# EXHIBIT B

# ASSET PURCHASE AGREEMENT

**by and among**

**ALLEGIANCE TELECOM, INC.**
**And**
**ALLEGIANCE TELECOM COMPANY WORLDWIDE**

**jointly and severally as Sellers**

**And**

**XO COMMUNICATIONS, INC.**

**as Buyer**

**February 18, 2004**

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## EXHIBITS

# ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT is dated as of February 18, 2004 by and among Allegiance Telecom, Inc., a Delaware corporation ("ATI"), Allegiance Telecom Company Worldwide, a Delaware corporation ("ATCW" and, together with ATI, "Sellers" and each individually, a "Seller"), and XO Communications, Inc., a Delaware corporation ("Buyer").

WITNESSETH:

WHEREAS, Sellers (together with the Operating Subsidiaries, "Allegiance") are engaged in the business of providing certain telecommunication products and services, including local and long-distance voice services, broadband and other Internet and data services and wholesale services, to business, government and other institutional users in major metropolitan areas across the United States (excluding any Excluded Asset (as defined herein), the "Business");

WHEREAS, on May 14, 2003, each of ATI and ATCW and their direct and indirect Subsidiaries commenced a case (collectively, the "Cases") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), which cases are jointly administered under Case No. 03-13057;

WHEREAS, the sale of assets and certain liabilities of the Business are subject to the supervision and control of Sellers subject to the approval of the Bankruptcy Court;

WHEREAS, Sellers wish to sell to Buyer and Buyer wishes to purchase from Sellers substantially all of the assets and to assume from Sellers certain liabilities of the Business, pursuant to, inter alia, sections 105, 363, 365, 1122, 1129 and 1146(c) of the Bankruptcy Code and the applicable Federal Rules of Bankruptcy Procedure; provided, however, that in the event Sellers shall have delivered an Early Closing Election, Sellers shall not seek to sell the assets pursuant to sections 1122 and 1129 of the Bankruptcy Code;

WHEREAS, in connection with issuance of the XO Common Stock (as defined herein), Buyer's shareholder approval (as described in this Agreement) may be required, and as a condition precedent to Sellers' execution and delivery of this Agreement, Cardiff Holding LLC, the holder of a majority of the capital stock of Buyer, has entered into a Voting and Lockup Agreement (the "Voting Agreement") (attached hereto as Exhibit B) and the Voting Agreement remains in full force and effect;

WHEREAS, the Board of Directors of each Seller has determined that it is advisable and in the best interests of Sellers' estates and the beneficiaries of such estates to consummate the transactions contemplated by this Agreement, upon the terms and conditions provided for herein; and

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and subject to the terms and conditions hereof, the parties, intending to be legally bound, hereby agree as follows:

## ARTICLE I
## DEFINITIONS

1.1 Defined Terms. As used herein, the terms below shall have the following respective meanings:

"Adjustment Escrow Amount" means the greater of (i) Seven Million Dollars ($7,000,000) and (ii) the sum of Five Million Dollars ($5,000,000) plus, to the extent positive, the Initial Working Capital Adjustment.

"Affiliate" means any Person directly or indirectly controlling, controlled by or under common control with another Person where "control" means the possession, directly or indirectly, of the power to direct the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise; provided, however, that under no circumstances shall creditors of Allegiance be considered Affiliates of Allegiance solely by virtue of their ownership of creditor claims against Allegiance.

"Affiliated Group" means any affiliated group of corporations within the meaning of Section 1504 of the Internal Revenue Code that joins in the filing of (or is otherwise required to file) a federal consolidated Tax Return, as well as any other group of corporations filing (or otherwise required to file) consolidating, combined or unitary Tax Returns under state, local or foreign Law, of which a Seller is or was a member.

"Agreement" means this Asset Purchase Agreement (together with all schedules and exhibits referenced herein), as the same may be amended from time to time.

"Bankruptcy Plan" means Allegiance's chapter 11 plan of reorganization that includes the sale of the Acquired Assets to Buyer as contemplated hereby, in a form reasonably acceptable to Buyer, unless an Early Closing Election shall have been delivered.

"Base Working Capital" means the Net Working Capital as of September 30, 2003 equal to $16,099,016.

"Bidding Procedures Order" means that certain order dated January 15, 2004 (A) establishing bidding procedures and bid protections in connection with the sale of substantially all of the assets of Sellers, (B) approving the form and manner of notices in connection with such sale and (C) setting a sale hearing date.

"Business Day" means any day other than a Saturday, Sunday or a legal holiday on which banking institutions in the State of New York are not required to open.

"COBRA" means section 4980B of the Internal Revenue Code and Part 6 of Subtitle B of Title I of ERISA.

"Communications Licenses" means the FCC Licenses and the State PUC Licenses.

"Confidentiality Agreement" means the agreement entered into by and between ATI and XO Communications, Inc. dated December 9, 2003.

"Confirmation Order" means a final, nonappealable order to be entered by the Bankruptcy Court in the Cases confirming the Bankruptcy Plan pursuant to section 1129 of the Bankruptcy Code.

"Contract" means any contract, agreement, indenture, note, bond, loan, instrument, lease, commitment or other arrangement or agreement, including all amendments thereof and supplements thereto.

"Cure Amounts" means all amounts payable in order to effectuate, pursuant to section 365 of the Bankruptcy Code, the assumption by Sellers and the assignment to the Buyer of any Assumed Contract.

"Disclosure Schedules" means the various disclosure schedules referred to herein.

"Employee" means each active employee, full-time or part-time, temporary or regular, of Allegiance. An "active employee" shall include any current employee on Allegiance's payroll records, regardless of whether such employee is absent from work, including due to short term or long term disability, military leave, leave of absence, illness, vacation or workers' compensation injury.

"Environmental Laws" means all Laws relating to the protection of the environment, or to any emission, discharge, generation, processing, storage, holding, abatement, existence, Release, threatened Release or transportation of any Hazardous Substances, including all Laws pertaining to reporting, licensing, permitting, investigation or remediation of emissions, discharges, Releases or threatened Releases of Hazardous Substances into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, sale, treatment, receipt, storage, disposal, transport or handling of Hazardous Substances.

"Environmental Permits" means any Licenses required pursuant to Environmental Laws for operation, installation or modification of equipment, processes, facilities or for occupancy of any of the real property owned or leased by Sellers or the Operating Subsidiaries.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended and the regulations promulgated thereunder.

"Executory Contract" means any Contract that can be assumed or rejected in accordance with the Bankruptcy Code.

"Expense Reimbursement" means an amount payable to Buyer in accordance with Section 8.2 or Section 8.3, to reimburse Buyer for reasonable and documented out-of-pocket costs and expenses (including reasonable legal, accounting and financial advisors' fees and expenses) incurred by Buyer or its Affiliates in connection with the investigation, negotiation, execution, delivery and performance of this Agreement, the consummation of the transactions contemplated hereby and the participation in and monitoring of the Cases, such expenses to be set forth in a reasonably detailed written itemization of such expenses (the "Expense Reimbursement Statement").

"Expense Reimbursement Statement" shall have the meaning ascribed to such term in the definition of "Expense Reimbursement."

"FCC" means the Federal Communications Commission.

"FCC Consent" means the grant by the FCC of its consent to the transfer of the FCC Licenses in connection with the consummation of the transactions contemplated hereby.

"FCC Licenses" means all Licenses issued by the FCC held by Sellers or the Operating Subsidiaries, as set forth on Schedule 2.1(d) of the Disclosure Schedules.

"GAAP" means generally accepted accounting principles in the United States as in effect from time to time.

"Governmental Entity" means any federal, state, local or foreign government or any subdivision, agency, instrumentality, authority, department, commission, board or bureau thereof or any federal, state, local or foreign court, tribunal or arbitrator (including the Bankruptcy Court).

"Hazardous Substances" means any substance or material that: (i) is or contains asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum or petroleum-derived substances or wastes, radon gas or related materials, or (ii) requires investigation, removal or remediation under any Environmental Law, or is defined, listed or identified as a "hazardous waste," "hazardous substance," "toxic substance" or words of similar import thereunder.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and any successor law and the rules and regulations promulgated thereunder or under any successor law.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Law" means any federal, state, local, municipal or foreign statute, law, ordinance, regulation, rule, code, order, principle of common law or judgment enacted, promulgated, issued, enforced or entered by any Governmental Entity, or other requirement or rule of law.

"Liabilities" means, as to any Person, all debts, adverse claims, liabilities, commitments, responsibilities, damages and obligations of any kind or nature whatsoever, direct, indirect, absolute or contingent, of such Person, whether accrued, vested or otherwise, whether known or unknown and whether or not actually reflected, or required to be reflected, in such Person's balance sheets or other books and records.

"License" means all licenses, franchises, permits, consents, waivers, registrations, certificates, and other governmental or regulatory permits, authorizations or approvals required to be issued or granted by a Governmental Entity for the operation of the Business and for the ownership, lease or operation of Sellers' or the Operating Subsidiaries' properties.

"Lien" means any lien, lease, right of first refusal, servitude, claim, pledge, option, charge, hypothecation, easement, security interest, right-of-way, encroachment, mortgage, deed of trust or any other encumbrance, restriction or limitation whatsoever.

"Litigation" means any claim, action, suit, investigation or proceeding before any court, arbitrator or other Governmental Entity.

"Material Adverse Effect" means any event, effect or change, individually or in the aggregate with such other events, effects or changes, that has had, has or could reasonably be expected to have a material adverse effect on the condition (financial or otherwise), Liabilities, properties, assets (including intangible assets) or results of operations of Allegiance or the Business, in either case taken as a whole; provided that none of the following shall be deemed to constitute and none of the following shall be taken into account in determining whether there has been a Material Adverse Effect: any adverse event, effect or change arising from or relating to (1) general business or economic conditions; (2) national or international political conditions, including the engagement of the United States in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon the United States, or any of its territories, possessions, or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States; (3) financial, banking or securities market conditions (including any disruption thereof and any decline in the price of any security (including any security or creditor claims of or with respect to Allegiance) or any market index); (4) changes in GAAP or any application of accounting standards after the date hereof, including the American Institute of Certified Public Accountants Statement of Position 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" and Financial Accounting Standards Board in Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets;" (5) the taking of any action specifically contemplated by this Agreement and the other agreements contemplated

hereby or the announcement of the transactions contemplated by this Agreement; or (6) changes in Law or binding directives issued by any Governmental Entity.

"Net Working Capital" for any date of determination, means as of the close of business on such date, Working Capital Assets minus Working Capital Liabilities.

"Operational Restructuring Activities" means Sellers' actions taken with the intent to preserve cash, improve the efficiency and reduce the costs of the Business consisting of (i) reducing the number of Employees to approximately 3,000 as of September 30, 2003; (ii) rejecting Executory Contracts in the Cases (and from and after the date hereof, solely in accordance with this Agreement); (iii) waiving, decommissioning or abandoning assets and other rights that are not material to the operation of the Business and in instances in which the estimated cost of salvaging or selling such assets exceeds the anticipated proceeds; (iv) marketing and seeking to sell certain Excluded Assets; and (v) taking other actions in the Cases specifically approved by the Bankruptcy Court prior to the date hereof, whether such action occurs prior to, on or subsequent to the date hereof.

"Order" means any judgment, order, injunction, writ, ruling, decree, stipulation or award of any Governmental Entity.

"Ordinary Course of Business" means the ordinary and usual course of normal day-to-day operations of the Business by Sellers and the Operating Subsidiaries as debtors and debtors-in-possession in the Cases consistent with past practice through the date hereof.

"Out of Region Business" means the operations of the Business conducted outside of the states of Arizona, Colorado, Oregon, Washington and Minnesota.

"Permitted Lien" means (i) any Lien for Taxes not yet due or delinquent; (ii) any statutory Lien arising in the Ordinary Course of Business or by operation of Law with respect to a Liability that is not yet due or delinquent; (iii) easements, leases, reservations, licenses or other matters of record affecting any property or assets of Allegiance, provided that such easements, leases, reservations, licenses or other matters do not materially detract from the value of or impair the use of such property or assets; and (iv) Liens on Acquired Assets in favor of Allegiance's secured lenders to be released at Closing.

"Person" means an individual, a partnership, a joint venture, a corporation, a business trust, a limited liability company, a trust, an unincorporated organization, a joint stock company, a labor union, an estate, a Governmental Entity or any other entity.

"post-Petition" means any time after the commencement of the Cases.

"pre-Petition" means any time prior to the commencement of the Cases.

"Regulatory Transition Process" means the process as set forth in this Agreement, the Operating Agreement, the Transition Plan and other related documents for obtaining all approvals, consents (including assignments of any permits and rights of way), certificates, waivers and other authorizations required to be obtained from, or filings or other notices required to be made with or to, any Governmental Entities having jurisdiction over any of the Acquired Assets in order to consummate the transactions contemplated by this Agreement and the other Transaction Documents and the transfer of such Acquired Assets, including the Non-Transferred Assets, to Buyer upon the receipt of such approvals.

"Release" means any releasing, disposing, discharging, injecting, spilling, leaking, leaching, pumping, dumping, emitting, escaping, emptying, seeping, dispersal, migration, transporting, placing and the like, including the moving of any materials through, into or upon, any land, soil, surface water, groundwater or air, or otherwise entering into the environment.

"Representative" means, with respect to any Person, such Person's officers, directors, employees, agents and representatives (including any investment banker, financial advisor, accountant, legal counsel or expert retained by or acting on behalf of such Person or its Subsidiaries).

"Retail Ending Lines" means the number of lines in service from Allegiance's billing systems based upon line equivalency and consistent with the methodology used to report retail ending lines on Allegiance's monthly flash reports. Line equivalency is defined per product and is maintained by Allegiance's Product Hierarchy database. For example, a fully-utilized data T-1 is counted as 24 lines.

"Sale Delay" means the failure to adhere to the timeline attached hereto as Exhibit J with respect to the Sale Order Approval Date.

"Sale Hearing" means the hearing to be scheduled and conducted by the Bankruptcy Court to consider approval and entry of the Sale Order.

"Sale Motion" means the motion or motions of Sellers seeking approval and entry of the Bidding Procedures Order and the Sale Order.

"Sale Order" means an order in the form of Exhibit C hereto, and otherwise in form and substance reasonably acceptable to ATI and Buyer.

"Sale Order Approval Date" means the date the Bankruptcy Court approves the Sale Order.

"Scheduled Future Disconnects" means scheduled backlog of line disconnects from Allegiance's backlog report as determined by Sellers in accordance with past custom and practice.

"Scheduled Future Installs" means scheduled backlog of line installs from Allegiance's backlog report as determined by Sellers in accordance with past custom and practice.

"Sellers' Knowledge" and any similar terms used herein means the actual knowledge of Royce J. Holland, C. Daniel Yost, Thomas M. Lord, G. Clay Myers, Christopher MacFarland, J. Timothy Naramore, Anthony J. Parella or Mark B. Tresnowski, without any duty to investigate.

"Shared Technologies" means Shared Technologies Allegiance, Inc., a wholly owned Subsidiary of ATCW.

"State PUC" means any state and local public service and public utilities commission having regulatory authority over the Business, as conducted in any given jurisdiction.

"State PUC Consent" means the grant by any State PUC of its consent to the assignment of the State PUC Licenses or any Non-Transferred Assets associated with such Licenses, in connection with the consummation of the transactions contemplated hereby.

"State PUC Licenses" means all Licenses issued or granted by the State PUC held by Sellers or any Operating Subsidiary in each applicable jurisdiction, as set forth on Schedule 2.1(d) of the Disclosure Schedules.

"Subsidiary" means, with respect to any particular Person, any corporation, limited liability company, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association or other business entity, a majority of the partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or control any managing director or general partner of such limited liability company, partnership, association or other business entity.

"Tax" or "Taxes" means all taxes, charges, fees, duties, levies or other assessments, including income, gross receipts, net proceeds, ad valorem, turnover, real and personal property (tangible and intangible), sales, use, franchise, excise, value added, license, payroll, unemployment, environmental, customs duties, capital stock, disability, stamp, leasing, lease, user, transfer, fuel, excess profits, occupational and interest equalization, windfall profits, severance and employees' income withholding and Social

Security taxes imposed by the United States or any other country or by any State, municipality, subdivision or instrumentality of the United States or of any other country or by any other tax authority, including interest, penalties or additions to tax attributable to such Taxes or any Tax Return, and shall include any transferee or successor liability in respect of Taxes (whether by contract or otherwise) and any liability in respect of any Taxes as a result of being a member of any Affiliated Group.

"Tax Return" means any statement, report, return or other information required to be filed with respect to any Tax (including any attachments thereto and any amendment thereof) including any information return, claim for refund, amended return or declaration of estimated Tax, and including, where permitted or required, consolidating, combined or unitary returns in which any Seller or Operating Subsidiary is or was included or includable.

"Transaction Documents" means this Agreement, the Transition Services Agreement, the Purchase Price Escrow Agreement, the Master Services Agreement, the Operating Agreement, the Voting Agreement, the Adjustment Escrow Agreement and all Disclosure Schedules, certificates, contracts and agreements being delivered or entered into pursuant to this Agreement.

"Transfer Tax" or "Transfer Taxes" means any federal, state, county, local, foreign and other sales, use, transfer, conveyance, documentary transfer, recording or other similar tax, fee or charge imposed upon the sale, transfer or assignment of property or any interest therein or the recording thereof, and any penalty, addition to tax or interest with respect thereto, but such term shall not include any tax on, based upon or measured by, the net income, gains or profits from such sale, transfer or assignment of the property or any interest therein.

"WARN Act" means the Worker Adjustment and Retraining Notification Act of 1988, as amended, and any successor law, and the rules and regulations promulgated thereunder and under any successor law, and any similar state, local or foreign law, regulation or ordinance.

"Working Capital Assets" means the consolidated current assets of Allegiance set forth on Exhibit G, determined in accordance with GAAP applied on a basis consistent with the most recent balance sheet included in the Financial Statements to the extent they are included in the Acquired Assets.

"Working Capital Liabilities" means the consolidated current liabilities of Allegiance set forth on Exhibit G, determined in accordance with GAAP applied on a basis consistent with the most recent balance sheet included in the Financial Statements to the extent they are included in the Assumed Liabilities.

1.2 Other Defined Terms. The following additional terms shall have the meanings defined for such terms in the Sections set forth below:

| Term | Section |
|---|---|
| Accounting Referee | 3.4(d) |
| Acquired Assets | 2.1 |
| Additional Amount | 3.6(d) |
| Adjustment Escrow Account | 3.2(b)(iii) |
| Adjustment Escrow Agent | 3.2(b)(iii) |
| Adjustment Escrow Agreement | 3.2(b)(iii) |
| Allegiance | Recitals |
| Allocation Schedule | 3.7 |
| Antitrust Laws | 6.14(b) |
| Approval Motions | 6.3(a) |
| Assumed Contracts | 3.5(d) |
| Assumed Contracts List | 3.5(d) |
| Assumed Liabilities | 2.3 |
| ATCW | Preamble |
| ATI | Preamble |
| Avoidance Actions | 2.2(e) |
| Balance Sheet | 4.6(a) |
| Balance Sheet Date | 4.6(a) |
| Bankruptcy Code | Recitals |
| Bankruptcy Court | Recitals |
| bulk sale | 6.15 |
| Business | Recitals |
| Buyer | Preamble |
| Buyer Group | 9.7 |
| Cases | Recitals |
| Cash and Cash Equivalents | 2.2(a) |
| Cash Purchase Price | 3.2(a) |
| Claim Over | 9.7 |
| Claims | 2.1(f) |
| Closing | 3.1(a) |
| Closing Date | 3.1(a) |
| Committee | 6.5(c) |
| Competing Transaction | 6.17(a) |
| Deposit Adjustment Amount | 3.5(b) |
| Designated Change | 6.14(b) |
| Disclosure Statement | 6.3(a) |
| Early Closing Election | 8.3(c) |
| Early Funding Date | 3.1 |
| Early Funding Date Working Capital | 3.4(b) |
| Earnest Money Deposit | 3.3 |
| Employee Benefit Plans | 4.23(a) |
| Employee Schedule | 6.8(a) |
| Equipment | 2.1(b) |
| ERISA Affiliate | 4.23(a) |

| Term | Section |
|---|---|
| Estimated Early Funding Date Working Capital | 3.4(a) |
| Exchange Act | 4.6(c) |
| Excluded Assets | 2.2 |
| Excluded Liabilities | 2.4 |
| Exclusivity Period | 6.3(d)(iii) |
| Final Performance Adjustment Amount | 3.6(b) |
| Final Working Capital | 3.4(i) |
| Financial Statements | 4.6(a) |
| Form 10-Q | 5.8 |
| good faith | 6.3(b) |
| Guidance | 6.28(a) |
| ILECs | 3.5(a) |
| ILEC Cure Amounts | 3.5(a) |
| ILEC Set Off Amounts | 3.5(a) |
| Initial Working Capital Adjustment | 3.4(f) |
| Intellectual Property | 2.1(i) |
| Liquidated Damages | 8.2 |
| Losses | 9.7 |
| Master Services Agreement | 6.26 |
| Multiemployer Plan | 4.23(d) |
| multiple employer plan | 4.23(a) |
| No Action Relief | 6.28(a) |
| Non-Compete Covenants | 6.1(j) |
| Non-ILEC Cure Adjustment | 3.5(c) |
| Non-ILEC Cure Amounts | 3.5(c) |
| Non-ILEC Set Off Amounts | 3.5(c) |
| Non-Recourse Person | 9.7 |
| Non-Transferred Assets | 2.5 |
| Operating Agreement | 7.2(g) |
| Operating Subsidiaries | 2.1(s) |
| Owned Real Property | 2.2(l) |
| Performance Adjustment Amount | 3.6(a) |
| Personal Property Leases | 2.1(c) |
| Purchase Price | 3.2 |
| Purchase Price Cash Escrow | 3.2(b) |
| Purchase Price Escrow Agent | 3.2(b) |
| Purchase Price Escrow Agreement | 3.2(b) |
| Purchase Price Escrow Amount | 3.2(b) |
| Purchase Price Stock Escrow | 3.2(b) |
| Real Property Leases | 2.1(a) |
| Required Interconnection Agreements | 2.5 |
| SEC | 4.6(c) |
| Securities Act | 6.28 |
| Seller Marks | 6.24 |

| Term | Section |
|---|---|
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| Sellers' Intentional Breach | 8.2 |
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| Shared Hosting Business | 6.1 |
| Shareholder Approval | 6.29 |
| Third Person | 9.7 |
| Total Gross End User Revenue | 3.6(a) |
| Total Retail Net Ending Lines | 3.6(a) |
| Transferred Employees | 6.8(b) |
| Transition Plan | 6.2(a) |
| Transition Services Agreement | 7.3(d) |
| Voting Agreement | Recitals |
| XO Common Stock | 3.2(a) |

## ARTICLE II
## TRANSFER OF ASSETS AND LIABILITIES

2.1 Assets to be Sold. Subject to Sections 2.2, 2.5, 2.6, 2.7 and 6.2, the other provisions of this Agreement and the Sale Order, at the Closing, Sellers shall sell, convey, assign, transfer and deliver to Buyer or a designee of Buyer free and clear of all Liens and Liabilities (other than Permitted Liens of the type included in clause (iii) of the definition of Permitted Liens), and Buyer shall purchase, acquire, and accept all of Sellers' right, title and interest in and to all of Sellers' properties, assets and rights of every nature, kind and description, tangible and intangible (including goodwill), whether real, personal or mixed, whether accrued, contingent or otherwise and whether now existing or hereafter acquired, including the following (collectively, the "Acquired Assets"):

(a) The leases or subleases and all amendments thereto under which any of Sellers is a lessor or lessee or sublessor or sublessee of real property (collectively, the "Real Property Leases") as set forth on the Assumed Contracts List, including all improvements, fixtures and other appurtenances thereto and rights in respect thereof and any related security deposits;

(b) The furniture, fixtures, equipment, machinery, supplies, vehicles, inventory, and other tangible personal property, including the network equipment assets and facilities owned or used by Sellers (collectively, the "Equipment");

(c) The leases which relate to Equipment and leases of dark fiber (collectively, the "Personal Property Leases") as set forth on the Assumed Contracts List;

(d) All Communications Licenses and any other Licenses, including those listed on Schedule 2.1(d) of the Disclosure Schedules, to the extent the same are transferable or assignable pursuant to section 365 of the Bankruptcy Code or as

otherwise permitted by Law (or, to the extent not transferable or assignable, all right, title and interest in such Licenses, to the fullest extent such right, title and interest may be transferred or assigned); provided, that to the extent that Buyer does not require any such Communications License or Licenses, it may in its sole discretion decline to acquire such Communications License or Licenses by providing written notice to Sellers prior to the Closing Date, in which case such a License shall not be an Acquired Asset hereunder.

(e) The Assumed Contracts not described in Section 2.1(a) or 2.1(c) above, including any related security deposits (including the deposits described in Section 3.5(b) hereof), advance payments, customer advances and customer deposits;

(f) Except as set forth in Section 2.2(e) and 2.2(f), all rights, demands, claims, actions, rights of set off, counterclaims and causes of action of any kind (collectively, the "Claims") brought by or for the benefit of any Seller or Operating Subsidiary relating to the operation of the Business;

(g) Accounts, notes and other receivables of Sellers (other than pre-Petition carrier gross accounts receivable, including those of ILECs which were recorded on the books and records of Sellers as of May 14, 2003, in an amount up to $58.3 million);

(h) Any books, records, files or papers of Sellers, whether in hard copy or computer format, relating to the Acquired Assets or the Non-Transferred Assets (upon such assets becoming Acquired Assets) or to the operation of the Business, including management information systems or software owned by Sellers, engineering information, sales and promotional literature, manuals and data, sales and purchase correspondence, personnel and employment records, customer lists, customer information, vendor lists, catalogs, research material, source codes, carrier identification codes, technical information, trade secrets, technology, know-how, specifications, designs, drawings, processes and quality control data, if any, or any other intangible property and applications for the same but excluding any books, records, files or papers that relate to any Taxes of Sellers that are Excluded Liabilities;

(i) Any of Sellers' right, title or interest in or to any of Sellers' patents, patent registrations, patent applications, trademarks (including "*allegiancetelecom,inc.*" and design), trademark registrations, trademark applications, tradenames, copyrights, copyright applications, and copyright registrations relating to the Business and the rights to sue for, and remedies against, past, present and future infringements thereof and the rights of priority and protection of interests therein under applicable laws (collectively, the "Intellectual Property");

(j) Any computer software programs and databases used by any Seller or Operating Subsidiary, whether owned, licensed, leased, or internally developed to the extent the same are transferable or assignable pursuant to section 365 of the Bankruptcy Code or as otherwise permitted by Law (or, to the extent not transferable or

assignable, all right, title and interest in such programs and databases, to the fullest extent such right, title and interest may be transferred or assigned);

(k) All taxation matrixes utilized by Sellers in the determination of the taxability of products sold by Sellers, other than those which are commercially available;

(l) Any telephone numbers, electronic mail addresses, carrier identification codes and local exchange codes used by Sellers in the conduct of the Business;

(m) All of Sellers' currently allocated, assigned, used and unused internet protocol addresses, domain names, and autonomous system numbers from applicable authorities governing the use and structure of the Internet, including the American Registry for Internet Numbers;

(n) All bank accounts and lock-boxes, including those listed on Schedule 2.1(n) of the Disclosure Schedules;

(o) All transferable rights of Sellers under or pursuant to all warranties, representations and guarantees made by suppliers, manufacturers and contractors to the extent relating to products sold, or services provided, to Sellers or to the extent affecting any Acquired Assets;

(p) All rights of Sellers under non-disclosure, confidentiality, non-compete or non-solicitation agreements with employees or agents of Sellers or with third parties;

(q) All insurance claims and insurance proceeds (other than with respect to any director and officer, errors and omissions, fiduciary and commercial crime policies) in respect of an Acquired Asset or an Assumed Liability, and with respect to insurance proceeds, to the extent received by Allegiance after the Early Funding Date;

(r) All security, vendor, utility and other deposits;

and

(s) All equity interests including capital stock held by ATCW in each of its direct and indirect reorganized Subsidiaries, other than the stock of Shared Technologies, and the corporate books and records relating to the organization and existence of each such reorganized direct and indirect Subsidiary (collectively, without including Shared Technologies, the "Operating Subsidiaries").

2.2 Excluded Assets. The Acquired Assets shall not include any of Sellers' or the Operating Subsidiaries' right, title or interest in or to any assets or properties of Sellers or the Operating Subsidiaries that are expressly enumerated below (collectively, the "Excluded Assets"):

(a) Subject to Section 2.1(q), cash and cash equivalents, short-term and long-term investments, or similar type investments, uncollected checks and funds in transit to the extent there is a corresponding reduction in accounts receivable included in Acquired Assets, Treasury bills and other marketable securities existing as of the Closing Date ("Cash and Cash Equivalents");

(b) Bank accounts and lock-boxes described as "Excluded Assets" on Schedule 2.1(n) of the Disclosure Schedules;

(c) Any security, vendor, utility or other deposits (but only to the extent such deposits specifically relate to Excluded Assets or Excluded Liabilities);

(d) Any Contracts other than the Assumed Contracts;

(e) All Claims that Sellers or any of their respective Affiliates may have against any third party, including any Governmental Entity, for causes of action based on Chapter 5 of the Bankruptcy Code ("Avoidance Actions") and for refund or credit of any type with respect to Taxes accrued or paid with respect to periods (or any portion thereof) ending on or prior to the Closing Date;

(f) All Claims which Sellers or any of their respective Affiliates may have against any third Person with respect to any Excluded Asset or Excluded Liability;

(g) The capital stock of Shared Technologies, which is a Subsidiary of ATCW, but is not a Seller hereunder, its assets, and assets used primarily in the Shared Technology business and set forth in Schedule 2.2(g) of the Disclosure Schedules;

(h) The Shared Hosting Business, including Contracts, accounts receivable, equipment and Intellectual Property specifically related thereto;

(i) The capital stock of each Seller and each Seller's corporate books and records relating to its organization and existence;

(j) Any director and officer, errors and omissions, fiduciary or commercial crime insurance policies and related insurance claims and insurance proceeds;

(k) All insurance policies;

(l) Any real property which is owned by any of Sellers ("Owned Real Property") including any proceeds received in connection with the sale thereof;

(m) Any loans or notes payable to any Seller or Operating Subsidiary from any employee of any Seller or Operating Subsidiary, other than Ordinary Course of Business employee advances;

(n) Pre-Petition carrier gross accounts receivable, including those of ILECs, which were recorded on Allegiance's books and records as of May 14, 2003, in an amount up to $58.3 million; and

(o) Any assets set forth in Schedule 2.2(o) of the Disclosure Schedules.

2.3 Liabilities to be Assumed by Buyer. Subject to Sections 2.4, 2.5 and 6.2, upon the transfer of the Acquired Assets on the Closing Date, Buyer shall assume only the following Liabilities of Sellers (collectively, the "Assumed Liabilities"):

(a) Liabilities arising out of or relating to the ownership of the Acquired Assets and the operation of the Business by Buyer or any of its assignees, including Liability for personal injury of customers or employees, but in each case only to the extent that the event or state of facts giving rise to such Liability occurs after the Early Funding Date;

(b) (i) Liabilities under the Assumed Contracts, but only to the extent that the event or state of facts giving rise to such Liability occurs after the Early Funding Date, and (ii) any post-Petition Liabilities under the Assumed Contracts incurred in the Ordinary Course of Business but only to the extent such Liabilities are reflected in Allegiance's financial statements as of the Early Funding Date and taken into account in the determination of Closing Working Capital;

(c) (i) Liabilities under trade accounts payable arising in the Ordinary Course of Business and (ii) current Liabilities arising in the Ordinary Course of Business under the accounts set forth on Exhibit K, and in each case only to the extent that (x) the event or state of facts giving rise to such Liability occurs post-Petition and (y) such Liabilities are reflected in Allegiance's financial statements as of the Early Funding Date and taken into account in the determination of Closing Working Capital; provided, however, that Buyer shall not assume any of Sellers' Liabilities for professional fees and other related costs of administering the Cases;

(d) Liabilities for fifty percent (50%) of any and all Transfer Taxes due as a result of the transactions contemplated by this Agreement as set forth in Section 6.10;

(e) Liabilities for severance costs (the amount thereof in accordance with Allegiance's currently existing severance policy and past practice as described in Exhibit L) related to non-Transferred Employees who are Employees on the date hereof or hired in the Ordinary Course of Business thereafter and are terminated at Buyer's request after the date hereof and Liabilities to Allegiance's employees pursuant to Section 6.8(b); provided, however, that in no event shall Buyer be responsible for more than six (6) months of severance per Employee;

(f) Liabilities associated with customers of the Business, including credits or refunds due such customers for any reason, to the extent that the event or state of facts giving rise to such Liabilities occurs after the Early Funding Date; and

(g) Liabilities related to any obligations under Section 4980B of the Internal Revenue Code to provide continuation of group medical coverage on and after the Early Funding Date with respect to any employee or former employee employed in connection with the Business or other qualified beneficiary but only to the extent Buyer may be required to assume any such Liability by Law.

2.4 Excluded Liabilities. Buyer shall not assume, and shall not be deemed to have assumed, any Liabilities of Sellers, and Sellers shall be solely and exclusively liable and shall indemnify and hold harmless Buyer and its Affiliates with respect to all Liabilities of Sellers other than the Assumed Liabilities, including those Liabilities set forth below (collectively, the "Excluded Liabilities"):

(a) Any Liabilities which arise, whether before, on or after the Closing, out of, or in connection with, the Excluded Assets, including any Contract which is not an Assumed Contract;

(b) Any Liabilities under the Assumed Contracts or accounts payable to the extent not assumed pursuant to Section 2.3;

(c) Any Liabilities arising from a breach of an Assumed Contract to the extent that the event or state of facts giving rise to such Liability occurs prior to the Early Funding Date;

(d) Any Liabilities arising out of, or in connection with, any pending or threatened Litigation arising out of the operation of the Business to the extent that the event or state of facts giving rise to such Liability occurs prior to the Early Funding Date;

(e) Any Liabilities arising out of or in connection with any indebtedness of Sellers or any of their respective Affiliates to their lenders, noteholders or otherwise (other than, to the extent provided in Section 2.3, post-petition Liabilities relating to Assumed Contracts which are characterized as capital leases by Sellers);

(f) Any Liabilities for which Sellers have received an invoice which is not taken into account in the determination of Early Funding Date Working Capital;

(g) Liabilities related to Shared Technologies or the Shared Hosting Business;

(h) Liabilities related to the Owned Real Property;

(i) Any Liabilities of Sellers or any Affiliate thereof (or any predecessor thereto) relating to Taxes (other than Transfer Taxes referred to in Section 2.3(d) and Taxes described on Exhibit K), including all Taxes attributable to or incurred in any period (or portion thereof) ending on or before the Early Funding Date;

(j) All Liabilities of any Seller, any of their Affiliates or any predecessor of any Seller resulting from, caused by or arising out of, directly or

indirectly, the conduct of the Business or any Sellers' or any of their Affiliates ownership, operation or lease of any properties or assets or any properties or assets previously used in the Business by any Seller, any of their Affiliates or any predecessor of any Seller or any of their Affiliates at any time prior to the Early Funding Date, that constitute, may constitute or are alleged to constitute a violation of or Liability arising under any Environmental Law or other Law including any state or federal communications law or regulation;

(k) All Liabilities arising from or relating to the employment, or termination of employment, of any Employee, former Employee, independent contractor or contingent worker with respect to the Business, including pursuant to Employee Benefit Plans, other than those specifically assumed pursuant to Section 2.3 and 6.8 herein; and

(l) All Liabilities arising from or relating to any collective bargaining agreement, including any obligation for benefits to employees covered thereunder and, specifically, any Multiemployer Plan liability.

2.5 Non-Transferred Assets. Notwithstanding the foregoing provisions of Article II, and subject to Section 6.2 and the Operating Agreement, the parties agree that, to the extent that as of the Closing (i) certain of the Acquired Assets cannot be transferred to Buyer pending the issuance of further FCC Consents or State PUC Consents or (ii) certain of the Acquired Assets are associated with one or more interconnection agreements, for which the ILEC's consent is required and which are reasonably necessary, in Buyer's sole discretion, to the operation of the Acquired Assets ("Required Interconnection Agreements") and receipt of any ILEC consents or expiration of any notice periods necessary to assign such Required Interconnection Agreements remains pending as of the Closing, Sellers shall retain such assets (the "Non-Transferred Assets") pending receipt of such consents or expiration of such notice periods. For the avoidance of doubt, Buyer shall have the right, in its sole discretion, to designate any Acquired Asset (including any Required Interconnection Agreement) as a Non-Transferred Asset. During the period that the Non-Transferred Assets are held by Sellers, Buyer will provide management services to Sellers pursuant to the Operating Agreement. Upon receipt from time to time of any such necessary consents, such Non-Transferred Assets as are subject to such consents shall be transferred to Buyer and Buyer will assume all related Assumed Liabilities; and within five (5) Business Days of Buyer's written request, Sellers will deliver a bill of sale and the requirements of Section 3.1 below shall have been deemed to be satisfied as if such Non-Transferred Assets and related Assumed Liabilities had otherwise been transferred to and assumed by Buyer at the Closing. With respect to assets that are designated by Buyer as Non-Transferred Assets and which are not subject to obtaining any further consents after the Closing, such Non-Transferred Assets shall be transferred to Buyer and Buyer will assume all related Assumed Liabilities, within five (5) Business Days of Buyer's written request, at which time Sellers will deliver a bill of sale and the requirements of Section 3.1 below shall have been deemed to be satisfied as if such Non-Transferred Assets had otherwise been transferred to Buyer at the Closing. In addition, Non-Transferred Assets shall include all of the Seller Marks, which shall be licensed to Buyer upon the Closing as set forth in the

Operating Agreement. After the expiration or termination of the Operating Agreement, upon the written request of Buyer, all right, title and interest in and to the Seller Marks shall be transferred to and vest in Buyer.

2.6 Contract Assignment. Notwithstanding any provision to the contrary herein, Buyer and Sellers agree that there shall be excluded from the Acquired Assets any Assumed Contract that is not assignable or transferable pursuant to the Bankruptcy Code without the consent of any Person other than Sellers or any Affiliate of Sellers, to the extent that such consent shall not have been given on or prior to the Closing; provided, however, that Sellers shall use commercially reasonable efforts (including prosecution of appropriate motions pursuant to Section 365 of the Bankruptcy Code) to endeavor to obtain all necessary consents to the assignment thereof, and, upon obtaining the requisite consents thereto, such Acquired Asset shall be assigned to Buyer. Notwithstanding any provision to the contrary herein, Buyer and Sellers agree that all reasonable out-of-pocket costs and expenses (other than Cure Amounts) incurred relating to Sellers' assignment to Buyer of the Assumed Contracts set forth on Schedule 2.6 of the Disclosure Schedules shall be shared equally between Buyer on the one hand and Sellers on the other hand.

2.7 Alternative Structure. Notwithstanding Section 2.1, after the Sale Order Approval Date, Buyer shall have the right, on at least fifteen (15) Business Days notice to ATI, to require Sellers to transfer immediately prior to the Closing, some or all of the Equipment or other Acquired Assets to one or more newly formed Delaware limited liability companies to be formed and owned by one or more Sellers. If Buyer gives such notice, the membership interests in such limited liability companies shall be deemed Acquired Assets hereunder and Buyer shall acquire such membership interests at the Closing without the payment of any additional consideration. Buyer shall be permitted to give one or more notices pursuant to this Section 2.7. In addition, at Buyer's option, a similar procedure will apply to any Equipment or other Acquired Assets which constitutes a Non-Transferred Asset. Fifty percent (50%) of all reasonable out-of-pocket costs and expenses incurred in connection with Sellers' performance of this Section 2.7 shall be borne by each of Buyer on the one hand and Sellers on the other hand.

## ARTICLE III
## CLOSING

3.1 Closing; Transfer of Possession; Certain Deliveries.

(a) Unless this Agreement shall have been terminated and the transactions herein contemplated shall have been abandoned pursuant to Article VIII hereof, the closing of the transactions contemplated herein (the "Closing") shall take place no later than the fifth (5th) Business Day following the date on which the conditions set forth in Article VII have been satisfied or waived (other than those conditions with respect to actions of the parties to be taken at the Closing itself, but subject to the satisfaction or waiver of such conditions), or on such other date as the parties hereto shall mutually agree; provided, however, that if the Closing would be scheduled to occur less than two (2) Business Days after the receipt of the performance

reports for the prior month referred to in Section 6.5(d) hereof, Buyer shall not be required to close until two (2) Business Days after its receipt of such performance reports. The Closing shall be held at the offices of Kirkland & Ellis LLP, 153 East 53rd Street, New York, New York 10022, at 5:00 p.m., local time, unless the parties hereto otherwise agree. The actual time and date of the Closing are herein called the "Closing Date."

(b) At the Closing, Sellers shall deliver to Buyer:

(i) A duly executed bill of sale substantially in the form attached hereto as Exhibit D;

(ii) A certified copy of the Sale Order;

(iii) The officer's certificate required to be delivered pursuant to Section 7.2(c) hereof;

(iv) Assignments of lease and customary title affidavits;

(v) A certification of non-foreign status for each Seller in the form required under Treasury Regulation Section 1.1445-2(b); and

(vi) All other instruments of conveyance and transfer, in form and substance reasonably acceptable to Buyer and Sellers, as may be necessary to convey the Acquired Assets to Buyer or Buyer's designee.

(c) At the Closing, Buyer and Sellers shall take the actions specified in Section 3.2(c) and Buyer shall deliver to ATI (on behalf of Sellers):

(i) All certificates required by all relevant taxing authorities that are necessary to support any available exemption from the imposition of Transfer Taxes;

(ii) Certified resolutions of the Board of Directors of Buyer authorizing the execution, delivery and performance of the Transaction Documents and the transactions contemplated by this Agreement;

(iii) To the extent shareholder approval is required, certified resolutions of shareholders of Buyer authorizing the execution, delivery and performance of the Transaction Documents and the transactions contemplated by this Agreement;

(iv) The officer's certificate required to be delivered pursuant to Section 7.3(c); and

(v) An assumption agreement substantially in the form attached hereto as Exhibit E.

(d) Unless this Agreement shall have been terminated and the transactions herein contemplated shall have been abandoned pursuant to Article VIII hereof, no later than the fifth (5th) Business Day following the date on which the conditions set forth in Sections 7.1, 7.2 and 7.3 have been satisfied or waived, or at such other date as the parties hereto shall mutually agree (the "Early Funding Date"), (i) Buyer shall (A) deliver (1) the Cash Purchase Price, plus or minus, the applicable adjustments to the Purchase Price as set forth in Section 3.2(b) below and (2) the XO Common Stock, into escrow as described in Section 3.2, (B) execute and deliver the Operating Agreement and (C) commence operation of the Business under the terms of the executed Operating Agreement, (ii) Seller shall execute and deliver the Operating Agreement and (iii) upon the Early Funding Date, the risk of loss shall transfer to Buyer, and Buyer's obligation to close the transactions contemplated hereby shall become unconditional and irrevocable.

3.2 Purchase Price.

(a) The "Purchase Price" consists of: (i) Three Hundred Eleven Million and Two Hundred Thousand Dollars ($311,200,000.00) (the "Cash Purchase Price"), as such amount is adjusted pursuant to Section 3.2(b), and (ii) 45,380,000 shares of common stock of Buyer, par value $.01 per share (the "XO Common Stock") (subject to adjustment for stock splits, stock dividends, share exchanges, recapitalizations, share combinations and reorganizations and other similar transactions occurring after the date hereof).

(b) In the event of an Early Funding Date, Buyer shall (i) wire transfer the sum of:

(1) the Cash Purchase Price, plus or minus

(2) the Initial Working Capital Adjustment (if any) set forth in Section 3.4(f), minus

(3) the Adjustment Escrow Amount, minus

(4) the Earnest Money Deposit, minus

(5) the portion of the Performance Adjustment Amount that is to be settled in cash (if any) as determined in accordance with Section 3.6(a), plus

(6) the Deposit Adjustment Amount (if any), plus

(7) the Non-ILEC Cure Adjustment set forth in Section 3.5(c) (the Cash Purchase Price, as so adjusted is referred to herein as the "Adjusted Cash Purchase Price") and

(ii) deliver 45,380,000 shares of XO Common Stock (subject to adjustment for stock splits, stock dividends, share exchanges, recapitalizations, share

combinations and reorganizations and other similar transactions occurring after the date hereof) (the "Purchase Price Escrow Stock" and together with the Adjusted Cash Purchase Price, the "Purchase Price Escrow"), in each case into an escrow account (the "Purchase Price Escrow Account") with a bank to be mutually agreed upon to act as escrow agent (the "Purchase Price Escrow Agent") pursuant to an escrow agreement, to be entered into on the Early Funding Date (the "Purchase Price Escrow Agreement"), among ATI, ATCW, Buyer and the Purchase Price Escrow Agent, substantially in the form of Exhibit F-1 hereto, and otherwise in form and substance reasonably acceptable to ATI, ATCW and Buyer. After the Early Funding Date and until the Closing Date, Buyer shall make additional deposits of common stock of Buyer in the event of any stock splits, stock dividends, share exchanges, recapitalizations, share combinations and reorganizations and other similar transactions occurring after the Early Funding Date.

(iii) wire transfer the Adjustment Escrow Amount into an escrow account (the "Adjustment Escrow Account") with a bank to be mutually agreed upon to act as escrow agent (the "Adjustment Escrow Agent") pursuant to an escrow agreement, to be entered into on the Early Funding Date (the "Adjustment Escrow Agreement"), among ATI, ATCW, Buyer and the Adjustment Escrow Agent, substantially in the form of Exhibit F-2 hereto, and otherwise in form and substance reasonably acceptable to ATI, ATCW and Buyer.

Any payment Sellers are obligated to make to Buyer pursuant to Sections 3.4 and/or 3.6 shall be paid from the Adjustment Escrow Amount plus accrued interest thereon. After payment of any required amounts pursuant to Sections 3.4 and 3.6, the Adjustment Escrow Agent shall release the residual amounts of the Adjustment Escrow Amount remaining in the Adjustment Escrow Account to ATI. Notwithstanding the provisions of this Section 3.2(b), in the event the Closing occurs before the Early Funding Date, the Closing Date shall be substituted for the Early Funding Date for all purposes and for all of the provisions of this Section 3.2(b).

(c) Upon the Closing Date, (i) Buyer shall, subject to the terms and conditions of this Agreement, assume the Assumed Liabilities, and (ii) Buyer and Sellers shall deliver a joint written notice to the Purchase Price Escrow Agent directing the Purchase Price Escrow Agent to pay to ATI (on behalf of Sellers) by wire transfer of immediately available funds to an account or accounts designated by ATI (on behalf of Sellers) the Adjusted Cash Purchase Price and the Earnest Money Deposit, to deliver to ATI (on behalf of Sellers) the Purchase Price Escrow Stock and deliver to Buyer all earnings accrued thereon in the Purchase Price Escrow Account.

3.3 Earnest Money Deposit. On February 9**,** 2004, Buyer paid an earnest money deposit equal to Thirty Million Dollars ($30,000,000) (the "Earnest Money Deposit") in immediately available funds, by wire transfer to ATI. Within five (5) Business Days following the execution of this Agreement, Sellers will deposit the Earnest Money Deposit into the Purchase Price Escrow Account. At the Early Funding Date, the Earnest Money Deposit shall be deducted from the Cash Purchase Price in accordance with Section 3.2(b). If Buyer terminates this Agreement in breach of Section 8.1 hereof or if ATI terminates this Agreement pursuant to Section 8.1(b) (when Buyer

does not have the right to terminate this Agreement pursuant to Section 8.1(b) due to breach of the Agreement by Buyer) or Section 8.1(d) pursuant to a breach by Buyer, then Buyer and Sellers shall within two (2) Business Days of such termination (i) deliver a joint written notice to the Purchase Price Escrow Agent to deliver the Earnest Money Deposit to Sellers and (ii) deliver the accrued interest thereon to Buyer, by wire transfer of immediately available funds, and Sellers shall have no further obligations to Buyer, provided, that in no event shall the payment of the Earnest Money Deposit limit any other remedies Sellers may have against Buyer in the event of any such termination. If this Agreement is terminated for any other reason, then Buyer and Sellers shall within two (2) Business Days of such termination deliver a joint written notice to the Purchase Price Escrow Agent to deliver the Earnest Money Deposit plus accrued interest thereon to Buyer by wire transfer of immediately available funds.

