HEARING DATE AND TIME: June 2, 2004 at 10:00 a.m.
OBJECTION DEADLINE: May 28, 2004 at 4:00 p.m.

KIRKLAND & ELLIS LLP
Citigroup Center
153 East 53rd Street
New York, New York 10022-4675
Telephone: (212) 446-4800
Facsimile: (212) 446-4900
Matthew A. Cantor (MC-7727)
Jonathan S. Henes (JH-1979)

Attorneys for Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

MOTION FOR AN ORDER, PURSUANT TO SECTION 365(a) OF THE BANKRUPTCY CODE, AUTHORIZING THE DEBTORS TO REJECT CERTAIN UNEXPIRED LEASES OF NONRESIDENTIAL REAL PROPERTY

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

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

Introduction

1. On May 14, 2003 (the "Commencement Date"), each of the Debtors 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.

2. 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.

3. 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 "Committee") in these chapter 11 cases.

4. On February 20, 2004, this Court entered an Order approving the sale (the "XO Sale Transaction") to XO Communications, Inc. ("XO") of (a) substantially all of the assets of ATI and Allegiance Telecom Company Worldwide ("ATCW"), a direct subsidiary of ATI and one of the Debtors in these chapter 11 cases, and (b) the stock of the reorganized subsidiaries of ATCW, other than Shared Technologies Allegiance, Inc. ("Shared Technologies").

5. On April 22, 2004, the Debtors filed the Debtors' Second Amended Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code (as amended, the "Plan"). Relevant to this Motion, the Plan provides that Shared Technologies will emerge from chapter 11 as a reorganized stand-alone entity.

Jurisdiction

6. 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

7. The Debtors are 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. The Debtors offer their 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 colocation 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 colocation, managed modem ports and Internet protocol traffic aggregation; and
- customer premise equipment sales and maintenance services.

8. As of the December 31, 2003, the Debtors served more than 100,000 business customers in major markets throughout the United States. As of December 31, 2003, the Debtors employed approximately 2,893 people, of which approximately 66 employees were covered by collective bargaining agreements.

9. As of December 31, 2003, the Debtors had approximately $284.2 million of unrestricted cash on hand. As of December 31, 2003, the Debtors' consolidated books and records reflected assets totaling approximately $1.136 billion and liabilities totaling approximately $1.449 billion. For the 12 months ending December 31, 2003, the Debtors, on a

consolidated basis, reported revenues of approximately $776.9 million and net losses of approximately $360.0 million.

The Rejected Leases

10. As of the Commencement Date, the Debtors were parties to approximately one hundred and twenty (120) unexpired leases of nonresidential real property. After the Commencement Date, the Debtors engaged in the process of evaluating their unexpired leases to determine whether the assumption or rejection of such leases would inure to the benefit of their estates. In that regard, to date, the Debtors have filed five (5) motions seeking authority to reject thirty-six (36) unexpired leases of nonresidential real property. In addition, on May 18, 2004, the Debtors filed that certain "Schedule 1" to the Plan, which lists additional thirty-two (32) unexpired leases of nonresidential real property that the Debtors seek to reject.

11. By this Motion, the Debtors are seeking authorization to reject five (5) additional unexpired leases of non-residential real property (collectively, the "Rejected Leases"). The Rejected Leases are listed on Exhibit "A," which is annexed hereto. One of the Rejected Leases (the "ATCW Lease") relates to the assets being purchased by XO pursuant to the XO Sale Transaction. The other four (4) Rejected Leases were entered into by Shared Technologies (collectively, the "STFI Leases"). For the reasons set forth below, the Debtors submit that their determination to reject the ATCW Lease and the STFI Leases is a product of the Debtors' sound business judgment. Thus, the rejection of the ATCW Lease and the STFI Leases should be approved.

