

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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STIPULATION AND AGREED ORDER RESOLVING, AMONG OTHER THINGS, OBJECTION OF MCI, INC TO DEBTORS' SECOND AMENDED JOINT PLAN OF REORGANIZATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE DATED APRIL 22, 2004

MCI, Inc (formerly, WorldCom, Inc) and its direct and indirect subsidiaries (collectively, "MCI") and Allegiance Telecom, Inc , Allegiance Telecom Company Worldwide ("ATCW"), and ATCW's direct and indirect subsidiaries (collectively, "Allegiance" or the "Debtors," and together with MCI, the "Parties") respectfully submit this Stipulation and Agreed Order ("Stipulation")

WHEREAS, on May 14, 2003 (the "Petition Date"), Allegiance commenced cases under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the Bankruptcy Court for the Southern District of New York, Case No 03-13057 (RDD) (the "Bankruptcy Court") Allegiance continues to operate its businesses and manage its properties as debtors in possession

WHEREAS, prior to the Petition Date, MCI and Allegiance entered into various agreements including the following (1) the Asset Purchase Agreement, dated November 30, 2001 (the "IBI Agreement"), (2) the Asset Purchase Agreement dated June 17, 2002 (the "APA"), and (3) the Domestic & Metro Private Line Special Carrier

Docket #1466

Service Agreement, dated September 29, 2000 (as amended, the "MSA") In order to resolve certain disputes and claims raised under such contracts and various other agreements and tariffs between the Parties, MCI and Allegiance entered into an Agreement for Additional Services, Security, and Settlement of Certain Matters, as amended by Addendum No 1, dated as of April 15, 2003 (as amended, the "Settlement Agreement"), and together with the IBI Agreement, the APA, the MSA, and all other prepetition agreements, tariffs and service orders between the Parties, the "Prepetition Agreements") MCI continues to provide various services to Allegiance pursuant to the Prepetition Agreements

WHEREAS, as of April 28, 2003, and in accordance with the Settlement Agreement, ATCW is the account party with respect to a certain irrevocable standby letter of credit (the "LOC") issued by JPMorgan Chase Bank ("JPMorgan") in the amount of \$3,000,000 JPMorgan issued the LOC to MCI and solely for the benefit of MCI The LOC will expire by its terms on April 30, 2005

WHEREAS, on November 25, 2003, MCI filed various proofs of claim against Allegiance in the aggregate amount of \$6,591,441.37 (the "Prepetition Claims"), for, among other things, amounts alleged to be due and owing to MCI under the Prepetition Agreements The Debtors dispute that they owe a portion of the Prepetition Claims

WHEREAS, MCI has reduced the outstanding amount owed on its Prepetition Claims by making a \$1,404,295.77 draw on the LOC (the "Draw") Allegiance has disputed MCI's right to the Draw and has filed an adversary proceeding against MCI with respect to the Draw, styled *Allegiance Telecom, Inc , et al v MCI*,

Inc , et al (Adv Pro 04-03098-rdd) (the ‘Lawsuit’) In the Lawsuit, Allegiance asserts, *inter alia*, that the Draw is an avoidable preference under sections 547 and 550 of the Bankruptcy Code MCI has not yet answered the Lawsuit, but nevertheless disputes that the Draw is avoidable by Allegiance as a preference or otherwise

WHEREAS, the Debtors have filed their Second Amended Plan of Reorganization to Chapter 11 of the Bankruptcy Code, dated April 22, 2004 (the ‘Plan’) ¹ Allegiance intends to reject certain of the Prepetition Agreements pursuant to the Plan Allegiance has also notified MCI that it intends to assume, assume and assign, or assign to Buyer a certain Telecommunications Services Agreement with MCI pursuant to the Plan (the ‘Assumed Agreement’) and has proposed an amount that will cure defaults under the Assumed Agreement in such notice

WHEREAS, on June 1, 2004, MCI filed its objection to the Plan (the ‘Objection’) (docket no 1357) In the Objection, MCI raises, among other things, certain concerns related to the proposed rejection of certain of the Prepetition Agreements under the Plan

WHEREAS, in order to resolve the disputes between the Parties, including disputes related to the Objection, the Lawsuit, and the Prepetition Claims, the Parties have negotiated this Stipulation in good faith and at arms’ length and desire that it shall be binding on each of them

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and between the Allegiance and MCI, through their undersigned counsel, that

¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Plan.