3.4 Working Capital Purchase Price Adjustment.

(a) Not less than five (5) Business Days prior to the Early Funding Date, Sellers will prepare and deliver to Buyer a good faith estimate of the Net Working Capital as of the close of business on the day immediately preceding the Early Funding Date (the "Estimated Early Funding Date Working Capital"). Sellers will prepare the Estimated Closing Working Capital in accordance with GAAP and consistent with ATI's preparation of its unaudited balance sheet as of September 30, 2003.

(b) As promptly as practicable, but no later than sixty (60) Business Days after the Early Funding Date, Buyer will prepare and deliver to ATI a good faith calculation of Net Working Capital as of the Early Funding Date (the "Early Funding Date Working Capital"). Buyer will prepare the Early Funding Date Working Capital in accordance with GAAP and consistent with ATI's preparation of its unaudited balance sheet as of September 30, 2003. Attached as Exhibit G is a schedule showing the calculation of Base Working Capital.

(c) If Sellers disagree with Buyer's calculation of Early Funding Date Working Capital, Sellers may, within fifteen (15) Business Days after delivery by Buyer of the statement pursuant to Section 3.4(b), deliver a notice to Buyer disagreeing with such calculation and setting forth Sellers' calculation of such amount. Any such notice of disagreement shall specify those items or amounts as to which Sellers disagree, and Sellers shall be deemed to have agreed with all other items and amounts contained in the calculation of the Early Funding Date Working Capital. If Sellers do not raise any objections to the Early Funding Date Working Capital within the period described herein, the Early Funding Date Working Capital will become final and binding upon Buyer and Sellers.

(d) If a notice of disagreement shall be duly delivered pursuant to Section 3.4(c), Buyer and Sellers shall, during the fifteen (15) days following such delivery, use their commercially reasonable efforts to reach agreement on the disputed items or amounts in order to determine, as may be required, the amount of Early Funding Date Working Capital. If during such period, Buyer and Sellers are unable to reach such agreement, they shall promptly thereafter cause representatives from the

Dallas office of Ernst & Young LLP (or, if the Dallas office of Ernst & Young LLP is not independent of Buyer and Sellers, then an alternative "Big Four" accounting firm mutually agreeable to Buyer and Sellers) which representatives have not been engaged or employed within the past five (5) years by Buyer, Sellers or any of their Affiliates (or, if Sellers and Buyer agree to another nationally recognized independent accounting firm, such other firm) (the "Accounting Referee") to review this Agreement and the disputed items or amounts for the purpose of calculating Early Funding Date Working Capital (it being understood that in making such calculation, the Accounting Referee shall be functioning as an expert and not as an arbitrator). In making such calculation, the Accounting Referee shall consider only those items or amounts as to which the parties have disagreed. The Accounting Referee shall deliver to Buyer and Sellers, as promptly as practicable (but in any case no later than thirty (30) days from the date of engagement of the Accounting Referee), a report setting forth such calculation. Such report shall be final and binding upon Buyer and Sellers. The cost of such review and report shall be borne by Buyer and Sellers in the reverse proportion that the aggregate dollar amounts of disputed items which are resolved in favor of Buyer or Sellers (as applicable) bears to the aggregate dollar amount of all disputed items resolved by the Accounting Referee.

(e) Buyer and Sellers shall, and shall cause their respective Representatives to, cooperate and assist in the calculation of Early Funding Date Working Capital and in the conduct of the review referred to in Section 3.4(d), including providing reasonable and timely access to the books, records, work papers and personnel involved in preparing these calculations.

(f) If Estimated Early Funding Date Working Capital (i) exceeds Base Working Capital, then at the Early Funding Date, Buyer shall pay into the Adjustment Escrow Account an additional amount of cash equal to such excess or (ii) is less than Base Working Capital, then the Cash Purchase Price will be reduced by an amount equal to such deficiency. Any adjustment pursuant to this Section 3.4(f) is referred to herein as the "Initial Working Capital Adjustment."

(g) If Final Working Capital equals Estimated Early Funding Date Working Capital, and if no further payments are or may become due pursuant to Section 3.6 hereof, then within three (3) Business Days of the later of the Closing Date or the final determination of such amount pursuant to this Section 3.4, Buyer and Sellers shall deliver a joint written notice to the Adjustment Escrow Agent pursuant to the Adjustment Escrow Agreement instructing the Adjustment Escrow Agent to pay the Adjustment Escrow Amount plus the accrued interest on such amount (by wire transfer of immediately available funds) to Sellers.

(h) If Final Working Capital exceeds Estimated Early Funding Date Working Capital, then within three (3) Business Days of the later of the Closing Date or the final determination of such amount pursuant to this Section 3.4, Buyer shall pay such amount (by wire transfer of immediately available funds) to Sellers and, if no further payments are or may become due pursuant to Section 3.6 hereof, Buyer and Sellers shall deliver a written notice to the Adjustment Escrow Agent pursuant to the

Adjustment Escrow Agreement instructing the Adjustment Escrow Agent to pay the Adjustment Escrow Amount plus the accrued interest on such amount (by wire transfer of immediately available funds) to Sellers.

(i) If Final Working Capital is less than Estimated Working Capital, then within three (3) Business Days of the later of the Closing Date or the final determination of such amount pursuant to this Section 3.4, Sellers and Buyer shall deliver a written notice to the Adjustment Escrow Agent pursuant to the Adjustment Escrow Agreement instructing the Adjustment Escrow Agent to pay such deficit amount plus the accrued interest thereon out of the Adjustment Escrow Account (by wire transfer of immediately available funds) to Buyer; provided that the Adjustment Escrow Account shall be the sole source of payment for any such deficiency and in no event shall Sellers be otherwise liable for any such deficiency. To the extent any Adjustment Escrow Amount remains after payment of any such deficit, and if no further payments are or may become due pursuant to Section 3.6 hereto, Buyer and Sellers shall deliver a written notice to the Adjustment Escrow Agent pursuant to the Adjustment Escrow Agreement instructing the Adjustment Escrow Agent to pay the remaining Adjustment Escrow Amount plus the accrued interest on such amount (by wire transfer of immediately available funds) to Sellers. For purposes of this Agreement, "Final Working Capital" means Early Funding Date Working Capital (i) as shown in Buyer's calculation delivered pursuant to Section 3.4(b) if no notice of disagreement with respect thereto is duly delivered pursuant to Section 3.4(c); or (ii) if such a notice of disagreement is delivered, (A) as agreed by Buyer and Sellers pursuant to Section 3.4(d) or (B) in the absence of such agreement, as shown in the Accounting Referee's calculation delivered pursuant to Section 3.4(d).

(j) Any adjustment under this Section 3.4 shall be treated as an adjustment to the Purchase Price for federal, state and local income Tax purposes.

3.5 Cure Price Adjustment.

(a) The Cure Amounts, if any, as determined by the Bankruptcy Court, necessary to cure all defaults, if any, under Allegiance's interconnection agreements with incumbent local exchange carriers ("ILECs"), together with any other payments made to settle pre-Petition disputes between any of Sellers or the Operating Subsidiaries and ILECs under such agreements, under tariffs or otherwise after the date hereof (the "ILEC Cure Amounts") shall be resolved in accordance with this Section 3.5(a). Buyer and Sellers shall work cooperatively and in good faith with respect to paying, objecting to and settling the ILEC Cure Amounts, it being understood that all pre-Petition accounts receivable of Sellers or the Operating Subsidiaries owed by ILECs (the "ILEC Set Off Amounts") shall be set off against the ILEC Cure Amounts and thereby used as currency to pay the ILEC Cure Amounts. Sellers shall pay all ILEC Cure Amounts (whether in cash or by application of the ILEC Set Off Amounts). Buyer and Sellers agree that subject to this Section 3.5(a), Buyer should have standing in the Cases with regard to ILEC Cure Amounts and the parties shall take such position in the Cases.

Notwithstanding anything herein to the contrary (including Section 6.1(k)), prior to the Sale Order Approval Date, as between Buyer and Sellers, Sellers shall have sole control over their business relationships, including without limitation, the exclusive right to negotiate and settle with the ILECs, and shall be permitted to terminate, adopt and amend interconnection agreements but shall not prior to such time settle any ILEC Cure Amounts in a manner which would be injurious in any material respect to Buyer without Buyer's consent (which will not be unreasonably withheld) or take any action (including as specified above) if the intent or reasonably anticipated consequence thereof is or would be to injure in any material respect to Buyer's continuing relationship with such ILEC after the Closing Date. Buyer shall be permitted to participate in any such negotiations and shall be kept reasonably informed by Sellers of the process.

(b) If deposits are required by ILECs in connection with establishing new interconnection agreements for the Business between the date hereof and the Early Funding Date and such deposits are outstanding at the time of the Early Funding Date, the Cash Purchase Price shall be increased by an amount (the "Deposit Adjustment Amount") equal to seventy-five percent (75%) of the first $13 million of such deposits and one hundred percent (100%) of the deposits above $13 million.

(c) The Cure Amounts, if any, as determined by the Bankruptcy Court, necessary to cure all defaults, if any, under the Assumed Contracts, other than the ILEC Cure Amounts (the "Non-ILEC Cure Amounts") shall be resolved in accordance with this Section 3.5(c). Buyer and Sellers shall work cooperatively and in good faith with respect to paying, objecting to and settling the Non-ILEC Cure Amounts, it being understood that all pre-Petition accounts receivable of Sellers and the Operating Subsidiaries owed by non-ILECs (the "Non-ILEC Set Off Amounts") shall be set off against the Non-ILEC Cure Amounts and thereby used as currency to pay the Non-ILEC Cure Amounts. Buyer and Sellers agree that given this Section 3.5(c), Buyer should have standing in the Cases with regard to Non-ILEC Cure Amounts and the parties shall take such position in the Cases. The treatment of the Non-ILEC Cure Amounts and all matters related thereto under the Bankruptcy Plan shall be reasonably acceptable to Buyer. Sellers shall pay all Non-ILEC Cure Amounts (whether in cash or by application of the Non-ILEC Set Off Amounts); provided that if the Non-ILEC Cure Amounts are more than $11 million, the Cash Purchase Price shall be increased by an amount equal to the lesser of (A) two-thirds of the amount by which the Non-ILEC Cure Amounts exceed $11 million and (B) $8 million.

The adjustment to the Cash Purchase Price pursuant to this Section 3.5(c) is referred to herein as the "Non-ILEC Cure Adjustment." If as of the time of the Early Funding Date any reserves are established with respect to disputed Non-ILEC Cure Amounts pending resolution of such disputes, the Purchase Price adjustment provided in this Section 3.5(c) shall be made, with respect to the agreed Non-ILEC Cure Amounts, at the Early Funding Date, and with respect to any such reserved amounts, within two (2) Business Days following the resolution of the disputes.

(d) Subject to Section 8.3, (i) on February 13, 2004, Buyer designated the (A) Real Property Leases identified on Schedule 4.21 of the Disclosure

Schedules and (B) other Executory Contracts that are designated with an asterisk on Schedule 4.20 that are to be assumed by Allegiance and not rejected pursuant to section 365 of the Bankruptcy Code and (ii) at least (20) days prior to the date of the Bankruptcy Court's confirmation of the Bankruptcy Plan, Buyer shall designate other Executory Contracts that are to be assumed by Allegiance and not rejected pursuant to section 365 of the Bankruptcy Code (collectively, the "Assumed Contracts List") (those Contracts ultimately set forth on the Assumed Contracts List and as Additional Assumed Contracts pursuant to Section 8.3, if applicable are referred to herein as the "Assumed Contracts"). Such assumption and, in the case of Assumed Contracts to which either Seller is a party, assignment by Sellers shall be made at the Closing; provided, however, that the assignment to Buyer of any Assumed Contract related to Non-Transferred Assets shall occur on the later of (i) the Closing or (ii) State PUC Consent or FCC Consent, as applicable. At Buyer's discretion, Allegiance agrees to assume or reject any Executory Contract, in whole or in part, to the extent portions of such Executory Contracts are severable. Buyer and Sellers agree to keep confidential and not disclose to anyone except (x) legal counsel for the Creditors Committee in the Cases and the agent to Sellers' senior lenders, provided, that, such counsel and agent have executed confidentiality agreements reasonably acceptable to Buyer and Sellers prior to such disclosure and (y) as otherwise required by Law, the Executory Contracts that are identified by Buyer as Assumed Contracts.

3.6 Performance Price Adjustment.

(a) At least two (2) Business Days prior to the Early Funding Date, ATI shall prepare and deliver to Buyer a certificate setting forth the following: (i) total Retail Ending Lines as determined by ATI in accordance with past custom and practice, as of the last day of the last full calendar month prior to the date of the Early Funding Date plus Scheduled Future Installs less Scheduled Future Disconnects as of such day ("Total Retail Net Ending Lines") and (ii) total gross end user revenue for the last full calendar month prior to the date of the Early Funding Date (the "Total Gross End User Revenue"). The Purchase Price shall be reduced by the greater of the following (the "Performance Adjustment Amount"): (x) the product of $625.00 and the amount, if any, by which the Total Retail Net Ending Lines for Allegiance's Out of Region Business is less than 730,000; and (y) the product of fifteen (15) and the amount, if any, by which Total Gross End User Revenue for Allegiance's Out of Region Business is less than $28 million. To the extent Cash and Cash Equivalents immediately prior to the Early Funding Date exceed One Hundred Eighty Seven Million Dollars ($187,000,000), the Performance Adjustment Amount (if any) shall reduce the Cash Purchase Price. To the extent such Cash and Cash Equivalents immediately prior to the Early Funding Date are less than or equal to One Hundred Eighty Seven Million Dollars ($187,000,000), any remaining portion of the Performance Adjustment Amount shall be a reduction in the number of shares of the XO Common Stock (calculated using a $7.625 per share value). ATI's certificate shall include a calculation of the Performance Adjustment Amount.

(b) If Buyer disagrees with the certificate delivered by ATI pursuant to Section 3.6(a) hereof, Buyer may, within thirty (30) days after Early Funding Date, deliver a notice to ATI disagreeing with the calculations contained in such certificate

and setting forth Buyer's calculations. Any such notice of disagreement shall specify those items or amounts as to which Buyer disagrees, and Buyer shall be deemed to have agreed with all other items and amounts contained in the calculation of the Performance Adjustment Amount. If Buyer does not raise any objections to the Performance Adjustment Amount within the period described herein, the Performance Adjustment Amount will become final and binding upon Buyer and Sellers (the "Final Performance Adjustment Amount"). In such event, if no further payments are or may become due pursuant to Section 3.4 hereof, ATI, ATCW and Buyer shall deliver a written notice to the Adjustment Escrow Agent pursuant to the Adjustment Escrow Agreement instructing the Adjustment Escrow Agent to pay the Adjustment Escrow Amount plus the accrued interest on such amount (by wire transfer of immediately available funds) to ATI.

(c) If a notice of disagreement shall be duly delivered pursuant to Section 3.6(b), Buyer and Sellers shall, during the five (5) days following such delivery, use their commercially reasonable efforts to reach agreement on the disputed items or amounts in order to determine, as may be required, the Final Performance Adjustment Amount. If during such period, Buyer and Sellers are unable to reach such agreement, they shall promptly thereafter cause the Accounting Referee to review the disputed items or amounts for the purpose of calculating the Final Performance Adjustment Amount (it being understood that in making such calculation, the Accounting Referee shall be functioning as an expert and not as an arbitrator). In making such calculation, the Accounting Referee shall consider only those items or amounts as to which the parties have disagreed. The Accounting Referee shall deliver to Buyer and Sellers, as promptly as practicable (but in any case no later than fifteen (15) days from the date of engagement of the Accounting Referee), a report setting forth such calculation. Such report shall be final and binding upon Buyer and Sellers. The cost of such review and report shall be borne by Buyer and Sellers in the reverse proportion that the aggregate dollar amounts of disputed items which are resolved in favor of Buyer or Sellers (as applicable) bears to the aggregate dollar amount of all disputed items resolved by the Accounting Referee.

(d) If the parties hereto agree, or the Accounting Referee determines, that the Final Performance Adjustment Amount is greater (the "Additional Amount") than the amount set forth in ATI's certificate delivered pursuant to Section 3.6(a), then within two (2) Business Days of such determination pursuant to this Section 3.6, Buyer and Sellers shall deliver a written notice to the Adjustment Escrow Agent pursuant to the Adjustment Escrow Agreement instructing the Adjustment Escrow Agent to pay the Additional Amount plus the accrued interest on such amount (by wire transfer of immediately available funds) to Buyer, and, if no further payments are or may become due pursuant to Section 3.4 hereof, the balance of the Adjustment Escrow Amount plus the accrued interest thereon to ATI. The Adjustment Escrow Account shall be the sole source of payment for any payment obligation of Sellers pursuant to Section 3.6.

3.7 Allocation of Purchase Price. Buyer shall, within 120 days after the Closing Date, prepare and deliver to Sellers a schedule (the "Allocation Schedule") allocating the Purchase Price and the Assumed Liabilities among the Acquired Assets in

accordance with Treasury Regulation Section 1.1060-1 (or any comparable provisions of state or local tax law) or any successor provision. ATI may propose to Buyer specific changes in the Allocation Schedule within ten (10) days of the receipt thereof. If no such changes are proposed in writing to Buyer within such time, Sellers will be deemed to have agreed to the Allocation Schedule. If such changes are proposed, Buyer and ATI will negotiate in good faith and will use their best efforts to agree upon the Purchase Price allocation. If Buyer and ATI cannot mutually resolve ATI's reasonable objections to the Allocation Schedule within ten (10) days after Buyer's receipt of such objections, such dispute with respect to the Allocation Schedule shall be presented to the Accounting Referee, on the next day for a decision that shall be rendered by the Accounting Referee within thirty calendar days thereafter and shall be final and binding upon each of the parties. The fees, costs and expenses incurred in connection therewith shall be shared in equal amounts by Buyer, on the one hand, and Sellers, on the other hand. Buyer and Sellers each shall report and file all Tax Returns (including amended Tax Returns and claims for refund) consistent with the Allocation Schedule, and shall take no position contrary thereto or inconsistent therewith (including in any audits or examinations by any taxing authority or any other proceedings). Buyer and Sellers shall cooperate in the filing of any forms (including Form 8594) with respect to such allocation. Notwithstanding any other provisions of this Agreement, the foregoing agreement shall survive the Closing Date.

## ARTICLE IV
## REPRESENTATIONS AND WARRANTIES OF SELLERS

Sellers hereby, jointly and severally, represent and warrant to Buyer that as of December 18, 2003 (unless another date is specified):

4.1 Existence; Good Standing and Power. Each Seller and Operating Subsidiary is a corporation validly existing and in good standing under the laws of the state of its incorporation, and has all requisite power and authority to own, lease and operate the Acquired Assets to be sold hereunder and to carry on its business as presently conducted. Each Seller and Operating Subsidiary is qualified or licensed to do business as a foreign corporation and is in good standing in every jurisdiction where the nature of the business conducted by it or the properties owned or leased by it requires qualification, except where the failure to be so qualified, licensed or in good standing would not reasonably be expected to have a Material Adverse Effect. Each Seller has all requisite power and authority (a) to execute and deliver this Agreement and the other Transaction Documents and (b) subject to entry of the Sale Order, to perform its obligations hereunder and thereunder.

4.2 Authority. The execution, delivery and performance of this Agreement and the other Transaction Documents by each Seller, the performance of Sections 6.17(a) and 6.17(b) by each Seller, and subject to entry of the Sale Order, the performance by each Seller of its other obligations hereunder and thereunder and the consummation by each Seller of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of each Seller.

4.3 Execution and Binding Effect. This Agreement has been and each of the other Transaction Documents has been or will be at Closing, duly and validly executed and delivered by each Seller and constitutes, and, following the entering of the Sale Order, this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby will constitute (assuming in each case the due and valid authorization, execution and delivery thereof by the other parties hereto and thereto), a valid and legally binding obligation of such Seller enforceable against such Seller in accordance with its terms.

4.4 No Violation. Except as disclosed in Schedule 4.4 of the Disclosure Schedules, the execution, delivery and performance by each Seller of this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby, do not and will not conflict with or result in, with or without the giving of notice or lapse of time or both, any violation of or constitute a breach or default, or give rise to the creation of a Lien upon any of the Acquired Assets (or the assets of the Operating Subsidiaries) or to any right of acceleration, payment, amendment, cancellation or termination, under (a) the certificate of incorporation or bylaws of any Seller or any Operating Subsidiary or any resolution adopted by the board of directors of such Seller or any Operating Subsidiary and not rescinded, (b) subject to entry of the Sale Order, any agreement or other instrument to which any Seller or Operating Subsidiary is a party or by which such Seller or Operating Subsidiary or any of its respective properties or assets is bound, (c) subject to entry of the Sale Order, any Order of any Governmental Entity to which any Seller or any Operating Subsidiary is bound or subject, or (d) subject to entry of the Sale Order, any Law applicable to or binding on any Seller or any of its respective properties or assets or any Operating Subsidiary, except, in the case of clauses (b), (c) and (d) of this Section 4.4, to the extent such conflict, violation, breach, default, creation of Lien or right would not be reasonably expected to have a Material Adverse Effect.

4.5 Third Party Approvals. Except for (a) any approvals required in order to comply with the provisions of the HSR Act, (b) any FCC Consent and State PUC Consent as required by applicable Law, (c) the Sale Order and (d) any other third party approvals as are reflected on Schedule 4.5 of the Disclosure Schedules hereto, including with respect to any computer software program and databases, the execution, delivery and performance by Sellers of this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby, do not require any consents, waivers, authorizations or approvals of, or filings with, any third Persons which are both material to the Business and which have not been obtained by Sellers.

4.6 Financial Statements.

(a) ATI has delivered to Buyer copies of (i) the audited consolidated balance sheets of ATI and its Subsidiaries as of December 31, 2002 and 2001 and the related audited consolidated statements of income and of cash flows of ATI and its Subsidiaries for the years then ended and (ii) the unaudited consolidated balance sheets of ATI and its Subsidiaries as at September 30, 2003 and the related consolidated statements of income and cash flows of ATI and its Subsidiaries for the nine (9) month

period then ended (such audited and unaudited statements, including the related notes and schedules thereto, are referred to herein as the "Financial Statements"). Each of the Financial Statements has been prepared in accordance with GAAP consistently applied throughout the periods presented and presents fairly in all material respects the consolidated financial position, results of operations and cash flows of ATI and its Subsidiaries as at the dates and for the periods indicated.

For the purposes hereof, the audited consolidated balance sheet of ATI and its Subsidiaries as at December 31, 2002 is referred to as the "Balance Sheet" and December 31, 2002 is referred to as the "Balance Sheet Date."

(b) ATI has delivered or made available to Buyer copies of each of Sellers' and each Operating Subsidiaries' (i) post-Petition monthly latest flash reports and (ii) post-Petition monthly operating reports that Sellers' and the Operating Subsidiaries have filed with the Bankruptcy Court. To Sellers' Knowledge, each such monthly operating report is, and each monthly operating report to be filed with the Bankruptcy Court will be, complete, accurate and truthful. Each flash report to be delivered to Buyer pursuant to Section 6.5(d) hereof will be prepared in good faith consistent with past practice and based on the Sellers' preliminary books and records.

(c) Seller has made all required filings with the U.S. Securities and Exchange Commission (the "SEC") since December 31, 2001. As of their respective dates of filing, all such filings complied as to form in all material respects with the requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations of the SEC promulgated thereunder applicable to such SEC filings, and such SEC filings did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

4.7 No Undisclosed Liabilities. Except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, Allegiance has no indebtedness, obligation or Liability of any kind (whether accrued, absolute, contingent or otherwise, and whether due or to become due), that would have been required to be reflected in, reserved against or otherwise described on a balance sheet of a Seller or Operating Subsidiary or in the notes thereto in accordance with GAAP which (i) is not shown or described on the Balance Sheet or the other Financial Statements or the notes thereto, (ii) is not shown or described on Schedules 4.7, 4.9, 4.17(b) and 4.20 of the Disclosure Schedules or (iii) was not incurred in the Ordinary Course of Business since the Balance Sheet Date.

4.8 Title to Acquired Assets; Sufficiency. Except as set forth on Schedule 4.8 of the Disclosure Schedules, Sellers own and have good title to each of the Acquired Assets (and the assets of the Operating Subsidiaries to the extent such assets are not Excluded Assets), including the capital stock of the Operating Subsidiaries, and the Operating Subsidiaries own and have good title to their assets other than the Excluded Assets, in each case free and clear of all Liens other than Permitted Liens. The Acquired

Assets constitute all of the assets and properties used in or held for use in the Business (other than the Excluded Assets) and are sufficient for Buyer to conduct the Business (other than the Excluded Assets) from and immediately after the Closing Date without interruption and in the Ordinary Course of Business.

4.9 Communications Licenses. Sellers and the Operating Subsidiaries are the authorized legal holders or otherwise have rights to the Communications Licenses, which licenses constitute all of the material Licenses, from the FCC or the State PUCs that are necessary or required for and/or used in the operation of the Business as presently operated. All the Communications Licenses were duly obtained and are valid and in full force and effect, unimpaired by any condition, except those conditions that may be contained within the terms of such Communications Licenses which would not have a Material Adverse Effect on the Business as presently operated. Except as set forth on Schedule 4.9 of the Disclosure Schedules, Sellers are in compliance in all material respects with the Communications Act of 1934, as amended, and the rules, regulations and policies of the FCC and all applicable State PUCs. There is not now pending or, to Sellers' Knowledge, threatened, any action by or before the FCC or any State PUC in which the requested remedy is the revocation, suspension, cancellation, rescission or modification of any of the Communications Licenses. Schedule 2.1(d) of the Disclosure Schedules contains a complete and correct list of Sellers' Communications Licenses.

4.10 Absence of Certain Developments. Except as expressly contemplated by this Agreement or the Operational Restructuring Activities, as set forth on Schedule 4.10 of the Disclosure Schedules or in connection with the filing of the Cases, from the Balance Sheet Date through December 18, 2003 Sellers have conducted the Business only in the Ordinary Course of Business.

4.11 Tangible Personal Property. All items of tangible personal property which are Acquired Assets and which, individually or in the aggregate, are material to the operation of the Business are in good condition and in a state of good maintenance and repair (ordinary wear and tear excepted) and are suitable for the purposes used.

4.12 Insurance. Allegiance has insurance policies in full force and effect for such amounts as are sufficient for all requirements of Law and the Credit and Guaranty Agreement dated as of February 15, 2000 among Allegiance and the lenders party thereto (the "Senior Credit Agreement").

4.13 Accounts and Notes Receivable and Payable.

(a) All accounts and notes receivable of Sellers and the Operating Subsidiaries have arisen from bona fide transactions in the Ordinary Course of Business, and in the case of accounts and notes receivable that are not Excluded Assets, are payable on ordinary trade terms and are reflected on the books and records of Sellers and the Operating Subsidiaries in accordance with GAAP consistently applied, including reserves for returns and doubtful accounts.

(b) All accounts payable of Sellers and the Operating Subsidiaries reflected in the Balance Sheet or arising after the date thereof are the result of bona fide transactions in the Ordinary Course of Business and have been paid, are not yet due and payable or are being disputed in good faith and are reflected on the books and records of Sellers and the Operating Subsidiaries in accordance with GAAP consistently applied.

4.14 Related Party Transactions.

(a) Except as set forth in Schedule 4.14(a) of the Disclosure Schedules, none of Sellers, any Affiliate of any Seller or any of their respective directors and officers with a title of Senior Vice President or higher (i) owns any direct or indirect material interest of any kind in, or controls or is a director, officer, employee or partner of, or consultant to, or lender to or borrower from or has a material right to participate in the profits of, any Person which is (A) a competitor, supplier, customer, landlord, tenant, of any Seller or Operating Subsidiary, (B) engaged in a business related to the Business, or (C) a participant in any transaction (including a loan transaction, other than employee advances in the Ordinary Course of Business) to which any Seller or Operating Subsidiary is a party or (ii) is a party to any Contract with any Seller or any Operating Subsidiary.

(b) Except as set forth in Schedule 4.14(b) of the Disclosure Schedules, each Contract, agreement, or arrangement between any Seller or Operating Subsidiary on the one hand, and any Affiliate of any Seller or Operating Subsidiary or any director of any Seller or any officer of Sellers with a title of Senior Vice President or higher on the other hand, is on commercially reasonable terms no more favorable to the Affiliate, director, officer or employee of such Seller or Operating Subsidiary than what any third party negotiating on an arms-length basis would expect.

4.15 Suppliers. Set forth on Schedule 4.15 of the Disclosure Schedules is a complete and accurate list of (a) the ten (10) most significant equipment suppliers and (b) the ten (10) most significant maintenance suppliers (based upon dollars billed to Allegiance) during the quarter ended September 30, 2003, showing the approximate total billings to Allegiance from each such supplier during such quarter. Except as set forth on Schedule 4.15 of the Disclosure Schedules, since September 30, 2003, there has not been any (i) termination, cancellation or curtailment of the business relationship of any Seller or Operating Subsidiary, as applicable, with any of the suppliers set forth on Schedule 4.15 of the Disclosure Schedules or (ii) written notice from any of the suppliers set forth on Schedule 4.15 of the Disclosure Schedules of an intent or request to so terminate, cancel, curtail or change, and, to Sellers' Knowledge, no written threat or written indication that any such termination, cancellation, curtailment or change is reasonably foreseeable, except, in each case, for such termination, cancellation, curtailment or change which would not reasonably be expected to result in, individually or in the aggregate, a Material Adverse Effect.

4.16 Fees and Expenses. Sellers have engaged the firm of Greenhill & Co., LLC to assist them in connection with the matters contemplated by this Agreement and will be responsible for the fees and expenses of such firm. Other than as described in

the preceding sentence or as is payable by Sellers or their Affiliates and not by Buyer, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement, based upon arrangements made by or on behalf of any Seller or any of their respective Affiliates.

4.17 Compliance With Laws; Licenses.

(a) Except as set forth on Schedule 4.17(a) of the Disclosure Schedules, since December 31, 2002 (i) Allegiance has complied in all material respects with all Laws relating to the operation of the Business; and (ii) no Seller or Operating Subsidiary has received any written or other notice of or been charged with the violation of any Laws. To Sellers' Knowledge, no Seller or Operating Subsidiary is under investigation with respect to any material violation of any Laws.

(b) Schedule 4.17(b) of the Disclosure Schedules contains a list of all material Licenses (other than Communications Licenses) which are required for the operation of the Business as presently conducted and as presently intended to be conducted. Except as set forth on Schedule 4.17(b) of the Disclosure Schedules, Allegiance currently has all such material Licenses which are required for the operation of the Business as presently conducted. No Seller or Operating Subsidiary is in default or violation, and no event has occurred which, with notice or the lapse of time or both, would constitute a default or violation, in any material respect of any term, condition or provision of such License to which it is a party, to which the Business is subject or by which its properties or assets are bound other than any such violation that would not reasonably be expected to have a Material Adverse Effect.

4.18 Environmental Matters. To Sellers' Knowledge, except as described on the attached Schedule 4.18 of the Disclosure Schedules:

(a) Each Seller and Operating Subsidiary and the operations of each Seller and Operating Subsidiary are in compliance with all applicable Environmental Laws, except to the extent such noncompliance would not reasonably be expected to have a Material Adverse Effect.

(b) No Seller or Operating Subsidiary is the subject of any Order or has received any written notice of any violations or Liabilities, including any investigatory, remedial or corrective obligations, arising under Environmental Laws and relating to the operation of the Business, except notices of such violation or Liability which would not reasonably be expected to have a Material Adverse Effect.

4.19 Intellectual Property. Schedule 4.19 of the Disclosure Schedules contains an accurate and complete list of all Intellectual Property owned by any Seller or Operating Subsidiary, other than unregistered trademarks, tradenames and copyrights, none of which is material to the operation of the Acquired Assets. Except as set forth in Schedule 4.19 of the Disclosure Schedules, there is no pending, or to Sellers' Knowledge, threatened claims or Litigation of any nature materially affecting or relating to the

Intellectual Property. Schedule 4.19 of the Disclosure Schedules lists all written notices or written claims currently pending or received by any Seller or Operating Subsidiary that claim infringement of any material domestic or foreign letters patent, patent applications, patent licenses, software licenses and know-how licenses, trade names, trademark registrations and applications, service marks, copyrights, copyright registrations or applications, trade secrets, technical knowledge, know-how or other confidential proprietary information. Except as set forth on Schedule 4.19 of the Disclosure Schedules, there is, to Sellers' Knowledge, no reasonable basis upon which any claim may be asserted against any Seller or Operating Subsidiary for material infringement or misappropriation of any of the foregoing. None of Sellers, any Operating Subsidiary, or to Sellers' Knowledge, any other Person, is in material default or violation of any Contract pursuant to which any Seller or Operating Subsidiary licenses Intellectual Property for the Business.

4.20 Contracts. Except as set forth on Schedule 4.20 of the Disclosure Schedules, Schedule G of Sellers' schedule of assets and liabilities as filed with the Bankruptcy Court contains a list of all pre-Petition material Contracts, including: (i) each Executory Contract containing a Non-Compete Covenant, (ii) each Executory Contract related to the purchases or sales of indefeasible rights of use or leases of capacity and (iii) each interconnection agreement with an ILEC. Schedule 4.20 of the Disclosure Schedules sets forth as of December 18, 2003, each material Executory Contract to which any Seller or any Operating Subsidiary is a party and by or to which any Seller, Operating Subsidiary or any of their properties is currently bound or subject or may be bound or subject. True and complete copies of all material Executory Contracts have been delivered or made available to Buyer. All of the Assumed Contracts are valid, binding and enforceable in accordance with their respective terms, except as designated on the attached Schedule 4.20 of the Disclosure Schedules and except as such enforceability may be limited by (i) applicable insolvency, bankruptcy, reorganization, moratorium or other similar laws affecting creditors' rights generally and (ii) applicable equitable principles (whether considered in a proceeding at law or in equity). Except as set forth on Schedule 4.20 of the Disclosure Schedules, no Seller is, and to Sellers' Knowledge, no other party thereto is, in material default in the performance, observance or fulfillment of any obligation under any Assumed Contract (other than any Cure Amounts to be paid hereunder by Buyer or Sellers, as applicable), and, to Sellers' Knowledge, no event has occurred, which with or without the giving of notice or lapse of time, or both, would constitute a material default thereunder. Except as set forth on Exhibit A of Schedule 4.20 of the Disclosure Schedules, Sellers have not entered into any material post-Petition Contracts (including interconnection agreements).

4.21 Real Property.

(a) Schedule 4.21(a) of the Disclosure Schedules lists, all Real Property Leases relating to the operation of the Business to which any Seller or any Operating Subsidiary is a party.

(b) Except as set forth on Schedule 4.21(b) of the Disclosure Schedules, the Real Property Leases constitute all interests in real property used or held

for use as of December 18, 2003 in connection with the Business by Sellers and the Operating Subsidiaries and which are necessary for the continued operation of the Business by Sellers and the Operating Subsidiaries as the Business was conducted as of December 18, 2003.

4.22 Taxes. Except as described on the attached Schedule 4.22 of the Disclosure Schedules:

(a) (i) all income Tax Returns and all other material Tax Returns required to be filed by or on behalf of Sellers, the Operating Subsidiaries or any Affiliated Group have been duly and timely filed with the appropriate Governmental Entity in all material respects, in all jurisdictions in which such Tax Returns are required to be filed (after giving effect to any valid extensions of time in which to make such filings), and all such Tax Returns are true, complete and correct in all material respects, (ii) except as prohibited or stayed by the Bankruptcy Code, all Taxes payable by or on behalf of Sellers, the Operating Subsidiaries or any Affiliated Group have been fully and timely paid or adequately reserved for on Allegiance's Financial Statements (in each case, other than Taxes that, in the aggregate, are not material in amount), and any Taxes not yet due have been adequately accrued in accordance with GAAP, and (iii) no waivers of statutes of limitation have been given or requested with respect to any Tax Return required to be filed by or on behalf of Sellers, the Operating Subsidiaries or any Affiliated Group;

(b) except as prohibited or stayed by the Bankruptcy Code, for all open Tax years all Taxes required to be withheld, collected or deposited by Sellers or the Operating Subsidiaries have been timely withheld, collected and deposited in all material respects and, to the extent required by Law, all such Taxes have been paid when due to the appropriate Governmental Entity and each Seller and Operating Subsidiary is in compliance in all material respects with respect to all withholding and information reporting requirements under all applicable Laws;

(c) no federal, state, local or foreign Tax audits or administrative or judicial Tax proceedings are pending or being conducted with respect to Allegiance, and neither Allegiance nor any predecessor has received from any federal, state, local or foreign Governmental Entity (including jurisdictions where Sellers have not filed a Tax Return) any (A) notice indicating an intent to open an audit or other review, or commence any other administrative or judicial Tax proceeding that is still active, (B) request for information related to Tax matters where the examination or investigation giving rise to such request is still open, or (C) notice of deficiency or proposed adjustments for any amount of Tax proposed, asserted, or assessed by any Governmental Entity that remains unpaid. No written claim has been made by a Governmental Entity in a jurisdiction where such Seller or Operating Subsidiary does not file Tax Returns that such Seller or Operating Subsidiary is or may be subject to taxation by that jurisdiction; and

(d) Buyer and the Acquired Assets will not be bound by a Tax sharing, Tax allocation, Tax indemnity or other similar agreements or arrangements (whether or

not written) with respect to or involving Sellers or the Acquired Assets after the Closing Date.

4.23 Employee Benefits; Labor Matters.

(a) Schedule 4.23(a) of the Disclosure Schedules sets forth a list of all material "employee benefit plans," as defined in section 3(3) of ERISA (whether or not subject to ERISA) other than a "multiemployer plan," as defined in Section 3(37) of ERISA, and each material cafeteria, material bonus, incentive or deferred compensation, severance, termination, retention, change of control, stock option, stock appreciation, stock purchase, phantom stock or other equity-based, loan, performance or other employee or retiree benefit or compensation plan, program, arrangement, agreement, policy or understanding, whether written or unwritten, under which any Employee or former Employee (including any beneficiaries and dependents thereof) is or may become eligible to participate or derive a benefit and that is or has been maintained, established or contributed to or required to be contributed to by Allegiance ("Employee Benefit Plans"). With respect to each Employee Benefit Plan, a copy of each of the following documents (if applicable) has been provided or made available to Buyer: (i) the most recent plan document for any Employee Benefit Plan covered by ERISA and all amendments thereto; (ii) the most recent summary plan description; (iii) the most recent trust document or any third party funding vehicle (including insurance) and all amendments thereto; (iv) the two most recent Forms 5500 required to have been filed with the IRS and all schedules thereto, and the most recent IRS determination letter. All contributions required to have been made by Allegiance under any Employee Benefit Plan or any applicable Law to any trusts established thereunder or in connection therewith have been made by the due date therefore (including any extensions). The Employee Benefit Plans have been administered in accordance with their terms in all material respects and are in compliance with applicable Law in all material respects. Neither Allegiance nor any trade or business (whether or not incorporated) which is or has ever been under common control, or which is or has ever been treated as a single employer, with Allegiance under Section 414(b), (c), (m) or (o) of the Code ("ERISA Affiliate") have at any time within the last six years, maintained, contributed to, or had any obligation to contribute to, or has any liability (fixed or contingent) with respect to, any "single-employer plan" as defined in Section 4001(a)(15) of ERISA or any plan subject to Sections 4063 or 4064 of ERISA ("multiple employer plan").

(b) Each Employee Benefit Plan intended to be qualified under Section 401(a) of the Code, and the trust (if any) forming a part thereof, is qualified and tax exempt under Code Section 401(a) and 501(a) and has received a favorable determination letter from the IRS as to its qualification under the Code and to the effect that each such trust is exempt from taxation under Section 501(a) of the Code, which determination letter covers the GUST Amendments and to the Knowledge of Sellers, nothing has occurred since the date of such determination letter that could reasonably be expected to adversely affect such qualification or tax-exempt status.

(c) Allegiance does not provide nor is it obligated to provide, any life insurance or health benefits, including prescription drugs (whether or not insured) to any

individual after his or her termination of employment or service with any of the Sellers or the Operating Subsidiaries, except as may be required under COBRA and at the expense of the individual or the individual's beneficiary and except as provided under severance agreements. Sellers and their ERISA Affiliates which maintain a "group health plan" within the meaning of Section 5000(b)(1) of the Code have complied in all material respects with the notice and continuation requirements of COBRA and the regulations thereunder and comparable state laws.

(d) Schedule 4.23(d) of the Disclosure Schedules lists each multiemployer plan (as defined in Section 4001(a)(3) of ERISA) to which the Sellers or their ERISA Affiliates are obligated to contribute ("Multiemployer Plan"), and there is no potential liability under any other multiemployer plan to which the Sellers or their ERISA Affiliates are, or within the preceding six (6) years were, obligated to contribute. To Sellers' Knowledge: (i) no condition exists and (ii) no event has occurred with respect to any Multiemployer Plan that presents a material risk of a complete or partial withdrawal of the Sellers or any ERISA Affiliate under subtitle E of Title IV of ERISA and the Sellers and their ERISA Affiliates have not, within the preceding six years, withdrawn in a complete or partial withdrawal from any multiemployer plan or incurred any contingent liability under Section 4204 of ERISA. To the Sellers' Knowledge, no Multiemployer Plan is in "reorganization" or "insolvent."

(e) There are no collective bargaining agreements with any labor union representing Employees. There is no Employee labor strike, dispute, slowdown, or stoppage pending or, to the Sellers' Knowledge, threatened by Employees against Allegiance. To Sellers' Knowledge: (i) no collective bargaining agreement is currently being negotiated and (ii) no organizing effort is currently being made or has been threatened with respect to the Employees. Allegiance is and has been in material compliance with all Laws relating to employment practices, terms and conditions of employment (including termination of employment), wages, hours of work and occupational safety and health, and worker classification and at all times since November 23, 1999, has been in material compliance with the requirements of the Immigration Reform Control Act of 1986. Allegiance is in compliance with WARN and any similar state or local "mass layoff" or "plant closing" Law in all material respects. There is no unfair labor practice complaint pending or, to Sellers' Knowledge, threatened against Allegiance before the National Labor Relations Board.

(f) There is no Assumed Contract covering any person that, individually or collectively, could give rise to the payment of any amount that would constitute an "excess parachute payment" within the meaning the Section 280G of the Internal Revenue Code or any similar provision of foreign, state or local Law.

4.24 Litigation. Except as set forth on Schedule 4.24 of the Disclosure Schedules and for Claims that will be discharged pursuant to the Bankruptcy Court Order:

(a) other than the Cases, there is no Litigation pending or, to Sellers' Knowledge, threatened against, relating to or affecting Allegiance or any Subsidiary

with respect to the Business or any of the Acquired Assets which would reasonably be expected (i) to result in the issuance of an Order restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by this Agreement or (ii) to have a Material Adverse Effect; and

(b) except for Orders of the Bankruptcy Court, there are no Orders outstanding against Allegiance which would reasonably be expected to have a Material Adverse Effect.

4.25 Network Facilities. Schedule 4.25 of the Disclosure Schedules contains certain information relating to Allegiance's network. Schedule 4.25 of the Disclosure Schedules sets forth: (i) for each segment, the number of fibers, fiber miles owned or leased by Allegiance, route and name of third party provider, if any and (ii) for Allegiance's IP backbone, route and circuit type (including DS3s, OC3s, OC12s, OC48 and lambda waves). The information provided on Schedule 4.25 of the Disclosure Schedules is accurate and current in all material respects.

4.26 Bank Accounts. Schedule 2.1(n) of the Disclosure Schedules contains a true and complete list of all of Allegiance's bank accounts and lock-boxes.

4.27 Subsidiaries. Except for ATCW, the Operating Subsidiaries and Shared Technologies, ATI has no Subsidiaries.

4.28 Limitations on Sellers' Representations and Warranties. Except for the representations and warranties contained in this Agreement, Sellers make no other express or implied representation or warranty, including, representations or warranties as to the condition of the Acquired Assets, their contents, the income derived or potentially to be derived from the Acquired Assets or the Business and Sellers hereby expressly disclaim all such representations or warranties of any kind or nature, or the expenses incurred or potentially to be incurred in connection with the Acquired Assets or the Business. Sellers are not, and will not be, liable or bound in any manner by express or implied warranties, guarantees, statements, promises, representations or information pertaining to the Acquired Assets or the Business, made or furnished by any Representatives or other person representing or purporting to represent Sellers, unless and to the extent the same is expressly set forth in this Agreement.

## ARTICLE V
## REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Sellers as follows:

5.1 Existence, Good Standing and Power. Buyer is a corporation validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority to own, lease and operate the property it now owns, leases and operates. Buyer has all requisite power and authority to conduct its business as presently conducted, to execute and deliver this Agreement, the Transaction Documents and to perform its obligations hereunder and thereunder. Buyer is duly authorized, qualified and licensed to transact business as a foreign corporation, and is in good

standing, in every jurisdiction where the nature of its business conducted by it or the properties owned or licensed by it requires qualification, except where that failure would not have a material adverse effect on Buyer or its business, or the consummation of the transactions contemplated by this Agreement.

5.2 Authority. The execution, delivery and performance of this Agreement and the Transaction Documents to which Buyer is or will be a party and the consummation by Buyer of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of Buyer.

5.3 Execution and Binding Effect. This Agreement has been, and each of the Transaction Documents to which Buyer is or will be a party has been or will be at Closing, duly and validly executed and delivered by Buyer and constitutes, and this Agreement, the Transaction Documents and the transactions contemplated hereby and thereby will constitute (assuming, in each case, the due and valid authorization, execution and delivery thereof by the other parties thereto), a valid and legally binding obligation of Buyer, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting the rights and remedies of creditors generally and to general principles of equity (regardless of whether considered in a proceeding in equity or at law).

5.4 No Violation. Except as disclosed in the attached Schedule 5.4 of the Disclosure Schedules, the execution, delivery and performance by Buyer of this Agreement and the Transaction Documents and the transactions contemplated hereby and thereby, do not and will not conflict with or result in, with or without the giving of notice or lapse of time or both, any violation of or constitute a breach or default, or give rise to any right of acceleration, payment, amendment, cancellation or termination, under (a) the certificate of incorporation or bylaws of Buyer or any resolution adopted by the board of directors of Buyer and not rescinded, (b) any agreement or other instrument to which Buyer is a party or by which Buyer or any of its properties or assets is bound, (c) any Order of any Governmental Entity to which Buyer is bound or subject or (d) any Law applicable to or binding on Buyer or any of its properties or assets except, in the case of clauses (b)-(d), for such conflicts, violations, breaches, defaults or creation of rights as would not, individually or in the aggregate, have a material adverse effect on the business of Buyer or the ability of Buyer to consummate the transactions contemplated by this Agreement and each of the Transaction Documents.

5.5 Third Party Approvals. Except for (a) any approvals required in order to comply with the provisions of the HSR Act, (b) any FCC Consent and State PUC Consent as required by applicable Law and (c) any other third party approvals as are reflected on the attached Schedule 5.5 of the Disclosure Schedules, the execution, delivery and performance by Buyer of this Agreement and the Transaction Documents and the transactions contemplated hereby and thereby do not require any consents, waivers, authorizations or approvals of, or filings with, any third Persons which have not been obtained by Buyer.

