

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re

Chapter 11

ALLEGIANCE TELECOM, INC , et al.,

Case No 03-13057 (RDD)

Debtors

(Jointly Administered)

**ORDER APPROVING SETTLEMENT AGREEMENT RESOLVING
PLAN OBJECTIONS AND CERTAIN OTHER MATTERS
BETWEEN THE DEBTORS AND BELL SOUTH TELECOMMUNICATIONS INC**

The Debtors and BellSouth Telecommunications Inc (“BellSouth”) having resolved certain of BellSouth’s claims and BellSouth’s objections to confirmation of the Debtors’ Second Amended Joint Plan of Reorganization dated April 22, 2004 (the “Plan”) in accordance with the terms of the settlement agreement dated June 4, 2004 (the “BellSouth Settlement Agreement”), and upon approval of the Debtors’ motion dated June 4, 2004 authorizing the filing under seal of certain settlement agreements, including the BellSouth Settlement Agreement, and upon the *in camera* hearing held on June 7, 2004 to consider approval of the BellSouth Settlement Agreement, and after due deliberation and sufficient cause appearing therefore as set forth on the record by the Court, it is

ORDERED, that the BellSouth Settlement Agreement is hereby approved in its entirety

Dated June 8, 2004

/s/Robert D Drain
HONORABLE ROBERT D DRAIN
UNITED STATES BANKRUPTCY JUDGE

Docket # 1463

BELLSOUTH SETTLEMENT AGREEMENT

CONFIDENTIAL – SUBJECT TO BANKRUPTCY COURT ORDER

THE BELLSOUTH SETTLEMENT AGREEMENT HAS BEEN FILED UNDER SEAL

PROOF OF CLAIM

Name of Debtor **Allegiance Telecom Inc**

Case Number **03 13057 (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 (The person or other entity to whom the debtor owes money or property) **BellSouth Advertising & Publishing Co**

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

Name and address where notices should be sent

**Kilpatrick Stockton LLP
Paul M. Rosenblatt, Esq.
1100 Peachtree Street, Suite 2800
Atlanta, GA 30309**

Check box if you have never received any notices from the bankruptcy court in this case.
 Check box if the address differs from the address on the envelope sent to you by the court.

Telephone number **404-815-6321**

**FILED
U.S. B.C. SOUTHERN DISTRICT OF NEW YORK
ALLEGIANCE TELECOM, INC
03-13057 (RRD)

1526**

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Account or other number by which creditor identified debtor

Check here replaces a previously filed claim dated _____.
 amends _____.

1 Basis for Claim

- Goods sold
- Services performed
- Money loaned
- Personal injury/wrongful death
- Taxes
- Other _____

- Retiree benefits as defined in U.S.C. § 1114(i)
- Wages, salaries, and compensation (fill out below)

Your SS # _____

Unpaid compensation for services performed

from _____ to **REC'D NOV 25 2003**
(date) (date)

2 Date debt was incurred

3 If court judgment date obtained

4 Total Amount of Claim at Time Case Filed

If all or part of your claim is secured or entitled to priority, also complete Item 5 and 6 below. \$ **See Attached**

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 **Setoff**

Value of Collateral **See Attached**

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

6 Unsecured Priority Claim

Check this box if you have an unsecured priority claim.

Amount entitled to priority _____

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(i)(5)
- Contributions to an employee benefit plan. 11 U.S.C. § 507(i)(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(i)(6)
- Alimony, maintenance, or support owed to a spouse, former spouse, or child. 11 U.S.C. § 507(i)(7)
- Taxes or penalties owed to government if units. 11 U.S.C. § 507(i)(8)
- Other: Specify applicable paragraph of 11 U.S.C. § 507(i)(____)

* Amounts are subject to adjustment on 4/1/04 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.

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

8 Support Documents Attach copies of support 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.

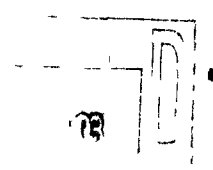
9 Date-Stamped Copy To receive in acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.

Date

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).

10/26/03 *[Signature]* Patricia Bridwell

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Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both.



01573

Introduction

BellSouth is a communications services company that provides retail and wholesale voice and data services to business and residential customers. It is one of the four remaining Regional Bell Operating Companies.

BellSouth provides an array of services to the Allegiance Telecom Inc ("Allegiance") entities through various agreements, including contracts and tariffs. Such services include completing Allegiance customers' long distance calls (known as "access" service) and providing wholesale and retail telecommunications services to Allegiance.

General Claims

Claim Asserted By	Category	A/R Balance
BST	Access (including UUNET) (CRIS/UNE)	\$ 321,579.87
BST	CABS	\$ 961,477.43
BST	Local (RETAIL)	\$ 14,959.39
BAPCO	BAPCO	\$ 3,308.50
	TOTAL	\$1,301,325.19

BST = BellSouth Telecommunications, Inc
BAPCO = BellSouth Advertising and Publication Co

The above amounts are summaries of the claims owed to BellSouth. BellSouth has already provided to the Allegiance entities detail regarding these amounts and will provide additional detail upon request. See "Notes and Additional Reservation of Rights" below.

