

STEVE HAMIDI & ASSOCIATES

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SUITE 712
SHERMAN OAKS, CA. 91423

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05/24/2004

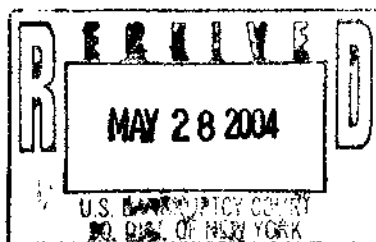
United States Bankruptcy Court for the Southern District of New York
The Alexander Hamilton Custom House
One Bowling Green
New York, New York 1004-1408

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

Dear Sir or Madam

Enclosed please find a copy of your notice to this office regarding filing of Chapter 11 by the Allegiance Telecom, Inc. (hereafter called Telephone Company). Please accept this letter as our response (or objection as the case may be) to filing of such Chapter 11.

1. Allegiance Telecom, Inc. approached this firm on 6/18/2002 to provide local, local toll and long distance telephone services. Telephone Company did not explain, neither this firm inquired about financial position of the Telephone company. According to the terms of the contract (copy enclosed) the respective fees for one minute of actual use were to be charged \$0.055 for calls within California and \$0.059 for interstate calls with no hidden or extra charge. In fact the contract guarantees Lowest Possible Price at all times.
2. The Telephone Company charged this firm \$0.06 per minute for local toll calls from September of 2002 to December of 2002 and up to \$0.08 per minute from January 2003 to present (copy of sample January 2003 invoice enclosed) based on one minute increments (contrast to 6 seconds increments per contract).
3. The telephone company started to charge \$2.95 per month beginning April of 2003 for detailed billings.
4. The exact amount of excessive charges may not be determined by this firm at this time since the time period of each and every call is reported in the Telephone Company invoices in



increments of 1 minute rather than 6 seconds (except for long distance calls). Accordingly, The fees may have been excessively charged between 10 times (if the call was equal or less than 6 seconds) and one ninth (if the call was equal or less than 54 seconds) of actual time period for each and every call. The average monthly telephone charge for 2003 based on the Telephone Company invoices is \$68.94.

5. This firm estimate of excessive charges is as follow:
23 months of invoices by the Telephone Company multiplied by \$ 18.00 estimated excessive charges equals to \$414.00.
14 months of \$2.95 per month for detailed billings equal to \$41.30.
Therefore, total excessive charge of \$455.30.

Should you have question or need for additional information in this regard, please contact the undersigned.

Sincerely,



Steve Hamidi
Steve Hamidi & Associates

enclosure

cc: Kirkland & Ellis LLP
The Office of United States Trustee
Paul, Hastings, Janofsky & Walker LLP
Akin Gump Straus Hauer Feld LLP
Brown Rudnick Berlack Israel LLP

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

In re

Allegiance Telecom, Inc., et al.,

Debtors.

**Chapter 11
Case No. 03-13057 (RDD)**

(Jointly Administered)

**NOTICE OF DEBTORS' INTENT TO ASSUME, ASSUME AND
ASSIGN, OR ASSIGN CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

NOTICE IS HEREBY GIVEN, as follows:

1. On February 20, 2004, the United States Bankruptcy Court for the Southern District of New York (the "Court") presiding over the chapter 11 cases of Allegiance Telecom, Inc. ("Allegiance") and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), entered an order (the "Sale Order") pursuant to which, among other things, the Court: (i) approved the sale to XO Communications, Inc. ("XO") or its designee (together with XO, the "Buyer"), pursuant to and in accordance with a certain Asset Purchase Agreement¹ dated as of February 18, 2004 by and among certain of the Debtors and the Buyer (as amended, the "Purchase Agreement"), of either (a) substantially all of the assets of Allegiance and Allegiance Telecom Company Worldwide ("ATCW") and all of the stock of the direct and indirect reorganized subsidiaries of ATCW, excluding the stock of Shared Technologies (collectively, the "Subsidiary Sellers"), to be effectuated through a plan of reorganization, or (b) alternatively, at the election of either of the parties as provided in and subject to the terms of the Purchase Agreement (the "Early Closing Election"), substantially all of the assets of Allegiance, ATCW, and the Subsidiary Sellers (in either instance ((a) or (b)) above, collectively, the "Sale Assets"); free and clear of all liens, claims, encumbrances and interests, and certain taxes; (ii) authorized the assumption and/or assignment to the Buyer of certain executory contracts and unexpired leases; (iii) modified that certain order of the Court entered on January 15, 2004 (the "Bidding Procedures Order"); and (iv) granted certain related relief.