5.6 Brokers and Finders. No broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement, based upon arrangements made by or on behalf of Buyer or any of its Affiliates.

5.7 Financing. As of the date hereof and as of the Closing Date, Buyer has and will have sufficient unrestricted funds on hand or committed lines of credit to consummate the transactions contemplated by this Agreement (including the payment of all fees and expenses incurred in connection with the transactions contemplated hereunder).

5.8 SEC Filings. Buyer has made all required filings with the SEC since December 31, 2001. The Form 10-K filed with the SEC for Buyer's year ended December 31, 2002 and the Form 10-Q filed with the SEC for Buyer's quarter ended September 30, 2003 (the "Form 10-Q"), as of the dates of their respective filings, each complied as to form in all material respects with the requirements of the Exchange Act, and the rules and regulations of the SEC promulgated thereunder applicable to such SEC filing and such SEC filing did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

5.9 Capitalization. The Form 10-Q sets forth the authorized shares of capital stock of the Buyer as of the date hereof and the number of shares of its common stock that were issued and outstanding as of October 28, 2003. The XO Common Stock of Buyer to be delivered at Closing will be validly and legally issued, free and clear of any and all Liens, and will be fully paid and non-assessable.

5.10 Limitations on Sellers' Representations and Warranties. Buyer acknowledges and agrees that it shall acquire the Acquired Assets "AS IS," "WHERE IS" and "WITH ALL FAULTS" on the Closing Date and after giving effect to the Closing, subject to the terms and conditions of this Agreement.

## ARTICLE VI
## COVENANTS OF THE PARTIES

6.1 Conduct of Business. Except for the Operational Restructuring Activities, as expressly contemplated by this Agreement (including the prosecution of the Cases) or as otherwise consented to by Buyer in writing, during the period from the date of this Agreement and continuing until the Early Funding Date, each Seller shall and shall cause each Operating Subsidiary to:

(a) (i) conduct its business in the Ordinary Course of Business and (ii) keep the Acquired Assets intact in accordance with the Ordinary Course of Business and not transfer any of such assets to Shared Technologies;

(b) not knowingly take or fail to take any action if the intent of such action or failure to act is or would be to cause any representation or warranty of Sellers made in Article IV to be untrue or incorrect if such representation or warranty were made immediately following the taking or failure to take such action;

(c) not waive, release, grant, transfer or permit to lapse any rights of value, to which any Seller or any Operating Subsidiary has any right on the date of this Agreement other than immaterial waivers in the Ordinary Course of Business;

(d) comply in all material respects with all provisions of any Assumed Contract to which such Seller or Operating Subsidiary is a party;

(e) comply in all material respects with all applicable Laws that relate to or affect the operation of the Business;

(f) not enter into any new or amended contract, agreement, side letter or memorandum of understanding with any unions representing Employees;

(g) notify Buyer in writing of any incidents or accidents occurring on or after the date of this Agreement involving any property owned or operated by any Seller or Operating Subsidiary that resulted or could reasonably be expected to result in damages or losses in excess of One Million Dollars ($1,000,000);

(h) notify Buyer in writing of the commencement of any material Litigation against any Seller or any Operating Subsidiary;

(i) not enter into any business or arrangement or otherwise take any action that would reasonably be expected to have a material adverse impact on the ability of the Sellers and the Buyer to obtain any material consents of Governmental Entities necessary in connection with this Agreement;

(j) not enter into any Contract containing covenants purporting to limit the freedom of any Seller or any of their respective Affiliates to compete or participate in any line of business or activities in any geographic area ("Non-Compete Covenants");

(k) not enter into any material Contract or renew, fail to renew, extend, terminate, reject, amend, modify or waive any material provision of any Contract designated with an asterisk on Schedule 4.20 to the Disclosure Schedules, except (i) that if within five (5) Business Days after notice provided by Sellers to Buyer of its intent to take any such actions, Buyer does not object in writing to Sellers, then Buyer shall be deemed to have provided consent to such action and (ii) for those actions for which a motion has been filed with the Bankruptcy Court on or prior to the date hereof; and

(l) not enter into any agreement or understanding in excess of twelve months with any other party containing any exclusivity or similarly restrictive provision.

Notwithstanding anything herein to the contrary, Sellers shall have the right to consummate a sale of (i) the shared web hosting business segment of the Business (the "Shared Hosting Business"), (ii) the Owned Real Property, and/or (iii) the assets or capital stock of Shared Technologies, and retain any proceeds from any such transactions as an Excluded Asset.

Notwithstanding anything herein to the contrary, Allegiance shall have the right, subject to Bankruptcy Court approval, but only after the Sale Order Approval Date, to pay up to $100 million of the amount outstanding under its Senior Credit Agreement.

6.2 Transition; Operating Agreement.

(a) As promptly as practicable after the execution and delivery of this Agreement and in any event within the earlier of (A) forty-five (45) days thereafter and (B) the Closing Date, Sellers and Buyer shall use their best efforts to (i) identify the Non-Transferred Assets and (ii) design and implement a plan (the "Transition Plan") to effectuate the separation of the Non-Transferred Assets to be retained by Sellers, in order to facilitate the transfer of the Non-Transferred Assets to Buyer as promptly as possible upon subsequent receipt of any necessary consents. Such plan shall include the ability of Sellers to (1) retain the stock of any Operating Subsidiary containing a Non-Transferred Asset or (2) distribute any Non-Transferred Asset to ATI, ATCW, any of their Affiliates or a trust established for the purpose of acquiring each non-Transferred Asset. Subject to applicable law, Buyer shall have ultimate discretion regarding the terms of such Transition Plan; provided, that Buyer shall not require the transfer of any Non-Transferred Assets in violation of any contractual obligations of Sellers or that would otherwise adversely impact Sellers', Operating Subsidiaries' or Shared Technologies' Chapter 11 estate. The Transition Plan shall be subject to amendment from time to time as reasonably appropriate to achieve the foregoing objective and permit the Closing to occur on the Closing Date. Sellers and Buyer shall exercise their best efforts to implement the Transition Plan, as it may be amended from time to time, to provide for separation of the Non-Transferred Assets prior to the Closing and the transfer of Non-Transferred Assets as promptly as possible.

(b) Sellers and Buyer shall enter into an Operating Agreement substantially in the form of Exhibit H hereto effective as of the Early Funding Date. Pursuant to and as set forth in the Operating Agreement, Buyer shall agree to provide management and related services to Sellers, on behalf of Sellers and subject to the ultimate direction of Sellers and consistent with all applicable law and regulation. Pursuant to Sections 1.1 and 2.5, (i) at such time as any necessary FCC Consent and/or State PUC Consent shall have been issued and (ii) the parties shall have received any necessary ILEC consents, or the notice period shall have expired, for the assignment of any Required Interconnection Agreements, the corresponding Non-Transferred Assets shall be transferred to Buyer and Buyer shall assume all related Assumed Liabilities.

6.3 Reorganization Process.

(a) Unless Sellers shall have delivered an Early Closing Election, Sellers shall, as soon as reasonably practicable after the date hereof, prepare and file with the Bankruptcy Court: (i) a Disclosure Statement with respect to the Bankruptcy Plan meeting the requirements of section 1125(b) of the Bankruptcy Code (the "Disclosure Statement"); (ii) a motion to approve the Disclosure Statement; and (iii) the Bankruptcy Plan (items (i) through (iii) collectively, the "Approval Motions"). Unless Sellers shall have delivered an Early Closing Election, the Bankruptcy Plan, any and all exhibits and attachments to the Bankruptcy Plan, the Disclosure Statement, and the other Approval Motions and the orders approving the same (including the Confirmation Order) to the extent any of the foregoing adversely impacts the Sale Assets shall be reasonably acceptable in form and substance to the Buyer. Sellers and the Operating Subsidiaries shall have the sole discretion to negotiate, propose and implement the terms of the Bankruptcy Plan as they relate to the treatment of creditors and the distributions on account of such creditors' claims in any manner not inconsistent with the Transaction Documents. Until the Closing, the Sellers shall consult with the Buyer and obtain Buyer's consent, which shall not be unreasonably withheld, prior to taking any material action with respect to the Cases. Unless Sellers shall have delivered an Early Closing Election, the Buyer shall provide the Sellers with all information concerning the Buyer required to be included in the Disclosure Statement. This Section 6.3(a) shall not be applicable if Sellers shall have delivered an Early Closing Election.

(b) The Confirmation Order shall provide, among other things, that (i) the Bankruptcy Plan has been proposed in good faith and not by any means forbidden by Law, (ii) Buyer and its Affiliates, and their respective members, shareholders, partners and Representatives are released from any claims of any party related to Sellers, the Business or the Cases, whether arising prior to or during the Cases, except for the Assumed Liabilities, (iii) Buyer and its Affiliates, and their respective members, shareholders, partners and Representatives have acted in "good faith" within the meaning of section 1125(e) of the Bankruptcy Code in compliance with the applicable provisions of the Bankruptcy Code and Bankruptcy Rules in connection with all their respective activities relating to the solicitation of acceptances to the Bankruptcy Plan and their participation in the activities described in section 1125 of the Bankruptcy Code and are entitled to the protections afforded by section 1125(e) of the Bankruptcy Code and the exculpation and any other release provisions set forth in the Bankruptcy Plan and (iv) all Persons are enjoined from commencing any action in violation of such release and exculpation provisions. This Section 6.3(b) shall not be applicable if Sellers shall have delivered an Early Closing Election.

(c) The Sellers shall take such actions and cause any filings and actions to be taken by one or more of the Sellers as applicable in compliance with the dates set forth in the timetable attached hereto as Exhibit J; provided, however, that in the event Sellers shall have delivered an Early Closing Election, any such filings and actions relating to the Bankruptcy Plan or Disclosure Statement shall no longer be required or subject to the timetable attached hereto as Exhibit J.

(d) Prior to the Closing, neither any Seller nor any Operating Subsidiary shall, without the prior written consent of Buyer:

(i) seek or consent to the conversion of the Cases to cases under chapter 7 of the Bankruptcy Code or the appointment of a trustee or examiner with managerial powers under section 1104 of the Bankruptcy Code;

(ii) consent to any relief from the automatic stay under section 362 of the Bankruptcy Code with respect to any Acquired Assets having an aggregate market value of more than $150,000;

(iii) file any plan of reorganization other than the Bankruptcy Plan, file any material amendment to the Bankruptcy Plan, consent to the reduction of the exclusivity period under section 1121 of the Bankruptcy Code for the filing of a plan of reorganization (the "Exclusivity Period") or fail timely to file motions seeking to obtain orders of the Bankruptcy Court extending the Exclusivity Period; provided, however, that in the event Sellers shall have delivered an Early Closing Election, this Section 6.3(d)(iii) shall be inapplicable;

(iv) sell or abandon, or file any motion to sell or abandon, any Acquired Assets, other than sales in the Ordinary Course of Business or except as contemplated by the Operational Restructuring Activities;

(v) commence or continue to prosecute Avoidance Actions against any Seller or Operating Subsidiary or related to the Business, or against any employee of, creditor of or other party to a contract with any Seller or Operating Subsidiary;

(vi) commence or continue any Claims that Sellers or any of their respective Affiliates may have against any active Employee of, creditor of or other party to an existing Contract with any Seller or Operating Subsidiary (other than Contracts that are Excluded Assets); or

(vii) authorize, or commit or agree to take, any of the foregoing actions.

(e) At the Closing, Sellers shall reject in the Cases all Executory Contracts that do not constitute Assumed Contracts other than any such Executory Contracts (A) relating to the Excluded Assets or (B) assigned to any other Person. At Buyer's written request, Sellers shall delay the effective date of the rejection of any Executory Contract designated by Buyer; provided that, for any such delay in the effective date, Buyer shall be responsible for all expenses directly or indirectly arising due to such delay in effective date on or after the Closing Date. Provided, further, that if Buyer requests a delay in rejection of an Executory Contract that results in rejection beyond the Closing Date, then Sellers shall retain such Executory Contract and it shall be treated as a Non-Transferred Asset and subject to (i) Sections 2.5 and 6.2 hereof, and (ii) the Operating Agreement.

(f) At Buyer's reasonable direction and sole expense, Sellers (i) shall file all requisite pleadings with the Bankruptcy Court, or any other applicable forum, to recharacterize any capital lease as a secured financing, (ii) agree, after the Sale Order Approval Date, to assume or reject any capital lease, in whole or in part, to the extent portions of such lease are severable, and (iii) agree to allow Buyer to participate in any negotiations with counterparties with respect to restructuring or recharacterizing the capital leases. The Sale Order shall provide that the Buyer has standing to participate in any disputes regarding such capital leases.

6.4 Insurance . Effective upon the Closing, to the extent Allegiance's insurance policies are designated by Buyer as Non-Transferred Assets, Allegiance shall take all actions necessary to cause Buyer to be designated as an additional loss-payee on such policies and shall maintain such insurance policies on the same terms as currently in effect at Buyer's sole expense.

6.5 Access; Transition Committee; Information Rights.

(a) Subject to any relevant Antitrust Laws, from the date hereof until the Closing Date, Sellers shall allow Buyer's employees and other Representatives during regular business hours (and in a manner so as not to interfere with the normal business operations of Sellers) to make such investigation of the Sellers' employees, the Business and Sellers' books and records related thereto, as Buyer reasonably deems necessary or advisable, and Sellers shall instruct Sellers' employees to cooperate in any such investigation. Buyer shall be permitted to make extracts from or to make copies of such books and records.[1]

(b) From and after the Closing Date, Buyer hereby acknowledges that it shall grant to Sellers upon Sellers' request full and complete access, as promptly as practicable but in no event no later than two (2) days after receiving a request, to any records related to Sellers' operation of the Business prior to the Closing Date, upon Sellers' request, and Sellers shall be permitted to copy, and retain a copy of, any such records. Buyer shall keep such records in a manner consistent with Buyer's past practice and such records shall not be destroyed until the later of seven (7) years from the Closing Date or the conclusion of all bankruptcy proceedings related to the Business. Sellers hereby agree that from and after the Closing Date they will grant to Buyer upon Buyer's reasonable request access during normal business hours (and instruct its employees to reasonably cooperate with Buyer), in a reasonably prompt manner but in any event no later than five (5) days after receiving a request, to any tax records relating to the Acquired Assets or to Allegiance's operation of the Business prior to the Closing Date (including any Tax Liabilities for which Buyer may be held liable). Buyer shall be permitted to copy, and retain a copy of, any such records (including any Tax Returns). To the extent that any Seller retains any books and records related to the Business, such Seller shall keep such records in a manner consistent with

[1] Note: During the period from the Early Funding Date through the Closing Date the Operating Agreement shall contain broad access rights.

Sellers' past practice and such records shall not be destroyed before such Seller offers such records to Buyer.

(c) Subject to any relevant Antitrust Laws, immediately upon the Bankruptcy Court approval of the Sale Order and subject to compliance with any regulatory restrictions, Allegiance and Buyer shall establish a joint transition committee (the "Committee") to plan the steps necessary to efficiently implement the purchase of the Business by Buyer and to agree upon changes to the Business which will increase operating efficiencies. The Committee will be chaired by a Buyer Representative, shall have one (1) individual from Communications Technology Advisors LLC ("CTA") (who shall be entitled to attend all meetings and receive all documents prepared for the Committee) shall have appropriate Representatives of both Allegiance and Buyer, and shall meet in person or telephonically as frequently as shall be reasonably determined by Buyer. The Committee shall establish working groups to discuss the following specific aspects of the transactions contemplated hereby: (i) human resources, (ii) network, (iii) operations, (iv) sales and marketing, (v) finance and (vi) information technology and shall agree as promptly as possible as to actions that will be taken to more efficiently operate the Business prior to Closing; provided that no such actions implemented prior to Closing shall have, or be reasonably expected to have, a detrimental impact on the ability of Allegiance to conduct the auction in a manner customary in similar proceedings, and further provided that all such actions shall be conducted in full compliance with the relevant Antitrust Laws. All reasonable costs associated with the establishment and the operation of the Committee shall be borne by Buyer. Prior to any meetings of the Committee, Allegiance and Buyer shall implement appropriate procedures for the protection of the confidential information of both Allegiance and Buyer in the event the transaction is not concluded for any reason.

(d) As soon as practicable, but in no event less than fifteen (15) days after the end of each month, ATI shall provide Buyer with a copy of its monthly flash report, together with a performance report of the Total Retail Net Ending Lines (as of the end of the month covered by the flash report) and Total Gross End User Revenue (as of the end of the month covered by the flash report), including a certification as to the number of Scheduled Future Installs and Scheduled Future Disconnects as of the end of the month covered by the flash report.

6.6 Public Announcements. Neither Seller nor any Operating Subsidiary shall issue a press release or otherwise make any public statements with respect to the transactions contemplated hereby, except as may be required by Law, by obligations pursuant to any listing agreement with any national securities exchange or over-the-counter market or with respect to filings to be made with the Bankruptcy Court in connection with this Agreement (in which case such Seller shall notify Buyer as promptly as practicable and prior to making such public statement), without the prior consent of Buyer, which consent shall not be unreasonably withheld or delayed. To the extent reasonably practicable, Buyer shall consult with ATI before Buyer issues any press release or otherwise makes any public statements with respect to the transactions contemplated hereby and consider any comments ATI may have with respect thereto.

6.7 Notification of Certain Matters. Allegiance shall give prompt notice to Buyer, and Buyer shall give prompt notice to Allegiance, of (i) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement and (ii) any written objection, litigation or administrative proceeding that challenges the transactions contemplated hereby or the entry of the Bidding Procedures Order or the Sale Order.

6.8 Employees.

(a) Sellers shall deliver to Buyer not later than fifteen (15) Business Days after the date of this Agreement: a complete and accurate schedule (the "Employee Schedule") setting forth, as of a recent date prior to the delivery of the Employee Schedule, (x) the name and position of each Employee, (y) the annual base salary or hourly rate, as applicable, for each Employee and (z) the date each Employee commenced employment with Allegiance. Sellers and Buyer shall cooperate in identifying those employees for which Buyer shall offer full-time employment effective as of the Closing Date.

(b) Buyer anticipates extending offers of employment to substantially all of Allegiance's Employees who provide services related to or associated with the Acquired Assets. Buyer shall make offers of employment in accordance with its normal hiring practices. Those Employees who accept Buyer's offer of employment effective as of the Closing Date are referred to as the "Transferred Employees." Following the Closing, Buyer shall provide any Employee who does not receive an offer of employment from the Buyer and any Employee who receives an offer of employment which does not provide for the terms of employment described in Section 6.8(d) with severance benefits in accordance with Allegiance's severance policies and past practice, provided, however, any Transferred Employee shall not be eligible to receive severance benefits pursuant to this Agreement.

(c) Pursuant to the "Alternative Procedure" provided in section 5 of Revenue Procedure 96-60, 1996-2 C.B. 399, (i) Buyer and Sellers shall report on a predecessor/successor basis as set forth therein, (ii) Sellers will be relieved from filing a Form W-2 with respect to the Transferred Employees and (iii) Buyer will undertake to file (or cause to be filed) a Form W-2 for each such Transferred Employee for the year that includes the Closing Date (including the portion of such year that such Employee was employed by Allegiance). Sellers will provide Buyer on a timely basis with all payroll and employment-related information with respect to each such Employee.

(d)

(i) Buyer shall grant each Transferred Employee service credit with Sellers (based on the employment commencement date set forth in the Employee Schedule), for purposes of eligibility and participation in the benefit plans, programs and arrangements (including the vacation and the severance policies), of Buyer, excluding

service credit for benefit accruals under the defined benefit pension plan and eligibility for the retiree medical plan.

(ii) Unless otherwise required by any collective bargaining agreement to which any of Buyer's employees are subject to as of the Closing Date, with respect to Transferred Employees who will be subject to such collective bargaining agreement after the Closing, effective on the Closing Date, Buyer shall provide the Transferred Employees with (i) a salary or regular wage rate and bonus opportunity (if applicable) which is substantially the same in the aggregate as the salary or wage rate received or bonus opportunity available to such Transferred Employee immediately prior to the Closing, (ii) a job location no more than 75 miles from such Transferred Employee's current job location and (iii) health, welfare and other employee benefits on the same basis as similarly situated employees of Buyer (or an Affiliate of Buyer), as determined by Buyer and in accordance with the terms of the plans governing such benefits.

(iii) As of the Closing Date, Buyer (or an Affiliate of Buyer) shall credit the Transferred Employees for all deductibles and out-of pocket expenses incurred by the Transferred Employees with respect to such benefits during the calendar year in which the Closing Date occurs and shall further waive (to the extent waived under Sellers' employee benefit plans) all pre-existing conditions, exclusions and waiting periods under Buyer's employee benefit plans for Transferred Employees.

(iv) Except as otherwise provided in this Agreement, Buyer shall not assume any Employee Benefit Plan or any liability or obligation thereunder, and, except as expressly provided in this Section 6.8, the terms of a Transferred Employee's employment with Buyer (or an Affiliate) after the Closing shall be upon such terms and conditions as Buyer, in its sole discretion, shall determine.

(e) Sellers and any Operating Subsidiary shall cause the accounts of all Transferred Employees under any tax-qualified defined contribution plan maintained by Sellers or any Operating Subsidiary to become fully vested as of the Closing, and shall permit distribution of such accounts in accordance with the terms of any such plan. Notwithstanding the foregoing, Sellers or any Operating Subsidiary shall amend such defined contribution plan to permit the rollover of promissory notes evidencing outstanding participant loans of Transferred Employees, without default of such loan, to a tax-qualified defined contribution plan established by Buyer, and Buyer shall cause, as of a specified date within 90 days of Closing as determined by Buyer, such plan to accept such rollovers, provided that Allegiance has provided the Buyer evidence satisfactory to the Buyer of the qualified status of the Allegiance's Internal Revenue Code Section 401(k) arrangement under Internal Revenue Code Section 401(a). Buyer shall take all action necessary and appropriate to ensure that, as of the Closing, Buyer maintains a tax-qualified defined contribution plan.

(f) Allegiance shall cause, and Buyer agrees to assume, the health care and dependent care flexible spending accounts (and any corresponding assets and liabilities thereto) maintained with respect to Transferred Employees under any cafeteria

plan maintained by Allegiance to be transferred to Buyer's flexible benefits plan in accordance with IRS Revenue Ruling 2002-32.

(g) Allegiance shall not, at any time between the date hereof and the Early Funding Date, or at any time prior to 60 days after the Early Funding Date, effectuate a "plant closing" or "mass layoff," as those terms are defined in the WARN Act, affecting in whole or in part any site of employment, facility, operating unit or Employee, without complying with the notice requirements and other provisions of the WARN Act except to the extent arising from Buyer's actions, in which case Buyer shall be responsible for any Liabilities related thereto. In order to protect all parties, to the extent required by the WARN Act, Sellers agree to give notice in compliance with the WARN Act in a form satisfactory to Buyer, to all Employees required under the WARN Act to receive such notice not less than sixty (60) days and no more than ninety (90) days prior to the anticipated Closing Date, and shall repeat such notice, if necessary, due to any delay of Closing; provided, however, to the extent any Seller is unable to provide notice in compliance with the WARN Act due to any act, omission or direction of Buyer, Buyer shall be responsible for any Liabilities related thereto.

(h) Except where prohibited by law, Sellers shall provide promptly to Buyer, at Buyer's request, any information or copies of personnel records (including addresses, dates of birth, dates of hire and dependent information) relating to the Transferred Employees or relating to the service of Transferred Employees with Sellers prior to the Closing. Sellers and Buyer shall each cooperate with the other and shall provide to the other such documentation, information and assistance as is reasonably necessary to effect the provisions of this Section 6.8(h).

(i) As part of the Transition Plan, certain Employees of Sellers will be retained by Sellers as of the Closing. Those Employees may or may not be Transferred Employees as referenced in this Section 6.8. The parties will cooperate in developing the Transition Plan such that, to the extent permitted by law, such Employees are subject to the same terms and conditions as they would have been if they had not been retained by Sellers at Closing, and instead had become Transferred Employees or been terminated, as the case may be, at Closing. For purposes of Sections 6.8(a), (b), (c), (d), (e), (f) and (h) in the case of an Employee who remains with the Sellers subsequent to the Closing Date for the purposes of continuing to conduct the Business with respect to the Non-Transferred Assets and who receives and accepts an offer of employment from the Buyer post-Closing, references to the "Closing Date" shall be replaced with the date of hire by the Buyer, or as otherwise specified in the Operating Agreement.

6.9 Further Agreements. Sellers authorize and empower Buyer after the Closing Date to receive and to open all mail received by Buyer relating to the Acquired Assets, the Business or the Assumed Liabilities and to deal with the contents of such communications in any proper manner. Sellers shall (a) promptly deliver to Buyer, any mail or other communication received by them after the Closing Date, (b) promptly wire transfer in immediately available funds to Buyer, any cash, electronic credit or deposit received by Sellers and (c) promptly forward to Buyer, any checks or other

instruments of payment that it received, in each case relating to the Acquired Assets, the Business or the Assumed Liabilities. Buyer shall (a) promptly deliver to Sellers, any mail or other communication received by it after the Closing Date, (b) promptly wire transfer in immediately available funds to ATI, any cash, electronic credit or deposit received by Buyer and (c) promptly forward to ATI, any checks or other instruments of payment that it receives, in each case relating to the Excluded Assets or any Excluded Liabilities. From and after the Closing Date, Sellers shall refer all inquiries with respect to the Business, the Acquired Assets and the Assumed Liabilities to Buyer, and Buyer shall refer all inquiries with respect to the Excluded Assets and the Excluded Liabilities to Sellers.

6.10 Payment of Transfer Taxes and Tax Filings.

(a) Fifty percent (50%) of all Transfer Taxes arising out of the transfer of the Acquired Assets and any Transfer Taxes required to effect any recording or filing with respect thereto shall be paid by each of Buyer on the one hand and Sellers on the other hand. The parties shall use commercially reasonable efforts to have included in the Sale Order and Confirmation Order a provision that provides that the transfer of the Acquired Assets shall be free and clear of any stamp or similar taxes under section 1146(c) of the Bankruptcy Code. At least twenty (20) Business Days prior to Closing, Sellers shall submit to Buyer a list of all Transfer Taxes (by tax name, tax jurisdiction and general description of the Acquired Assets subject to such tax) that it anticipates collecting from Buyer at Closing. Buyer may submit to Sellers evidence that it believes such Transfer Tax should not be applicable. Sellers shall review such evidence in a timely and good faith manner and respond to Buyer prior to Closing. Sellers and Buyer shall cooperate to timely prepare and file any returns or other filings relating to such Transfer Taxes, including any claim for exemption or exclusion from the application or imposition of any Transfer Taxes.

(b) Each party shall furnish or cause to be furnished to the others, upon request, as promptly as practicable, such information and assistance relating to the Acquired Assets and the Business as is reasonably necessary for filing of all Tax Returns, including any claim for exemption or exclusion from the application or imposition of any Taxes or making of any election related to Taxes, the preparation for any audit by any taxing authority and the prosecution or defense of any claim, suit or proceeding relating to any Tax Return.

(c) Sellers acknowledge and agree that Buyer shall have an administrative expense claim with respect to Sellers' share of any Transfer Taxes arising out of the transfer of the Acquired Assets under this Section 6.10 that have not been paid when due.

6.11 Filing of Tax Returns.

Sellers shall prepare and file, or cause to be prepared and filed, all Tax Returns for or on behalf of Sellers and any Affiliated Group that are required to be filed for periods that include or end on or prior to the Closing Date. Subject to Section 2.3(c),

Sellers shall pay, or shall cause to be paid, all Taxes due and payable by Sellers with respect to periods that include or end on or prior to the Closing Date when due.

6.12 Proration of Taxes and Certain Charges. Except as provided in Section 6.10, all real property Taxes, personal property Taxes or similar ad valorem obligations levied with respect to the Acquired Assets for any taxable period that includes the day before the Early Funding Date and ends after the Early Funding Date, whether imposed or assessed before or after the Early Funding Date, shall be prorated between Sellers and Buyer as of 12:01 A.M. on the Early Funding Date. If any Taxes subject to proration are paid by Buyer, on the one hand, or Sellers, on the other hand, the proportionate amount of such Taxes paid (or in the event a refund of any portion of such Taxes previously paid is received, such refund) shall be paid promptly by (or to) the other after the payment of such Taxes (or promptly following the receipt of any such refund). Notwithstanding the foregoing proration, any interest, penalties or additions to Tax relating to a Tax that is subject to proration shall be borne by the party whose actions or omissions gave rise to such item, and shall be reimbursed (and any refund remitted) consistent with the preceding sentence.

6.13 Best Efforts.

(a) Subject to the terms and conditions of this Agreement, each of the parties hereto shall use its respective best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties hereto in doing, all things necessary, proper or advisable under applicable Laws and regulations to ensure that the conditions set forth in this Agreement are satisfied and to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement, including prosecuting confirmation of the Bankruptcy Plan notwithstanding the objection of any party in interest. Subject to the terms and conditions of this Agreement, the parties shall not take any action or refrain from taking any action, the effect of which would be to delay or impede the ability of Allegiance and Buyer to consummate the transactions contemplated by this Agreement, unless in such party's reasonable judgment, taking such action or refraining from action is consistent with achieving the ultimate objective of consummating the transactions contemplated hereby.

(b) Without limiting the generality of the foregoing, the parties hereto shall furnish to each other such necessary information and reasonable assistance, as each may request in connection with preparation and filing of applications and motion papers, including the Sale Motion needed to obtain Bankruptcy Court approval of the transactions contemplated by this Agreement.

6.14 HSR Act and General Governmental Consents.

(a) Subject to the terms and conditions of this Agreement, each of the parties hereto shall use its respective best efforts to (1) obtain from any Governmental Entity, any consents, licenses, permits, waivers, approvals, authorizations or orders required to be obtained or made by Sellers or Buyer or any of their respective

Subsidiaries, or to avoid any action or proceeding by any Governmental Entity (including those in connection with the HSR Act), in connection with the authorization, execution and delivery of this Agreement and the consummation of the transactions contemplated herein, (2) subject to any restrictions under Antitrust Laws (as defined herein), to the extent practicable, (A) promptly notify each other of any communication to that party from any Governmental Entity with respect to this Agreement and the transactions contemplated hereby, (B) permit a Representative of the other party reasonably acceptable to the first party to attend and participate in meetings (telephonic or otherwise) with any Governmental Entity and (C) permit the other party to review in advance, as reasonable, any proposed written communication to any Governmental Entity, and (3) make all necessary filings (including, to the extent applicable, appropriate filing of a notification and report form pursuant to the HSR Act on or prior to the date that is five (5) Business Days after the date of execution of this Agreement), and thereafter make any other required submissions, with respect to this Agreement and the transactions contemplated hereby under any applicable Law. Sellers and Buyer shall cooperate with each other in connection with the making of all such filings, including (i) providing all information required or appropriate for any application or other filing and (ii) as reasonably practicable, providing copies of all such documents to the other party and its advisors prior to filing and, if requested, accepting all reasonable additions, deletions or changes suggested in connection therewith.

(b) In furtherance and not in limitation of the foregoing, the parties shall use their best efforts to resolve such objections, if any, as may be asserted with respect to the transactions contemplated by this Agreement under any antitrust, competition or trade regulatory Laws of any Governmental Entity ("Antitrust Laws"). The parties agree to take any action (including agreeing to hold separate or to divest any of the Acquired Assets (a "Designated Change") that may be required by or would otherwise resolve any objections made by (1) the applicable Governmental Entity (including the Antitrust Division of the United States Department of Justice or the Federal Trade Commission) in order to resolve any objections as such Governmental Entity or authority may have to such transactions under such Antitrust Law, or (2) by any domestic or foreign court or similar tribunal, in any suit brought by a private party or Governmental Entity challenging the transactions contemplated by this Agreement as violative of any Antitrust Law, in order to (i) avoid material delay in the closing of such transactions or (ii) avoid the entry of, or to effect the dissolution of, any injunction, temporary restraining order or other order that has the effect of preventing the consummation of any of such transactions. The entry by a court, in any suit brought by a private party or Governmental Entity challenging the transactions contemplated by this Agreement as violative of any Antitrust Law, of an order or decree permitting the transactions contemplated by this Agreement, but requiring a Designated Change, or that would otherwise limit the Buyer's freedom of action with respect to, or its ability to retain, the Acquired Assets, shall not be deemed a failure to satisfy the conditions specified in Section 7.1(a) or Section 7.1(c) hereof. Notwithstanding any other provision of this Agreement, nothing herein shall require Buyer or any of its Affiliates to hold separate or to divest any of the businesses, product lines or assets of Buyer or its Affiliates.

(c) Buyer shall bear sole responsibility for all filing fees under the HSR Act.

6.15 Bulk Sales. Each of the parties hereto waives compliance with any applicable provisions of the Uniform Commercial Code Article 6 (bulk sales or bulk transfers) or analogous provisions of Law, as adopted in the states in which the Business is conducted, as such provisions may apply to the transactions contemplated by this Agreement.

6.16 Sale Order. Buyer and Sellers shall cooperate to obtain entry of the Sale Order. With respect to the Assumed Contracts, Buyer shall cooperate with Sellers to provide adequate assurance of future performance as required by section 365 of the Bankruptcy Code.

6.17 Competing Transaction.

(a) Following the Sale Order Approval Date and until such time as this Agreement has been terminated (other than a termination by Sellers in violation of this Agreement), Sellers shall not, nor shall it authorize or permit any Representative of Sellers to, (A) directly or indirectly solicit, initiate or encourage the submission of any offer or proposal concerning any (x) sale, lease or other disposition directly or indirectly by merger, consolidation, business combination, share exchange, joint venture or otherwise, of any or all of the Acquired Assets, (y) issuance or sale of any equity interests in any Seller, or (z) transaction pursuant to which any Person will acquire beneficial ownership or the right to acquire beneficial ownership of equity interests in any Seller (any of the foregoing, a "Competing Transaction"), (B) directly or indirectly participate in any discussions or negotiations regarding, or furnish to any Person any information with respect to, or take any other action to facilitate the making of, any proposal or expression of interest that constitutes or is reasonably likely to lead to a Competing Transaction, or (C) enter into any agreement with respect to any Competing Transaction.

(b) Allegiance shall not furnish information concerning their business, properties or assets to any third party, except (i) in the Ordinary Course of Business to potential and current vendors, customers and agents, (ii) to Governmental Entities or (iii) pursuant to a confidentiality agreement with terms and conditions no less restrictive than those contained in the Confidentiality Agreement as modified by Section 9.9 below. Allegiance shall not release any third party from, or waive any provision of, any such confidentiality agreement to which any Seller is a party other than to the extent a similar release or waiver was granted to Buyer. Sellers shall use reasonable efforts to promptly provide, or identify and make available to Buyer any non-public information concerning Sellers, the Acquired Assets or the Business provided to any other Person after the date hereof which was not previously provided to Buyer. To the extent that this Section 6.17(b) conflicts with the Bidding Procedures Order, the Bidding Procedures Order shall govern.

6.18 Disclosure Supplements. Prior to the Early Funding Date, Sellers shall deliver updated Disclosure Schedules hereto with respect to any matter hereafter arising or any information obtained after the date hereof which, if existing, occurring or known at or prior to the date of this Agreement, would have been required to be set forth or described in the Disclosure Schedules, or which is necessary to complete or correct any information in such schedule or in any representation and warranty of Sellers which has been rendered inaccurate thereby. For purposes of determining the satisfaction of the conditions set forth in Article VII hereof, no such supplement or amendment shall be considered.

6.19 Communications Licenses. Allegiance shall maintain the validity of the Communications Licenses and, except as disclosed on Schedule 4.9 of the Disclosure Schedules, comply in all material respects with all requirements of the Communications Licenses and the rules and regulations of the FCC and State PUCs. Allegiance shall use reasonable commercial efforts to (a) refrain from taking any action which may jeopardize the validity of any of the Communications Licenses or result in the revocation, surrender or any adverse modification of, forfeiture of, or failure to renew under regular terms, any of the Communications Licenses, (b) prosecute with due diligence any pending applications with respect to the Communications Licenses, including any renewals thereof, and (c) with respect to Communications Licenses, make all filings and reports and pay all fees necessary or reasonably appropriate for the continued operation of the Business, as and when such approvals, consents, permits, licenses, filings, or reports or other authorizations are necessary or appropriate.

6.20 FCC Applications/State PUC Applications.

(a) As promptly as practicable after the execution and delivery of this Agreement and in no event later than three (3) Business Days after the date of execution of this Agreement, the parties hereto shall prepare and file, or cause to be prepared and filed, the necessary application or applications with the FCC seeking the FCC Consents. Each party shall provide the other party with all information necessary for the preparation of such applications on a timely basis, including those portions of such applications which are required to be completed by the first party.

(b) As promptly as practicable after the execution and delivery of this Agreement and in no event later than ten (10) Business Days after the date of execution of this Agreement, the parties hereto shall prepare and file, or cause to be prepared and filed, the necessary application or applications with the State PUCs seeking the State PUC Consents. Each party shall provide the other party with all information necessary for the preparation of such applications on a timely basis, including those portions of such applications which are required to be completed by the first party. In addition, the parties hereto shall cooperate to make any notice filings required in connection with this matter on a timely basis.

(c) Each of Buyer and Sellers (or the Operating Subsidiaries where applicable) shall bear its own expenses in connection with the preparation and prosecution of the FCC applications and the State PUC applications. Subject to the

terms and conditions of this Agreement, each of the parties hereto shall use its best efforts to prosecute the FCC applications and the State PUC applications in good faith and with due diligence before the FCC and the State PUCs and in connection therewith shall take such action or actions as may be necessary or reasonably required in connection with the FCC applications and the State PUC applications, including furnishing to the FCC and the State PUCs any documents, materials, or other information requested by the FCC and the State PUCs in order to obtain the FCC Consent and the State PUC Consents as expeditiously as practicable. In addition, to the extent practicable, the parties hereto shall use their best efforts to (i) promptly notify each other of any communication to that party from the FCC or any State PUC with respect to the FCC applications or the State PUC applications, as applicable, (ii) permit a Representative of the other party reasonably acceptable to the first party to attend and participate in meetings (telephonic or otherwise) with the FCC or any State PUC and (iii) permit the other party to review in advance, as reasonable, any proposed written communication to the FCC or any State PUC. No party hereto shall knowingly take, or fail to take, any action if the intent or reasonably anticipated consequence of such action or failure to act is, or would be, to cause the FCC or any State PUC not to grant approval of any FCC application or of any State PUC application or materially delay either such approval, to the material detriment of the other party.

6.21 Cooperation on Environmental Matters. Sellers agree to cooperate with Buyer and to assist Buyer in identifying the permits required under Environmental Laws required by Buyer to operate the business from and after the Closing Date and either transferring existing Environmental Permits of Buyer, where permissible, or obtaining new Environmental Permits for Buyer (at Buyer's sole expense).

6.22 Intentionally Omitted.

6.23 Non-Compete Covenants. Sellers shall use its reasonable efforts to identify to Buyer those material Contracts containing Non-Compete Covenants within ten (10) Business Days following the date of this Agreement.

6.24 Use of Name. Sellers hereby agrees that upon the consummation of the transactions contemplated hereby, Buyer shall be granted a license as set forth in the Operating Agreement to the name "Allegiance Telecom" or similar names, and any other names used in the business to be managed by Buyer pursuant to the Operating Agreement, or any service marks, trademarks, trade names, identifying symbols, logos, emblems or signs containing or comprising the foregoing or otherwise used in the business to be managed by Buyer pursuant to the Operating Agreement, including any name or mark confusingly similar thereto (collectively, the "Seller Marks") and Sellers shall not, and shall not permit any of their Affiliates to, use such name or any variation or simulation thereof, except in connection with the completion of the Cases. In furtherance thereof, upon expiration or termination of the Operating Agreement, Sellers shall remove, strike over or otherwise obliterate all Seller Marks from all materials owned by Sellers or the Operating Subsidiaries and used or displayed publicly including any sales and marketing materials, displays, signs, promotional materials and other materials. On or before the Closing, at Buyer's expense, Sellers shall take any action reasonably requested

by Buyer to perfect the chain of title in all of Sellers' registered trademarks used in the Business.

6.25 Further Assurances. Buyer shall use commercially reasonable best efforts to obtain any material Governmental Entity License, approval or consent reasonably necessary to operate as a local exchange carrier in any jurisdiction where the Business is operated and Buyer represents and warrants that it or its Affiliate has and, Buyer shall, maintain through the Closing Date such License, approval or consent in California, Illinois, Michigan and Texas.

6.26 Colocation/PRI Services Agreement. At the Early Funding Date, if requested by ATI and subject to Bankruptcy Court approval, ATCW or an Affiliate of ATCW and Buyer shall enter into a Master Services Agreement (the "Master Services Agreement"), pursuant to which Buyer shall provide colocation, primary rate interface and other services to ATCW (or such Affiliate) on terms specified on Schedule 6.26 of the Disclosure Schedules and as otherwise mutually satisfactory to ATCW and Buyer.

6.27 Operation of Acquired Assets. Upon the Early Funding Date and Buyer's funding of the Purchase Price Escrow Amount and the Adjustment Escrow Amount into the Purchase Price Escrow Account and the Adjustment Escrow Account, respectively, Buyer shall operate the Acquired Assets in accordance with the Operating Agreement; provided, however, that Buyer shall not assume any management or control of Sellers' bankruptcy estate or the Bankruptcy Plan process.

6.28 Registration Rights. Buyer agrees to use its best efforts to ensure that the issuance and distribution of the XO Common Stock complies with Section 1145 of the Bankruptcy Code.

(a) If Buyer is unable to obtain assurance to its satisfaction that the issuance of the XO Common Stock will be exempt from registration under Section 5 of the Securities Act, as provided in section 1145 of the Bankruptcy Code, Buyer will promptly and diligently file and cause to become effective, a registration statement registering the XO Common Stock under the Securities Act of 1933, as amended.

(b) Buyer hereby agrees to cause its legal counsel to issue an opinion reasonably requested by its transfer agent with respect to the issuance of the XO Common Stock, including an opinion that no legend restricting the transfer of such XO Common Stock is required.

6.29 Buyer Shareholder Approval.

Prior to the Early Funding Date, Buyer shall obtain the approval of its shareholders to the extent required to issue the XO Common Stock (the "Shareholder Approval"). Buyer shall give prompt written notification to Sellers when the Shareholder Approval is obtained.

6.30 Sellers' Disposition of XO Common Stock.

Sellers agree that they will not dispose of the XO Common Stock except pursuant to the Bankruptcy Plan.

6.31 Tax Matters.

(a) Sellers shall use commercially reasonable efforts to provide good faith estimates, prior to the Closing Date, of (i) the adjusted basis in the Acquired Assets (or the amount of any excess loss accounts), (ii) each Operating Subsidiary's adjusted basis in its assets and properties, (iii) the amount of any net operating loss, net capital loss, unused investment or other credits, unused foreign tax credit, or excess charitable contribution (and the carryovers of any of the foregoing) allocable to the Operating Subsidiaries, as well as any limitations that might apply and (iv) the amount of any deferred gain or loss allocable to the Operating Subsidiaries arising out of any intercompany transactions.

(b) At Buyer's written request, Sellers shall consider such tax elections and other actions with respect to the Operating Subsidiaries that will not adversely affect Sellers, including any election or elections under Section 338(h)(10) of the Internal Revenue Code of 1986, as amended.

(c) Buyer shall make a reasonable determination of the income tax treatment of the transactions contemplated by this Agreement, (including without limitation whether the transaction qualifies for a reorganization under Section 368 of the Internal Revenue Code of 1986, as amended), and so long as such determination is not adverse to Sellers, Sellers shall file all tax returns in a manner consistent with such determination.

## ARTICLE VII
## CONDITIONS TO OBLIGATIONS OF THE PARTIES

7.1 Conditions Precedent to Obligations of Buyer and Sellers. The respective obligations of Buyer, on the one hand, and Sellers, on the other hand, on the Early Funding Date shall be subject to the satisfaction or waiver at or prior to the Early Funding Date of the following conditions:

(a) No Injunction. No preliminary or permanent injunction or other order issued by, and no Litigation or Order by or before any United States Governmental Entity nor any Law or Order promulgated or enacted by any United States Governmental Entity shall be in effect or pending which materially delays, restrains, enjoins or otherwise prohibits or seeks to restrain, enjoin or otherwise prohibit the transactions contemplated hereby; provided that with respect to pending Litigation, such condition shall only apply to Litigation commenced by a Governmental Entity.

(b) The Sale Order. The Bankruptcy Court shall have entered the Sale Order, which approves this Agreement and all of the terms and conditions hereof and authorizes Allegiance to consummate the transactions contemplated hereby. The Sale Order shall provide that (A) this Agreement results from Sellers having completed a full and complete auction process and, so long as the Agreement has not been

terminated in accordance with its terms, Sellers shall not be entitled to entertain or enter into a Competing Transaction; (B) the Acquired Assets sold to Buyer pursuant to this Agreement shall be transferred to Buyer free and clear of all Liens (other than Permitted Liens of the type included in clause (C) of the definition of Permitted Liens) and Liabilities of any Person (other than Assumed Liabilities), such Liens and Liabilities to attach to the Purchase Price payable pursuant to Section 3.2(a); (D) the Regulatory Transition Process is approved pursuant to sections 105, 363 and 365 of the Bankruptcy Code; (E) Buyer has acted in good faith within the meaning of section 363(m) of the Bankruptcy Code and, as such, is entitled to the protections afforded thereby; (F) this Agreement was negotiated, proposed and entered into by the parties without collusion, in good faith and from arm's length bargaining positions; (G) Buyer is not acquiring or assuming any of Sellers' or any other Person's Liabilities except as expressly provided in this Agreement and in no event shall Buyer have any Liability or responsibility for any Excluded Liability; (H) the transactions contemplated herein shall be exempt from stamp, transfer, or similar taxes to the extent provided by Section 1146(c) of the Bankruptcy Code; (I) Buyer will not have any successor or transferee liability for liabilities of Sellers (whether under federal or State law or otherwise) as a result of the sale, purchase, transfer or assignment of the Acquired Assets, and will be exempt from any so-called "bulk sale" laws in all applicable jurisdictions; (J) all Assumed Contracts shall, at Closing, be assumed by Sellers and assigned to Buyer pursuant to section 365 of the Bankruptcy Code and, as required by this Agreement, Sellers shall be obligated to pay all Cure Amounts in respect thereof, in accordance with this Agreement; (K) Buyer will have the right to participate in any of Sellers' negotiations and settlements regarding ILEC and Non-ILEC Cure Amounts in accordance with Section 3.5, (L) in accordance with Section 3.5 Buyer will have standing to participate in any disputes before the Bankruptcy Court regarding ILEC and non-ILEC Cure Amounts, (M) the Bankruptcy Court shall retain jurisdiction to resolve any controversy or claim arising out of or relating to this Agreement, or the breach hereof as provided in Section 9.12 hereof; (N) all Liens held by Sellers' senior secured lenders on the Non-Transferred Assets shall be released at the Closing and the Buyer shall be granted a Lien on all Non-Transferred Assets pending FCC Consent and State PUC Consent, as applicable and (O) this Agreement and the transactions and instruments contemplated hereby shall be specifically performable and enforceable against and binding upon, and not subject to rejection or avoidance by, Sellers or any chapter 7 or chapter 11 trustee of Sellers and its estate. Sellers shall provide each applicable taxing authority in each jurisdiction in which it is subject to Tax with copies of any motion for entry of the Sale Order at least 10 days prior to the hearing on such motion. In the event that the Bankruptcy Court does not approve the Sale Order, Buyer shall, within one (1) Business Day, decide and inform Sellers and the Bankruptcy Court and communicate to Sellers whether Buyer consents to the Sale Order, as modified. For the avoidance of doubt, if Buyer consents to modifications to the Sale Order, then Buyer agrees that the condition in Section 7.1(b) has been satisfied.

(c) HSR Act. Any applicable waiting period under the HSR Act shall have expired or shall have been earlier terminated.

