

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

In re:

**ALLEGIANCE TELECOM, INC.,  
et al.,**

Debtors.

**Chapter 11**

**Case Nos. 03-13057 (RDD)**

**Jointly Administered**

**Objection Deadline: May 10, 2004**

**Hearing Date: May 20, 2004**

**SECOND INTERIM APPLICATION OF  
COMMUNICATION TECHNOLOGY ADVISORS LLC  
FOR COMPENSATION AND REIMBURSEMENT OF EXPENSES**

Name of Applicant:

COMMUNICATION TECHNOLOGY  
ADVISORS LLC

Authorized to Provide  
Professional Services to:

Official Committee of Unsecured  
Creditors of Allegiance Telecom, Inc.

Date of Retention:

June 3, 2003

Period for which Compensation  
and Reimbursement is Sought:

October 1, 2003 – February 29, 2004

Amount of Compensation sought as  
actual, reasonable, and necessary:

\$625,000.00

Amount of Expense Reimbursement sought  
as actual, reasonable, and necessary:

\$33,599.49

This is the second interim application.

**COMMUNICATION TECHNOLOGY ADVISORS LLC  
RESTRUCTURING GROUP TIME**

Communication Technology Advisors LLC (“CTA”), in its normal course of business, invoices its clients a flat monthly fee and does not charge by the hour. Thus, CTA does not ordinarily keep time records. However, for the benefit of the Court and in accordance with local rules, CTA is recording its hourly time and has provided summaries of the time spent by professionals during the Compensation Period. A copy of the time summaries for CTA is attached hereto as Exhibit “A”.

The total dollar value of the services rendered by CTA for which recovery is sought is \$658,599.49. Of this amount, CTA has received payments from the Debtors totaling \$400,000.00, representing 80% of the total dollar value of the services for which recovery is sought for the period from October 1, 2003 through February 29, 2004 and has been reimbursed \$19,746.85 for actual expenses incurred by CTA during the same period. As of the date hereof, CTA has not yet received any payment for services rendered for the month of February 2004.

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**SECOND INTERIM APPLICATION OF  
COMMUNICATION TECHNOLOGY ADVISORS LLC  
FOR COMPENSATION AND REIMBURSEMENT OF EXPENSES**

Communication Technology Advisors LLC (“CTA”), Industry and Technology Advisors to the Official Committee of Unsecured Creditors (the “Committee”) of Allegiance Telecom, Inc., et al. (collectively, the “Debtors”) in connection with its second application (the “Application”) pursuant to 11 U.S.C. §§ 330 and 332, Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”); the Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy cases adopted on June 24, 1991 and amended April 21, 1995; the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. §330, effective January 30, 1996; and this Court’s Order, under 11 U.S.C. §§ 105(c) and 331, Establishing Procedures For Monthly Compensation and Reimbursement of Expenses For Professionals, dated June 13, 2003 (the “Administrative Fee Order”) for an interim allowance of compensation for services rendered and for reimbursement of expenses incurred therewith, respectfully represents:

**INTRODUCTION**

1. By this application, CTA seeks the interim award and full payment, without any holdback of fees, of compensation in the amount of \$625,000.00 for professional services rendered

and reimbursement of disbursements actually and necessarily incurred in the amount of \$33,599.49. These services were rendered, and disbursements recorded, from October 1, 2003 through February 29, 2004, both dates inclusive (the “Second Interim Period”). In accordance with the Administrative Fee Order, CTA has received payments totaling \$400,000.00, representing 80% of the compensation due to CTA during the period from October 1, 2003 through February 29, 2004, and has been reimbursed \$19,746.85 for actual expenses incurred by CTA during the same period. As of the date hereof, CTA has not yet received any payment for services rendered or expenses incurred during February 2004.

### **BACKGROUND**

2. On May 14, 2003 (“Petition Date”), the Debtors filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code. The Debtors continue to operate their business and manage their properties as debtors-in-possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code.

3. This Court has jurisdiction over this application pursuant to 28 U.S.C. §§ 157 and 1334. Venue of this proceeding is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

4. CTA was retained as industry and technology advisor to the Committee to perform services set forth in our engagement letter dated as of June 3, 2003 (the “CTA Engagement Letter”). The employment of an industry and technology advisor in these cases has been and continues to be crucial to the Committee’s ability to, among, other things, (i) evaluate and analyze the activities of the Debtors and (ii) work with the Debtors in maximizing the value of the Debtors’ businesses and assets. In cases such as these, in which the Debtors’ businesses are highly specialized and technical in nature, the employment of an industry and technology advisor is appropriate and necessary to assist the Committee and its other professionals in performing its fiduciary duty to maximize the

assets of the Debtors' estates for the benefit of unsecured creditors. The Committee believes that CTA's depth of industry experience with telecommunications companies best serves the interests of the Committee and, by extension, the Debtors' unsecured creditors. The Committee has carefully tailored the scope and compensation of CTA's retention so that (i) the work performed by CTA will not be duplicative of the work performed by any other professionals retained by the Committee in these cases and (ii) the Debtors' estates do not incur unnecessary costs as a result of the Committee's retention of both Houlihan Lokey Howard & Zukin Capital ("Houlihan Lokey") and CTA. Exhibit "B" contains the scope of work to be performed by CTA on behalf of the Committee.

5. Pursuant to the CTA Engagement Letter, attached hereto as Exhibit "C," CTA is to receive a monthly fee of \$125,000 per month. The CTA Engagement Letter also provides for the reimbursement of all reasonable and actual out-of-pocket expenses.

6. The Court approved the Committee's retention of CTA as industry and technology advisors at a rate of \$125,000 per month, plus reimbursement of expenses nunc pro tunc to June 3, 2003, in the Final Retention Order dated September 11, 2003.

7. As stated in the Verification of Wayne Barr, Jr., annexed hereto as Exhibit E, all services for which CTA hereby requests compensation were performed for or on behalf of the Creditors' Committee in connection with these Chapter 11 Cases.