1 Upon entry of a final, non-appealable order approving this Stipulation (the “Order”), the Objection shall be deemed withdrawn with prejudice

2 The Order shall constitute a complete dismissal of the Lawsuit with prejudice and Allegiance shall file notice of such dismissal with prejudice on the docket of the Lawsuit within three (3) business days after entry of the Order

3 MCI proof of claim number 2229, filed against ATCW, is hereby Allowed in the aggregate amount of \$3,000,000 (the “Allowed Claim Amount”) MCI acknowledges and agrees that it has satisfied \$1,404,295 77 of the Allowed Claim Amount by means of the Draw Allegiance acknowledges and agrees that MCI shall fully satisfy the Allowed Claim Amount by means of an additional draw on the LOC in the amount of \$1,595,704 23 Allegiance waives any right to further prior written notice of such additional draw After taking account of such additional draw on the LOC, MCI shall have a remaining prepetition claim against the Debtors’ chapter 11 estates in the amount of \$0 00

4 Except as otherwise provided herein, Allegiance and its predecessors, successors, parents, subsidiaries, affiliates, assigns, transferees, agents, directors, officers, employees, shareholders, and attorneys hereby release and forever discharge the MCI and its predecessors, successors, parents, subsidiaries, affiliates, assigns, transferees, agents, directors, officers, employees, shareholders, and attorneys from and against all actions, causes of action, claims, suits, debts, damages, judgments, defaults, breaches, violations, liabilities, and demands whatsoever, whether at law or in equity, whether now known or unknown, that Allegiance now has, may have had, or may in the future claim to have on behalf of itself or any other person or entity, that arise from

the beginning of time through the date hereof, including, without limitation, all causes of action under chapter 5 of the Bankruptcy Code, and all claims and causes of action which have been asserted, or which could have been asserted, in the Lawsuit

5 MCI waives and releases any claim deemed to have arisen prior to the Petition Date for damages arising from the rejection of executory contracts under section 365 of the Bankruptcy Code

6 Nothing contained in this Stipulation shall be construed to be a waiver of MCI's rights and claims against Allegiance or Buyer, as the case may be, with respect to postpetition amounts owed under the Prepetition Agreements, the Assumed Agreement, or otherwise, and all such rights and claims are expressly reserved. Further, nothing in this Stipulation shall be deemed to be a waiver of MCI's right to the cure amount proposed by Allegiance with respect to the Assumed Agreement

7 This Stipulation shall be governed, in all respects, by the laws of the State of New York, irrespective of its choice of law rules

8 This Stipulation may be executed in any number of counterparts, and all such counterparts, taken together, shall be deemed to constitute one and the same instrument.

9 This Stipulation may not be modified, except in a written instrument signed by each of the Parties hereto

10 Allegiance and MCI represent and agree that this Stipulation is binding on the Parties and their predecessors, successors, subsidiaries, affiliates, assignees, agents, directors, officers, employees, the Plan Administrator, and any trustee appointed chapter 7 of the Bankruptcy Code

11 This Stipulation shall be binding on the Parties from the date of its execution, but is expressly subject to and contingent upon its approval by the Bankruptcy Court. If the Bankruptcy Court does not approve this Stipulation, this Stipulation shall be null and void.

12 The Bankruptcy Court shall retain exclusive jurisdiction over any and all disputes arising out of or otherwise relating to the matter in this Stipulation.

By /s/Alfredo R. Perez
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Houston, TX 77002
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Alfredo R. Perez, Esq.