(d) Purchase Price Escrow Agreement. ATI, ATCW and Buyer shall have entered into the Purchase Price Escrow Agreement, and such agreement shall be in full force and effect.

7.2 Conditions Precedent to Obligations of Buyer. The obligation of Buyer to fund on the Early Funding Date is subject to the satisfaction (or waiver by Buyer) at or prior to the Early Funding Date of each of the following additional conditions:

(a) Accuracy of Representations and Warranties. The representations and warranties of Sellers contained herein shall be true and correct, without regard to any qualifications concerning materiality or Material Adverse Effect, as of the Early Funding Date (or, if made as of a specific date, at and as of such date), with the same force and effect as though such representations and warranties had been made on and as of the Early Funding Date, except where the effect of all such inaccuracies of representations and warranties would not reasonably be expected to, in the aggregate, have a Material Adverse Effect.

(b) Performance of Agreements. Sellers shall have performed and complied in all material respects with all material covenants and material agreements contained in this Agreement required to be performed or complied with by them prior to or on the Early Funding Date.

(c) Officer's Certificate. Buyer shall have received a certificate, dated the Early Funding Date, of an officer of Sellers to the effect that the conditions specified in Sections 7.2(a) and (b) above have been fulfilled.

(d) **[Intentionally Omitted]**.

(e) Sellers' Deliveries. Sellers shall have delivered to Buyer all items set forth in Section 3.1(b).

(f) Assumed Contracts. (i) All Contracts set forth on Schedule 7.2(f) of the Disclosure Schedules relating to the Sellers, or the extent an Early Closing Election is delivered, the Operating Subsidiaries, shall have been assumed and validly assigned to Buyer, such assignment to be effective as of the Closing Date, (and Sellers and the Operating Subsidiaries, if applicable, shall have obtained all consents, waivers and approvals (if any) necessary for such assumption and/or assignment) and (ii) all of the other Assumed Contracts (other than those set forth on Schedule 2.6 of the Disclosure Schedules or Exhibit A to Schedule 4.5 of the Disclosure Schedules) shall have been assumed by the applicable Seller and, to the extent an Early Closing Election is delivered the applicable Operating Subsidiary, and assigned to Buyer, such assignment to be effective as of the Closing Date, (and Sellers and Operating Subsidiaries, if applicable, shall have obtained all consents, waivers and approvals (if any) necessary for such assumption and/or assignment), except, in the case of this clause (ii), where the failure to assume and assign such Contracts would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(g) Operating Agreement. Sellers and Buyer shall have executed and delivered the Operating Agreement (the "Operating Agreement") attached hereto as Exhibit H, and such agreement shall be in full force and effect.

7.3 Conditions Precedent to the Obligations of Sellers. The obligation of Sellers to enter into the Operating Agreement on the Early Funding Date is subject to the satisfaction (or waiver by Sellers) at or prior to the Early Funding Date of each of the following additional conditions:

(a) Accuracy of Representations and Warranties. The representations and warranties of Buyer contained herein shall be true and correct, without regard to any qualifications concerning materiality or material adverse effect, as of the Early Funding Date (or, if made as of a specific date, at and as of such date), with the same force and effect as though such representations and warranties had been made on and as of the Early Funding Date, except where the effect of all such inaccuracies of representations and warranties would not reasonably be expected to, in the aggregate, have a material adverse effect on Buyer.

(b) Performance of Agreements. Buyer shall have performed and complied in all material respects with all material covenants and material agreements contained in this Agreement required to be performed or complied with by it prior to or at the Early Funding Date.

(c) Officer's Certificate. ATI shall have received a certificate, dated the Early Funding Date, of an officer of Buyer to the effect that the conditions specified in Sections 7.3(a) and (b) above have been fulfilled.

(d) Transition Services Agreement for Shared Technologies. Shared Technologies and Buyer shall have entered into a Transition Services Agreement (the "Transition Services Agreement") in the form of Exhibit 7.3(d) attached hereto.

(e) The Voting Agreement shall remain in full force and effect and Cardiff Holding LLC shall not be in breach thereof.

(f) Shareholder Approval. Buyer shall have obtained shareholder approval necessary to issue the XO Common Stock.

(g) Operating Agreement. Sellers and Buyer shall have executed and delivered the Operating Agreement attached hereto as Exhibit H, and such agreement shall be in full force and effect.

(h) Master Services Agreement. Buyer and ATCW (or an Affiliate thereof) shall have executed and delivered the Master Services Agreement, if applicable, and such agreement shall be in full force and effect.

7.4 Conditions Precedent to Closing. The obligation of Buyer and Sellers to close under this Agreement is subject to the satisfaction (or waiver by Sellers) at or prior to the Closing Date of each of the following additional conditions:

(a) Approval of Plan. (i) All conditions to the "Effective Date" set forth in the Bankruptcy Plan (including the entry of the Confirmation Order by the Bankruptcy Court) shall have been satisfied or duly waived, with the express written consent of Buyer, such consent not to be unreasonably withheld, in accordance with the applicable provisions of the Bankruptcy Plan and (ii) the transactions contemplated by the Bankruptcy Plan to occur on or prior to the Closing shall have been or shall be consummated simultaneously with the Closing in accordance with the Bankruptcy Plan; provided, that in the event of the delivery by either Buyer or Seller of an Early Closing Election, this Section 7.4(a) shall be deemed waived by both Buyers and Sellers.

(b) Non-Transferred Assets. The Non-Transferred Assets shall have been retained by Sellers.

(c) Sellers' Deliveries. Sellers shall have delivered to Buyer all items set forth in Section 3.1(b).

(d) Buyer's Deliveries. Buyer shall have delivered to Sellers all items set forth in Section 3.1(c).

7.5 Satisfaction of All Closing Conditions; Early Funding Date.

After the Early Funding Date, Section 7.1, Section 7.2, and Section 7.3 shall be deemed to be satisfied in their entirety and upon an Early Closing Election or satisfaction of the condition set forth in Section 7.4(a), Buyer's and Sellers' obligations to close the transactions contemplated by this Agreement will be unconditional.

## ARTICLE VIII
## TERMINATION

8.1 Termination of Agreement. This Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to the Closing:

(a) By mutual written consent of Buyer and ATI;

(b) By Buyer or ATI if neither the Early Funding Date nor the Closing Date shall have occurred on or before August 18, 2004; provided, however, that if neither the Early Funding Date nor the Closing shall have occurred on or before such date due to a breach of this Agreement by Buyer or any Seller, Buyer or ATI (if a Seller is the breaching party), as the case may be, may not terminate this Agreement pursuant to this Section 8.1(b);

(c) By Buyer, immediately if any of the following shall have occurred:

(i) Any Seller (A) agrees in writing, (B) publicly announces its intention (including by selecting a competing bidder at the Bankruptcy Court's auction

relating to the transactions contemplated hereby), or (C) is authorized by its board of directors to proceed with a Competing Transaction, irrespective of whether such Competing Transaction is approved by the Bankruptcy Court and/or consummated;

(ii) Prior to the Closing, any Seller abandons or files a motion with the Bankruptcy Court to abandon all or any material portion of the Acquired Assets;

(iii) Prior to the Closing, any Seller files any plan of reorganization other than the Bankruptcy Plan, files any material amendment to the Bankruptcy Plan, withdraws the Bankruptcy Plan or consents to the reduction of the Exclusivity Period or fails timely to file motions to obtain orders of the Bankruptcy Court extending the Exclusivity Period or the Bankruptcy Court denies confirmation of the Bankruptcy Plan; provided, however, that to the extent either Sellers or Buyer has delivered an Early Closing Election, this Section 8.1(c)(iii) shall be inapplicable;

(iv) The Bankruptcy Court terminates the Exclusivity Period or declines to extend the Exclusivity Period; provided, however, that to the extent either Sellers or Buyer shall have delivered an Early Closing Election, this Section 8.1(c)(iv) shall be inapplicable;

(v) The voluntary dismissal or conversion of any of the Cases to a case under chapter 7 of the Bankruptcy Code; or

(vi) Upon the appointment in the Cases of a trustee or examiner with managerial powers under section 1104 of the Bankruptcy Code; or

(vii) Prior to the Early Funding Date, any Order is entered by the Bankruptcy Court which would result in the failure of any of the conditions to the obligations of Buyer set forth in Section 7.1 or 7.2; provided, that following the Early Funding Date, this Section 8.1(c) shall have no further force or effect.

(d) By Sellers, on the one hand, or Buyer, on the other, if Buyer or Sellers, as the case may be, materially breach any of its covenants under this Agreement, unless such breach shall be cured within ten (10) Business Days after such other party shall have received notice of such breach in accordance with the terms hereof.

(e) Prior to the Early Funding Date, by Buyer if there is a breach of any representation or warranty contained in Article IV hereof (without regard to any qualifications concerning materiality or Material Adverse Effect contained in Article IV), which breach, in the aggregate with all other such breaches, if any, would give rise to a failure of the condition set forth in Section 7.2(a) (with the date of such termination being substituted for the references to Early Funding Date therein) and which breach could not reasonably be expected to be cured using reasonable efforts by the date set forth in Section 8.1(b); provided, that following the Early Funding Date, this Section 8.1(e) shall have no further force or effect.

8.2 Effect of Termination. In the event of termination of this Agreement pursuant to this Article VIII, written notice thereof shall be given to the other party of this Agreement as promptly as practicable and this Agreement shall terminate and the transactions contemplated hereby shall be abandoned, without further action by Buyer or Sellers. If this Agreement is terminated as provided herein there shall be no liability or obligation on the part of Sellers or Buyer, unless (i) this Agreement is terminated (A) by Buyer pursuant to Section 8.1(b) when ATI does not have the right to terminate this Agreement pursuant to Section 8.1(b) due to breach of the Agreement by Sellers, or (B) by Buyer pursuant to Section 8.1(c) or (d); or (ii) Buyer terminates this Agreement pursuant to Section 8.1(e) as a result of Sellers' gross negligence or willful, wanton or reckless action or inaction taken or not taken with an intent to cause the termination of this Agreement or otherwise negatively impact the transactions contemplated hereby (collectively, a "Sellers' Intentional Breach") or Buyer elects not to close because the condition set forth in Section 7.2(a) has not been satisfied as a result of a Sellers' Intentional Breach; provided, however, that with respect to any such termination of this Agreement pursuant to Section 8.1(b), (c) or (d) following the Sale Order Approval Date, or (ii) Buyer's election to terminate this Agreement pursuant to Section 8.1(c) or not to close, in each case because the condition set forth in Section 7.2(a) has not been satisfied, as a result of a Sellers' Intentional Breach following the Sale Order Approval Date, Buyer shall be entitled to terminate this Agreement immediate payment, as liquidated damages and not as a penalty, of (i) the Expense Reimbursement (which Expense Reimbursement shall not exceed $10 million) and (ii) $30 million (the ("Liquidated Damages"). Sellers and Buyer acknowledge that the damage suffered by the Buyer in the event of any such termination would be impossible to calculate, and the Liquidated Damages constitutes a reasonable estimate of such damages. In the event prior to the Early Funding Date Buyer terminates this Agreement pursuant to Section 8.1(e) or elects not to close, in each case because the condition set forth in Section 7.2(a) has not been satisfied as a result of some reason other than a Sellers' Intentional Breach, Buyer shall be entitled to immediate payment of the Expense Reimbursement (which Expense Reimbursement shall not exceed $5 million). Except as provided in Section 9.14, Buyer's sole and exclusive remedy under this Agreement shall be limited to the recovery of the amounts set forth in this Section 8.2. None of the amounts payable under this Section 8.2 or 8.3 shall prime the Liens held by the Sellers' senior secured lenders and any such amounts payable shall be subordinate to the carve out for professional fees and fees under 28 U.S.C. § 1930 as provided in the Bankruptcy Court's order authorizing Sellers to use cash collateral that was entered in the Cases.

8.3 Bankruptcy Events.

(a) At anytime prior to Closing, Sellers in their sole discretion, after consultation with the statutory committee of unsecured creditors appointed in the Chapter 11 Cases and the Sellers' pre-Petition senior lenders, may deliver an Early Closing Election to Buyer.

(b) In the event that Sellers fail to comply with the timeline set forth on Exhibit J, or at anytime from and after June 30, 2004 and prior to Closing, Buyer may deliver an Early Closing Election to Sellers.

(c) In the event an Early Closing Election is delivered pursuant to the terms hereof, the provisions of Section 3.5 hereof shall apply; provided, however, that Sellers shall serve, at least twenty (20) days prior to the Closing, the notice of Sellers' intent to assume and assign the Assumed Contracts on all non-debtor parties to the Assumed Contracts, rather than at least twenty (20) days prior to the hearing to confirm the Bankruptcy Plan. Within three (3) Business Days of receipt by Sellers or Buyer, as applicable, of an Early Closing Election notice, Buyer will provide to Sellers a list of Executory Contracts to be assumed by Allegiance and in the case of Sellers, assigned to Buyer (the "Additional Assumed Contracts") and Sellers shall immediately notify the counterparties to such Additional Assumed Contracts substantially in the form of notice attached to the Sale Order. Except as provided above, the Closing following an Early Closing Election shall occur no sooner than twenty (20) Business Days after the delivery of such notice. For the avoidance of doubt, to the extent the Early Closing Election is exercised, Section 7.4(a) shall have no further force and effect. For the purposes of this Agreement "Early Closing Election" shall mean the delivery by Sellers to Buyer or by Buyer to Sellers, as applicable, of a written irrevocable election to close the transactions contemplated by this Agreement pursuant to an asset sale rather than a sale of stock of the direct Subsidiaries of ATCW. To the extent an Early Closing Election is delivered, the Operating Subsidiaries shall be deemed to constitute Sellers under this Agreement and each Operating Subsidiary shall sell its assets to Buyer. Notwithstanding anything to the contrary contained herein, the Bankruptcy Plan shall provide that Buyer is not assuming liabilities of the Operating Subsidiaries of the types and in the nature of those listed in Section 2.4 in connection with Buyer's acquisition of the stock of the Operating Subsidiaries in accordance with the terms and conditions hereof.

## ARTICLE IX
## MISCELLANEOUS

9.1 Expenses. Except as set forth in this Agreement (e.g., Liquidated Damages provisions and the expense sharing arrangements set forth in Sections 2.6, 2.7 and 6.10) and whether or not the transactions contemplated hereby are consummated, each party shall bear its own costs and expenses incurred or to be incurred by such party in connection with this Agreement and the consummation of the transactions contemplated hereby.

9.2 Assignment. Neither this Agreement nor any of the rights or obligations hereunder may be assigned by Sellers without the prior written consent of Buyer, or by Buyer without the prior written consent of ATI; provided, however, that, Buyer may assign its rights and obligations hereunder, in whole or in part, to any wholly-owned Subsidiary of Buyer, provided that no such assignment shall relieve Buyer of its liabilities and obligations hereunder if such assignee does not perform such obligations and provided, further that this Agreement may be assigned to one or more trustees appointed by the Bankruptcy Court to succeed to the rights of Sellers. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, and except as otherwise expressly provided herein, no other Person shall have any right, benefit or obligation hereunder.

9.3 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of Sellers and Buyer, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement. Without limiting the foregoing, no direct or indirect holder of any equity interests or securities of either Sellers (other than Sellers themselves) or Buyer (whether such holder is a limited or general partner, member, stockholder or otherwise), nor any Affiliate of either Sellers or Buyer, nor any Representative or other controlling person of each of the parties hereto and their respective Affiliates shall have any liability or obligation arising under this Agreement or the transactions contemplated thereby.

9.4 Notices. Unless otherwise provided herein, any notice, request, instruction or other document to be given hereunder by any party to any other party shall be in writing and shall be delivered in person or by courier or facsimile transmission (with such facsimile transmission confirmed by sending a copy of such notice, request, instruction or other document by certified mail, return receipt requested, or overnight mail) or mailed by certified mail, postage prepaid, return receipt requested (such mailed notice to be effective on the date such receipt is acknowledged), as follows:

If to Sellers:

c/o Allegiance Telecom, Inc.
700 E. Butterfield Road, Suite 400
Lombard, IL 60148
Attention: Mark B. Tresnowski, Esq.
Executive Vice President, General Counsel and
Secretary
Fax: (630) 522-5250

With a copy to (which shall not constitute notice):

Kirkland & Ellis LLP
153 East 53rd
New York, NY 10022
Attention: Jonathan S. Henes, Esq.
Kimberly Taylor, Esq.
Fax: (212) 446-4900

If to Buyer:

XO Communications, Inc.
11111 Sunset Hills Road
Reston, Virginia 20190
Attention: General Counsel
Fax: (703) 547-2025

With a copy to (which shall not constitute notice):

Brown Rudnick Berlack Israels
120 West 45th Street
New York, NY 10036
Attention: Edward S. Weisfelner
Steven D. Pohl
Fax: (212) 704-0196
(617) 856-8201

or to such other place and with such other copies as either party may designate as to itself by written notice to the other party. Notices sent as provided herein shall be deemed given on the date received by the recipient. If a recipient rejects or refuses to accept a notice given pursuant to this Section, or if a notice is not deliverable because of a changed address or fax number of which no notice was given in accordance with the provisions hereof, such notice shall be deemed to be received two (2) days after such notice was mailed (whether as the actual notice or as the confirmation of a faxed notice) in accordance with the terms hereof.

9.5 Choice of Law. This Agreement shall be construed and interpreted, and the rights of the parties shall be determined, in accordance with the Bankruptcy Code and the substantive laws of the State of New York for contracts expected and likely to be performed solely within such state without regard to the conflict of laws principles thereof or of any other jurisdiction.

9.6 Entire Agreement; Amendments and Waivers. This Agreement (including the schedules and exhibits hereto) and the other Transaction Documents constitute the entire agreement between the parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations, and discussions, whether oral or written, of the parties. No supplement, modification or waiver of this Agreement (including any schedule hereto) shall be binding unless the same is executed in writing by all parties. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), and no such waiver shall constitute a continuing waiver unless otherwise expressly provided.

9.7 No Recourse Against Third Parties. Buyer agrees for itself and for all of its officers, directors, shareholders, Affiliates, attorneys, agents and any other parties making any claim by, through or under the rights of such persons (collectively, the "Buyer Group") that no member of the Buyer Group shall have any rights against any creditor, officer, director, shareholder (other than Sellers themselves), Affiliate, attorney or agent of Allegiance (each, individually, a "Non-Recourse Person") for any damages, suits, claims, proceedings, fines, judgments, costs or expenses (including attorneys' fees and incidental, consequential or punitive damages) (collectively, "Losses") that any Buyer Party may suffer in connection with this Agreement. If any member of the Buyer Group makes a claim against any person or entity other than Buyer that is not a Non-Recourse Person (a "Third Person") that in any way gives rise to a claim by such Third

Party against any Non-Recourse Person asserting that such Non-Recourse Person is or may be liable to such Third Party with respect to any Losses arising in connection with this Agreement (whether by way of indemnification, contribution, or otherwise on any theory whatever) (a "Claim Over"), such member of the Buyer Group shall reduce or credit against any judgment or settlement such member of the Buyer Group may obtain against such Third Party the full amount of any judgment or settlement such Third Party may obtain against the Non-Recourse Person on such Claim Over, and shall, as part of any settlement with such Third Party, obtain from such Third Party for the benefit of such Non-Recourse Person a satisfaction in full of such Third Party's Claim Over against the Non-Recourse Person. The provisions of this Section 9.7, however, shall not apply as to any fraud claims.

9.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by telecopy shall be as effective as delivery of a manually executed counterpart of this Agreement. In proving this Agreement, it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought.

9.9 Confidentiality. Prior to the Closing and after any termination of this Agreement, the provisions of the Confidentiality Agreement shall continue in full force and effect; provided, however, that effective as of the date hereof the provisions of the Confidentiality Agreement restricting Buyer and its Affiliates from discussing the transaction contemplated by this Agreement with third parties shall no longer apply. After the Closing, Buyer shall no longer be subject to the provisions of the Confidentiality Agreement, except to the extent the confidential information specifically relates to Shared Technologies. In the event of any conflict between the provisions of this Agreement and the Confidentiality Agreement, the provisions of this Agreement shall prevail. From and after the Closing, Sellers agree to keep confidential all confidential information relating to the Business, and agree not to disclose such information except as required by Law. Notwithstanding anything herein to the contrary, Buyer and Sellers (and each Affiliate and person acting on behalf of any such party) agree that each party (and each Representative of such party) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to such party or such person relating to such tax treatment and tax structure, except to the extent necessary to comply with any applicable federal or state securities laws. This authorization is not intended to permit disclosure of any other information, including (i) any portion of any materials to the extent not related to the tax treatment or tax structure of the transaction, (ii) the identities of participants or potential participants in the transaction, (iii) the existence or status of any negotiations, (iv) any pricing or financial information (except to the extent such pricing or financial information is related to the tax treatment or tax structure of the transaction) or (v) any other term or detail not relevant to the tax treatment or the tax structure of the transaction.

9.10 Invalidity. If anyone or more of the provisions contained in this Agreement (other than any of the provisions contained in Article II or Article III hereof) or in any other instrument referred to herein, shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, the parties shall use their best efforts, including the amendment of this Agreement, to ensure that this Agreement shall reflect as closely as practicable the intent of the parties hereto on the date hereof.

9.11 Headings. The table of contents and the headings of the Articles and Sections herein are inserted for convenience of reference only and are not intended to be a part of, or to affect the meaning or interpretation of, this Agreement.

9.12 Exclusive Jurisdiction. Without limiting any party's right to appeal any order of the Bankruptcy Court, (a) the Bankruptcy Court shall retain exclusive jurisdiction to enforce the terms of this Agreement and to decide any claims or disputes which may arise or result from, or be connected with, this Agreement, any breach or default hereunder, or the transactions contemplated hereby, and (b) any and all claims, actions, causes of action, suits and proceedings related to the foregoing shall be filed and maintained only in the Bankruptcy Court, and the parties hereby consent to and submit to the jurisdiction and venue of the Bankruptcy Court and shall receive notices at such locations as indicated in Section 9.4 hereof.

9.13 Waiver of Right to Trial by Jury. Each party to this Agreement waives any right to trial by jury in any action, matter or proceeding regarding this Agreement or any provision hereof.

9.14 Specific Performance. Each of the parties hereto acknowledges that the other party hereto would be irreparably damaged in the event any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, each of the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions thereof in any action instituted in any court of the United States or any state thereof having subject matter jurisdiction, in addition to any other remedy to which the parties may be entitled, at law, in equity or pursuant to this Agreement.

9.15 Counting. If the due date for any action to be taken under this Agreement (including the delivery of notices) is not a Business Day, then such action shall be considered timely taken if performed on or prior to the next Business Day following such due date.

9.16 Service of Process. Each party irrevocably consents to the service of process in any action or proceeding by receipt of mailed copies thereof by national courier service or registered United States mail, postage prepaid, return receipt requested, to its address as specified in or pursuant to Section 9.4 hereof. However, the foregoing shall not limit the right of a party to effect service of process on the other party by any other legally available method.

9.17 Time of Essence; Effectiveness of the Closing Date. With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence. In the event the Closing Date occurs prior to the occurrence of the Early Funding Date, for purposes of Article II, Sections 6.1, 7.1, 7.2, 7.3, and 8.1, all references to Early Funding Date shall be replaced with references to the Closing Date.

9.18 Exhibits and Schedules. The Exhibits and Schedules attached to, delivered with and identified to this Agreement are a part of this Agreement the same as if fully set forth herein and all references herein to any Section of this Agreement shall be deemed to include a reference to any Schedule named therein. Any disclosure made in any Schedule to this Agreement which is applicable to another Schedule to this Agreement shall be deemed to be made with respect to such other Schedule regardless of whether or not a specific cross reference is made thereto if the relevance of such disclosure to such other schedule is reasonably apparent on its face.

9.19 Interpretation.

(a) Whenever the words "include," "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation."

(b) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) The meanings given to terms defined herein shall be equally applicable to both singular and plural forms of such terms.

(d) Words denoting any gender shall include all genders. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(e) A reference to any party to this Agreement or any other agreement or document shall include such party's successors and permitted assigns.

(f) A reference to any legislation or to any provision of any legislation shall include any modification or re-enactment thereof, any legislative provision substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto.

(g) All references to "$" and "dollars" shall be deemed to refer to United States currency unless otherwise specifically provided.

(h) All references to any financial or accounting terms shall be defined in accordance with GAAP.

9.20 Preparation of this Agreement. Buyer and Sellers hereby acknowledge that (i) Buyer and Sellers jointly and equally participated in the drafting of this Agreement and all other agreements contemplated hereby, (ii) Buyer and Sellers have been adequately represented and advised by legal counsel with respect to this Agreement and the transactions contemplated hereby, and (iii) no presumption shall be made that any provision of this Agreement shall be construed against either party by reason of such role in the drafting of this Agreement and any other agreement contemplated hereby.

**[Remainder of Page Intentionally Left Blank]**

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of Sellers and Buyer as of the date first above written.

**SELLERS:**

ALLEGIANCE TELECOM, INC.

By: _____
Name:
Title:

ALLEGIANCE TELECOM COMPANY WORLDWIDE
ADGRAFIX CORPORATION
ALGX BUSINESS INTERNET, INC.
ALLEGIANCE INTERNET, INC.
ALLEGIANCE TELECOM INTERNATIONAL, INC.
ALLEGIANCE TELECOM OF ARIZONA, INC.
ALLEGIANCE TELECOM OF CALIFORNIA, INC.
ALLEGIANCE TELECOM OF COLORADO, INC.
ALLEGIANCE TELECOM OF FLORIDA, INC.
ALLEGIANCE TELECOM OF GEORGIA, INC.
ALLEGIANCE TELECOM OF ILLINOIS, INC.
ALLEGIANCE TELECOM OF INDIANA, INC.
ALLEGIANCE TELECOM OF MARYLAND, INC.
ALLEGIANCE TELECOM OF MASSACHUSETTS, INC.
ALLEGIANCE TELECOM OF MICHIGAN, INC.
ALLEGIANCE TELECOM OF MINNESOTA, INC.
ALLEGIANCE TELECOM OF MISSOURI, INC.
ALLEGIANCE TELECOM OF NEVADA, INC.
ALLEGIANCE TELECOM OF NEW JERSEY, INC.
ALLEGIANCE TELECOM OF NEW YORK, INC.
ALLEGIANCE TELECOM OF NORTH CAROLINA, INC.
ALLEGIANCE TELECOM OF OHIO, INC.
ALLEGIANCE TELECOM OF OKLAHOMA, INC.
ALLEGIANCE TELECOM OF OREGON, INC.
ALLEGIANCE TELECOM OF PENNSYLVANIA, INC.
ALLEGIANCE TELECOM OF TEXAS, INC.
ALLEGIANCE TELECOM OF THE DISTRICT OF COLUMBIA, INC.
ALLEGIANCE TELECOM OF VIRGINIA, INC.
ALLEGIANCE TELECOM OF WASHINGTON, INC.
ALLEGIANCE TELECOM OF WISCONSIN, INC.
ALLEGIANCE TELECOM PURCHASING COMPANY
ALLEGIANCE TELECOM SERVICE CORPORATION
COAST TO COAST TELECOMMUNICATIONS, INC.
HOSTING.COM, INC.
INTERACCESS TELECOMMUNICATIONS CO.

*(Signatures Continued)*

JUMP.NET, INC.
VIRTUALIS SYSTEMS, INC.

By: _____

Name:
Title:

*(Signatures Continued)*

**BUYER:**

XO COMMUNICATIONS, INC.

By: _____

Name:
Title:

# Exhibits to Asset Purchase Agreement

# TRANSITION SERVICES AGREEMENT

This Transition Services Agreement ("Agreement") is made as of this **[____]** day of February, between **SHARED TECHNOLOGIES ALLEGIANCE, INC**., a Delaware corporation ("Shared Technologies"), and **XO Communications, Inc.**, a Delaware corporation ("Buyer"). Each of Shared Technologies and Buyer are from time to time referred to in this Agreement separately as a "Party" and collectively as the "Parties".

Buyer, Allegiance Telecom, Inc., a Delaware corporation ("ATI") and certain subsidiaries of ATI (collectively, "Allegiance") have entered into an Asset Purchase Agreement, dated as of February 18, 2004 (the "Purchase Agreement"). All capitalized terms used but not defined herein shall have the meaning set forth in the Purchase Agreement.

## 1.0 TRANSITION SERVICES

1.1 Transition Services Provided by Shared Technologies to Buyer. Shared Technologies shall provide to Buyer the services and/or access to (a) the services identified in Schedule 1.1 (the "Shared Technologies Transition Services") in the manner in which and to the extent that Shared Technologies provided such services to the Business immediately prior to the Closing Date, and (b) such services (if any) as may be agreed to in writing by the Parties from time to time. In addition, Shared Technologies shall provide reasonable assistance to Buyer or to another supplier of such services of Buyer's choice in connection with the transition of Shared Technologies Transition Services to Buyer.

1.2 Transition Services Provided by Buyer to Shared Technologies. Buyer shall provide to Shared Technologies the services and/or access to (a) the services identified in Schedule 1.2 (the "Buyer Transition Services", referred to collectively with the Shared Technologies Transition Services as the "Transition Services") in the manner in which and to the extent that the Business provided such services to Shared Technologies immediately prior to the Closing Date, and (b) such services (if any) as may be agreed to in writing by the Parties from time to time. In addition, Buyer shall provide reasonable assistance to Shared Technologies or to another supplier of such services of Shared Technologies' choice in connection with the transition of the Buyer Transition Services to Shared Technologies.

1.3 Performance. Each Party agrees to perform its respective Transition Services at a service level consistent with that received by the recipient of such Transition Services prior to the Closing Date including, without limitation, with respect to the type, quality and timeliness of such services. A Party performing its respective Transition Services shall be referred to herein as a "Providing Party" and a Party receiving Transition Services from the other shall be referred to herein as a "Receiving Party".

1.4 Cooperation. Each Receiving Party shall, in connection with receiving Transition Services from the Providing Party, follow the policies, procedures and practices of and relating to such services in effect immediately before the Closing Date, including providing information and documentation sufficient for the Providing Party to perform the Transition Services as they were performed prior to the Closing Date and making available, as reasonably requested by the Providing Party, sufficient resources and timely decisions, approvals and acceptances in order that the Providing Party may accomplish its obligations hereunder in a timely manner.

1.5 Limitations. The Transition Services shall be available only for purposes of conducting the respective businesses of Shared Technologies and the Business, substantially in the manner it was conducted immediately prior to the Closing Date; and a Providing Party shall not be obligated to provide any Transition Services hereunder if to do so would require such Providing Party (or its Affiliates) to hire any additional employees or consultants (i.e., in addition to that number of employees or consultants retained by Shared Technologies or Allegiance, as applicable, prior to the Closing Date), pay overtime to employees, maintain the employment of any specific employee or acquire any additional equipment or software. A Providing Party shall not be obligated to provide Transition Services if to do so would be in violation of any applicable law or existing agreement as of the date hereof. Notwithstanding the understanding that this Agreement shall not obligate a Providing Party (or its Affiliates) to maintain the employment of any specific employee, performance of a Providing Party's obligations hereunder shall not be excused by employee terminations, layoffs or reductions generally.

1.6 No Use of Name or Trademarks.

(a) In the absence of any separate written agreement among the Parties hereto to the contrary, no Party shall be entitled to use the name of any other Party or its Affiliates in promotional or advertising materials, it being understood that this shall not restrict any Party from referring to the relationship among the Parties to the extent required by Law. Except as provided in paragraph (b) below, no Party shall use the trademarks, service marks, trade names, logos or other commercial or product designations of any other Party for any purpose, without the prior written consent of such other Party.

(b) Within two (2) Business Days of the Closing Date, Shared Technologies will file appropriate documents,~~,~~ including in each jurisdiction where it is qualified to conduct business, to change its name from "Shared Technologies Allegiance, Inc." to some other name that does not use the Buyer's trademarks or trade names. Within thirty (30) Business Days after the Closing Date, Shared Technologies will notify its customers and vendors of its name change and inform such parties that it is no longer associated with "Allegiance Telecom"; provided that any such communication shall be reasonably acceptable to Buyer.

1.7 Transition Commitments. Subject to Sections 1.3 through 1.5 above, each Party shall use commercially reasonable efforts to fulfill its commitments as identified in Schedules 1.1 and 1.2.

## 2.0 **PAYMENT/FEES**

2.1 Fees, Costs and Expenses. A Receiving Party shall not be responsible for payment of any fees or expenses related to the Transition Services provided by the Providing Party, except as provided under Schedule 1.1 or Schedule 1.2. Fees and expenses due hereunder shall be invoiced on a monthly basis. Any amounts due under this Section 2.1 shall be paid by the appropriate Party to the other Party within fifteen (15) Business Days of receipt of a reasonably detailed invoice therefore. Any disputes with regard to such expenditures shall be settled in accordance with the provisions of Section 7.11.

## 3.0 TERM/TERMINATION

3.1 Term. This Agreement shall commence on the Closing Date and shall remain in effect with respect to any Transition Services for a four (4) month period (the "Term"), unless otherwise expressly specified in this Agreement or on Schedule 1.1 or Schedule 1.2 with respect to such services.

3.2 Termination for Cause. Notwithstanding the above, either Party may terminate this Agreement upon twenty (20) days' prior written notice to the other Party in the event of a material breach by such other Party of this Agreement; provided that, the Party said to be in material breach shall have a fifteen (15) day period in which to cure the breach after written notice thereof (except in the case of non-payment for which there shall be a five (5) day cure period).

3.3 Termination for Convenience. At anytime during the Term of the Agreement, a Receiving Party may terminate its use of services specified in Schedule 1.1 or Schedule 1.2, as applicable, upon written notice to the Providing Party; such notice shall specify the effective date of termination, which shall not be less than ten (10) Business Days from the date of such notice. The Receiving Party will only be responsible for the payment of services provided hereunder by the Providing Party through the effective date of termination.

## 4.0 RECORDS AND AUDIT RIGHTS

4.1 Buyer shall keep and maintain books and records related directly to the performance of Buyer Transition Services consistent with the Buyer's internal policies for providing similar services. Shared Technologies shall keep and maintain books and records related directly to the performance of Shared Technologies Transition Services consistent with its accounting and business practices prior to the Closing Date. Notwithstanding the foregoing, to the extent that a Receiving Party is obligated to reimburse the Providing Party for services based on hourly rates, the Providing Party shall keep reasonably detailed time records to substantiate the number of hours of work performed by Representatives of the Providing Party. Such time sheets shall be maintained in .25 hour increments.

4.2 Each Providing Party shall provide the Receiving Party reasonable access to such records for the purposes of copying or auditing them, during normal business hours. The Party conducting the audit will provide the other Party with at least ten (10) days prior written notice of an audit request. The Party being audited will cooperate with the Party conducting the audit and will make the information reasonably required to conduct the audit available on a timely basis; provided, however, that such cooperation will not oblige the Party being audited to materially disrupt its business operations. The Party conducting the audit shall be responsible for all costs related to any such audit.

## 5.0 LIMITATION OF LIABILITY; DISCLAIMER

5.1 LIMITATION OF LIABILITY. NO PARTY SHALL BE LIABLE TO ANY OTHER PARTY FOR SUCH OTHER PARTY'S CONSEQUENTIAL DAMAGES, SPECIAL DAMAGES, INCIDENTAL DAMAGES, INDIRECT DAMAGES, LOST PROFITS OR SIMILAR ITEMS.

5.2 DISCLAIMER. EXCEPT AS EXPRESSLY PROVIDED IN SECTION 1.3, NONE OF THE PARTIES OR THEIR RESPECTIVE AFFILIATES MAKES ANY REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE TRANSITION SERVICES TO BE PROVIDED UNDER THIS AGREEMENT. EACH PARTY AND ITS AFFILIATES DISCLAIM ALL OTHER WARRANTIES, EXPRESS AND IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE.

## 6.0 **INSURANCE.**

6.1 Each Party shall at all times during the Term of this Agreement, at its own cost and expense, carry and maintain the insurance coverage listed below with insurers having a "Best's" rating of A- VII.

(a) Workers' Compensation Insurance with statutory limits as required in the state(s) of operation. Employer's Liability or "Stop Gap" insurance with limits of not less than $1,000,000 each accident.

(b) Commercial General Liability Insurance covering claims for bodily injury, death, personal injury or property damage occurring or arising out of the performance of this Agreement, including coverage for independent contractor's protection (required if any work will be subcontracted), premises-operations, products/completed operations, and contractual liability with respect to the liability assumed by the Party hereunder. The limits of insurance shall not be less than:

| | |
|---|---|
| Each Occurrence | $1,000,000 |
| General Aggregate Limit | $2,000,000 |
| Products-Completed Operations Limit | $1,000,000 |
| Personal and Advertising Injury Limit | $1,000,000 |

(c) Comprehensive Automobile Liability Insurance covering the ownership, operation and maintenance of all owned, non-owned and hired motor vehicles used in connection with the performance of this Agreement, with limits of at least $1,000,000 per occurrence for bodily injury and property damage.

(d) All Risk Property Insurance (including waiver of subrogation)

The insurance limits required herein may be obtained through any combination of primary and excess or umbrella liability insurance. Each Party shall provide certificate(s)of such insurance upon execution of this Agreement and upon any renewal of such insurance during the Term of this Agreement. The certificate(s) shall provide that (1) Customer (and its participating affiliates) be named as an additional insured(s) as their interest may appear with respects this Agreement; (2) endeavor to provide the other Party thirty (30) days prior written notice of cancellation of the policy; (3) coverage is primary and not excess of, or contributory with, any other valid and collectible insurance purchased or maintained by the other Party as respects .

## 7.0 **MISCELLANEOUS**

7.1 Expenses. Except as set forth above in Section 2.1 (including the Schedules referred to in that Section), each of the Parties shall pay its own fees and expenses (including but not limited to the fees and expenses of its respective counsel, accountants and other experts) and shall pay all other expenses incurred by it in connection with the negotiation, preparation and execution of this Agreement and the performance of its obligations hereunder.

7.2 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the internal laws (and not the choice-of-law rules) of the State of New York.

7.3 Notices. Unless otherwise provided herein, any notice, request, instruction or other document to be given hereunder by any party to any other party shall be in writing and shall be delivered in person or by courier or facsimile transmission (with such facsimile transmission confirmed by sending a copy of such notice, request, instruction or other document by certified mail, return receipt requested, or overnight mail) or mailed by certified mail, postage prepaid, return receipt requested, as follows:

If to Shared Technologies:
9201 North Central Expressway
Dallas, TX 75201
Attention: Anthony J. Parella, President of Shared Technologies

With a copy to (which shall not constitute notice):
700 E. Butterfield Road, Suite 400
Lombard, IL 60148
Attention: Kelleye Chube, Esq.
Fax: (630) 522-5250

If to the Buyer:

XO Communications, Inc.

11111 Sunset Hills Road
Reston, Virginia 20190
Attention: General Counsel

Fax: (703) 547-2025

With a copy to (which shall not constitute notice):

Brown Rudnick Berlack Israels
120 West 45th Street
New York, NY 10036
Attention: Edward S. Weisfelner
Steven D. Pohl
Fax: (212) 704-0196

or to such other place and with such other copies as either party may designate as to itself by written notice to the other party. Notices sent as provided herein shall be deemed given on the date received by the recipient. If a recipient rejects or refuses to accept a notice given pursuant to this Section, or if a notice is not deliverable because of a changed address or fax number of which no notice was given in accordance with the provisions hereof, such notice shall be deemed to be received five (5) Business Days after such notice was mailed (whether as the actual notice or as the confirmation of a faxed notice) in accordance with the terms hereof.

7.4 Entire Agreement. Except as otherwise expressly provided herein, this Agreement and the attached Schedules 1.1 and 1.2 contain the entire understanding of the Parties hereto with respect to the subject matter contained herein and supersedes and cancels all prior agreements, negotiations, correspondence, undertakings and communications of the Parties, oral or written, respecting such subject matter. There are no promises, representations, warranties, agreements or undertakings of any Party with respect to the transactions contemplated by this Agreement other than those specifically set forth in this Agreement.

7.5 Amendments. This Agreement may be amended or modified only by a written instrument executed by the Parties.

7.6 Counterparts. This Agreement may be executed by the Parties in separate counterparts (included by telecopied signature pages), each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

7.7 Assignment. This Agreement shall inure to the benefit of and be binding upon Shared Technologies and Buyer and their respective successors and permitted assigns. Neither Party shall assign or otherwise transfer this Agreement without the express written consent of the other Party.

7.8 Severability; Enforcement. Any term or provision of this Agreement that is held to be invalid, prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity, prohibition or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any terms or provisions of this Agreement in any other jurisdiction.

If any provision of this Agreement shall be held to be invalid, prohibited or unenforceable unless narrowed by construction, such provision shall be construed as if more narrowly drawn so as not to be invalid, prohibited or unenforceable.

7.9 Waiver. The failure of any Party to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of any such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of such Party thereafter to enforce each and every such provision. No waiver of any breach of or non-compliance with this Agreement shall be held to be a waiver of any other or subsequent breach or non-compliance.

7.10 Relationship Among the Parties. The Parties agree that this is an arm's length transaction in which the Parties' undertakings and obligations are limited to the performance of their obligations under this Agreement. It is expressly understood and agreed that in rendering the Transition Services hereunder, each Party is acting as an independent contractor and that this Agreement does not constitute any Party as an employee, partner, joint venturer, agent or other Representative of any other Party for any purpose whatsoever. None of the Parties has the right or authority to enter into any contract, warranty, guaranty or other undertaking in the name of or for the account of any other Party, or to assume or create any obligation or liability of any kind, express or implied, on behalf of any other Party or to bind any other Party in any manner whatsoever, or hold itself out as having any right, power or authority to create any such obligation or liability on behalf of any other or to bind any other Party in any manner whatsoever (except as to any actions taken by a Party as required hereunder).

7.11 Dispute Resolution. If a claim or dispute among the Parties arises in connection with this Agreement, the Parties shall attempt in good faith to resolve through negotiation such claim or dispute. If the Parties cannot mutually resolve such matter within twenty (20) business days of the initial notice of such dispute, the Parties agree that such claim or dispute shall be settled by arbitration in Chicago, Illinois, in accordance with the then-current rules of the alternative dispute resolutions firm JAMS or its successor, or if no successor exists, then in accordance with the then-current commercial arbitration rules of the American Arbitration Association. The arbitrator(s) shall be experienced in conducting arbitrations in the U.S. communications industry, selected mutually by Shared Technologies, on the one hand, and Buyer, on the other hand. The cost of the arbitration, including the fees and expenses of the arbitrator(s), shall be shared equally by the Parties unless the award provides otherwise. Judgment upon the award rendered by the arbitrator(s) may be entered into any court of competent jurisdiction, and shall be fully enforceable and only appealable in accordance with the United States Arbitration Act, 9 U.S.C. Sec. 1 *et seq*. The Parties agree that, except as required by applicable law or regulation, the existence, outcome, and contents of any arbitration proceeding shall be kept confidential and that the arbitrator(s) shall be required to adhere to the same obligation of confidentiality.

7.12 Other Remedies. The Parties understand that any material breach of this Agreement may materially and irreparably harm Shared Technologies or Buyer, as the case may be, and that money damages may not be an adequate remedy for any material breach of such provisions. Accordingly, notwithstanding any other provision of this Agreement, Shared Technologies and Buyer agree that Shared Technologies and Buyer, as the case may be, in their

sole discretion and in addition to any other remedies they may have at law or in equity, may apply to any court of law or equity of competent jurisdiction (without posting any bond or deposit) for specific performance and/or other injunctive relief in order to enforce the terms or prevent any material violations of this Agreement.

7.13 Confidentiality. Shared Technologies agrees to keep confidential, information relating to the Business and agrees not to disclose such information except as required by Law. Buyer agrees to keep confidential, information relating to the Shared Technologies business and agrees not to disclose such information except as required by Law.

7.14 No Third-Party Beneficiaries. This Agreement is for the sole benefit of the Parties and their permitted assigns; and nothing herein expressed or implied shall give or be construed to give to any person, other than the Parties and such assigns, any legal or equitable rights hereunder.

* * * * * *

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as of the day and year first written above.

**SHARED TECHNOLOGIES ALLEGIANCE, INC.**

By:_____
Name: Anthony J. Parella
Title: President

**XO COMMUNICATIONS, INC.**

By:_____
Name: **[_____]**
Title: **[_____]**

**Shared Technologies Transition Services**
**Schedule 1.1**

Shared Technologies shall provide the following services to Buyer under this Agreement:

**Buyer's Use of Shared Tech Premises**

Shared Technologies shall allow the Transferred Employees that occupied space in any of Shared Technologies' facilities listed in Exhibit A hereto and in accordance with the terms set forth in Exhibit C immediately prior to the Closing Date ("Shared Tech Premises"), to continue to occupy and access such premises for the Term of this Agreement. All of Shared Technologies' obligations with respect to the lease for these facilities during such period that are applicable or attributable to the Transferred Employee's occupancy and use of such Shared Tech Premises shall be reimbursed by Buyer in an amount equal to the total rent and other lease expenses divided by the total combined number of Shared Technologies and Transferred Employees located at the applicable Shared Tech Premises times the number of Transferred Employees located at such premises. (For purposes of calculating the proportionate fees to be reimbursed by Buyer, the total combined number of employees shall include any Shared Technologies employees or Transferred Employees located at a particular Shared Tech Premises on the first Business Day of the month.)

The Parties agree to cooperate in good faith to identify and agree upon all the Excluded Assets located in any Shared Tech Premises that are to be removed by Buyer. Unless the Parties mutually agree, Buyer shall not remove from such premises any Excluded Assets. Subject to Shared Technologies' and/or the applicable landlord's existing security policies, Shared Technologies shall allow Buyer's employees and other Representatives reasonable access during normal business hours to the Shared Tech Premises during the Term in order to remove any Acquired Asset.

Each Party shall appoint a point of contact to handle incidents relating to the Transferred Employees at the Shared Tech Premises and to determine how to configure the systems and facilities of the Transferred Employees at the Shared Tech Premises so that each Party's confidential or proprietary information cannot be accessed by the other Party or its Representatives.

**Buyer's Purchase of Shared Technologies Installation Services**

For the Term of this Agreement, Shared Technologies shall continue to perform certain installation services for the installation of customer premise equipment, purchased, owned and/or leased by Buyer's customers and used in conjunction with Allegiance network services.

For the provision of such installation services, Buyer will pay Shared Technologies a fee of $125.00 per hour for installations services performed by a Shared Technologies technician Monday-Friday between the hours of 8:00 am-3:30 pm local time at the installation site.

**Buyer Transition Services**
**Schedule 1.2**

Buyer shall provide the following services to Shared Technologies under this Agreement:

**Accounting**

*Lockboxes, Bank Accounts*

All signature authority, which upon Closing, resides with the Transferred Employees, associated with Shared Technologies' lockboxes and Shared Technologies' bank accounts shall be transferred to designated Representatives of Shared Technologies upon the Closing Date.

*Accounts Payable*

Promptly after the Closing, and at no charge, Buyer shall provide Shared Technologies with an electronic file containing (i) a readily available report of outstanding accounts payable of Shared Technologies as of the Closing Date and (ii) access to, and, all relevant information contained in the Allegiance JD Edwards system (including tax identification numbers) relating to Shared Technologies' vendors. Promptly after the Closing, Shared Technologies shall notify all such vendors of the address to which venders should send their invoices to Shared Technologies. For sixty (60) days after the Closing, and at no charge to Shared Technologies, Buyer shall promptly forward originals of any Shared Technologies' vendors' invoices received by Buyer to Shared Technologies as follows:

Shared Technologies

9201 North Central Expressway

Dallas, TX 75231

Attn: Denise Crane

Telephone: 469-259-2480

Facsimile: 469-259-9018

*General Accounting*

Promptly after the Closing and after receiving request of Shared Technologies, Buyer shall provide Shared Technologies with an electronic file containing (i) any readily-available information regarding month end close responsibilities solely related to the Shared Technologies business which are contained in the Allegiance accounting/finance systems and (ii) all relevant and readily-available information relating to the Shared Technologies business which are contained in the Allegiance accounting and finance systems. In addition, for sixty (60) days after the Closing, Buyer shall provide Shared Technologies with the following general ledger, accounting and treasury services such as follows:

A. Cash Balancing (matching of cash posted to cash deposited to bank statement)

B. Payroll Reporting (transfer of payroll data)

C. Vendor Payment Information (information relating to monies paid by Buyer for the services described herein

For the provision of any general accounting functions, Shared Technologies will pay Buyer a fee of $37.95 per hour for such accounting functions.