8. Pursuant to the Administrative Fee Order, CTA sent to the Debtors and to the appropriate notice parties its (i) Monthly Fee Statement dated November 19, 2003 for the Period from October 1 – 31, 2003 in the amount of \$100,000 for fees and \$3,873.00 for expenses (the "October Monthly Fee Statement"), (ii) Monthly Fee Statement dated December 19, 2003 for the Period from November 1 – 30, 2003 in the amount of \$100,000 and \$4,749.00 for expenses (the "November Monthly Fee Statement"), (iii) Monthly Fee Statement dated January 20, 2004 for

the Period from December 1 – 31, 2003 in the amount of \$100,000 and \$4,179.00 for expenses (the “December Monthly Fee Statement”), (iv) Monthly Fee Statement dated February 19, 2004 for the Period from January 1 – 31, 2004 in the amount of \$100,000 and \$6,945.32 for expenses (the “January Monthly Fee Statement”), (v) Monthly Fee Statement dated March 19, 2004 for the Period from February 1 – 29, 2004 in the amount of \$100,000 and \$14,024.36 for expenses (the “February Monthly Fee Statement” and, together with the October Monthly Fee Statement, the November Monthly Fee Statement, the December Monthly Fee statement, and the January Monthly Fee Statement, the “Monthly Fee Statements”).

9. Pursuant to the Administrative Fee Order, as of the date of this Application, CTA has received payment of 80% of the Fees requested and 100% of the expenses requested with respect to the October Monthly Fee Statement, the November Monthly Fee Statement, the December Monthly Fee statement, and the January Monthly Fee Statement, respectively. The total amount of payments in accordance with the foregoing equals \$400,000.00, for fees and \$19,746.85 for expenses. A summary of the actual expenses incurred is attached hereto as Exhibit “D.”

### **PROFESSIONAL SERVICES RENDERED**

10. As is noted above, CTA is acting as the industry and technology advisor on behalf of the Creditors’ Committee on this matter. The professionals at CTA who have rendered professional services on this matter include Jared E. Abbruzzese, Wayne Barr, Jr., Peter Aquino, Shawn O’Donnell, Patrick Doyle, Eduardo Sanchez and Peter Bade.

11. During the Compensation Period, the Committee relied heavily on the experience and expertise of the above-named persons in dealing with matters relating to the Debtors’

restructuring, including due diligence issues, monitoring the Debtors' business operations, business planning and strategy, and interfacing with the Debtors, their advisors and other parties-in-interest. During the Compensation Period, CTA was also involved in reviewing and analyzing the various bids and related process by which certain of the assets of the estate were auctioned. CTA performed a series of analyses on the various bids, and provided in-depth advice to the Creditor Committee throughout the process. CTA was also extremely active in negotiations with a major customer of the Debtor. As a result, CTA's highly skilled professionals devoted significant time and effort to perform properly and expeditiously the required professional services as more specifically detailed in Exhibit A.

12. In accordance with the factors enumerated in section 330 of the Bankruptcy Code, it is respectfully submitted that the amount requested by CTA is fair and reasonable given (a) the complexity of these cases, (b) the time expended, (c) the nature and extent of the services rendered, (d) the value of such services, and (e) the costs of comparable services other than in a case under this title.

### **CONCLUSION**

13. CTA respectfully requests an interim quarterly fee allowance for professional services rendered in the amount of \$625,000.00, representing the fees contemplated by the CTA Engagement Letter for the Second Interim Fee Period. CTA has also necessarily incurred disbursements in the amount of \$33,599.49, in the performance of CTA's duties to the Creditors' Committee during the Second Interim Fee Period. CTA has received 100% of the expense reimbursement as set forth in the October Monthly Fee Statement, the November Monthly Fee Statement, the December Monthly Fee Statement and the January Monthly Fee Statement.. CTA respectfully requests the Court's approval of the reimbursement of disbursements in the sum of

\$33,599.49, for the Second Interim Fee Period, which amount includes \$13,990.83 relating to the February Fee Statement not yet received by CTA.

14. CTA respectfully requests that the Court not “hold back” any portion of the fees awarded. This Application covers the period ended February 29, 2004. Pursuant to the Administrative Fee Order, CTA’s monthly fees are subject to a 20% “holdback.” The amount of CTA’s holdback for the period ended February 29, 2004 is \$125,000.<sup>1</sup> By the time of the May 20, 2004 hearing on this Application, CTA will have additional 20% holdbacks for the months of March 2004 and April 2004 (the “Additional 20% Holdbacks”). CTA respectfully suggests that based on the Additional 20% Holdbacks, there is no need for any holdback of this fees awarded pursuant to this Application.

15. No agreement or understanding exists between CTA and any other entity for the sharing of compensation received or to be received for services rendered in or in connection with these cases. Attached hereto as Exhibit “E” is the Verification of Wayne Barr, Jr. CTA has not agreed to share any compensation to be received herein with any other person.

16. No prior application has been made in this Court or in any other court for the relief requested herein for the Second Interim Period.

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<sup>1</sup> This amount assumes payment of the fee contemplated by the February Monthly Fee Statement by Debtors to CTA in the amount of \$100,000, representing 80% of such fee and a holdback of \$25,000 in accordance with the Administrative Fee Order during the pendency of this Application. Additionally, there is a holdback equal to 10% of the fees relating to the First Interim Fee Application pursuant to this Court’s order.



**WHEREFORE**, CTA respectfully requests a second interim award and the full payment, without any holdback of fees, of compensation for professional services rendered as industry and technology advisor to the Creditors' Committee during the period from October 1, 2003 through February 29, 2004 in the sum of \$625,000.00, together with Court approval of the reimbursement of disbursements in the amount of \$33,599.49 and for such other and further relief as this Court deems just and proper.

Dated: April 6, 2004  
Albany, New York

**COMMUNICATION TECHNOLOGY  
ADVISORS LLC**

By: /s/ Wayne Barr, Jr.  
Wayne Barr, Jr.  
Member  
18 Corporate Woods Boulevard, Third Floor  
Albany, NY 12211  
(518) 462-2632

*Industry and Technology Advisors to the Official  
Committee of Unsecured Creditors of  
Allegiance Telecom, Inc., et al.*

**EXHIBIT "A"**  
**SUMMARY OF TIME CHARGES FOR THE PERIOD**  
**OCTOBER 1, 2003 THROUGH AND INCLUDING FEBRUARY 29, 2004**

Listed below are the professionals who performed services during the referenced periods, their full names and the time incurred by each.

