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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

_____	X	
In re	:	
	:	Chapter 11 Case No.
Allegiance Telecom, Inc., <u>et al.</u> ,	:	03-13057 (RDD)
	:	
Debtors.	:	Jointly Administered
_____	X	

**EX PARTE MOTION OF THE DEBTORS FOR
AN ORDER SHORTENING NOTICE, PURSUANT TO RULES
2002(a) AND 9006(c) OF THE FEDERAL RULES OF BANKRUPTCY
PROCEDURE, WITH RESPECT TO A HEARING ON MOTION OF THE
DEBTORS, PURSUANT TO SECTIONS 105(a) AND 363 OF THE
BANKRUPTCY CODE, FOR AN ORDER AUTHORIZING THE PAYMENT
OF YEAR-END BONUSES TO CERTAIN OF THE DEBTORS' EMPLOYEES**

TO THE HONORABLE ROBERT D. DRAIN
UNITED STATES BANKRUPTCY JUDGE:

Allegiance Telecom, Inc. (“Allegiance”) and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the “Debtors”), respectfully represent:

Introduction

1. On May 14, 2003, each of the Debtors commenced with this Court a voluntary case under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Debtors are authorized to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

The Debtors' chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

2. No trustee or examiner has been appointed in these chapter 11 cases. On May 28, 2003, pursuant to section 1102 of the Bankruptcy Code, the United States Trustee for the Southern District of New York (the "U.S. Trustee") appointed a statutory committee of unsecured creditors (the "Creditors Committee") in these chapter 11 cases.

Jurisdiction

3. This Court has subject matter jurisdiction to consider and determine this Motion pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Summary of Relief Requested

4. Subsequent to the Court considering the relief requested herein (and to the extent such relief is granted), the Debtors intend to file a motion (the "Year-End Bonuses Motion"), seeking entry of an order, pursuant to sections 105(a) and 363 of the Bankruptcy Code, authorizing the payment of year-end bonuses for 2003 (the "Year-End Bonuses") to certain of the Debtors' employees.

5. By this Motion, the Debtors request entry of an order, pursuant to Bankruptcy Rules 2002(a)(2) and 9006(c)(1), shortening the notice required to be provided with respect to the Year-End Bonuses Motion.¹

**Cause Exists to Shorten the Notice
Period with Respect to the Year-End Bonuses Motion**

6. The Debtors request that the Court shorten the twenty-day notice period required under Bankruptcy Rule 2002(a)(2) to allow the hearing on the Year-End Bonuses Motion to take place on January 9, 2004, at 10:00 a.m., prevailing Eastern Time. Consistent therewith, the Debtors request that the Court set January 8, 2004, at 12:00 p.m., prevailing Eastern Time, as the deadline for the service and filing of objections to the Year-End Bonuses Motion.

7. Bankruptcy Rules 2002(a)(2) and 9006(c)(1) authorize the Court, for cause shown, to reduce the notice period required for a hearing to authorize a proposed use, sale or lease of property of the estate other than in the ordinary course of business. See Fed. R. Bankr. P. 2002(a)(2); 9006(c)(1). The Debtors submit there is ample cause to reduce the notice period.

¹ The Debtors believe that the payment of the Year-End Bonuses is a transaction in the ordinary course of the Debtors' business. Thus, the Debtors submit that they may pay the Year-End Bonuses without a notice and a hearing pursuant to section 363(c) of the Bankruptcy Code. Nonetheless, out of an abundance of caution, the Debtors are filing this Motion to shorten the 20-day notice period required by section 363(b) of the Bankruptcy Code.

8. The Year-End Bonuses Motion contemplates the payment of Year-End Bonuses to all bonus-eligible employees of the Debtors in accordance with the Debtors' past and ordinary practices. The Debtors believe that it is critical for their business operations to pay the Year-End Bonuses as soon as possible. It is crucial for the Debtors to maintain the trust of their employees and to compensate them for their exceptional performance in 2003. Failure to timely pay the Year-End Bonuses may have a highly negative effect on employee morale and cause employee resignations, which would have adverse and potentially disastrous effects on the Debtors' business operations and these chapter 11 cases.