*Balance Sheet and Performance Data*

Promptly after the Closing and after receiving request of Shared Technologies, Buyer shall provide Shared Technologies with an electronic file containing the Closing Date balance sheet for Shared Technologies and readily available performance data for the Shared Technologies business, including, without limitation, a report of prepaid expenses (including prepaid expenses related to Shared Technologies' real estate leases) of Shared Technologies as of the Closing Date, plant, property and equipment detail.

**Taxes**

Buyer shall reasonably cooperate with Shared Technologies regarding the transition of the Tax functions relating to Shared Technologies and, only to the extent that separate entity Tax returns are filed, shall provide and make available copies of such prior separate entity Tax returns, Tax compliance calendars and any other Tax-related information of Shared Technologies reasonably requested by Shared Technologies. Buyer shall have no obligation to make available or provide Shared Technologies with copies of any combined or consolidated group Tax returns or supporting schedules, including, but not limited to federal, state and local income, franchise, gross receipts, license, sales, use, excise and property Tax returns. Buyer shall not be obligated to fund any Taxes on behalf of Shared Technologies. Buyer will have no obligation to prepare, certify or provide any advice related to any tax return, tax filing or tax related matter. Buyer shall have no obligation to collect or remit to any Tax collection authority any Taxes on behalf of Share Technologies.

Buyer shall promptly forward to Shared Technologies any notices received from any Governmental Authority relating to the operation or ownership of Shared Technologies for any Tax period. Shared Technologies shall promptly forward to Buyer any notices received from any Governmental Authority relating to the operation or ownership of the Business or the Acquired Assets for any Tax period.

For the provision of such Tax functions during the Term of this Agreement, Shared Technologies will pay Buyer a fee of $35.80 per hour for Tax functions performed prior to Closing by an Allegiance Tax manager and the applicable hourly rate for any other Allegiance Tax personnel.

**Shared Technologies' Use of Buyer Premises**

Buyer shall allow the Shared Technologies' employees that occupied space in any of the facilities of the Business listed in Exhibit B hereto and in accordance with the terms set forth in Exhibit D hereto immediately prior to the Closing Date ("Buyer Premises"), to continue to occupy and

access such premises for the Term of this Agreement. All of Buyer's obligations with respect to the lease for these facilities during such period that are applicable or attributable to Shared Technologies' employees' occupancy and use of such premises shall be reimbursed by Shared Technologies in an amount equal to the total rent and other lease expenses divided by the total combined number of Shared Technologies' employees and Buyer's employees located at the applicable premises times the number of Shared Technologies' employees located at such premises (and any Shared Technologies' employees or Buyer's employees located at a particular premises at the beginning of the month shall be counted in calculating the proportionate fees for such month; provided that in no event will Shared Technologies be responsible for greater than the amount of the lease payment and other fees associated with the Allegiance Premises that had been paid by Shared Technologies in the month immediately preceding the month in which Buyer decides to vacate the Allegiance Premises .

The Parties agree to cooperate in good faith to identify and agree upon all the Excluded Assets located in any Buyer Premises that are to be removed by Shared Technologies. Unless the Parties mutually agree, Shared Technologies shall not remove any Acquired Assets. Subject to Buyer's and/or landlord's existing security policies, Buyer shall allow Shared Technologies' employees and other Representatives reasonable access during normal business hours to the Premises during the Term in order to remove any Excluded Asset that belong to Shared Technologies.

Each Party shall appoint a point of contact to handle incidents relating to Shared Technologies' Representatives at the Buyer Premises and to determine how to configure the systems and facilities of Shared Technologies' Representatives at the Buyer Premises so that each Party's confidential or proprietary information cannot be accessed by the other Party or its Representatives.

**Internal Telecommunications**

Buyer, through its subsidiaries, shall provide internal telecommunications for Shared Technologies (i.e., local voice, long distance voice, internal data networks, email, 8XX services, and business Intranet) at the rates and charges in existence prior to the Close Date. Any amounts paid to non-Affiliated third parties in respect thereof by Buyer or its subsidiaries shall be reimbursed by Shared Technologies within fifteen (15) Business Days following receipt of a notice from Buyer that such amounts have actually been paid to such non-Affiliated third parties. The monthly fee charged to Shared Technologies for the use of such internal communications provided by non-Affiliated third parties, including e-mail, will be the monthly fee charged by non-Affiliated third parties for the affected site divided by the total combined number of Shared Technologies and Buyer employees located at the affected site times the number of Shared Technologies' employees located at the affected site provided that Buyer shall not be obligated to provide any additional services than those provided to Shared Technologies immediately prior to the Closing Date.

For the period from the Closing Date through the three (3) month anniversary thereof, Buyer shall provide the Shared Technologies' employees occupying space in the Buyer Premises with continued access to those e-mail accounts that existed immediately prior to Closing for use in the Shared Technologies business (for example, _____). Such use of Buyer's e-mail accounts shall be subject to its Acceptable Use Policy ("AUP"). Any violation of such AUP by Shared Technologies or any of its Representatives shall permit Buyer to immediately and without notice terminate Shared Technologies' use of such e-mail accounts. Any e-mail originated from Buyer's e-mail account by or on behalf of (i) Shared Technologies, (ii) any employee of Shared Technologies or (iii) any other Representative of Shared Technologies shall contain the following disclaimer:

> Pursuant to the terms of a Transition Services Agreement dated as of **[_____, 2004]**, XO Communications, Inc. ("Buyer") has permitted Shared Technologies Allegiance, Inc. ( "Shared Technologies") to utilize Buyer's e-mail account from **[_____, 2004]** through **[_____, 2004]**. The content of and the views expressed in this e-mail are the sole responsibility of and belong exclusively to Shared Technologies; and Buyer and Allegiance disclaims any and all liability arising out of or relating to such content or views and any action or inaction associated therewith.

**Clarify Systems**

Buyer shall provide Shared Technologies with access to and the information relating to Shared Technologies contained in Clarify, Allegiance's internal dispute resolutions systems. The parties shall cooperate in good faith to transfer the Shared Technologies' customer information contained in Clarify to Shared Technologies' dispute resolutions systems.

Any support services provided, prior to Closing, by Buyer's employees to Shared Technologies during the Term of this Agreement, with respect to the Clarify systems, will be paid for by Shared Technologies at a rate of $40.00 per hour.

**Human Resources**

The Parties shall cooperate in good faith to transfer the information relating to Shared Technologies' employees contained in Allegiance's JD Edwards systems and other systems to Shared Technologies' systems. For the period from the Closing Date through the three (3) month anniversary thereof, Buyer shall provide payroll administration services. For the provision of such Human Resource functions, Shared Technologies will pay Buyer a fee of $18.03 per hour for Human Resources functions performed by an Allegiance Human Resources manager and the applicable hourly rate for any other Allegiance Human Resource personnel.

In addition, to the extent that Buyer receives any information, files or other relevant data relating to Shared Technologies employees, Buyer agrees to return such information to Shared Technologies with fifteen (15) days of receipt of such Shared Technologies information.

**Website References and Links**

Within four (4) Business Days after the Closing, Shared Technologies shall remove from all website or URL references to Allegiance and all links to any of Allegiance's websites, unless otherwise permitted in writing by Buyer.

**Shared Technologies' Vehicles and Other Shared Technologies' Assets**

Promptly after the Closing, Buyer shall, at no charge, transfer to Shared Technologies such title, if any, as Buyer has acquired pursuant to the Purchase Agreement to any and all vehicles, computer equipment, software and other assets used as of the Closing exclusively in the business of Shared Technologies (it being understood that vehicles used by Shared Technologies' employees to provide the installation services as of the Closing to Buyer as described in Schedule 1.1. that are otherwise used exclusively in the business of Shared Technologies shall be covered by this paragraph and the title thereof shall be conveyed pursuant to this paragraph).

The parties agree that the computer equipment, software and other assets used exclusively in the business of Shared Technologies as of the Effective Date of this Agreement are set forth in Exhibit E attached hereto. Any modification to Exhibit E prior to the Closing Date shall be agreed in writing by the parties.

In addition, the parties agree that the vehicles used exclusively in the business of Shared Technologies as of the Effective Date of this Agreement are set forth in Exhibit F attached hereto. Any modification to Exhibit F prior to the Closing Date shall be agreed in writing by the parties.

**Other Operational Processes**

The Parties also shall cooperate in good faith (i) to complete the cutover of the 800-dispatch service relating to the Business from its current provider to a new provider designated by Shared Technologies and (ii) to provide each other with information necessary to effect the purposes of this Agreement and to operate their respective businesses, to the extent that such information is reasonably available to Shared Technologies or Buyer, as the case may be.

# EXHIBIT A

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

| | |
|---|---|
| In re | **Chapter 11**<br>**Case No. 03-13057 (RDD)** |
| Allegiance Telecom, Inc., et al., | **(Jointly Administered)** |
| Debtors. | |

**ORDER (A) ESTABLISHING BIDDING PROCEDURES AND BID PROTECTIONS IN CONNECTION WITH THE SALE OF SUBSTANTIALLY ALL OF THE ASSETS OF THE DEBTORS, (B) APPROVING THE FORM AND MANNER OF NOTICES AND (C) SETTING A SALE HEARING DATE**

Upon the motion, dated December 18, 2003 (the "Motion"), of Allegiance Telecom, Inc. ("Allegiance") and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), for an order (i) establishing bidding procedures and certain protections (the "Bidding Procedures") payable to the Buyer[1] including a break-up fee and expense reimbursement; (ii) approving the form and manner of notice related to the sale of certain assets of the Debtors; (iii) setting a hearing date (the "Sale Hearing") to consider approval of the sale of substantially all of the assets of the Debtors as provided in the Purchase Agreement (the "Sale Assets"); (iv) authorizing the procedures for assumption and assignment of certain executory contracts and unexpired leases in connection with the sale of the Sale Assets (the "Sale Transaction"); and (v) granting certain related relief (collectively, the "Bidding Procedures Order"); and an interim hearing having been held (the "Procedures Hearing") in respect of the relief

[1] Unless otherwise defined herein, capitalized terms shall have the meaning ascribed to them in the Motion or that certain purchase agreement between Allegiance and Qwest Communications International Inc. dated December 18, 2003 (the "Purchase Agreement"), as applicable, and as modified by this Bidding Procedures Order (as defined below), as applicable.

requested in the Motion (as described in clauses (i) – (v) above (the "Preliminary Relief")); and it appearing that notice of the hearing has been provided to (i) the Office of the United States Trustee; (ii) the attorneys for the agent for the prepetition lenders; (iii) the attorneys for the Creditors' Committee; (iv) all nondebtor contracting and lease parties identified on Schedules 4.20 and 4.21 of the Disclosure Schedules, (v) all parties that provide telecom services to the Debtors pursuant to tariffs; (vi) the attorneys for the Buyer; (vii) all counterparties to the Assumed Contracts, (viii) all parties who have made written expressions of interest in acquiring the Sale Assets or the Business within two (2) months prior to the date of the Motion; (ix) all known persons holding a lien on any of the Sale Assets; (x) the Securities and Exchange Commission; (xi) all taxing authorities that have jurisdiction over the Sale Assets; (xii) all Governmental Agencies having jurisdiction over the Sale Assets with respect to Environmental Laws, (xiii) the attorneys general of all states in which the Sale Assets are located; (xiv) the Federal Communications Commission and applicable state public utility commissions; and (xv) all other parties that had filed a notice of appearance and demand for service of papers in these bankruptcy cases under Bankruptcy Rule 2002 as of the date of the Motion; and it appearing that such notice constitutes good and sufficient notice of the Motion and the requested Preliminary Relief and that no other or further notice need be provided; and upon the hearing held on December 18, 2003 approving the Lock-Up Order; and certain parties, including the Creditors' Committee, having objected to the Preliminary Relief; and the Debtors and Buyer having agreed to modifications to the relief requested in the Motion prior to the hearing on the Motion to accommodate, in part, such objections; and upon the Debtors, Buyer, the Creditors' Committee, and other objecting parties having

agreed to further modifications to the relief requested at the hearing held on the Motion on January 9, 2004; and upon the Court having approved the Bidding Procedures Order, as modified, on the record; and upon this Bidding Procedures Order setting forth all such modifications as agreed upon by the parties; and upon the Motion and the record of the Procedures Hearing and all other proceedings had before the Court; and it appearing that an order granting the Preliminary Relief is in the best interest of the Debtors and parties in interest; and it appearing that the Court has jurisdiction over this matter; and after due deliberation and sufficient cause appearing therefor.

**IT IS HEREBY FOUND AND DETERMINED THAT:**

A. The Bidding Procedures as set forth and defined below, are fair, reasonable, and appropriate and are designed to maximize the recovery on the Sale Assets, including the Assumed Contracts.

B. The Debtors have demonstrated a compelling and sound business justification for authorizing the payment of the Break-Up Fee and the Expense Reimbursement (each as defined herein) to the Buyer under the circumstances, timing, and procedures set forth in the Motion, the Purchase Agreement, and herein.

C. The Break-Up Fee and the Expense Reimbursement are fair and reasonable, provide a benefit to the Debtors' estates and creditors, and were negotiated by the parties to the Purchase Agreement in good faith and at arm's-length.

D. The Debtors' payment to the Buyer (under the conditions of and as set forth in the Purchase Agreement and herein), of the Breakup Fee and the Expense Reimbursement is (i) an actual and necessary cost and expense of preserving the Debtors' estates, (ii) of substantial benefit to the Debtors' estates, (iii) reasonable and appropriate,

in light of, among other things, (a) the size and nature of the proposed sale under the Agreement, (b) the substantial efforts that have been and will be expended by the Buyer, and (c) the benefits the Buyer has provided to the Debtors' estates and creditors and all parties in interest herein, notwithstanding that the proposed sale is subject to higher or better offers, and (iv) necessary to ensure that the Buyer will continue to pursue its proposed acquisition of the Sale Assets. In particular, the Purchase Agreement was the culmination of a process undertaken by the Debtors and their professionals to negotiate a transaction with a bidder who was prepared to pay the highest or otherwise best purchase price to date for the Sale Assets in order to maximize the value of the Debtors' estates.

E. The payment of the Break-Up Fee and the Expense Reimbursement should be approved because, among other things, (i) no other party to date has entered into a definitive agreement for the acquisition of the Sale Assets on terms acceptable to the Debtors, (ii) the execution of the Purchase Agreement is a prerequisite to determining whether any party other than the Buyer is willing to enter into a definitive agreement for the acquisition of the Sale Assets on terms acceptable to the Debtors and their creditor constituencies, (iii) the protections afforded to the Buyer by the Break-Up Fee and the Expense Reimbursement were material inducements for, and express conditions of, the Buyer's willingness to enter into the Purchase Agreement, and (iv) the Buyer is unwilling to commit to hold open its offer to acquire the Sale Assets under the terms of the Purchase Agreement unless it is assured of the payment of the Break-Up Fee and the Expense Reimbursement.

F. The assurance of the payment of the Break-Up Fee and the Expense Reimbursement has (i) promoted more competitive bidding by inducing the

Buyer's bid, which otherwise would not have been made, without which competitive bidding would be limited, and which may be the highest and best available offer for the Sale Assets, (ii) induced the Buyer to research the value of the Sale Assets and propose the transactions contemplated by the Purchase Agreement, including, among other things, submission of a bid that will serve as a minimum or floor bid on which all other bidders can rely, and (iii) provided a benefit to the Debtors' estates by increasing the likelihood that the price at which the Sale Assets are sold will reflect their true worth.

G. The payment of the Break-Up Fee and the Expense Reimbursement is an expense necessary to maximize the value of the Debtors' estates and the entry of this Order is in the best interests of the Debtors, their estates, creditors, and all other parties in interest.

**NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:**

1. The Preliminary Relief, as modified by this Bidding Procedures Order, is granted.

2. The Auction shall be conducted on the following terms and conditions constituting the Bidding Procedures:

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| ***The Stalking Horse Bid*** | Under the terms of the Purchase Agreement, the Buyer has agreed to purchase the Sale Assets for approximately $390 million, plus Assumed Liabilities (the "Stalking Horse Bid"), subject to the terms of the Purchase Agreement, as modified by this Order.<br><br>Under the terms of the Purchase Agreement, beginning on the date the Bidding Procedures Order is approved by the Court and continuing until the conclusion of the Auction, the Debtors are entitled to, among other things, solicit and negotiate Competing Transactions. |
| ***Due Diligence*** | Each potential bidder (a "Potential Bidder") must deliver (unless |

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| | previously delivered) to (i) the Debtors, c/o Jonathan S. Henes, Esq., Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, NY 10022-4611 and Michael A. Kramer, Greenhill & Co., LLC, 300 Park Avenue, 23rd Floor, New York, New York 10022, (ii) the attorneys for the agent for the prepetition lenders (the "Bank Agent"), Paul, Hastings, Janofsky & Walker LLP, 600 Peachtree Street, N.E., 24th Floor, Atlanta, Georgia 30308 (Attn: Jesse Austin, III, Esq.), and (iii) the attorneys for the statutory committee of unsecured creditors (the "Creditors' Committee"), Akin Gump Strauss Hauer Feld LLP, 590 Madison Avenue, New York, New York 10022 (Attn: Ira S. Dizengoff, Esq.), the following documents (the "Preliminary Bid Documents") in order to participate in the bidding process:<br><br>a. an executed confidentiality agreement in form and substance satisfactory to the Debtors; and<br><br>b. preliminary proof by the Potential Bidder of its financial capacity to close a proposed transaction, the adequacy of which the Debtors and their advisors will determine, after consultation with the Bank Agent and the Creditors' Committee.<br><br>Within two (2) business days after a Potential Bidder delivers the Preliminary Bid Documents, the Debtors, after consultation with the Creditors' Committee and the Bank Agent, shall determine, and shall notify the Potential Bidder, whether the Potential Bidder has submitted acceptable Preliminary Bid Documents so that such Potential Bidder may conduct due diligence with respect to the assets sought to be acquired. Only those Potential Bidders that have submitted acceptable Preliminary Bid Documents may submit bids. |
| ***Bid Deadline*** | Bids must (a) be in writing; (b) with respect to the Sale Assets, at a minimum, exceed the Stalking Horse Bid by $21 million; (c) satisfy the Bid Requirements set forth herein and (d) be received by (i) the attorneys for the Debtors, Kirkland & Ellis LLP, 153 East 53rd Street, New York, New York 10022 (Attn: Matthew A. Cantor, Esq. and Jonathan S. Henes, Esq.), (ii) the financial advisors for the Debtors, Greenhill & Co., LLC, 300 Park Avenue, 23rd Floor, New York, New York 10022 (Attn: Michael A. Kramer), (iii) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 1004 (Attn: Pamela J. Lustrin, Esq.), (iv) the attorneys for the Bank Agent, Paul, Hastings, Janofsky & Walker LLP, 600 Peachtree Street, N.E., 24th Floor, Atlanta, Georgia 30308 (Attn: Jesse Austin, III, Esq.), and (v) the attorneys for the Creditors' Committee, Akin Gump |

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| | 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 5:00 p.m. (prevailing Eastern Time) on February 9, 2004 (the "Bid Deadline"). Such bids shall be deemed "Qualified Bids" and those parties submitting such Qualified Bids shall be "Qualified Bidders." No later than one (1) Business Day after the Debtors receive such Qualified Bids, the Debtors shall provide copies of such bids to Buyer and any other Qualified Bidder, provided, that Buyer and any such Qualified Bidder shall keep the Qualified Bids confidential pursuant to an executed confidentiality agreement and shall not contact or communicate with any Qualified Bidder with respect to any such bids or discuss the Qualified Bids with any party, except as required by law, and subject further to the confidentiality restrictions regarding Assumed Contracts on page 9 hereof.<br><br>Parties that do not submit a Qualified Bid by the Bid Deadline will not be permitted to participate at the Auction. |
| ***Bid Requirements*** | Qualified Bids must meet the following requirements (the "Bid Requirements"):<br><br>a. Each Qualified Bid for the Sale Assets must be on the same or better terms and conditions as those terms set forth in the Purchase Agreement and the documents set forth as exhibits thereto. A Qualified Bid may be for (i) the Sale Assets, (ii) the Sale Assets plus any or all of the Excluded Assets, or (iii) individual components of the Sale Assets or Excluded Assets, specifically including the Shared Technology Fairchild business, the managed modem port business, and the Shared Hosting business; provided, however, that if the Court approves the sale of any Sale Asset to a bidder other than Buyer, the Break-Up Fee and Expense Reimbursement will be payable in accordance with the terms of this Order. A Qualified Bidder may, but is not required to, include an offer to enter into the Master Services Agreement referenced in Section 6.26 of the Purchase Agreement.<br><br>b. Each Qualified Bid must constitute a good faith, bona fide offer to acquire assets of the Debtors.<br><br>c. Each Qualified Bid shall not be conditioned on obtaining any of the following: financing, shareholder approval, environmental contingencies, and/or the outcome of due diligence by the bidder.<br><br>d. Except with respect to Buyer in accordance with the Purchase |

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| | Agreement, each Qualified Bid must remain irrevocable until the Closing.<br><br>e. As a condition to making a Qualified Bid, any competing bidder must provide the Debtors, the Bank Agent and the Creditors' Committee, on or before the Bid Deadline, with sufficient and adequate information to demonstrate, to the satisfaction of the Debtors (after consultation with the Bank Agent and the Creditors' Committee), that such competing bidder (i) has the financial wherewithal and ability to consummate the acquisition of the assets to be acquired, and (ii) can provide all nondebtor contracting parties to the Assumed Contracts with adequate assurance of future performance as contemplated by section 365 of the Bankruptcy Code.<br><br>f. In order for a bid to constitute a Qualified Bid, any bidder for all or substantially all of the Sale Assets shall submit a deposit equal to $30 million and any bidder for less than all of the Sale Assets or for any Excluded Asset shall submit a deposit equal to 10% of such bid (each, a "Good Faith Deposit"). On the date such bid is submitted, the bidder shall deliver the Good Faith Deposit in immediately available funds by wire transfer to an account or accounts designated by the Debtors or by the delivery of alternative credit support that is in an amount no less than the Good Faith Deposit and is reasonably acceptable to the Debtors after consultation with the Bank Agent and the Creditors' Committee on the date such bid is submitted. |
| ***Auction and Overbids*** | If no Qualified Bid is received by the Bid Deadline, the Auction will not occur and the Debtors shall promptly pursue entry of an order by the Court authorizing the Sale to the Buyer.<br><br>If the Debtors receive a Qualified Bid by the Bid Deadline, in addition to the Stalking Horse Bid, the Debtors shall conduct an auction (the "Auction") with respect to the (i) the Sale Assets, (ii) the Sale Assets plus any or all of the Excluded Assets, or (iii) individual components of the Sale Assets or Excluded Assets that are sought to be acquired by a Qualified Bidder. The Auction shall commence at 9:00 a.m. (prevailing Eastern Time) on February 12, 2004, at the offices of Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, New York 10022-4611, or such later time or other place as the Debtors shall notify all Qualified Bidders who have submitted Qualified Bids. The Auction may be continued to a later date by the Debtors, with the reasonable consent of the Buyer, by making an announcement at the Auction. No further notice of any such |

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| | continuance will be required to be provided to any party.<br><br>Initial over-bids for all or substantially all of the Sale Assets shall be $21 million.<br><br>The subsequent bid increments at the Auction shall be $5 million, provided, however, that the Debtors reserve the right to modify subsequent bid increments based on the context of the Auction after consultation with the Bank Agent and Creditors' Committee.<br><br>At the Auction, the Buyer shall have the right to bid all or part of the Break-Up Fee (as defined herein) and the Expense Reimbursement (as defined herein). |
| ***Assumed Contracts*** | As set forth in Section 3.5(d) of the Purchase Agreement, Buyer and Sellers agree to keep confidential and not disclose to anyone the Assumed Contracts except to (i) the Bank Agent and the Creditors' Committee and (ii) any party otherwise required by law; provided, that, with respect to clause (i), (a) the Bank Agent and the Creditors' Committee shall keep such information confidential and shall not disclose such information absent further order of this Court and Buyer shall be entitled to seek enforcement of this provision and (b) the Bank Agent and the Creditors' Committee may use such information for the purpose of evaluating bids.<br><br>In order for a bid to constitute a Qualified Bid, any bidder must provide to the Debtors a list of leases and executory contracts that such bidder plans to assume. The Debtors and each bidder agree to keep confidential and not disclose to anyone such list except to (i) the Bank Agent and the Creditors' Committee and (ii) any party otherwise required by law provided, that, with respect to clause (i), (y) the Bank Agent and the Creditors' Committee shall keep such information confidential and shall not disclose such information absent further order of this Court and (z) the Bank Agent and the Creditors' Committee may use such information for the purpose of evaluating bids.<br><br>The Debtors, after consultation with the Creditors' Committee and the Bank Agent, shall consult with each Qualified Bidder and Buyer regarding the calculation of cure amounts and rejection damage claims related to Buyer's bid and the bids of the other Qualified Bidders. |
| ***Winning Bid*** | Upon conclusion of the Auction, the Debtors, in the exercise of their business judgment and after consulting with their advisors, the Bank Agent and the Creditors' Committee, shall identify the highest and |

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| | best offer, or aggregate of offers, (the "Winning Bid") (the bidder(s) having submitted a Winning Bid is the "Successful Bidder"). |
| ***Sale Approval Hearing*** | The Sale Approval Hearing is presently scheduled to take place on February 19, 2004 at 10:00 a.m. (prevailing Eastern Time), 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, Alexander Hamilton Custom House, One Bowling Green, New York, New York, 10004-1408. The Sale Approval Hearing may be continued to a later date by the Debtors, with the reasonable consent of the Buyer, by making an announcement at the Sale Approval Hearing; provided, that any such continuance shall not be later than the deadline set forth in Exhibit J of the Purchase Agreement. No further notice of any such continuance will be required to be provided to any party. At the Sale Approval Hearing, the Debtors shall present to the Bankruptcy Court for approval the Winning Bid. |
| ***Return of Good Faith Deposit*** | The Good Faith Deposit of the Successful Bidder shall be credited to the price paid for the Sale Assets, the Excluded Assets and/or any component of the Sale Assets, whichever the case may be. The Good Faith Deposit of any unsuccessful bidders will be returned within fifteen (15) days after consummation of the sale to the Successful Bidder of the asset(s) such Good Faith Deposit relates to or upon permanent withdrawal by the Debtors of the proposed sale of such assets. The deposit of the Buyer, if not chosen as the Winning Bid, shall be returned in accordance with the Purchase Agreement. |
| ***Second Highest and Best Bid*** | If for any reason the entity that makes the highest and best bid fails to consummate the purchase of the Sale Assets, the Excluded Assets, and/or any of the Sale Assets within the time permitted, the bidder with the second highest and best bid for any such assets will automatically be deemed to have submitted the highest and best bid and, to the extent the Debtors elect, after consultation with the Bank Agent and the Creditors' Committee, the Debtors and such bidder shall consummate the sale as soon as is commercially reasonable, but only after Bankruptcy Court approval of such sale. The Debtors shall provide ten (10) days notice of their motion for Bankruptcy Court approval of the sale to the second highest bidder or such greater length of notice as required to implement the assumption and assignment of executory contracts and unexpired leases. If such failure to consummate the sale to the entity that made the highest and best bid is the result of a breach by such entity, such entity's Good Faith Deposit shall be forfeited to the Debtors and the Debtors and the Creditors' Committee specifically reserve the right to seek damages from such entity; provided, however, that the disposition of the Good |

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| | Faith Deposit of Buyer shall be governed by the Purchase Agreement. |
| ***Reservation of Rights*** | The Debtors reserve the right to reject any (other than the Buyer's offer pursuant to the Purchase Agreement) Qualified Bid (as defined below) if the Debtors, after consultation with the Bank Agent and the Creditors' Committee, determine that such Qualified Bid is (i) inadequate or insufficient; (ii) not in conformity with the requirements of the Bankruptcy Code, any related rules or the terms set forth herein; or (iii) contrary to the best interests of the Debtors and their estates. |
| ***Break-Up Fee and Expense Reimbursement*** | In the event, among others set forth in the Purchase Agreement and as set forth below, that the Bankruptcy Court enters an order approving the sale of any Sale Asset to a party other than Buyer, the Debtors shall owe to Buyer (i) a break-up fee in the amount of $8 million (the "Break-Up Fee") and (ii) a reimbursement of Buyer's actual, reasonable, and documented expenses in connection with the transaction contemplated in the Purchase Agreement, not to exceed $5 million (the "Expense Reimbursement"). |

3. Pursuant to section 363(b) of the Bankruptcy Code and notwithstanding the provisions of the Purchase Agreement, the Debtors are directed to pay to the Buyer (a) the Expense Reimbursement plus (b) the Break-Up Fee by wire transfer of immediately available funds to an account designated in writing by the Buyer in the event that: (i) the Purchase Agreement is terminated (A) by Buyer pursuant to Section 8.1(b) of the Purchase Agreement when ATI does not have the right to terminate the Agreement pursuant to Section 8.1(b) of the Purchase Agreement, (B) by Buyer pursuant to Section 8.1(c) or (d) of the Purchase Agreement, or (C) by Sellers pursuant to Section 8.1(f) of the Purchase Agreement; or (ii) Buyer terminates the Purchase Agreement pursuant to Section 8.1(e) as a result of Debtors' gross negligence or willful, wanton or reckless action or inaction taken or not taken with an intent to cause the termination of the Agreement or otherwise negatively impact the transactions contemplated thereby (collectively, a "Sellers' Intentional Breach") or Buyer elects not to

close because the condition set forth in Section 7.2(a) of the Purchase Agreement has not been satisfied as a result of a Sellers' Intentional Breach; provided, however, that (y) Buyer's termination of the Purchase Agreement pursuant to Section 8.1(b) that is based upon the event of a breach of any representation or warranty as set forth in Section 8.1(e) of the Purchase Agreement shall not trigger Buyer's right to the Break-Up Fee unless the delay in closing has occurred by reason of a breach of any representation or warranty as set forth in Section 8.1(e) of the Purchase Agreement that is a Sellers' Intentional Breach; and (z) Buyer's termination of the Purchase Agreement in accordance with Section 8.1(c) of the Purchase Agreement by reason of the Court's entry of an order denying an extension of exclusivity or terminating exclusivity shall not trigger Buyer's right to the Break-Up Fee but the Break-Up Fee will be paid within two (2) Business Days of and triggered upon the occurrence of (a) the entry of an order by the Court approving the sale of any of the Sale Assets to any party other than the Buyer; or (b) the entry of an order of the Court approving a disclosure statement for a plan of reorganization or liquidation that does not expressly contemplate the sale of the Sale Assets to Buyer. The second sentence of Section 7.1(b) of the Purchase Agreement is hereby deleted in its entirety. The definition of "Sale Order" in the Purchase Agreement is hereby deleted and replaced with the following: "'Sale Order' means an order in a form reasonably acceptable to Buyer approving the Purchase Agreement, the terms and conditions thereof, and the transactions contemplated thereby." The Buyer shall be entitled to terminate the Purchase Agreement and shall be entitled to the Break-Up Fee and the Expense Reimbursement if, among other things, (a) the Sale Order is not entered within the deadline set forth in Exhibit J to

the Purchase Agreement in accordance with Paragraph 6 or (b) an order is entered approving the Purchase Agreement but such order is not reasonably acceptable to Buyer.

4. In the event the Buyer terminates the Purchase Agreement pursuant to Section 8.1(e) of the Purchase Agreement or elects not to close, in each case because the condition set forth in Section 7.2(a) of the Purchase Agreement has not been satisfied as a result of some reason other than a Sellers' Intentional Breach, the Buyer shall be entitled to payment of the Expense Reimbursement only.

5. Buyer shall provide the Debtors, the Bank Agent, the Creditors' Committee, and the United States Trustee for the Southern District of New York (the "U.S. Trustee") with documentation supporting the incurrence of expenses (including legal, financial advisor, and accounting fees) for which the Buyer seeks reimbursement under the provisions of the Purchase Agreement and this Order authorizing the payment of the Expense Reimbursement. The Debtors, the Bank Agent, the Creditors' Committee, and the U.S. Trustee shall have ten (10) days from the delivery of such documentation to object to the payment of the Expense Reimbursement on the ground that the expenses are unreasonable, which objection shall immediately be served by facsimile transmission or electronic delivery to the Debtors and the Buyer. If no objection is received within such ten (10) day period, the Debtors shall pay to Buyer the Expense Reimbursement as required hereunder and in the Purchase Agreement without further order of the Court. If an objection is received, such objection shall be resolved by the Court.

6. In the event of a Sale Delay that the Buyer does not agree to waive or extend, the Debtors shall pay to the Buyer the Break-Up Fee and the Expense Reimbursement. In the event of any waiver of any default in Exhibit J to the Purchase

Agreement that would have otherwise triggered the payment of the Break Up Fee and the Expense Reimbursement, the payment of the Break Up Fee and the Expense Reimbursement shall be triggered if such extended deadline has not been met and the Buyer terminates the Purchase Agreement as a result thereof.

7. Any Break-Up Fee and Expense Reimbursement required to be paid hereunder and under the Purchase Agreement shall be paid within two (2) Business Days of the earlier of (a) the entry of an order by the Court approving the sale of any of the Sale Assets to any party other than the Buyer or (b) the entry of an order of the Court approving a disclosure statement for a plan of reorganization or liquidation that does not expressly contemplate the sale of the Sale Assets to Buyer, provided, however, that the Expense Reimbursement shall be paid in accordance with Paragraph 5.

8. Nothing herein shall in any way limit the rights of Buyer or the Debtors to terminate the Purchase Agreement in accordance with the terms thereof. Nothing herein shall in any way limit the rights of the Sellers to deliver the Early Closing Election as set forth in the Purchase Agreement or the rights of the Creditors' Committee or other party in interest to seek entry of an order of this Court compelling the Debtors to make an Early Closing Election in accordance with the Purchase Agreement, which order may be sought on 5 (five) Business Days notice unless otherwise ordered by the Court.

9. Except as otherwise provided in Paragraphs 3, 4, 5, 6, 7, and 13, the Debtors are authorized and empowered to pay the Break-Up Fee and the Expense Reimbursement to the Buyer, as required under and pursuant to the Purchase Agreement and this Bidding Procedures Order, without further order of the Court; provided,

however, that payment of the Expense Reimbursement shall be in accordance with the procedure described in Paragraph 5 hereof.

10. Pursuant to section 364(c)(1) of the Bankruptcy Code, the Break-Up Fee and the Expense Reimbursement shall receive superpriority administrative claim status and shall have priority over any and all administrative expenses of the kinds specified in sections 503(b), 506(c), 507(a), or 507(b) of the Bankruptcy Code; provided, however, that the Break Up Fee and Expense Reimbursement shall not prime the Liens held by Sellers' senior secured lenders and any such amounts payable shall be subordinated to this carve out for professionals fees and fees under 28 U.S.C. § 1930 as provided in the Bankruptcy Court's order authorizing Debtors to use cash collateral that was entered in these cases.

11. The rights of the Buyer to the Break-Up Fee and the Expense Reimbursement and the superpriority administrative status of such claims shall all survive rejection or breach of the Purchase Agreement, and shall be unaffected thereby.

12. The committee to be established pursuant to Section 6.5(c) of the Purchase Agreement (the "Committee") shall have one (1) individual from Communications Technology Advisors LLC ("CTA") as a member thereof and such individual shall be entitled to attend all meetings and receive all documents prepared for the Committee. In the event that CTA concludes that a proposed action of the Debtors proposed by the Committee is unreasonable, CTA shall inform the Debtors of such conclusion in writing, provide a summary of the reasons therefor, and, to the extent such disagreement is not resolved promptly, the Debtors shall not implement such proposed action until the earlier of the date (a) such disagreement is resolved or (b) the Court, upon

three (3) Business Days notice, has entered an order approving or rejecting such proposed action. Unless otherwise ordered by the Court, CTA shall be prohibited from disseminating or using any information received from the Committee, except for purposes related to Committee matters; provided, however, that CTA may share such information on a confidential basis with the professionals for the Creditors' Committee and the confidentiality of such information shall be maintained and, if it is determined that a pleading regarding any of such information must be filed with the Court in accordance with this Paragraph 12, any such pleading shall be filed under seal, unless otherwise ordered by the Court. The Buyer shall, among other things, be entitled to enforce the terms and conditions of this Paragraph 12.

13. In the event the Court denies approval of the bonuses that are a condition to Buyer's obligation to close under the Purchase Agreement in accordance with Section 7.2(g) of the Purchase Agreement, Buyer shall inform the Debtors before 12:00 a.m. (midnight) on the day the Court so rules regarding whether the Buyer waives such condition. If the Buyer does not waive such condition, Buyer shall be entitled to immediately terminate the Purchase Agreement and receive the Expense Reimbursement (but not the Break-Up Fee), which Expense Reimbursement will be payable in accordance with Paragraph 5 hereof.

14. Pursuant to Bankruptcy Rule 2002(a)(2), (a) the Sale Hearing shall be held on February 19, 2004, 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, Alexander Hamilton Custom House, One Bowling Green, New York, New York, 10004-1408 at 10:00 a.m. (EST), and (b) objections to approval of the

relief requested in the Motion (other than the Preliminary Relief provided herein), if any, shall be in writing, shall state the name of the objecting party, shall state with particularity the reasons and basis for the objection, and shall be filed with the Court and served upon (i) the attorneys for the Debtors, Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, New York 10022 (Attn: Matthew A. Cantor, Esq. and Jonathan S. Henes, 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 agent for the Debtors' 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 Creditors' Committee, Akin Gump Strauss Hauer Feld LLP, 590 Madison Avenue, New York, New York 10022 (Attn: Ira S. Dizengoff, Esq.), and (v) the attorneys for the Buyer, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: Paul M. Basta, Esq.), so as to be actually received by such persons no later than February 17, 2004 at 4:00 p.m. (EST).

15. Pursuant to Bankruptcy Rule 2002(1), the Debtors are authorized to publish, at least five (5) days prior to the Auction, Notice of the Auction and Sale Approval Hearing, once, in the form annexed hereto as Exhibit 1, in each of the national editions of The New York Times and The Wall Street Journal.

16. Pursuant to Bankruptcy Rule 2002, within five (5) Business Days following entry of the Bidding Procedures Order, notice of the proposed Auction and the Sale Approval Hearing in the form annexed hereto as Exhibit 1 shall be sent by first class mail to (i) the United States Trustee, (ii) the attorneys for the agent for the Debtors' prepetition lenders, (iii) the attorneys for the Creditors' Committee, (iv) all nondebtor

contracting and lease parties listed on Schedules 4.20 and 4.21 of the Disclosure Schedules, (v) all parties that provide telecommunications services to the Debtors pursuant to a tariff, (vi) all parties who have made written expressions of interest in acquiring the Sale Assets or the Business within two (2) months prior to the date of this Bidding Procedures Order (vii) all appropriate federal, state and local taxing authorities, (viii) all known persons holding a lien on any of the Sale Assets, and (ix) all parties having filed a notice of appearance in the Debtors' chapter 11 cases pursuant to Bankruptcy Rule 2002, and shall constitute good and sufficient notice of the proposed Sale Transaction, Auction and Sale Hearing.

17. Pursuant to Bankruptcy Rule 2002, notice of the proposed assumption and assignment of the Assumed Contracts (the "Cure Procedures"), in the form annexed hereto as Exhibit 2 which shall reflect the Cure Amounts that the Debtors believe must be paid to cure all defaults under the Assumed Contracts, shall constitute good and sufficient notice of the Debtors' intent to assume and assign the Assumed Contracts, and shall (a) be served, at Buyer's direction, at least 20 days prior to the hearing to confirm the Bankruptcy Plan, to all counterparties to the Assumed Contracts or (b) in the event of an Early Closing Notice, be served on all counterparties to the Assumed Contracts within four (4) Business Days of such Early Closing Notice. Buyer and the Debtors shall keep confidential the Executory Contracts as set forth in Section 3.5(d) of the Purchase Agreement. With respect to the Assumed Contracts, Buyer shall cooperate with Sellers to provide adequate assurance of future performance as required by section 365 of the Bankruptcy Code.

18. With respect to the proposed assumption and assignment of the Assumed Contracts, Cure Amounts that must be paid to cure defaults under the Assumed Contracts shall be determined in accordance with the following procedures (the "Cure Procedures"):

| Procedure | Description |
|---|---|
| ***Notice of Assumption and Assignment Objection Deadline*** | At least 20 days prior to the hearing to confirm the Bankruptcy Plan (or, in the event of an Early Closing Notice, within four Business Days of such Early Closing Notice), the Debtors, or the Debtors' noticing agent, shall serve a copy of the Bidding Procedures Order together with the Notice of the Debtors' Intent to Assume and Assign Executory Contracts and Unexpired Leases (the "Contract Assignment Notice"), substantially in the form of Exhibit 2 attached to the Bidding Procedures Order, by first class mail to the Contract Parties and, to the extent an attorney representing a Contract Party has filed a notice of appearance in the Debtors' chapter 11 cases on behalf of the Contract Party, the attorney for the Contract Parties, notifying them of the Debtors' intent to assume and assign each agreement listed on Exhibit A of the Contract Assignment Notice (as it may be modified by that time) and of the Cure Amount determined by the Debtors for each such Assumed Contract to be necessary for such assumption and assignment on the Closing Date. |
| ***Assumption and Assignment Objections*** | Any Contract Party seeking to (a) assert a Cure Amount based on defaults, conditions or pecuniary losses under its Assumed Contract (collectively, the "Cure Obligation") different from that set forth on any of the Contract Assignment Notices or (b) object to the potential assumption and assignment of its Assumed Contract on any other grounds, shall be 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 the Contract Party asserts 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 the Contract Party's adequate assurance concerns. |
| ***Assumption and Assignment Objection Deadline*** | 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 (i) 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 |

| Procedure | Description |
|---|---|
| | Floor, New York, New York 1004 (Attn: Pamela J. Lustrin, Esq.), (iii) the attorneys for the Bank Agent, 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 Creditors' Commitee, 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, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: Paul M. Basta, Esq.) and (vi) any other party or partner set forth in the Contract Assignment Notice so as to be received no later than 15 days after service of the Contract Assignment Notice (the "Assumption and Assignment Objection Deadline"). |
| ***Failure to File Assumption and Assignment Objection*** | Unless an Assumption and Assignment Objection is timely filed and served by a Contract Party by the Assumption and Assignment Objection Deadline, the assumption and assignment of the applicable Assumed Contract at the Sale Approval Hearing may occur without regard to any objection such party may have or any provisions to the contrary in the applicable Assumed Contract. |
| ***Waiver of Assumption and Assignment Objection*** | Contract Parties that fail to file and serve Assumption and Assignment Objections as provided above 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, the Buyer or any other Successful Bidder of 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. |

19. The Debtors are hereby authorized to take any and all actions necessary or appropriate to implement the Bidding Procedures and Cure Procedures.

Dated: New York, New York
January 15, 2004

/s/ ROBERT D. DRAIN
UNITED STATES BANKRUPTCY JUDGE

**EXHIBIT 1**

| | |
|---|---|
| In re | **Chapter 11**<br>**Case No. 02-130507 (RDD)** |
| Allegiance Telecom, Inc., et al., | **(Jointly Administered)** |
| Debtors. | |

**NOTICE OF AUCTION AND HEARING TO CONSIDER APPROVAL OF THE SALE OF CERTAIN ASSETS OF THE DEBTORS**

NOTICE IS HEREBY GIVEN, as follows:

1. On December 18, 2003, Allegiance Telecom, Inc. ("Allegiance") and its direct and indirect subsidiaries, as debtors and debtors-in-possession (collectively, the "Debtors") filed a motion (the "Motion") with the United States Bankruptcy Court for the Southern District of New York for orders (i) establishing bidding procedures and certain protections (the "Bidding Procedures") payable to the Buyer[1] including a break-up fee and expense reimbursement; (ii) approving the form and manner of notice related to the sale of the Sale Assets; (iii) setting a hearing date (the "Sale Hearing") to consider approval of the sale of substantially all of the assets of the Debtors as provided in the Purchase Agreement (the "Sale Assets"); (iv) authorizing the procedures for assumption and assignment of certain executory contracts and unexpired leases in connection with the sale of the Sale Assets (the "Sale Transaction"); and (v) granting certain related relief. The successful bidder at the Auction will agree to purchase the assets to be acquired, free

[1] Unless otherwise defined herein, capitalized terms shall have the meaning ascribed to them in the Motion or that certain purchase agreement between Allegiance and Qwest Communications International Inc. dated December 18, 2003 (the "Purchase Agreement"), as applicable, and as modified by this Bidding Procedures Order (as defined below), as applicable.

and clear of all liabilities, obligations, claims, liens, and encumbrances on the same or better terms and conditions as those set forth in the Purchase Agreement entered into between the Debtors and the Buyer.

2. By order dated **January 15, 2004** (the "Bidding Procedures Order"), the Court authorized the Debtors, among other things, to conduct an Auction of the Sale Assets or other assets of the Debtors at Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, New York 10022, on February 12, 2004 at 9:00 a.m. (prevailing Eastern Time).