Attorneys for MCI, Inc. and
its direct and indirect subsidiaries

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Matthew A. Cantor (MC-7727)
Jonathan S. Henes (JH-1979)

Attorneys for the Debtors and debtors in
possession

IT IS SO ORDERED

Dated New York, New York
June 8, 2004

/s/Robert D. Dram
United States Bankruptcy Judge

**UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

PROOF OF CLAIM



In re **Allegiance Telecom of California, Inc**

Case Number
03-13069

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 and Address

0389999007709

WorldCom Inc
WEIL GOTSHAL & MANGES LLP
Alfredo R. Perez
700 Louisiana
Ste 1600
Houston TX 77002

- 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.

Creditor Telephone Number (713) 546 5000

CREDITOR TAX ID #

ACCOUNT OR OTHER NUMBER BY WHICH CREDITOR IDENTIFIES DEBTOR see attached documentation

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 below) Your social security number _____

see attached summary Unpaid compensation for services performed from _____ to _____

(date) (date)

2 DATE DEBT WAS INCURRED **3 IF COURT JUDGMENT, DATE OBTAINED**

4 TOTAL AMOUNT OF CLAIM AT TIME CASE FILED

\$ 3,427,130.76	\$ 3,000,000	\$ 164,310.61	\$ 6,591,441.37
(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 see attached summary

Value of collateral \$ at least \$3,000,000

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) (1) _____

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.

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 envelope and an additional copy of this proof of claim.

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 5:00 p.m. November 26, 2003, Prevailing Eastern Time.

BY MAIL TO	United States Bankruptcy Court Southern District of New York Allegiance Claims Docketing Center Bowling Green Station P.O. Box 95 New York, NY 10274-0095	BY HAND OR OVERNIGHT DELIVERY TO	United States Bankruptcy Court Southern District of New York Allegiance Claims Docketing Center One Bowling Green, Room 534 New York, NY 10004 1408
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THIS SPACE FOR COURT USE ONLY

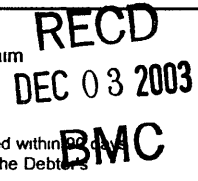
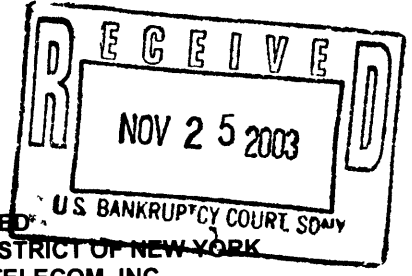
DATE SIGNED
11/21/03

SIGN and print the name and title of any of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any)

[Signature]

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



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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**PROOF OF CLAIM SUMMARY OF
WORLDCom, INC AND ITS DEBTOR AFFILIATES**

1 On May 14, 2003 (the "Petition Date"), Allegiance Telecom, Inc and its affiliated debtors (collectively, the "Debtors" or "Allegiance") commenced cases under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code")

2 On July 21, 2002 and November 8, 2002, WorldCom, Inc and substantially all of its direct and indirect domestic subsidiaries (collectively, "WorldCom") commenced cases under chapter 11 of the Bankruptcy Code (the "WorldCom Bankruptcy") in the Bankruptcy Court for the Southern District of New York, Case No 02-13533 (AJG) (the "WorldCom Court") WorldCom continues to operate its businesses and manage its properties as debtor in possession

3 Prior to the commencement of the WorldCom Bankruptcy, WorldCom and Allegiance entered into three separate agreements (1) the Asset Purchase Agreement, dated November 30, 2001 (the "IBI Agreement"),¹ (2) the Asset Purchase Agreement dated June 17,

¹ Between Allegiance Telecom Inc , ALGX Business Internet Inc WorldCom Inc and Intermedia Communications Inc