2. In accordance with the Purchase Agreement, the Sale Order and the Bidding Procedures Order (as modified by the Sale Order), subject to (if no Early Closing Election is made) (a) the later of (i) the Closing, or (ii) the applicable State PUC Consent or FCC Consent, the Debtors are authorized and directed in accordance with sections 105(a), 363 and 365 of the Bankruptcy Code to assume and/or assign to the Buyer the contracts and leases (the "Assumed Contracts") listed on Exhibit A annexed hereto and incorporated by reference herein.²

3. The Debtors have identified on Exhibit A annexed hereto and incorporated by reference herein the cure amounts that the Debtors believe must be paid to cure all defaults under the Assumed Contracts to be assumed or assumed and assigned to which you are a party (in each instance, the "Cure Amount"). The Debtors believe that there are no non-monetary defaults (other than the filing of these chapter 11 cases) that will not be cured by payment of the Cure Amount. Pursuant to the Purchase Agreement, the Buyer has no liability to the Debtors or any party to an Assumed Contract for any ILEC Cure Amounts, any non-ILEC Cure Amounts (subject to certain adjustments, if any, to the Purchase Price in accordance with the terms of the Purchase Agreement), or any Cure Amounts that constitute Excluded Liabilities (including, without limitation, unrecorded liabilities of the Debtors).

4. The Buyer's obligation to pay the amounts arising under the Assumed Contracts after the Closing constitutes adequate assurance of future performance of the Assumed Contracts in accordance with section 365(f)(2)(b) of the Bankruptcy Code.

5. If you seek to (a) assert a Cure Amount based on defaults, conditions or pecuniary losses under your Assumed Contract (collectively, the "Cure Obligation") different from that set forth in this notice, or (b) object to the potential assumption and/or assignment of your Assumed Contract on any other grounds, you are required to file and serve an objection (an "Assumption and Assignment Objection"), in writing, setting forth with specificity (i) any and all Cure Obligations that you assert

¹ Unless otherwise defined herein, each term defined in the Sale Order or Purchase Agreement shall have the meaning ascribed to it therein, as applicable, when used herein.

² Assumed Contracts to be assumed and assigned as described in Exhibit A shall be assigned to XO or a wholly-owned direct or indirect subsidiary of XO.

must be cured or satisfied with respect to such Assumed Contract and/or (ii) if the objection to the potential assignment of such Assumed Contract is based on adequate assurance issues, the information required regarding the Buyer to satisfy your adequate assurance concerns.

6. To be considered a timely Assumption and Assignment Objection, the Assumption and Assignment Objection must be filed with the Court and a copy delivered to the attorneys for the Debtors, Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, NY 10022-4611, Attn: Michael J. Frishberg, Esq., (ii) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 1004 (Attn: Pamela J. Lustrin, Esq.), (iii) the attorneys for the Prepetition Lenders, Paul, Hastings, Janofsky & Walker LLP, 600 Peachtree Street, N.E., 24th Floor, Atlanta, Georgia 30308 (Attn: Jesse Austin, III, Esq.), (iv) the attorneys for the statutory committee of unsecured creditors, Akin Gump Strauss Hauer Feld LLP, 590 Madison Avenue, New York, New York 10022 (Attn: Ira S. Dizengoff, Esq.), (v) the attorneys for the Buyer, Brown Rudnick Berlack Israels LLP, One Financial Center, Boston, Massachusetts 02111 (Attn: Steven D. Pohl, Esq.), so as to be received no later than June 2, 2004 at 5:00 p.m. (Eastern Standard Time) (the "Assumption and Assignment Objection Deadline").