**October 1 - 31, 2003**

**Wayne Barr, Jr., SVP and General Counsel of CTA – 6 hours**

Date	Number of Hours	Description
10/2	2	Meeting with potential investor
10/21	2	Review and revised CTA presentation to committee
10/30	2	Meeting with OCG in NYC

**Peter Aquino, Senior Consultant – 27 hours**

Date	Number of Hours	Description
10/2	2	Meeting with potential investor in NYC
10/3	2	Review of Algx CRO call and status report
10/08	2	Meetings in NYC.
10/09	2	Meetings in NYC.
10/14	2	Meeting with bondholders and potential investors in NYC
10/15	2	Meeting with bondholders and potential investors in NYC.
10/20	3	Meeting at Corvis / OCG to discuss Broadwing's synergy plan. Meeting in Columbia, MD.
10/21	5	Development of CTA's committee presentation – discussions with Houlihan.
10/22	5	Preparation and meeting in connection with various capitalization and liquidity issues.
10/30	2	Internal review of draft presentation

**Shawn O'Donnell, Senior Consultant - 156 hours**

Date	Number of Hours	Description
10/1	8	Worked on ALGX model and latest CTA forecasts; preparing committee presentation
10/2	8	Worked on ALGX model and latest CTA forecasts; preparing committee presentation

10/3	7	Worked on ALGX model and latest CTA forecasts; preparing committee presentation
10/6	7	Worked on ALGX model and latest CTA forecasts; preparing committee presentation; began reviewing ALGX market P&Ls
10/7	8	Worked on ALGX model and latest CTA forecasts; preparing committee presentation; continued reviewing market P&Ls
10/8	6	Worked on ALGX model and latest CTA forecasts; preparing committee presentation; continued reviewing market P&Ls
10/9	4	Worked on ALGX model and latest CTA forecasts; preparing committee presentation; continued reviewing market P&Ls
10/10	7	Reviewed current cost cutting progress, reviewed STFI business plan, discussed Genuity contract with ALGX management, continued work on committee presentation; Meeting with D. Yost, other ALGX Sr. Management, Impala, HLHZ to review STFI business plan, Genuity contract update, and cost cutting update
10/13	8	Continued work on committee presentation, began reviewing OCG offer and combined business model; began reviewing product profitability analysis
10/14	6	Continued work on committee presentation, continued review of Corvis/OCG offer and combined business model
10/15	5	Continued work on committee presentation, continued review of Corvis/OCG offer and combined business model
10/16	7	Reviewed current cash actuals; continued work on committee presentation and supporting data
10/17	8	Reviewed current cost cutting progress, continued work on committee presentation; CRO Update call with Impala, ALGX management
10/20	8	Reviewed OCG ventures offer for ALGX and reviewed OCG's combined business model and cost synergies; Meeting with OCG ventures to review the combined ALGX/BRW business plan
10/21	7	Finalized committee presentation, began work on appendix data
10/22	6	Continued work on appendix data
10/23	6	Reviewed ALGX cash actuals; continued work on appendix; began reviewing latest Qwest and Corvis offers
10/24	6	Continued work on appendix data; continued review and analysis of latest Qwest and Corvis offers
10/27	7	Reviewed latest Corvis offer, latest Qwest offer, and evaluate ALGX product profitability analysis

10/28	7	Reviewed ALGX product profitability analysis; continued work on appendix information for committee presentation
10/29	8	Reviewed ALGX product profitability analysis; evaluated current offers; Product profitability meeting with ALGX/HLHZ/Impala
10/30	6	Reviewed latest ALGX cash actuals; reviewed KERP proposals, updated committee on current activity; Unsecured Committee conference call
10/31	6	Reviewed latest cost cutting performance of ALGX, discussed October sales progress, Genuity contract, additional contract rejections/renegotiations; CRO Update call with Impala, ALGX management, and Greenhill

**Patrick Doyle, Senior Consultant – 10 hours**

Date	Number of Hours	Description
10/8	2	Off-Site Research & Report Preparation
10/13	2	Off-Site Research & Report Preparation
10/14	3	Off-Site Research & Report Preparation
10/15	1	Off-Site Research & Report Preparation
10/31	2	Off-Site Research & Report Preparation

**Peter Bade, Senior Consultant – 4 hours**

Date	Number of Hours	Description
10/1	2	Review and revise CTA forecast
10/2	2	Review and revise CTA forecast

**Eduardo Sanchez, Consultant – 156 hours**

Date	Number Of Hours	Description
10/1	8	Adjusting ALGX Valuation Model
10/2	8	CTA Valuation results released to HLHZ. Preparing ALGX PPT Presentation to the Committee
10/3	8	Preparing ALGX Final PPT Presentation to the Committee
10/6	8	Preparing ALGX Final PPT Presentation to the Committee
10/7	8	Preparing ALGX Final PPT Presentation to the Committee. Conference Call with ALGX (Clay Myers / Mark Stachiw) for reviewing outstanding and potential claims
10/8	8	Preparing ALGX Final PPT Presentation to the Committee
10/9	8	Preparing ALGX Final PPT Presentation to the Committee.