3. The Auction shall be conducted on the following terms and conditions constituting the Bidding Procedures:

| **PROVISION** | **DESCRIPTION** |
|---|---|
| ***The Stalking Horse Bid*** | Under the terms of the Purchase Agreement, the Buyer has agreed to purchase the Sale Assets for approximately $390 million, plus Assumed Liabilities (the "Stalking Horse Bid"), subject to the terms of the Purchase Agreement and the Bidding Procedures Order.<br><br>Under the terms of the Purchase Agreement, beginning on the date the Bidding Procedures Order was approved by the Court and continuing until the conclusion of the Auction, the Debtors are entitled to, among other things, solicit and negotiate Competing Transactions. |
| ***Due Diligence*** | Each potential bidder (a "Potential Bidder") must deliver (unless previously delivered) to (i) the Debtors, c/o Jonathan S. Henes, Esq., Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, NY 10022-4611 and Michael A. Kramer, Greenhill & Co., LLC, 300 Park Avenue, 23rd Floor, New York, New York 10022, (ii) the attorneys for the agent for the prepetition lenders (the "Bank Agent"), Paul, Hastings, Janofsky & Walker LLP, 600 Peachtree Street, N.E., 24th Floor, Atlanta, Georgia 30308 (Attn: Jesse Austin, III, Esq.), and (iii) the attorneys for the statutory committee of unsecured creditors (the "Creditors' Committee"), Akin Gump Strauss Hauer Feld LLP, 590 Madison Avenue, New York, New York 10022 (Attn: Ira S. Dizengoff, Esq.), the following documents (the "Preliminary Bid Documents") in order to participate in the bidding process: |

| PROVISION | DESCRIPTION |
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| | a. an executed confidentiality agreement in form and substance satisfactory to the Debtors; and<br><br>b. preliminary proof by the Potential Bidder of its financial capacity to close a proposed transaction, the adequacy of which the Debtors and their advisors will determine, after consultation with the Bank Agent and the Creditors' Committee.<br><br>Within two (2) business days after a Potential Bidder delivers the Preliminary Bid Documents, the Debtors, after consultation with the Creditors' Committee and the Bank Agent, shall determine, and shall notify the Potential Bidder, whether the Potential Bidder has submitted acceptable Preliminary Bid Documents so that such Potential Bidder may conduct due diligence with respect to the assets sought to be acquired. Only those Potential Bidders that have submitted acceptable Preliminary Bid Documents may submit bids. |
| ***Bid Deadline*** | Bids must (a) be in writing; (b) with respect to the Sale Assets, at a minimum, exceed the Stalking Horse Bid by $21 million; (c) satisfy the Bid Requirements set forth herein and (d) be received by (i) the attorneys for the Debtors, Kirkland & Ellis LLP, 153 East 53rd Street, New York, New York 10022 (Attn: Matthew A. Cantor, Esq. and Jonathan S. Henes, Esq.), (ii) the financial advisors for the Debtors, Greenhill & Co., LLC, 300 Park Avenue, 23rd Floor, New York, New York 10022 (Attn: Michael A. Kramer), (iii) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 1004 (Attn: Pamela J. Lustrin, Esq.), (iv) the attorneys for the Bank Agent, Paul, Hastings, Janofsky & Walker LLP, 600 Peachtree Street, N.E., 24th Floor, Atlanta, Georgia 30308 (Attn: Jesse Austin, III, Esq.), and (v) the attorneys for the Creditors' Committee, 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 5:00 p.m. (prevailing Eastern Time) on February 9, 2004 (the "Bid Deadline"). Such bids shall be deemed "Qualified Bids" and those parties submitting such Qualified Bids shall be "Qualified Bidders." No later than one (1) Business Day after the Debtors receive such Qualified Bids, the Debtors shall provide copies of such bids to Buyer and any other Qualified Bidder, provided, that Buyer and any such Qualified Bidder shall keep the Qualified Bids confidential pursuant to an executed confidentiality agreement and shall not contact or communicate with any Qualified Bidder with respect to any such bids or discuss the Qualified Bids with any party, except as required by law, and subject further to the confidentiality |

| PROVISION | DESCRIPTION |
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| | restrictions regarding Assumed Contracts on page 6 hereof.<br><br>Parties that do not submit a Qualified Bid by the Bid Deadline will not be permitted to participate at the Auction. |
| ***Bid Requirements*** | Qualified Bids must meet the following requirements (the "Bid Requirements"):<br><br>a. Each Qualified Bid for the Sale Assets must be on the same or better terms and conditions as those terms set forth in the Purchase Agreement and the documents set forth as exhibits thereto. A Qualified Bid may be for (i) the Sale Assets, (ii) the Sale Assets plus any or all of the Excluded Assets, or (iii) individual components of the Sale Assets or Excluded Assets, specifically including the Shared Technology Fairchild business, the managed modem port business, and the Shared Hosting business; provided, however, that if the Court approves the sale of any Sale Asset to a bidder other than Buyer, the Break-Up Fee and Expense Reimbursement will be payable in accordance with the terms of this Order. A Qualified Bidder may, but is not required to, include an offer to enter into the Master Services Agreement referenced in Section 6.26 of the Purchase Agreement.<br><br>b. Each Qualified Bid must constitute a good faith, bona fide offer to acquire assets of the Debtors.<br><br>c. Each Qualified Bid shall not be conditioned on obtaining any of the following: financing, shareholder approval, environmental contingencies, and/or the outcome of due diligence by the bidder.<br><br>d. Except with respect to Buyer in accordance with the Purchase Agreement, each Qualified Bid must remain irrevocable until the Closing.<br><br>e. As a condition to making a Qualified Bid, any competing bidder must provide the Debtors, the Bank Agent and the Creditors' Committee, on or before the Bid Deadline, with sufficient and adequate information to demonstrate, to the satisfaction of the Debtors (after consultation with the Bank Agent and the Creditors' Committee), that such competing bidder (i) has the financial wherewithal and ability to consummate the acquisition of the assets to be acquired, and (ii) can provide all nondebtor contracting parties to the Assumed Contracts with adequate assurance of future |

| PROVISION | DESCRIPTION |
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| | performance as contemplated by section 365 of the Bankruptcy Code.<br><br>f. In order for a bid to constitute a Qualified Bid, any bidder for all or substantially all of the Sale Assets shall submit a deposit equal to $30 million and any bidder for less than all of the Sale Assets or for any Excluded Asset shall submit a deposit equal to 10% of such bid (each, a "Good Faith Deposit"). On the date such bid is submitted, the bidder shall deliver the Good Faith Deposit in immediately available funds by wire transfer to an account or accounts designated by the Debtors or by the delivery of alternative credit support that is in an amount no less than the Good Faith Deposit and is reasonably acceptable to the Debtors after consultation with the Bank Agent and the Creditors' Committee on the date such bid is submitted. |
| ***Auction and Overbids*** | If no Qualified Bid is received by the Bid Deadline, the Auction will not occur and the Debtors shall promptly pursue entry of an order by the Court authorizing the Sale to the Buyer.<br><br>If the Debtors receive a Qualified Bid by the Bid Deadline, in addition to the Stalking Horse Bid, the Debtors shall conduct an auction (the "Auction") with respect to the (i) the Sale Assets, (ii) the Sale Assets plus any or all of the Excluded Assets, or (iii) individual components of the Sale Assets or Excluded Assets that are sought to be acquired by a Qualified Bidder. The Auction shall commence at 9:00 a.m. (prevailing Eastern Time) on February 12, 2004, at the offices of Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, New York 10022-4611, or such later time or other place as the Debtors shall notify all Qualified Bidders who have submitted Qualified Bids. The Auction may be continued to a later date by the Debtors, with the reasonable consent of the Buyer, by making an announcement at the Auction. No further notice of any such continuance will be required to be provided to any party.<br><br>Initial over-bids for all or substantially all of the Sale Assets shall be $21 million.<br><br>The subsequent bid increments at the Auction shall be $5 million, provided, however, that the Debtors reserve the right to modify subsequent bid increments based on the context of the Auction after consultation with the Bank Agent and Creditors' Committee.<br><br>At the Auction, the Buyer shall have the right to bid all or part of the Break-Up Fee (as defined herein) and the Expense Reimbursement (as defined herein). |

| PROVISION | DESCRIPTION |
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| | |
| ***Assumed Contracts*** | As set forth in Section 3.5(d) of the Purchase Agreement, Buyer and Sellers agree to keep confidential and not disclose to anyone the Assumed Contracts except to (i) the Bank Agent and the Creditors' Committee and (ii) any party otherwise required by law; provided, that, with respect to clause (i), (a) the Bank Agent and the Creditors' Committee shall keep such information confidential and shall not disclose such information absent further order of this Court and Buyer shall be entitled to seek enforcement of this provision and (b) the Bank Agent and the Creditors' Committee may use such information for the purpose of evaluating bids.<br><br>In order for a bid to constitute a Qualified Bid, any bidder must provide to the Debtors a list of leases and executory contracts that such bidder plans to assume. The Debtors and each bidder agree to keep confidential and not disclose to anyone such list except to (i) the Bank Agent and the Creditors' Committee and (ii) any party otherwise required by law provided, that, with respect to clause (i), (y) the Bank Agent and the Creditors' Committee shall keep such information confidential and shall not disclose such information absent further order of this Court and (z) the Bank Agent and the Creditors' Committee may use such information for the purpose of evaluating bids.<br><br>The Debtors, after consultation with the Creditors' Committee and the Bank Agent, shall consult with each Qualified Bidder and Buyer regarding the calculation of cure amounts and rejection damage claims related to Buyer's bid and the bids of the other Qualified Bidders. |
| ***Winning Bid*** | Upon conclusion of the Auction, the Debtors, in the exercise of their business judgment and after consulting with their advisors, the Bank Agent and the Creditors' Committee, shall identify the highest and best offer or aggregate of offers (the "Winning Bid") (the bidder(s) having submitted a Winning Bid is the "Successful Bidder"). |
| ***Sale Approval Hearing*** | The Sale Approval Hearing is presently scheduled to take place on February 19, 2004 at 10:00 a.m. (prevailing Eastern Time), 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, Alexander Hamilton Custom House, One Bowling Green, New York, New York, 10004-1408. The Sale Approval Hearing may be continued to a later date by the Debtors, with the reasonable consent of the Buyer, by making an announcement at the Sale Approval Hearing; provided, that any such continuance shall not be later than the deadline set forth in Exhibit J of the Purchase |

| PROVISION | DESCRIPTION |
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| | Agreement. No further notice of any such continuance will be required to be provided to any party. At the Sale Approval Hearing, the Debtors shall present to the Bankruptcy Court for approval the Winning Bid. |
| ***Return of Good Faith Deposit*** | The Good Faith Deposit of the Successful Bidder shall be credited to the price paid for the Sale Assets, the Excluded Assets and/or any component of the Sale Assets, whichever the case may be. The Good Faith Deposit of any unsuccessful bidders will be returned within fifteen (15) days after consummation of the sale to the Successful Bidder of the asset(s) such Good Faith Deposit relates to or upon permanent withdrawal by the Debtors of the proposed sale of such assets. The deposit of the Buyer, if not chosen as the Winning Bid, shall be returned in accordance with the Purchase Agreement. |
| ***Second Highest and Best Bid*** | If for any reason the entity that makes the highest and best bid fails to consummate the purchase of the Sale Assets, the Excluded Assets, and/or any of the Sale Assets within the time permitted, the bidder with the second highest and best bid for any such assets will automatically be deemed to have submitted the highest and best bid and, to the extent the Debtors elect, after consultation with the Bank Agent and the Creditors' Committee, the Debtors and such bidder shall consummate the sale as soon as is commercially reasonable, but only after Bankruptcy Court approval of such sale. The Debtors shall provide ten (10) days notice of their motion for Bankruptcy Court approval of the sale to the second highest bidder or such greater length of notice as required to implement the assumption and assignment of executory contracts and unexpired leases. If such failure to consummate the sale to the entity that made the highest and best bid is the result of a breach by such entity, such entity's Good Faith Deposit shall be forfeited to the Debtors and the Debtors and the Creditors' Committee specifically reserve the right to seek damages from such entity; provided, however, that the disposition of the Good Faith Deposit of Buyer shall be governed by the Purchase Agreement. |
| ***Reservation of Rights*** | The Debtors reserve the right to reject any (other than the Buyer's offer pursuant to the Purchase Agreement) Qualified Bid if the Debtors, after consultation with the Bank Agent and the Creditors' Committee, determine that such Qualified Bid is (i) inadequate or insufficient; (ii) not in conformity with the requirements of the Bankruptcy Code, any related rules or the terms set forth herein; or (iii) contrary to the best interests of the Debtors and their estates. |
| ***Break-Up Fee and Expense Reimbursement*** | In the event, among others set forth in the Purchase Agreement, that the Bankruptcy Court enters an order approving the sale of any Sale Asset to a party other than Buyer, the Debtors shall pay to Buyer as provided in the Bidding Procedures Order (i) a break-up fee in the |

| PROVISION | DESCRIPTION |
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| | amount of $8 million (the "Break-Up Fee") and (ii) a reimbursement of Buyer's actual, reasonable, and documented expenses in connection with the transaction contemplated in the Purchase Agreement, not to exceed $5 million (the "Expense Reimbursement"). |

4. The Bidding Procedures Order further provides that the Sale Hearing will be held, following the Auction, on February 19, 2004 at 10:00 a.m. (EST), before the Honorable Robert D. Drain, United States Bankruptcy Judge, in Room 610 of the United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004-1408.

5. At the Sale Hearing, the Debtors shall request that the Court enter an order, among other things, approving the Purchase Agreement and the Sale Transaction, or the Winning Bid, as the case may be, and providing that the transfer of the Sale Assets be exempt under section 1146(c) of the Bankruptcy Code from any stamp tax or similar tax.

6. At the Sale Hearing, the Court may enter such orders as it deems appropriate under applicable law and as required by the circumstances and equities of these cases. Objections, if any, to the relief requested in the Motion, other than the relief granted in the Bidding Procedures Order, shall be in writing, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court for the Southern District of New York, shall set forth the name of the objectant, the nature and amount of any claims or interests held or asserted against the Debtors' estates or properties, the basis for the objection and the specific grounds therefor, and shall be served upon (i) the attorneys for the Debtors, Kirkland & Ellis LLP, 153 East 53rd Street, New York, New York 10022 (Attn: Matthew A. Cantor, Esq. and Jonathan S. Henes,

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 agent for the Debtors' 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.), and (v) the attorneys for the Buyer, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: Paul M. Basta, Esq.), so as to be actually received no later than February 17, 2004 at 4:00 p.m. (EST).

7. A copy of the Purchase Agreement is annexed as Exhibit A to the Motion. All requests for information concerning the sale of the Sale Assets should be directed by written request to Kirkland & Ellis LLP, 153 East 53rd Street, New York, New York 10022 (Attn: Jonathan S. Henes, Esq.).

Dated: New York, New York
**[insert date]**

KIRKLAND & ELLIS LLP

By:_____
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

**EXHIBIT 2**

| | |
|---|---|
| In re | **Chapter 11**<br>**Case No. 02-130507 (RDD)** |
| Allegiance Telecom, Inc., et al., | **(Jointly Administered)** |
| Debtors. | |

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

NOTICE IS HEREBY GIVEN, as follows:

1. On December 18, 2003, Allegiance Telecom, Inc. ("Allegiance") its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the "Debtors") filed a motion (the "Motion") with the United States Bankruptcy Court for the Southern District of New York for or orders (i) establishing bidding procedures and certain protections (the "Bidding Procedures") payable to the Buyer[1] including a break-up fee and expense reimbursement in connection with the sale of substantially all of the assets of the Debtors (the "Sale Assets"); (ii) approving the form and manner of notice related to the sale of the Sale Assets; (iii) setting a hearing date to consider approval of the sale of the Sale Assets (the "Sale Hearing"); (iv) authorizing the procedures for the assumption and assignment of certain executory contracts and unexpired leases; and (v) granting certain related relief.

2. Pursuant to the Motion and sections 363 and 365 of the Bankruptcy Code, the Debtors intend to assume and assign to the Buyer, on the later of

[1] Unless otherwise defined herein, capitalized terms shall have the meaning ascribed to them in the Motion or Purchase Agreement, as applicable, and as modified by the Bidding Procedures Order approved by the court on January 15, 2004, as applicable.

(i) the Closing or (ii) State PUC Consent or FCC Consent, the Assumed Contracts listed on Exhibit A annexed hereto.

3. The Debtors have identified on Exhibit A annexed hereto the cure amounts that the Debtors believe must be paid to cure all defaults under the Assumed Contracts 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 Cure Amounts that arise from any Excluded Liabilities (including any unrecorded liabilities of the Debtors).

4. If you seek to (a) assert a Cure Amount based on defaults, conditions or pecuniary losses under an Assumed Contract (collectively, the "Cure Obligation") different from that set forth on any of the Contract Assignment Notices or (b) object to the potential assumption and assignment of an 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 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.

5. 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 agent 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, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: Paul M. Basta, Esq.) so as to be received no later than 15 days after service of the Contract Assignment Notice (the "Assumption and Assignment Objection Deadline").

6. Unless your Assumption and Assignment Objection is timely filed and served by the Assumption and Assignment Objection Deadline, the assumption and assignment of the applicable Assumed Contract at the Sale Approval Hearing may occur without regard to any objection you may have or any provisions to the contrary in the applicable Assumed Contract.

7. 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, the Buyer or any other Successful Bidder of 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.

8. Hearings with respect to the Assumption and Assignment Objections may be held at such other date as the Court may designate upon motion by the Debtors and the Buyer, provided, that, if the subject Assumed Contracts are assumed and 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, in accordance with the Debtors and Buyer's respective liabilities for Cure Amounts pursuant to 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 and, with respect to Cure Amounts, the objector's only recourse after the relevant assumption date shall be to such segregated amounts.. The fact that any Assumption and Assignment Objections are not resolved shall not prevent or delay the occurrence of the date of assumption and assignment of any Assumed Contracts; provided, however, that any Assumption or Assignment Objection that relates to the assignability of an Assumed Contract or the ability of Buyer to provide adequate assurance of future performance shall be determined prior to such assumption or assignment being deemed effective.

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

10. The Buyer reserves the right to exclude or add any Assumed Contract from or to the proposed sale and to withdraw the request to assume and assign any Assumed Contract pursuant to the terms of the Purchase Agreement.

11. The Debtors' decision to assume and assign to the Buyer the Assumed Contracts is subject to Court approval, the Closing and, as applicable, State PUC Approval or FCC Approval. Accordingly, the Debtors shall be deemed to have assumed and assigned each of the Assumed Contracts as of the later of (i) the Closing or (ii) any required State PUC Consent or FCC Consent. Absent such Closing, 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
**[insert date]**, 2004

KIRKLAND & ELLIS LLP

By:_____
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Attorneys for Debtors and Debtors in Possession

# EXHIBIT B

**EXECUTION COPY**

# VOTING AND LOCKUP AGREEMENT

VOTING AND LOCKUP AGREEMENT, dated as of February 18, 2004 by and among Allegiance Telecom, Inc., a Delaware corporation ("ATI"), Allegiance Telecom Company Worldwide, a Delaware corporation ("ATCW" and, together with ATI, "Sellers" and each individually, a "Seller"), XO Communications, Inc., a Delaware corporation ("Buyer" or the "Company") and Cardiff Holding LLC ("Stockholder"). Capitalized terms used but not defined herein shall have the meanings set forth in the Asset Purchase Agreement (as defined below).

## R E C I T A L S:

WHEREAS, Sellers and Buyer propose to enter into an Asset Purchase Agreement of even date herewith (the "Asset Purchase Agreement") pursuant to which substantially all of the assets of Sellers will be sold to Buyer (the "Transaction") upon the terms and conditions set forth in the Asset Purchase Agreement, and Buyer's consideration therefore shall include 45,380,000 shares (subject to adjustment for stock splits, stock dividends, share exchanges, share combinations, recapitalizations and reorganizations or other similar transactions and as set forth in the Asset Purchase Agreement) of Common Stock (the "Stock Consideration"), as defined as XO Common Stock and more fully described in the Asset Purchase Agreement, a draft of which has been made available to Stockholder;

WHEREAS, as of the date hereof the number of issued and outstanding shares of common stock, par value $.01 per share, of Buyer (the "Common Stock") outstanding is approximately 136,200,000;

WHEREAS, the Board of Directors of the Company has adopted resolutions approving the Asset Purchase Agreement, and, for purposes of Section 161 of the Delaware General Corporation Law ("DGCL"), issuance of the Common Stock;

WHEREAS, as a condition precedent to entering into the Asset Purchase Agreement, Sellers require that Stockholder execute and deliver this Agreement;

NOW, THEREFORE, in consideration of the execution and delivery by Sellers of the Asset Purchase Agreement and the mutual covenants, conditions and agreements contained herein and therein, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Transfer of Shares. Stockholder shall not at any time prior to or on the Closing Date, directly or indirectly, (a) sell, pledge, transfer, assign, donate or otherwise dispose of or encumber any or all of such Stockholder's Common Stock or securities convertible into or exchangeable or exercisable for any Common Stock, (b) deposit any Common Stock or securities convertible into or exchangeable or exercisable for any Common Stock, into a voting trust or enter into a voting agreement or arrangement with respect to any Common Stock or grant any proxy with respect thereto (c) enter into any contract, option or other arrangement or undertaking with respect to the

direct or indirect acquisition or sale, assignment, transfer or other disposition of any Common Stock or securities convertible into or exchangeable or exercisable for any Common Stock, (d) enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Stock or securities convertible into or exchangeable or exercisable for any Common Stock, whether any such aforementioned transaction is to be settled by delivery of the Common Stock or such other securities, in cash or otherwise or (e) publicly announce or disclose the intention to make any such sale, pledge, transfer or other disposition, in the cases of clauses (a) through (e) above, if such action would cause Stockholder to own directly or indirectly less than 51% of the outstanding shares of Common Stock; provided, that Stockholder may transfer the outstanding shares of Common Stock as of the date hereof so long as the transferee of such shares executes and delivers to Sellers a written agreement agreeing to be bound by the terms and conditions of this Agreement.

2. Voting of Shares. (a) To the extent there is a shareholder vote to approve the Asset Purchase Agreement and issuance of the Stock Consideration, Stockholder, by this Agreement, with respect to any Common Stock owned by Stockholder on the date hereof (and any additional shares of Common Stock acquired by Stockholder), hereby agrees that, at the Company stockholders' meeting or any meeting of the stockholders of the Company, however called, and in any action by written consent of the stockholders of the Company, such Stockholder shall vote all of Stockholder's Common Stock (i) in favor of the adoption and approval of the Asset Purchase Agreement and the issuance of the Stock Consideration, and (ii) against any other action or transaction to be voted on by the Company's stockholders that would, if approved, render the proxy given with respect to the matters described in the immediately preceding clause (i) ineffective to cause the approval of the Asset Purchase Agreement and the issuance of the Stock Consideration.

(b) The obligations of Stockholder under this Agreement shall terminate upon the earliest of (i) the Early Funding Date, (ii) the Closing Date or (iii) on the date of termination of the Asset Purchase Agreement in accordance with its terms. Nothing in this Section 2(b) shall relieve any party of liability for any breach of this Agreement.

3. IRREVOCABLE PROXY. STOCKHOLDER HEREBY IRREVOCABLY GRANTS TO, AND APPOINTS, MARK B. TRESNOWSKI AND ANNIE S. TERRY, OR ANY OF THEM, IN THEIR RESPECTIVE CAPACITIES AS OFFICERS OF SELLERS, SUCH STOCKHOLDER'S ATTORNEY-IN-FACT AND PROXY WITH FULL POWER OF SUBSTITUTION, TO VOTE AND OTHERWISE ACT (BY WRITTEN CONSENT OR OTHERWISE) WITH RESPECT TO SUCH STOCKHOLDER'S COMMON STOCK AT THE COMPANY STOCKHOLDERS' MEETING OR ANY MEETING OF STOCKHOLDERS OF THE COMPANY, HOWEVER CALLED, AND IN ANY ACTION BY WRITTEN CONSENT OF THE STOCKHOLDERS OF THE COMPANY, SOLELY ON THE MATTERS AND IN THE MANNER SPECIFIED IN SECTION 2. THIS PROXY AND POWER OF ATTORNEY ARE IRREVOCABLE AND COUPLED WITH AN INTEREST. EACH STOCKHOLDER HEREBY REVOKES ALL OTHER PROXIES AND POWERS OF ATTORNEY WITH RESPECT TO SUCH STOCKHOLDER'S COMMON STOCK THAT MAY HAVE HERETOFORE BEEN APPOINTED

OR GRANTED (THE "PREVIOUS PROXY"), AND NO SUBSEQUENT PROXY OR POWER OF ATTORNEY SHALL BE GIVEN OR WRITTEN CONSENT EXECUTED (AND IF GIVEN OR EXECUTED, SHALL NOT BE EFFECTIVE) BY STOCKHOLDER WITH RESPECT THERETO. ALL AUTHORITY HEREIN CONFERRED OR AGREED TO BE CONFERRED SHALL SURVIVE THE DEATH OR INCAPACITY OF ANY STOCKHOLDER THAT IS A NATURAL PERSON, AND THE TERMINATION OF THE PREVIOUS PROXY AND ANY OBLIGATION OF THE STOCKHOLDER UNDER THIS AGREEMENT SHALL BE BINDING UPON THE HEIRS, PERSONAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS OF STOCKHOLDER.

4. Representations and Warranties.

(a) Each Seller represents and warrants to Stockholder and Buyer (except as otherwise provided in the Asset Purchase Agreement), and each of Buyer and Stockholder, represents and warrants to Sellers, as follows:

(i) Such party has all necessary power and authority to enter into this Agreement, to carry out such party's obligations hereunder and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by such party, and this Agreement constitutes a legal, valid and binging obligation of such party enforceable against such party in accordance with its terms;

(ii) The execution and delivery of this Agreement by such party do not, and the performance of this Agreement by such party will not, (a) conflict with or violate any Law applicable to such party or by which any property or asset of such party is bound or affected or (b) result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any right of termination, amendment, acceleration or cancellation of, or result in the creation of a Lien or other encumbrance on any property or asset of such party pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation of such party;

(iii) The execution and delivery of this Agreement by such party do not, and the performance of this Agreement by such party will not, require any consent, approval, authorization or permit of, or filing with or notification to any domestic or foreign Governmental Entity (other than any filing with, or notification to, the Securities and Exchange Commission); and

(iv) On the date of this Agreement, no claim, action, proceeding or investigation is pending or, to the knowledge of such party, threatened against such party, which seeks to delay or prevent the consummation of, or which would be reasonably likely to materially adversely affect such party's ability to consummate, the transactions contemplated by this Agreement.

(b) Stockholder represents and warrants to Sellers as of the date hereof, as follows:

(i) Stockholder's ownership of Common Stock equals or exceeds fifty-one percent (51%) of the Common Stock which constitutes a majority of the voting shares of the Company; and

(ii) Stockholder understands and acknowledges that (i) the execution and delivery of this Agreement is a condition precedent to the execution of the Asset Purchase Agreement and (ii) Sellers are entering into the Asset Purchase Agreement in reliance upon Stockholder's execution and delivery of this Agreement.

(c) Buyer represents and warrants to Sellers as of the date hereof, as follows:

(i) If shareholder approval is required, such approval constitutes the only corporate or shareholder action required under the certificate of incorporation and bylaws of the Company in order to adopt the Asset Purchase Agreement, approve the issuance to Buyer of the Stock Consideration and the other transactions contemplated by the Asset Purchase Agreement;

(ii) This Agreement does not conflict with the Company's certificate of incorporation and bylaws;

(iii) Stockholder's ownership of Common Stock equals or exceeds fifty-one percent (51%) of the Common Stock; and

5. Further Assurances; Issuances of Equity.

(a) Buyer and Stockholder shall take any further action necessary to carry out the intent of this Agreement, including preparing and distributing a proxy solicitation and calling a meeting of the stockholders of Buyer.

(b) Prior to the Closing Date, Buyer shall not (and Stockholder shall cause Buyer not to) issue any equity securities or other instrument with voting rights, except for (i) issuances of equity to management that will not in the aggregate cause Stockholder to own less than fifty-one percent (51%) of outstanding voting shares of Common Stock or (ii) issuances of equity to any Person who executes and delivers written agreements to be bound by the terms and conditions of this Agreement to the extent required to deliver Sellers a proxy on behalf of holders of 51% of the outstanding voting shares of Common Stock outstanding at such time.

6. Miscellaneous.

(a) If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement

shall nevertheless remain in full force and effect as long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party.

(b) Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise).

(c) Nothing in this Agreement, express or implied, is intended to or shall confer upon any person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

(d) The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or in equity.

(e) This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware.

**(f) Each of the parties hereto irrevocably and unconditionally waives all right to trial by jury in any action, proceeding or counterclaim (whether based in contract, tort or otherwise) arising out of or relating to this Agreement or the actions of the parties hereto in the negotiation, administration, performance and enforcement thereof.**

IN WITNESS WHEREOF, the parties have executed this Voting and Lockup Agreement as of the date first written above.

**SELLERS:**

ALLEGIANCE TELECOM, INC.

By: _____
Name:
Title:

ALLEGIANCE TELECOM COMPANY WORLDWIDE

By: _____
Name:
Title:

**BUYER:**

XO COMMUNICATIONS, INC.

By: _____
Name:
Title:

**STOCKHOLDER:**

**CARDIFF HOLDING LLC**

**ACF INDUSTRIES HOLDING CORP.**
**MEMBER**

By: _____
Name:
Title:

# EXHIBIT C

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

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

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**ORDER (I) APPROVING THE SALE FREE AND CLEAR OF ALL LIENS, CLAIMS AND ENCUMBRANCES TO THE SUCCESSFUL BIDDER, (II) AUTHORIZING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, AND (III) GRANTING RELATED RELIEF**

Upon the motion, dated December 18, 2003 (the "Motion"), of Allegiance Telecom, Inc. ("Allegiance") and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, together with Allegiance, the "Debtors"), for an order (i) approving the sale to XO Communications, Inc. or its designee (the "Successful Bidder" or "Buyer"), pursuant to and in accordance with a certain Asset Purchase Agreement[1] by and among certain of the Debtors and Buyer, a copy of which is attached hereto as Exhibit A (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"), which shall 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, 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,

[1] Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement.

encumbrances and interests, and certain taxes; (ii) authorizing the assumption and assignment of certain executory contracts and unexpired leases; and (iii) granting certain related relief; and the Court having entered an order (the "Bidding Procedures Order") on January 15, 2004 approving the Bidding Procedures (as defined therein), which is Docket No. 867; and the Court having held a hearing on February 19, 2004 to approve the relief requested in the Motion (the "Sale Hearing"); and it appearing that notice of the Sale Hearing has been provided to (i) the Office of the United States Trustee; (ii) the attorneys for Prepetition Lenders (as defined in the Motion); (iii) the attorneys for the Creditors' Committee (as defined in the Motion); (iv) all nondebtor contracting and lease parties identified on Schedule 4.20 and 4.21 of the Disclosure Schedules; (v) all parties that provide telecom services to the Debtors pursuant to tariffs; (vi) all parties who have made written expressions of interest in acquiring the Sale Assets or the Business within two (2) months prior to the date of the Motion; (vii) all known persons holding Interests (as defined herein); (viii) the Securities and Exchange Commission; (ix) all taxing authorities that have jurisdiction over the Sale Assets; (x) all Governmental Entities having jurisdiction over the Sale Assets with respect to Environmental Laws; (xi) the attorneys general of all states in which the Sale Assets are located; (xii) the Federal Communications Commission and applicable state public utility and other applicable regulatory commissions; and (xiii) all other parties that had filed a notice of appearance and demand for service of papers in these bankruptcy cases under Rule 2002 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") as of the date of the Motion; and it appearing that notice of the Sale Hearing was published in the national editions of The New York Times and The Wall Street Journal on January 28, 2004; and it appearing that such notice constitutes good and sufficient notice of the Motion and Sale Hearing and that no other or further notice need be provided; and upon the Motion and the record of the

Sale Hearing and all other proceedings had before the Court; and all objections to the Motion having been resolved, expunged or overruled; and it appearing that an order approving the transaction(s) contemplated in the Purchase Agreement (collectively, the "Sale Transaction") is in the best interests of the Debtors and all parties in interest; and it appearing that the Court has jurisdiction over this matter; and the Court having overruled all remaining objections to the Motion for the reasons set forth at the Sale Hearing; and upon the record of the Sale Hearing; and after due deliberation and sufficient cause appearing therefor,

**IT IS HEREBY FOUND AND DETERMINED THAT:**

A. This Court has jurisdiction over the Motion under 28 U.S.C. §§ 157 and 1334, and this matter is a core proceeding under 28 U.S.C. § 157(b)(2)(A). Venue of these cases and the Motion in this Court is proper under 28 U.S.C. §§ 1408 and 1409.

B. The statutory predicates for the relief sought in the Motion are sections 105(a), 363(b), (f), (m), and (n) of the United States Bankruptcy Code (the "Bankruptcy Code") and Bankruptcy Rules 2002, 6004, 6006, and 9014.

C. Proper, timely, adequate, and sufficient notice of the Motion and the Sale Transaction has been provided in accordance with sections 105(a) and 363 of the Bankruptcy Code and Bankruptcy Rules 2002, 2002(i), 6004, and 9014, in compliance with the Order Establishing Notice Procedures, dated May 15, 2003, and in compliance with the Bidding Procedures Order. Such notice is good and sufficient, and appropriate under the particular circumstances, and no other or further notice of the Motion or the Sale Hearing is or shall be required.

D. As demonstrated by the pleadings and affidavit of publication filed in connection herewith, as well as the testimony at the Sale Hearing, the Debtors have marketed the

Sale Assets and conducted the sale process in compliance with the Bidding Procedures Order and have completed a full, fair and complete auction process.

E. No consents or approvals, other than those expressly set forth in and required by the Purchase Agreement or expressly set forth herein, are required for the Debtors or Buyer to consummate the Sale Transaction.

F. Approval of the Purchase Agreement and consummation of the Sale Transaction at this time are in the best interests of the Debtors, their creditors and their estates.

G. The Debtors have demonstrated both (i) good, sufficient and sound business purpose and justification, and (ii) compelling circumstances for approval of the Sale Transaction pursuant to section 363(b) of the Bankruptcy Code and in connection with a plan of reorganization.

H. A reasonable opportunity to object or be heard with respect to the Motion and the relief requested therein has been afforded to all interested persons and entities.

I. The Purchase Agreement was negotiated, proposed and entered into by the Debtors and Buyer in good faith, without collusion, and from arm's-length bargaining positions. Neither the Debtors nor Buyer have engaged in any conduct that would cause or permit the Purchase Agreement to be avoided under section 363(n) of the Bankruptcy Code. Buyer is not an "insider" of any of the Debtors, as that term is defined in section 101 of the Bankruptcy Code.

J. Buyer was the winning bidder for the Sale Assets at the Debtors' auction conducted on February 12 and 13, 2004. Buyer is a good faith purchaser under section 363(m) of the Bankruptcy Code and, as such, is entitled to all of the protections afforded thereby. Both Sellers and Buyer will be acting in good faith within the meaning of section 363(m) of the Bankruptcy Code in closing the Sale Transaction at all times.

K. The Purchase Agreement was not entered into for the purpose of hindering, delaying or defrauding creditors under the Bankruptcy Code and under the laws of the United States, any state, territory, possession or the District of Columbia.

L. The Purchase Price for the Sale Assets pursuant to the Purchase Agreement (i) is fair and reasonable, (ii) is the highest and best offer for the Sale Assets, and (iii) constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code and under the laws of the United States, any state, territory, possession, and the District of Columbia.

M. The transfer of the Sale Assets to Buyer will be a legal, valid, and effective transfer of the Sale Assets, and will vest Buyer with all rights, title and interest in and to the Sale Assets free and clear of all Interests (other than Permitted Liens of the type set forth in clause (iii) of the definition thereof contained in the Purchase Agreement), which have, or could have, been asserted by the Debtors or their creditors or any other person.

N. The Debtors have demonstrated compelling and sound business justifications for authorizing and approving the process (the "Early Funding Process") established under the Purchase Agreement, the Operating Agreement (as defined below) and related documents, pursuant to which, on the date (the "Early Funding Date") that the events in paragraph N(i) through N(v) have occurred (even before all State PUC Consents have been obtained as required by applicable law), Buyer shall pay the Purchase Price, as may be adjusted in accordance with the Purchase Agreement, into escrow, pursuant to the Purchase Price Escrow Agreement, and manage and control the Acquired Assets until Closing, at which time the Purchase Price shall be released from escrow and the Sale Transaction shall be consummated in accordance with the Purchase Agreement: (i) the receipt by the parties of FCC Consent; (ii) the expiration or earlier termination of the applicable waiting period under the HSR Act in respect of

the Sale Transaction and any other transactions contemplated by the Purchase Agreement; (iii) the satisfaction or waiver of the conditions to Closing set forth in the Purchase Agreement, except for the conditions contained in Section 7.4(a) of the Purchase Agreement (relating to the Bankruptcy Plan); (iv) the satisfaction or waiver of the conditions contained in Section 8.3 of the Purchase Agreement that, in the event of an Early Closing Election, (x) the Closing pursuant thereto shall not occur sooner than the later of thirty-five (35) days after the Sale Order Approval Date or twenty (20) Business Days after the delivery of either such elections, (y) Sellers shall serve a notice to assume or to assume and assign the Assumed Contracts on all non-debtor parties to the Assumed Contracts at least twenty (20) days prior to the Closing, and (z) the Closing shall occur no sooner than twenty (20) Business Days after the delivery of the notices required under Section 8.3 of the Purchase Agreement in respect of Additional Assumed Contracts; and (v) execution and delivery by the Debtors and Buyer of an Operating Agreement substantially in the form annexed to the Purchase Agreement (the "Operating Agreement"). Such compelling and sound business justifications for the Early Funding Process include greater certainty for the Debtors that Closing will occur and a potential reduction of certain expenses that otherwise may have been borne by the Debtors' estates during the period commencing on the Early Funding Date and ending on the Closing Date.

O. The Debtors have demonstrated a compelling and sound business justification for authorizing the payment of the Liquidated Damages (as defined below) to the Buyer under the circumstances, timing and procedures set forth in the Purchase Agreement. The Liquidated Damages are not a penalty but, rather, a reasonable estimate of the damages to be suffered by Buyer in the event the transactions contemplated by the Purchase Agreement are not consummated under the circumstances set forth therein.

P. The Liquidated Damages were a material inducement for, and express condition of, Buyer's willingness to enter into the Purchase Agreement, and Buyer was unwilling to commit to hold open its offer to acquire the Sale Assets, pending Closing, and to consummate the other transactions under the terms of the Purchase Agreement unless it was assured of the right to payment of the Liquidated Damages.

Q. Solely for purposes of section 1145 of the Bankruptcy Code, Buyer is a successor of the Debtors and has acquired substantially all of the assets of the Debtors.

**NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:**

1. The Motion is granted.

2. All objections to the Motion or the relief requested therein that have not been withdrawn, waived or settled, and all reservations of rights included therein, are hereby overruled on the merits.

Approval of the Purchase Agreement

3. The Purchase Agreement and all of the terms and conditions thereof are hereby approved.

4. Pursuant to section 363(b) of the Bankruptcy Code, the Debtors and Buyer are authorized and directed to consummate the Sale Transaction, pursuant to and in accordance with the terms and conditions of the Purchase Agreement.

5. The Debtors are authorized and directed to execute and deliver, and empowered to perform under, consummate and implement the Purchase Agreement, together with all additional instruments and documents that may be reasonably necessary or desirable to implement the Purchase Agreement, and to take all further actions as may be reasonably

requested by Buyer as may be necessary or appropriate to the performance of the obligations as contemplated by the Purchase Agreement.

6. The Debtors have completed a full, fair and complete auction process.

Transfer of the Sale Assets

7. Pursuant to sections 105(a), 363(b) and 363(f) of the Bankruptcy Code, the transfer of the Sale Assets, including all of the stock of the reorganized Subsidiary Sellers as provided in and in accordance with the Purchase Agreement (if no Early Closing Election is made), any limited liability company ("LLC") membership interests and any Equipment or other Acquired Assets of Debtors that may be transferred to such LLC prior to the Closing, to Buyer on the later of (i) the Closing, or (ii) the date(s) of applicable State PUC Consent or FCC Consent, shall vest in Buyer (or such LLC as the case may be with respect to Equipment or other Acquired Assets) all rights, title, and interest in and to the Sale Assets and shall be, free and clear of all liens or encumbrances on, interests in, claims against, and set-off, recoupment, and other rights as to, of any type or nature whatsoever ("Interests") (other than Permitted Liens of the type set forth in clause (iii) of the definition thereof contained in the Purchase Agreement), which have, or could have, been asserted by the Debtors or their creditors or other persons, including the Bank of New York, as Indenture Trustee, in connection with the Debtors' chapter 11 cases, if any, with all such Interests of any kind or nature whatsoever to attach to the net proceeds that the Debtors ultimately realize from the Sale Transaction contemplated herein in the order of their priority, with the same validity, force and effect which they now have as against the Sale Assets, subject to any claims and defenses the Debtors may possess with respect thereto; provided, however, if such transfer of the Sale Assets is effectuated through a plan of reorganization, such

transfer shall be authorized pursuant to such plan in accordance with section 1123(a)(5) of the Bankruptcy Code.

8. Whether or not an Early Closing Election is made, Buyer shall have no liability or responsibility for any liability or other obligation of the Debtors arising under or related to the Sale Assets other than as expressly set forth in the Purchase Agreement and in no event shall Buyer have any liability or responsibility for any Excluded Liabilities (including any unrecorded liabilities of the Debtors). Without limiting the effect or scope of the foregoing, the transfer of the Sale Assets (including, without limitation, stock in the reorganized Subsidiary Sellers) from the Debtors to Buyer does not and will not subject Buyer or its affiliates, successors or assigns or their respective properties (including the Sale Assets) to any liability for claims (as that term is defined in section 101(5) of the Bankruptcy Code) against the Debtors or the Sale Assets by reason of such transfer under the laws of the United States or any state, territory or possession thereof applicable to such transactions. Neither Buyer nor its affiliates, successors or assigns shall be deemed, as a result of actions taken in connection with the purchase of the Sale Assets: (i) to be a successor to the Debtors (except for purposes of section 1145 of the Bankruptcy Code), or (ii) to be a continuation or substantial continuation of the Debtors or any enterprise of the Debtors. Neither Buyer nor its affiliates, successors or assigns is acquiring or assuming (except as expressly set forth in the Purchase Agreement) any liability, warranty or other obligation of the Debtors, including, without limitation, any tax incurred but unpaid by the Debtors prior to the date of the Closing, including, but not limited to, any tax, any fine or any penalty relating to a tax, or any addition to a tax, whether or not previously assessed, fixed or audited, whether or not paid, and whether or not contested before and adjudicated by a judicial or administrative tribunal of competent jurisdiction.

9. The process set forth in the Purchase Agreement, the Operating Agreements, the Transition Plan and other related documents for obtaining all approvals, consents (including assignments of any permits and rights of way), certificates, waivers and other authorizations required to be obtained from, or filings or other notices required to be made with or to, any Governmental Entities having jurisdiction over any of the Sale Assets in order to consummate the transactions contemplated by the Purchase Agreement and the other related transaction documents and the transfer of such Sale Assets, including the Non-Transferred Assets, to Buyer upon the receipt of such approvals (the "Regulatory Transition Process") is hereby approved and authorized pursuant to sections 105, 363 and 365 of the Bankruptcy Code.

10. The Early Funding Process, including, without limitation, Buyer's (a) right to manage the Acquired Assets pursuant to the Operating Agreement in connection therewith and in accordance with the Purchase Agreement, subject to the supervision of the Debtors, (b) assumption of all liabilities relating to the Acquired Assets incurred from and after the Early Funding Date and (c) exclusive right to receive and retain all the benefits from the Acquired Assets and businesses relating thereto from and after the Early Funding Date, is hereby approved and authorized pursuant to sections 105, 363 and 365 of the Bankruptcy Code.

11. The Sale Assets shall not include any of the equipment owned by Wells Fargo Leasing Vendor Services Corp., which equipment was previously leased to the Debtors under equipment finance leases 4246178, 42461486, 42461474, 42455081, 42457102, 42455047, 42455131, and 42461460, said equipment being eight (8) Canon 5000 S copy machines and eight (8) Canon 5000 S finishers; provided, however, that this paragraph shall not prohibit the assumption and/or assignment to the Buyer of the Debtors' interest in such equipment finance leases.

Assumption and Assignment of Assumed Contracts to Buyer

12. Pursuant to sections 105(a) and 365 of the Bankruptcy Code, (a) on the later of (i) the Closing, or (ii) the applicable State PUC Consent or FCC Consent, or (b) in the event of an Early Closing Election, the Debtors' assumption of the Assumed Contracts and the Debtors' assignment to Buyer of the Assumed Contracts to which Allegiance and/or ATCW are a party and, if an Early Closing Election is made, all other Assumed Contracts and Buyer's assumption on the terms and conditions set forth in the Purchase Agreement of the Assumed Contracts assigned to Buyer, are hereby approved and authorized; provided that the requirements of section 365 of the Bankruptcy Code are satisfied as set forth in the Debtors' Notice of Intent to Assume or to Assume and Assign (as defined below). Buyer, the Debtors and counsel to the Creditors Committee shall keep confidential the schedule of Executory Contracts as set forth in Section 3.5(d) of the Purchase Agreement (such schedule shall not be provided to the individual members of the Creditors Committee but may be provided to the advisors for the Creditors Committee).

13. Subject to (a) the later of (i) the Closing, or (ii) the applicable State PUC Consent or FCC Consent, or (b) an Early Closing Election, the Debtors are hereby authorized and directed in accordance with sections 105(a), 363, and 365 of the Bankruptcy Code to (x) assume and (subject to the terms and conditions of the Purchase Agreement) assign to Buyer the Assumed Contracts to which Allegiance and/or ATCW are a party and if an Early Closing Election is made, all other Assumed Contracts, free and clear of all Interests of any kind or nature whatsoever (other than Permitted Liens of the type set forth in clause (iii) of the definition thereof contained in the Purchase Agreement); provided, however, that the assignment shall not affect the rights of the non-debtor contract parties under the Assumed Contracts, and (y) execute

and deliver to Buyer such documents or other instruments as may be necessary to assign and transfer the Assumed Contracts to Buyer.

14. Pursuant to the procedures set forth in and subject to Sections 3.5, 6.3 and 8.3 of the Purchase Agreement, the Assumed Contracts shall be, in the case of Assumed Contracts to which any of the Subsidiary Sellers are a party, assumed and, in the case of the Assumed Contracts to which Allegiance and/or ATCW are a party, or to which the Subsidiary Sellers are parties and an Early Closing Election is made, assumed and assigned to, and remain in full force and effect for the benefit of, Buyer in accordance with their respective terms, notwithstanding any provision in any of the Assumed Contracts (including those of the type described in sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits, restricts or conditions such assignment or transfer and, pursuant to section 365(k) of the Bankruptcy Code, the Debtors shall be relieved from any further liability with respect to the Assumed Contracts after such assumption and assignment to Buyer for matters arising after assignment and except as otherwise provided in any order or stipulation regarding assumption.

15. All defaults or other obligations of the Debtors under the Assumed Contracts (without giving effect to any acceleration clauses or any default provisions of the kind specified in section 365(b)(2) of the Bankruptcy Code or other defaults as to which cure or performance may be excused by the Bankruptcy Code or other applicable law) shall be promptly cured by the Debtors or Buyer as set forth in the Purchase Agreement as provided in section 365(b)(1) of the Bankruptcy Code, and the cure amounts with respect to the Assumed Contracts will be those amounts (the "Cure Amounts") established in accordance with the procedures set forth in the Bidding Procedures Order and Exhibit 2 thereto (as modified below).

16. With the exception of the Cure Amounts, except as otherwise set forth herein, each nondebtor party to an Assumed Contract hereby will be forever barred, estopped and permanently enjoined from asserting against the Debtors or Buyer, or the property of any of them, any default existing under the Assumed Contracts as of the later of (a) the Closing, or (b) the applicable State PUC Consent or FCC Consent; or, against Buyer, any counterclaim, defense or other claim or Interest under the Assumed Contracts asserted or assertable against the Debtors or their estates. All parties that provide telecommunications services pursuant to a tariff related to any of the Sale Assets are hereby directed to continue providing such services to the Debtors; provided, however, that with respect to any such party that is providing such telecommunications services pursuant to a stipulation with the Debtors pursuant to section 366 of the Bankruptcy Code, then such stipulation shall govern the provision of such services.

17. If the Debtors receive an objection to the cure amounts (the "Cure Amount Objection") set forth in the Notice of Intent to Assume or to Assume and Assign, they shall attempt to resolve such disputed cure amounts with the party asserting the objection. If a consensual resolution of the Cure Amount Objection cannot be reached, the Debtors or Buyer, as provided in the Purchase Agreement, will (a) pay in full the undisputed portion of such Cure Amount on or before the applicable date of assumption and (b) segregate the disputed portion of such cure amount (the "Segregated Amounts") pending the resolution of the Cure Amount Objection by this Court or by mutual agreement of the parties. In light of these procedures, the fact that any Cure Amount Objection is not resolved shall not prevent, delay or otherwise impair the assumption and assignment of any Assumed Contracts, and the objectors' only recourse after the relevant date of assumption or the assumption and assignment, as the case may be, shall be to the applicable Segregated Amounts.

18. Notwithstanding anything to the contrary contained in the Bidding Procedures Order, including, without limitation, Exhibit 2 thereof, the Debtors, in consultation with the Creditors Committee, shall modify the Contract Assignment Notice (as defined in the Bidding Procedures Order) in a manner satisfactory in form and substance to Buyer and in accordance with the Bankruptcy Rules before the Contract Assignment Notice is served as required under the Bidding Procedures Order, to provide notice of (a) the assumption of all Assumed Contracts by the Debtors, (b) the assignment to Buyer of the Assumed Contracts to which Allegiance and/or ATCW are party, and (c) in the event of an Early Closing Election, the assignment to Buyer of all Assumed Contracts (such Contract Assignment Notice, as so modified, is referred to herein as the "Notice of Intent to Assume or to Assume and Assign"). The Cure Procedures (as defined in the Bidding Procedures Order) are hereby amended to reflect the foregoing modifications.

