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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**MOTION OF THE DEBTORS PURSUANT TO
SECTION 554 OF THE BANKRUPTCY CODE AND BANKRUPTCY
RULE 6007 FOR AN ORDER AUTHORIZING THE ABANDONMENT
OF PERSONAL PROPERTY LOCATED AT CERTAIN COLLOCATION SITES**

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

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

Introduction

1. On May 14, 2003 (the “Commencement Date”), the Debtors each commenced with this Court a voluntary case under chapter 11 of title 11 of the United States Bankruptcy Code (the “Bankruptcy Code”). The Debtors are authorized to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107 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 sections 1102 of the Bankruptcy Code, the United States Trustee for the Southern District of New York (the “U.S. Trustee”) appointed a statutory creditors’ committee (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 within the meaning of 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Background

4. Allegiance is a facilities-based national local exchange carrier that provides integrated telecommunications products and services to small and medium-sized business customers, large businesses (*i.e.*, national customers with multiple locations), governmental entities, wholesale customers and other institutional users. Allegiance offers its customers a variety of services, including:

- local and long distance voice services, including basic telephone services and advanced calling features;
- broadband and other Internet and data services, including high-speed Internet access, wide area network interconnection, domain name registration, web hosting, email and collocation services;
- integrated local long distance/Internet access offerings, which provide customers with integrated voice and Internet access over a single broadband line;

- wholesale services to other regional and national service providers, including equipment collocation, managed modem ports and Internet protocol traffic aggregation; and
- customer premise equipment sales and maintenance services.

5. As of September 30, 2003, the Debtors served more than 100,000 business customers in major markets throughout the United States. As of September 30, 2003, the Debtors employed approximately 2,912 people, of which approximately 98 employees were covered by collective bargaining agreements.

6. As of September 30, 2003, the Debtors had approximately \$284.1 million of unrestricted cash on hand. As of September 30, 2003, the Debtors' consolidated books and records reflected assets totaling approximately \$1.226 billion and liabilities totaling approximately \$1.455 billion. For the nine months ending September 30, 2003, the Debtors, on a consolidated basis, reported revenues of approximately \$589.4 million and net losses of approximately \$275.6 million.

Relief Requested

7. By this Motion, the Debtors seek entry of an order authorizing the abandonment of certain Personal Property (as defined below) located at the Collocation Sites (as defined below), pursuant to section 554 of the Bankruptcy Code.

The Personal Property

8. Currently, certain of the Debtors' personal property, including obsolete racks, cables, power materials, panels, frames and miscellaneous hardware (the "Personal Property") is located at certain collocation sites in Massachusetts, Dallas and New York (the "Collocation Sites"). The relevant information relating to the Collocation Sites is listed on Exhibit "A" annexed hereto. The Debtors no longer need the Personal Property to operate their

businesses. In addition, the Debtors believe that the Personal Property has little or no value to the Debtors' estates as the cost of removing, shipping and storing the Personal Property would be greater than the proceeds that would be derived from a sale of the Personal Property. Accordingly, the Debtors submit that the Personal Property should be abandoned in accordance with section 554 of the Bankruptcy Code and such abandonment is in the best interests of the Debtors' estates.

Applicable Law

9. Section 554(a) of the Bankruptcy Code provides that a debtor may abandon, subject to bankruptcy court approval, "property of the estate that is burdensome to the estate or that is of inconsequential value and benefit to the estate." Thus, in order to authorize the abandonment of property, the bankruptcy court must find either: (a) the property is burdensome to the estate or (b) the property is both of inconsequential value and inconsequential benefit to the estate. See, e.g., Midlantic Nat'l Bank v. N.J. Dep't of Evtl. Prot., 474 U.S. 494, 497 (1986), reh'g denied, 475 U.S. 1091 (1986); In re Texaco, Inc., 90 B.R. 38, 44 (S.D.N.Y. 1988); In re Crowthers McCall Pattern, Inc., 114 B.R. 877, 882 n.7 (Bankr. S.D.N.Y. 1990).

The Abandonment of the Personal Property is in the Best Interests of the Estates

10. As discussed above, the Personal Property located at the Collocation Sites is burdensome insofar as the Personal Property is no longer necessary to the Debtors. Additionally, the costs of removal, shipping and storage of the Personal Property will exceed the net proceeds realizable from a sale thereof. Consistent with the provisions of the Bankruptcy Code, the abandonment of the Personal Property will terminate any and all of the Debtors' obligations related to or connected with the Personal Property as of the effective date of the abandonment. The Debtors will have vacated the Collocation Sites by January 14, 2004.