		Conference Call with Clay Myers to review ALGX Cash Management results and get an overview of new 13W cash forecast
10/10	8	Preparing ALGX Final PPT Presentation to the Committee. Conference Call with Dan Yost / Tony Parella / John Dumbleton / Pete Keenoy / Aamir Chinoy to understand Sales / STFI / Genuity assumptions behind Business Plan
10/13	8	Finishing Appendix Final Presentation
10/14	8	Finishing Appendix Final Presentation
10/15	8	Finishing Appendix Final Presentation
10/16	8	Finishing Appendix Final Presentation
10/17	8	Weekly Conference Call > CRO Update
10/20	8	Meeting with Corvis (Columbia, MD) for analyzing their offer and present CTA's view of the deal
10/21	8	Reviewing Corvis business plan
10/22	8	Reviewing Corvis business plan / Preparing Cash Management Report
10/23	8	Finishing Appendix Final Presentation
10/24	8	Finishing Appendix Final Presentation
10/27	8	Finishing Appendix Final Presentation
10/28	4	Preparing Corvis/Qwest Offer Comparison Chart

**November 1 – 30, 2003**

**Jared E. Abbruzzese, Chairman of CTA – 40 hours**

Mr. Abbruzzese interacts on nearly a daily basis with members of the Unsecured Creditors Committee on all aspects of the Allegiance restructuring. There interactions include multiple conference calls, document and analysis review as well as in-person meetings primarily in New York City.

**Wayne Barr, Jr., SVP and General Counsel of CTA – 7 hours**

Date	Number of Hours	Description
Nov. 5	2	Interim Fee Application
Nov. 6	4	Meeting with certain bondholders and potential acquirers; Interim Fee Application
Nov. 7	1	Interim Fee Application

**Peter Aquino, Senior Consultant – 21 hours**

Date	Number of Hours	Description
11/4	2	Review of motions/legal filings
11/6	4	Attended meeting with certain bondholders and potential acquirers.
11/13	1	Review of company response
11/14	2	Review of potential offers via email / teamwork.
11/17	3	Numerous conference calls on potential bidders for Algx assets.
11/18	2	Numerous conference calls on potential bidders for Algx assets – continued.
11/19	2	Discussion with creditors of certain proposed bids.
11/21	2	Discussion of proposed bids.
11/22	2	Review of motions / legal filings.
11/23	1	Review of company response.

**Shawn O'Donnell, Senior Consultant - 54 hours**

Date	Number of Hours	Description
11/3	4	Reviewed ALGX September operating performance and added to assessment
11/4	2	Continued evaluating current offers, incorporating product profitability into current views of company

11/5	2	Continued evaluating current offers, incorporating product profitability into current views of company
11/6	3	Reviewed Cash collateral report, current operating performance
11/7	3	Reviewed Cash collateral report, current operating performance
11/10	4	Continued evaluating current offers, discussed APA summary with HLHZ
11/11	4	Reviewed cash forecasts and actuals with ALGX, reviewed MFN settlement agreement; 3:00 pm central call with Clay Meyers to review cash forecast and actuals
11/12	5	Reviewed working capital and cash flow information provided by company
11/13	7	Reviewed working capital and cash flow information provided by company, worked on updated presentation
11/14	4	Continued updating presentation; began reviewing APAs
11/17	2	Reviewed current bids and APAs, and developed assessment of offers.
11/18	4	Reviewed current bids and APAs, and developed assessment of offers.
11/20	1	Call with HLHZ to evaluate current bids and next steps for Allegiance
11/24	3	Reviewed current cash actuals; evaluated current bids for ALGX; 3:00 pm central call with ALGX reviewing sales process
11/25	3	Reviewed cash balance and ledgers, reviewed new 13 week cash forecast
11/26	3	Updated current ALGX performance presentation slides

**Eduardo Sanchez, Consultant – 72 hours**

Date	Number Of Hours	Description
11/6	8	Preparing ALGX Cash Management Report
11/7	8	Preparing ALGX Cash Management Report
11/10	8	Conference Call with Clay Myers to review ALGX Cash Management results and get an overview of new 13W cash forecast
11/11	8	Reviewing Appendix Final Presentation
11/12	8	Reviewing Appendix Final Presentation
11/13	8	Reviewing Appendix Final Presentation
11/14	8	Finishing Appendix Final Presentation
11/17	8	Reviewing MFN / AT&T Contract. Cash Flows Conference Call with Impala / Allegiance to discuss MFN Contract, Cash Flows, AT&T Contract. Editing Appendix

		Final Presentation
11/18	4	Conference Call ALGX Creditors' Committee to discuss Sales Process.
11/24	4	Conference Call with ALGX Management to get update of sales process

**December 1 – 31, 2003**

**Jared E. Abbruzzese, Chairman of CTA – 40 hours**

Mr. Abbruzzese interacts on nearly a daily basis with members of the Unsecured Creditors Committee on all aspects of the Allegiance restructuring. There interactions include multiple conference calls, document and analysis review as well as in-person meetings primarily in New York City.

**Wayne Barr, Jr., SVP and General Counsel of CTA – 5 hours**

Date	Number of Hours	Description
12/15	3	Teleconferences with Akin Gump and US Trustee regarding Interim Fee Application; recalculate expenses in accordance with UST comments; review Level 3 proposal
12/16	1	Attend hearing regarding Interim Fee Application; internal discussions regarding level 3 proposal
12/29	1	Review Level 3 transactions

**Peter Aquino, Senior Consultant – 28 hours**

Date	Number of Hours	Description
12/5	2	Review cash forecast
12/12	3	Reviewed Level 3 proposal and discussed internally with CTA; reviewed presentation regarding possible XO/ALGX synergies
12/15	3	Reviewed Level 3 proposal and discussed internally with CTA; reviewed presentation regarding possible XO/ALGX synergies
12/16	3	Reviewed Level 3 proposal and discussed internally with CTA; reviewed presentation regarding possible XO/ALGX synergies
12/22	6	Meeting with company in Dallas – Operations update
12/29	3	Review L3 deal
12/30	3	Review L3 deal
12/31	5	Algx – L3 Negotiations



