

KIRKLAND & ELLIS LLP
Citigroup Center
153 East 53rd Street
New York, New York 10022-4675
Telephone: (212) 446-4800
Facsimile: (212) 446-4900
Matthew A. Cantor (MC-7727)
Jonathan S. Henes (JH-1979)
Lisa G. Laukitis (LG-9248)

Attorneys for Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**MOTION FOR AN ORDER (I) APPROVING
THE DISCLOSURE STATEMENT; (II) ESTABLISHING
A RECORD DATE; (III) APPROVING SOLICITATION PACKAGES
AND PROCEDURES FOR DISTRIBUTION THEREOF; (IV) APPROVING
FORMS OF BALLOTS AND ESTABLISHING PROCEDURES FOR
VOTING ON THE PLAN; AND (V) ESTABLISHING NOTICE AND
OBJECTION PROCEDURES FOR CONFIRMATION OF THE PLAN**

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

Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors-in-possession (collectively, the “Debtors” or “Allegiance”), respectfully represent as follows:

Introduction

1. On May 14, 2003 (the “Commencement Date”), each of the Debtors commenced with this Court a voluntary case under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Debtors are authorized to operate their business and

manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. The Debtors' chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to rule 1015(b) of the Federal Rules of Bankruptcy Procedure.

2. No trustee or examiner has been appointed in these chapter 11 cases. On May 28, 2003, pursuant to section 1102 of the Bankruptcy Code, the United States Trustee for the Southern District of New York (the "U.S. Trustee") appointed a statutory committee of unsecured creditors (the "Creditors Committee") in these chapter 11 cases.

Jurisdiction

3. This Court has subject matter jurisdiction to consider and determine this Motion pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

An Overview of Allegiance's Business

4. Allegiance is a facilities-based national local exchange carrier that provides integrated telecommunications products and services to small and medium-sized business customers, large businesses (*i.e.*, national customers with multiple locations), governmental entities, wholesale customers and other institutional users. Allegiance offers their customers a variety of services, including:

- local and long distance voice services, including basic telephone services and advanced calling features;
- broadband and other Internet and data services, including high-speed Internet access, wide area network interconnection, domain name registration, web hosting, email and colocation services;
- integrated local long distance/Internet access offerings, which provide customers with integrated voice and Internet access over a single broadband line;

- wholesale services to other regional and national service providers, including equipment colocation, managed modem ports and Internet protocol traffic aggregation; and
- customer premise equipment sales and maintenance services.

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

6. As of December 31, 2003, the Debtors had approximately \$284.2 million of unrestricted cash on hand. As of December 31, 2003, the Debtors' consolidated books and records reflected assets totaling approximately \$1.136 billion and liabilities totaling approximately \$1.449 billion. For the 12 months ending December 31, 2003, the Debtors, on a consolidated basis, reported revenues of approximately \$776.9 million and net losses of approximately \$360.0 million.

7. On February 20, 2004, this Court entered an Order (the "Sale Order") approving the sale (the "Sale") to XO Communications, Inc. ("XO") of (a) substantially all of the assets of Allegiance Telecom, Inc. and Allegiance Telecom Company Worldwide and (b) the stock of the reorganized subsidiaries of ATCW, other than Shared Technologies Allegiance, Inc. (the "Reorganized Subsidiaries"). Currently, the Debtors contemplate effectuating the Sale pursuant to the Plan (as defined herein) to enable the sale of the stock of the Reorganized Subsidiaries.¹

¹ The Asset Purchase Agreement, by and among ATI, ATCW and XO, dated February 18, 2004 (the "Purchase Agreement"), provides that, at any time prior to the Closing, the Debtors in their sole discretion, after consultation with the Creditors Committee and the Prepetition Lenders, may elect to convert the Sale to an asset sale under section 363 of the Bankruptcy Code prior to confirmation of a plan of reorganization. The Purchase Agreement also provides that XO may elect to convert the Sale to an asset sale under section 363 of the Bankruptcy Code prior to confirmation of a plan of reorganization, if, and only if, the Debtors fail to comply
(Continued...)

8. On March 16, 2004 the Debtors served a notice (the “Disclosure Statement Notice”) of the Disclosure Statement Hearing (as defined herein) to all creditors and equity security holders of the Debtors. A copy of the Disclosure Statement Notice is annexed hereto as Exhibit A.

The Plan and Disclosure Statement

9. On March 18, 2004, the Debtors filed their joint plan of reorganization under chapter 11 of the Bankruptcy Code (the “Plan”), and the related disclosure statement for the Plan (the “Disclosure Statement”). In accordance with rule 3017(a) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), the Court has scheduled a hearing to determine whether to approve the Disclosure Statement, for April 16, 2004 at 10:00 a.m., prevailing Eastern Time (the “Disclosure Statement Hearing”).

Relief Requested

10. By this Motion and pursuant to sections 105, 502, 1125, 1126 and 1128 of the Bankruptcy Code and Bankruptcy Rules 2002, 3017, 3018 and 3020, the Debtors seek an order (a) approving the Disclosure Statement, (b) establishing, for voting purposes only, a record date for the holders of claims, (c) approving the Solicitation Packages (as defined herein) and procedures for the distribution thereof, (d) approving the forms of ballots and establishing procedures for voting on the Plan (the “Disclosure Statement Order”), and (e) scheduling a hearing and establishing notice and objection procedures for confirmation of the Plan.

with the Timeline (as defined in the Purchase Agreement) or anytime from and after June 30, 2004 and prior to the Closing.

Approval of the Disclosure Statement

11. Pursuant to section 1125 of the Bankruptcy Code, a plan proponent must provide holders of impaired claims with “adequate information” regarding a debtor’s chapter 11 plan. In that regard, section 1125(a)(1) of the Bankruptcy Code provides:

“adequate information” means information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor’s books and records, that would enable a hypothetical reasonable investor typical of holders of claims or equity interests of the relevant class to make an informed judgment about the plan. . . .

11 U.S.C. § 1125(a)(1). Thus, a debtor’s disclosure statement must, as a whole, provide information that is “reasonably practicable” to permit an “informed judgment” by impaired creditors entitled to vote on the plan. See In re Momentum Mfg. Corp., 25 F.3d 1132, 1136 (2d Cir. 1994); In re Dakota Rail, Inc., 104 B.R. 138, 142 (Bankr. D. Minn. 1989); see also In re Copy Crofters Quickprint, Inc., 92 B.R. 973, 979 (Bankr. N.D.N.Y. 1988) (adequacy of disclosure statement “is to be determined on a case-specific basis under a flexible standard that can promote the policy of Chapter 11 towards fair settlement through a negotiation process between informed interested parties”). The bottom-line requirement of a disclosure statement is that it “must clearly and succinctly inform the average unsecured creditor what it is going to get, when it is going to get it, and what contingencies there are to getting its distribution.” In re Ferretti, 128 B.R. 16, 19 (Bankr. D.N.H. 1991).² This particular point, especially in light of its underlying notions of practicality and flexibility, is also underscored in the legislative history of section 1125 of the Bankruptcy Code:

² Cf. Kirk v. Texaco, Inc., 82 B.R. 678, 681-82 (S.D.N.Y. 1988) (“[w]hether a disclosure statement required under [section 1125(b)] contains adequate information is *not* governed by any otherwise applicable nonbankruptcy law, rule, or regulation. . .”) (citing 11 U.S.C. § 1125(d)).

Precisely what constitutes adequate information in any particular instance will develop on a case-by-case basis. *Courts will take a practical approach as to what is necessary under the circumstances of each case, such as the cost of preparation of the statements, the need for relative speed in solicitation and confirmation. . . .* In reorganization cases, there is frequently great uncertainty. *Therefore the need for flexibility is greatest.*

See H.R. Rep. 595, at 408-09 (1977) (emphasis added).

12. In examining the adequacy of the information contained in a disclosure statement, the bankruptcy court has broad discretion. See Texas Extrusion Corp. v. Lockheed Corp. (In re Texas Extrusion Corp.), 844 F.2d 1142, 1157 (5th Cir. 1988); see also In re Oxford Homes, Inc., 204 B.R. 264, 269 (Bankr. D. Me. 1997) (Congress intentionally drew vague contours of what constitutes adequate information so that bankruptcy courts can exercise discretion to tailor them to each case's particular circumstances); Dakota Rail, 104 B.R. at 143 (bankruptcy court has "wide discretion to determine . . . whether a disclosure statement contains adequate information, without burdensome, unnecessary, and cumbersome detail"). This grant of discretion is intended to facilitate the effective reorganization of a debtor in the broad range of businesses in which chapter 11 debtors engage and the broad range of circumstances that accompany chapter 11 cases. See H.R. Rep. No. 595, 95th Cong., 1st Sess., 408-09 (1977). Accordingly, the determination of the adequacy of information in a disclosure statement must be formed on a case-by-case basis, focusing on the unique facts and circumstances of each case. See Talarico v. Thomas Crimmins Contracting Co., Inc., No. 94-CIV-0420, 1995 U.S. Dist. LEXIS 10053, at *15 (S.D.N.Y. July 14, 1995); In re Texas Extrusion Corp., 844 F.2d 1142, 1157 (5th Cir. 1988), cert. denied, 488 U.S. 926 (1988) (finding no abuse of discretion in the bankruptcy court's approval of a disclosure statement, and noting that "[t]he determination of what is adequate information is subjective and made on a case by case basis" and "is largely within the discretion of the bankruptcy court"); see also In re Stanley Hotel, Inc., 13 B.R. 926,

930 (Bankr. D. Colo. 1981) (affirming the “necessity for flexible disclosure requirements to be administered by the courts” and, in that regard, stating that requiring “the proponent [of the plan] to look for and disclose suspected [disclosure] infirmities tends to the ridiculous”).

13. The Debtors submit that the Disclosure Statement provides holders of impaired claims that are entitled to vote to accept or reject the Plan with adequate information to make an informed judgment about the Plan. In that regard, the Disclosure Statement, which has been reviewed and commented on by the Debtors’ prepetition lenders (the “Senior Lenders”), the Creditors Committee and XO, includes information regarding (a) the Debtors, their assets and liabilities and their businesses, (b) the general economic conditions preceding the Debtors’ decision to commence these chapter 11 cases, (c) the significant events that have occurred during these chapter 11 cases, (d) the terms of the Plan, (e) the compromise and settlement of the claims and other disputes between and among the Debtors and their creditor constituencies under the Plan, (f) the classification and treatment of claims and equity interests under the Plan, (g) a liquidation analysis setting forth the estimated return that creditors would receive in a hypothetical chapter 7 case, (h) the implementation of the transactions necessary to effectuate the Plan, (i) the projected financial performance of Shared Technologies Allegiance Telecom, Inc., which is one of the Debtors and will be reorganized under the Plan and emerge from chapter 11 as a stand alone entity, (j) the risks related to the Plan as they might affect creditors, (k) tax consequences of the Plan, and (l) securities law matters related to the Plan. Thus, the Debtors submit that the Disclosure Statement contains adequate information within the meaning of section 1125 of the Bankruptcy Code and, therefore, should be approved.³

³ The Debtors reserve the right to modify the Disclosure Statement between the date hereof and the conclusion of the Disclosure Statement Hearing.

Establishing the Record Date

14. Bankruptcy Rule 3017(d) provides that, for the purposes of soliciting votes in connection with the confirmation of a chapter 11 plan, “creditors and equity security holders shall include holders of stock, bonds, debentures, notes and other securities of record on the date the order approving the disclosure statement is entered or another date fixed by the court, for cause, after notice and a hearing.” Fed. R. Bankr. P. 3017(d). Bankruptcy Rule 3018(a) contains a similar provision regarding determination of the record date for voting purposes.

15. In accordance with these rules, the record date is typically the date the court enters an order approving the disclosure statement. The Debtors are aware that claims and underlying securities in these chapter 11 cases have been traded and may continue to be traded. Accordingly, the Debtors request that this Court exercise its power under section 105(a) of the Bankruptcy Code to establish the first (1st) business day after the entry of the proposed order granting this Motion (the “Disclosure Statement Order”) as the record date for purposes of determining which creditors are entitled to vote on the Plan in these chapter 11 cases (the “Record Date”).

16. The Debtors propose that with respect to any transferred claim, the transferee shall be entitled to receive a Solicitation Package (as defined herein) and cast a Ballot (as defined herein) on account of such claim only if (a) all actions necessary to effectuate the transfer of the claim pursuant to Bankruptcy Rule 3001(e) have been completed by the Record Date or (b) the transferee files by the Record Date (i) the documentation required by Bankruptcy Rule 3001(e) to evidence the transfer and (ii) a sworn statement of the transferor supporting the validity of the transfer. Each transferee shall be treated as a single creditor regardless of the number of claims transferred to such transferee for purposes of the numerosity requirements in

section 1126(c) of the Bankruptcy Code and the other voting and solicitation procedures set forth in the Disclosure Statement Order.

17. In the event a claim is transferred after the Record Date, the transferee of such claim shall be bound by any vote and/or election, as the case may be, made on the Ballot by the holder of such claim as of the Record Date.

Approving Solicitation Packages and Procedures for Distribution

18. Bankruptcy Rule 3017(d) sets forth the materials that must be provided to holders of claims and equity interests for the purpose of soliciting their votes and providing adequate notice of the hearing on confirmation of a chapter 11 plan:

Upon approval of a disclosure statement -- except to the extent that the court orders otherwise with respect to one or more unimpaired classes of creditors or equity security holders -- the debtor in possession, trustee, proponent of the plan, or clerk as the court orders, shall mail to all creditors and equity security holders, and in a chapter 11 reorganization case shall transmit to the United States trustee,

- (1) the plan or a court-approved summary of the plan;
- (2) the disclosure statement approved by the court;
- (3) notice of the time within which acceptances and rejections of such plan may be filed; and
- (4) any other information as the court may direct, including any court opinion approving the disclosure statement or a court-approved summary of the opinion.

In addition, notice of the time fixed for filing objections and the hearing on confirmation shall be mailed to all creditors and equity security holders in accordance with Rule 2002(b), and a form of ballot conforming to the appropriate Official Form shall be mailed to creditors and equity security holders entitled to vote on the plan.

Fed. R. Bankr. P. 3017(c).

19. After the Court has approved the Disclosure Statement as containing adequate information as required by section 1125 of the Bankruptcy Code, the Debtors propose

to mail or cause to be mailed solicitation packages (the “Solicitation Packages”) containing copies of (a) the Disclosure Statement Order, (b) the Confirmation Hearing Notice (as defined herein), (c) either (i) an appropriate form of Ballot (as defined herein) and/or Master Ballot⁴ (as defined herein), as appropriate, together with a return envelope and the Disclosure Statement (together with the Plan annexed thereto as Exhibit A),⁵ or (ii) a Notice of Non-Voting Status (as defined herein), as applicable, and (d) such other materials as the Court may direct. The Debtors expect that they will be able to complete distribution of the Solicitation Packages by no later than four (4) business days after the Record Date (the “Solicitation Date”) to (x) all persons or entities that filed proofs of claim on or before the Record Date, except to the extent a claim was paid pursuant to, or expunged by, a prior order of the Bankruptcy Court, (y) all persons or entities listed in the Debtors’ schedules of assets and liabilities⁶ (as amended, the “Schedules”) as holding liquidated, noncontingent, and undisputed claims in an amount greater than zero, and (z) the registered holders of the Debtors’ debt and equity securities as of the Record Date.⁷

⁴ Consistent with securities industry practice in bankruptcy solicitations, Master Ballots will be distributed to Nominees (as defined herein) after the Solicitation Packages have been forwarded to the beneficial owners.

⁵ The Debtors propose to exclude from the Solicitation Packages the Plan Supplement (as defined in the Plan). However, to accommodate creditors and shareholders that wish to review the Plan Supplement, the Debtors will separately file copies of the Plan Supplement with the Court no later than ten (10) days prior to the Confirmation Hearing. In addition, the Creditors Committee, the Senior Lenders, the U.S. Trustee, the Securities Exchange Commission (the “SEC”), the Internal Revenue Service (the “IRS”), and the United States Department of Justice (the “DOJ”) will be served with a copy of the Disclosure Statement, the Plan, and the Plan Supplement. The Plan Supplement will be available for review on the website of the Voting Agent (as defined herein) at www.bmccorp.net/allegiance.

⁶ Bankruptcy Rule 3003(c)(2) provides in relevant part that “any creditor ... whose claim or interest is not scheduled or scheduled as disputed, contingent, or unliquidated ... who fails to [timely file a proof of claim] shall not be treated as a creditor with respect to such claim for the purposes of voting and distribution.” Fed. R. Bankr. P. 3003(c)(2).

⁷ The nominees and record holders of the Debtors’ debt and equity securities will be provided with ample copies of, and instructions to forward, the appropriate Solicitation Packages onto the beneficial holders of the Debtors’ debt and equity securities and will be reimbursed by the Debtors for reasonable, actual, and necessary expenses incurred in connection with such distribution. The procedure for distribution of the appropriate Solicitation Packages to the Debtors’ debt security holders is described more fully below.

20. In addition, the Debtors shall distribute or cause to be distributed by the Solicitation Date, (a) the Disclosure Statement Order, (b) the Confirmation Hearing Notice, (c) the Disclosure Statement (together with the Plan annexed thereto as Exhibit A) and (d) such other materials the Court may direct to: (i) the U.S. Trustee, (ii) the attorneys for the Creditors Committee, (iii) the attorneys for the Senior Lenders, (iv) all other parties in interest that have filed a request for notice pursuant to Bankruptcy Rule 2002 in the Debtors' chapter 11 cases, (v) the SEC, (w) the IRS, and (vii) the DOJ.