2002 (the “STFI Agreement”),² and (3) the Domestic & Metro Private Line Special Carrier Service Agreement dated September 29, 2000, as amended (the “MSA”) WorldCom and Allegiance also provide services to each other under various other agreements, tariffs and service orders (The STFI Agreement, the MSA, the IBI Agreement, and all other tariffs, agreements, and service orders are referred to collectively herein as the “Prepetition Agreements”)³

4 After the commencement of the WorldCom Bankruptcy, both WorldCom and Allegiance alleged claims and disputes against the other that arose, *inter alia*, from the Prepetition Agreements For example, WorldCom asserted claims against Allegiance in an informal complaint with the Federal Communications Commission (the “Access Charge Complaint”) relating to the historic interstate access rates charged to WorldCom by Allegiance On the other hand, Allegiance asserted numerous pre-petition claims against WorldCom, including indemnification claims of approximately \$11 million against WorldCom for alleged WorldCom breaches of warranties, representations and covenants arising under the IBI Agreement Allegiance also notified WorldCom that it intended to assert indemnification claims against WorldCom for alleged WorldCom breaches of warranties and representations under the STFI Agreement

5 In addition, WorldCom and Allegiance also asserted other additional claims against one another pursuant to the STFI Agreement and related to certain vehicles owned or leased by WorldCom to Allegiance that were provided to Allegiance as part of the STFI

² By and among Intermedia Communications, Inc , Shared Technologies Fairchild Inc Shared Technologies Fairchild Telecom Inc MCI WorldCom Communications Inc WorldCom Inc Allegiance CPE Inc , and Shared Technologies Allegiance Inc

³ The Prepetition Agreements are too voluminous to attach hereto Moreover certain of these documents contain confidential information The salient provisions of these documents are contained herein

Agreement Eventually, Allegiance notified WorldCom that it intended to return to WorldCom such vehicles

6 Finally, Allegiance asserted claims of a right of setoff of all pre-petition amounts allegedly owed to WorldCom against all pre-petition amounts WorldCom allegedly owes Allegiance

7 In order to resolve these various disputes and claims in the WorldCom Bankruptcy, on April 15, 2003, WorldCom and Allegiance entered into an Agreement for Additional Services, Security, and Settlement of Certain Matters, as amended by Addendum No 1, dated as of April 15, 2003 (as amended, the "Settlement Agreement") On May 2, 2003, WorldCom filed its Motion pursuant to Bankruptcy Rule 9019 seeking an Order approving the Settlement Agreement (the "Settlement Motion") A true and correct copy of the Settlement Motion is annexed hereto as Exhibit "A " On May 29, 2003, the WorldCom Court entered an Order granting the Settlement Motion and approving the Settlement Agreement in its entirety A true and correct copy of this Order is annexed hereto as Exhibit "B "

8 As described in the Settlement Motion, the Settlement Agreement provides for the following ⁴

- Within fifteen days of entering into the Settlement Agreement, Allegiance provided to WorldCom, as sole beneficiary, an irrevocable letter of credit with a term until April 30, 2005 in an amount equal to approximately three times the new monthly volume commitment under the MSA, set forth below, as security for purchases of services and products by Allegiance from WorldCom ("Services"),

⁴ The Settlement Agreement contains substantial proprietary and confidential information Accordingly, WorldCom has not attached the Settlement Agreement to this Summary To the extent there are any inconsistencies between the description of the Settlement Agreement contained herein and the terms and conditions of the Settlement Agreement the terms of the Settlement Agreement as applicable shall control

including, but not limited to, those products and services provided pursuant to the MSA, the IBI Agreement, the STFI Agreement, tariff, under the Settlement Agreement, or pursuant to new agreements⁵ WorldCom has the right to draw upon the letter of credit if Allegiance fails to pay WorldCom undisputed amounts for Services within 60 days after the receipt by Allegiance of an invoice and upon 15 days prior written notice to Allegiance of WorldCom's intention to draw upon the letter of credit WorldCom shall pay all fees and costs associated with the letter of credit fees after the first 12 months

