

THE BANK OF NEW YORK, AS INDENTURE TRUSTEE ("INDENTURE TRUSTEE") – ALLEGIANCE TELECOM, INC -CASE NO 03-13057*

* This Claim of at least \$676,050,190.97 as described herein, is also a Claim against each of the chapter 11 debtors being jointly administered with Allegiance Telecom, Inc (the 'Debtors') This is based on the belief that the Debtors may be deemed to be guarantors pursuant to section 4.07 of each Indenture The Indenture Trustee (defined below), on behalf of all noteholders under each Indenture, asserts that it may be entitled to equal and ratable liens, pursuant to section 4.09 of each Indenture against all of the assets of the Debtors securing the claims of those lenders party from time to time to the Credit and Guaranty Agreement dated as of February 15, 2000, as amended as of November 27 2002, with Allegiance Telecom World Wide, as borrower, and all of the other Debtors as guarantors (the 'Credit and Guaranty Agreement') and the Pledge and Security Agreement entered into by the Debtors in connection with the Credit and Guaranty Agreement

\$445,000,000 11 3/4% Senior
Discount Notes due 2008 pursuant to Indenture
dated as of February 3 1998 between Allegiance Telecom, Inc as Issuer and The Bank of New York as Indenture Trustee

ADDENDUM TO
PROOF OF CLAIM

PRINCIPAL BALANCE DUE
ACCRUED INTEREST ON \$445,000,000 AS OF 5/14/03
PRINCIPAL BALANCE + ACCRUED INTEREST

TOTAL INTEREST	\$	445,000,000.00
TOTAL P&I	\$	13,123,559.03
	\$	<u>457,926,631.94</u>

\$205,000,000 12 7/8% Series A Senior
Notes due 2008 pursuant to Indenture
dated as of July 7, 1998 between Allegiance Telecom Inc as Issuer and The Bank of New York as Indenture Trustee

PRINCIPAL BALANCE DUE
ACCRUED INTEREST ON \$205,000,000 AS OF 5/14/03
PRINCIPAL BALANCE + ACCRUED INTEREST

TOTAL INTEREST	\$	205,000,000.00
TOTAL P&I	\$	13,123,559.03
	\$	<u>218,123,559.03</u>

OUTSTANDING FEES OF THE BANK OF NEW YORK AS INDENTURE TRUSTEE & COUNSEL-IN
AN AMOUNT THAT IS ACCRUING AND TO BE DETERMINED

TBD

TOTAL	\$	676,050,190.97
		plus accrued and accruing fees and expenses including professional fees and expenses

Pursuant to the terms of the Indentures and sections 503(b) and 507 of the Bankruptcy Code and relevant case law and as a member of the Official Committee of Unsecured Creditors the Indenture Trustee asserts that all post-petition fees and expenses including those of its counsel, in an accruing amount, are administrative claims. The Indenture Trustee preserves all of its rights against the Debtors including the right to amend this Claim in all respects after the Claims bar date.

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re

ALLEGIANCE TELECOM, INC , et al,

Debtors

Chapter 11

Case No 03-13057 (RDD)

(Jointly Administered)

**STIPULATION AND ORDER RESOLVING DEBTORS'
THIRD OMNIBUS OBJECTION TO CERTAIN PROOFS OF
CLAIMS RE BANK OF NEW YORK, AS INDENTURE TRUSTEE**

This Stipulation and Order (the "Stipulation") is made by and between Allegiance Telecom Liquidating Trust ("ATLT"), as successor to Allegiance Telecom, Inc ("ATI") and each of its direct and indirect subsidiaries (collectively, the "Debtors") and the Bank of New York ("BONY"), as indenture trustee

WHEREAS, on May 14, 2003 (the "Commencement Date"), each of the Debtors filed voluntary petitions for reorganization pursuant to Chapter 11, Title 11 of the United States Code (the "Bankruptcy Code"), Case Number 03-13057 (RDD) (the "Bankruptcy Case"), in the United States Bankruptcy Court for the Southern District of

Docket # 1783
eod 9-30-04

New York (the "Bankruptcy Court"), and during the Bankruptcy Case, the Debtors operated their business and managed their property as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code,