19. The Debtors retain the exclusive right to negotiate and settle claims with any Incumbent Local Exchange Carriers (collectively, the "ILECs"); provided, however, that the Debtors shall not take any action that adversely affects in any material respect relationships to be continued or otherwise enjoyed between any of Buyer and/or the reorganized Subsidiary Sellers, on the one hand, and any of the ILECs, on the other hand, without Buyer's prior written consent, which consent shall not be unreasonably withheld. Buyer and the Creditors Committee shall have the right to participate in the Debtors' negotiation and settlement discussions with the ILECs and shall have standing to participate in any disputes before the Bankruptcy Court regarding ILEC and non-ILEC Cure Amounts. The Debtors shall keep Buyer and the Creditors Committee timely informed of the progress of such discussions. Any treatment of ILEC charges under the Bankruptcy Plan, or otherwise, shall be reasonably acceptable to Buyer.

20. Notwithstanding any of the foregoing, or anything else to the contrary contained in this Order, the Purchase Agreement or any documents executed therewith, nothing in this Order, the Purchase Agreement or any documents executed therewith shall be deemed to affect the rights of any ILECs, as to any executory contracts or unexpired leases, to object, respond, or otherwise be heard with respect to (without limitation) (a) the determination of whether any services or facilities are provided pursuant to an executory contract or unexpired lease, including without limitation whether any services or facilities provided to the Debtors by or subject to tariffs are provided under an executory contract, (b) the assumption and assignment of any such executory contract or unexpired lease to the Buyer, (c) the sufficiency, timing, terms and provision of any proposed adequate assurance of prompt cure of all defaults and future performance by the Buyer and/or the Debtors, and (d) the amount and timing of any cure and payments proposed by the Debtors (including without limitation whether the Debtors can satisfy their obligation to cure any defaults in whole or in part by setting off against alleged debts of such non-debtor contract counter-parties). Nothing in this Order, the Purchase Agreement or any documents executed therewith shall be a determination that any of the requirements for the assumption and assignment of any executory contract or unexpired lease of the ILECs have been satisfied and nothing in this Order, the Purchase Agreement and any documents executed therewith shall obligate any ILEC to provide any services to the Buyer following the closing. All rights of the ILECs and the Debtors, with regards to the matters relating to executory contracts or unexpired leases, are hereby fully reserved.

Liquidated Damages

21. Pursuant to section 363(b) of the Bankruptcy Code and because damage suffered by Buyer in the event of any such termination would be impossible to calculate and the

Liquidated Damages constitute a reasonable estimate of such damages, the Debtors are required to pay to Buyer as liquidated damages and not as a penalty (i) the Expense Reimbursement (which shall not exceed $10 million) plus (ii) $30 million (clauses (i) and (ii) together, the "Liquidated Damages") immediately in the event that: (x) the Purchase Agreement is terminated pursuant to Sections 8.1(b), (c), or (d) of the Purchase Agreement following the Sale Order Approval Date, or (y) Buyer elects to terminate the Purchase Agreement pursuant to Section 8.1(e) of the Purchase Agreement or not to close, in each case because the condition set forth in Section 7.2(a) of the Purchase Agreement has not been satisfied, as a result of a Sellers' Intentional Breach following the Sale Order Approval Date. In the event Buyer terminates the Purchase Agreement pursuant to Section 8.1(e) of the Purchase Agreement or elects not to close, in each case because the condition set forth in Section 7.2(a) of the Purchase Agreement has not been satisfied as a result of some reason other than a Sellers' Intentional Breach, the Debtors shall pay immediately to Buyer the Expense Reimbursement (which shall not exceed $5 million).

22. In accordance with the terms of the Purchase Agreement, (a) at any time after the date hereof and prior to Closing, the Debtors, after consultation with the Creditors Committee, shall and (b) in the event the Debtors fail to comply with the timeline set forth in Exhibit J or at anytime after June 30, 2004 and prior to Closing, Buyer shall have the right to deliver a notice (the "Early Closing Election Notice") of its irrevocable election of early closing and promptly close on the Sale Transactions (the "Early Closing Election"); provided, however, that the Closing pursuant thereto shall not occur sooner than twenty (20) Business Days after the delivery of the Early Closing Election Notice. In the event that the Debtors' exclusive periods to file and solicit a plan of reorganization under section 1121 of the Bankruptcy Code are terminated, the Creditors Committee shall be permitted to petition the Court on limited notice to

require the Early Closing Election. The Debtors are authorized and directed to pay the Liquidated Damages to Buyer, as required under and pursuant to the Purchase Agreement, without further order of the Court and the Liquidated Damages shall (a) receive superpriority administrative claim status and shall have priority over any and all administrative expenses of the kinds specified in sections 503(b), 506(c), 507(a), or 507(b) of the Bankruptcy Code, and (b) Buyer's right to the Liquidated Damages and the superpriority administrative claim status of such claims shall survive rejection or breach of the Purchase Agreement, and/or conversion or dismissal of these chapter 11 cases and shall be unaffected thereby; provided, however, that the Liquidated Damages shall not prime the Liens held by the Sellers' senior secured lenders and any such amounts payable shall be subordinated to the carve out for professionals fees and fees under 28 U.S.C. § 1930 as provided in the Bankruptcy Court's order(s) authorizing the Debtors to use cash collateral entered in these cases.

Additional Provisions

23. Pursuant to section 364(c)(1) of the Bankruptcy Code, (a) the obligation of the Debtors to pay any adjustments to the Purchase Price, including interest with respect thereto, and (b) any amounts that may be owed to Buyer pursuant to, or for the Debtors' breach of, any of the Operating Agreements and the Operating Agreement shall receive superpriority administrative claim status and shall have priority over any and all administrative expenses of the kinds specified in sections 503(b), 506(c), 507(a), or 507(b) of the Bankruptcy Code; provided, however, that any such amounts payable shall be subordinate to the carve out for professional fees and fees under 28 U.S.C. § 1930 as provided in the Bankruptcy Court's order(s) authorizing the Debtors to use cash collateral entered in these cases.

24. Any amounts payable by the Debtors pursuant to the Purchase Agreement or any of the documents delivered by the Debtors pursuant to or in connection with the Purchase Agreement shall (a) constitute administrative priority expenses of the Debtors' estates pursuant to sections 503(b) and 507(a)(1) of the Bankruptcy Code, except as otherwise specifically provided in the Purchase Agreement or herein, (b) be paid by the Debtors at the time and in the manner provided in the Purchase Agreement without further order of this Court, and (c) not be discharged, modified or otherwise affected by confirmation of any plan of reorganization of any of the Debtors or conversion or dismissal of these chapter 11 cases.

25. Nothing herein approves any schedule, term sheet, master services agreement, or any other document agreement, or instrument whatsoever that relates to that certain Integrated Network Solution Purchase Agreement between Level 3 Communications, LLC ("Level 3"), as successor to Genuity Solutions, Inc., and Allegiance Telecom Company Worldwide, originally dated July 24, 2000 (as amended, the "INSPA"), including, without limitation, the assumption, assumption and assignment, rejection, termination, transfer and/or servicing of the INSPA. The INSPA is an Excluded Asset.

26. Nothing herein in any way prejudges, waives, limits, reduces, prejudices, impairs, or impacts in any way the rights and claims of either Level 3 or the Debtors (against Level 3) in connection with the INSPA, related contested matters, and adversary proceedings or otherwise. Nothing in this Order shall constitute res judicata or collateral estoppel in connection with any issue, claim, right or remedy of Level 3 or of the Debtors (against Level 3) in connection with the INSPA, related contested matters and adversary proceedings, or otherwise. Subject to the express provisions provided in this paragraph and paragraph 25 herein, the preliminary objection filed by Level 3 is withdrawn with prejudice. Nothing in paragraphs 25 or

26 of this Order shall impair the Buyer's purchase of the Sale Assets free and clear of all Interests.

27. On the date of the Closing, each of the Debtors' creditors is authorized and directed to execute such documents and take all other actions as may be necessary to release its Interests in the Sale Assets, if any, as such Interests may have been recorded or may otherwise exist.

28. All Liens and other Interests held by the Debtors' senior secured lenders on the Non-Transferred Assets and all other Liens and other Interests shall be released at the Closing to the extent such Liens and other Interests relate to the Sale Assets and Buyer shall be granted a first priority, perfected Lien as security for all of the Debtors' obligations to Buyer pursuant to the Operating Agreement(s) on all Non-Transferred Assets pending FCC Consent and State PUC Consent, as applicable.

29. Regardless of whether the Debtors' creditors execute the releases set forth in the above paragraphs, this Order (a) shall be effective as a determination that, on the date of the Closing, all Interests of any kind or nature whatsoever existing with respect to the Debtors to the extent such Interests relate to the Sale Assets prior to the Closing have been unconditionally released, discharged and terminated, and that the conveyances described herein have been effected and (b) shall be binding upon and shall govern the acts of all entities including, without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrars of deeds, administrative agencies, governmental departments, secretaries of state, federal, state and local officials, and all other persons and entities who may be required by operation of law, the duties of their office, or contract, to accept, file, register or

otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any of the Sale Assets.

30. Except as provided hereafter, each and every federal, state and local governmental agency or department is hereby directed to accept for filing and/or recording and approve as necessary any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Purchase Agreement; provided, however, that nothing herein is intended to preempt any rights of the FCC to review and act upon applications filed by the parties for approval of the Sale Transaction pursuant to Section 214 of the Communications Act, or applicable FCC rules.

31. If any person or entity that has filed financing statements, mortgages, mechanic's liens, *lis pendens* or other documents or agreements evidencing Interests with respect to the Debtors or the Sale Assets shall not have delivered to the Debtors prior to the date of the Closing, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, releases of all Interests which the person or entity has with respect to the Debtors or the Sale Assets or otherwise, then (a) the Debtors are hereby authorized to execute and file such statements, instruments, releases and other documents on behalf of the person or entity with respect to the Sale Assets, and (b) Buyer is hereby authorized to file, register, or otherwise record a certified copy of this Order, which, once filed, registered, or otherwise recorded, shall constitute conclusive evidence of the release of all Interests in the Sale Assets of any kind or nature whatsoever.

32. Pursuant to sections 105(a) and 1146(c) of the Bankruptcy Code, the transfer of the Sale Assets to the extent such transfer is authorized by a confirmed chapter 11 plan, shall not be subject to taxation under any federal, state, local, municipal or other law

imposing or purporting to impose a stamp tax or similar tax on any of the Debtors' transfers or conveyances of the Sale Assets, which includes real estate, personal property and any other assets.

33. In the event of an Early Closing Election, the Debtors will deposit an amount equal to the amount of the potential stamp taxes or similar taxes into a segregated account and either (a) litigate the applicability of the stamp taxes or similar taxes with the relevant taxing authorities or (b) await the decision of the United States District Court for the Southern District of New York in In re Bethlehem Steel Corporation, Case No. 01-15288 (BRL) regarding the applicability of stamp taxes or similar taxes in the event of an asset sale.

34. As soon as practicable after the Closing, the Debtors shall reserve $1,500,000 of the proceeds from the Sale Transaction in a segregated account pending a determination of the claims of the Local Texas Tax Authorities (as defined in the Local Texas Tax Authorities' Objection to the Motion). The liens of the Local Texas Tax Authorities shall attach to the proceeds in the same validity, amount and priority as and to the extent they exist on the collateral. The amounts in the segregated account shall constitute adequate protection for the sale of the collateral purportedly subject to the Local Texas Tax Authorities' lien, but shall not constitute a limit on the amount that such Authorities are ultimately entitled to recover on their claims as ultimately allowed, nor shall it constitute an admission of liability by the Debtors with respect to the Local Texas Tax Authorities' claims, the existence of any liens, or otherwise. Further, nothing herein shall prejudice the right of any party in interest to assert defenses or object to any claims or liens of the Local Texas Tax Authorities. No distribution shall be made from the segregated account absent consent of the Debtors, the Creditors Committee and the Local Texas Tax Authorities, or by order of the Court.

35. All entities who presently are in possession of some or all of the Sale Assets are hereby directed to surrender possession of the Sale Assets to the Debtors at the Closing.

36. The Debtors are hereafter not permitted to cause their Representatives to initiate contact with, solicit, or encourage submission of, and are not permitted to consider or accept, any inquiries, proposals or offers by, any Person in connection with any inquiry, proposal, offer, sale or other disposition related to any or all of the Acquired Assets (including, without limitation, a Competing Transaction) and adherence to this paragraph 36 shall not constitute a breach of any fiduciary or other obligations or duties to the estates or any other person or entity whatsoever (regardless of whether in other contexts such person would be entitled to exercise a so-called "fiduciary out").

37. This Court retains jurisdiction to enforce and implement the terms and provisions of the Purchase Agreement (including the breach of the Purchase Agreement as provided in Section 9.12 thereof), all amendments thereto, any waivers and consents thereunder, and of each of the agreements executed in connection therewith in all respects.

38. The Sale Transaction is undertaken by Buyer in good faith, as that term is used in section 363(m) of the Bankruptcy Code. Accordingly, the reversal or modification on appeal of the authorization provided herein to consummate the transaction(s) contemplated herein shall not affect the validity of the sale of the Sale Assets to Buyer, unless such authorization is duly stayed pending such appeal. Buyer is a purchaser in good faith of the Sale Assets, and is entitled to all of the protections afforded by section 363(m) of the Bankruptcy Code.

39. The Purchase Agreement and the transactions and instruments contemplated hereby shall be specifically performed and enforceable against and binding upon, and not subject to rejection or avoidance by, the Debtors, and their respective affiliates, successors, and assigns, or any chapter 7 or chapter 11 trustee of the Debtors and their estates.

40. The Purchase Agreement and the transactions and instruments contemplated hereby shall be specifically performable and enforceable against and binding upon, and not subject to rejection or avoidance by, the Debtors or any chapter 7 or chapter 11 trustee of the Debtors and their estates.

41. The failure specifically to include any particular provision of the Purchase Agreement in this Order shall not diminish or impair the effectiveness of such provision, it being the intent of the Court that the Purchase Agreement be authorized and approved in its entirety.

42. The Purchase Agreement and any related agreements, documents or other instruments may, with the consent of the Creditors Committee, which shall not be unreasonably withheld, be modified, amended or supplemented by the parties thereto, in a writing signed by both parties, and in accordance with the terms thereof, without further order of the Court; provided that such modification, amendment or supplement is not material.

43. Notwithstanding the provisions of Bankruptcy Rules 6004(g) and 6006(d), there is no stay pursuant to Bankruptcy Rule 6004(g) and this Order shall be effective and enforceable immediately upon entry.

Dated: New York, New York
February 20, 2004

/s/ ROBERT D. DRAIN
UNITED STATES BANKRUPTCY JUDGE

**EXHIBIT D**

# BILL OF SALE

**THIS BILL OF SALE** (this "Bill of Sale") is made and delivered this **[___ day of _____, 2004]**, Allegiance Telecom, Inc., a Delaware corporation ("ATI"), Allegiance Telecom Company Worldwide, a Delaware corporation ("ATCW" and, together with ATI, "Sellers" and each individually, a "Seller"), and XO Communications, Inc., a Delaware corporation ("Buyer"). Capitalized terms defined in the Asset Purchase Agreement (as defined below) which are used but not defined herein shall have the meanings ascribed to such terms in the Asset Purchase Agreement.

**WHEREAS**, the Sellers have entered into that certain Asset Purchase Agreement, dated as of **[_____, 2004]** (as amended from time to time, the "Asset Purchase Agreement"), by and among Sellers and Buyer, which provides, among other things, for the assignment by Sellers to Buyer of the Acquired Assets.

**NOW, THEREFORE,** in consideration of the mutual promises contained in the Asset Purchase Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and subject to the terms and conditions of the Asset Purchase Agreement:

1. Each Seller does hereby sell, convey, assign, transfer and deliver to Buyer free and clear of all Liens and Liabilities (other than Permitted Liens of the type included in clause (iii) of the definition of Permitted Liens in the Asset Purchase Agreement), all of such Seller's right, title and interest in and to the Acquired Assets.

2. This Bill of Sale is executed and delivered pursuant to the Asset Purchase Agreement. Nothing in this Bill of Sale, express or implied, is intended to or shall be construed to supersede, modify, expand or limit in any way the terms of the Asset Purchase Agreement. To the extent that any provision of this Bill of Sale conflicts or is inconsistent with the terms of the Asset Purchase Agreement, the Asset Purchase Agreement shall govern.

3. This Bill of Sale shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

4. The Bill of Sale shall be construed and interpreted, and the rights of the parties shall be determined, in accordance with the Bankruptcy Code and the substantive laws of the State of New York for contracts expected and likely to be performed solely within such state, in each case without regard to the conflict of laws principles thereof or of any other jurisdiction.

5. This Bill of Sale may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, and all of which together shall constitute one and the same instrument.

[Signature Page Follows]

**IN WITNESS WHEREOF**, and intending to be legally bound hereby, the parties have caused this Bill of Sale to be executed and delivered as of the day and year first above written.

**SELLERS:**

ALLEGIANCE TELECOM, INC.

By: _____
Name:
Title:

ALLEGIANCE TELECOM COMPANY WORLDWIDE

By: _____
Name:
Title:

**BUYER:**

XO COMMUNICATIONS, INC.

By: _____
Name:
Title:

**EXHIBIT E**

# ASSUMPTION AGREEMENT

ASSUMPTION AGREEMENT (this "Agreement") dated as of **[_____, 2004]**, by and among Allegiance Telecom, Inc., a Delaware corporation ("ATI"), Allegiance Telecom Company Worldwide, a Delaware corporation ("ATCW" and, together with ATI, "Sellers" and each individually, a "Seller"), and XO Communications, Inc., a Delaware corporation ("Buyer"). Capitalized terms defined in the Asset Purchase Agreement (as defined below) which are used but not defined herein shall have the meanings ascribed to such terms in the Asset Purchase Agreement.

WHEREAS, Sellers and Buyer have entered into that certain Asset Purchase Agreement, dated as of **[February 18, 2004]** (as amended from time to time, the "Asset Purchase Agreement"), pursuant to which Sellers have agreed to sell, convey, assign, transfer and deliver to Buyer, and Buyer has agreed to purchase, acquire and accept from Sellers, all right, title and interest of Sellers in and to all Acquired Assets and Assumed Liabilities;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

1. In accordance with and subject to the terms, provisions and limitations of the Asset Purchase Agreement, Buyer hereby assumes the Assumed Liabilities.

2. This Agreement is executed and delivered pursuant to the Asset Purchase Agreement. Nothing in this Agreement, express or implied, is intended to or shall be construed to supersede, modify, expand or limit in any way the terms of the Asset Purchase Agreement. To the extent that any provision of this Agreement conflicts or is inconsistent with the terms of the Asset Purchase Agreement, the Asset Purchase Agreement shall govern.

3. Nothing in this Agreement, express or implied, is intended or shall be construed to confer upon, or give to, any Person other than Buyer and Sellers and their respective successors and permitted assigns, any remedy or claim under or by reason of this instrument or any term, covenant or condition hereof, and all the terms, covenants and conditions, promises and agreements contained in this instrument shall be for the sole and exclusive benefit of Buyer and Sellers and their respective successors and permitted assigns.

4. This Agreement may be amended, supplemented or modified, and any provision hereof may be waived, only pursuant to a written instrument making specific reference to this Agreement signed by each of the parties hereto.

5. This Agreement shall be construed and interpreted, and the rights of the parties shall be determined, in accordance with the Bankruptcy Code and the substantive laws of the State of New York for contracts expected and likely to be

performed solely within such state, in each case without regard to the conflict of laws principles thereof or of any other jurisdiction.

6. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, and all of which together shall constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Assumption Agreement as of the date and year first above written.

**SELLERS:**

ALLEGIANCE TELECOM, INC.

By: _____
Name:
Title:

ALLEGIANCE TELECOM COMPANY WORLDWIDE

By: _____
Name:
Title:

**BUYER:**

XO COMMUNICATIONS, INC.

By: _____

Name:
Title:

# EXHIBIT F-1

# PURCHASE PRICE ESCROW AGREEMENT

PURCHASE PRICE ESCROW AGREEMENT (this "*Escrow Agreement*"), dated as of February 25, 2004, by and among Allegiance Telecom, Inc., a Delaware corporation, and Allegiance Telecom Company Worldwide, a Delaware corporation, debtors-in-possession under title 11, of the United States Code, 11 U.S.C. in the United States Bankruptcy Court for the Southern District of New York (each individually, "*Seller*," and together, "*Sellers*"), XO Communications, Inc., a Delaware corporation ("*Buyer*"), and JPMorgan Chase Bank, a New York State Bank (the "*Escrow Agent*").

## W I T N E S S E T H

WHEREAS, Buyer and Sellers have entered into an Asset Purchase Agreement, dated as of February 18, 2004 (the "*Asset Purchase Agreement*" and capitalized terms used herein and not otherwise defined in this Escrow Agreement shall have the meaning ascribed to them in the Asset Purchase Agreement);

WHEREAS, pursuant to Section 3.2(b) of the Asset Purchase Agreement, Buyer and Sellers have agreed that upon the Early Funding Date, Buyer will deliver the Adjusted Cash Purchase Price and the Purchase Price Escrow Stock (collectively the "*Escrowed Purchase Price*") into an escrow account;

WHEREAS, pursuant to Section 3.3 of the Asset Purchase Agreement, Buyer and Sellers have agreed that Sellers will deliver the Earnest Money Deposit (the "Earnest Money Escrow Amount," collectively with the Escrowed Purchase Price, the "*Escrow Property*") into an escrow account; and

WHEREAS, Buyer and Sellers desire to appoint the Escrow Agent to act as escrow agent hereunder in the manner hereinafter set forth and the Escrow Agent is willing to act in such capacity;

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Buyer, Sellers and the Escrow Agent hereby agree as follows:

1. Establishment of Escrow Account. The Escrow Agent shall establish and maintain on behalf of the parties hereto, an interest bearing escrow account (the "*Escrow Account*") to which there shall be immediately credited and held all amounts or property received by the Escrow Agent from Buyer in accordance with Section 2 hereof. The funds and property credited to the Escrow Account shall be applied and disbursed only as provided herein. The Escrow Agent shall, to the extent required by law, segregate the funds credited to the Escrow Account from its other funds held as an agent or in trust.

2. Deposits to the Escrow Account; Investment.

(a) Buyer shall deliver to the Escrow Agent for deposit in the Escrow Account the Adjusted Cash Purchase Price and the Purchase Price Escrow Stock and Sellers shall deliver to the Escrow Agent for deposit in the Escrow Account the Earnest Money Deposit as required pursuant to Section 3.2(b) and Section 3.3, respectively, of the Asset Purchase Agreement and the terms set forth herein.

(b) All cash amounts to be deposited with the Escrow Agent shall be transferred by wire transfer of immediately available funds to the following account of the Escrow Agent (or to such other account of the Escrow Agent as the Escrow Agent shall notify Sellers and Buyer in writing prior to the transfer of funds and which account Sellers and Buyer approve):

JPMorgan Chase Bank
Houston, Texas
ABA No.: 113000609
Account Name: Trust Clearing Account
Account No.: 00103409257
FFC: Allegiance Telecom Escrow
Attention: Greg Campbell

(c) Purchase Price Escrow Stock will be delivered to Escrow Agent registered in the name of Buyer with dually executed and Medallion signature guaranteed stock powers attached to each Purchase Price Escrow Stock certificate. All property (including the Purchase Price Escrow Stock) to be deposited with the Escrow Agent shall be delivered to the Escrow Agent at the following address:

JPMorgan Chase Bank
600 Travis, Suite 1150

Houston, Texas 77002
Attention: Greg Campbell
Telecopier: (713) 216 - 6927

(d) The Escrow Agent shall promptly following receipt confirm in writing to Sellers and Buyer the deposits received by it pursuant to Section 2(a), Section 2(b) and Section 2(c) above and the amount of such deposit and of any other amounts or securities from time to time deposited with the Escrow Agent in connection with the Asset Purchase Agreement.

(e) Funds on deposit in the Escrow Account shall be invested in short-term United States government securities, money-market funds, interest bearing depository accounts or short-term certificates of deposit of a bank or trust company having combined capital, surplus and retained earnings of at least $500 million; provided that any such investment can be liquidated upon five (5) days notice. The Escrow Agent shall not be accountable or liable for any losses resulting from the sale or depreciation in the market value of such investments thereof. Sellers shall not be accountable or liable to

Buyers for any losses resulting from the sale or depreciation in the market value of such investments. Unless otherwise instructed in writing by Buyer and Sellers, the Escrow Agent will invest the Escrow Property in the JPMorgan U.S. Govt. #245 Money Market Fund. Escrow Agent shall not be liable for failure to invest or reinvest funds absent sufficient written direction. Unless Escrow Agent is otherwise directed in such written instructions, Escrow Agent may use a broker-dealer of its own selection, including a broker-dealer owned by or affiliated with Escrow Agent or any of its affiliates. The Escrow Agent or any of its affiliates may receive compensation with respect to any investment directed hereunder; provided, that such compensation shall not affect the fees paid by Buyer and Sellers hereunder. It is expressly agreed and understood by the parties hereto that Escrow Agent shall not in any way whatsoever be liable for losses on any investments, including, but not limited to, losses from market risks due to premature liquidation or resulting from other actions taken pursuant to this Escrow Agreement.

(f) Receipt, investment and reinvestment of the Escrow Property shall be confirmed by Escrow Agent to Buyer and Seller as soon as practicable by account statement.

(g) Buyer shall be deemed the owner of all Escrow Property and investments in the Escrow Account and shall be responsible for the preparation of all tax returns associated with the investments therein and shall pay all costs relating to such returns, and any related taxes, fines and penalties and interest. The Escrow Account shall be assigned the federal tax identification number of Buyer. Upon execution of this Escrow Agreement, Buyer and Sellers shall provide Escrow Agent with a Form W-8 or W-9 to evidence Buyer is not subject to any back-up withholding under the United States Internal Revenue Code. Buyer shall report all income, if any, that is earned on, or derived from, the Escrow Property as its income, in the taxable year or years in which such income is properly includible and pay any taxes attributable thereto. Failure to so provide such forms may prevent or delay disbursements from the Escrow Property and may also result in the Escrow Agent's being required to withhold tax on any interest or other income earned on the Escrow Property. Any payments of income shall be subject to applicable withholding regulations then in force in the United States or any other jurisdiction, as applicable.

3. Distributions from Escrow Account.

(a) Funds on deposit in the Escrow Account shall be withdrawn by the Escrow Agent only in accordance with this Section 3.

(b) If the Escrow Agent receives joint written instructions signed by Buyer and Sellers pursuant to the Asset Purchase Agreement that such agreement has been terminated, the Escrow Agent shall disburse in accordance with the joint written instructions of Buyer and Sellers the Escrow Property to Buyer or Sellers and all accrued investment income thereon to Buyer, in each case within three (3) Business Days of receipt of notice of such termination. The term "Business Day" shall mean any day of the

year, excluding Saturday, Sunday and any other day on which national banks are required or authorized to close in New York, New York.

(c) If one of the parties (the "*Notifying Party*") (without joint instructions from the other party) notifies the Escrow Agent that it is entitled to the Escrow Property, such notice (the "*Notice*") shall state the reason that the Notifying Party is entitled to the Escrow Property, and the Notice will also be sent to the other party (the "*Recipient*"). The Recipient shall have ten (10) calendar days from its actual receipt of the Notice to provide notice to the Escrow Agent and the Notifying Party disputing the Notifying Party's entitlement to the Escrow Property. If the Escrow Agent does not receive notice disputing such entitlement to the Escrow Property prior to 5:00 p.m. Central Time on the tenth (10th) calendar days after the Recipient actually receives the Notice, the Escrow Agent shall pay the Escrow Property as directed by the Notifying Party. If the Escrow Agent receives notice disputing such entitlement to the Escrow Property prior to 5:00 p.m. Central Time on the tenth (10th) calendar days after the Recipient receives the Notice, the Escrow Agent shall not pay the disputed amount of the Escrow Property until the Escrow Agent receives either an order of the Bankruptcy Court, which order has become final and not subject to appeal and has been certified by the clerk of the Bankruptcy Court or other appropriate official, or joint written notice signed by Buyer and Sellers indicating that the dispute has been resolved and directing the Escrow Agent to whom to pay the Escrow Property and in what amounts (collectively, a "*Final Resolution*"). The Escrow Agent shall pay the Escrow Property within three (3) Business Days of its receipt of the written evidence of a Final Resolution as provided in this Section 3(c). The Escrow Agent shall be entitled to rely, exclusively, on any representation jointly made by Buyer and Sellers in writing in relation to the release of funds from the Escrow Account, and shall release funds from the Escrow Account from time to time as directed in any such joint written instruction from Buyer and Sellers or pursuant to a Final Resolution.

(d) Upon the Escrow Agent receiving written notice, signed by Buyer and Sellers, of the Closing of the transactions contemplated by the Asset Purchase Agreement, the Escrow Agent shall disburse to Sellers the Escrow Property, and the earnings thereon shall be disbursed to Buyer, in each case within three (3) Business Days of receipt of notice of the Closing.

(e) All disbursements of the Escrow Property, or any portion thereof, to Buyer, and the earnings thereon, shall be disbursed to Buyer in accordance with the instructions attached hereto as Exhibit A. Buyer may amend Exhibit A hereto from time to time by providing written notice to the Escrow Agent. Any such amendment shall be effective immediately upon receipt by the Escrow Agent of such written notice.

(f) All disbursements of the Escrow Property, or any portion thereof to Sellers shall be disbursed to Sellers in accordance with the instructions attached hereto as Exhibit B. Sellers may amend Exhibit B hereto from time to time by providing written notice to the Escrow Agent. Any such amendment shall be effective immediately upon receipt by the Escrow Agent of such written notice.

4. Termination of Escrow Account and Escrow Agreement. The Escrow Account shall be deemed dissolved and this Escrow Agreement shall terminate upon the written agreement of the parties hereto, upon disbursement of all of the funds in the Escrow Account, or upon transfer of all amounts in the Escrow Account then in the possession of the Escrow Agent to the Bankruptcy Court or such other party as the parties hereto may jointly agree upon in writing in accordance with the terms of this Escrow Agreement.

5. Escrow Agent.

(a) Buyer and Sellers, jointly and severally, agree to pay the Escrow Agent reasonable compensation for its services as Escrow Agent hereunder, as listed on Schedule A annexed hereto, promptly upon request therefor, and to reimburse the Escrow Agent for all reasonable expenses of or reasonable disbursements incurred by the Escrow Agent in the performance of its duties hereunder, including the reasonable fees, expenses and disbursements of counsel to the Escrow Agent. Notwithstanding the foregoing, and without prejudice to the Escrow Agent's rights hereunder, each of Buyer and Sellers shall bear 50% of the fees, costs and expenses of the Escrow Agent and of any indemnity obligation pursuant to Section 6(c) hereof.

(b) The Escrow Agent may retain that portion of the Escrow Account equal to any such unpaid reasonable costs, expenses and fees incurred by the Escrow Agent as contemplated by Section 5(a) above until such time as such costs, expenses and fees have been paid.

6. Rights, Duties and Immunities of Escrow Agent. Acceptance by the Escrow Agent of its duties under this Escrow Agreement is subject to the following terms and conditions, which all parties to this Escrow Agreement hereby agree shall govern and control the rights, duties and immunities of the Escrow Agent:

(a) The duties and obligations of the Escrow Agent shall be determined solely by the express provisions of this Escrow Agreement and the Escrow Agent shall not be liable, except for the performance of such duties and obligations as are specifically set out in this Escrow Agreement. The Escrow Agent shall not be required to inquire as to the performance or observation of any obligation, term or condition under any agreement or arrangement by Buyer and Sellers. The Escrow Agent is not a party to, and is not bound by, any agreement or other document out of which this Escrow Agreement may arise. The Escrow Agent shall be under no liability to any party hereto by reason of any failure on the part of any other party hereto or any maker, guarantor, endorser or other signatory of any document or any other person to perform such person's obligations under any such document. The Escrow Agent shall not be bound by any waiver, modification, termination or rescission of this Escrow Agreement or any of the terms hereof, unless evidenced by a writing delivered to the Escrow Agent signed by the proper party or parties and, if the duties or rights of the Escrow Agent are affected, unless it shall

give its prior written consent thereto. This Escrow Agreement shall not be deemed to create a fiduciary relationship between the Sellers and Buyer under state or federal law.

(b) The Escrow Agent shall not be responsible in any manner for the validity or sufficiency of this Escrow Agreement or of any property delivered hereunder, or for the value or collectibility of any note, check or other instrument, if any, so delivered, or for any representations made or obligations assumed by any party other than the Escrow Agent. Nothing herein contained shall be deemed to obligate the Escrow Agent to deliver any cash, instruments, documents or any other property referred to herein, unless the same shall have first been received by the Escrow Agent pursuant to this Escrow Agreement.

(c) Buyer and Sellers will reimburse and indemnify the Escrow Agent for, and hold it harmless against, any loss, liability or expense, including but not limited to reasonable counsel fees, incurred without bad faith, willful misconduct or gross negligence on the part of the Escrow Agent arising out of or in conjunction with its acceptance of, or the performance of its duties and obligations under this Escrow Agreement.

(d) The Escrow Agent shall be fully protected in acting on and relying upon any written notice direction, request, waiver, consent, receipt or other paper or document which the Escrow Agent in good faith believes to have been signed and presented by the proper party or parties.

(e) The Escrow Agent shall not be liable for any error of judgment, or for any act done or step taken or omitted by it in good faith or for any mistake in act or law, or for anything which it may do or refrain from doing in connection herewith, except its own gross negligence or willful misconduct.

(f) The Escrow Agent may seek the advice of legal counsel in the event of any dispute or question as to the construction of any of the provisions of this Escrow Agreement or its duties hereunder, and it shall incur no liability and shall be fully protected in respect of any action taken, omitted or suffered by it in good faith in accordance with the written advice or opinion of such counsel.

(g) The parties hereto agree that should any dispute arise with respect to the payment, ownership or right of possession of the Escrow Account, the Escrow Agent is authorized and directed to retain in its possession, without liability to anyone, except for its bad faith, willful misconduct or gross negligence, all or any part of the Escrow Account until such dispute shall have been settled either by mutual agreement by the parties concerned or by the final order, decree or judgment of the Bankruptcy Court and a notice executed by the parties to the dispute or their authorized representatives shall have been delivered to the Escrow Agent setting forth the resolution of the dispute, which notice Buyer and Sellers hereby agree to so execute and deliver to the Escrow Agent in the event that such an order, decree or judgment is obtained from or issued by the

Bankruptcy Court. The Escrow Agent shall be under no duty whatsoever to institute, defend or partake in such proceedings.

(h) The agreements set forth in this Section 6 shall survive the resignation or removal of the Escrow Agent, the termination of this Escrow Agreement and the payment of all amounts hereunder.

(i) In no event shall the Escrow Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action and *provided, further*, that Escrow Agent shall have no liability for any loss arising from any cause beyond its control, including, but not limited to, the following: (a) acts of God, force majeure, including, without limitation, war (whether or not declared or existing), revolution, insurrection, riot, civil commotion, accident, fire, explosion, stoppage of labor, strikes and other differences with employees; (b) the act, failure or neglect of Buyer or Sellers or any agent or correspondent or any other person selected by Escrow Agent; (c) any delay, error, omission or default of any mail, courier, telegraph, cable or wireless agency or operator; or (d) the acts or edicts of any government or governmental agency or other group or entity exercising governmental powers. Escrow Agent is not responsible or liable in any manner whatsoever for the sufficiency, correctness, genuineness or validity of the subject matter of this Escrow Agreement or any part hereof or for the transaction or transactions requiring or underlying the execution of this Escrow Agreement, the form or execution hereof or for the identity or authority of any person executing this Escrow Agreement (except for the Escrow Agent itself) or any part hereof or depositing the Escrow Property.

7. Resignation of Escrow Agent. The Escrow Agent shall have the right to resign upon 30 days written notice to Sellers and Buyer. In the event of such resignation, Sellers and Buyer shall mutually agree upon and appoint a successor escrow agent hereunder by delivering to the Escrow Agent a written notice of such appointment. Upon receipt of such notice, the Escrow Agent shall deliver to the designated successor escrow agent all money and other property held hereunder and shall thereupon be released and discharged from any and all further responsibilities whatsoever under this Escrow Agreement; provided, however, that the Escrow Agent shall not be deprived of its compensation earned prior to such time.

If no successor escrow agent shall have been designated by the date specified in the Escrow Agent's notice, all obligations of the Escrow Agent hereunder shall nevertheless cease and terminate. Its sole responsibility thereafter shall be to keep safely all property then held by it and to deliver the same to a person designated by the other parties hereto or in accordance with the direction of a final order or judgment of the Bankruptcy Court.

8. Notices. All claims, notices, consents, objections and other communications under this Escrow Agreement shall be in writing and shall, except as otherwise provided herein, be deemed to have been duly given when (i) delivered by hand, (ii) sent by telecopier (with receipt confirmed), or (iii) when received by the addressee, if sent by Express Mail, Federal Express or other reputable overnight delivery service, in each case, at the appropriate addresses and telecopier numbers as set forth below:

ESCROW AGENT:
JPMorgan Chase Bank
600 Travis, Suite 1150
Houston, Texas 77002Attention: Greg Campbell
Telecopier: 713-216-6927

Telephone: 713-216-6079

BUYER:
XO Communications, Inc.
11111 Sunset Hills Road
Reston, Virginia 2019
Telecopier: (703) 547-2025
Attention: Lee Wiener,
Senior Vice President and General Counsel
Kristi Jung, Treasurer

With a copy to:

Brown Rudnick Berlack Israels
120 West 45th Street
New York, NY 10036
Telecopier: (212) 704-0196
(617) 856-8201
Attention: Edward S. Weisfelner
Steven D. Pohl

SELLERS:
c/o Allegiance Telecom, Inc.
700 E. Butterfield Road, Suite 400
Lombard, IL 60148
Telecopier: (630) 522-5250
Attention: Mark B. Tresnowski, Esq.
Executive Vice President,
General Counsel and Secretary

With a copy to:

Kirkland & Ellis LLP
153 East 53rd St.
New York, NY 10022
Telecopier: (212) 446-4900
Attention: Jonathan S. Henes, Esq.
Michael Movsovich, Esq.

(or to such other addresses and telecopier numbers as a party may designate as to itself by notice to the other parties). Notwithstanding any of the foregoing, any computation of a time period which is to begin after receipt of a notice by the Escrow Agent shall run from the date of receipt by it.

9. Successors. This Escrow Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided that this Escrow Agreement may not be assigned by any party without the prior written consent of the other parties, which consent shall not be unreasonably withheld.

10. Severability. If any portion or provision of this Escrow Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Escrow Agreement shall be construed by modifying or limiting it so as to be valid and enforceable to the maximum extent compatible with, and possible under, applicable law. The provisions hereof are severable, and in the event any provision hereof should be held invalid or unenforceable in any respect, it shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

11. Amendments. This Escrow Agreement may be amended or modified at any time or from time to time in writing executed by the parties to this Escrow Agreement.

12. Governing Law. This Escrow Agreement shall be construed and interpreted, and the rights of the parties shall be determined, in accordance with the substantive laws of the State of New York, without regard to the conflict of laws principles thereof or of any other jurisdiction.

13. JURISDICTION. THE BANKRUPTCY COURT SHALL HAVE EXCLUSIVE JURISDICTION TO RESOLVE ANY AND ALL DISPUTES ARISING UNDER THIS ESCROW AGREEMENT AND EACH OF THE PARTIES HERETO HEREBY EXPRESSLY CONSENTS TO SUCH EXCLUSIVE JURISDICTION.

14. Waiver. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Escrow Agreement, or the waiver by any

party of any breach of this Escrow Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

15. Headings. The headings and captions in this Escrow Agreement are for convenience of reference only and shall not in any way affect the meaning or interpretation of this Escrow Agreement.

16. Counterparts. This Escrow Agreement may be executed in any number of counterparts and by each of the parties hereto in separate counterparts (including by facsimile), each of which when so executed shall be deemed to be an original and all of which together shall constitute one and the same agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned have executed this Escrow Agreement as of the date first written above.

ALLEGIANCE TELECOM, INC.

By: _____
Name:
Title:

ALLEGIANCE TELECOM COMPANY WORLDWIDE

By: _____
Name:
Title:

XO COMMUNICATIONS, INC.

By: _____
Name:
Title:

JPMORGAN CHASE BANK,

as Escrow Agent

By: _____
Name:
Title:

Schedule A

# Schedule of Fees
# for
# Escrow Agent Services

**Note: The following fee schedule is applicable only in the event that the cash portion of the escrow deposit, after its deposit and until withdrawn in each case pursuant to the terms of this Purchase Price Escrow Agreement, is not invested in a JPMorgan investment product.**

**New Account Acceptance Fee . . . . . . . . . . . . . . . . . . . . $ 750 WAIVED**
Payable upon Account Opening

**Minimum Administrative Fee . . . . . . . . . . . . . . . . . . . . . . $ 3,500 WAIVED**
Payable Upon Account Opening and in Advance
for each year in which we act as Escrow Agent

**ACTIVITY FEES:**

**Disbursements**

| | | |
|---|---|---|
| Per Check | | **$ 35 WAIVED** |
| Per Wire | U.S. | **$ 35 WAIVED** |
| | International | **$ 100 WAIVED** |

**Receipts**

| | |
|---|---|
| Per Check | **$ 35 WAIVED** |
| Per Wire | **$ 35 WAIVED** |

**Investments**
Per directed buy/sell) **$ 50 WAIVED**

**1099 Reporting** **$ 15 WAIVED**

**LEGAL EXPENSES:** **WAIVED**

A New Account Acceptance Fee will be charged for the Bank's review of the Escrow Agreement along with any related account documentation. A one (1) year Minimum Administrative Fee will be assessed for any account which is funded. The account will be invoiced in the month in which the account is opened and annually thereafter. Payment of the invoice is due 30 days following receipt.

The Administrative Fee will cover a maximum of fifteen (15) annual administrative hours for the Bank's standard Escrow services including account setup, safekeeping of assets, investment of funds, collection of income and other receipts, preparation of statements comprising account activity and asset listing, and distribution of assets in accordance with the specific terms of the Escrow Agreement.

***Extraordinary Services and Out-of Pocket Expenses:***

Any additional services beyond our standard services as specified above, such as annual administrative activities in excess of fifteen (15) hours and all reasonable out-of-pocket expenses including attorney's fees will be considered extraordinary services for which related costs, transaction charges, and additional fees will be billed at the Bank's standard rate.

***Modification of Fees:***

Circumstances may arise necessitating a change in the foregoing fee schedule. The Bank will attempt at all times, however, to maintain the fees at a level which is fair and reasonable in relation to the responsibilities assumed and the duties performed.

***Assumptions:***

- Any cash portion of the escrow deposit shall be continuously invested, after its deposit and until withdrawn in each case pursuant to the terms of this Purchase Price Escrow Agreement, in the JPMorgan Chase Cash Escrow Product or other similar investment. The Minimum Administrative Fee would include ***a supplemental charge of 50 basis points*** on the escrow deposit amount if another investment option is chosen.
- The account will be invoiced in the month in which the account is opened and annually thereafter.
- Payment of the invoice is due 30 days following receipt.

All fees quoted are subject to our review and acceptance, and that of our legal counsel, of the documents governing the escrow. Except as provided herein, as a condition for acceptance of an appointment, it is expected that all legal fees and out-of-pocket expenses incurred by JPMorgan Chase Bank and our counsel in connection with our review of the transaction will be paid by the client regardless of whether or not the transaction closes.

Notwithstanding anything to the contrary herein, the Escrow Agent hereby acknowledges and agrees that for so long as the cash portion of the escrow deposit is invested, after its deposit and until withdrawn in each case pursuant to the terms of this Purchase Price Escrow Agreement, in a JPMorgan investment product, or other similar investment, all fees (whether recurring or non-recurring) associated with this Purchase Escrow Agreement are waived.

EXHIBIT A

ACH/ WIRE TRANSFER INSTRUCTIONS:

Bank: Mellon
Pittsburgh, PA

ABA: 043000261

Credit:
XO Communications, Inc
11111 Sunset Hills Road
Reston, VA 20190

Account: 121-5935

Please fax Remittance advice to:
XO Communications
Attn: Kate Kenefick
Fax- 703-547-2032

EXHIBIT B

Allegiance Telecom
JP Morgan Chase
Dallas Texas
Route #: 113000609
Account Number: 08806351092

# EXHIBIT C TAX CERTIFICATIONS

ALLEGIANCE TELECOM, INC.

**Tax Certification:** Taxpayer ID#: 75-2721491

NOTE: The following certification shall be used by and for a U.S. resident only. Non-residents must use and provide Form W8-BEN

Customer is a (check one):

_X__ Corporation ___ Municipality ___ Partnership ___ Non-profit or Charitable Org
___ Individual ___ REMIC ___ Trust ___ Other _____

*Under the penalties of perjury, the above certifies that:*

*(1) the entity is organized under the laws of the United States*

*(2) the number shown above is its correct Taxpayer Identification Number (or it is waiting for a number to be issued to it); and*

*(3) it is not subject to backup withholding because: (a) it is exempt from backup withholding or (b) it has not been notified by the Internal Revenue Service (IRS) that it is subject to backup withholding as a result of failure to report all interest or dividends, or (c) the IRS has notified it that it is no longer subject to backup withholding.*

*(If the entity is subject to backup withholding, cross out the words after the (3) above.)*

*Investors who do not supply a tax identification number will be subject to backup withholding in accordance with IRS regulations.*

Note: The IRS does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

ALLEGIANCE TELECOM COMPANY WORLDWIDE

**Tax Certification:** Taxpayer ID#: 75-2811276

NOTE: The following certification shall be used by and for a U.S. resident only. Non-residents must use and provide Form W8-BEN

Customer is a (check one):

_X__ Corporation ___ Municipality ___ Partnership ___ Non-profit or Charitable Org
___ Individual ___ REMIC ___ Trust ___ Other _____

*Under the penalties of perjury, the above certifies that:*

*(1) the entity is organized under the laws of the United States*

*(2) the number shown above is its correct Taxpayer Identification Number (or it is waiting for a number to be issued to it); and*

*(3) it is not subject to backup withholding because: (a) it is exempt from backup withholding or (b) it has not been notified by the Internal Revenue Service (IRS) that it is subject to backup withholding as a result of failure to report all interest or dividends, or (c) the IRS has notified it that it is no longer subject to backup withholding.*

*(If the entity is subject to backup withholding, cross out the words after the (3) above.)*

*Investors who do not supply a tax identification number will be subject to backup withholding in accordance with IRS regulations.*

Note: The IRS does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

XO COMMUNICATIONS, INC.

**Tax Certification:** Taxpayer ID#: 54-1983517

NOTE: The following certification shall be used by and for a U.S. resident only. Non-residents must use and provide Form W8-BEN

Customer is a (check one):

_X__ Corporation ___ Municipality ___ Partnership ___ Non-profit or Charitable Org
___ Individual ___ REMIC ___ Trust ___ Other _____

*Under the penalties of perjury, the undersigned certifies that:*

*(1) the entity is organized under the laws of the United States*

*(2) the number shown above is its correct Taxpayer Identification Number (or it is waiting for a number to be issued to it); and*

*(3) it is not subject to backup withholding because: (a) it is exempt from backup withholding or (b) it has not been notified by the Internal Revenue Service (IRS) that it is subject to backup withholding as a result of failure to report all interest or dividends, or (c) the IRS has notified it that it is no longer subject to backup withholding.*

*(If the entity is subject to backup withholding, cross out the words after the (3) above.)*

*Investors who do not supply a tax identification number will be subject to backup withholding in accordance with IRS regulations.*

Note: The IRS does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

**EXHIBIT F-2**

## ADJUSTMENT ESCROW AGREEMENT

ADJUSTMENT ESCROW AGREEMENT (this "*Escrow Agreement*"), dated as of **[_____, 2004]**, by and among Allegiance Telecom, Inc., a Delaware corporation ("*ATI*"), and Allegiance Telecom Company Worldwide, a Delaware corporation, debtors-in-possession under title 11, of the United States Code, 11 U.S.C. in the United States Bankruptcy Court for the Southern District of New York (each individually, "*Seller*," and together, "*Sellers*"), XO Communications, Inc., a Delaware corporation ("*Buyer*"), and **[_____]** as escrow agent (the "*Escrow Agent*").