- Upon receipt of the letter of credit, WorldCom released a credit hold on all Allegiance pending and future orders and WorldCom agreed that it would not reinstate such credit hold during the term of the letter of credit unless (a) the letter of credit has been fully drawn and (b) Allegiance has failed to timely pay any undisputed charges for Services, provided, however, that if WorldCom reinstates a credit hold, Allegiance's commitments outlined below to purchase Services from WorldCom will be reduced during the period of such credit hold
- For the post-petition period through March 31, 2003, WorldCom and Allegiance have reconciled undisputed amounts due and owing to each other as well as amounts billed but disputed The parties have agreed to make appropriate payments concurrent with the execution of the Settlement Agreement to bring the parties current on undisputed post-petition amounts owed through March 31, 2003

⁵ In accordance with the Settlement Agreement Allegiance has provided to WorldCom the letter of credit dated April 28 2003

- Upon approval of the Settlement Agreement by the Bankruptcy Court, Allegiance committed to purchase from WorldCom an aggregate of \$14,000,000 (the “April 2004 Commitment”) of Services (but excluding switched access services provided to Allegiance under tariff) from February 28, 2003 to April 30, 2004 (the “Initial Commitment Period”) and an aggregate of at least \$12,000,000 (the “April 2005 Commitment”) of Services (but excluding switched access services provided to Allegiance under tariff) from May 1, 2004 through April 30, 2005, provided, however, that any purchases of Services purchased in excess of the April 2004 Commitment during the Initial Commitment Period will be applied towards the April 2005 Commitment
- Upon approval of the Settlement Agreement by the Bankruptcy Court, the term and pricing under the MSA will be extended until April 30, 2005 and the volume commitment under the MSA will be raised from \$700,000 per month to \$900,000 per month through April 30, 2005 This amount is included in the April 2004 Commitment and April 2005 Commitment, as described above
- Until April 30, 2005, Allegiance will use commercially best efforts to procure certain additional Services from WorldCom that Allegiance is not currently purchasing from WorldCom if Allegiance does not already have an obligation to purchase such Services from third parties
- WorldCom agrees to cooperate with Allegiance in Allegiance’s efforts to collect amounts owed by the City of New York to Allegiance relating to equipment sold to the City of New York in connection with the events of September 11, 2001,

which amounts were part of the accounts receivable transferred to Allegiance under the STFI Agreement

- WorldCom and Allegiance agree to waive and release all outstanding claims between the parties arising pre-petition (including, but not limited to, the Access Charge Complaint and all claims arising before the commencement of the WorldCom Bankruptcy under the IBI Agreement and the STFI Agreement), all claims relating to the vehicles provided by WorldCom to Allegiance, all post-WorldCom Bankruptcy settlement amounts paid by the parties, and all post-WorldCom Bankruptcy, pre-settlement charges and disputes not otherwise identified by the parties. In furtherance of such releases, after approval of the Settlement Agreement by the WorldCom Court, WorldCom waived its right to convert its Access Charge Complaint into a formal complaint at the Federal Communication Commission. The parties, however, expressly reserved all claims not specifically released, including, *inter alia*, post-WorldCom Bankruptcy claims relating to Excluded Liabilities under the IBI Agreement and the STFI Agreement as defined in those Agreements
- The parties agreed that each of Allegiance and WorldCom may through June 30, 2005 setoff post-WorldCom Bankruptcy, post-settlement undisputed amounts owed by Allegiance and WorldCom against any post-WorldCom Bankruptcy post-March 31, 2003 undisputed amounts owed to Allegiance and WorldCom if the other party is more than 45 days late in payment, notwithstanding mutuality, on 15 days prior written notice

- WorldCom agreed to accept the return of the vehicles and the parties have agreed to a certain amount in settlement of the dispute arising from such return, which amount was taken into consideration in calculating the net post-WorldCom Bankruptcy amount to be paid pursuant to the Settlement Agreement and referenced in the third bullet point hereof
- The Settlement Agreement is confidential

