

Ira S. Dizengoff (ID-9980)  
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Counsel to the Official Committee of Unsecured  
Creditors of Allegiance Telecom, Inc., et al.

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

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In re: : Chapter 11  
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ALLEGIANCE TELECOM, INC., et al., : Case No. 03-13057 (RDD)  
:  
Debtors. : (Jointly Administered)  
:  
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**DECLARATION OF IRA S. DIZENGOFF  
PURSUANT TO LOCAL BANKRUPTCY RULE 9077-1(a)**

1. I am a member of the firm of Akin Gump Strauss Hauer & Feld LLP, counsel to the Official Committee (the “Committee”) of Allegiance Telecom, Inc., et al., (collectively, the “Debtors”).

2. I make this declaration in accordance with Local Bankruptcy Rule 9077-1(a) in support of the Order to Show Cause Why The Official Committee Of Unsecured Creditors Of Allegiance Telecom, Inc., et al.’s, Motion (the “Motion”) For an Order Under 11 U.S.C. § 105(a) Compelling The Debtors To Terminate Certain Senior Executives Should Not Be Granted (the “Order to Show Cause”).

3. By the Motion, in light of the Soft Closing (defined below) and the proposed plan of reorganization, the Committee seeks to compel the Debtors immediately to terminate the employment of the Debtors’ CEO, Royce J. Holland, and CFO, Thomas M. Lord (collectively,

the “Senior Executives”), thereby saving the estates over \$150,000 between now and the hearing on confirmation.

4. The Debtors are party to that certain asset purchase agreement (the “Asset Purchase Agreement”) dated February 18, 2004, between the Debtors and XO Communications, Inc. (“XO”). The Asset Purchase Agreement contemplates that upon the satisfaction of certain conditions to closing, XO will transfer the Purchase Price (as defined in the Asset Purchase Agreement) into escrow and XO will commence operating the Debtors’ assets (the “Soft Closing”). The Soft Closing occurred on April 13, 2004.

5. Pursuant to Section 6.8 of the Asset Purchase Agreement, in accordance with certain terms and conditions, XO has the ability to extend offers of employment to the Debtors’ employees (the “Transferred Employees”). All liabilities with respect to the Transferred Employees passed to XO at the Soft Closing. Consequently, upon the Soft Closing, the estates became liable for employee costs only as they related to Non-Transferred Employees (e.g., those employees remaining employed by the Debtors who were not offered qualifying employment with XO).

6. The Committee is informed and believes that the continued employment of certain of the Non-Transferred Employees by the estates is necessary to facilitate the wind-down and closing of the estates and the confirmation (“Confirmation”) of the Debtors’ plan of reorganization (the “Plan”). To this end, the Committee and its professionals have tried to work with the Debtors to reduce the estates’ employee headcount down to only those critical personnel needed to achieve the foregoing goals.

7. On April 20, 2004, the Debtors provided the Committee with a list setting forth, among other things, the (i) name, (ii) position, (iii) bi-weekly salary and (iv) the continuing

duties of each Non-Transferred Employee (the “Non-Transferred Employee List”). Among the employees included on the Non-Transferred Employee List were the Senior Executives. The Debtors provided the Committee with the following information with respect to the Senior Executives:

Name	Position	Bi-weekly Salary	Duties
Royce J. Holland	Chairman, CEO	\$20,192.31	ALGX Mgmt required to grant necessary consents under Operating Agreement; Primary interface with ATI Board of Directors; review and certify First Quarter 10Q
Thomas M. Lord	Exec. VP	\$9,615.38	ALGX Mgmt required to grant necessary consents under Operating Agreement; review and certify First Quarter 10Q

Further, the Committee is informed that the Senior Executives intend to continue their employment until Confirmation, the hearing with respect to Confirmation is currently scheduled for June 7, 2004.

8. The Debtors continued employment of the Senior Executives is costing these estates \$2,980.77 per business day, an estimated \$150,000 between now and confirmation. As more fully set forth in the Motion, the Senior Executives are not performing any necessary functions for the benefit of the estates. To ensure that the value of these estates is preserved, the Senior Executives need to be terminated immediately.

9. The Committee has made no previous application for the relief requested in the Motion.

10. The Committee has provided notice of the relief requested in the Motion in accordance with the provisions of the Order To Show Cause. In addition, advance notice of the filing of:

- (a) The Motion;
- (b) the Order to Show Cause; and
- (c) this Declaration;

was provided to Kirkland & Ellis LLP, counsel to the Debtors.

11. Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: April 27, 2004  
New York, New York

/s/ Ira S. Dizengoff  
Ira S. Dizengoff (ID-9980)