**Shawn O'Donnell, Senior Consultant - 70 hours**

Date	Number of Hours	Description
12/1	4	Reviewed monthly operating report and other financial information received from company
12/2	5	Began updating cash forecast
12/4	3	Reviewed October performance
12/5	4	Reviewed October performance
12/8	4	Incorporated latest ALGX information into presentation, including current views of ALGX performance and latest offers.
12/9	4	Incorporated latest ALGX information into presentation, including current views of ALGX performance and latest offers.
12/10	2	Incorporated latest ALGX information into presentation, including current views of ALGX performance and latest offers. Reviewed October MOR and current performance
12/11	3	Incorporated latest ALGX information into presentation, including current views of ALGX performance and latest offers.
12/12	5	Reviewed Level 3 proposal and discussed internally with CTA and with ALGX; worked on new presentation regarding possible XO/ALGX synergies
12/15	3	Worked on new presentation, reviewed cost cutting progress
12/16	4	Continued work on ALGX/XO synergy presentation.
12/17	4	Continued work on ALGX/XO synergy presentation, discussed actions related to Management 2003 bonus plans
12/18	4	Reviewed latest Qwest offer; continued updating XO/ALGX presentation; Committee update regarding current status of M&A process
12/22	5	Reviewed latest company performance, cost cutting initiatives; Meeting with Yost and other members of exec team to review company performance
12/23	3	Worked on Level 3 contract valuations
12/24	3	Worked on Level 3 contract valuations
12/29	4	Reviewed STFI performance and stand alone plans; Conference call with Tony Parella to review STFI performance and stand alone requirements
12/30	3	Worked on Level 3 contract valuations
12/31	3	Worked on Level 3 contract valuations; Conference call with Level 3 to discuss contract issues

**January 1 – 31, 2004**

**Jared E. Abbruzzese, Chairman of CTA – 20 hours**

Mr. Abbruzzese interacts on nearly a daily basis with members of the Unsecured Creditors Committee on all aspects of the Allegiance restructuring. There interactions include multiple conference calls, document and analysis review as well as in-person meetings primarily in New York City.

**Wayne Barr, Jr., SVP and General Counsel of CTA – 11 hours**

Date	Number of Hours	Description
1/6	1	Teleconference with Akin Gump and HLHZ regarding L3/Genuity
1/7	4	Meeting with Level 3, Akin, ALGX, et al to negotiate Level 3 contract buy-out
1/9	2	Various teleconferences updating committee regarding L3 contract negotiations
1/15	2	ALGX/L3 negotiations
1/16	2	ALGX/L3 negotiations

**Peter Aquino, Senior Consultant – 31 hours**

Date	Number of Hours	Description
1/7	5	STFI & Algx / L3 negotiations – meeting in NY
1/8	2	Algx / L3 negotiations - NYC
1/9	6	Algx / L3 negotiations – CTA South
1/10	3	Algx / L3 negotiations – weekend work
1/12	5	Algx / L3 negotiations – CTA South
1/15	3	Algx / L3 negotiations
1/16	3	Algx / L3 negotiations
1/22	2	Open settlement issues – Trucano send
1/26	2	Review of Settlement Agreement – Tresnowski send

**Shawn O'Donnell, Senior Consultant - 131 hours**

Date	Number of Hours	Description
1/2	2	Worked on Level 3 contract valuations
1/5	5	Worked on Level 3 contract valuations; reviewed November MOR; Phone call with Kris Kornegay regarding MOR

1/6	5	Worked on Level 3 contract valuations; reviewed November MOR; Conference call with Akin Gump/CTA/HLHZ regarding Level 3 contract
1/7	9	Negotiated Level 3 contract buy-out and contract valuation; Meeting with Level 3, Akin, ALGX, et al to negotiate Level 3 contract buy-out
1/8	8	Negotiated Level 3 contract buy-out and contract valuation; November MOR analysis and discussion with Bondholders; 10:00 am meeting with select committee members and CTA/HLHZ to discuss Level 3 contract valuation and negotiation. 1:00 pm meeting with entire committee to update them on progress with Level 3 contract buy out negotiations.
1/9	8	Negotiated Level 3 contract buy-out and contract valuation
1/10	3	Negotiated Level 3 contract buy-out and contract valuation
1/11	1	Negotiated Level 3 contract buy-out and contract valuation
1/12	1	Negotiated Level 3 contract buy-out and contract valuation
1/13	2	Negotiated Level 3 contract buy-out and contract valuation
1/14	8	Worked on Level 3 contract buy-out; STFI business plan
1/15	8	Worked on Level 3 contract buy-out; STFI business plan; 9:00 cst call with Level 3/ALGX to negotiate contract
1/16	6	Worked on Level 3 contract buy-out; STFI business plan; Calls with Mark Tresnowski, Kieran Athy, Tony Parella
1/17	1	Worked on Level 3 contract buy-out
1/19	8	Worked on Level 3 contract buy-out; STFI business plan; latest company performance
1/20	7	Worked on Level 3 contract buy-out; STFI business plan; latest company performance
1/21	7	Worked on Level 3 contract buy-out; STFI business plan; latest company performance; 9:00 am meeting with Tony Parella to review STFI
1/22	8	Worked on Level 3 contract buy-out; STFI business plan; latest company performance; current M&A process; 3:00 pm call with Greenhill, ALGX regarding M&A process update
1/23	5	Worked on Level 3 contract buy-out; STFI business plan; latest company performance; current M&A process
1/25	1	Worked on latest company cash forecast
1/26	7	Continued due diligence analysis of STFI, latest company cash forecast, Level 3 contract buy-out
1/27	6	Continued due diligence analysis of STFI, latest company cash forecast, Level 3 contract buy-out; Call with Tony Parella, call with Kieran Athy
1/28	7	Continued due diligence analysis of STFI, latest company cash forecast, Level 3 contract buy-out; Conf call with

		Clay Meyers at 2 pm regarding new 13 wk cash forecast, phone call with Tony Parella regarding STFI
1/29	5	Continued due diligence analysis of STFI, latest company cash forecast
1/30	5	Continued due diligence analysis of STFI; 10:00 am cst call with Greenhill, ALGX regarding M&A update