9 Allegiance and WorldCom continue to provide Services to each other pursuant to the Settlement Agreement. As of the Petition Date, various Debtors, including Allegiance Telecom, Inc., owed WorldCom approximately \$5,990,915.29 in the aggregate for Services rendered under the Settlement Agreement. WorldCom lacks sufficient knowledge and information at this time to ascertain the specific Debtors in these chapter 11 cases that are liable for such claims. Accordingly, WorldCom asserts this proof of claim against each of the Debtor entities in these chapter 11 cases. The documents pertaining to these claims are voluminous. Accordingly, annexed hereto as Exhibit "C" is an account summary of the prepetition unpaid balances owed to WorldCom. To the extent possible, WorldCom has attempted to assign the amounts owed to specific Debtors. As set forth in Exhibit C, the balances owed by Allegiance Telecom, Inc. or certain of its affiliated Debtors include

- A prepetition balance owed by Allegiance Telecom, Inc. in the amount of \$5,624,205.99,
- A prepetition balance owed by Allegiance Telecom Company Worldwide in the amount of \$299,290.61,
- A prepetition balance owed by Hosting.com in the amount of \$331.40, and
- A prepetition balance owed by Jump.net in the amount of \$67,087.29

10 In addition to claims for Services, WorldCom also has claims against Allegiance Telecom, Inc and/or its affiliated Debtor, ALGX Business Internet, Inc (“ALGX”), related to certain real property located at 6800 Virginia Manor Road, Beltsville, Maryland (the “Premises”) On March 20, 2000, Intermedia Communications Inc (“Intermedia”), a subsidiary and affiliated debtor of WorldCom, and PS Business Parks L P (the “Landlord”) entered into a lease (the “Lease”) for the Premises On or about December 1, 2001, ALGX began to use a portion of the Premises Following the IBI Agreement, the parties anticipated that the Debtors would execute a sublease for the right to use the Premises, but no such sublease was in fact executed

11 The Debtors continue to use a portion of the Premises as of the date hereof, but, to date, WorldCom has not been paid rent in any amount for this use As of October 30, 2003, WorldCom and the Debtors reached an agreement that the Debtors would vacate the Premises no later than November 29, 2003 This agreement has been memorialized in two stipulations (the “Stipulations”) which have been approved by both parties’ respective bankruptcy courts True and correct copies of the Stipulations, as entered by the parties’ respective bankruptcy courts, are annexed hereto as Exhibit “D ”

12 WorldCom has provided Allegiance with a substantial benefit at the Premises, but has not been compensated The value of Allegiance’s use of the Premises from December, 2001 through May 13, 2003 is \$436,215.47 (the “Prepetition Premises Claim”) In addition, Allegiance has used the Premises since the Petition Date without compensating WorldCom Accordingly, WorldCom also has a postpetition claim for the benefit conferred on Allegiance during this period The value of Allegiance’s use of the Premises from May 14, 2003 through November 29, 2003 is approximately \$164,310.61 (the “Premises Admin Claim”) A

summary of the monthly expenses and fair market rental value owed by Allegiance is annexed hereto as Exhibit "E"

13 Further, WorldCom has claims against Allegiance for indemnification under the Prepetition Agreements in the event that third-parties assert indemnified claims against WorldCom in connection with the transactions effected under such Prepetition Agreements

14 This Proof of Claim is a *secured* claim to the extent that amounts owed for Services may be recovered against the LOC under the Settlement Agreement, as described above WorldCom also holds claims against Allegiance that are *secured* by rights of setoff pursuant to the Settlement Agreement and other applicable law To the extent that amounts are owed from the Debtors in excess of the LOC amount and WorldCom's setoff rights, WorldCom also holds *unsecured* claims against Allegiance The Prepetition Premises Claim is an *unsecured* claim The Premises Admin Claim is entitled to administrative priority under sections 503 and 507(a)(1) of the Bankruptcy Code Further, WorldCom reserves its right to assert that any part of this Proof of Claim, whether for services or otherwise, constitutes an administrative expense entitled to a first priority under section 507(a)(1) of the Bankruptcy Code to the extent that such claims accrue after the Petition Date in transactions with the debtors in possession