21. To avoid duplication and reduce expenses, the Debtors propose the following:

- a. Consistent with sections 1126(f) and (g) of the Bankruptcy Code and Bankruptcy Rule 3017(d), Solicitation Packages for holders of claims against or interests in any Debtor placed within a class under the Plan that is deemed to accept or reject the Plan (as applicable) under section 1126(f) or (g) of the Bankruptcy Code (as applicable) will not include a Ballot. Instead, the Solicitation Packages for such holders of claims and equity interests will include a Notice of Non-Voting Status, as appropriate;
- b. The Debtors will not distribute copies of the Plan and Disclosure Statement to holders of claims within Class 6 (Subordinated Claims) and holders of equity interests in Class 7 (Equity Interests) deemed to reject the Plan unless such party makes a specific request in writing to the Voting Agent (as defined herein) for the same; provided, however, that the Notices of Non-Voting Status shall provide that a copy of the Solicitation Packages may be viewed at www.bmccorp.net/allegiance.
- c. Creditors who have filed duplicate claims against the Debtors (whether against the same or multiple Debtors), which are classified under the Plan in the same class, will receive only one Solicitation Package and one Ballot for voting their claims with respect to that class;
- d. Solicitation Packages will not be sent to creditors whose claims are based solely on amounts scheduled by the Debtors but whose claims already have been paid in the full scheduled amount; provided, however, if, and to the extent that, any such creditor would be entitled to receive a Solicitation Package for any reason

other than by virtue of the fact that its claim had been scheduled by the Debtors, such creditor will be sent a Solicitation Package in accordance with the procedures set forth above; and

- e. The Debtors will not send a Solicitation Package to any creditor who filed a proof of claim if the amount asserted in such proof of claim is less than or equal to the amount scheduled for such claim and such amount has already been paid.

22. The Debtors anticipate that some notices of the Disclosure Statement Notices that were sent to all creditors and equity security holders of the Debtors may be returned by the United States Postal Service as undeliverable. The Debtors believe that it would be costly and wasteful to mail Solicitation Packages to the same addresses to which undeliverable Disclosure Statement Notices were mailed. Therefore, the Debtors seek the Court's approval for a departure from the strict notice rule, excusing the Debtors from mailing Solicitation Packages to those entities listed at such addresses unless the Debtors are provided with accurate addresses for such entities before the Solicitation Date.

23. The Debtors submit that the proposed notice and service procedures are fair and reasonable, are designed to provide creditors and equity holders with adequate notice and, thus, should be approved.

**Approving Forms of Ballots and Master Ballots
and Establishing Procedures for Voting on the Plan**

Approval of Form of Ballots and Master Ballots and Distribution Thereof

24. Bankruptcy Rule 3017(d) requires the Debtors to mail a form of ballot, which substantially conforms to Official Form No. 14, only to "creditors and equity security holders entitled to vote on the plan." Fed. R. Bankr. P. 3017(d). The Debtors propose to distribute to certain creditors, as described below, one or more ballots (the "Ballots") substantially in the forms annexed hereto in Exhibit B and incorporated herein by reference. The forms for the Ballots are based on Official Form No. 14, but have been modified to address the

particular aspects of these chapter 11 cases and to include certain additional information that the Debtors believe to be relevant and appropriate for each such class of claims or equity interests. The appropriate Ballots, as applicable, will be distributed to holders of claims in Class 4 (ATCW Unsecured Claims) and Class 5 (ATI Unsecured Claims) under the Plan, the only classes entitled to vote to accept or reject the Plan. All other classes are either unimpaired and conclusively presumed to have accepted the Plan, or will receive no distribution and are deemed to have rejected the Plan.

25. Specifically, with respect to the Ballots that will be sent to holders of claims with respect to the debentures (the “ATI Notes”) that are subject to the ATI Note Indentures (as such term is defined in the Plan) in Class 5 (ATI Unsecured Claims), the Debtors request authority to send Ballots to record holders of such claims, including, without limitation, brokers, banks, dealers, or other agents or nominees (collectively, the “Nominees”). Each Nominee will receive a reasonably sufficient number of Ballots and Solicitation Packages to distribute to the beneficial owners (the “Beneficial Owners”) of the claims for whom such Nominee acts, and the Debtors will be responsible for each such Nominee’s actual and reasonable costs and expenses associated with (a) the distribution of the Ballots and Solicitation Packages to the Beneficial Owners and (b) tabulation of the Ballots.

26. A Nominee has two options with respect to voting. Under the first option, the Nominee will forward the Solicitation Package to each Beneficial Owner for voting and include a return envelope provided by and addressed to the Nominee so that the Beneficial Owner may return the completed beneficial owner ballot to the Nominee. Upon receipt of the Ballots, the Nominee will summarize the individual votes of its respective Beneficial Owners on the appropriate master ballot (the “Master Ballot”) and then return the Master Ballot to

Bankruptcy Management Corporation, the Debtors' voting agent (the "Voting Agent"), by the Voting Deadline (as defined herein).

27. Under the second option, if the Nominee elects to "prevalidate" Ballots:
 - a. The Nominee shall forward the Solicitation Package or copies thereof (including (i) the Disclosure Statement, (ii) an individual Ballot that has been prevalidated, as indicated in paragraph (b) below, and (iii) a return envelope provided by and addressed to the Voting Agent) to the Beneficial Owner within three (3) business days of the receipt by such Nominee of the Solicitation Package;
 - b. To "prevalidate" a ballot, the Nominee shall complete and execute the Ballot (other than Items 2, 3 and 4) and indicate on the Ballot the name of the registered holder, the amount of securities held by the Nominee for the Beneficial Owner and the account number(s) for the account(s) in which such securities are held by the Nominee; and
 - c. The Beneficial Owner shall return the prevalidated Ballot to the Voting Agent by the Voting Deadline.

28. To the extent that the Nominees incur out-of-pocket expenses in connection with distribution of the Ballots and Master Ballots, the Debtors request authority to reimburse such entities for their reasonable, actual, and necessary out-of-pocket expenses incurred in this regard.

29. The procedures adequately recognize the complex structure of the securities industry, enable the Debtors to transmit materials to the holders of their publicly traded securities, and afford Beneficial Owners a fair and reasonable opportunity to vote.

Notice of Non-Voting Status to Holders of Claims or equity interests Deemed to Accept or Reject the Plan

30. Holders of claims in Class 6 (Subordinated Claims) and holders of equity interests in Class 7 (Equity Interests) will not receive or retain any property under the Plan and, therefore, are deemed to reject the Plan. See 11 U.S.C. § 1126(g); In re Walnut Equip. Leasing, No. 97-19699 DWS, 1999 WL 1068448, at *2 (Bankr. E.D. Pa. Nov. 23, 1999) ("A class that is

to receive nothing under a plan is deemed to reject the plan and is not entitled to vote.”); In re Zenith Elec. Corp., 241 B.R. 92 (Bankr. D. Del. 1999) (a class that would receive nothing under the debtor’s plan did not have the right to vote as it was conclusively presumed to have rejected the plan pursuant to 11 U.S.C. § 1126(g)); In re Fur Creations by Varriale, Ltd., 188 B.R. 754, 758 n.4 (Bankr. S.D.N.Y. 1995) (“a class is deemed to reject a plan if the class does not receive a distribution under the plan”); In re Friese, 103 B.R. 90, 91 (Bankr. S.D.N.Y. 1989) (“A class receiving no distribution is deemed not to have accepted the plan.”). Accordingly, in an effort to conserve the resources of these estates, the Debtors propose to mail a notice of non-voting status (the “Notice of Non-Voting Status-Impaired Classes”) substantially in the form annexed hereto as Exhibit C, to the holders of claims or equity interests in such classes.

31. In addition, because Classes 1 (Priority Non-Tax Claims), 2 (Secured Claims) and 3 (Senior Lender Claims) are unimpaired and, therefore, deemed to have accepted the Plan, in a effort to conserve the resources of these estates, the Debtors propose to mail a notice of non-voting status (the “Notice of Non-Voting Status-Unimpaired Classes” and, together with the Notice of Non-Voting Status-Impaired Classes, the “Notices of Non-Voting Status”) substantially in the form annexed hereto as Exhibit D, to the holders of claims in such classes.

32. Similar to the process for serving Ballots upon holders of claims under the debentures that are subject to the ATI Note Indentures in Class 5 (ATI Unsecured Claims), the Debtors propose to send a Notice of Non-Voting Status-Impaired Classes to the holders of the Debtors’ publicly traded stock as reflected in the records maintained by the Debtors’ transfer agent(s) as of the close of business on the Record Date. However, the Debtors recognize that the records maintained by such transfer agent(s) reflect the brokers, dealers, commercial banks, trust companies, or other nominees (collectively, the “Nominee Stockholders”) through which the

beneficial stockholders (collectively, the “Beneficial Stockholders”) hold stock. Accordingly, the Debtors request that the Disclosure Statement Order provide that:

- a. the Nominee Stockholders forward the Notice of Non-Voting Status-Impaired Class or copies thereof to the Beneficial Stockholders within three (3) business days of the receipt by such Nominee Stockholders of the Notice of Non-Voting Status-Impaired Classes; and
- b. the Debtors provide the Nominee Stockholders with sufficient copies of the Notice of Non-Voting Status-Impaired Classes to forward to the Beneficial Stockholders.

33. To the extent that the Nominee Stockholders incur out-of-pocket expenses in connection with distribution of the Notice of Non-Voting Status-Impaired Classes, the Debtors request authority to reimburse such entities for their reasonable, actual, and necessary out-of-pocket expenses incurred in this regard.

34. The Notices of Non-Voting Status set forth the manner in which a copy of the Plan and Disclosure Statement may be obtained. The Debtors submit that such notice satisfies the requirements of the Bankruptcy Code and Bankruptcy Rules. In addition, similar relief has been granted in other chapter 11 cases. See, e.g., In re NRG Energy, Inc., Ch. 11 Case 03-13024 (PCB) (Bankr. S.D.N.Y. May 28, 2003); In re WorldCom, Inc., Ch. 11 Case No. 02-13533 (AJG) (Bankr. S.D.N.Y. May 28, 2003); In re Global Crossing Ltd., Ch. 11 Case No. 02-40188 (REG) (Bankr. S.D.N.Y. Oct. 22, 2002); In re Rhythms NetConnections, Inc., Ch. 11 Case Nos. 01-14283 through 01-14287 (BRL) (Bankr. S.D.N.Y. Jan. 8, 2002). Accordingly, the Debtors request that the Court determine that they are not required to distribute copies of the Plan and Disclosure Statement to any holder of claims or equity interests in Class 1, 2, 3, 6 or 7, unless such holder submits a written request to the Voting Agent.

Establishing Voting Deadline for Receipt of Ballots

35. Bankruptcy Rule 3017(c) provides that, on or before approval of a disclosure statement, the court shall fix a time within which the holders of claims or equity interests may accept or reject a plan. The Debtors anticipate commencing the solicitation period within eight (8) business days after entry of the Disclosure Statement Order. Based on such schedule, the Debtors propose that in order to be counted as a vote to accept or reject the Plan, each Ballot must be properly executed, completed, and delivered to the Voting Agent, by (a) first-class mail, in the return envelope provided with each Ballot, (b) overnight courier, or (c) personal delivery so that it is received by the Voting Agent no later than 5:00 p.m., prevailing Eastern Time, on May 21, 2004 (the “Voting Deadline”). The Debtors propose that the certification of Ballots be filed on or before the date of the Confirmation Hearing.

36. The Debtors submit that this solicitation period is sufficient to allow its creditors to make an informed decision regarding whether to accept or reject the Plan.

Approval of Procedures for Vote Tabulation

37. Section 1126(c) of the Bankruptcy Code provides:

A class of claims has accepted a plan if such plan has been accepted by creditors, other than any entity designated under subsection (e) of this section, that hold at least two-thirds in amount and more than one-half in number of the allowed claims of such class held by creditors, other than any entity designated under subsection (e) of this section, that have accepted or rejected such plan.

11 U.S.C. § 1126(c). Further, Bankruptcy Rule 3018(a) provides that the “court after notice and hearing may temporarily allow the claim or interest in an amount which the court deems proper for the purpose of accepting or rejecting a plan.” Fed. R. Bankr. P. 3018(a).

Ballot Tabulation

38. Solely for purposes of voting to accept or reject the Plan and not for the purpose of the allowance of, or distribution on account of, a claim, and without prejudice to the rights of the Debtors in any other context, the Debtors propose that each claim within a class of claims entitled to vote to accept or reject the Plan be temporarily allowed in an amount equal to the amount of such claim as set forth in a timely filed proof of claim, or, if no proof of claim was filed, the amount of such claim as set forth in the Schedules. The foregoing general procedure will be subject to the following exceptions:

- a. if a claim for which a proof of claim has been timely filed is not listed on the Schedules and no objection to such claim has been filed on or before the Voting Deadline, the claim shall be temporarily allowed for voting purposes in the amount set forth in the proof of claim;
- b. if a claim for which a proof of claim has been timely filed is, by its terms, contingent, unliquidated, or disputed, the claim shall be temporarily allowed for voting purposes in the amount of \$1.00
- c. if a claim is listed as contingent, unliquidated or disputed, either in the Schedules or in a proof of claim, the claim shall be temporarily allowed for voting purposes only in an amount equal to \$1.00;
- d. notwithstanding any other Tabulation Rule (as defined herein), if a claim is deemed allowed in accordance with the Plan, such claim will be allowed for voting purposes in the deemed allowed amount set forth in the Plan;
- e. if the Debtors have served and filed an objection to a claim prior to the Voting Deadline, such claim shall be temporarily allowed for voting purposes in amount equal to the greater of \$1.00 or the undisputed amount of such claim;
- f. if a claim is listed in the Schedules as being a non-priority claim or is not listed in the Schedules and a proof of claim is filed as a priority claim (in whole or in part), such claim will be temporarily allowed for voting purposes as a non-priority claim in an amount that such claim would have been so allowed in accordance with the other Tabulation Rules had such proof of claim been filed as a non-priority claim;

- g. if a claim is listed in the Schedules as being an unsecured claim or is not listed in the Schedules and a proof of claim is filed as a secured claim (in whole or in part), such claim will be temporarily allowed for voting purposes as an unsecured claim in an amount that such claim would have been so allowed in accordance with the other Tabulation Rules had such proof of claim been filed as an unsecured claim;
- h. notwithstanding any other Tabulation Rule, if a claim has been estimated or otherwise allowed for voting purposes by order of the Court, such claim will be temporarily allowed for voting purposes in the amount so estimated or allowed by the Court (a stipulation as to voting amount may be filed by Notice of Presentment in accordance with Local Bankruptcy Rule 9074-1(c) on five (5) days' notice);
- i. if a claim relates to rejection damages under an executory contract or unexpired lease that has not been rejected as of the Voting Deadline, to the extent such claim is for rejection damages, such claim shall be temporarily disallowed by the Court for voting purposes and, to the extent such claim is solely for rejection damages, such Ballot shall not be counted as having voted for or against the Plan; and
- j. if a claim holder identifies a claim amount on its Ballot that is less than the amount otherwise calculated in accordance with the Tabulation Rules, the claim will be temporarily allowed for voting purposes in the lesser amount identified on such Ballot.

39. The Debtors believe that the foregoing proposed tabulation rules (the “Tabulation Rules”) provide for a fair and equitable voting process. If any creditor seeks to challenge the allowance of its claim for voting purposes in accordance with the above Tabulation Rules, the Debtors request that the Court direct such creditor to serve on the Debtors and file with the Court (with a copy to chambers) a motion for an order pursuant to Bankruptcy Rule 3018(a) temporarily allowing such claim in a different amount for purposes of voting to accept or reject the Plan on or before the tenth (10th) day after the later of (a) service of the Confirmation Hearing Notice (as defined below) and (b) service of notice of an objection, if any, to such claim. The Debtors further propose, in accordance with Bankruptcy Rule 3018, that as to

any creditor filing such a motion, such creditor's Ballot should not be counted unless temporarily allowed by the Court for voting purposes, after notice and a hearing.⁸

Master Ballot Tabulation

40. With respect to the tabulation of Master Ballots and Ballots cast by Nominees and Beneficial Owners, for purposes of voting, the amount that will be used to tabulate acceptance or rejection of the Plan will be the principal amount held as of the Record Date (the "Record Amount"). The following additional rules will apply to the tabulation of Master Ballots and Ballots cast by Nominees and Beneficial Owners:

- a. Votes cast by Beneficial Owners through Nominees will be applied against the positions held by such entities in the applicable security as of the Record Date, as evidenced by the record and depository listings. Votes submitted by a Nominee, whether pursuant to a Master Ballot or prevalidated Ballot, will not be counted in excess of the Record Amount of such securities held by the Beneficial Owners for whom the Nominee provides services.
- b. To the extent that conflicting votes or "overvotes" are submitted by a Nominee, whether pursuant to a Master Ballot or prevalidated Ballot, the Debtors will attempt to reconcile discrepancies with the Nominees.
- c. To the extent that overvotes on a Master Ballot or prevalidated Ballot are not reconciled prior to the preparation of the vote certification, the Debtors will apply the votes to accept and to reject the Plan in the same proportion as the votes to accept and reject the Plan submitted on the Master Ballot or prevalidated Ballots that contained the overvote, but only to the extent of the Nominee's position in the applicable security.
- d. For purposes of tabulating votes, each Nominee or Beneficial Owner will be deemed to have voted the principal amount of its Claim relating to such security.

⁸ This Disclosure Statement procedure is consistent with section 1126 of the Bankruptcy Code, which provides that a plan may be accepted or rejected by the holder of a claim allowed under section 502 of the Bankruptcy Code. Section 502 of the Bankruptcy Code provides that a filed proof of claim is deemed allowed, "unless a party in interest ... objects." 11 U.S.C. § 502.

- e. A single Nominee may complete and deliver to the Voting Agent multiple Master Ballots. Votes reflected on multiple Master Ballots will be counted, except to the extent they are duplicative of other Master Ballots. If two or more Master Ballots are inconsistent, the latest dated Master Ballot received prior to the Voting Deadline will, to the extent of such inconsistency, supercede and revoke any prior Master Ballot.

41. Similar procedures have been approved in other large chapter 11 cases.

See, e.g., In re Worldcom, Inc., et al., Ch. 11 Case No. 02-13533 (AJG); In re Kmart Corporation, et al., Ch. 11 Case No. 02 B 02474; In re NTL Incorporated, et al., Ch. 11 Case No. 02-41316; In re Safety-Kleen Corp., et al., Ch. 11 Case No. 00-2303; In re Comdisco, Inc., et al., Ch. 11 Case No. 01-2479; In re Sunbeam Corp., Ch. 11 Case No. 01-40291 (AJG). The Debtors submit that such procedures provide for a fair and equitable voting process.