7. Unless your Assumption and Assignment Objection is timely filed and served by the Assumption and Assignment Objection Deadline, the assumption, assumption and assignment, or assignment, as the case may be, of the applicable Assumed Contract at the hearing at which the Court shall consider the assumption, assumption and assignment, or assignment of Assumed Contracts to the Buyer, which Hearing is scheduled for June 7, 2004 at 10:00 a.m. (Eastern Standard Time) (the "Hearing"), may occur without regard to any objection you may have or any provisions to the contrary in the applicable Assumed Contract.

8. If you fail to file and serve Assumption and Assignment Objections as provided above, you shall be deemed to have waived and released any and all Cure Obligations and shall be forever barred and estopped from asserting or claiming against the Debtors or the Buyer that the relevant contract or lease that any additional amounts are due or defaults exist, or prohibitions or conditions to assignment exist or must be satisfied, under such Assumed Contract for the period prior to the Closing Date.

9. The Hearing with respect to the Assumption and Assignment Objections shall be held by the Court on June 7, 2004 at 10:00 a.m. (Eastern Standard Time) at the United States Bankruptcy Court for the Southern District of New York, The Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004-1408, provided that, if the subject Assumed Contracts are assumed and/or assigned, the cure amount asserted by the objecting party (or such lower amount as may be agreed to by the parties or fixed by the Court) shall be deposited by the Debtors or the Buyer, as provided in the Purchase Agreement, and held in a segregated account by the Debtors or Buyer, applicable, pending further order of the Court or mutual agreement of the parties. The fact that any Assumption and Assignment Objections are not resolved shall not prevent or delay the occurrence of the date of assumption, assumption and assignment or assignment of any Assumed Contracts, and the objector's only recourse after the relevant date of assumption, assumption and assignment, or assignment, as the case may be, shall be to the segregated amounts.

10. If you agree that there are no cure amounts due under the Assumed Contract, and otherwise do not object to the Debtors' assumption, assumption and assignment, or assignment of your Assumed Contract, you need not take any further action.

11. The Buyer reserves the right to exclude or add any Assumed Contract from or to the Sale Assets and to withdraw any request to assume, assume and assign or assign any Assumed Contract pursuant to the terms of the Purchase Agreement.

12. The assumption, assumption and assignment, and/or assignment to the Buyer of the Assumed Contracts, as the case may be, has been approved by the Court, subject to resolution of Assumption and Assignment Objections, if any, the Closing and applicable State PUC Approval or FCC Approval. Accordingly, the Debtors shall be deemed to have assumed, assumed and assigned or assigned, as the case may be, each of the Assumed Contracts as of (if there is no Early Closing Election), the later of (i) the Closing, or (ii) applicable State PUC Consent or FCC Consent. Absent such Closing, or applicable State PUC Consent or FCC Consent, any of the affected Assumed Contracts shall not be deemed assumed nor assigned, and shall in all respects be subject to further administration under the Bankruptcy Code. The inclusion of any document on the list of Assumed Contracts shall not constitute or be deemed to be a determination or admission by the Debtors or the Buyer that such document is, in fact, an executory contract or unexpired lease within the meaning of the Bankruptcy Code (all rights with respect thereto being expressly reserved).

Dated: New York, New York
May 18, 2004

KIRKLAND & ELLIS LLP

Matthew A. Cantor, Esq. (MC-7727)
Jonathan S. Henes, Esq. (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



allegiancetelecom, inc.

www.allegiancetele.com

LETTER OF AGENCY

CUSTOMER CARE NUMBER 1-800-553-1989

CUSTOMER PROFILE

CUSTOMER BILLING NAME STEVEN HAMIDI + ASSOCIATES			
CUSTOMER BILLING ADDRESS (include suite or floor number) 13701 RIVERSIDE DR. STE. 712		CITY SHERMAN OAKS	STATE CA
CUSTOMER STREET ADDRESS (include suite or floor number) SAME		CITY	STATE
NAME OF PERSON AUTHORIZED TO ACT FOR CUSTOMER		AUTHORIZED PERSON'S TELEPHONE NUMBER	