15 Since the Petition Date, no payments have been made to WorldCom on these claims

16 WorldCom reserves the right to amend or supplement this Proof of Claim at any time and in any respect This Proof of Claim is made without prejudice to the filing by WorldCom of additional proofs of claim in respect of any other indebtedness or liability of Allegiance to WorldCom

17 Notices All notices concerning this Proof of Claim should be sent to

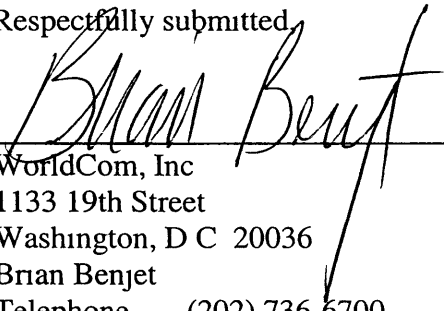
Weil, Gotshal & Manges LLP, 700 Louisiana, Suite 1600, Houston, Texas 77002, Attn Alfredo

R Pérez, Esq and James T Grogan, Esq , and to WorldCom, Inc , 1133 19th Street,

Washington, D C 20036, Attn Brian Benjet, Associate Litigation Counsel

Dated November 21, 2003
Houston, Texas

Respectfully submitted,



WorldCom, Inc
1133 19th Street
Washington, D C 20036
Brian Benjet
Telephone (202) 736-6700
Telecopy (202) 736-6320

EXHIBITS

The Exhibits to this proof of claim are voluminous. A complete set of the Exhibits hereto are attached to the proof of claim of WorldCom, Inc , *et al* (“WorldCom”) filed against Allegiance Telecom, Inc , Case No 03-13057 (the “Case No 03-13057 Claim”) Accordingly, WorldCom incorporates the Exhibits attached to the Case No 03-13057 Claim by reference for all purposes, as if fully set forth and attached herein

The Exhibits referenced herein are as follows

- 1 Exhibit A—Motion Pursuant to Bankruptcy Rule 9019 for Approval of an Agreement for Additional Services, Security, and Settlement of Certain Matters with Allegiance Telecom, Inc , dated May 2, 2003,
- 2 Exhibit B—Order Pursuant to Bankruptcy Rule 9019 for Approval of an Agreement for Additional Services, Security, and Settlement of Certain Matters with Allegiance Telecom, Inc , dated May 28, 2003,
- 3 Exhibit C—Summary of prepetition balances owed by Allegiance Telecom, Inc , *et al* to WorldCom for services rendered under that certain Agreement for Additional Services, Security, and Settlement of Certain Matters,
- 4 Exhibit D—Stipulation and Agreed Order between WorldCom, Inc and its Affiliated Debtors and Allegiance Telecom, Inc and its Affiliated Debtors with respect to Real Property Located at 6800 Virginia Manor Road, Beltsville, Maryland (with supporting exhibits thereto), and
- 5 Exhibit E—Summary of pre-petition and post-petition balances owed by Allegiance Telecom, Inc , *et al* with respect to real property located at 6800 Virginia Manor Road, Beltsville, Maryland

COPIES OF THE EXHIBITS HERETO MAY ALSO BE OBTAINED BY WRITTEN REQUEST TO COUNSEL FOR WORLDCOM AT THE FOLLOWING ADDRESS, PHONE NUMBER AND EMAIL ADDRESS WEIL, GOTSHAL & MANGES, 700 LOUISIANA STREET, SUITE 1600, HOUSTON, TEXAS 77002, ATTENTION JAMES T GROGAN, 713-546-5000, JAMES GROGAN@WEIL.COM