Tabulation Procedures

42. The Debtors propose that the following procedures (the “Tabulation Procedures”) be utilized in tabulating the Ballots and Master Ballots:

- a. Ballots and Master Ballots received after the Voting Deadline will not be accepted or counted by the Debtors;
- b. Beneficial Holders must vote all of their claims with respect to a particular issue of ATI Notes either to accept or reject the Plan and may not split their votes with respect to a particular issue of ATI Notes;
- c. Any Ballot (or a group of Ballots with respect to a particular issue of ATI Notes received from a single creditor) that partially rejects and partially accepts the Plan shall be counted as an acceptance of the Plan;
- d. The method of delivery of the Ballots and Master Ballots to be sent to the Voting Agent is at the election and risk of each holder of a claim and (if applicable) Nominee, and will be deemed made only when the original executed Ballot or Master Ballot is actually received by the Voting Agent;
- e. Delivery of a Ballot or Master Ballot by facsimile, e-mail or any other electronic means will not be accepted by the Voting Agent;

- f. No Ballot or Master Ballot sent to the Debtors, any indenture trustee or the Debtors' financial or legal advisors shall be accepted;
- g. If multiple Ballots are received from or on behalf of an individual holder of a claim with respect to the same claim prior to the Voting Deadline, the last Ballot timely received will be deemed to reflect the intent and to supercede and revoke any prior Ballot with respect to such claim;
- h. If a Ballot is signed by a trustee, executor, administrator, guardian, attorney-in-fact, or other person acting in a fiduciary or representative capacity, such person shall be required to indicate such capacity when signing. The Debtors may request proper evidence prior to accepting such Ballot;
- i. The Debtors, in their sole discretion, subject to any contrary order of the Court, may waive any defect in any Ballot or Master Ballot at any time, whether before or after the Voting Deadline, and without notice;
- j. Any holder of impaired claims who has delivered a valid Ballot voting on the Plan may withdraw such vote solely in accordance with Bankruptcy Rule 3018(a);
- k. Subject to any contrary order of the Court, the Debtors reserve the absolute right to reject any and all Ballots or Master Ballots not in proper form, the acceptance of which would, in the opinion of the Debtors or their counsel, not be in accordance with the provisions of this Order or the Bankruptcy Code;
- l. If no votes to accept or reject the Plan are received with respect to a particular class, such class shall be deemed to have voted to accept the Plan;
- m. Unless waived by the Debtors, or as ordered by the Court, any defects or irregularities in connection with the deliveries of the Ballots or Master Ballots must be cured by the Voting Deadline, and unless otherwise ordered by the Court, delivery of such Ballots or Master Ballots will not be deemed to have been made until such irregularities have been cured or waived; and
- n. Except as may be provided by Local Bankruptcy Rule 3018-1(b) with respect to a Ballot or Master Ballot received prior to the Voting Deadline neither the Debtors, nor any other person or entity, will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots or Master Ballots nor will any of them incur liabilities for failure to provide such notification.

43. The Debtors further propose that the following Ballots not be counted or considered for any purpose in determining whether the Plan has been accepted or rejected: (a) any Ballot received after the Voting Deadline unless the Debtors shall have granted in writing an extension of the Voting Deadline with respect to such Ballot, (b) any Ballot that is illegible or contains insufficient information to permit the identification of the claimant, (c) any Ballot cast by a person or entity that does not hold a claim in a class that is entitled to vote to accept or reject the Plan, (d) any unsigned Ballot, (e) any Ballot transmitted to the Voting Agent by facsimile or other electronic means and (f) any Ballot that is otherwise properly completed and returned but does not indicate either an acceptance or rejection of the Plan.

44. The Debtors submit that the foregoing Tabulation Procedures provide for a fair and equitable voting process in light of the circumstances involved.

Establishing Notice and Objection Procedures for Confirmation of the Plan

Setting the Confirmation Hearing

45. Bankruptcy Rule 3017(c) provides:

On or before approval of the disclosure statement, the court shall fix a time within which the holders of claims and equity interests may accept or reject the plan and may fix a date for the hearing on confirmation.

Fed. R. Bankr. P. 3017(c).

46. In accordance with Bankruptcy Rule 3017(c), the Debtors request that a hearing on confirmation of the Plan (the "Confirmation Hearing") be scheduled on May 26, 2004 at 10:00 a.m., prevailing Eastern Time. The Confirmation Hearing may be continued from time to time by the Court or the Debtors without further notice except for adjournments announced in open court. The proposed timing for the Confirmation Hearing is in compliance with the

Bankruptcy Code, the Bankruptcy Rules and the Local Bankruptcy Rules and will enable the Debtors to pursue confirmation of the Plan in a timely fashion.

Establishing Procedures for Notice of the Confirmation Hearing

47. Bankruptcy Rule 2002(b) and (d) require not less than twenty-five (25) days' notice to all creditors and equity security holders of the time fixed for filing objections and the hearing to consider confirmation of a chapter 11 plan. In accordance with Bankruptcy Rules 2002 and 3017(d), the Debtors propose to provide to all creditors and equity security holders, simultaneously with the distribution of the Solicitation Packages, a copy of the notice substantially in the form annexed hereto as Exhibit E and incorporated herein by reference (the "Confirmation Hearing Notice"), setting forth (a) the Voting Deadline, (b) the time fixed for filing objections to confirmation of the Plan and the manner in which such objections shall be filed, and (c) the time, date, and place for the Confirmation Hearing.

48. Bankruptcy Rule 2002(l) permits the Court to "order notice by publication if it finds that notice by mail is impracticable or that it is desirable to supplement the notice." Fed. R. Bankr. P. 2002(l). In addition to mailing the Confirmation Hearing Notice, the Debtors propose to publish the Confirmation Hearing Notice, substantially in the form of Exhibit E, not less than twenty-five (25) days before the time fixed for filing objections to the confirmation of the Plan, in the national editions of The Wall Street Journal and The New York Times. Additionally, the Voting Agent will publish the Confirmation Hearing Notice electronically on its website at <http://www.bmccorp.net/allegiance>. The Debtors believe that publication of the Confirmation Hearing Notice will provide sufficient notice of the Voting Deadline, the time fixed for filing objections to confirmation of the Plan and the manner in which such objections shall be filed, and the time, date, and place of the Confirmation Hearing to persons who do not otherwise receive notice by mail as provided for in the order approving this Motion.

49. The Debtors submit that the foregoing procedures will provide adequate notice of the Confirmation Hearing and, accordingly, request that the Court deem such notice adequate.

Establishing Procedures for Objections to the Plan

50. Pursuant to Bankruptcy Rule 3020(b)(1), objections to confirmation of a plan must be filed and served “within a time fixed by the court.” Fed. R. Bankr. P. 3020(b)(1). The Confirmation Hearing Notice provides, and the Debtors request that the Court direct, that objections to confirmation of the Plan or proposed modifications to the Plan, if any, must: (a) be in writing; (b) state the name and address of the objecting party and the amount and nature of the claim or interest of such party; (c) state with particularity the basis and nature of any objection to the confirmation of the Plan; and (d) be filed, together with proof of service, with the Court and served so that they are received by (i) the Clerk of the Court, (ii) attorneys for the Debtors, (iii) attorneys for the Creditors Committee, (iv) the attorneys for the Senior Lenders, and (v) the U.S. Trustee (collectively, the “Notice Parties”), at the addresses set forth in the Confirmation Hearing Notice, on May 21, 2004 at 4:00 p.m., prevailing Eastern Time. This proposed timing will afford the Court, the Debtors, and other parties in interest sufficient time to consider any objections and proposed modifications prior to the Confirmation Hearing and possibly expedite the Confirmation Hearing by resolving certain objections prior to the Confirmation Hearing. The Debtors request that the Court approve this schedule pursuant to Bankruptcy Rule 3020.

Non-Substantive Modifications

51. The Debtors request authorization to make non-substantive changes to the Disclosure Statement, Plan, Ballots, Master Ballots, Confirmation Hearing Notice, and related documents without further order of the Court, including, without limitation, changes to correct

typographical and grammatical errors and to make conforming changes among the Disclosure Statement, the Plan, and any other materials in the Solicitation Package prior to their distribution.

Waiver of Memorandum of Law

52. This Motion does not raise any novel issues of law and the relevant legal authorities are noted herein. Thus, the Debtors respectfully request that the Court waive the requirement contained in Local Bankruptcy Rule 9013-1 (b) that a separate memorandum of law be submitted.

Notice

53. Notice of this Motion has been given to: (a) the U.S. Trustee; (b) attorneys for the Creditors Committee; (c) attorneys for the Senior Lenders; (d) all parties that have filed requests for notices in these chapter 11 cases; (e) the SEC; (f) the IRS; (g) the DOJ. In accordance with Bankruptcy Rules 2002(b) and 3017(a), additional notice of the relief sought herein has been given in the manner described above. In light of the nature of the relief requested herein, the Debtors submit that no other or further notice is required.

No Prior Request

54. No prior request for the relief sought in this Motion has been made to this or any other court.

WHEREFORE, the Debtors respectfully request entry of an order granting the relief sought therein and such other and further relief as the Court may deem just and proper.

Dated: New York, New York
March 18, 2004

KIRKLAND & ELLIS LLP

/s/ Jonathan S. Henes

Matthew A. Cantor (MC-7727)

Jonathan S. Henes (JH-1979)

Lisa Laukitis (LG 9248)

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

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**NOTICE OF HEARING ON MOTION FOR AN ORDER
(I) APPROVING THE DISCLOSURE STATEMENT; (II) ESTABLISHING
A RECORD DATE; (III) APPROVING SOLICITATION PACKAGES AND
PROCEDURES FOR DISTRIBUTION THEREOF; (IV) APPROVING FORMS OF
BALLOTS AND ESTABLISHING PROCEDURES FOR VOTING ON THE PLAN; AND (V)
ESTABLISHING NOTICE AND OBJECTION PROCEDURES FOR CONFIRMATION OF THE PLAN**

TO ALL CREDITORS, EQUITY INTEREST HOLDERS AND
OTHER PARTIES IN INTEREST OF THE DEBTORS:

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. The above-captioned debtors and debtors in possession (collectively, the “Debtors”) intend to file a proposed Joint Plan of Reorganization of the Debtors under Chapter 11 of the Bankruptcy Code (as it may be amended, the “Plan”), and a related proposed Disclosure Statement (as it may be amended, the “Disclosure Statement”) on or before March 18, 2004.¹
2. Copies of the Plan and the Disclosure Statement will be available for review (a) at the Office of the Clerk, United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York 10004-1408 and (b) on the website of Bankruptcy Management Corporation, the Debtors’ notice and claims agent, at www.bmccorp.net/allegiance. Copies of the Plan and Disclosure Statement may also be obtained upon written request from Allegiance Telecom, Inc., c/o Bankruptcy Management Corporation, P.O. Box 909, El Segundo, California 90245-0909, Attn: Document Request Department.
3. A hearing to approve the Disclosure Statement (the “Disclosure Statement Hearing”) will be held 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 (the “Bankruptcy Court”), Alexander Hamilton Custom House, One Bowling Green, New York, New York, 10004-1408, on April 16, 2004, at 10:00 a.m. (prevailing Eastern Time), or as soon thereafter as the Debtors maybe heard.
4. The Disclosure Statement Hearing may be continued from time to time without further notice, including by announcement of the adjournment date(s) at the Disclosure Statement Hearing or any continued hearing. Notwithstanding the foregoing, notice of any such adjournments will be set forth on the website of Bankruptcy Management Corporation, the Debtors’ notice and claims agent, at www.bmccorp.net/allegiance.

¹ To the extent the Debtors file the Plan after March 18, 2004, the Disclosure Statement Hearing (as defined below) will be adjourned (unless the Bankruptcy Court orders otherwise) and the date of such adjournment will be set forth on the website of Bankruptcy Management Corporation, the Debtors’ notice and claims agent, at www.bmccorp.net/allegiance.

5. Objections, if any, to the approval of the Disclosure Statement must be in writing, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the Southern District of New York, shall set forth the name of the objectant, the nature and amount of claims or interests held or asserted by the objectant against the Debtors' estates or property, the basis for the objection, and the specific grounds therefor, and shall be filed with the Bankruptcy Court electronically in accordance with General Order M-242 (which can be found at www.nysb.uscourts.gov) by registered users of the Bankruptcy Court's case filing system and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), WordPerfect, or any other Windows-based word processing format (with a hard copy delivered directly to Chambers) and served in accordance with General Order M-242, and shall further be served upon (a) Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, New York 10022 (Attn. Jonathan S. Henes, Esq.); (b) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn. Pamela J. Lustrin, Esq.); (c) Paul, Hastings, Janofsky & Walker LLP, 600 Peachtree Street, N.E., 24th Floor, Atlanta, Georgia 30308 (Attn. Jesse Austin, III, Esq.); and (d) Akin Gump Strauss Hauer Feld LLP, 590 Madison Avenue, New York, New York 10022 (Attn. Ira S. Dizengoff, Esq.), so as to be actually received no later than April 13, 2004, at 4:00 p.m. (prevailing Eastern Time).

6. Only objections that are timely filed and received in accordance with paragraph 5 above will be considered by the Bankruptcy Court.

7. THIS NOTICE IS NOT A SOLICITATION OF VOTES TO ACCEPT OR REJECT THE PLAN. VOTES ON THE PLAN MAY NOT BE SOLICITED UNLESS AND UNTIL THE PROPOSED DISCLOSURE STATEMENT IS APPROVED BY AN ORDER OF THE COURT.

Dated: New York, New York
March 16, 2004

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

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

BALLOT FOR ACCEPTING OR REJECTING DEBTORS' JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

CLASS 4: ATCW UNSECURED CLAIMS

THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS 5:00 P.M., PREVAILING EASTERN TIME ON _____, 2004

Allegiance Telecom, Inc. and its direct and indirect subsidiaries, the above-captioned debtors and debtors in possession (collectively, the "Debtors"), have filed the Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated [_____], 2004 (the "Plan"). The Plan is annexed as Exhibit A to the Debtors' Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code, dated [_____], 2004 (the "Disclosure Statement"), which accompanies this Ballot. If you are, as of [_____], 2004, the holder of an unpaid general unsecured claim against any of the Debtors identified in the Addendum to this Ballot as "ATCW Debtors" which arose prior to May 14, 2003 (the "Commencement Date"), please use this Ballot to cast your vote to accept or reject the Plan. The Bankruptcy Court has approved the Disclosure Statement, which provides information to assist you in deciding how to vote on the Plan. Bankruptcy Court approval of the Disclosure Statement does not indicate approval of the Plan by the Bankruptcy Court. If you do not have a Disclosure Statement, you may obtain a copy by contacting the Debtors' voting agent (the "Voting Agent"), Bankruptcy Management Corporation, at 1-888-909-0100 (toll free).

Pursuant to section 3.4(a) of the Plan, the undersigned has the option to participate in the Cash Recovery Election described in section 1.34 of the Plan. By checking the appropriate box in Item 3 below, the undersigned may elect to receive the Cash Recovery pursuant to the terms set forth in section 3.4(a) of the Plan or the applicable ATLT Certificates. Please review the terms of section 1.34 and 3.4(a) of the Plan before checking the box in Item 3. IF YOU DO NOT MAKE ANY ELECTIONS FOR YOUR CLAIM, YOU WILL BE DEEMED TO HAVE ELECTED TO RECEIVE A CASH RECOVERY IN RESPECT OF SUCH CLAIMS. The shares of ATLT A Certificates, ATLT B Certificates and ATLT C Certificates otherwise distributable to Holders of Class 4 Claims that elect and receive the Cash Recovery will be extinguished. In the event that the Available Cash is insufficient to satisfy in full the Claims of all Holders in Class 4 that elect the Cash Recovery (with such insufficiency being determined as of the Initial Effective Date), each such Holder shall receive its proportionate share of the Cash Recovery, and the remainder of its Claims shall be satisfied with ATLT A Certificates, ATLT B Certificates and ATLT C Certificates, as applicable.

IF YOU HAVE RECEIVED A DAMAGED BALLOT OR IF YOU HAVE ANY QUESTIONS REGARDING THIS BALLOT OR THE VOTING PROCEDURES, OR IF YOU NEED ADDITIONAL COPIES OF THE DISCLOSURE STATEMENT OR OTHER ENCLOSED MATERIALS, PLEASE CALL THE VOTING AGENT, BANKRUPTCY MANAGEMENT CORPORATION, AT 1-888-909-0100 (TOLL FREE).

IMPORTANT

You should review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and the classification and treatment of your claim or claims under the Plan. All of your general unsecured claims against ATCW Debtors have been placed in Class 4 under the Plan. If you hold more than one claim against the Debtors, you will receive a Ballot for each claim you are entitled to vote.

VOTING DEADLINE: 5:00 P. M., PREVAILING EASTERN TIME ON [_____], 2004.

If your vote is not received by the Voting Agent on or before the Voting Deadline and such deadline is not extended, your vote will not count as either an acceptance or rejection of the Plan and any election you have made in Item 3, below will not be counted.

Ballots will not be accepted by facsimile or electronic transmission.

If the Plan is confirmed by the Bankruptcy Court, it will be binding on you whether or not you vote.

This Ballot is *not* a letter of transmittal and may *not* be used for any purpose other than to cast votes to accept or reject the Plan.

Unless otherwise defined herein, capitalized terms shall have the meanings ascribed to them in the Plan.