Accordingly, the Debtors seek authority, pursuant to section 554 of the Bankruptcy Code, to abandon the Personal Property effective as of January 15, 2004.

Waiver of Memorandum of Law

11. 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

12. Notice of the Motion has been provided to: (a) the Office of the U.S. Trustee; (b) the attorneys for the Debtors' prepetition senior secured lenders; (c) the attorneys for the Creditors' Committee; (d) the owners of the Collocation Sites where the Personal Property is located; and (e) all the other parties on the Master Service List maintained in these chapter 11 cases. In light of the nature of the relief requested herein, the Debtors submit that no other or further notice is required.

No Prior Request

13. No prior motion for the relief requested herein has been made to this or any other court.

WHEREFORE, the Debtors respectfully request that the Court enter an order (i) authorizing the Debtors to abandon the Personal Property at the Collocation Sites effective as of January 15, 2004, and (ii) granting such other relief as is just and proper.

Dated: New York, New York
December 24, 2003

Respectfully submitted,

/s/ Jonathan S. Henes
Matthew A. Cantor (MC-7727)
Jonathan S. Henes (JH-1979)
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Citigroup Center
153 East 53rd Street
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Exhibit A

List of Collocations to be Rejected

Debtor Entity	ICA Service Provider	Notice Addresses under ICA and Collocation Application	Physical Location	CLLI Code / ACTL Number	BAN Number
Allegiance Telecom, Inc.	Verizon	125 High St., Room 509 Boston, MA 02110 Attn: Collocation	67 PLEASANT ST.	ARTNMAPL/HAE	617K410109513
Allegiance Telecom, Inc.	Verizon	125 High St., Room 509 Boston, MA 02110 Attn: Collocation	6 BOWDOIN SQ.	BSTNMABO/HAN 2 nd Arrangement	617K410056521
Allegiance Telecom, Inc.	SBC-SWBT	SWBT REMITTANCE PROCESSING CENTER 211 S. AKARD, ROOM 1460 DALLAS, TX 75202 ATTN: COLLOCATION CLERK	4211 BRYAN ST.	DLLSTXTA/HH2 2 nd Arrangement	5100021095
Allegiance Telecom, Inc.	SBC-PacBell	PACBELL REMITTANCE PROCESSING CENTER 211 S. AKARD, ROOM 1460 DALLAS, TX 75202 ATTN: COLLOCATION CLERK	4849 APPIAN WAY	ELSBKA11/W09	COLO05911
Allegiance Telecom, Inc.	Verizon	125 High St., Room 509 Boston, MA 02110 Attn: Collocation	5 ELM ST.	MLDNMAEL/HAL 2 nd Arrangement	617K410044333
Allegiance Telecom, Inc.	Verizon	125 High St., Room 509 Boston, MA 02110 Attn: Collocation	230 W. 36TH ST.	NYCMNY36/HBE 3 rd Arrangement	212K910278925
Allegiance Telecom, Inc.	Verizon	125 High St., R00m 509 Boston, MA 02110 Attn: Collocation	221 E 37TH / 240 E 38TH ST.	NYCMNY37/HAS 2 nd Arrangement	212K910148039
Allegiance Telecom, Inc.	Verizon	125 High St., Room 509 Boston, MA 02110 Attn: Collocation	11-31 46 ROAD LONG ISLAND	NYCQNYLI/HBE 2 nd Arrangement	App ID 88973 Control # S0101-0860

Debtor Entity	ICA Service Provider	Notice Addresses under ICA and Collocation Application	Physical Location	CLLI Code / ACTL Number	BAN Number
Allegiance Telecom, Inc.	Verizon	125 High St., Room 509 Boston, MA 02110 Attn: Collocation	900 RACE ST.	PHLAPAMK/HPQ 2 nd Arrangement	610M017003003
Allegiance Telecom, Inc.	SBC-SWBT	SWBT REMITTANCE PROCESSING CENTER 211 S. AKARD, ROOM 1460 DALLAS, TX 75202 ATTN: COLLOCATION CLERK	5410 JANUARY	STLSMO03/HF1	1100025268

HEARING DATE AND TIME: January 15, 2004, at 10:00 a.m.
OBJECTION DEADLINE: January 12, 2004, at 4:00 p.m.