By signing below, I am authorizing Allegiance Telecom of LOS ANGELES, Inc. ("Allegiance Telecom") to become my new telephone service provider in place of PAC BELL ("Current Telephone Company") for the provision of the following type(s) of service:

SERVICE

Choose from the following:

LOCAL EXCHANGE SERVICE

LONG DISTANCE (InterLATA Toll)

LOCAL TOLL (IntraLATA Toll)

Select one:

Allegiance

Select one:

Allegiance

or

Current Carrier _____

Current Carrier _____

Account No. _____

Account No. _____

or

Other _____

or

Other _____

I authorize Allegiance Telecom to act as my agent to make this change happen, and direct my Current Telephone Company to work with the new provider designated above to effect the change. I understand that for each telephone number, I may designate only one carrier for local toll and only one carrier for long distance. I understand that I may consult with the carrier(s) as to whether a fee applies to the carrier(s) change(s).

I understand that I must pay a charge of (not including any installation or account set up fee) of approximately \$ _____ OR Charge Waived to switch providers. If I later wish to return to my Current Telephone Company, I may be required to pay a reconnection charge to that company. I also understand that Allegiance Telecom may have different rates and charges than my Current Telephone Company, and that by signing below I indicate that I understand those differences (if any) and am willing to be billed accordingly.

I authorize Allegiance Telecom to provide the services selected above to the Billing Telephone Numbers ("BTN") listed below, including any and all other telephone numbers associated with the listed BTN(s), and no others:

8	1	8	-	9	9	5	-	0	5	9	9
			-				-				
			-				-				
			-				-				
			-				-				

			-				-				
			-				-				
			-				-				
			-				-				
			-				-				

Please initial here X JH to indicate your agreement to switch ALL telephone numbers associated with the BTN(s) listed above to Allegiance.

I further understand and agree that in the event I DO NOT want ALL telephone numbers associated with a BTN listed above switched to Allegiance, I must attach a list of EACH telephone number to be switched to Allegiance. Initial here _____ to indicate that you are attaching a list of EACH telephone number to be switched to Allegiance.

I certify that I have read and understand this Letter of Agency. I further certify that I am at least eighteen (18) years of age and that I am authorized to change telephone companies for services to the telephone number(s) listed above.

STEVE HAMIDI
Customer Name (please print)

[Signature]
Customer Signature

Owner
Title

6/18/2001
Date

THIS LETTER OF AGENCY SHALL REMAIN IN EFFECT FOR A PERIOD OF 60 DAYS FROM THE DATE OF SIGNATURE.

Allegiance Telecom, Inc.

The premiere alternative to Pacific Bell for your local phone service.

- Allegiance is a *facilities based company* and publicly traded on *NASDAQ (ALGX)*.
- Customer saves *minimum of 20% off* of your *local Pacific Bell Charges*.
- Allegiance service comes with a 90-day no obligation, satisfaction guarantee.
- Your current phone *numbers* and features *remain the same*.
- **Term Plan Protection**, *guarantees* you will always receive the *lowest possible price*.
- **Superior 24 hour/ 7 day customer service** with a single point of contact

	Pac Bell	Allegiance
• Basic Lines	\$10.32	\$8.26
• Installing Additional Lines	\$67.21	\$53.06
• Calls within 12 miles (DAY)	\$.0293 / \$.0093	\$.0234 / \$.0074
• Calls within 13 to 16 miles (DAY)	\$.0712 / \$.0159	\$.0570 / \$.0127
• Local Toll	1 Minute	18/6 seconds
• Long Distance (California)	N/A	\$.055 in state
• Interstate		\$.059
• Voice Mail	\$22.95	\$8.00

Highlights about *Allegiance Telecom, Inc.*

Allegiance is publicly offered on the NASDAQ exchange, under the symbol ALGX and has steadily increased in worth.

Allegiance investors number among the brightest in the business, with people such as Microsoft CO-founder Paul Allen (investing \$600 million).

Allegiance Telecom, Inc. is the Internet backup hub for companies like A.O.L., G.T.E. and A.T.&T.