HOW TO VOTE

1. COMPLETE ITEM 1 AND ITEM 2, AND COMPLETE ITEM 3 (if applicable).
2. REVIEW THE CERTIFICATION CONTAINED IN ITEM 4.
3. **SIGN THE BALLOT.**
4. RETURN THE BALLOT BY MAIL, OVERNIGHT COURIER OR PERSONAL DELIVERY TO THE VOTING AGENT (AN ENVELOPE ADDRESSED TO THE VOTING AGENT IS ENCLOSED FOR YOUR CONVENIENCE) SO THAT IT IS RECEIVED BY 5:00 P.M., PREVAILING EASTERN TIME ON [_____], 2004 AT THE FOLLOWING ADDRESS:
 - (a) **if by courier or hand delivery:**

Allegiance Telecom, Inc. Ballot Processing Center
c/o Bankruptcy Management Corporation
1330 E. Franklin Ave.
El Segundo, CA 90245
 - (b) **if by mail:**

Allegiance Telecom, Inc. Ballot Processing Center
c/o Bankruptcy Management Corporation
P.O. Box 909
El Segundo, CA 90245-0909
5. **BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED.**
6. YOU MUST VOTE THE FULL AMOUNT OF YOUR GENERAL UNSECURED CLAIM REPRESENTED BY THIS BALLOT *EITHER* TO ACCEPT OR TO REJECT THE PLAN AND MAY NOT SPLIT YOUR VOTE.
7. ANY EXECUTED BALLOT RECEIVED THAT (A) DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN OR (B) THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, WILL NOT BE COUNTED AS AN ACCEPTANCE OF THE PLAN.

Item 1. Amount of ATCW Unsecured Claim Voted. The undersigned certifies that as of [____], 2004, the undersigned held a general unsecured claim against an ATCW Debtor in the following unpaid amount, which arose prior to the ATCW Debtor's Commencement Date (insert amount in the box below):

\$ _____

Item 2. Vote. The holder of the general unsecured claim identified in Item 1 votes as follows (check one box only; if you do not check a box or check both boxes and your Ballot is otherwise properly executed, you will be deemed to have voted to accept the Plan):

to **Accept** the Plan. OR to **Reject** the Plan.

Item 3. Irrevocable Election of Treatment. The undersigned irrevocably elects the following treatment of its Class 4 Claim pursuant to section 3.4 of the Plan (check the box in each line - if you do not check a box, you will be deemed to have elected to receive a Cash Recovery; if you check both boxes in a line, you will be deemed to have elected to receive a Cash Recovery):

the ATLT A Certificates or the Cash Recovery
 the ATLT B Certificates or the Cash Recovery
 the ATLT C Certificates or the Cash Recovery

Item 4. Certification. By returning this Ballot, the holder of the general unsecured claim identified in Item 1 certifies that (a) this Ballot is the only Ballot submitted for such ATCW Unsecured Claim, (b) it has full power and authority to vote to accept or reject the Plan and to elect treatment with respect to the ATCW Unsecured Claim listed in Item 1, (c) it was the holder of the ATCW Unsecured Claim described in Item 1 as of [____], 2004, and (d) it has received a copy of the Disclosure Statement (including the exhibits thereto) and understands that the solicitation of votes for the Plan is subject to all the terms and conditions set forth in the Disclosure Statement and Plan.

Name of Creditor: _____
(Print or Type)

Social Security or Federal Tax ID. No.: _____
(Optional)

Signature: _____

Print Name: _____

Title: _____
(If Appropriate)

Street Address: _____

City, State, Zip Code: _____

Telephone Number: _____

Date Completed: _____

This Ballot shall not constitute or be deemed a proof of claim or equity interest, an assertion of a claim or equity interest, or the allowance of a claim or equity interest.

PLEASE RETURN YOUR BALLOT PROMPTLY. THE VOTING AGENT WILL NOT ACCEPT BALLOTS BY FACSIMILE TRANSMISSION OR ELECTRONIC MAIL.

YOUR VOTE MUST BE FORWARDED IN AMPLE TIME FOR YOUR VOTE TO BE RECEIVED BY THE VOTING AGENT, BANKRUPTCY MANAGEMENT CORPORATION, BY 5:00 P. M., PREVAILING EASTERN TIME, ON [____], 2004, OR YOUR VOTE WILL NOT BE COUNTED.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**ADDENDUM TO BALLOT FOR ACCEPTING OR REJECTING DEBTORS'
JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

CLASS 4: ATCW UNSECURED CLAIMS

ATCW DEBTOR	CASE NUMBER
Allegiance Telecom Company Worldwide	03-13064
Adgrafix Corporation	03-13060
ALGX Business Internet, Inc.	03-13061
Allegiance Internet, Inc.	03-13062
Allegiance Telecom International, Inc.	03-13066
Allegiance Telecom of Arizona, Inc.	03-13067
Allegiance Telecom of California, Inc.	03-13069
Allegiance Telecom of Colorado, Inc.	03-13070
Allegiance Telecom of Florida, Inc.	03-13073
Allegiance Telecom of Georgia, Inc.	03-13074
Allegiance Telecom of Illinois, Inc.	03-13075
Allegiance Telecom of Indiana, Inc.	03-13076
Allegiance Telecom of Maryland, Inc.	03-13077
Allegiance Telecom of Massachusetts, Inc.	03-13078
Allegiance Telecom of Michigan, Inc.	03-13079
Allegiance Telecom of Minnesota, Inc.	03-13080
Allegiance Telecom of Missouri, Inc.	03-13081
Allegiance Telecom of Nevada, Inc.	03-13082
Allegiance Telecom of New Jersey, Inc.	03-13084
Allegiance Telecom of New York, Inc.	03-13055
Allegiance Telecom of North Carolina, Inc.	03-13085
Allegiance Telecom of Ohio, Inc.	03-13088
Allegiance Telecom of Oklahoma, Inc.	03-13090
Allegiance Telecom of Oregon, Inc.	03-13092
Allegiance Telecom of Pennsylvania, Inc.	03-13093
Allegiance Telecom of Texas, Inc.	03-13095
Allegiance Telecom of the District of Columbia, Inc.	03-13097
Allegiance Telecom of Virginia, Inc.	03-13098
Allegiance Telecom of Washington, Inc.	03-13099
Allegiance Telecom of Wisconsin, Inc.	03-13100
Allegiance Telecom Purchasing Company	03-13101
Allegiance Telecom Service Corporation	03-13103
Coast to Coast Telecommunications, Inc.	03-13104
Hosting.com, Inc.	03-13105
InterAccess Telecommunications Co.	03-13106
Jump.Net, Inc.	03-13107
Shared Technologies Allegiance, Inc.	03-13108
Virtualis Systems, Inc.	03-13109

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

BALLOT FOR ACCEPTING OR REJECTING DEBTORS' JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

VOTING CLASS 5: ATI UNSECURED CLAIMS

(Other than Claims of holders of 12⁷/₈% ATI Senior Notes, Due May 15, 2008, or Claims of holders of 11³/₄% ATI Senior Discount Notes, Due February 15, 2008)

THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS 5:00 P.M., PREVAILING EASTERN TIME ON _____, 2004

Allegiance Telecom, Inc. ("ATI") and its direct and indirect subsidiaries, the above-captioned debtors and debtors in possession (collectively, the "Debtors"), have filed the Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated [____], 2004 (the "Plan"). The Plan is annexed as Exhibit A to the Debtors' Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code, dated [____], 2004 (the "Disclosure Statement"), which accompanies this Ballot. If you are, as of [____], 2004, a holder of an unpaid general unsecured claim against Allegiance Telecom, Inc., which arose prior to May 14, 2003 (the "Commencement Date"), please use this Ballot to cast your vote to accept or reject the Plan. The Bankruptcy Court has approved the Disclosure Statement, which provides information to assist you in deciding how to vote on the Plan. Bankruptcy Court approval of the Disclosure Statement does not indicate approval of the Plan by the Bankruptcy Court. If you do not have a copy of the Disclosure Statement, you may obtain it by contacting the Debtors' voting agent (the "Voting Agent"), Bankruptcy Management Corporation, at 1-888-909-0100 (toll free).

Pursuant to section 3.5(a) of the Plan, the undersigned has the option to participate in the Cash Recovery Election described in section 1.34 of the Plan. By checking the appropriate box in Item 3 below, the undersigned may elect to participate in the Cash Recovery Election pursuant to the terms set forth in section 3.5(a) of the Plan or the applicable ATLT Certificates. Please review the terms of section 1.34 and 3.5(a) of the Plan before checking the box in Item 3. **IF YOU DO NOT MAKE ANY ELECTIONS FOR YOUR CLAIM, YOU WILL BE DEEMED TO HAVE ELECTED TO RECEIVE A CASH RECOVERY IN RESPECT OF SUCH CLAIMS.** The shares of ATLT A Certificates, ATLT B Certificates and ATLT C Certificates otherwise distributable to Holders of Class 5 Claims that elect and receive a Cash Recovery will be extinguished. In the event that the Available Cash is insufficient to satisfy in full the claims of all Holders in Class 4 (ATCW Unsecured Claims) that elect to receive the Cash Recovery (with such insufficiency being determined as of the Initial Effective Date), the Holders of Allowed Claims in Class 5 will not be entitled to any Cash Recovery. In the event that the Available Cash is insufficient to satisfy in full the Claims of all Holders in Class 5 that elect a Cash Recovery (with such insufficiency being determined as of the Initial Effective Date), each such Holder shall receive its proportionate share of the Cash Recovery, and the remainder of its Claims shall be satisfied with ATLT A Certificates, ATLT B Certificates and ATLT C Certificates, as applicable.

IF YOU HAVE RECEIVED A DAMAGED BALLOT OR HAVE ANY QUESTIONS REGARDING THIS BALLOT OR THE VOTING PROCEDURES, OR IF YOU NEED ADDITIONAL COPIES OF THE DISCLOSURE STATEMENT OR OTHER ENCLOSED MATERIALS, PLEASE CALL THE VOTING AGENT, BANKRUPTCY MANAGEMENT CORPORATION, AT 1-888-909-0100 (TOLL FREE).

IMPORTANT

You should review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and the classification and treatment of your claim or claims under the Plan. All of your general unsecured claims against ATI has been placed in Class 5 under the Plan. If you hold more than one claim against the Debtors, you will receive a Ballot for each claim you are entitled to vote.

VOTING DEADLINE: 5:00 P. M., PREVAILING EASTERN TIME, ON [_____], 2004.

If your vote is not received by the Voting Agent on or before the Voting Deadline and such deadline is not extended, your vote will not count as either an acceptance or rejection of the Plan.

Ballots will not be accepted by facsimile transmission or electronic mail.

If the Plan is confirmed by the Bankruptcy Court, it will be binding on you whether or not you vote.

This Ballot is not a letter of transmittal and may not be used for any purpose other than to cast votes to accept or reject the Plan.

Unless otherwise defined herein, capitalized terms shall have the meanings ascribed to them in the Plan.

HOW TO VOTE

1. COMPLETE ITEM 1 AND ITEM 2 AND COMPLETE ITEM 3 and ITEM 4 (if applicable).
2. REVIEW THE CERTIFICATIONS CONTAINED IN ITEM 5.
3. **SIGN THE BALLOT.**
4. RETURN THE BALLOT BY MAIL, OVERNIGHT COURIER OR PERSONAL DELIVERY TO THE VOTING AGENT (AN ENVELOPE ADDRESSED TO THE VOTING AGENT IS ENCLOSED FOR YOUR CONVENIENCE) SO THAT IT IS RECEIVED BY 5:00 P.M., PREVAILING EASTERN TIME, ON [_____], 2004 AT THE FOLLOWING ADDRESS:

(a) if by courier or hand delivery:

Allegiance Telecom, Inc. Ballot Processing Center
c/o Bankruptcy Management Corporation
1330 E. Franklin Ave.
El Segundo, CA 90245

(b) if by mail:

Allegiance Telecom, Inc. Ballot Processing Center
c/o Bankruptcy Management Corporation
P.O. Box 909
El Segundo, CA 90245-0909

5. **BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED.**
6. YOU MUST VOTE THE FULL AMOUNT OF YOUR GENERAL UNSECURED CLAIM REPRESENTED BY THIS BALLOT *EITHER* TO ACCEPT *OR* TO REJECT THE PLAN AND MAY NOT SPLIT YOUR VOTE.
7. ANY BALLOT RECEIVED THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN OR THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN WILL NOT BE COUNTED AS AN ACCEPTANCE OF THE PLAN.

Item 1. Amount of ATI Unsecured Claim Voted. The undersigned certifies that as of [____], 2004, the undersigned held a general unsecured claim against an ATCW Debtor in the following unpaid amount, which arose prior to the Commencement Date (insert amount in the box below):

\$ _____

Item 2. Vote. The holder of the general unsecured claim identified in Item 1 votes as follows (check one box only; if you do not check a box or check both boxes and your Ballot is otherwise properly executed, you will be deemed to have voted to accept the Plan):

to **Accept** the Plan OR to **Reject** the Plan.

Item 3. Irrevocable Election of Treatment. The undersigned irrevocably elects the following treatment of its Class 5 Claim pursuant to section 3.5 of the Plan (check the box in each line - if you do not check a box, you will be deemed to have elected to receive a Cash Recovery; if you check both boxes in a line, you will be deemed to have elected to receive a Cash Recovery):

the ATLT A Certificates or the Cash Recovery

the ATLT B Certificates or the Cash Recovery

the ATLT C Certificates or the Cash Recovery

Item 4. Certification. By returning this Ballot, the person identified in Item 1 certifies that (a) this Ballot is the only Ballot submitted for such ATI Unsecured Claim, (b) it has full power and authority to vote to accept or reject the Plan and to elect treatment with respect to the ATI Unsecured Claim listed in Item 1, (c) it was the holder of the ATI Unsecured Claim described in Item 1 as of [____], 2004, and (d) it has received a copy of the Disclosure Statement (including the exhibits thereto) and understands that the solicitation of votes for the Plan is subject to all the terms and conditions set forth in the Disclosure Statement.

Name of Creditor: _____
(Print or Type)

Social Security or Federal Tax ID. No.: _____
(Optional)

Signature: _____

Print Name: _____

Title: _____
(If Appropriate)

Street Address: _____

City, State, Zip Code: _____

Telephone Number: _____

Date Completed: _____

This Ballot shall not constitute or be deemed a proof of claim or equity interest or an assertion of a claim or equity interest.

PLEASE RETURN YOUR BALLOT PROMPTLY. THE VOTING AGENT WILL NOT ACCEPT BALLOTS BY FACSIMILE TRANSMISSION OR ELECTRONIC MAIL.

YOUR VOTE MUST BE FORWARDED IN AMPLE TIME FOR YOUR VOTE TO BE RECEIVED BY THE VOTING AGENT, BANKRUPTCY MANAGEMENT CORPORATION, BY 5:00 P. M., PREVAILING EASTERN TIME, ON [____], 2004, OR YOUR VOTE WILL NOT BE COUNTED.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

BALLOT FOR ACCEPTING OR REJECTING DEBTORS' JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

VOTING CLASS 5: ATI UNSECURED CLAIMS

(Claims of holders of 11¾% ATI Senior Discount Notes, Due February 15, 2008, Cusip _____)

THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS 5:00 P.M., PREVAILING EASTERN TIME ON _____, 2004

Allegiance Telecom, Inc. ("ATI") and its direct and indirect subsidiaries, the above-captioned debtors and debtors in possession (collectively, the "Debtors"), have filed the Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated [____], 2004 (the "Plan"). The Plan is annexed as Exhibit A to the Debtors' Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code, dated [____], 2004 (the "Disclosure Statement"), which accompanies this Ballot. If you are, as of [____], 2004, a beneficial owner of 11¾% Senior Discount Notes due February 15, 2008, issued by ATI under the Senior Discount Note Indenture, dated February 3, 1998, between ATI and The Bank of New York, as Indenture Trustee for the Senior Discount Notes, please use this Ballot to cast your vote to accept or reject the Plan. The Bankruptcy Court has approved the Disclosure Statement, which provides information to assist you in deciding how to vote on the Plan. Bankruptcy Court approval of the Disclosure Statement does not indicate approval of the Plan by the Bankruptcy Court. If you do not have a copy of the Disclosure Statement, you may obtain it by contacting the Debtors' voting agent (the "Voting Agent"), Bankruptcy Management Corporation, at 1-888-909-0100 (toll free).

Pursuant to section 3.5(a) of the Plan, the undersigned has the option to participate in the Cash Recovery Election described in section 1.34 of the Plan. By checking the appropriate box in Item 3 below, the undersigned may elect to participate in the Cash Recovery Election pursuant to the terms set forth in section 3.5(a) of the Plan or the applicable ATLT Certificates. Please review the terms of section 1.34 and 3.5(a) of the Plan before checking the box in Item 3. IF YOU DO NOT MAKE ANY ELECTIONS FOR YOUR CLAIM, YOU WILL BE DEEMED TO HAVE ELECTED TO RECEIVE A CASH RECOVERY IN RESPECT OF SUCH CLAIMS. The shares of ATLT A Certificates, ATLT B Certificates and ATLT C Certificates otherwise distributable to Holders of Class 5 Claims that elect and receive a Cash Recovery will be extinguished. In the event that the Available Cash is insufficient to satisfy in full the claims of all Holders in Class 4 (ATCW Unsecured Claims) that elect to receive the Cash Recovery (with such insufficiency being determined as of the Initial Effective Date), the Holders of Allowed Claims in Class 5 will not be entitled to any Cash Recovery. In the event that the Available Cash is insufficient to satisfy in full the Claims of all Holders in Class 5 that elect a Cash Recovery (with such insufficiency being determined as of the Initial Effective Date), each such Holder shall receive its proportionate share of the Cash Recovery, and the remainder of its Claims shall be satisfied with ATLT A Certificates, ATLT B Certificates and ATLT C Certificates, as applicable.

IMPORTANT

You should review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and the classification and treatment of your claim or claims under the Plan. Your claims in respect of your ATI Senior Discount Notes have been placed in Class 5 under the Plan. If you hold more than one claim against the Debtors, you will receive a Ballot for each claim you are entitled to vote.

VOTING DEADLINE: 5:00 P. M., PREVAILING EASTERN TIME ON [_____], 2004.

If your vote is not received by the Voting Agent on or before the Voting Deadline and such deadline is not extended, your vote will not count as either an acceptance or rejection of the Plan.

Ballots will not be accepted by facsimile transmission or electronic mail.

If the Plan is confirmed by the Bankruptcy Court, it will be binding on you whether or not you vote.

This Ballot is not a letter of transmittal and may not be used for any purpose other than to cast votes to accept or reject the Plan.

Unless otherwise defined herein, capitalized terms shall have the meanings ascribed to them in the Plan.

