to occur, all of the Company's obligations regarding Restricted Shares granted hereunder and that are outstanding on the date of such event will, on such terms as may be approved by the Committee prior to such event, be assumed by the surviving or continuing corporation or canceled in exchange for property (including cash)

4 Definitions

"Change in Control" means the occurrence of one of the following events

(i) if any "person" or "group" as those terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act, other than an Exempt Person, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities, or

(ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company (the "Board") and any new directors whose election by the Board or nomination for election by the Company's stockholders was approved by at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election was previously so approved, cease for any reason to constitute a majority thereof, or

(iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation (A) which would result in all or a portion of the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (B) by which the corporate existence of the Company is not affected and following which the Company's chief executive officer and directors retain their positions with the Company (and constitute at least a majority of the Board), or

(iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company's assets, other than a sale to an Exempt Person

"Code" means the Internal Revenue Code of 1986, as amended, and any successor statute

"Committee" means the Compensation Committee of the Board The membership of the Committee will be constituted so as to comply at all times with the applicable requirements of Rule 16b-3 under the Securities Exchange Act and Section 162(m) of the Code

"Common Stock" means the Common Stock, par value \$ 01 per share, of the Company, and any other shares into which such stock may be changed by reason of a recapitalization, reorganization, merger, consolidation or any other change in the corporate structure or capital stock of the Company

"Company" means Allegiance Telecom, Inc , a Delaware corporation, and (except to the extent the context requires otherwise) any "subsidiary corporation" of Allegiance Telecom, Inc , as such term is defined in Section 424(f) of the Code

"Exempt Person" means any employee benefit plan of the Company or a trustee or other administrator or fiduciary holding securities under an employee benefit plan of the Company

"Fair Market Value" of a share of Common Stock of the Company means, as of the date in question, the officially-quoted closing selling price of the stock (or if no selling price is quoted, the bid price) on the principal securities exchange on which the Common Stock is then listed for trading (including for this purpose the Nasdaq National Market) (the "Market") for the date in question or, if the Common Stock is not then listed or quoted in the Market, the Fair Market Value will be the fair value of the Common Stock determined in good faith by the Board, provided, however, that when Restricted Shares upon vesting are immediately sold in the open market, the net sale price received may be used to determine the Fair Market Value of any shares used to pay the exercise price or withholding taxes and to compute the withholding taxes

"Owner" shall mean Participant and all subsequent holders of the Restricted Shares who derive their chain of ownership through a Permitted Transfer from participant

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended, or any similar federal law then in force

5

Miscellaneous Provisions

(a) Mandatory Arbitration Subject to paragraph (g) below, all claims, disputes, controversies or other matters in question arising under or relating to this Agreement (collectively, "Disputes") will, if unable to be resolved within 10 days of preliminary negotiation between you and the Company, be resolved through binding arbitration in accordance with the commercial arbitration rules and practices of the American Arbitration Association. Such arbitration will be in Dallas, Texas, or such other place as is mutually agreeable to you and the Company. The cost of each arbitration proceeding, including without limitation the arbitrator's compensation and expenses, hearing room charges, court reporter transcript charges, reasonable attorney fees and expenses, etc , will be allocated among the parties based upon the percentage which the portion of the contested amount in such Dispute not awarded to each party bears to the amount actually contested by such party. The parties hereto agree that, subject to paragraph (g) below, mandatory arbitration under this paragraph 6 (a) will be the sole and exclusive remedy for resolving and remedying all Disputes hereunder

(b) Severability Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein

(c) Complete Agreement This Agreement and the Plan embody the complete agreement and understanding among the parties and supersede and preempt any prior under-standings, agreements or representations by or among the parties,

written or oral, which may have related to the subject matter hereof in any way

(d) Counterparts This Agreement may be executed in separate counterparts, none of which need contain the signature of more than one party hereto but each of which will be deemed to be an original and all of which taken together will constitute one and the same agreement

(e) Successors and Assigns Except as otherwise provided herein, this Agreement will bind the parties hereto and their respective successors and assigns and will inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns whether so expressed or not

(f) Choice of Law All questions concerning the construction, validity, enforcement and interpretation of this Agreement and the exhibits hereto will be governed by the internal law, and not the law of conflicts, of the State of Texas

(g) Equitable Remedies You and we agree and acknowledge that money damages would not be an adequate remedy if you or any other holder of Restricted Shares were to breach any of the provisions of paragraph 3 hereof, and that the Company (or any third-party beneficiary hereof) may in its sole discretion apply to any court of law or equity of competent jurisdiction (without posting any bond or deposit) for specific performance and/or other injunctive relief in order to enforce or prevent any violations of the provisions of paragraph 3 of this Agreement

(h) Amendment, Modification, or Waiver The provisions of this Agreement may be amended, modified, or waived only with the prior written consent of the Company and you

(i) Business Days If any time period for giving notice or taking action hereunder expires on a day which is a Saturday, Sunday or legal holiday in the State of Illinois, the time period will be automatically extended to the business day immediately following such Saturday, Sunday or holiday