ATCW Lease

12. In connection with the XO Sale Transaction, XO determined that it will not need to occupy the premises (the "ATCW Premises") located at 1400 Providence Highway Building, Suite 3, Norwood, Massachusetts 02062, which are leased by ATCW pursuant to the

ATCW Lease. The ATCW Premises have been used primarily as office space for the employees of Shared Technologies. Due to the anticipated emergence of Shared Technologies as a stand-alone entity, ATCW and Shared Technologies considered the option of assuming the ATCW Lease by ATCW and assigning it to Shared Technologies. However, Shared Technologies has found alternative office space in the Norwood area, which satisfies Shared Technologies' needs and can be leased at a rental rate that is approximately half of the monthly rental rate under ATCW Lease. In that regard, Shared Technologies made arrangements with a prospective landlord to enter into a new lease (the "New Norwood Lease"), which covers the premises selected by Shared Technologies for replacement of the ATCW Premises.

13. On May 7, 2004, the Debtors filed a motion (the "New Leases Motion"), seeking entry of an order, pursuant to section 363 of the Bankruptcy Code, authorizing Shared Technologies to enter into certain new leases. At the hearing to consider the New Leases Motion, the Debtors asked the Court to extend the relief requested in the New Leases Motion to the New Norwood Lease. On June 2, 2004, the Court approved the New Leases Motion and authorized Shared Technologies to enter into the New Norwood Lease. As a result, Shared Technologies will be vacating the ATCW Premises and relocating its employees to the premises covered by the New Norwood Lease. Accordingly, because (a) Shared Technologies will no longer need to use the ATCW Premises, (b) XO did not want to occupy the ATCW Premises and (c) as set forth below, no value can be gained in attempting to assign the ATCW Lease to a third

party, the Debtors determined that rejection of the ATCW Lease, effective as of June 30, 2004, is in the best interests of their estates.[1]

STFI Leases

14. In addition, Shared Technologies identified the STFI Leases as no longer being integral to Shared Technologies' ongoing business operations. The premises under the STFI Leases (the "STFI Premises") are located in New York City, Lakewood, Colorado and Herndon, Virginia, and are used as office space for certain of Shared Technologies' employees. Shared Technologies located new office space (the "New STFI Office Space"), which is available for replacement of the STFI Premises and which can be leased by Shared Technologies at lower rental rates. In that regard, Shared Technologies made arrangements with the respective prospective landlords to enter into new leases covering the New STFI Office Space. As set forth above, Shared Technologies filed the New Leases Motion seeking authorization to enter into certain new leases, including the new leases covering the New STFI Office Space. As a result of Court approval of the New Leases Motion, Shared Technologies will be re-locating its employees from the STFI Premises to the New STFI Office Space. Accordingly, because (a) upon the re-location of its employees to the New STFI Office Space, Shared Technologies will no longer need to occupy the STFI Premises and (b) as set forth below, no value can be gained in attempting to assign the STFI Leases to third parties, the Debtors made their determination to reject the STFI Leases.

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[1] None of XO, XO's designee and the Reorganized Debtors (as defined in the Plan) shall have any liability or obligation whatsoever under the ATCW Lease or with respect to the ATCW Premises. Rather, the Debtors (prior to the Initial Effective Date (as defined in the Plan)) and ATCW's estate (following the Initial Effective Date) shall bear all of such obligations and liabilities.

Relief Requested

15. By this Motion, the Debtors seek entry of an order, pursuant to section 365(a) of the Bankruptcy Code, authorizing the Debtors to reject each of the Rejected Leases effective as of the date on which the Debtors surrender possession of the respective premises to the applicable landlord. The effective dates of rejection for each of the Rejected Leases are set forth on Exhibit "A."

Basis for Relief

16. Section 365(a) of the Bankruptcy Code provides that a debtor, "subject to the court's approval, may assume or reject any executory contract or unexpired lease of the debtor." 11 U.S.C. § 365(a). The standard to be applied by a court to determine whether to authorize the rejection of an executory contract or an unexpired lease is the "business judgment" test, which is premised upon the debtor's business judgment that rejection of the executory contract or unexpired lease would be beneficial to its estate. Orion Pictures Corp. v. Showtime Networks, Inc. (In re Orion Pictures Corp.), 4 F.3d 1095, 1098-99 (2d Cir. 1993).