## W I T N E S S E T H

WHEREAS, Buyer and Sellers have entered into an Asset Purchase Agreement, dated as of **[February 18, 2004]** (the "*Asset Purchase Agreement*" and capitalized terms used herein and not otherwise defined in this Escrow Agreement shall have the meaning ascribed to them in the Asset Purchase Agreement);

WHEREAS, pursuant to Section 3.2(b)(iii) of the Asset Purchase Agreement, Buyer and Sellers have agreed that Buyer will deliver a deposit equal to the greater of (i) $7,000,000 and (ii) the sum of $5,000,000 plus, to the extent positive, the Initial Working Capital Adjustment (the "*Escrowed Funds*") into an escrow account;

WHEREAS, Buyer and Sellers desire to appoint the Escrow Agent to act as escrow agent hereunder in the manner hereinafter set forth and the Escrow Agent is willing to act in such capacity;

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Buyer, Sellers and the Escrow Agent hereby agree as follows:

1. Establishment of Escrow Account. The Escrow Agent shall establish and maintain on behalf of the parties hereto, an interest bearing trust account (the "*Escrow Account*") to which there shall be immediately credited and held all amounts received by the Escrow Agent from Buyer in accordance with Section 2 hereof. The funds credited to the Escrow Account shall be applied and disbursed only as provided herein. The Escrow Agent shall, to the extent required by law, segregate the funds credited to the Escrow Account from its other funds held as an agent or in trust.

2. Deposits to the Escrow Account; Investment.

(a) Buyer shall deliver to the Escrow Agent for deposit in the Escrow Account the Escrowed Funds as required pursuant to Section 3.2(b)(iii) and Section 3.4(f) of the Asset Purchase Agreement and the terms set forth herein.

(b) All amounts to be deposited with the Escrow Agent shall be transferred by wire transfer of immediately available funds to the following account of the Escrow Agent (or to such other account of the Escrow Agent as the Escrow Agent shall notify Sellers and Buyer in writing prior to the transfer of funds and which account Sellers and Buyer approve):

**[Name of Escrow Agent]**
**ABA No.: [_____]**
**Account No.: [_____]**
**Allegiance Telecom Escrow**
**Attention: [_____]**

(c) The Escrow Agent shall confirm in writing to Sellers and Buyer the deposit received by it pursuant to Section 2(a) above and the amount of such deposit and of any other amounts from time to time deposited with the Escrow Agent in connection with the Asset Purchase Agreement.

(d) Funds on deposit in the Escrow Account shall be invested in short-term United States government securities, money-market funds, interest bearing depository accounts or short-term certificates of deposit of a bank or trust company having combined capital, surplus and retained earnings of at least $500 million; provided that any such investment can be liquidated upon three days notice. The Escrow Agent shall not be accountable or liable for any losses resulting from the sale or depreciation in the market value of such investments thereof.

(e) ATI shall be deemed the owner of all Escrowed Funds and investments in the Escrow Account and shall be responsible for the preparation of all tax returns associated with the investments therein and shall pay all costs relating to such returns, and all taxes, fines and penalties and interest. The Escrow Account shall be assigned the federal tax identification number of ATI. ATI shall provide Escrow Agent, at any time upon request of Escrow Agent with a Form W-8 or W-9 to evidence ATI is not subject to any back-up withholding under the United States Internal Revenue Code. ATI shall report all income, if any, that is earned on, or derived from, the Escrowed Funds as its income, in the taxable year or years in which such income is properly includible and pay any taxes attributable thereto.

3. Distributions from Escrow Account.

(a) Funds on deposit in the Escrow Account shall be withdrawn by the Escrow Agent only in accordance with this Section 3.

(b) If the Escrow Agent receives joint written instructions signed by Buyer and Sellers pursuant to the Asset Purchase Agreement that the Escrowed Funds, or any portion thereof, should be paid to (i) Buyer, (ii) Sellers or (iii) Buyer and Sellers under the terms of the Asset Purchase Agreement, the Escrow Agent shall disburse the Escrowed Funds to Buyer and/or Sellers, as the case may be, in such amounts as are set

forth in such joint written instructions, together with the earnings thereon, within three (3) business days of receipt thereof.

(c) If one of the parties (the "*Notifying Party*") (without joint instructions from the other party) notifies the Escrow Agent that it is entitled to the Escrowed Funds, such notice (the "*Notice*") shall state the reason under Section 3(b) that the Notifying Party is entitled to the Escrowed Funds, and the Notice will also be sent to the other party (the "*Recipient*"). The Recipient shall have ten (10) calendar days from its actual receipt of the Notice to provide notice to the Escrow Agent and the Notifying Party disputing the Notifying Party's entitlement to the Escrowed Funds. If the Escrow Agent does not receive notice disputing such entitlement to the Escrowed Funds within ten (10) calendar days after the Recipient actually receives the Notice, the Escrow Agent shall pay the Escrowed Funds as directed by the Notifying Party. If the Escrow Agent receives notice disputing such entitlement to the Escrowed Funds within ten days after the Recipient receives the Notice, the Escrow Agent shall not pay the Escrowed Funds until the Escrow Agent receives either an order of the Bankruptcy Court, which order has become final and not subject to appeal and has been certified by the clerk of the Bankruptcy Court or other appropriate official, or joint written notice signed by Buyer and Sellers indicating that the dispute has been resolved and directing the Escrow Agent to whom to pay the Escrowed Funds and income earned thereon and in what amounts (collectively, a "*Final Resolution*"). The Escrow Agent shall pay the Escrowed Funds within three (3) business days of its receipt of the written evidence of a Final Resolution required above in this Section 3(c). The Escrow Agent shall be entitled to rely, exclusively, on any representation jointly made by Buyer and Sellers in writing in relation to the release of funds from the Escrow Account, and shall release funds from the Escrow Account from time to time as directed in any such joint written instruction from Buyer and Sellers or pursuant to a Final Resolution.

(d) All disbursements of the Escrowed Funds, or any portion thereof, and the earnings thereon to Buyer shall be disbursed to Buyer in accordance with the instructions attached hereto as Exhibit A. Buyer may amend Exhibit A hereto from time to time by providing written notice to the Escrow Agent. Any such amendment shall be effective immediately upon receipt by the Escrow Agent of such written notice.

(e) All disbursements of the Escrowed Funds, or any portion thereof, and the earnings thereon to Sellers shall be disbursed to Sellers in accordance with the instructions attached hereto as Exhibit B. Sellers may amend Exhibit B hereto from time to time by providing written notice to the Escrow Agent. Any such amendment shall be effective immediately upon receipt by the Escrow Agent of such written notice.

4. Termination of Escrow Account and Escrow Agreement. The Escrow Account shall be deemed dissolved and this Escrow Agreement shall terminate upon the written agreement of the parties hereto, upon disbursement of all of the funds in the Escrow Account, or upon transfer of all amounts in the Escrow Account then in the possession of the Escrow Agent to the Bankruptcy Court or such other party as the parties

hereto may jointly agree upon in writing in accordance with the terms of this Escrow Agreement.

5. Escrow Agent.

(a) Buyer and Sellers, jointly and severally, agree to pay the Escrow Agent reasonable compensation for its services as Escrow Agent hereunder, as listed on Schedule A annexed hereto, promptly upon request therefor, and to reimburse the Escrow Agent for all reasonable expenses of or reasonable disbursements incurred by the Escrow Agent in the performance of its duties hereunder, including the reasonable fees, expenses and disbursements of counsel to the Escrow Agent. Notwithstanding the foregoing, and without prejudice to the Escrow Agent's rights hereunder, each of Buyer and Sellers shall bear 50% of the fees, costs and expenses of the Escrow Agent and of any indemnity obligation pursuant to Section 6(c) hereof.

(b) The Escrow Agent may retain that portion of the Escrow Account equal to any such unpaid reasonable costs, expenses and fees incurred by the Escrow Agent as contemplated by Section 5(a) above until such time as such costs, expenses and fees have been paid.

6. Rights, Duties and Immunities of Escrow Agent. Acceptance by the Escrow Agent of its duties under this Escrow Agreement is subject to the following terms and conditions, which all parties to this Escrow Agreement hereby agree shall govern and control the rights, duties and immunities of the Escrow Agent:

(a) The duties and obligations of the Escrow Agent shall be determined solely by the express provisions of this Escrow Agreement and the Escrow Agent shall not be liable, except for the performance of such duties and obligations as are specifically set out in this Escrow Agreement. The Escrow Agent shall not be required to inquire as to the performance or observation of any obligation, term or condition under any agreement or arrangement by Buyer and Sellers. The Escrow Agent is not a party to, and is not bound by, any agreement or other document out of which this Escrow Agreement may arise. The Escrow Agent shall be under no liability to any party hereto by reason of any failure on the part of any other party hereto or any maker, guarantor, endorser or other signatory of any document or any other person to perform such person's obligations under any such document. The Escrow Agent shall not be bound by any waiver, modification, termination or rescission of this Escrow Agreement or any of the terms hereof, unless evidenced by a writing delivered to the Escrow Agent signed by the proper party or parties and, if the duties or rights of the Escrow Agent are affected, unless it shall give its prior written consent thereto. This Escrow Agreement shall not be deemed to create a fiduciary relationship between the parties hereto under state or federal law.

(b) The Escrow Agent shall not be responsible in any manner for the validity or sufficiency of this Escrow Agreement or of any property delivered hereunder, or for the value or collectibility of any note, check or other instrument, if any, so delivered, or for any representations made or obligations assumed by any party other than

the Escrow Agent. Nothing herein contained shall be deemed to obligate the Escrow Agent to deliver any cash, instruments, documents or any other property referred to herein, unless the same shall have first been received by the Escrow Agent pursuant to this Escrow Agreement.

(c) Buyer and Sellers will reimburse and indemnify the Escrow Agent for, and hold it harmless against, any loss, liability or expense, including but not limited to reasonable counsel fees, incurred without bad faith, willful misconduct or gross negligence on the part of the Escrow Agent arising out of or in conjunction with its acceptance of, or the performance of its duties and obligations under this Escrow Agreement, as well as the costs and expenses of defending against any claim or liability arising out of or relating to this Escrow Agreement.

(d) The Escrow Agent shall be fully protected in acting on and relying upon any written notice direction, request, waiver, consent, receipt or other paper or document which the Escrow Agent in good faith believes to have been signed and presented by the proper party or parties.

(e) The Escrow Agent shall not be liable for any error of judgment, or for any act done or step taken or omitted by it in good faith or for any mistake in act or law, or for anything which it may do or refrain from doing in connection herewith, except its own gross negligence or willful misconduct.

(f) The Escrow Agent may seek the advice of legal counsel in the event of any dispute or question as to the construction of any of the provisions of this Escrow Agreement or its duties hereunder, and it shall incur no liability and shall be fully protected in respect of any action taken, omitted or suffered by it in good faith in accordance with the written advice or opinion of such counsel.

(g) The parties hereto agree that should any dispute arise with respect to the payment, ownership or right of possession of the Escrow Account, the Escrow Agent is authorized and directed to retain in its possession, without liability to anyone, except for its bad faith, willful misconduct or gross negligence, all or any part of the Escrow Account until such dispute shall have been settled either by mutual agreement by the parties concerned or by the final order, decree or judgment of the Bankruptcy Court and a notice executed by the parties to the dispute or their authorized representatives shall have been delivered to the Escrow Agent setting forth the resolution of the dispute, which notice Buyer and Sellers hereby agree to so execute and deliver to the Escrow Agent in the event that such an order, decree or judgment is obtained from or issued by the Bankruptcy Court. The Escrow Agent shall be under no duty whatsoever to institute, defend or partake in such proceedings.

(h) The agreements set forth in this Section 6 shall survive the resignation or removal of the Escrow Agent, the termination of this Escrow Agreement and the payment of all amounts hereunder.

7. Resignation of Escrow Agent. The Escrow Agent shall have the right to resign upon 30 days written notice to Sellers and Buyer. In the event of such resignation, Sellers and Buyer shall mutually agree upon and appoint a successor escrow agent hereunder by delivering to the Escrow Agent a written notice of such appointment. Upon receipt of such notice, the Escrow Agent shall deliver to the designated successor escrow agent all money and other property held hereunder and shall thereupon be released and discharged from any and all further responsibilities whatsoever under this Escrow Agreement; provided, however, that the Escrow Agent shall not be deprived of its compensation earned prior to such time.

If no successor escrow agent shall have been designated by the date specified in the Escrow Agent's notice, all obligations of the Escrow Agent hereunder shall nevertheless cease and terminate. Its sole responsibility thereafter shall be to keep safely all property then held by it and to deliver the same to a person designated by the other parties hereto or in accordance with the direction of a final order or judgment of the Bankruptcy Court.

8. Notices. All claims, notices, consents, objections and other communications under this Escrow Agreement shall be in writing and shall, except as otherwise provided herein, be deemed to have been duly given when (i) delivered by hand, (ii) sent by telecopier (with receipt confirmed), or (iii) when received by the addressee, if sent by Express Mail, Federal Express or other reputable overnight delivery service, in each case, at the appropriate addresses and telecopier numbers as set forth below:

| | |
|---|---|
| ESCROW AGENT: | **[Name of Escrow Agent]**<br>**[Address of Escrow Agent]**<br>**Attention: [_____]**<br>**Telecopier: (___) ___-____** |
| BUYER: | XO Communications, Inc.<br>11111 Sunset Hills Road<br>Reston, Virginia 2019<br>Telecopier: (703) 547-2025<br>Attention: General Counsel |

With a copy to:

Brown Rudnick Berlack Israels
120 West 45th Street
New York, NY 10036
Telecopier: (212) 704-0196
(617) 856-8201
Attention: Edward S. Weisfelner
Steven D. Pohl

SELLERS:

c/o Allegiance Telecom, Inc.
700 E. Butterfield Road, Suite 400
Lombard, IL 60148
Telecopier: (630) 522-5250
Attention: Mark B. Tresnowski, Esq.
Executive Vice President,
General Counsel and Secretary

With a copy to:

Kirkland & Ellis LLP
153 East 53rd St.
New York, NY 10022
Telecopier: (212) 446-4900
Attention: Jonathan S. Henes, Esq.
Michael Movsovich, Esq.

(or to such other addresses and telecopier numbers as a party may designate as to itself by notice to the other parties). Notwithstanding any of the foregoing, any computation of a time period which is to begin after receipt of a notice by the Escrow Agent shall run from the date of receipt by it.

9. Successors. This Escrow Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided that this Escrow Agreement may not be assigned by any party without the prior written consent of the other parties, which consent shall not be unreasonably withheld.

10. Severability. If any portion or provision of this Escrow Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Escrow Agreement shall be construed by modifying or limiting it so as to be valid and enforceable to the maximum extent compatible with, and possible under, applicable law. The provisions hereof are severable, and in the event any provision hereof should be held invalid or unenforceable in any respect, it shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

11. Amendments. Except as set forth in Sections 3(e) and 3(f) above, this Escrow Agreement may be amended or modified at any time or from time to time in writing executed by the parties to this Escrow Agreement.

12. Governing Law. This Escrow Agreement shall be construed and interpreted, and the rights of the parties shall be determined, in accordance with the substantive laws of the State of New York, without regard to the conflict of laws principles thereof or of any other jurisdiction.

13. JURISDICTION. THE BANKRUPTCY COURT SHALL HAVE EXCLUSIVE JURISDICTION TO RESOLVE ANY AND ALL DISPUTES ARISING UNDER THIS ESCROW AGREEMENT AND EACH OF THE PARTIES HERETO HEREBY EXPRESSLY CONSENTS TO SUCH EXCLUSIVE JURISDICTION.

14. Waiver. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Escrow Agreement, or the waiver by any party of any breach of this Escrow Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

15. Headings. The headings and captions in this Escrow Agreement are for convenience of reference only and shall not in any way affect the meaning or interpretation of this Escrow Agreement.

16. Counterparts. This Escrow Agreement may be executed in any number of counterparts and by each of the parties hereto in separate counterparts (including by facsimile), each of which when so executed shall be deemed to be an original and all of which together shall constitute one and the same agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned have executed this Escrow Agreement as of the date first written above.

ALLEGIANCE TELECOM, INC.

By: _____
Name:
Title:

ALLEGIANCE TELECOM COMPANY WORLDWIDE

By: _____
Name:
Title:

XO COMMUNICATIONS, INC.

By: _____
Name:
Title:

**[INSERT NAME OF ESCROW AGENT],**
as Escrow Agent

By: _____
Name:
Title:

**ALLEGIANCE**

SCHEDULE OF FEES

To act as an
Escrow Agent

**Annual Administration Fee** **$[_____]**

Covers acceptance of appointment as Escrow Agent including complete study of drafts of Escrow Agreement and all supporting documents in connection therewith, conferences until the final Escrow Agreement is agreed upon and execution of final Agreement.

**Investments** (if applicable)

Per purchase, sale, redemption, maturity or exchange **$[_____]**

**Wire Transfer of Funds** **$[_____]** out going
**$[_____]** incoming

**NOTE**:

Charges for any services not specifically covered in this schedule will be billed commensurate with the services rendered. This schedule reflects charges that are now in effect for our normal and regular services and are subject to modification where unusual conditions or requirements prevail, and does not include counsel fees or expenses and disbursements, which will be billed at cost. The fees of our counsel shall be due and payable whether or not the transaction closes.

[Remainder of Page Intentionally Left Blank]

EXHIBIT A

**[to come from Buyer]**

EXHIBIT B

**[to come from Sellers]**

EXHIBIT G

**Base Working Capital Calculation**

| | |
|---|---|
| Current Assets | |
| Accounts Receivable: | |
| | Net of Shared Technologies (Net of allowance for doubtful accounts) |
| | Net of Shared Hosting (Net of allowance for doubtful accounts) |
| | Net of pre-Petition carrier access billings A/R (Net of allowance for doubtful accounts) |
| | Net of Level 3 Communications Integrated Solutions Network Purchase Agreement (Net of allowance for doubtful accounts) |
| Prepaid Expenses and other Current Assets: | |
| | Prepaid Rent and Leases - Net of Shared Technologies |
| | Prepaid Insurance |
| | Prepaid Services |
| Current Liabilities: | |
| Accounts Payable | |
| | Net of Administrative Fees related to the Cases |
| | Net of Excluded Contracts: Amvescap Group, Biddle Consulting Group, Ceridian Benefits Services, Cigna Behavioral Health, Connecticut General Life, Equiserve, My Benergy, Salomon Smith Barney, TMP Worldwide, The Hartford Financial Services, Vision Service Plan, Watson Wyatt & Company, KMC Telecom Primary Rate Interface Services Agreement |
| | Net of Shared Technologies and Shared Hosting related Payables |
| Accrued Liabilities | Accrued Liabilities - Other - Net of Shared Technologies and Shared Hosting |
| | Accrued Liabilities - Legal - Net of Shared Technologies and Shared Hosting |
| | Accrued Liabilities - Audit Fees - Net of Shared Technologies and Shared Hosting |
| | Accrued Customer Invoice Processing Fees - Net of Shared Technologies and Shared Hosting |
| | Post-Petition Accrued Network Costs - Net of Shared Technologies and Shared Hosting |

**Exhibit H**

**FORM OF OPERATING AGREEMENT**

This OPERATING AGREEMENT ("Agreement") is dated as of _____, by Allegiance Telecom, Inc. and its subsidiaries listed as Sellers on the signature page hereto (collectively, "Sellers"), and XO Communications, Inc., a Delaware corporation or its designee ("Manager").

WHEREAS, the Sellers and the Manager are parties to an Asset Purchase Agreement dated as of February 18, 2004 (the "Asset Purchase Agreement") whereby Manager has agreed to purchase the Acquired Assets, consisting of the Early Funding Date Assets and the Non-Transferred Assets, from Sellers;

WHEREAS, on [_____], 2004 the Asset Purchase Agreement was approved by the Bankruptcy Court presiding over the Chapter 11 cases of the Sellers ("Bankruptcy Court");

WHEREAS, pursuant to the Asset Purchase Agreement, upon the Early Funding Date the Early Funding Date Assets and the Non-Transferred Assets will be managed by Manager and, with respect to the Early Funding Date Assets, will be transferred to Manager upon receipt of the FCC Consents and, with respect to the Non-Transferred Assets, will be transferred to Manager from time to time upon receipt of the applicable State PUC Consents;

WHEREAS, in order to ensure uninterrupted service to Sellers' customers pending issuance of the State PUC Consents, and to avoid associated potential harm to customers, Sellers and Manager desire that Manager provide management services to Sellers after the Early Funding Date, in conformity with the rules and policies of the FCC, the State PUCs and the terms and conditions of the Asset Purchase Agreement and this Agreement;

WHEREAS, this Agreement and the Asset Purchase Agreement are interrelated according to their respective provisions; and

WHEREAS, the Bankruptcy Court has approved this Agreement in connection with its approval of the Asset Purchase Agreement.

NOW, THEREFORE, in consideration of the above recitals and mutual promises and covenants contained herein, the parties, intending to be legally bound, agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Definitions. Each term capitalized herein and not otherwise defined shall have the meaning assigned to it in the Asset Purchase Agreement.

"Early Funding Date Assets" means the Acquired Assets which would not be considered "Non-Transferred Assets" as of the Early Funding Date under Section 2.5 of the Purchase Agreement.

## ARTICLE II
## APPOINTMENT AND TERM OF THE AGREEMENT

Section 2.1 Appointment; Expenses.

(a) Manager hereby agrees, on the terms and conditions set forth herein, to provide management services to Sellers so as to meet any and all ongoing obligations associated with the Early Funding Date Assets and the Non-Transferred Assets, including obligations of Sellers to their respective customers pursuant to existing contractual relationships and to any new customers that may from time to time purchase such services from Sellers or their respective customers, in compliance with the Communications Licenses. The duties of Manager under this Agreement shall include:

(i) Providing all operational personnel necessary to the operation of the Early Funding Date Assets and the Non-Transferred Assets;

(ii) Collecting all accounts receivable, rendering all bills, processing all credit card charges and keeping books and records substantially in accordance with Sellers' standard practices prior to the Early Funding Date;

(iii) Providing all technical resources necessary to operate the Early Funding Date Assets and the Non-Transferred Assets to provide a service quality level substantially consistent with the service quality level Sellers provided prior to the Early Funding Date;

(iv) Monitoring all of the administrative and governmental notice, filing, tax, fee and permit requirements with respect to the Early Funding Date Assets and the Non-Transferred Assets (other than any notices, filings or fees associated with the transfer of the Communications Licenses from Sellers to Manager or other disposition of the Sellers' assets, including the Communications Licenses which are addressed in the Asset Purchase Agreement) and, when such notices, reports or fees fall due, Manager shall submit to Sellers those notices, reports or invoices for Sellers to remit to the appropriate agency (together with instructions for remission and payment reimbursing Sellers for any fees or taxes Sellers must pay such agency); and

(v) Doing all things commercially reasonable to carry out the duties of operating and managing the Early Funding Date Assets and the Non-Transferred Assets in a manner substantially similar to that of Sellers prior to the Early Funding Date.

(b) Consistent with Manager's obligations under the Purchase Agreement, Manager hereby agrees to pay during the Term such newly-accruing actual costs and expenses of the ongoing operations of the Business. Manager shall either pay the same directly, or reimburse Sellers for (within fifteen (15) days of receipt of an invoice therefor), all such costs and expenses.

(c) Manager hereby agrees in furtherance of its obligations hereunder to ensure that, not later than the Early Funding Date, it will fund an account at a commercial bank selected by Manager and reasonably acceptable to Sellers with at least Three Million dollars ($3,000,000 ) in cash (the "Reserve Account") from which, during the Term, funds may be withdrawn by Sellers, in consultation with Manager, to pay amounts required to be paid pursuant to Section 2.1 which are due and owing but which Manager has failed to pay within ten (10) days notice to Manager of Seller's demand to do so (which 10 day period shall be tolled during any period in which Manager and Sellers are attempting to resolve any dispute as to the validity of any such expense). In the event that any funds (and any accumulated earnings thereon) shall be on deposit in the Reserve Account at the conclusion of the Term, and all accrued and unpaid costs required to be paid pursuant to Section 2.1 shall have been paid, any balance may, upon five (5) days' written notice to the Sellers, be the property of and may be withdrawn by Manager.

(d) In the event that the Sellers shall be held liable for any costs or expenses required to be paid by the Manager pursuant to this Agreement for which the funds deposited in the Reserve Account are insufficient, the Manager hereby agrees to indemnify the Sellers for all such costs and expenses.

## ARTICLE III
## MANAGEMENT OF THE BUSINESS

Section 3.1 During the Term, the Manager shall have the duty to manage the facilities and operations authorized under the Communications Licenses on behalf of Sellers in the operation of the Early Funding Date Assets and the Non-Transferred Assets consistent with the provisions of this Agreement and subject to Sellers' continued ownership and control of the Early Funding Date and the Non-Transferred Assets and Sellers' reasonable supervision and direction. Manager hereby agrees to report regularly to Sellers' designee the status of the operations of the Business.

Section 3.2 Sellers and Manager desire that this Agreement and the obligations performed hereunder be in full compliance with (i) the terms and conditions of the Communications Licenses; (ii) the Communications Act of 1934, as amended (the "Act"); (iii) all applicable rules, regulations and policies of the FCC and the State PUCs;

and (iv) any other applicable federal, state and local law or regulation. It is expressly understood by Sellers and Manager that nothing in this Agreement is intended to give Manager any right which would be deemed to constitute a transfer of control (as is defined in the Act and/or any applicable FCC or state rules, regulations or case law) by the Sellers of any of the Communications Licenses or Non-Transferred Assets from Sellers to Manager to the extent prohibited by the applicable Law, rules or regulations of any state or State PUC.

Section 3.3 Manager acknowledges and agrees that Sellers have certain rights and obligations pursuant to the Communications Licenses with respect to activities authorized thereunder, which include compliance with the Act, and the rules, regulations, and policies of the FCC and the State PUCs. The services provided by Manager hereunder are not intended to diminish or restrict Sellers' compliance with their respective obligations under applicable law or before the FCC or the State PUCs, and this Agreement shall not be construed to diminish or interfere with any Seller's obligation or ability to comply with the rules, regulations or directives of any governmental or jurisdictional authority with respect to the Communications Licenses or the Early Funding Date Assets or the Non-Transferred Assets.

Section 3.4 At their discretion and at their expense, Sellers may conduct periodic audits (during normal business hours, upon reasonable notice, and in a manner so as not to interfere unreasonably with the operation of the Business) of Manager's management of the Business to ensure compliance in all material respects with the Communications Licenses and applicable federal, state and local law or regulation. In addition, the Sellers shall have access and authority to inspect the equipment and related hardware that is required to transmit and/or receive telecommunications, including but not limited to network facilities, switching equipment, customer premises equipment and testing equipment, for any reason, including but not limited to determining whether under the Manager's management, the Early Funding Date Assets or the Non-Transferred Assets are operating in a manner that violates the terms of this Agreement, the Act or the FCC's or State PUC's rules, regulations, or policies or is otherwise operating in a harmful or unlawful manner.

Section 3.5 Manager shall be responsible for providing the management services in compliance with the Sellers' existing tariffs and service contracts, and all applicable law, including, without limitation, tariffs in effect from time to time. Manager shall perform the management services in a professional manner and in accordance with all applicable professional or industry standards.

Section 3.6 The parties shall both have the right to use the Seller Marks during the Term (as hereinafter defined). Pending the receipt of any necessary regulatory approvals of any Governmental Entity with jurisdiction, the Manager shall take reasonable steps to maintain the distinct identities of the Sellers using each such entity's name and logo in all billing and other correspondence on behalf of the Sellers, maintaining accurate accounting books and records of operations for the Non-Transferred Assets separate from the Manager's accounting books and records of operations for other

assets and following such other procedures as the parties may mutually agree upon from time to time.

Section 3.7 Sellers shall retain a reasonably sufficient number of qualified employees to supervise and assist in the operation of the Early Funding Date Assets and the Non-Transferred Assets and meet Sellers' associated regulatory responsibilities, as designated herein and in the Transition Plan.

## ARTICLE IV
## COMPENSATION

Section 4.1 As consideration for Manager providing Sellers the management services described herein, Sellers agree to pay to Manager a monthly fee ("Management Fee") equal to the sum of (x) Manager's costs incurred in providing the management services as to those Early Funding Date Assets and Non-Transferred Assets that have not yet become Acquired Assets as described in Section 6.1 (including, without limitation, Manager's own out-of-pocket expenses and any of Sellers' costs that are reimbursed by Manager pursuant to Section 2.1(b) above) ("Manager's Aggregate Monthly Expenses") plus (y) 30% of Manager's Aggregate Monthly Expenses. Manager shall be paid solely out of the revenue generated by the Early Funding Date Assets and the Non-Transferred Assets for such month (the "Monthly Fee Receipts"), collectible by Manager solely from cash receipts related to the Early Funding Date Assets and the Non-Transferred Assets. In any month during the Term in which the Monthly Fee Receipts are not equal to or in excess of the Management Fee, Sellers will not have any obligation to pay Manager any additional amount or reimburse Manager for any costs or losses associated with the Early Funding Date Assets or the Non-Transferred Assets in excess of such receipts ("Payment Shortfall"), provided that to the extent Monthly Fee Receipts in any month exceed the Management Fee otherwise due to Manager hereunder ("Excess Payments"), such Excess Payments shall, first, be applied to reduce Payment Shortfalls in prior months, if any, and second, any residual Excess Payment amounts shall be held in escrow to be applied to Payment Shortfalls in future months, if any. Upon termination of this Agreement any cash receipts from customers in excess of the Management Fee shall be remitted to Sellers. Notwithstanding the foregoing and as described in Section 6.1, all cash and other revenue generated after the Closing Date from Acquired Assets is solely the property of the Buyer. Sellers and Manager agree to review the fee set forth above on a monthly basis and to negotiate in good faith a modification to such fee to reflect changing circumstances or operating results.

## ARTICLE V
## COMPLIANCE WITH APPLICABLE LAWS

Section 5.1 Compliance with Applicable Laws and Regulations.

(a) Manager agrees that, in connection with providing the management services hereunder, it shall comply in all material respects with all applicable laws, ordinances, rules, regulations, and restrictions, including but not limited to the Act, the FCC's and State PUCs' rules, regulations, and policies, and local ordinances.

(b) Manager and Sellers recognize that Sellers remain ultimately responsible for compliance with the terms of the Communications Licenses. In that regard, the Manager shall not, without the prior consent of the Sellers, such consent not to be unreasonably withheld, take the following actions with respect to the Early Funding Date Assets and the Non-Transferred Assets:

(i) enter into, modify, intentionally breach or terminate any material agreement relating to the Early Funding Date Assets and the Non-Transferred Assets, other than in the ordinary course of business;

(ii) sell, assign, lease, transfer or otherwise dispose of any material Early Funding Date Asset or Non-Transferred Asset or purchase or otherwise acquire any assets for the Sellers except for non-material assets acquired in the Ordinary Course of Business;

(iii) alter or change in any material respect the Sellers' accounting procedures or accounting practices, including their practices with respect to the maintenance of working capital balances, maintenance of inventory and write-downs and charge-offs of accounts receivable, collection of accounts receivable, payment of accounts payable and cash management practices generally;

(iv) initiate, settle or terminate any material litigation relating to the Early Funding Date Assets or the Non-Transferred Assets or waive any material rights of the Early Funding Date Assets or the Non-Transferred Assets;

(v) demote or terminate any employee of the Sellers;

(vi) hire any employee for the Sellers;

(vii) delay or hinder the deployment of network facilities in accordance with the existing network deployment plans relating to the Non-Transferred Assets; or

(viii) cause the Sellers to take any action or neglect to take any action which would constitute a default under this Agreement or the Asset Purchase Agreement.

(c) The parties mutually expect and agree that Manager will immediately take all actions reasonably required to optimize the networks and business operations of Sellers, and to realize all reasonably achievable network and operational savings and efficiencies. For purposes of Section 5.1(b) above and Section this 5.1(c), it is agreed that it would be unreasonable for Sellers to withhold consent for any actions of Manager

undertaken to achieve such network and business operational optimization and savings, or to otherwise achieve material expense savings so long as such actions maintain a level of service quality substantially substantially consistent with the level of service quality provided by Sellers prior to the Early Closing Date. Notwithstanding the foregoing, Manager shall take no action (without Sellers' consent, which shall not be unreasonably withheld) in conflict with any provision of Purchase Agreement.

(d) The parties hereby agree that Manager shall request Sellers' consents to the actions referenced in Sections 5.1(b) and 5.1(c) above in writing to a person or persons to be designated by Sellers. For purposes of this Section 5, notice and consent by any party can be achieved by electronic mail. Unless the Sellers refuse in writing to grant consent within one (1) Business Day of receipt of a request for consent by Manager, consent will be deemed granted.(e) Sellers shall be responsible for the filing of all applications, reports, correspondence and other documentation with the FCC or the State PUCs relating to the Early Funding Date Assets or the Non-Transferred Assets; *provided, however*, that Manager shall cooperate in Sellers' preparation of such filings; and *provided, further*, that Manager shall reimburse Sellers for all reasonable out-of-pocket legal fees and other expenses incurred in connection with such applications, correspondence and other related matters. Manager shall provide upon Sellers' reasonable request any information which will enable them to prepare any records and reports required by the FCC or the State PUCs and other federal, state or local government authorities.

(f) Manager shall not make any misrepresentation as to the holder of any of the Communications Licenses or as to the representative of Sellers before the FCC or the State PUCs.

Section 5.2 Obligation to Renegotiate. In the event of any order or decree of an administrative agency or court of competent jurisdiction or any other action or determination by any Governmental Entity, including without limitation any material change in or clarification of FCC or State PUC rules, policies, or precedent, that would cause this Agreement to be invalid, in whole or in part, or violate any applicable Law, or if the staff of any State PUC has advised the parties, orally or in writing, that the review of any request by the parties for authority for the transactions contemplated hereby will be inordinately delayed or will likely be determined adversely to the parties, the parties will use their respective reasonable efforts and negotiate in good faith to modify this Agreement to the minimum extent necessary so as to comply with such order, decree, action or determination and/or remove any controversy identified by such Government Entity without material economic detriment to either party, and to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible. This Agreement, as so modified, shall then continue in full force and effect. If after fulfilling the obligation to renegotiate set forth in this section, the parties mutually determine that they cannot modify this Agreement to comply with a Government Entity order, decree, action, determination, or remove a controversy identified by such State PUC, Manager may elect not to pursue the transfer or assignment of any affected Non-Transferred Assets.

## ARTICLE VI
## TERM

Section 6.1 Term. This Agreement shall commence on the earlier of the Early Funding Date and the Closing Date and shall expire upon the earlier to occur of (x) the transfer or assignment of all Acquired Assets, including as applicable all State PUC Licenses associated therewith, to the Manager pursuant to the terms and subject to the conditions of the Asset Purchase Agreement or to a third party pursuant to Section 6.2 below, or (y) the six (6) month anniversary of the Early Funding Date; *provided*, *however*, that, in the event and on the date that this Agreement expires pursuant to clause (y) above, then, to the extent that any State PUC Consent, as applicable, has not been obtained, the Agreement shall automatically renew, as necessary, for two (2) additional successive three (3) month periods with respect to the Non-Transferred Assets until the last of such State PUC Consents is obtained and any Non-Transferred Assets subject to such State PUC Consents have been transferred or assigned to the Manager (the initial term and any extensions thereof are herein referred to as the "Term"), unless, after fulfilling its obligation to renegotiate set forth in Section 5.2 above, the Manager determines that the parties cannot modify this Agreement to comply with a Government Entity order, decree, action, determination or remove a controversy identified by such Governmental Entity and Manager elects not to pursue the transfer, assignment or reauthorization of any affected Non-Transferred Assets. Notwithstanding the foregoing or any other provision of this Agreement, upon the Closing Date and the transfer of the Early Funding Date Assets to Manager, the Early Funding Date Assets shall be considered Acquired Assets under the Asset Purchase Agreement and shall no longer be subject to this Agreement; and provided further that upon the receipt from time to time of all necessary consents or approvals from any State PUC applicable to the Non-Transferred Assets, and the transfer of the Non-Transferred Assets relating to such State PUC Consent by the Sellers to the Manager pursuant to Section 2.5 of the Asset Purchase Agreement, such Non-Transferred Assets shall be considered Acquired Assets under the Asset Purchase Agreement and shall no longer be subject to this Agreement.

Section 6.2 Sale and Disposition of Proceeds. Manager may at any time designate an alternative purchaser of some or all of the Non-Transferred Assets, and upon Sellers' consent (such consent not to be unreasonably withheld) Sellers shall use commercially reasonable efforts to transfer such assets to the alternative purchaser, with all costs and expenses incurred in connection therewith to be borne by Manager, and promptly pay over to Manager the net proceeds of such sale. If any Non-Transferred Assets are not transferred to Manager within six (6) months of the Closing Date, then, subject to the provisions of Section 6.1, after that date Manager may give notice to Sellers of an intent to terminate this Agreement, and Sellers shall promptly thereafter take actions, at Manager's expense, to reasonably dispose of any remaining Non-Transferred Assets, and remit any proceeds arising therefrom to Manager.

## ARTICLE VII
## MISCELLANEOUS

Section 7.1 Amendment and Modification. This Agreement may be amended, modified or supplemented only by written agreement of Sellers and Manager.

Section 7.2 Waiver of Compliance; Consents. Except as otherwise provided in this Agreement, any failure of any of the parties to comply with any obligation, covenant or condition herein may be waived by the party entitled to the benefits thereof only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, or condition shall not operate as a waiver of or estoppel with respect to any subsequent or other failure.

Section 7.3 Notices. Unless otherwise provided herein, any notice, request, instruction or other document to be given hereunder by any party to any other party shall be in writing and shall be delivered in person or by courier or facsimile transmission (with such facsimile transmission confirmed by sending a copy of such notice, request, instruction or other document by certified mail, return receipt requested, or overnight mail) or mailed by certified mail, postage prepaid, return receipt requested (such mailed notice to be effective on the date such receipt is acknowledged), as follows:

If to Sellers:

c/o Allegiance Telecom, Inc.
700 E. Butterfield Road, Suite 400
Lombard, IL 60148
Attention: Mark B. Tresnowski, Esq.
Executive Vice President, General Counsel and
Secretary
Fax: (630) 522-5250

With a copy to (which shall not constitute notice):

Kirkland & Ellis LLP
153 East 53rd
New York, NY 10022
Attention: Jonathan S. Henes, Esq.
Michael Movsovich, Esq.
Fax: (212) 446-4900

and

Swidler Berlin Shereff Friedman LLP
3000 K Street, NW, Suite 300
Washington, DC 20007
Attention: Jean L. Kiddoo, Esq.

Fax: (202) 424-7645

If to Manager:

XO Communications, Inc.
11111 Sunset Hills Road
Reston, Virginia 20190
Attention: General Counsel
Fax: (703) 547-2025

With a copy to (which shall not constitute notice):

Brown Rudnick Berlack Israels
120 West 45th Street
New York, NY 10036
Attention: Edward S. Weisfelner
Steven D. Pohl
Fax: (212) 704-0196
(617) 856-8201

And

Kelley Drye & Warren, LLP
1200 19th Street, NW, Suite 500
Washington, DC 20036-2423
Attention: Brad E. Mutschelknaus
Fax: (202) 955-9792

or to such other place and with such other copies as either party may designate as to itself by written notice to the other party. Notices sent as provided herein shall be deemed given on the date received by the recipient. If a recipient rejects or refuses to accept a notice given pursuant to this Section, or if a notice is not deliverable because of a changed address or fax number of which no notice was given in accordance with the provisions hereof, such notice shall be deemed to be received two (2) days after such notice was mailed (whether as the actual notice or as the confirmation of a faxed notice) in accordance with the terms hereof.

Section 7.4 Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto, including by operation of law, without the prior written consent of the other party; *provided*, *however*, that Manager may assign this Agreement and any of the rights, interests and obligations hereunder (a) to any Affiliate upon written notice to Sellers; *provided further, however*, that Manager shall remain liable hereunder; and (b) upon receipt of written consent from Sellers, which consent shall not be unreasonably withheld, to any person or entity who may simultaneously acquire all or a substantial part of the Acquired Assets and agrees to be bound by this Agreement, upon which Manager shall be deemed relieved of any obligations of "Manager" hereunder arising after the date of such assignment. Any assignment of this Agreement or any of the rights, interests or

obligations hereunder in contravention of this Section 7.4 shall be null and void and shall not bind or be recognized by any of the Sellers or Manager.

Section 7.5 No Third-Party Beneficiaries; Limitation of Liability. Nothing in this Agreement shall be construed as giving any person other than the parties hereto any legal or equitable right, remedy or claim under or with respect to this Agreement. Manager shall have no liability to Sellers or any other person or entity for any actual or alleged damage to the Non-Transferred Assets during the Term.

Section 7.6 Invalidity. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy all other terms, conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party.

Section 7.7 Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (regardless of the laws that might otherwise govern under applicable New York principles of conflicts of law) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies.

Section 7.8 Submission to Jurisdiction. The parties hereto irrevocably submit to the exclusive jurisdiction of the Bankruptcy Court (or any court exercising appellate jurisdiction over the Bankruptcy Court) over any dispute arising out of or relating to this Agreement or any other agreement or instrument contemplated hereby or entered into in connection herewith or any of the transactions contemplated hereby or thereby. Each party hereby irrevocably agrees that all claims in respect of such dispute or proceedings may be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection that they may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum in connection therewith.

Section 7.9 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by telecopy shall be as effective as delivery of a manually executed counterpart of this Agreement. In proving this Agreement, it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought.

Section 7.10 Entire Agreement; Amendments and Waivers. This Agreement, together with the Asset Purchase Agreement (including the schedules and exhibits thereto) and the Transaction Documents constitute the entire agreement between the parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations, and discussions, whether oral or written, of the parties. No supplement, modification or waiver of this Agreement (including, without limitation, any schedule hereto) shall be binding unless the same is executed in writing by all parties.

No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), and no such waiver shall constitute a continuing waiver unless otherwise expressly provided.

Section 7.11 Headings. The headings of the Articles and Sections herein are inserted for convenience of reference only and are not intended to be a part of, or to affect the meaning or interpretation of, this Agreement.

Section 7.12 Remedies. Sellers and Manager hereby acknowledge and agree that money damages may not be an adequate remedy for any breach or threatened breach of any of the provisions of this Agreement and that, in such event, Sellers or their successors or assigns, or Manager or its successors or assigns, as the case may be, may, in addition to any other rights and remedies existing in their favor, apply to the Bankruptcy Court for specific performance, injunctive and/or other relief in order to enforce or prevent any violations of this Agreement.

Section 7.13 No Partnership or Joint Venture Created. Nothing in this Agreement shall be construed or interpreted to make Manager and Sellers partners or joint venturers, or to afford any rights to any third party other than as expressly provided herein.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of Sellers and Buyer as of the date first above written.

**SELLERS:**

ALLEGIANCE TELECOM, INC.

By: _____
Name:
Title:

ALLEGIANCE TELECOM COMPANY WORLDWIDE

By: _____
Name:
Title:

ALLEGIANCE TELECOM COMPANY WORLDWIDE
ADGRAFIX CORPORATION
ALGX BUSINESS INTERNET, INC.
ALLEGIANCE INTERNET, INC.
ALLEGIANCE TELECOM INTERNATIONAL, INC.
ALLEGIANCE TELECOM OF ARIZONA, INC.
ALLEGIANCE TELECOM OF CALIFORNIA, INC.
ALLEGIANCE TELECOM OF COLORADO, INC.
ALLEGIANCE TELECOM OF FLORIDA, INC.
ALLEGIANCE TELECOM OF GEORGIA, INC.
ALLEGIANCE TELECOM OF ILLINOIS, INC.
ALLEGIANCE TELECOM OF INDIANA, INC.
ALLEGIANCE TELECOM OF MARYLAND, INC.
ALLEGIANCE TELECOM OF MASSACHUSETTS, INC.
ALLEGIANCE TELECOM OF MICHIGAN, INC.
ALLEGIANCE TELECOM OF MINNESOTA, INC.
ALLEGIANCE TELECOM OF MISSOURI, INC.
ALLEGIANCE TELECOM OF NEVADA, INC.
ALLEGIANCE TELECOM OF NEW JERSEY, INC.
ALLEGIANCE TELECOM OF NEW YORK, INC.
ALLEGIANCE TELECOM OF NORTH CAROLINA, INC.
ALLEGIANCE TELECOM OF OHIO, INC.
ALLEGIANCE TELECOM OF OKLAHOMA, INC.
ALLEGIANCE TELECOM OF OREGON, INC.
ALLEGIANCE TELECOM OF PENNSYLVANIA, INC.
ALLEGIANCE TELECOM OF TEXAS, INC.

*(Signatures Continued)*

ALLEGIANCE TELECOM OF THE DISTRICT OF COLUMBIA, INC.
ALLEGIANCE TELECOM OF VIRGINIA, INC.
ALLEGIANCE TELECOM OF WASHINGTON, INC.
ALLEGIANCE TELECOM OF WISCONSIN, INC.
ALLEGIANCE TELECOM PURCHASING COMPANY
ALLEGIANCE TELECOM SERVICE CORPORATION
COAST TO COAST TELECOMMUNICATIONS, INC.
HOSTING.COM, INC.
INTERACCESS TELECOMMUNICATIONS CO.
JUMP.NET, INC.
VIRTUALIS SYSTEMS, INC.

**MANAGER:**

XO COMMUNICATIONS, INC.

By: _____

Name:
Title:

**Exhibit J**

# Timetable

| Action | Time from Start Date |
|---|---|
| Execution of Agreement. | December 18, 2003 |
| Filing of Motion to Approve (i) Bidding Procedures and Break Up Fee and (ii) Agreement With Qwest. | 2 Business Days |
| Bankruptcy Court Approval of Bidding Procedures. | January 9, 2004 |
| Auction. | February 13, 2004 |
| Bankruptcy Court Approval of Sale Order. | February 19, 2004 |
| Bankruptcy Court Approval of Disclosure Statement. | April 16, 2004 |
| Bankruptcy Court Entry of Confirmation Order. | June 4, 2004 |
| Effective Date of Plan. | June 30, 2004 |

EXHIBIT K

**Current Liabilities**

Wage Accruals
Payroll Taxes, to the extent related to wage accruals
Bonus
Commissions
Vacation
IBNR Medical/Dental
Workers Comp/Auto Liability
Legal Fees, not related to the Cases
Audit Fees, not related to the Cases
Invoice Processing
Network Accruals
Other Accrued Liabilities, not related to the Cases
Network Expense Settlements
Subscriber Taxes, other than Subscriber Taxes relating to Tax audit liabilities
Deferred Revenue – End User
Deferred Revenue – Set Up

EXHIBIT L

| **Sellers' Severance Practices** | |
|---|---|
| **Employee Group** | **Estimated Weeks of Severance** |
| Non-Exempt | 2 |
| Non-management Exempt | 2 |
| Supervisors | 2 |
| Managers | 2 |
| Directors | 2 |
| Commissionable Directors | 2 |
| VPs | 4 |
| SVPs | Case by Case |
| Above SVPs | Case by Case |