HOW TO VOTE

1. COMPLETE ITEM 1 (if not already filled out by your nominee) AND ITEM 2 AND COMPLETE ITEM 3 and ITEM 4 (if applicable).
2. REVIEW THE CERTIFICATIONS CONTAINED IN ITEM 5.
3. **SIGN THE BALLOT** (unless your Ballot has already been signed or “prevalidated” by your nominee).
4. RETURN THE BALLOT IN THE PRE-ADDRESSED ENVELOPE (if the enclosed envelope is addressed to your nominee, make sure you nominee receives your Ballot in time to submit it before the Voting Deadline).
5. **BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED.**
6. YOU MUST VOTE ALL YOUR 11¾% ATI SENIOR DISCOUNT NOTES CLAIMS *EITHER* TO ACCEPT OR TO REJECT THE PLAN AND MAY NOT SPLIT YOUR VOTE.
7. ANY BALLOT RECEIVED THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN OR THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN WILL NOT BE COUNTED AS AN ACCEPTANCE OF THE PLAN.

Item 1. Principal Amount of 11¾% ATI Senior Discount Note Claims Voted. The undersigned certifies that as of [_____], 2004, the undersigned was either the beneficial owner, or the nominee of a beneficial owner, of 11¾% ATI Senior Discount Notes in the following aggregate unpaid principal amount (insert amount in the box below). If your 11¾% ATI Senior Discount Notes are held by a nominee on your behalf and you do not know the amount, please contact your nominee immediately. (For purposes of this Ballot, it is not necessary and you should not adjust the principal amount for any accrued or unmatured interest.)

\$ _____

Item 2. Vote. The beneficial owner of the 11¾% ATI Senior Discount Notes identified in Item 1 votes as follows (check one box only; if you do not check a box or check both boxes and your Ballot is otherwise properly executed, your vote will not be counted):

to **Accept** the Plan OR to **Reject** the Plan.

Item 3. Irrevocable Election of Treatment. The undersigned irrevocably elects the following treatment of its Class 5 Claim pursuant to section 3.5 of the Plan (check the box in each line - if you do not check a box, you will be deemed to have elected to receive a Cash Recovery; if you check both boxes in a line, you will be deemed to have elected to receive a Cash Recovery):

the ATLT A Certificates **or** the Cash Recovery

the ATLT B Certificates **or** the Cash Recovery

the ATLT C Certificates **or** the Cash Recovery

Item 4. Identify All Other 11¾% ATI Senior Discount Note Claims Voted. By returning this Ballot, the beneficial owner of the 11¾% ATI Senior Discount Notes identified in Item 1 certifies that (a) this Ballot is the only Ballot submitted for the 11¾% ATI Senior Discount Notes owned by such beneficial owner, except for the 11¾% ATI Senior Discount Notes identified in the following table, (b) *all* of the 11¾% ATI Senior Discount Notes for which the beneficial owner has submitted Ballots are identified in the following table, and (c) *all* Ballots for 11¾% ATI Senior Discount Note Claims submitted by the beneficial owner indicate the same vote to accept or reject the Plan that the beneficial owner has indicated in Item 2 of this Ballot (please use additional sheets of paper if necessary):

**ALL 11¾% ATI SENIOR DISCOUNT NOTE CLAIMS
VOTED ON OTHER BALLOTS**

Customer Account Number(s) (if applicable)	Bank, Broker or Other Nominee Through Which Notes Are Held	Principal Amount of Other 11¾% ATI Senior Discount Notes Voted
1.		
2.		
3.		

Item 5. Certification. By returning this Ballot, the beneficial owner of the 11¾% ATI Senior Discount Notes identified in Item 1 certifies that (a) it has full power and authority to vote to accept or reject the Plan with respect to the 11¾% ATI Senior Discount Notes listed in Item 1, (b) it was the beneficial owner of the 11¾% ATI Senior Discount Notes described in Item 1 on [_____] 2004, (c) all Ballots to vote 11¾% ATI Senior Discount Note Claims submitted by the beneficial owner indicate the same vote to accept or reject the Plan that the beneficial owner has indicated on this Ballot, and (d) it has received a copy of the Disclosure Statement (including the exhibits thereto) and understands that the solicitation of votes for the Plan is subject to all the terms and conditions set forth in the Disclosure Statement.

Name of Creditor: _____
(Print or Type)

Social Security or Federal Tax ID. No.: _____
(Optional)

Signature: _____

Print Name: _____

Title: _____
(If Appropriate)

Street Address: _____

City, State, Zip Code: _____

Telephone Number: _____

Date Completed: _____

This Ballot shall not constitute or be deemed a proof of claim or equity interest or an assertion of a claim or equity interest.

PLEASE RETURN YOUR BALLOT PROMPTLY. BALLOTS WILL NOT BE ACCEPTED BY FACSIMILE TRANSMISSION ELECTRONIC MAIL

YOUR VOTE MUST BE FORWARDED IN AMPLE TIME FOR YOUR VOTE TO BE RECEIVED BY THE VOTING AGENT BY 5:00 P.M., PREVAILING EASTERN TIME, ON [_____] 2004, OR YOUR VOTE WILL NOT BE COUNTED. IF THE ENCLOSED ENVELOPE IS ADDRESSED TO YOUR NOMINEE, MAKE SURE YOUR NOMINEE RECEIVES YOUR BALLOT IN TIME TO SUBMIT IT BEFORE THE VOTING DEADLINE.

IF YOU HAVE RECEIVED A DAMAGED BALLOT OR HAVE ANY QUESTIONS REGARDING THIS BALLOT OR THE VOTING PROCEDURES, OR IF YOU NEED ADDITIONAL COPIES OF THE DISCLOSURE STATEMENT OR OTHER ENCLOSED MATERIALS, PLEASE CALL THE VOTING AGENT, BANKRUPTCY MANAGEMENT CORPORATION, AT 1-888-909-0100 (TOLL FREE).

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

BALLOT FOR ACCEPTING OR REJECTING DEBTORS' JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

VOTING CLASS 5: ATI UNSECURED CLAIMS

(Claims of holders of 12 7/8% ATI Senior Notes, Due May 15, 2008, Cusip _____)

THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS 5:00 P.M., PREVAILING EASTERN TIME ON _____, 2004

Allegiance Telecom, Inc. ("ATI") and its direct and indirect subsidiaries, the above-captioned debtors and debtors in possession (collectively, the "Debtors"), have filed the Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated [____], 2004 (the "Plan"). The Plan is annexed as Exhibit A to the Debtors' Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code, dated [____], 2004 (the "Disclosure Statement"), which accompanies this Ballot. If you are, as of [____], 2004, a beneficial owner of 12 7/8% Senior Notes due May 15, 2008, issued by ATI under the Senior Note Indenture, dated July 7, 1998, between ATI and The Bank of New York, as Indenture Trustee for the Senior Notes, please use this Ballot to cast your vote to accept or reject the Plan. The Bankruptcy Court has approved the Disclosure Statement, which provides information to assist you in deciding how to vote on the Plan. Bankruptcy Court approval of the Disclosure Statement does not indicate approval of the Plan by the Bankruptcy Court. If you do not have a copy of the Disclosure Statement, you may obtain it by contacting the Debtors' voting agent (the "Voting Agent"), Bankruptcy Management Corporation, at 1-888-909-0100 (toll free).

Pursuant to section 3.5(a) of the Plan, the undersigned has the option to participate in the Cash Recovery Election described in section 1.34 of the Plan. By checking the appropriate box in Item 3 below, the undersigned may elect to participate in the Cash Recovery Election pursuant to the terms set forth in section 3.5(a) of the Plan or the applicable ATLT Certificates. Please review the terms of section 1.34 and 3.5(a) of the Plan before checking the box in Item 3. IF YOU DO NOT MAKE ANY ELECTIONS FOR YOUR CLAIM, YOU WILL BE DEEMED TO HAVE ELECTED TO RECEIVE A CASH RECOVERY IN RESPECT OF SUCH CLAIMS. The shares of ATLT A Certificates, ATLT B Certificates and ATLT C Certificates otherwise distributable to Holders of Class 5 Claims that elect and receive a Cash Recovery will be extinguished. In the event that the Available Cash is insufficient to satisfy in full the claims of all Holders in Class 4 (ATCW Unsecured Claims) that elect to receive the Cash Recovery (with such insufficiency being determined as of the Initial Effective Date), the Holders of Allowed Claims in Class 5 will not be entitled to any Cash Recovery. In the event that the Available Cash is insufficient to satisfy in full the Claims of all Holders in Class 5 that elect a Cash Recovery (with such insufficiency being determined as of the Initial Effective Date), each such Holder shall receive its proportionate share of the Cash Recovery, and the remainder of its Claims shall be satisfied with ATLT A Certificates, ATLT B Certificates and ATLT C Certificates, as applicable.

IMPORTANT

You should review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and the classification and treatment of your claim or claims under the Plan. Your claims in respect of your ATI Senior Notes have been placed in Class 5 under the Plan. If you hold more than one claim against the Debtors, you will receive a Ballot for each claim you are entitled to vote.

VOTING DEADLINE: 5:00 P. M., PREVAILING EASTERN TIME ON [_____], 2004.

If your vote is not received by the Voting Agent on or before the Voting Deadline and such deadline is not extended, your vote will not count as either an acceptance or rejection of the Plan.

Ballots will not be accepted by facsimile transmission or electronic mail.

If the Plan is confirmed by the Bankruptcy Court, it will be binding on you whether or not you vote.

This Ballot is not a letter of transmittal and may not be used for any purpose other than to cast votes to accept or reject the Plan.

Unless otherwise defined herein, capitalized terms shall have the meanings ascribed to them in the Plan.

HOW TO VOTE

1. COMPLETE ITEM 1 (if not already filled out by your nominee) AND ITEM 2 AND COMPLETE ITEM 3 AND ITEM 4 (if applicable).
2. REVIEW THE CERTIFICATIONS CONTAINED IN ITEM 5.
3. **SIGN THE BALLOT** (unless your Ballot has already been signed or “prevalidated” by your nominee).
4. RETURN THE BALLOT IN THE PRE-ADDRESSED ENVELOPE (if the enclosed envelope is addressed to your nominee, make sure your nominee receives your Ballot in time to submit it before the Voting Deadline).
5. **BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED.**
6. YOU MUST VOTE ALL YOUR 12 7/8% ATI SENIOR NOTES CLAIMS *EITHER* TO ACCEPT *OR* TO REJECT THE PLAN AND MAY NOT SPLIT YOUR VOTE.
7. ANY BALLOT RECEIVED THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN OR THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN WILL NOT BE COUNTED AS AN ACCEPTANCE OF THE PLAN.

Item 1. Principal Amount of 12 7/8% ATI Senior Note Claims Voted. The undersigned certifies that as of [_____], 2004, the undersigned was either the beneficial owner, or the nominee of a beneficial owner, of 12 7/8% ATI Senior Notes in the following aggregate unpaid principal amount (insert amount in the box below). If your 12 7/8% ATI Senior Notes are held by a nominee on your behalf and you do not know the amount, please contact your nominee immediately. (For purposes of this Ballot, it is not necessary and you should not adjust the principal amount for any accrued or unmatured interest.)

\$ _____

Item 2. Vote. The beneficial owner of the 12 7/8% ATI Senior Notes identified in Item 1 votes as follows (check one box only; if you do not check a box or check both boxes and your Ballot is otherwise properly executed, your vote will not be counted):

to **Accept** the Plan OR to **Reject** the Plan.

Item 3. Irrevocable Election of Treatment. The undersigned irrevocably elects the following treatment of its Class 5 Claim pursuant to section 3.5 of the Plan (check the box in each line - if you do not check a box, you will be deemed to have elected to receive a Cash Recovery; if you check both boxes in a line, you will be deemed to have elected to receive a Cash Recovery):

the ATLT A Certificates **or** the Cash Recovery

the ATLT B Certificates **or** the Cash Recovery

the ATLT C Certificates **or** the Cash Recovery

Item 4. Identify All Other 12 7/8% ATI Senior Note Claims Voted. By returning this Ballot, the beneficial owner of the 12 7/8% ATI Senior Notes identified in Item 1 certifies that (a) this Ballot is the only Ballot submitted for the 12 7/8% ATI Senior Notes owned by such beneficial owner, except for the 12 7/8% ATI Senior Notes identified in the following table, (b) *all* of the 12 7/8% ATI Senior Notes for which the beneficial owner has submitted Ballots are identified in the following table, and (c) *all* Ballots for 12 7/8% ATI Senior Note Claims submitted by the beneficial owner indicate the same vote to accept or reject the Plan that the beneficial owner has indicated in Item 2 of this Ballot (please use additional sheets of paper if necessary):

**ALL 12 7/8% ATI SENIOR DISCOUNT NOTE CLAIMS
VOTED ON OTHER BALLOTS**

Customer Account Number(s) (if applicable)	Name of Bank, Broker or Other Nominee Through Which Notes Are Held	Principal Amount of Other 12 7/8% ATI Senior Notes Voted
1.		
2.		
3.		

Item 5. Certification. By returning this Ballot, the beneficial owner of the 12 7/8% ATI Senior Notes identified in Item 1 certifies that (a) it has full power and authority to vote to accept or reject the Plan with respect to the 12 7/8% ATI Senior Notes listed in Item 1, (b) it was the beneficial owner of the 12 7/8% ATI Senior Notes described in Item 1 on [_____] 2004, (c) all Ballots to vote 12 7/8% ATI Senior Note Claims submitted by the beneficial owner indicate the same vote to accept or reject the Plan that the beneficial owner has indicated on this Ballot, and (d) it has received a copy of the Disclosure Statement (including the exhibits thereto) and understands that the solicitation of votes for the Plan is subject to all the terms and conditions set forth in the Disclosure Statement.

Name of Creditor: _____
(Print or Type)

Social Security or Federal Tax ID. No.: _____
(Optional)

Signature: _____

Print Name: _____

Title: _____
(If Appropriate)

Street Address: _____

City, State, Zip Code: _____

Telephone Number: _____

Date Completed: _____

This Ballot shall not constitute or be deemed a proof of claim or equity interest or an assertion of a claim or equity interest.

PLEASE RETURN YOUR BALLOT PROMPTLY. BALLOTS WILL NOT BE ACCEPTED BY FACSIMILE TRANSMISSION ELECTRONIC MAIL

YOUR VOTE MUST BE FORWARDED IN AMPLE TIME FOR YOUR VOTE TO BE RECEIVED BY THE VOTING AGENT BY 5:00 P.M., PREVAILING EASTERN TIME, ON [_____] 2004, OR YOUR VOTE WILL NOT BE COUNTED. IF THE ENCLOSED ENVELOPE IS ADDRESSED TO YOUR NOMINEE, MAKE SURE YOUR NOMINEE RECEIVES YOUR BALLOT IN TIME TO SUBMIT IT BEFORE THE VOTING DEADLINE.

IF YOU HAVE RECEIVED A DAMAGED BALLOT OR HAVE ANY QUESTIONS REGARDING THIS BALLOT OR THE VOTING PROCEDURES, OR IF YOU NEED ADDITIONAL COPIES OF THE DISCLOSURE STATEMENT OR OTHER ENCLOSED MATERIALS, PLEASE CALL THE VOTING AGENT, BANKRUPTCY MANAGEMENT CORPORATION, AT 1-888-909-0100 (TOLL FREE).

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**MASTER BALLOT FOR ACCEPTING OR REJECTING DEBTORS' JOINT PLAN
OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

**MASTER BALLOT FOR VOTING
CLASS 5: ATI UNSECURED CLAIMS**

(Claims of Holders of 11¼ % ATI Senior Discount Notes, Due February 15, 2008, CUSIP _____)

THE **VOTING DEADLINE** BY WHICH YOUR MASTER BALLOT MUST BE **RECEIVED** BY THE VOTING AGENT, [____], IS **5:00 P.M., PREVAILING EASTERN TIME, ON [____]**, 2004 OR THE VOTES REPRESENTED BY YOUR MASTER BALLOT WILL NOT BE COUNTED.

Allegiance Telecom, Inc. and its direct and indirect subsidiaries, the above-captioned debtors and debtors in possession (collectively, the "Debtors"), have filed the Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated [____], 2004 (the "Plan"). The Plan is annexed as Exhibit A to the Debtors' Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code, dated [____], 2004 (the "Disclosure Statement"). The Bankruptcy Court has approved the Disclosure Statement, which provides information to assist creditors in deciding how to vote on the Plan. Bankruptcy Court approval of the Disclosure Statement does not indicate approval of the Plan by the Bankruptcy Court.

This Master Ballot is to be used by you, as a broker, bank, or other nominee (or as their proxy holder or agent), for beneficial owners, as of [____], 2004 of 11¼ % ATI Senior Discount Notes, due February 15, 2008 (the "Notes") to transmit the votes of such beneficial owners to accept or reject the Plan. Please take any action required to enable each beneficial owner to timely vote its Notes to accept or reject the Plan. Before you transmit such votes, please carefully review the Disclosure Statement and the voting procedures set forth below. If you do not have a copy of the Disclosure Statement, you may obtain it by contacting the Debtors' voting agent (the "Voting Agent"), Bankruptcy Management Corporation, at 1-888-909-0100 (toll free). **THIS MASTER BALLOT RELATES ONLY TO VOTES CAST FOR 11 ¼ % ATI SENIOR DISCOUNT NOTES.**

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL RENDER YOU OR ANY OTHER PERSON OR AGENT OF ANY OF THE DEBTORS OR THE VOTING AGENT, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENTS ON BEHALF OF ANY OF THEM WITH RESPECT TO THE PLAN, EXCEPT FOR THE STATEMENTS CONTAINED IN THE ENCLOSED DOCUMENTS.

IMPORTANT

PLEASE READ AND FOLLOW THE ATTACHED INSTRUCTIONS CAREFULLY. COMPLETE, SIGN, AND DATE THIS MASTER BALLOT, AND RETURN IT SO THAT IT IS RECEIVED BY THE VOTING AGENT ON OR BEFORE THE VOTING DEADLINE OF 5:00 P.M., PREVAILING EASTERN TIME, ON [____], 2004. IF THIS MASTER BALLOT IS NOT COMPLETED, SIGNED, AND RECEIVED ON OR BEFORE THE VOTING DEADLINE AND THE VOTING DEADLINE IS NOT EXTENDED, THE VOTES TRANSMITTED BY THIS MASTER BALLOT WILL NOT BE COUNTED.