WHEREAS, as of the Commencement Date, ATI was indebted under two indentures (i) that certain Indenture, dated as of February 3, 1998, by and between ATI and BONY, as indenture trustee (the "Senior Discount Indenture") pursuant to which ATI issued certain 11 3/4% senior discount notes, due on February 15, 2008 (the "Senior Discount Notes"), and (ii) that certain Indenture, dated as of July 7, 1998, by and between ATI and BONY, as indenture trustee (the "Senior Note Indenture", and with the Senior Discount Indenture, the "Indentures") pursuant to which ATI issued certain 12 7/8% senior notes, due on May 15, 2008 (the "Senior Notes"),

WHEREAS, BONY, as indenture trustee under both the Senior Discount Indenture and the Senior Note Indenture, filed 39 secured proofs of claim against each of the Debtors in the Bankruptcy Case (the "Proofs of Claim") asserting the approximate amount of \$676,050,190 97, plus accrued expenses, on account of the Senior Discount Notes and the Senior Notes,

WHEREAS, the Debtors filed their Second Amended Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code, dated April 22, 2004, with the Bankruptcy Court, and pursuant to an Order dated April 22, 2004, the Court, *inter alia*, scheduled a hearing for June 7, 2004 to consider confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code (the "Confirmation Hearing"),

WHEREAS, on May 14, 2004, the Debtors filed their Third Omnibus Objection to Certain Proofs of Claim (the "Claim Objection"), seeking, among other things, an order expunging all of the Proofs of Claim, excluding Proof of Claim No 2693 in the amount of \$676,050,190 97 filed against ATI, dated November 24, 2003 ("Claim 2693"), as being redundant of Claim 2693,

WHEREAS, the Debtors and BONY agreed to adjourn the hearing on the Claim Objection with respect to the Proofs of Claim pending the decision of the Bankruptcy Court on confirmation of the Plan, with the current scheduled hearing date on the Claim Objection being September 22, 2004,

WHEREAS, the Debtors filed their Third Amended Joint Plan Reorganization, dated June 8, 2004 (the "Plan"), with the Bankruptcy Court,

WHEREAS, after conclusion of the Confirmation Hearing, the Bankruptcy Court confirmed the Plan (the "Confirmed Plan") pursuant to an Order dated June 10, 2004,

WHEREAS, in accordance with the terms of the Confirmed Plan, on the Initial Effective Date (as defined in the Confirmed Plan), ATLT was created,

WHEREAS, pursuant to the Confirmed Plan, Eugene I Davis was appointed as the plan administrator (the "Plan Administrator") for ATLT,

WHEREAS, among other things, the purpose of ATLT is to (i) wind-down the Debtors' affairs, including making distributions as contemplated in the Confirmed Plan, (ii) investigate, enforce and prosecute avoidance and other causes of action, (iii) object to, settle, compromise, dispute and/or prosecute disputed claims, and

(iv) administer the Confirmed Plan and take such actions as are necessary to effectuate the terms of the Confirmed Plan,

WHEREAS, ATLT as the successor to the rights of Debtors, and the Plan Administrator has the authority to, inter alia, perform the duties, exercise the powers, and assert the rights of a trustee under section 704 and 1106 of the Bankruptcy Code,

WHEREAS, the Confirmed Plan defines the allowed unsecured claim on account of the Senior Discount Notes and the Senior Notes as being in the amount of \$642,843,000 (the "Note Claim"),

WHEREAS, BONY asserts, and ATLT agrees, that the Note Claim set forth in the Confirmed Plan is incorrect and does not reflect the entire allowed claim amount,

WHEREAS, ATLT and BONY have agreed that the correct allowed amount of the Note Claim is \$673,574,837.97, and

WHEREAS, ATLT and BONY desire to resolve the Claim Objection and conform the treatment of the BONY filed Proofs of Claim with the Confirmed Plan's classification of the Note Claim and correct the allowed amount of the Note Claim,

NOW, THEREFORE, in consideration of the premises set forth above and the mutual covenants set forth below, and other valuable consideration the receipt of which is hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows

1 Upon entry of this Stipulation as an Order of the Bankruptcy Court (i) the Proofs of Claim as set forth on Exhibit "1" hereto are expunged, and (ii) Claim

2693 is hereby allowed as an unsecured claim in the amount of \$673,574,837.97 in accordance with Section 3.5 of the Confirmed Plan (the "Allowed Claim")

2 ATLT and BONY, on its own behalf and as indenture trustee under the Indentures, hereby release, waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities (other than the rights of BONY, the Debtors and ATLT to enforce the Confirmed Plan and the contracts, instruments, releases and other agreements or documents delivered thereunder, the terms of this Stipulation, and the rights of BONY on behalf of the holders of the Senior Notes in respect of the Allowed Claim) whether direct or derivative, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or prior to the date hereof in any way relating to the Indentures, provided, however, nothing herein shall modify, limit or otherwise effect the reservations, retentions, releases and waivers contained in Sections 10.4, 10.5 and 10.6 of the Confirmed Plan