(j) Notices All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and will be deemed to have been given when (a) delivered personally to the recipient, (b) telecopied to the recipient (with hard copy sent to the recipient by reputable overnight courier service (charges prepaid) that same day) if telecopied before 5 00 p m Chicago, Illinois time on a business day, and otherwise on the next business day, or (c) one business day after being sent to the recipient by reputable overnight courier service (charges prepaid) Such notices, demands and other communications will be sent to the following Persons at the following addresses

To the Company

Allegiance Telecom, Inc
700 E Butterfield Road
Suite 400
Lombard, Illinois 60148
Attention Mark B Tresnowski
Telephone (630) 522-5240
Telecopy (630) 522-5250

To You at the address listed in the Company's records

or to such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party Notwithstanding anything herein to the contrary, the Company may provide you with written notice by sending you an email or posting information applicable to this Agreement and/or Plan on the Company's Intranet site

(k) Descriptive Headings, Interpretation The descriptive headings of this Agreement are inserted for convenience only and do not constitute a substantive part of

this Agreement Whenever required by the context, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular forms of nouns, pronouns, and verbs shall include the plural and vice versa Reference to any agreement, document, or instrument means such agreement, document, or instrument as amended or otherwise modified from time to time in accordance with the terms thereof, and if applicable hereof The use of the words "include" or "including" in this Agreement shall be by way of example rather than by limitation The use of the words "or," "either" or "any" shall not be exclusive

(l) Delivery by Facsimile This Agreement and any amendments hereto to the extent signed and delivered by means of a facsimile machine, will be treated in all manner and respects as an original agreement and will be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person At the request of any party, each other party hereto will reexecute original forms thereof and deliver them to all other parties No party hereto will raise the use of a facsimile machine to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a facsimile machine as a defense to the formation or enforceability of a contract and each such party forever waives any such defense

(m) Excise Tax If either (a) it is determined by the Internal Revenue Service or any other applicable governmental agency that any payment or distribution of any type to or for your benefit pursuant to this Agreement by the Company, any Person who acquires ownership or effective control of the Company, or ownership of a substantial portion of the assets of the Company (within the meaning of section 280G of the Code and the regulations thereunder) or any affiliate of such Person (the "Total Payments") would be subject to the excise tax imposed by section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are collectively referred to as the "Excise Tax"), or (b) the Company or any such Person withholds any portion of such payment or distribution or otherwise seeks to reduce your benefits under this Agreement on account of the Excise Tax, then the Company and such Person shall be jointly and severally obligated to pay you an additional payment (a "Gross-Up Payment") in an amount such that, after payment by you of all federal, state and local taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, you retain an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Total Payments The Company and such Person shall be obligated to pay all of your costs (including reasonable attorney fees and expenses) incurred in enforcing their obligations under this paragraph 8(m)

IN WITNESS WHEREOF, the parties hereto have executed this Restricted Stock Agreement on the date first written above



ALLEGIANCE TELECOM, INC
By 
Name RANDALL E. HAND
Title SENIOR COUNSEL
PARTICIPANT

Name Bill Francis 3-12-02

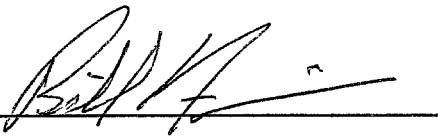
EXHIBIT I

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED _____ hereby sell(s), assign(s) and transfer(s) unto

Allegiance Telecom, Inc (the "Company"), _____ (____) shares of the Common Stock of the Company standing in his or her name on the books of the Company represented by Certificate No _____ herewith and do(es) hereby irrevocably constitute and appoint _____ Attorney to transfer the said stock on the books of the Company with full power of substitution in the premises

Dated 3-12-02

Signature  _____

—

INSTRUCTION Please do not fill in any blanks other than the signature line Please sign exactly as you would like your name to appear on the issued stock certificate The purpose of this assignment is to enable the company to re-acquire the Restricted Shares upon forfeiture due to the occurrence of a Termination Date without requiring additional signatures on the part of the Participant

COLLINS & BASINGER

A PROFESSIONAL CORPORATION
ATTORNEYS AND COUNSELORS AT LAW

KYLE G BASINGER
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Telecopier (972) 991-8910
Firm Web Site www.cblegal.com

F COLIN DURHAM, JR
PATRICK J SCHURR

DONALD J HAHN
Of Counsel

October 10, 2003

VIA U S FIRST CLASS MAIL

United States Bankruptcy Court
RE Allegiance Telecom, Inc , et al
P O Box 95 Bowling Green Station
New York, NY 10274

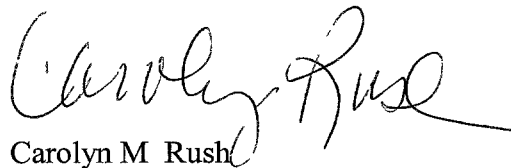
RE Bill Francis, SR VP Network Admin
SSN 441-36-5704

Dear Clerk

Enclosed please find the Proof of Claim as regards the above identified individual Please return file marked copies to the attention of the undersigned I have enclosed a self addressed stamped envelope for your convenience

Thank you for your assistance in this matter

Sincerely,



Carolyn M Rush
Legal Assistant to Michael J Collins

Enclosure