**Eduardo Sanchez, Consultant – 107 hours**

Date	Number Of Hours	Description
1/12	8	Reviewing Bidding documentation / Level 3 negotiations / STFI due diligence plan. Conference Call with ALGX/Akin to discuss Genuity negotiation strategy
1/13	8	Reviewing Bidding documentation / Level 3 negotiations / STFI due diligence plan.
1/14	8	Reviewing Bidding documentation / Level 3 negotiations / STFI due diligence plan.
1/15	8	Reviewing Bidding documentation / Level 3 negotiations / STFI due diligence plan. Conference Call with STFI to discuss transition strategy and set up plan for CTA's due diligence
1/16	4	Reviewing Bidding documentation / Level 3 negotiations / STFI due diligence plan.
1/19	8	Getting updates on ALGX matters from Shawn O'Donnell. Trip to Dallas
1/20	4	Preparing/reviewing STFI documents for Conference Call on Wednesday
1/21	8	Meeting with Shared Tech Executive Officers to review/discuss STFI results for 2003 and 2004 business plan. Traveling back to Reston
1/22	8	Update Conference Call with HLHZ (3:00 pm). Conference Call with Greenhill (4:00 pm) to get informed about status of the M&A process
1/23	6	Reviewing STFI transition documents (6h)
1/26	8	Reviewing STFI transition documents
1/27	8	Reviewing STFI transition documents
1/28	8	Conference Call with ALGX (Clay Myers) / Greenhill to review ALGX Financials
1/29	5	Reviewing STFI transition documents.
1/30	8	M&A Update Conference Call CTA / HLHZ / Akin Gump / Greenhill. Preparing January monthly report

**February 1 – 29, 2004****Jared E. Abbruzzese, Chairman of CTA – 25 hours**

Mr. Abbruzzese interacts on nearly a daily basis with members of the Unsecured Creditors Committee on all aspects of the Allegiance restructuring. There interactions include multiple conference calls, document and analysis review as well as in-person meetings primarily in New York City.

**Wayne Barr, Jr., SVP and General Counsel of CTA – 16 hours**

Date	Number of Hours	Description
2/4	8	Travel to and attend meeting with STFI management in Hackensack, NJ
2/5	2	Follow up discussions regarding STFI, participate in M&A update call
2/11	4	Meeting at Akin Gump regarding auction and STFI
2/12	2	Allegiance Auction matters

**Peter Aquino, Senior Consultant – 40 hours**

Date	Number of Hours	Description
2/5	1	Level 3 negotiations
2/6	1	Level 3 negotiations
2/9	1	Level 3 negotiations
2/10	1	Level 3 negotiations
2/11	6	Level 3 negotiations
2/12	4	ALGX Auction at K&E – NYC
2/13	2	Conference call with creditors committee to discuss Auction results
2/17	5	Level 3 negotiations
2/18	6	Level 3 negotiations
2/19	1	Level 3 negotiations
2/20	1	Level 3 negotiations
2/23	1	Level 3 negotiations
2/25	6	Meeting in NYC to negotiate settlement
2/26	3	Meeting in NYC to negotiate settlement
2/27	1	Level 3 negotiations

**Shawn O'Donnell, Senior Consultant - 122 hours**

Date	Number of Hours	Description
2/2	5	Continued due diligence analysis of STFI
2/3	8	Continued due diligence analysis of STFI
2/4	7	Continued due diligence analysis of STFI; All day meeting with STFI exec, HLHZ to review business plan, operations process, sales and marketing efforts, etc.
2/5	7	Continued due diligence analysis of STFI, M&A analysis, Level 3 negotiations; 10:00 am cst call with Greenhill, ALGX regarding M&A update
2/6	7	Continued due diligence analysis of STFI, M&A analysis, Level 3 negotiations; 9:00 am cst call with committee to review latest progress with ALGX
2/9	4	Continued due diligence analysis of STFI, M&A analysis, Level 3 negotiations
2/10	4	Continued due diligence analysis of STFI, M&A analysis, Level 3 negotiations
2/11	6	Continued due diligence analysis of STFI, M&A analysis, Level 3 negotiations
2/12	15	Worked at auction all day; 9:00 pm auction start until 5:30 am next day
2/13	10	Worked at auction, reported summary to committee; Committee conference call to update on results of auction
2/16	3	Continued due diligence analysis of STFI, Level 3 negotiations
2/17	5	Continued due diligence analysis of STFI, Level 3 negotiations
2/18	6	Continued due diligence analysis of STFI, Level 3 negotiations; Conference call with Tom Boasberg from Level 3 regarding settlement
2/19	4	Continued due diligence analysis of STFI, Level 3 negotiations
2/20	3	Continued due diligence analysis of STFI, Level 3 negotiations
2/22	2	Worked on Bordercomm offer; 4:00 pm meeting with Tom Spackman regarding Bordercomm's offer for STFI and Modemco
2/23	6	Continued due diligence analysis of STFI, Level 3 negotiations; 2:00 pm conference call with STFI to review action items and January results
2/25	11	Negotiating the Level 3 contract buyout; Meeting from 9:00 am on with Level 3, Akin Gump, HLHZ, ALGX, and K&E to negotiate settlement

2/26	3	Negotiating the Level 3 contract buyout; Meeting from 10:00 am until 12:00 finalizing Level 3 negotiations
2/27	6	Negotiating the Level 3 contract buyout; Conference call at 10:30 am and at 1:45 am to finalize settlement agreement with Level 3

**Eduardo Sanchez, Consultant – 166 hours**

Date	Number Of Hours	Description
2/2	8	Review of STFI's due diligence documents
2/3	8	Review of STFI's due diligence documents
2/4	8	Meeting in Hackensack, NJ. Presentation by Tony Parella of STFI's sales organization
2/5	8	Preparing valuation analysis for auction
2/6	8	Preparing valuation analysis for auction
2/9	8	Preparing valuation analysis for auction
2/10	8	Preparing valuation analysis for auction
2/11	8	Trip to New York. Meeting (CTA/HLHZ/Akin Gump) to discuss auction rules. Meeting with Tony Parella to discuss STFI issues post-auction
2/12	20	Allegiance Auction
2/13	8	Trip to Reston. Conference Call with Creditor's Committee to discuss Auction results
2/15	8	ALGX-XO synergies presentation
2/16	8	ALGX-XO synergies presentation
2/17	8	Trip to New York. ALGX-XO assessment meeting
2/18	8	Trip to Reston.
2/19	4	Evaluating STFI action plan.
2/20	4	Evaluating STFI action plan
2/23	8	Trip to Dallas. Meeting with Tony Parella CTA/STFI/HLHZ to discuss action plan
2/24	8	Visit to ST's warehouse in Dallas / Visit to proposed new site for ST / Meeting with Dennis Maunder / Meeting with Tony Parella
2/25	8	Trip to Reston. Evaluating STFI action plan
2/26	8	Evaluating STFI action plan
2/27	2	Evaluating STFI action plan