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

**NOTICE OF HEARING ON MOTION OF THE DEBTORS PURSUANT
TO SECTION 554 OF THE BANKRUPTCY CODE AND BANKRUPTCY
RULE 6007 FOR AN ORDER AUTHORIZING THE ABANDONMENT
OF PERSONAL PROPERTY LOCATED AT CERTAIN COLLOCATION SITES**

PLEASE TAKE NOTICE that upon the annexed motion (the “Motion”), dated December 24, 2003, of Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the “Debtors”), requesting an order authorizing the Debtors to abandon certain personal property located at certain collocation sites, pursuant to section 554 of title 11 of the United States Code, as more fully set forth in the Motion, a hearing will be held 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 (the “Bankruptcy Court”), Alexander Hamilton Custom House, One Bowling Green, New York, New York,

10004-1408, on January 15, 2004, at 10:00 a.m. (prevailing Eastern Time), or as soon thereafter as the Debtors are heard.

PLEASE TAKE FURTHER NOTICE that objections, if any, to the relief requested in the Motion shall be in writing, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules of the Southern District of New York, shall set forth the name of the objectant, the nature and amount of claims or interests held or asserted by the objectant against the Debtors' estates or property, the basis for the objection, and the specific grounds therefor, and shall be filed with the Bankruptcy Court electronically in accordance with General Order M-242 (which can be found at www.nysb.uscourts.gov) by registered users of the Bankruptcy Court's case filing system and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), WordPerfect, or any other Windows-based word processing format (with a hard copy delivered directly to Chambers) and served in accordance with General Order M-242, and shall further be served upon (a) Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, New York 10022 (Attn. Samuel S. Kohn, Esq.); (b) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn. Pamela J. Lustrin, Esq.); (c) Paul, Hastings, Janofsky & Walker LLP, 600 Peachtree

Street, N.E., 24th Floor, Atlanta, Georgia 30308 (Attn. Jesse Austin, III, Esq.); and (d) Akin Gump Strauss Hauer Feld LLP, 590 Madison Avenue, New York, New York 10022 (Attn. Ira S. Dizengoff, Esq.), so as to be actually received no later than January 12, 2004, at 4:00 p.m. (prevailing Eastern Time).

Dated: New York, New York
December 24, 2003

Respectfully submitted,

/s/ Jonathan S. Henes
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UNITED STATES BANKRUPTCY COURT
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	:	Chapter 11 Case No.
Allegiance Telecom, Inc., <u>et al.</u> ,	:	03-13057 (RDD)
	:	
Debtors.	:	Jointly Administered

**ORDER PURSUANT TO SECTION 554 OF THE BANKRUPTCY CODE
AND BANKRUPTCY RULE 6007 AUTHORIZING THE ABANDONMENT
OF PERSONAL PROPERTY LOCATED CERTAIN COLLOCATION SITES**

Upon the motion (the “Motion”), dated December 24, 2003, of Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the “Debtors”), seeking entry of an order authorizing the abandonment of certain Personal Property¹ located at the Collocation Sites, pursuant to section 554 of the Bankruptcy Code, as more fully set forth in the Motion; and it appearing that this Court has jurisdiction to consider and determine the Motion as a core proceeding pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that the relief requested in the Motion is in the best interests of the Debtors’ estates and creditors; and due and proper notice of the Motion having been given; and good and sufficient cause appearing therefor; it is

ORDERED that the Motion is granted; and it is further

ORDERED that, pursuant to section 554 of the Bankruptcy Code, the Personal Property shall be deemed abandoned and all of the Debtor’s obligations and requirements related to or connected with the Personal Property shall terminate effective as of the date of the Order; and it is further

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

ORDERED that any proof of claim for damages arising from the abandonment of the Personal Property must be filed on or before forty-five (45) days after the date of this Order, and any claims resulting from the abandonment of the Personal Property not so filed shall be forever barred from participating in the Debtors' chapter 11 cases and receiving any dividend or distribution thereon; and it is further

ORDERED that nothing herein shall constitute a waive or release by the Debtors of any rights, claims, causes of actions or defenses that they may have against the owner of the Collocation Sites, whether or not directly related to the Collocation Sites; and it is further

ORDERED that this Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation of this Order.

Dated: New York, New York
_____, 2004

UNITED STATES BANKRUPTCY JUDGE