You should review the Disclosure Statement and the Plan before you transmit votes. You or the beneficial owners of the Notes for whom you are the Nominee may wish to seek legal advice concerning the Plan and the classification and treatment of the Note claims under the Plan. Such claims have been placed in Class 5 under the Plan. Holders of claims in more than one class under the Plan will receive a Ballot for each class in which such holders are entitled to vote, and the Nominees or such holders will receive a Master Ballot for each class in which such holders are entitled to vote.

If the Plan is confirmed by the Bankruptcy Court, it will be binding on upon you and the beneficial owners of the Notes for whom you are the Nominee, whether or not such holders vote and whether or not any votes are transmitted by this Master Ballot.

Unless otherwise defined herein, capitalized terms shall have the meanings ascribed to them in the Plan.

Item 1(a). Certification of Authority to Vote. The undersigned certifies that it (please check the applicable box):

- is a broker, bank, or other nominee for the beneficial owners of the aggregate principal amount of Notes listed in Item 2 below as of [____], 2004, and is the registered holder of such securities; or
- is acting under a power of attorney and/or agency (a copy of which will be provided upon request) granted by a broker, bank, or other nominee or a beneficial owner that on [____], 2004 was the registered holder of the aggregate principal amount of Notes listed on Item 2 below; or
- is acting under a proxy granted by a broker, bank, or other nominee for the beneficial owners (please attach a copy of the proxy to the Master Ballot),

and accordingly, has full power and authority to vote to accept or reject the Plan on behalf of the beneficial owners of the Notes listed in Item 2.

Item 1(b). Certification of Total Number of Beneficial Owners. The undersigned certifies that there were a total of _____ beneficial owners and the total of the aggregate principal amount of Notes held (who both voted and did not vote), as of [____], 2004.

Item 2. ATI Senior Discount Note Claims (Class 5) Vote on Plan – Number of Beneficial Owners. The undersigned certifies that the following beneficial owners of the Notes, as identified by their respective customer account numbers, were beneficial owners of the Notes on [____], 2004 and have delivered to the undersigned, as nominee, properly executed Ballots casting votes as indicated and containing instructions for the casting of those votes on their behalf (indicate in the appropriate column the aggregate principal amount voted for each account, or attach such information to this Master Ballot in the form of the following table. For purposes of this Master Ballot, accrued or unmatured interest should not be included. **Please note: Each beneficial owner must vote all his, her, or its Class 5 claims either to accept or reject the Plan, and may not split such vote.**)

ANY EXECUTED BALLOT RECEIVED THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN OR THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN WILL NOT BE COUNTED.

Customer Name or Account Number for Each Beneficial Owner Notes	Face Amount of Notes		Elected to Receive the following ATLT Certificates in Lieu of the Cash Recovery		
	To Accept (For) the Plan	To Reject (Against) the Plan	ATLT A Certificates	ATLT B Certificates	ATLT C Certificates
1.	\$	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	\$	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	\$	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	\$	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	\$	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	\$	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	\$	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	\$	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	\$	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	\$	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TOTALS	\$	\$			

Item 3: Additional Ballots Submitted by Beneficial Owners. The undersigned certifies that it has transcribed below the information, if any, provided in Item 4 of each Ballot received from a beneficial owner:

Your Customer Name or Account Number for Each Beneficial Owner of Notes	Transcribe From Item 4 of Beneficial Owner Ballot			
	Customer Account Number(s) (if applicable)	Bank, Broker or Other Nominee Through Which the Notes Are Held	Principal Amount of Notes Voted	Notes Issue (Maturity and Coupon or CUSIP number)
1.			\$	
2.			\$	
3.			\$	
4.			\$	
5.			\$	

Item 4: Certification. By signing this Master Ballot, the undersigned certifies that each beneficial owner of Notes listed in Item 2, above, has been provided with a copy of the Disclosure Statement, including the exhibits thereto, and acknowledges that the solicitation of votes for the Plan is subject to all the terms and conditions set forth in the Disclosure Statement.

Name of Broker, Bank or other Nominee:

(Print or Type)

Name of Proxy Holder or Agent for Broker,
Bank or Other Nominee (if applicable):

(Print or Type)

Social Security or Federal Tax I.D. No.: _____
(If Applicable)

Signature: _____

Print Name: _____

Title: _____
(If Appropriate)

Street Address: _____

City, State, Zip Code: _____

Telephone: () _____

Date Completed: _____

THIS MASTER BALLOT MUST BE RECEIVED BY THE VOTING AGENT, [_____] , BEFORE 5:00 P.M., PREVAILING EASTERN TIME, ON [_____] , 2004, OR THE VOTES TRANSMITTED HEREBY WILL NOT BE COUNTED.

PLEASE NOTE: THE VOTING AGENT WILL *NOT* ACCEPT BALLOTS OR MASTER BALLOTS BY FACSIMILE TRANSMISSION OR ELECTRONIC MAIL.

ANY EXECUTED BALLOT RECEIVED THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN OR THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN WILL NOT BE COUNTED.

INSTRUCTIONS FOR COMPLETING THE MASTER BALLOT

VOTING DEADLINE/VOTING AGENT:

The Voting Deadline is 5:00 p.m., prevailing Eastern time, on [____], 2004, unless extended by the Debtors. To have the vote of your customers count, you must complete, sign, and return this Master Ballot so that it is received by the Voting Agent at the following address:

(a) **if by courier or hand delivery:**

Allegiance Telecom, Inc. Ballot Processing Center
c/o Bankruptcy Management Corporation
1330 E. Franklin Ave.
El Segundo, CA 90245

(b) **if by mail:**

Allegiance Telecom, Inc. Ballot Processing Center
c/o Bankruptcy Management Corporation
P.O. Box 909
El Segundo, CA 90245-0909

HOW TO COMPLETE THE MASTER BALLOT:

If you are both the registered owner and beneficial owner of any principal amount of the Notes and you wish to vote such Notes: You may complete, execute, and return to the Voting Agent a Ballot with respect to the Notes that you as beneficial owner wish to vote.

If you are transmitting the votes of any beneficial owners of Notes other than yourself, you may either:

1. Complete and execute the Ballot (other than Items 2, 3 and 4) and deliver to the beneficial owner such "prevalidated" Ballot, along with the Disclosure Statement and other materials requested to be forwarded. The beneficial owner should complete Items 2, 3 and 4 of that Ballot and return the completed Ballot to the Voting Agent so as to be received before the Voting Deadline:

OR

2. For any Ballots you do not "prevalidate":

Deliver the Ballot to the beneficial owner, along with the Disclosure Statement and other materials requested to be forwarded, and take the necessary actions to enable such beneficial owner to (i) complete and execute such Ballot voting to accept or reject the Plan, and (ii) return the completed, executed Ballot to you in sufficient time to enable you to complete the Master Ballot and deliver it to the Voting Agent before the Voting Deadline of 5:00 p.m., prevailing Eastern Time, on [____], 2004; and

With respect to all Ballots returned to you, you must properly complete the Master Ballot, as follows:

- (a) Check the appropriate box in Item 1 on the Master Ballot;
- (b) In Item 2 of this Master Ballot, indicate (a) the votes to accept or reject the Plan, as transmitted to you by the beneficial owners of the Notes and (b) whether the beneficial owner irrevocably elected to receive any of the ATLT Certificates in lieu of the Cash Recovery. To identify such beneficial owners without disclosing their names, please use the customer account number assigned by you to each such beneficial owner, or if no

such customer account number exists, please assign a number to each account (making sure to retain a separate list of each beneficial owner and the assigned number). **IMPORTANT: BENEFICIAL OWNERS MAY NOT SPLIT THEIR VOTES. EACH BENEFICIAL OWNER MUST VOTE ALL HIS, HER, OR ITS NOTES EITHER TO ACCEPT OR REJECT THE PLAN. IF ANY BENEFICIAL OWNER HAS ATTEMPTED TO SPLIT SUCH VOTE, PLEASE CONTACT THE VOTING AGENT IMMEDIATELY.** Any Ballot or Master Ballot which is validly executed but (i) which does not indicate acceptance or rejection of the Plan by the indicated beneficial owner, or (ii) indicates both an acceptance and rejection of the Plan by the indicated beneficial owner, will not be counted as to such beneficial owner;

- (c) Please note that Item 3 of this Master Ballot requests that you transcribe the information provided by each beneficial owner from Item 4 of each completed Ballot relating to the Notes voted;
- (d) Review the certification in Item 4 of the Master Ballot;
- (e) In Item 4, sign and date the Master Ballot, and provide the remaining information requested;
- (f) If additional space is required to respond to any item on the Master Ballot, please use additional sheets of paper clearly marked to indicate the applicable Item of the Master Ballot to which you are responding;
- (g) Contact the Voting Agent to arrange for delivery of the completed Master Ballot to its offices; and
- (h) Deliver the completed, executed Master Ballot so as to be *received* by the Voting Agent before the Voting Deadline. For each completed, executed Ballot returned to you by a beneficial owner, either forward such Ballot (along with your Master Ballot) to the Voting Agent or retain such Ballot in your files for one year from the Voting Deadline.

PLEASE NOTE:

This Master Ballot is *not* a letter of transmittal and may *not* be used for any purpose other than to cast votes to accept or reject the Plan. Holders should not surrender, at this time, certificates representing their securities. Neither the Debtors nor the Voting Agent will accept delivery of any such certificates surrendered together with this Master Ballot. Surrender of securities for exchange may only be made by you, and will only be accepted pursuant to a letter of transmittal which will be furnished to you by the Debtors following confirmation of the Plan by the Bankruptcy Court.

No Ballot or Master Ballot shall constitute or be deemed a proof of claim or equity interest or an assertion of a claim or equity interest.

No fees, commissions, or other remuneration will be payable to any broker, bank, dealer, nominee, or other person for soliciting ballots accepting the Plan. We will, however, upon request, reimburse you for customary mailing and handling expenses incurred by you in forwarding the Ballots and other enclosed materials to the beneficial owners of the Notes held by you as a nominee or in a fiduciary capacity.

IF YOU HAVE ANY QUESTIONS REGARDING THIS MASTER BALLOT OR THE VOTING PROCEDURES, OR IF YOU NEED ADDITIONAL COPIES OF THE MASTER BALLOT, BALLOTS, DISCLOSURE STATEMENT, OR OTHER RELATED MATERIALS, PLEASE CALL THE VOTING AGENT, BANKRUPTCY MANAGEMENT CORPORATION, AT 1-888-909-0100 (TOLL FREE).

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**MASTER BALLOT FOR ACCEPTING OR REJECTING DEBTORS' JOINT PLAN
OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

**MASTER BALLOT FOR VOTING
CLASS 5: ATI UNSECURED CLAIMS**

(Claims of Holders of 12 7/8% ATI Senior Notes, Due May 15, 2008, CUSIP _____)

THE VOTING DEADLINE BY WHICH YOUR MASTER BALLOT MUST BE **RECEIVED** BY THE VOTING AGENT, [____], IS **5:00 P.M., PREVAILING EASTERN TIME, ON [____]**, 2004 OR THE VOTES REPRESENTED BY YOUR MASTER BALLOT WILL NOT BE COUNTED.

Allegiance Telecom, Inc. and its direct and indirect subsidiaries, the above-captioned debtors and debtors in possession (collectively, the "Debtors"), have filed the Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated [____], 2004 (the "Plan"). The Plan is annexed as Exhibit A to the Debtors' Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code, dated [____], 2004 (the "Disclosure Statement"). The Bankruptcy Court has approved the Disclosure Statement, which provides information to assist creditors in deciding how to vote on the Plan. Bankruptcy Court approval of the Disclosure Statement does not indicate approval of the Plan by the Bankruptcy Court.

This Master Ballot is to be used by you, as a broker, bank, or other nominee (or as their proxy holder or agent), for beneficial owners, as of [____], 2004 of 12 7/8% ATI Senior Notes, Due May 15, 2008 (the "Notes") to transmit the votes of such beneficial owners to accept or reject the Plan. Please take any action required to enable each beneficial owner to timely vote its Notes to accept or reject the Plan. Before you transmit such votes, please carefully review the Disclosure Statement and the voting procedures set forth below. If you do not have a copy of the Disclosure Statement, you may obtain it by contacting the Debtors' voting agent (the "Voting Agent"), Bankruptcy Management Corporation, at 1-888-909-0100 (toll free). **THIS MASTER BALLOT RELATES ONLY TO VOTES CAST FOR 12 7/8% ATI SENIOR NOTES.**

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL RENDER YOU OR ANY OTHER PERSON OR AGENT OF ANY OF THE DEBTORS OR THE VOTING AGENT, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENTS ON BEHALF OF ANY OF THEM WITH RESPECT TO THE PLAN, EXCEPT FOR THE STATEMENTS CONTAINED IN THE ENCLOSED DOCUMENTS.

IMPORTANT

PLEASE READ AND FOLLOW THE ATTACHED INSTRUCTIONS CAREFULLY. COMPLETE, SIGN, AND DATE THIS MASTER BALLOT, AND RETURN IT SO THAT IT IS RECEIVED BY THE VOTING AGENT ON OR BEFORE THE VOTING DEADLINE OF 5:00 P.M., PREVAILING EASTERN TIME, ON [____], 2004. IF THIS MASTER BALLOT IS NOT COMPLETED, SIGNED, AND RECEIVED ON OR BEFORE THE VOTING DEADLINE AND THE VOTING DEADLINE IS NOT EXTENDED, THE VOTES TRANSMITTED BY THIS MASTER BALLOT WILL NOT BE COUNTED.

You should review the Disclosure Statement and the Plan before you transmit votes. You or the beneficial owners of the Notes for whom you are the Nominee may wish to seek legal advice concerning the Plan and the classification and treatment of the Note claims under the Plan. Such claims have been placed in Class 5 under the Plan. Holders of claims in more than one class under the Plan will receive a Ballot for each class in which such holders are entitled to vote, and the Nominees or such holders will receive a Master Ballot for each class in which such holders are entitled to vote.

If the Plan is confirmed by the Bankruptcy Court, it will be binding on upon you and the beneficial owners of the Notes for whom you are the Nominee, whether or not such holders vote and whether or not any votes are transmitted by this Master Ballot.

Unless otherwise defined herein, capitalized terms shall have the meanings ascribed to them in the Plan.

Item 1(a). Certification of Authority to Vote. The undersigned certifies that it (please check the applicable box):

- is a broker, bank, or other nominee for the beneficial owners of the aggregate principal amount of Notes listed in Item 2 below as of [____], 2004, and is the registered holder of such securities; or
- is acting under a power of attorney and/or agency (a copy of which will be provided upon request) granted by a broker, bank, or other nominee or a beneficial owner that on [____], 2004 was the registered holder of the aggregate principal amount of Notes listed on Item 2 below; or
- is acting under a proxy granted by a broker, bank, or other nominee for the beneficial owners (please attach a copy of the proxy to the Master Ballot),

and accordingly, has full power and authority to vote to accept or reject the Plan on behalf of the beneficial owners of the Notes listed in Item 2.

Item 1(b). Certification of Total Number of Beneficial Owners. The undersigned certifies that there were a total of _____ beneficial owners and the total of the aggregate principal amount of Notes held (who both voted and did not vote), as of [____], 2004.

Item 2. ATI Senior Discount Note Claims (Class 5) Vote on Plan – Number of Beneficial Owners. The undersigned certifies that the following beneficial owners of the Notes, as identified by their respective customer account numbers, were beneficial owners of the Notes on [____], 2004 and have delivered to the undersigned, as nominee, properly executed Ballots casting votes as indicated and containing instructions for the casting of those votes on their behalf (indicate in the appropriate column the aggregate principal amount voted for each account, or attach such information to this Master Ballot in the form of the following table. For purposes of this Master Ballot, accrued or unmatured interest should not be included. **Please note: Each beneficial owner must vote all his, her, or its Class 5 claims either to accept or reject the Plan, and may not split such vote.**)

ANY EXECUTED BALLOT RECEIVED THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN OR THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN WILL NOT BE COUNTED.

Customer Name or Account Number for Each Beneficial Owner Notes	Face Amount of Notes		Elected to Receive the following ATLT Certificates in Lieu of the Cash Recovery		
	To Accept (For) the Plan	To Reject (Against) the Plan	ATLT A Certificates	ATLT B Certificates	ATLT C Certificates
1.	\$	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	\$	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	\$	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	\$	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	\$	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	\$	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	\$	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	\$	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	\$	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	\$	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TOTALS	\$	\$			

Item 3: Additional Ballots Submitted by Beneficial Owners. The undersigned certifies that it has transcribed below the information, if any, provided in Item 4 of each Ballot received from a beneficial owner:

Your Customer Name or Account Number for Each Beneficial Owner of Notes	Transcribe From Item 4 of Beneficial Owner Ballot			
	Customer Account Number(s) (if applicable)	Bank, Broker or Other Nominee Through Which the Notes Are Held	Principal Amount of Notes Voted	Notes Issue (Maturity and Coupon or CUSIP number)
1.			\$	
2.			\$	
3.			\$	
4.			\$	
5.			\$	

Item 4: Certification. By signing this Master Ballot, the undersigned certifies that each beneficial owner of Notes listed in Item 2, above, has been provided with a copy of the Disclosure Statement, including the exhibits thereto, and acknowledges that the solicitation of votes for the Plan is subject to all the terms and conditions set forth in the Disclosure Statement.

Name of Broker, Bank or other Nominee:

(Print or Type)

Name of Proxy Holder or Agent for Broker,
Bank or Other Nominee (if applicable):

(Print or Type)
Social Security or Federal Tax I.D. No.: _____
(If Applicable)

Signature: _____

Print Name: _____

Title: _____
(If Appropriate)

Street Address: _____

City, State, Zip Code: _____

Telephone: () _____

Date Completed: _____

THIS MASTER BALLOT MUST BE RECEIVED BY THE VOTING AGENT, [_____] , BEFORE 5:00 P.M., PREVAILING EASTERN TIME, ON [_____] , 2004, OR THE VOTES TRANSMITTED HEREBY WILL NOT BE COUNTED.