## **EXHIBIT “B”**

### **SUMMARY OF SERVICES PROVIDED**

The following summary of services rendered during the period from June 3, 2003 through August 31, 2003 is not intended to be a detailed description of the work performed, rather it merely highlights certain areas in which services were rendered to the Creditors’ Committee. The services rendered by CTA during the Compensation Period are as follows:

1.
  - a) analyze the Debtors’ telecommunications operations, service delivery and technological capabilities, each as it applies to the Debtors’ current financial condition and its prospects for the Debtors’ future performance;
  - b) conduct a detailed review of the Debtors’ recent financial performance, business plan, marketing plan, revenue forecasts, capital program, management and competitive environment;
  - c) review and advise the Committee with respect to operating cash flow risks and opportunities. CTA will review current network architecture and lease arrangements, market channel and product profitability, regulatory matters as they affect current and future operations. CTA will evaluate the potential free cash flow generators and associated timing;
  - d) assist and advise the Committee in connection with the Debtors’ current contracts, both from a market level evaluation, and overall usefulness of such contracts in a restructured company;
  - e) provide input and overall evaluation of the Debtors’ revised financial plan to be included in the Debtors’ plan of reorganization;
  - f) assist and advise the Committee in the preparation and negotiation of any plan of reorganization proposed by the Debtors or developed by the Committee and other creditor constituencies of the Debtors; and
  - g) provide such other advice and assistance as may be reasonably requested by the Committee from time to time.



**EXHIBIT “C”  
ENGAGEMENT LETTER**

As of June 3, 2003

Akin, Gump Strauss Hauer & Feld LLP,  
on behalf of the Official Committee of Unsecured  
Creditors of Allegiance Telecom, Inc.  
590 Madison Avenue  
New York, NY 10022  
Attention: Ira S. Dizengoff, Esq.

Gentlemen:

This letter confirms the terms of the agreement (the “Agreement”) between Communication Technology Advisors LLC (“CTA”) and the Official Committee of Unsecured Creditors (the “Committee”) of Allegiance Telecom, Inc., et al. (collectively, the “Debtors”) concerning the Committee’s engagement of CTA to provide industry and technology advisory services to the Committee, effective as of June 3, 2003.

1. **Engagement.** CTA is being engaged to act as the industry and technology advisor to the Committee in connection with the Debtors’ chapter 11 cases (the “Chapter 11 Cases”), captioned *In re Allegiance Telecom, Inc., et al., Debtors*, Case No. 03-13057 (RDD), pending before the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”). As advisor to the Committee, CTA will perform the following services and analyses as may be requested from time to time by the Committee:

- a) analyze the Debtors’ telecommunications operations, service delivery and technological capabilities, each as it applies to the Debtors’ current financial condition and its prospects for the Debtors’ future performance;
- b) conduct a detailed review of the Debtors’ recent financial performance, business plan, marketing plan, revenue forecasts, capital program, management and competitive environment;
- c) review and advise the Committee with respect to operating cash flow risks and opportunities. CTA will review current network architecture and lease arrangements, market channel and product profitability, regulatory matters as they affect current and future operations. CTA will evaluate the potential free cash flow generators and associated timing;

- d) assist and advise the Committee in connection with the Debtors' current contracts, both from a market level evaluation, and overall usefulness of such contracts in a restructured company;
- e) provide input and overall evaluation of the Debtors' revised financial plan to be included in the Debtors' plan of reorganization;
- f) assist and advise the Committee in the preparation and negotiation of any plan of reorganization proposed by the Debtors or developed by the Committee and other creditor constituencies of the Debtors; and
- g) provide such other advice and assistance as may be reasonably requested by the Committee from time to time.

2. Term. The initial term of the engagement contemplated by this Agreement shall commence on June 3, 2003 and end on the date that a confirmation order is entered by the Bankruptcy Court in the Chapter 11 Cases, unless earlier termination upon written notice to CTA by the Committee. Upon a termination of this Agreement, CTA shall be entitled to (i) all earned but unpaid fees and (ii) incurred but unreimbursed reasonable and actual expenses through the date of termination.

3. Fees and Expenses. The Debtors shall pay CTA a monthly fee of \$125,000 beginning on the date hereof for the term of the engagement. The initial monthly fee shall be payable as soon as practicable following the Bankruptcy Court's approval of CTA's retention as an advisor to the Committee. Thereafter fees shall be paid to CTA in accordance to the procedures approved by the Bankruptcy Court for the engagement and payment of professionals, as such procedures apply to CTA. All fees and expenses shall be paid by wire transfer in accordance with written instructions delivered by CTA to the Debtors. CTA agrees that the Debtors will only be required to pay a pro-rata portion of the monthly fee for the month in which this Agreement is terminated on the date of termination of this Agreement; and that to the extent the Debtors have paid a full amount of the monthly fee to CTA for the month in which the Agreement is terminated, CTA shall return the unearned portion of such monthly fee to the Debtors upon the Debtors' written request. The Debtors shall also promptly reimburse CTA for all reasonable and actual out-of-pocket expenses incurred by CTA in connection with CTA's obligations under this Agreement upon presentation to the Debtors of appropriate supporting documentation relating to such expenses and in accordance with the relevant procedures prescribed by the Bankruptcy Court for the reimbursement of expenses incurred by the professionals. CTA does not have and shall not enter in the future into any agreement with any person or entity to share any compensation received under this Agreement.

4. Information. The Committee understands that CTA will not be responsible for independently verifying the accuracy of the information provided to it by the Debtors and their advisors (the "Evaluation Material") and shall not be liable for inaccuracies in any Evaluation Material provided to CTA.