9. In addition, on December 18, 2003, the Debtors filed their motion for orders, pursuant to sections 105(a), 363, 365 and 1146(c) of the Bankruptcy Code: (a) (i) fixing the time, date and place for the bidding procedures hearing and (ii) approving the no-shop provisions set forth in the asset purchase agreement (the "APA") with Qwest Communications International Inc. ("Qwest"); (b) (i) establishing bidding procedures and bid protections in connection with the sale of substantially all of the assets of the Debtors, (ii) approving the form and manner of notices, (iii) approving the asset purchase agreement subject to higher and better offers and (iv) setting a sale approval hearing date; and (c) (i) approving the sale to Qwest Communications International Inc. free and clear of all liens, claims and encumbrances, (ii) authorizing the assumption and assignment of certain executory contracts and unexpired leases and (iii) granting related relief (the "Bidding Procedures Motion"). The Bidding Procedures Motion is set for a hearing on January 9, 2004.

10. Section 7.2(g) of the APA provides that the payment of the Year-End Bonuses by the Debtors to their bonus-eligible employees in an amount not to exceed \$10.7 million is a condition precedent to closing of the sale under the APA. Qwest required this provision to ensure that the Debtors would make all reasonable efforts to retain, motivate and compensate their employees in the ordinary course of business, with the attendant effect being the maximization of the value of the Debtors' businesses.

11. Accordingly, the Debtors seek an expedited hearing to approve the Year-End Bonuses Motion.

12. In addition, Kirkland & Ellis LLP, as attorneys for the Debtors, consulted with the attorneys for the Prepetition Lenders and the attorneys for the Creditors Committee regarding the relief requested herein. *Both* of the aforementioned parties have consented to such relief.

13. The Debtors submit that notice by overnight mail, or where appropriate, by hand delivery, provided on December 24, 2003, to (i) the U.S. Trustee, (ii) attorneys for the Creditors Committee, (iii) attorneys for the Prepetition Lenders and (iv) each person or entity on the Master Service List maintained in these chapter 11 cases will constitute good and sufficient notice of the relief requested in the Year-End Bonuses Motion.

Waiver of Memorandum of Law

14. Because there are no novel issues of law presented herein, the Debtors respectfully request that the Court waive the requirement that the Debtors file a

memorandum of law in support of this Motion pursuant to rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York.

Notice

15. Pursuant to Bankruptcy Rule 9006(c)(1), the Court may shorten time without notice.

16. No previous request for the relief sought herein has been made by the Debtors to this or any other court.

WHEREFORE the Debtors respectfully request that the Court enter an order, substantially in the form annexed hereto, shortening the notice period with respect to a hearing on the Year-End Bonuses Motion and providing the Debtors with such other and further relief as is just and proper.

Dated: New York, New York
December 23, 2003

Respectfully submitted,

/s/ Jonathan S. Henes

Matthew A. Cantor (MC-7727)

Jonathan S. Henes (JH-1979)

KIRKLAND & ELLIS LLP

Citigroup Center

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UNITED STATES BANKRUPTCY COURT
 SOUTHERN DISTRICT OF NEW YORK

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Allegiance Telecom, Inc., <u>et al.</u> ,	:	03-13057 (RDD)
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Debtors.	:	Jointly Administered
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**AFFIDAVIT OF JONATHAN S. HENES, ESQ.
 PURSUANT TO RULE 9077-1 OF THE LOCAL BANKRUPTCY
 RULES FOR THE SOUTHERN DISTRICT OF NEW YORK**

STATE OF NEW YORK)
)
 COUNTY OF NEW YORK) ss.:

JONATHAN S. HENES, being duly sworn, deposes and says:

1. I am an attorney at law admitted to practice before this Court and a member of the firm of Kirkland & Ellis LLP (“K&E”), attorneys for the above-captioned debtors and debtors in possession in connection with these chapter 11 cases.