3 This Stipulation shall be governed by and construed in accordance with the domestic laws of the state of New York, excluding its conflicts of laws principles, and its interpretation and implementation shall be subject to the exclusive jurisdiction of the Bankruptcy Court

4 The undersigned, on behalf of ATLT and BONY, each warrants and represents that he or she has been duly authorized and empowered to execute and

deliver this Stipulation on behalf of such party and BONY further warrants and represents that it is duly authorized to execute and deliver this Stipulation under the terms of the Indentures

5 This Stipulation contains the entire agreement of the parties with respect to its subject matter and supersedes any prior or contemporaneous oral or written agreements. The parties acknowledge that no promise, inducement, or agreement not stated herein has been made to them in connection with this Stipulation. The parties understand and agree that this Stipulation may not be altered, amended, modified, or otherwise changed in any respect whatsoever except by a writing duly executed by both parties. The parties agree and acknowledge that they will make no claim at any time or place that this Stipulation has been orally altered or modified or otherwise changed by oral communication of any kind or character.

6 This Stipulation may be executed in multiple counterparts, each of which shall be deemed an original, but all of which shall together constitute but one and the same document.

7 This Stipulation shall be binding upon ATLT, as successor to the Debtors, BONY and their predecessors, successors, subsidiaries, affiliates, assignees, agents, directors, officers, employees, the Plan Administrator, and any trustee appointed under chapter 7 of the Bankruptcy Code.

IN WITNESS WHEREOF, the parties have caused this Stipulation to be executed by their duly authorized representatives on the date first set forth above

Dated September 15, 2004

/s/ Albert Togut
Albert Togut (AT-9759)
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Co-Bankruptcy Counsel for
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/s/ Ira A Reid
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Counsel for the Bank of New York, as
Indenture Trustee

SO ORDERED, this 30th day of September 2004

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

Exhibit 1
BONY Claims
Stuplation and Order

2726	03-13105	Hosting com Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2694	03-13055	Allegiance Telecom of New York Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2695	03-13060	Adgrafx Corporation	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2696	03-13061	ALGX Business Internet Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2697	03-13062	Allegiance Internet Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2698	03-13064	Allegiance Telecom Company Worldwide	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2699	03-13066	Allegiance Telecom International Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2700	03-13067	Allegiance Telecom of Anzona Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2701	03-13069	Allegiance Telecom of California Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2702	03-13070	Allegiance Telecom of Colorado Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2703	03-13073	Allegiance Telecom of Florida Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2704	03-13075	Allegiance Telecom of Illinois Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2705	03-13076	Allegiance Telecom of Indiana Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2706	03-13077	Allegiance Telecom of Maryland Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2707	03-13078	Allegiance Telecom of Massachusetts Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2708	03-13079	Allegiance Telecom of Michigan Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2709	03-13080	Allegiance Telecom of Minnesota Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2710	03-13081	Allegiance Telecom of Missouri Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2711	03-13082	Allegiance Telecom of Nevada Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2712	03-13084	Allegiance Telecom of New Jersey Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2713	03-13085	Allegiance Telecom of North Carolina Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2714	03-13088	Allegiance Telecom of Ohio Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2715	03-13090	Allegiance Telecom of Oklahoma Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2716	03-13092	Allegiance Telecom of Oregon Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2717	03-13093	Allegiance Telecom of Pennsylvania Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2718	03-13095	Allegiance Telecom of Texas Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2719	03-13097	Allegiance Telecom of the District of Columbia Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2720	03-13098	Allegiance Telecom of Virginia Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2721	03-13099	Allegiance Telecom of Washington Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2722	03-13100	Allegiance Telecom of Wisconsin Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2723	03-13101	Allegiance Telecom Purchasing Company	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2724	03-13103	Allegiance Telecom Service Corporation	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2725	03-13104	Coast to Coast Telecommunications Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2727	03-13106	InterAccess Telecommunications Co	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2728	03-13107	Jump Net Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2729	03-13108	Shared Technologies Allegiance Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2730	03-13109	Virtualis Systems Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97
2732	03-13074	Allegiance Telecom of Georgia Inc	BANK OF NEW YORK AS INDENTURE TTEE THE	FILED	\$0 00	\$0 00	\$0 00	\$676 050 190 97