PLEASE NOTE: THE VOTING AGENT WILL *NOT* ACCEPT BALLOTS OR MASTER BALLOTS BY FACSIMILE TRANSMISSION OR ELECTRONIC MAIL.

ANY EXECUTED BALLOT RECEIVED THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN OR THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN WILL NOT BE COUNTED.

INSTRUCTIONS FOR COMPLETING THE MASTER BALLOT

VOTING DEADLINE/VOTING AGENT:

The Voting Deadline is 5:00 p.m., prevailing Eastern time, on [____], 2004, unless extended by the Debtors. To have the vote of your customers count, you must complete, sign, and return this Master Ballot so that it is received by the Voting Agent at the following address:

(a) if by courier or hand delivery:

Allegiance Telecom, Inc. Ballot Processing Center
c/o Bankruptcy Management Corporation
1330 E. Franklin Ave.
El Segundo, CA 90245

(b) if by mail:

Allegiance Telecom, Inc. Ballot Processing Center
c/o Bankruptcy Management Corporation
P.O. Box 909
El Segundo, CA 90245-0909

HOW TO COMPLETE THE MASTER BALLOT:

If you are both the registered owner and beneficial owner of any principal amount of the Notes and you wish to vote such Notes: You may complete, execute, and return to the Voting Agent a Ballot with respect to the Notes that you as beneficial owner wish to vote.

If you are transmitting the votes of any beneficial owners of Notes other than yourself, you may *either*:

1. Complete and execute the Ballot (other than Items 2, 3 and 4) and deliver to the beneficial owner such "prevalidated" Ballot, along with the Disclosure Statement and other materials requested to be forwarded. The beneficial owner should complete Items 2, 3 and 4 of that Ballot and return the completed Ballot to the Voting Agent so as to be received before the Voting Deadline:

OR

2. For any Ballots you do not "prevalidate":

Deliver the Ballot to the beneficial owner, along with the Disclosure Statement and other materials requested to be forwarded, and take the necessary actions to enable such beneficial owner to (i) complete and execute such Ballot voting to accept or reject the Plan, and (ii) return the completed, executed Ballot to you in sufficient time to enable you to complete the Master Ballot and deliver it to the Voting Agent before the Voting Deadline of 5:00 p.m., prevailing Eastern Time, on [____], 2004; and

With respect to all Ballots returned to you, you must properly complete the Master Ballot, as follows:

- (a) Check the appropriate box in Item 1 on the Master Ballot;
- (b) In Item 2 of this Master Ballot, indicate (a) the votes to accept or reject the Plan, as transmitted to you by the beneficial owners of the Notes and (b) whether the beneficial owner irrevocably elected to receive any of the ATLT Certificates in lieu of the Cash Recovery. To identify such beneficial owners without disclosing their names, please use the customer account number assigned by you to each such beneficial owner, or if no

such customer account number exists, please assign a number to each account (making sure to retain a separate list of each beneficial owner and the assigned number). **IMPORTANT: BENEFICIAL OWNERS MAY NOT SPLIT THEIR VOTES. EACH BENEFICIAL OWNER MUST VOTE ALL HIS, HER, OR ITS NOTES EITHER TO ACCEPT OR REJECT THE PLAN. IF ANY BENEFICIAL OWNER HAS ATTEMPTED TO SPLIT SUCH VOTE, PLEASE CONTACT THE VOTING AGENT IMMEDIATELY.** Any Ballot or Master Ballot which is validly executed but (i) which does not indicate acceptance or rejection of the Plan by the indicated beneficial owner, or (ii) indicates both an acceptance and rejection of the Plan by the indicated beneficial owner, will not be counted as to such beneficial owner;

- (c) Please note that Item 3 of this Master Ballot requests that you transcribe the information provided by each beneficial owner from Item 4 of each completed Ballot relating to the Notes voted;
- (d) Review the certification in Item 4 of the Master Ballot;
- (e) In Item 4, sign and date the Master Ballot, and provide the remaining information requested;
- (f) If additional space is required to respond to any item on the Master Ballot, please use additional sheets of paper clearly marked to indicate the applicable Item of the Master Ballot to which you are responding;
- (g) Contact the Voting Agent to arrange for delivery of the completed Master Ballot to its offices; and
- (h) Deliver the completed, executed Master Ballot so as to be *received* by the Voting Agent before the Voting Deadline. For each completed, executed Ballot returned to you by a beneficial owner, either forward such Ballot (along with your Master Ballot) to the Voting Agent or retain such Ballot in your files for one year from the Voting Deadline.

PLEASE NOTE:

This Master Ballot is *not* a letter of transmittal and may *not* be used for any purpose other than to cast votes to accept or reject the Plan. Holders should not surrender, at this time, certificates representing their securities. Neither the Debtors nor the Voting Agent will accept delivery of any such certificates surrendered together with this Master Ballot. Surrender of securities for exchange may only be made by you, and will only be accepted pursuant to a letter of transmittal which will be furnished to you by the Debtors following confirmation of the Plan by the Bankruptcy Court.

No Ballot or Master Ballot shall constitute or be deemed a proof of claim or equity interest or an assertion of a claim or equity interest.

No fees, commissions, or other remuneration will be payable to any broker, bank, dealer, nominee, or other person for soliciting ballots accepting the Plan. We will, however, upon request, reimburse you for customary mailing and handling expenses incurred by you in forwarding the Ballots and other enclosed materials to the beneficial owners of the Notes held by you as a nominee or in a fiduciary capacity.

IF YOU HAVE ANY QUESTIONS REGARDING THIS MASTER BALLOT OR THE VOTING PROCEDURES, OR IF YOU NEED ADDITIONAL COPIES OF THE MASTER BALLOT, BALLOTS, DISCLOSURE STATEMENT, OR OTHER RELATED MATERIALS, PLEASE CALL THE VOTING AGENT, BANKRUPTCY MANAGEMENT CORPORATION, AT 1-888-909-0100 (TOLL FREE).

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

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

**NOTICE OF NON-VOTING STATUS WITH RESPECT TO
IMPAIRED CLASSES 6 AND 7 DEEMED TO REJECT THE DEBTORS' JOINT PLAN
OF REORGANIZATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE**

PLEASE TAKE NOTICE that on _____, 2004, the United States Bankruptcy Court for the Southern District of New York (the "Court") approved the Disclosure Statement for Debtors' Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code (the "Plan") for use by the above-captioned debtors and debtors in possession (collectively, the "Debtors") in soliciting acceptances or rejections of the Plan from holders of certain impaired claims or interests who are entitled to vote to accept to reject the Plan and who are (or may be) entitled to receive distributions under the Plan.

UNDER THE TERMS OF THE PLAN, YOUR CLAIM(S) AGAINST OR INTERESTS IN THE DEBTORS DO NOT ENTITLE YOU TO RECEIVE OR RETAIN ANY PROPERTY UNDER THE PLAN ON ACCOUNT OF SUCH CLAIM(S) OR INTERESTS AND, THEREFORE, PURSUANT TO SECTION 1126(g) OF THE BANKRUPTCY CODE, YOU ARE (i) DEEMED TO HAVE REJECTED THE PLAN AND (ii) NOT ENTITLED TO VOTE ON THE PLAN. ACCORDINGLY, THE ENCLOSED DOCUMENTS ARE PROVIDED FOR INFORMATIONAL PURPOSES ONLY. IF YOU HAVE ANY QUESTIONS ABOUT THE STATUS OF YOUR CLAIM(S) OR INTERESTS OR WOULD LIKE TO REQUEST A COPY OF THE PLAN OR DISCLOSURE STATEMENT, YOU SHOULD CONTACT THE DEBTORS' VOTING AGENT, BANKRUPTCY MANAGEMENT CORPORATION, AT 1330 E. FRANKLIN AVENUE, EL SEQUENDO, CALIFORNIA 90245, OR AT 1-888-909-0100. COPIES OF THE PLAN, THE DISCLOSURE STATEMENT AND THE RELATED SOLICITATION MATERIALS WILL ALSO BE AVAILABLE ON THE WEBSITE OF THE VOTING AGENT, AT WWW.BMCCORP.NET/ALLEGIANCE.

Notwithstanding this Notice of Non-Voting Status, if you believe that you may have a claim against or an interest in the Debtors that has been misclassified and which entitles you to vote on the Plan, then you should (i) file with the Court and serve on counsel to the Debtors, on or before the tenth (10th) day after service of the notice to consider confirmation of the Plan, a motion for an order pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure temporarily allowing such claim in a different class for purposes of voting to accept or reject the Plan and (ii) request a ballot from the Debtors' voting agent at the address or telephone number set forth above or obtain such ballot from the website set forth above.

Dated: New York, New York
_____, 2004

KIRKLAND & ELLIS LLP
Citigroup Center
153 East 53rd Street
New York, NY 10022

Attorneys for the Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**NOTICE OF NON-VOTING STATUS WITH RESPECT TO UNIMPAIRED
CLASSES 1, 2 AND 3 DEEMED TO ACCEPT THE DEBTORS' SECOND AMENDED JOINT
PLAN OF REORGANIZATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE**

PLEASE TAKE NOTICE that on _____, 2004, the United States Bankruptcy Court for the Southern District of New York (the "Court") approved the Disclosure Statement for Debtors' Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code (the "Plan") for use by the above-captioned debtors and debtors in possession (collectively, the "Debtors") in soliciting acceptances or rejections of the Plan from holders of certain impaired claims or interests who are entitled to vote to accept to reject the Plan and who are (or may be) entitled to receive distributions under the Plan.

UNDER THE TERMS OF THE PLAN, YOUR CLAIM(S) AGAINST THE DEBTORS IS/ARE NOT IMPAIRED AND, THEREFORE, PURSUANT TO SECTION 1126(f) OF THE BANKRUPTCY CODE, YOU ARE (i) DEEMED TO HAVE ACCEPTED THE PLAN AND (ii) NOT ENTITLED TO VOTE ON THE PLAN. ACCORDINGLY, THE ENCLOSED DOCUMENTS ARE PROVIDED FOR INFORMATION PURPOSES ONLY. IF YOU HAVE ANY QUESTIONS ABOUT THE STATUS OF YOUR CLAIM(S) OR WOULD LIKE TO REQUEST A COPY OF THE PLAN OR DISCLOSURE STATEMENT, YOU SHOULD CONTACT THE DEBTORS' VOTING AGENT, BANKRUPTCY MANAGEMENT CORPORATION, AT 1330 E. FRANKLIN AVENUE, EL SEQUENDO, CALIFORNIA 90245, OR AT 1-888-909-0100. COPIES OF THE PLAN, THE DISCLOSURE STATEMENT AND THE RELATED SOLICITATION MATERIALS WILL ALSO BE AVAILABLE ON THE WEBSITE OF THE VOTING AGENT, AT WWW.BMCCORP.NET/ALLEGIANCE.

Notwithstanding this Notice of Non-Voting Status, if you believe that you may have a claim against the Debtors that has been misclassified and which entitles you to vote on the Plan, then you should (i) file with the Court and serve on counsel to the Debtors, on or before the tenth (10th) day after service of the notice to consider confirmation of the Plan, a motion for an order pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure temporarily allowing such claim in a different class for purposes of voting to accept or reject the Plan and (ii) request a ballot from the Debtors' voting agent at the address or telephone number set forth above or obtain such ballot from the website set forth above.

Dated: New York, New York
_____, 2004

KIRKLAND & ELLIS LLP
Citigroup Center
153 East 53rd Street
New York, NY 10022

Attorneys for the Debtors and Debtors in Possession

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

Hearing Date and Time: _____, 2004 at _____ .m.
 Objection Deadline: _____, 2004 at 4:00 p.m.

Attorneys for Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
 SOUTHERN DISTRICT OF NEW YORK

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

NOTICE OF (A) DEADLINE FOR CASTING VOTES TO ACCEPT OR REJECT AND TO FILE OBJECTIONS TO DEBTORS' JOINT PLAN OF REORGANIZATION, (B) HEARING TO CONSIDER CONFIRMATION OF SUCH PLAN AND (C) RELATED MATTERS

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. **The Plan.** On March 18, 2004, Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the “Debtors”), filed the Debtors’ Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code, dated March 18, 2004 (the “Plan”).
2. **Disclosure Statement and Solicitation Procedures Orders.** On _____, 2004, the United States Bankruptcy Court for the Southern District of New York (the “Court”) entered an order (the “Disclosure Statement Order”) (a) approving the Debtors’ Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code, dated _____, 2004 (the “Disclosure Statement”) filed by the Debtors; (b) approving (i) procedures for solicitation of votes to accept or reject the Plan and the tabulation of such votes on the Plan, and (ii) certain related materials (the “Solicitation Materials”) in connection therewith; and (c) scheduling the date and time on which the Court will hold a hearing to consider confirmation of the Plan (the “Confirmation Hearing”).
3. **Confirmation Hearing.** The Confirmation Hearing will be held on _____, 2004 at ___ p.m. or as soon thereafter as counsel may be heard at the United States Bankruptcy Court for the Southern District of New York, Room 610, One Bowling Green, New York, New York 10004-1408 before the Honorable Robert D. Drain, United States Bankruptcy Judge.

4. Solicitation Materials. Pursuant to the Solicitation Procedures Order, holders of claims against and interests in the Debtors will be provided with the Solicitation Materials, including a copy of the Disclosure Statement and the Plan. If you are a holder of a claim as of _____, 2004, the voting record date established by the Solicitation Procedures Order,

[For Service] in a class entitled to vote on the Plan, among the Solicitation Materials you have received is a ballot form (a “Ballot”) and instructions appropriate for your claim.

[For publication] and you have not received Solicitation Materials (including the Disclosure Statement and the Plan), please contact Bankruptcy Management Corporation at the address specified in paragraph 8 of this Notice.
5. Voting and Election Procedures. For your vote to accept or reject the Plan and your elections with respect to your claim to be counted, you must complete all required information on the Ballot, execute the Ballot and return the completed Ballot to the address indicated on the Ballot so that it is received by the Debtors’ voting agent (the “Voting Agent”), Bankruptcy Management Corporation, by **5:00 p.m., prevailing Eastern Time, on _____, 2004** (the “Voting Deadline”). **If your claims are based on obligations under notes or bonds issued by the Debtors, special procedures and deadlines may apply. You are urged to read carefully all instructions received with your Solicitation Materials to ensure that your Ballot is properly completed and timely submitted.** Any failure to follow the instructions included with the Ballot or to return a properly completed Ballot so that it is received by the Debtors or their agents by the Voting Deadline may disqualify your vote and your elections.
6. Notice of Non-Voting Status. Holders of claims in Class 6 (Subordinated Claims) and holders of equity interests in Class 7 (Equity Interests) will receive no distribution on account of such claim or equity interests. Because the Plan provides that holders of claims(s) and interests in these classes will not receive a distribution on account of such claims(s) or interests, each such holder is deemed to have voted to reject the Plan and will not receive a Ballot.
7. Objections. Objections, if any, to the confirmation of the Plan, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the Southern District of New York, shall set forth the name of the objectant, the nature and amount of claims or interests held or asserted by the objectant against the Debtors’ estates or property, the basis for the objection, and the specific grounds therefor, and shall be filed with the Bankruptcy Court electronically in accordance with General Order M-242 (which can be found at www.nysb.uscourts.gov) by registered users of the Bankruptcy Court’s case filing system and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), WordPerfect, or any other Windows-based word processing format (with a hard copy delivered directly to Chambers) and served in accordance with General Order M-242, and shall further be served upon (a) Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, New York 10022 (Attn. Jonathan S. Henes, Esq.); (b) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn. Pamela J. Lustrin, Esq.); (c) Paul, Hastings, Janofsky & Walker LLP, 600 Peachtree Street, N.E., 24th Floor, Atlanta, Georgia 30308 (Attn. Jesse Austin, III, Esq.); and (d) Akin Gump Strauss Hauer Feld LLP, 590 Madison Avenue, New York, New York 10022 (Attn. Ira S. Dizengoff, Esq.), so as to be actually received no later than _____, 2004, at 4:00 p.m. (prevailing Eastern Time).
8. Additional Copies of Documents. Copies of the Plan and the Disclosure Statement will be available for review at the Office of the Clerk, United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York 10004-1408. Copies of the

Plan, the Disclosure Statement and the Solicitation Materials (a) will also be available on the website of the Voting Agent, Bankruptcy Management Corporation, at www.bmccorp.net/allegiance or (b) may be obtained upon written request from Allegiance Telecom, Inc., c/o Bankruptcy Management Corporation, P.O. Box 909, El Segundo, California 90245-0909, Attn: Document Request Department.

9. Adjournments. The Confirmation Hearing may be continued from time to time without further notice, including by announcement of the adjournment date(s) at the Confirmation Hearing or any continued hearing. Notwithstanding the foregoing, notice of any such adjournments will be set forth on the website of the Voting Agent at www.bmccorp.net/allegiance.

Dated: _____, 2004
New York, New York

KIRKLAND & ELLIS LLP

Matthew A. Cantor (MC-7727)
Jonathan S. Henes (JH-1979)
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

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

Attorneys for Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**NOTICE OF HEARING ON MOTION FOR AN
ORDER (I) APPROVING THE DISCLOSURE STATEMENT;
(II) ESTABLISHING A RECORD DATE; (III) APPROVING SOLICITATION
PACKAGES AND PROCEDURES FOR DISTRIBUTION THEREOF; (IV)
APPROVING FORMS OF BALLOTS AND ESTABLISHING PROCEDURES
FOR VOTING ON THE PLAN; AND (V) ESTABLISHING NOTICE AND
OBJECTION PROCEDURES FOR CONFIRMATION OF THE PLAN**

PLEASE TAKE NOTICE that upon the annexed motion (the “Motion”), dated March 18, 2004, of Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the “Debtors”), requesting an order (i) approving the disclosure statement; (ii) establishing a record date; (iii) approving solicitation packages and procedures for distribution thereof; (iv) approving forms of ballots and establishing procedures for voting on the plan; and (v) establishing notice and objection procedures for confirmation of the plan, as more fully set forth in the Motion, a hearing will be held before the Hon. Robert D. Drain, United States Bankruptcy Judge, in Room 610 of the United States Bankruptcy Court for

the Southern District of New York (the “Bankruptcy Court”), Alexander Hamilton Custom House, One Bowling Green, New York, New York, 10004-1408, on April 16, 2004, at 10:00 a.m. (prevailing Eastern Time), or as soon thereafter as the Debtors are heard.