17. Upon finding that the Debtors have exercised their sound business judgment in determining that rejection of the Rejected Leases is in the best interests of the Debtors, their creditors, and all parties in interest, the Court should approve the rejection under section 365(a) of the Bankruptcy Code. See, e.g., In re Bradlees Stores, Inc., 194 B.R. 555, 558 n.1 (Bankr. S.D.N.Y. 1996); In re G Survivor Corp., 171 B.R. 755, 757 (Bankr. S.D.N.Y. 1994); In re Child World, Inc., 142 B.R. 87, 89 (Bankr. S.D.N.Y. 1992); In re Ionosphere Clubs, Inc., 100 B.R. 670, 673 (Bankr. S.D.N.Y. 1989).

18. As set forth above, as a result of (a) the XO Sale Transaction and XO's and Shared Technologies' respective decisions that they will not need to occupy the ATCW Premises and (b) Shared Technologies' determination that the STFI Leases are no longer needed

for its business operations, the Debtors have determined, in their sound business judgment, that the Rejected Leases are burdensome and will provide no economic value to their estates.

19. In addition, the Debtors carefully reviewed the terms of the Rejected Leases in light of the depressed commercial real estate markets in which the leased properties are located. Due to the foregoing and the continuing financial burden that the Debtors face as a result of the administrative expenses arising under the Rejected Leases, the Debtors believe that any attempt to market and assign the Rejected Leases to third parties would be significantly more costly than any potential value that might be realized by any assignment or sublease thereof.

20. The Debtors intend to close their offices located at the ATCW Premises and the STFI Premises and, as set forth above, transfer Shared Technologies' employees that are currently working in these offices to the new locations. Once the offices are closed and the employees are transferred, the Debtors will no longer need the ATCW Premises and the STFI Premises. Thus, the Debtors seek to reject each of the Rejected Leases effective as of the date on which the Debtors surrender the respective premises to the applicable landlord.

21. If the Court grants the relief requested in this Motion, the Debtors will save approximately $53,195.94 per month - and over $638,000.00 on an annual basis - in costs and expenses that arise currently under the Rejected Leases. Based on the foregoing, the Debtors submit that their decision to reject the Rejected Leases is a product of their sound business judgment and, thus, the relief requested herein should be granted.

Waiver of Memorandum of Law

22. 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

23. Notice of this Motion has been provided to: (a) the U.S. Trustee; (b) attorneys for the Committee; (c) attorneys for the Debtors' prepetition secured lenders; (d) the landlords under the Rejected Leases; 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

24. 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 reject each of the Rejected Leases effective as of the date on which the Debtors surrender the respective premises to the applicable landlord and (ii) granting such other relief as is just and proper.

Dated: New York, New York
May 20, 2004

Respectfully submitted,

/s / Jonathan S. Henes_____

Matthew A. Cantor (MC-7727)
Jonathan S. Henes (JH-1979)
KIRKLAND & ELLIS LLP
Citigroup Center
153 East 53rd Street
New York, New York 10022-4675
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

Attorneys for Debtors and Debtors in Possession

Exhibit "A"