2. I submit this affidavit based on personal knowledge, except where otherwise indicated, in support of the motion, dated December 23, 2003 (the “Motion”), of Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the “Debtors”), for an order shortening the period for notice and a hearing to consider the Debtors’ motion, seeking entry of an order, pursuant 105(a) and 363(b)(1) of the

Bankruptcy Code, authorizing the payment of bonuses to certain of the Debtors' employees (the "Year-End Bonuses Motion").

3. Bankruptcy Rules 2002(a)(2) and 9006(c)(1) and Local Bankruptcy Rule 9006-1 authorize the Court, for cause shown, to reduce the notice period required for a hearing to authorize a proposed use, sale or lease of property of the estate other than in the ordinary course of business. The Debtors request the entry of an order shortening the period for the notice of and hearing on the Year-End Bonuses Motion for the reason set forth below.

4. The Year-End Bonuses Motion contemplates the payment of Year-End Bonuses to all bonus-eligible employees of the Debtors in accordance with the Debtors' past and ordinary practices. The Debtors believe that it is critical for their business operations to pay the Year-End Bonuses as soon as possible. It is crucial for the Debtors to maintain the trust of their employees and to compensate them for their exceptional performance in 2003. Failure to timely pay the Year-End Bonuses may have a highly negative effect on employee morale and cause employee resignations, which would have adverse and potentially disastrous effects on the Debtors' business operations and these chapter 11 cases.

5. In addition, on December 18, 2003, the Debtors filed their motion for orders, pursuant to sections 105(a), 363, 365 and 1146(c) of the Bankruptcy Code: (a) (i) fixing the time, date and place for the bidding procedures hearing and (ii) approving the no-shop provisions set forth in the asset purchase agreement (the "APA") with Qwest Communications International Inc. ("Qwest"); (b) (i) establishing bidding procedures and bid protections in connection with the sale of substantially all of the assets of the Debtors, (ii) approving the form and manner of notices, (iii) approving the asset purchase agreement subject to higher and better offers and (iv) setting a sale approval hearing date; and (c) (i) approving the sale to Qwest Communications

International Inc. free and clear of all liens, claims and encumbrances, (ii) authorizing the assumption and assignment of certain executory contracts and unexpired leases and (iii) granting related relief (the "Bidding Procedures Motion"). The Bidding Procedures Motion is set for a hearing on January 9, 2004.

6. Section 7.2(g) of the APA provides that the payment of the Year-End Bonuses by the Debtors to their bonus-eligible employees in an amount not to exceed \$10.7 million is a condition precedent to closing of the sale under the APA. Qwest required this provision to ensure that the Debtors would make all reasonable efforts to retain, motivate and compensate their employees in the ordinary course of business, with the attendant effect being the maximization of the value of the Debtors' businesses.

7. Accordingly, the Debtors seek an expedited hearing to approve the Year-End Bonuses Motion.

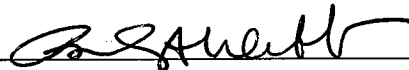
8. In addition, K&E, as attorneys for the Debtors, consulted with the attorneys for the Prepetition Lenders and the attorneys for the Creditors Committee regarding the relief requested herein. **Both** of the aforementioned parties have consented to such relief.

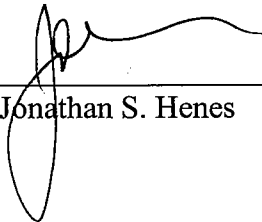
9. Based on the foregoing, the Debtors and their estates may be prejudiced unless the 20-day notice period prescribed for hearings to authorize a proposed use, sale or lease of property of the estate other than in the ordinary course of business pursuant to Bankruptcy Rule 2002(a)(2) is shortened. Accordingly, the Debtors submit that good and sufficient cause exists for this Court to enter an order shortening the prescribed notice period so that the hearing on the Year-End Bonuses Motion. For that reason, the Debtors request that (a) a hearing to consider the Year-End Bonuses Motion be scheduled for January 9, 2004, at 10:00 a.m., prevailing Eastern Time, and (b) the deadline for the service and filing of objections to the Year-End Bonuses

Motion, as it relates to the relief requested be set for January 8, 2004, at 12:00 p.m., prevailing Eastern Time. The Debtors submit that the notice provisions set forth in the proposed order annexed to the Motion constitute good and sufficient notice of the Year-End Bonuses Motion and the proceedings to be held thereon.