Executory Contracts

BellSouth and the Allegiance entities are parties to various agreements. Pursuant to these agreements, the Allegiance entities owe various obligations to BellSouth, including providing communications and related services. As a result, BellSouth has various contingent, unliquidated claims for such obligations. See "Notes and Additional Reservation of Rights" below.

SMS/800

The 800 Service Management System (SMS/800) is a centralized system that performs toll-free (800, 877, 888 and 866) number management. All service providers that assign toll-free numbers for use within the US and Canada must use the SMS/800 to verify the availability of specific numbers, reserve the numbers, create customer records, and download records to local exchange carrier Service Control Points to facilitate call processing. The SMS/800 is administered by the Bell Operating Companies - Verizon Communications Inc, BellSouth Telecommunications, Inc, SBC Communications Inc, and Qwest Corporation.

BellSouth hereby incorporates as if filed herein any charges owed by the Allegiance entities to SMS/800. See "Notes and Additional Reservation of Rights" below.

Offset

The claims set forth herein are subject to BellSouth's rights of offset, including setoff and/or recoupment. The amount of such offset is undetermined at this time. See "Notes and Additional Reservation of Rights" below.

Deposit

Prior to commencing these bankruptcy cases, the Allegiance entities provided to BellSouth a deposit. The claims set forth herein are subject to BellSouth's deposit rights. See "Notes and Additional Reservation of Rights" below.

Notes and Additional Reservation of Rights

1 The amounts set forth in this proof of claim do not include any interest, late charges, or other fees, costs and charges as yet to be determined that may have accrued but were unpaid as of the commencement of the Allegiance bankruptcy cases, or that may have accrued but were unpaid after the commencement of the Allegiance bankruptcy cases.

2 Due to the complex relationship between BellSouth and the Allegiance entities, BellSouth is still in the process of identifying which Allegiance entities are liable for the claims set forth herein. As such, and in an abundance of caution, BellSouth has filed this identical claim in several of the Allegiance bankruptcy cases.

3 BellSouth hereby provides notice that it reserves the right to amend this proof of claim for any additional amounts that are owing or are determined or deemed to be owing by the Allegiance entities, or as such additional amounts are liquidated

4 Due to the voluminous nature of the agreements, including contracts and applicable tariffs, between BellSouth and the Allegiance entities, and the voluminous nature of the bills and invoices issued pursuant thereto, copies of these documents are not being attached hereto. By way of example, Tariff F C C No. 1 governing the provision of access services by BellSouth to the Allegiance entities is over 1,000 pages. Various other tariffs are also applicable. In addition, the Competitive Local Exchange Carrier ("CLEC") agreements between BellSouth and various of the Allegiance entities are each many hundreds of pages. The Allegiance entities have multiple CLEC agreements with BellSouth in multiple states. Certain of the monthly invoices and bills that BellSouth renders to the Allegiance entities are so voluminous that they are only effectively viewed electronically. Some of these invoices and bills are many, many thousands of pages each month. A majority of the agreements can be viewed and obtained at the following web site locations:

- (a) <http://cpr.bst.bellsouth.com/pdf/fcc/fcc.htm>
- (b) <http://www.bellsouth.com/tariffs/>
- (c) <http://cpr.bellsouth.com/>

5 For additional information, or to obtain copies of the documentation discussed herein, please contact counsel for BellSouth at:

Paul M. Rosenblatt, Esq.
Kilpatrick Stockton, LLP
1100 Peachtree St.
Suite 2800
Atlanta, GA 30309-4530

404-815-6321 - direct dial
404-541-3373 - direct fax
prosenblatt@kilpatrickstockton.com

Via Overnight Delivery

United States Bankruptcy Court
Southern District of New York
Allegiance Claims Docketing Center
One Bowling Green, Room 534
New York, NY 10004-1408

Re *In re Allegiance Telecom, Inc* 03-13057 (Jt Admin)
In re Allegiance Telecom of Florida Inc 03-13073
In re Allegiance Telecom of Georgia Inc , 03-13074
In re Allegiance Telecom of North Carolina Inc , 03-13085

Dear Clerk

Enclosed please find eight (8) separate proofs of claim along with copies of each to be filed in the above-reference cases. Four (4) of the claims are on behalf of BellSouth Telecommunications Inc for each of the above-referenced cases and the other four (4) are on behalf of BellSouth Advertising and Publishing Co for each of the above-referenced cases. Please file the original of each in the case indicated on the proof of claim form and return the copy with a file stamp indicating the date and time it was received. A self-addressed stamped envelope is enclosed. Please contact me at (404) 986 -1930 should you have any questions. Thanks you

Very truly yours,



Martha Brideau
Bankruptcy Project Manager
BellSouth