5. Client. CTA's exclusive client in this engagement is the Committee.

6. Indemnification. As a material part of the consideration for CTA to furnish its services under this Agreement, the Debtors shall indemnify CTA and shall hold harmless CTA and its affiliates, and their respective past (only to the extent such person becomes past during the term of this engagement), present and future directors, officers, members, employees, agents and controlling persons within the meaning of either Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (collectively, the "Indemnified Parties"), to the fullest extent lawful, from and against any and all losses, claims, damages or liabilities (or actions in respect thereof), joint or several, arising out of or related to the Agreement, any actions taken or omitted to be taken by an Indemnified Party in connection with CTA's provision of services to the Committee, or any Transaction (as defined herein) or proposed Transaction contemplated thereby. In addition, the Debtors shall promptly reimburse the Indemnified Parties for any legal or other expenses reasonably incurred by them in respect thereof. The Debtors, however, shall not be responsible under the foregoing indemnity and reimbursement agreement for any loss, claim, damage or liability which is finally judicially determined to have resulted from the willful misconduct, gross negligence, bad faith or self-dealing of any Indemnified Party.

If for any reason the foregoing indemnification is unavailable to any Indemnified Party or insufficient to hold it harmless, the Debtors shall contribute to the amount paid or payable by the Indemnified Party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by the Committee and the Debtors, on the one hand, and CTA, on the other hand, in connection with the proposed Transaction and/or the services rendered by CTA. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or otherwise, then the Debtors shall contribute to such amount paid or payable by any Indemnified Party in such proportion as is appropriate to reflect not only such relative benefits, but also the relative fault of the Committee and the Debtors, on the one hand, and CTA, on the other hand, in connection therewith, as well as any other relevant equitable considerations.

The Committee and the Debtors shall not effect any settlement or release from liability in connection with any matter for which an Indemnified Party would be entitled to indemnification from the Debtors unless, such settlement or release contains a release of the Indemnified Parties reasonably satisfactory in form and substance to CTA. The Committee and/or the Debtors shall not be required to indemnify any Indemnified Party for any amount paid or payable by such party in the settlement or compromise of any claim or action without the prior written consent of the Committee and the Debtors.

The Committee and the Debtors further agree that neither CTA nor any other Indemnified Party shall have any liability, regardless of the legal theory advanced, to the Committee, the Debtors or any other person or entity (including the Debtors' equity holders and creditors) related to or arising out of CTA's engagement, except for any liability for losses, claims, damages, liabilities or expenses incurred by the Committee and/or the Debtors which are finally judicially determined to have resulted from the willful misconduct, gross negligence, bad faith or self-dealing of any Indemnified Party. The indemnity, reimbursement, contribution and other

obligations and agreements of the Committee and the Debtors set forth herein shall apply to any modifications of this Agreement, shall be in addition to any liability which these parties may otherwise have, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of these parties and each Indemnified Party. The foregoing indemnification provisions shall survive the consummation of any Transaction and/or any termination of the relationship established by this Agreement.

The obligations of CTA are solely obligations of a limited liability company, and no officer, director, employee, agent, member, manager or controlling person of CTA shall be subjected to any personal liability whatsoever to any person, nor will any such claim be asserted by or on behalf of any other party to this Agreement or any person relying on the services provided hereunder. The Debtors' obligations with respect to any and all payments owing to CTA and the indemnification, reimbursement, contribution and other similar obligations of the Debtors under this Agreement shall survive the termination of this Agreement.

7. Entire Agreement. This Agreement represents the entire agreement between the parties with respect to the subject matter hereof and may not be modified, except in writing signed by both parties. This Agreement may be executed in counterparts, each of which shall constitute an original. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision.

8. Survival. The provisions of (i) section 3 of this Agreement relating to (a) the Debtors' obligation in respect of CTA's fees and (b) CTA's obligation with respect to reimbursement of the pro-rata portion of the monthly fee for the month in which the Agreement is terminated and (ii) section 6 of this Agreement relating to indemnification shall survive any termination of this Agreement, in accordance with their terms.

9. Binding Obligation; Choice of Law. Upon execution by both parties, this Agreement will constitute a legally binding agreement among the parties hereto. The parties agree that the laws of the State of New York shall apply regarding the interpretation and enforcement of this Agreement.

If this letter does agreeably set forth the terms and conditions of the subject matter hereof, please so indicate by signing a copy of this Agreement and returning it to CTA.

Very truly yours,

Communication Technology Advisors LLC

By: s/ Wayne Barr, Jr.  
Wayne Barr, Jr.  
SVP and General Counsel

Agreed to and accepted this 3rd day of June, 2003.

The Official Committee of Unsecured Creditors  
of Allegiance Telecom, Inc., et al.

By: Romulus Holdings,  
acting solely in its capacity as Chair of the Committee,  
and not in its individual capacity

By: /s/ Gary Singer  
Gary Singer, Chairperson

Akin Gump Strauss Hauer & Feld LLP,  
On Behalf of the Official Committee of Unsecured Creditors of  
Allegiance Telecom, Inc.

By: s/ Ira S. Dizengoff  
Ira S. Dizengoff, Esq.

**EXHIBIT "D"**  
**COMMUNICATION TECHNOLOGY ADVISORS LLC**  
**EXPENSE SUMMARY FOR THE PERIOD OCTOBER 1, 2003 – FEBRUARY 29, 2004**

<b>EXPENSE CATEGORY</b>	<b>TOTAL EXPENSES</b>
Travel(1)	<b>\$25,466.57</b>
Lodging	<b>\$7,269.31</b>
Meals While Traveling	<b>\$908.66</b>
Miscellaneous(2)	<b>\$54.95</b>
<b>TOTAL:</b>	<b>\$33,599.49</b>

(1) Includes airfares, car rental, fuel and taxi expenses

(2) Includes photocopying and telecommunications



4. No agreement or understanding exists between CTA and any other entity for the sharing of compensation received or to be received for services rendered in or in connection with these cases.

/s/ Wayne Barr, Jr.  
Wayne Barr, Jr.

Sworn to before me this  
6th day of April, 2004.

/s/ Karen Armsby  
Notary Public in and for the State of New York