Allegiance is managed by top figures in the telecommunications industry such as Founder & CEO Royce Holland who is an advisor for telecommunications and the internet to the President of the U.S.

Allow us to give you a complimentary telecommunications evaluation, to assess your needs for improvement.

Keith Keeler
Account Executive
(213) 673-4629

STEVEN HAMIDI & ASSOCIATES

BILLING DATE: 01/09/2003
 ACCOUNT NUMBER: 002539123319
 INVOICE NUMBER: 030111017658

LATA - CODE LEGEND

- (1) RATE CODE
 D: Day E: Evening N: Night W: Weekend P: Peak S: Shoulder-Peak O: Off-peak
- (2) DESTINATION TYPE
 D: Domestic I: International P: PR/VI M: Mexico C: Canada W: Cell Phone Terminated
- (3) SPECIAL CALL TYPES
 I: Information Services D: Directory Assistance V: Voice Message Delivery O: Operator Assisted B: Call Back
 C: Conference Call Leader P: Conference Call Participant A: Directory Assistance Call Completion L: Collect from Local Coin F: Payphone Originated

No.	Date	Time	From Location	From Number	To Location	To Number	Min	Code (1, 2, 3)	Amount
Calls for (818) 995-0599									
116	12/12/2002	4:27PM	VAN NUYS, CA	(818) 995-0599	LOSANGELES, CA	(323) 266-5000	3:00	(D,D,)	0.14
117	12/13/2002	2:13PM	VAN NUYS, CA	(818) 995-0599	IRVINE, CA	(949) 394-3828	2:00	(D,D,)	0.15
118	12/17/2002	11:11AM	VAN NUYS, CA	(818) 995-0599	IRVINE, CA	(949) 394-3828	1:00	(D,D,)	0.08
119	12/17/2002	11:12AM	VAN NUYS, CA	(818) 995-0599	IRVINE, CA	(949) 679-1697	7:00	(D,D,)	0.51
120	12/17/2002	12:36PM	VAN NUYS, CA	(818) 995-0599	FULLERTON, CA	(714) 449-9998	2:00	(D,D,)	0.10
121	12/17/2002	12:39PM	VAN NUYS, CA	(818) 995-0599	CYPRESS, CA	(714) 713-0271	1:00	(D,D,)	0.06
122	12/17/2002	1:33PM	VAN NUYS, CA	(818) 995-0599	REDONDO, CA	(310) 791-1111	20:00	(D,D,)	0.82
123	12/24/2002	1:00PM	VAN NUYS, CA	(818) 995-0599	CYPRESS, CA	(714) 713-0271	22:00	(D,D,)	0.90
124	12/24/2002	1:00PM	VAN NUYS, CA	(818) 995-0599	FULLERTON, CA	(714) 449-9998	1:00	(D,D,)	0.06
125	12/26/2002	3:00PM	VAN NUYS, CA	(818) 995-0599	ANAHEIM, CA	(714) 612-9023	4:00	(D,D,)	0.18
126	12/30/2002	12:00PM	VAN NUYS, CA	(818) 995-0599	NORWALK, CA	(562) 802-8881	6:00	(D,D,)	0.26
127	12/30/2002	1:00PM	VAN NUYS, CA	(818) 995-0599	NORWALK, CA	(562) 802-8881	1:00	(D,D,)	0.06
128	12/30/2002	4:00PM	VAN NUYS, CA	(818) 995-0599	PLACENTIA, CA	(714) 961-6091	2:00	(D,D,)	0.10
129	12/30/2002	5:00PM	VAN NUYS, CA	(818) 995-0599	FULLERTON, CA	(714) 449-9363	36:00	(E,D,)	1.17
130	12/30/2002	6:00PM	VAN NUYS, CA	(818) 995-0599	FULLERTON, CA	(714) 449-9363	1:00	(E,D,)	0.05
131	01/07/2003	4:00PM	VAN NUYS, CA	(818) 995-0599	ANAHEIM, CA	(714) 612-9023	22:00	(D,D,)	0.90
132	01/07/2003	5:00PM	VAN NUYS, CA	(818) 995-0599	ANAHEIM, CA	(714) 612-9023	1:00	(E,D,)	5
Totals for (818) 995-0599							Calls: 17	132:00	5.59