List of the Rejected Leases

Name of Debtor Tenant	Property Address	Landlord's Name and Address	Estimated Monthly Payments under Lease	Effective Date of Rejection	Lease Expiration Date
Shared Technologies Allegiance, Inc.	9197 West 6th Avenue Suite 1000 Lakewood, Colorado 80215	First Industrial Realty Trust 311 South Wacker Drive Suite 4000 Chicago, Illinois 60606 Attention: KFH, Portfolio Manager First Industrial Realty Trust, Inc. 5350 South Roslyn Street Suite 240 Englewood, Colorado 80111 Attention: Regional Manager Barrack Ferrazzano Kirschbaum Perlman & Nagelberg, LLC 333 West Wacker Drive Suite 2700 Chicago, Illinois 60606 Attention: Suzanne Bessette-Smith	$15,077.53	06/30/04	06/30/05
Shared Technologies Allegiance, Inc.	750 Eighth Avenue Suite 202 New York, New York 10036	G&C Realty Company, L.L.C. c/o Hotel Edison 228 West 47th Street New York, NY 10036	$1,700.00	06/18/04	Month-to-Month
Shared Technologies Allegiance, Inc.	750 Eighth Avenue Suites 205, 206 & 208 New York, New York 10036	G&C Realty Company, L.L.C. c/o Hotel Edison 228 West 47th Street New York, NY 10036	$3,800.00	06/18/04	Month-to-Month
Allegiance Telecom Company Worldwide	1400 Providence Highway Building #3 Norwood, Massachusetts 02062	Norwood Equity Partners, LLC c/o Everest Partners, LLC 950 Third Avenue 28th Floor New York, New York 10022-2705 Everest Partners, LLC 99 Rosewood Drive Suite 270 Danvers, Massachusetts 01923	$22,059.85	06/30/04	10/31/08
Shared Technologies Allegiance, Inc.	450 Spring Park Place Suite 1100 Herndon, Virginia 22071	CalEast Industrial Investors, LLC Herndon Spring Park 5727 Collections Center Drive Chicago, Illinois 60693 Cal East Industrial Investors, LLC c/o CB Richard Ellis, Inc. 485 Spring Park Place Suite 600 Herndon, Virginia 20170	$10,558.56	06/30/04	10/31/04
		TOTALS	**$53,195.94**		

I:\Allegiance Telecom,Inc\Rejection Leases\Final Real Estate Rejection Motion\Exhibit A to Final Real Estate Rejection Motion.doc

HEARING DATE AND TIME: June 2, 2004 at 10:00 a.m.
OBJECTION DEADLINE: May 28, 2004 at 4:00 p.m.

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New York, New York 10022-4675
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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

NOTICE OF HEARING ON MOTION FOR AN ORDER, PURSUANT TO SECTION 365(a) OF THE BANKRUPTCY CODE, AUTHORIZING THE DEBTORS TO REJECT CERTAIN UNEXPIRED LEASES OF NONRESIDENTIAL REAL PROPERTY

PLEASE TAKE NOTICE that upon the annexed motion (the "Motion"), dated May 20, 2004, of Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), seeking entry of an order, pursuant to section 365(a) of title 11 of the United States Code, authorizing the rejection of certain unexpired leases of nonresidential real property, 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 June 2, 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 for 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. Michael J. Frishberg, 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 May 28, 2004, at 4:00 p.m. (prevailing Eastern Time).

Dated: New York, New York
May 20, 2004

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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New York, New York 10022-4675
Telephone: (212) 446-4800
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Attorneys for Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

ORDER, PURSUANT TO SECTION 365(a) OF THE BANKRUPTCY CODE, AUTHORIZING THE DEBTORS TO REJECT CERTAIN UNEXPIRED LEASES OF NONRESIDENTIAL REAL PROPERTY

Upon consideration of the motion (the "Motion"), dated May 20, 2004, of Allegiance Telecom, Inc. and its direct and indirect subsidiaries, debtors in possession (collectively, the "Debtors"), seeking entry of an order, pursuant to section 365(a) of the Bankruptcy Code,[1] authorizing the Debtors to reject the Rejected Leases, 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 after due deliberation and sufficient cause appearing therefor; it is

ORDERED that the Motion is granted; and it is further

ORDERED that the Rejected Leases shall be deemed rejected effective, as of the date on which the Debtors surrender the respective location to the applicable landlord, as set forth on Exhibit "A" to this Order; and it is further

ORDERED that any proof of claim for damages arising from the rejection of the Rejected Leases must be filed on or before forty-five (45) days after the date of this Order, and

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

any claims resulting from the rejection of the Rejected Leases 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 the Debtors do not waive any claims that they may have against any of the landlords under the Rejected Leases, whether or not such claims are directly related to the Rejected Leases; and it is further

ORDERED that the Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion; 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

Exhibit "A"

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		TOTALS	**$53,195.94**		