10. No previous request for the relief sought in the Motion has been made to this or any other court.

Subscribed and sworn to before me
this 23rd day of December, 2003.





Jonathan S. Henes

Notary Public, State of New York
No. 24-4867475
Qualified in New York County
Commission Expires August 25, 2006

BEVERLY A. WEBB
Notary Public, State of New York
No. 24-4867475
Qualified in Kings County
Certificate filed in New York County
Commission Expires August 25, 2006

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

	X
In re	:
	:
Allegiance Telecom, Inc., <u>et al.</u> ,	:
	:
Debtors.	:
	X

**ORDER SHORTENING NOTICE, PURSUANT TO
RULES 2002(a) AND 9006(c) OF THE FEDERAL RULES
OF BANKRUPTCY PROCEDURE, WITH RESPECT TO A HEARING
ON MOTION OF THE DEBTORS, PURSUANT TO SECTIONS 105(a) AND 363 OF
THE BANKRUPTCY CODE, FOR AN ORDER AUTHORIZING THE PAYMENT OF
YEAR-END BONUSES TO CERTAIN OF THE DEBTORS’ EMPLOYEES**

Upon the motion, dated December 23, 2003 (the “Motion”), of Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the “Debtors”), for an order, pursuant to Bankruptcy Rules¹ 2002(a)(2) and 9006(c)(1), shortening notice for the hearing on the motion, for an order, pursuant to sections 105(a) and 363(b)(1) of the Bankruptcy Code, authorizing the payment of year-end bonuses to certain of the Debtors’ employees (the “Year-End Bonuses Motion”), as more fully set forth in the Motion; and upon the Affidavit of Jonathan S. Henes, Esq. in support of the Motion; and it appearing that the Court has jurisdiction over this matter; and due and proper notice of the Motion has been given, and no other or further notice is required; and it further appearing that the relief requested in the Motion is in the best interests of the Debtors, their estates and their creditors; and after due deliberation and sufficient cause appearing therefor; it is

ORDERED that the Motion is granted; and it is further

¹ Unless otherwise defined herein, capitalized terms shall have the meaning ascribed to them in the Motion.

ORDERED that the twenty-day notice period, otherwise applicable to a hearing for approval of the Year-End Bonuses Motion, is shortened to fourteen (14) days pursuant to Bankruptcy Rules 2002(a)(2) and 9006(c)(1); and it is further

ORDERED that (a) notice of the Year-End Bonuses Motion and the hearing thereon by overnight mail or, where appropriate, by hand delivery, shall be provided by the Debtors on December 24, 2003 to (i) the U.S. Trustee, (ii) attorneys for the Creditors Committee, (iii) attorneys for the Prepetition Lenders and (iv) each person or entity on the Master Service List maintained in these chapter 11 cases; and (b) such notice shall constitute sufficient notice of the Year-End Bonuses Motion; and it is further

ORDERED that the hearing to consider the Year-End Bonuses Motion shall be held on January 9, 2004, at 10:00 a.m., prevailing Eastern Time, or as soon thereafter as the Debtors are heard, before the Hon. Robert D. Drain, United States Bankruptcy Judge, in Room 610 of the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York 10004-1408; and it is further

ORDERED that the deadline for the service and filing of objections to the Year-End Bonuses Motion shall be 12:00 p.m., prevailing Eastern Time, on January 8, 2004.

Dated: New York, New York
_____, 2003

UNITED STATES BANKRUPTCY JUDGE