Calls for (818) 995-1599									
133	12/10/2002	9:46AM	VAN NUYS, CA	(818) 995-1599	NORWALK, CA	(562) 802-8291	4:00	(D,D,)	0.18
134	12/10/2002	11:30AM	VAN NUYS, CA	(818) 995-1599	ALAMITOS, CA	(562) 596-2642	1:00	(D,D,)	0.06
135	12/10/2002	11:34AM	VAN NUYS, CA	(818) 995-1599	ALAMITOS, CA	(562) 596-2642	2:00	(D,D,)	0.10
136	12/16/2002	1:42PM	VAN NUYS, CA	(818) 995-1599	FULLERTON, CA	(714) 449-9889	1:00	(D,D,)	0.06
137	12/19/2002	2:00PM	VAN NUYS, CA	(818) 995-1599	NORWALK, CA	(562) 802-8291	4:00	(D,D,)	0.18
138	12/19/2002	3:00PM	VAN NUYS, CA	(818) 995-1599	REDONDOBCH, CA	(310) 544-4444	1:00	(D,D,)	0.06
139	12/19/2002	3:00PM	VAN NUYS, CA	(818) 995-1599	REDONDOBCH, CA	(310) 544-4444	2:00	(D,D,)	0.10
140	12/23/2002	3:00PM	VAN NUYS, CA	(818) 995-1599	NORWALK, CA	(562) 802-8291	4:00	(D,D,)	0.18
141	12/24/2002	12:00PM	VAN NUYS, CA	(818) 995-1599	ALAMITOS, CA	(562) 596-2642	1:00	(D,D,)	0.06
142	12/24/2002	12:00PM	VAN NUYS, CA	(818) 995-1599	ALAMITOS, CA	(562) 596-2642	2:00	(D,D,)	0.10
143	12/26/2002	6:00PM	VAN NUYS, CA	(818) 995-1599	NORWALK, CA	(562) 802-8291	3:00	(E,D,)	0.12
144	12/27/2002	8:00PM	VAN NUYS, CA	(818) 995-1599	SANTA ANA, CA	(714) 210-3940	1:00	(E,D,)	0.07
145	12/30/2002	4:00PM	VAN NUYS, CA	(818) 995-1599	REDONDOBCH, CA	(310) 544-4444	1:00	(D,D,)	0.06
146	12/30/2002	4:00PM	VAN NUYS, CA	(818) 995-1599	REDONDOBCH, CA	(310) 544-4444	1:00	(D,D,)	0.06
147	01/02/2003	1:00PM	VAN NUYS, CA	(818) 995-1599	FULLERTON, CA	(714) 449-9889	1:00	(D,D,)	0.06
148	01/02/2003	3:00PM	VAN NUYS, CA	(818) 995-1599	FULLERTON, CA	(714) 449-9363	4:00	(D,D,)	0.18
149	01/02/2003	3:00PM	VAN NUYS, CA	(818) 995-1599	NORWALK, CA	(562) 802-8881	2:00	(D,D,)	0.10
150	01/02/2003	3:00PM	VAN NUYS, CA	(818) 995-1599	REDONDO, CA	(310) 791-1111	3:00	(D,D,)	0.14
151	01/03/2003	11:00AM	VAN NUYS, CA	(818) 995-1599	REDONDO, CA	(310) 791-1111	1:00	(D,D,)	0.06
152	01/03/2003	2:00PM	VAN NUYS, CA	(818) 995-1599	NORWALK, CA	(562) 802-8881	1:00	(D,D,)	0.06
153	01/03/2003	2:00PM	VAN NUYS, CA	(818) 995-1599	REDONDOBCH, CA	(310) 544-4444	2:00	(D,D,)	0.10
154	01/03/2003	3:00PM	VAN NUYS, CA	(818) 995-1599	NORWALK, CA	(562) 802-8291	4:00	(D,D,)	0.18