PLEASE TAKE FURTHER NOTICE that objections, if any, to the relief requested in the Motion shall be in writing, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules of the Southern District of New York, shall set forth the name of the objectant, the nature and amount of claims or interests held or asserted by the objectant against the Debtors’ estates or property, the basis for the objection, and the specific grounds therefor, and shall be filed with the Bankruptcy Court electronically in accordance with General Order M-242 (which can be found at www.nysb.uscourts.gov) by registered users of the Bankruptcy Court’s case filing system and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), WordPerfect, or any other Windows-based word processing format (with a hard copy delivered directly to Chambers) and served in accordance with General Order M-242, and shall further be served upon (a) Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, New York 10022 (Attn. Samuel S. Kohn, Esq.); (b) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn. Pamela J. Lustrin, Esq.); (c) Paul, Hastings, Janofsky & Walker LLP, 600 Peachtree Street, N.E., 24th Floor, Atlanta, Georgia 30308 (Attn. Jesse Austin, III, Esq.); and (d) Akin

Gump Strauss Hauer Feld LLP, 590 Madison Avenue, New York, New York 10022 (Attn. Ira S. Dizengoff, Esq.), so as to be actually received no later than April 13, 2004, at 4:00 p.m. (prevailing Eastern Time).

Dated: New York, New York
March 18, 2004

Respectfully submitted,

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

Attorneys for Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**ORDER (I) APPROVING THE DISCLOSURE STATEMENT;
(II) ESTABLISHING A RECORD DATE; (III) APPROVING
SOLICITATION PACKAGES AND PROCEDURES FOR
DISTRIBUTION THEREOF; (IV) APPROVING FORMS
OF BALLOTS AND ESTABLISHING PROCEDURES FOR
VOTING ON THE PLAN; AND (V) ESTABLISHING NOTICE AND
OBJECTION PROCEDURES FOR CONFIRMATION OF THE PLAN**

This matter coming before the Court on April 16, 2004:

(i) the Disclosure Statement for Debtors' Joint Plan of Reorganization

Pursuant to Chapter 11 of the Bankruptcy Code, dated March 18, 2004 (as such may be amended, the "Disclosure Statement") for Allegiance Telecom, Inc., and its direct and indirect subsidiaries as debtors and debtors in possession (collectively, the "Debtors");

(ii) the Motion of the Debtors for an Order (I) Approving the Disclosure Statement; (II) Establishing a Record Date; (III) Approving Solicitation Packages and Procedures for Distribution Thereof; (IV) Approving Forms of Ballots and Establishing Procedures for Voting on the Plan; and (V) Establishing Notice and Objection Procedures for Confirmation of the Plan (the "Motion"), filed by the Debtors on March 18, 2004;

(iii) a hearing having been held on April 16, 2004 (the "Disclosure Statement Hearing"), to consider the Motion and approval of the Disclosure Statement.

(vii) the Court having reviewed the Motion and all pleadings related thereto and having heard the statements of counsel regarding the relief requested in the Motion at the Disclosure Statement Hearing; and the Court having determined that the legal and factual bases

set forth in the Motion and at the Disclosure Statement Hearing establish just cause for the relief granted herein;

THE COURT HEREBY FINDS AS FOLLOWS:

- A. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334.
- B. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).
- C. Notice of the Motion and the Disclosure Statement Hearing, made in the manner described in the Motion, was sufficient and appropriate under the circumstances and complied with the requirements of title 11 of the United States Code (the “Bankruptcy Code”), the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and the Local Rules for the United States Bankruptcy Court for the Southern District of New York (the “Local Bankruptcy Rules”).
- D. The relief requested in the Motion and granted herein is warranted under the circumstances and is in the best interests of the Debtors’ estates, creditors and all parties in interest.
- E. The form of the ballots attached to the Motion as Exhibit B (collectively, the “Ballots”), including the Master Ballots (as defined in paragraph H herein), (i) are consistent with Official Form No. 14, (ii) adequately address the particular needs of these chapter 11 cases, (iii) are appropriate for each class of claims entitled to vote to accept or reject the Debtors’ Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code (as such may be amended, the “Plan”) and (iv) comply with Bankruptcy Rule 3017(d).
- F. Ballots need not be provided to holders of claims in Class 1 (Priority Non-Tax Claims), Class 2 (Secured Claims) and Class 3 (Senior Lender Claims) because these classes

are unimpaired and are conclusively presumed to accept the Plan in accordance with section 1126(f) of the Bankruptcy Code.

G. Ballots need not be provided to holders of claims in Class 6 (Subordinated Claims) and holders of equity interests in Class 7 (Equity Interests) because these classes will not receive a distribution under the Plan and are deemed to have rejected the Plan in accordance with section 1126(g) of the Bankruptcy Code.

H. The period during which the Debtors may solicit votes to accept or reject the Plan, as established by this Order, provides sufficient time for (i) creditors to make informed decisions to accept or reject the Plan and submit timely Ballots to the Debtors' voting agent, Bankruptcy Management Corporation (the "Voting Agent"), and (ii) brokers, banks, dealers or nominees (collectively, the "Nominees") for beneficial owners (the "Beneficial Owners") of the public notes and bonds issued by Allegiance Telecom, Inc. as identified in the Plan (collectively, the "ATI Notes") to distribute the Ballots for Beneficial Owners, for such Beneficial Owners to complete and submit timely such Ballots to the Nominees (or if such Ballots have been "prevalidated" by the Nominees, to the Voting Agent) and for the Nominees to complete and timely submit master ballots for tabulating the votes and elections on the Ballots of the Beneficial Owners (the "Master Ballots") to the Voting Agent.

I. The procedures for the solicitation and tabulation of votes to accept or reject the Plan, as approved herein, provide a fair and equitable voting process and are consistent with section 1126 of the Bankruptcy Code.

J. The contents of the Solicitation Packages (as defined in the Motion), the procedures for providing notice of the hearing on confirmation of the Plan (the "Confirmation Hearing") and the other matters set forth in the "Confirmation Hearing Notice," substantially in

the form annexed to the Motion as Exhibit E, comply with Bankruptcy Rules 2002 and 3017 and constitute sufficient notice to all interested parties in accordance with the Bankruptcy Code, the Bankruptcy Rules and the Local Bankruptcy Rules.

K. Notice of the Motion and the Disclosure Statement Hearing was served in accordance with the Motion and such notice constitutes good and sufficient notice to all interested parties and no other or further notice need be provided.

L. The Disclosure Statement contains “adequate information” within the meaning of section 1125 of the Bankruptcy Code.

ACCORDINGLY, IT IS HEREBY ORDERED THAT:

1. The relief requested in the Motions is GRANTED to the extent set forth herein.

2. The Debtors and any other party are authorized to file a consolidated reply to the objections, if any, to the Plan.

3. The Ballots and Master Ballots substantially in the forms attached to the Motion as Exhibit B, are APPROVED, including the election mechanisms contained therein.

The appropriate Ballots and Master Ballots shall be distributed to holders of claims in the following classes entitled to vote to accept or reject the Plan:

- | | |
|-----------------------|--------------------------------|
| <u>Class 4 Ballot</u> | Class 4: ATCW Unsecured Claims |
| <u>Class 5 Ballot</u> | Class 5: ATI Unsecured Claims |

4. To be counted as votes to accept or reject the Plan, all Ballots and Master Ballots casted on behalf of Beneficial Holders must be properly executed, completed and delivered to the Voting Agent either by (a) first-class mail, in the return envelope provided with each Ballot, (b) overnight courier or (c) personal delivery so that, in each case, they are actually

received by the Voting Agent by no later than 5:00 p.m., prevailing Eastern Time, on May 21, 2004 (the “Voting Deadline”), which date shall be included in the Disclosure Statement, each Ballot, and any notice of the Confirmation Hearing contained in the Solicitation Packages or otherwise distributed or published by the Debtors.

5. In tabulating the Ballots and Master Ballots, the following procedures shall be utilized:
 - a. Ballots and Master Ballots received after the Voting Deadline will not be accepted or counted by the Debtors;
 - b. Beneficial Holders must vote all of their claims with respect to a particular issue of ATI Notes either to accept or reject the Plan and may not split their votes with respect to a particular issue of ATI Notes;
 - c. Any Ballot (or a group of Ballots with respect to a particular issue of ATI Notes received from a single creditor) that partially rejects and partially accepts the Plan shall be counted as an acceptance of the Plan;
 - d. The method of delivery of the Ballots and Master Ballots to be sent to the Voting Agent is at the election and risk of each holder of a claim and (if applicable) Nominee, and will be deemed made only when the original executed Ballot or Master Ballot is actually received by the Voting Agent;
 - e. Delivery of a Ballot or Master Ballot by facsimile, e-mail or any other electronic means will not be accepted by the Voting Agent;
 - f. No Ballot or Master Ballot sent to the Debtors, any indenture trustee or the Debtors’ financial or legal advisors shall be accepted;
 - g. If multiple Ballots are received from or on behalf of an individual holder of a claim with respect to the same claim prior to the Voting Deadline, the last Ballot timely received will be deemed to reflect the intent and to supercede and revoke any prior Ballot with respect to such claim;
 - h. If a Ballot is signed by a trustee, executor, administrator, guardian, attorney-in-fact, or other person acting in a fiduciary or representative capacity, such person shall be required to indicate such capacity when signing. The Debtors may request proper evidence prior to accepting such Ballot;
 - i. The Debtors, in their sole discretion, subject to any contrary order of the Court, may waive any defect in any Ballot or Master Ballot at any time, whether before or after the Voting Deadline, and without notice;

- j. Any holder of impaired claims who has delivered a valid Ballot voting on the Plan may withdraw such vote solely in accordance with Bankruptcy Rule 3018(a);
 - k. Subject to any contrary order of the Court, the Debtors reserve the absolute right to reject any and all Ballots or Master Ballots not in proper form, the acceptance of which would, in the opinion of the Debtors or their counsel, not be in accordance with the provisions of this Order or the Bankruptcy Code;
 - l. If no votes to accept or reject the Plan are received with respect to a particular class, such class shall be deemed to have voted to accept the Plan;
 - m. Unless waived by the Debtors, or as ordered by the Court, any defects or irregularities in connection with the deliveries of the Ballots or Master Ballots must be cured by the Voting Deadline, and unless otherwise ordered by the Court, delivery of such Ballots or Master Ballots will not be deemed to have been made until such irregularities have been cured or waived; and
 - n. Except as may be provided by Local Bankruptcy Rule 3018-1(b) with respect to a Ballot or Master Ballot received prior to the Voting Deadline neither the Debtors, nor any other person or entity, will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots or Master Ballots nor will any of them incur liabilities for failure to provide such notification.
6. With respect to the tabulation of Master Ballots and Ballots casted by

Nominees and Beneficial Owners, for purposes of voting, the amount that will be used to tabulate acceptance or rejection of the Plan will be the principal amount held as of the Record Date (the “Record Amount”) and the following additional rules will apply to the tabulation of Master Ballots and Ballots cast by Nominees and Beneficial Owners:

- a. Votes casted by Beneficial Owners through Nominees will be applied against the positions held by such entities in the applicable security as of the Record Date, as evidenced by the record and depository listings. Votes submitted by a Nominee, whether pursuant to a Master Ballot or prevalidated Ballot, will not be counted in excess of the Record Amount of such securities held by the Beneficial Owners for whom the Nominee provides services.
- b. To the extent that conflicting votes or “overvotes” are submitted by a Nominee, whether pursuant to a Master Ballot or prevalidated Ballot, the Debtors will attempt to reconcile discrepancies with the Nominees.
- c. To the extent that overvotes on a Master Ballot or “prevalidated” Ballot are not reconciled prior to the preparation of the vote certification, the

Debtors will apply the votes to accept and to reject the Plan in the same proportion as the votes to accept and reject the Plan submitted on the Master Ballot or prevalidated Ballots that contained the overvote, but only to the extent of the Nominee's position in the applicable security.

- d. For purposes of tabulating votes, each Nominee or Beneficial Owner will be deemed to have voted the principal amount of its Claim relating to such security.
 - e. A single Nominee may complete and deliver to the Voting Agent multiple Master Ballots. Votes reflected on multiple Master Ballots will be counted, except to the extent they are duplicative of other Master Ballots. If two or more Master Ballots are inconsistent, the latest dated Master Ballot received prior to the Voting Deadline will, to the extent of such inconsistency, supercede and revoke any prior Master Ballot.
7. Each Nominee shall (a) forward the Solicitation Package to each

Beneficial Owner for voting and include a return envelope provided by and addressed to the Nominee so that the Beneficial Owner may return the completed beneficial owner ballot to the Nominee, (b) upon receipt of the Ballots, summarize the individual votes of its respective Beneficial Owners on the Master Ballot and (c) submit the Master Ballot to the Voting Agent by the Voting Deadline; provided, however, that if the Nominee elects to "prevalidate" Ballots, the following procedures shall apply:

- a. The Nominee shall forward the Solicitation Package or copies thereof (including (i) the Disclosure Statement, (ii) an individual Ballot that has been prevalidated, as indicated in paragraph (b) below, and (iii) a return envelope provided by and addressed to the Voting Agent) to the Beneficial Owner within three (3) business days of the receipt by such Nominee of the Solicitation Package;
 - b. To "prevalidate" a ballot, the Nominee shall complete and execute the Ballot (other than Items 2, 3 and 4) and indicate on the Ballot the name of the registered holder, the amount of securities held by the Nominee for the Beneficial Owner and the account number(s) for the account(s) in which such securities are held by the Nominee; and
 - c. The Beneficial Owner shall return the prevalidated Ballot to the Voting Agent by the Voting Deadline.
8. To the extent that the Nominees incur out-of-pocket expenses in

connection with distribution of the Master Ballots and Ballots, the Debtors are authorized to

reimburse such entities for their reasonable, actual, and necessary out-of-pocket expenses incurred in this regard.

9. Solely for purposes of voting to accept or reject the Plan — and not for any other purpose, including the allowance of, or distribution on account of, a claim, and without prejudice to the rights of the Debtors in any other context — each claim within a class of claims entitled to vote to accept or reject the Plan shall be temporarily allowed in accordance with the following rules (the “Tabulation Rules”):

- d. if a claim for which a proof of claim has been timely filed is not listed on the Schedules and no objection to such claim has been filed on or before the Voting Deadline, the claim shall be temporarily allowed for voting purposes in the amount set forth in the proof of claim;
- e. if a claim for which a proof of claim has been timely filed is, by its terms, contingent, unliquidated, or disputed, the claim shall be temporarily allowed for voting purposes in the amount of \$1.00
- f. if a claim is listed as contingent, unliquidated or disputed, either in the Schedules or in a proof of claim, the claim shall be temporarily allowed for voting purposes only in an amount equal to \$1.00;
- g. notwithstanding any other Tabulation Rule (as defined herein), if a claim is deemed allowed in accordance with the Plan, such claim will be allowed for voting purposes in the deemed allowed amount set forth in the Plan;
- h. if the Debtors have served and filed an objection to a claim prior to the Voting Deadline, such claim shall be temporarily allowed for voting purposes in amount equal to the greater of \$1.00 or the undisputed amount of such claim;
- i. if a claim is listed in the Schedules as being a non-priority claim or is not listed in the Schedules and a proof of claim is filed as a priority claim (in whole or in part), such claim will be temporarily allowed for voting purposes as a non-priority claim in an amount that such claim would have been so allowed in accordance with the other Tabulation Rules had such proof of claim been filed as a non-priority claim;
- j. if a claim is listed in the Schedules as being an unsecured claim or is not listed in the Schedules and a proof of claim is filed as a secured claim (in whole or in part), such claim will be temporarily allowed for voting purposes as an unsecured claim in an amount that such claim would have been so allowed in accordance with the other Tabulation Rules had such proof of claim been filed as an unsecured claim;

- k. notwithstanding any other Tabulation Rule, if a claim has been estimated or otherwise allowed for voting purposes by order of the Court, such claim will be temporarily allowed for voting purposes in the amount so estimated or allowed by the Court (a stipulation as to voting amount may be filed by Notice of Presentment in accordance with Local Bankruptcy Rule 9074-1(c) on five (5) days' notice);
- l. if a claim relates to rejection damages under an executory contract or unexpired lease that has not been rejected as of the Voting Deadline, to the extent such claim is for rejection damages, such claim shall be temporarily disallowed by the Court for voting purposes and, to the extent such claim is solely for rejection damages, such Ballot shall not be counted as having voted for or against the Plan; and
- m. if a claim holder identifies a claim amount on its Ballot that is less than the amount otherwise calculated in accordance with the Tabulation Rules, the claim will be temporarily allowed for voting purposes in the lesser amount identified on such Ballot.

10. If any claimant seeks to challenge the allowance of its claim for voting purposes in accordance with the Tabulation Rules, such claimant must file a motion, pursuant to Bankruptcy Rule 3018(a), for an order temporarily allowing such claim in a different amount or classification for purposes of voting to accept or reject the Plan (a "Rule 3018 Motion") and file with the Court (with a copy to chambers) and serve such motion on the Debtors on or before the tenth (10th) day after the later of (a) service of the Confirmation Hearing Notice and (b) service of notice of an objection, if any, to such claim. In accordance with Bankruptcy Rule 3018, that as to any creditor filing such a motion, such creditor's Ballot should not be counted unless temporarily allowed by the Court for voting purposes, after notice and a hearing.

11. Objections, if any, to confirmation of the Plan must: (a) be in writing; (b) state the name and address of the objecting party and the nature of the claim or interest of such party; (c) state with particularity the basis and nature of any objection to the confirmation of the Plan; and (d) be filed, together with proof of service, with the Court and served so that they are received by (i) the Clerk of the Court, (ii) attorneys for the Debtors, (iii) attorneys for the Creditors Committee, (iv) the attorneys for the Senior Lenders, and (v) the U.S. Trustee, at the

addresses set forth in the Confirmation Hearing Notice so that they are received no later than May 21, 2004 at 4:00 p.m., prevailing Eastern Time (the “Confirmation Objection Deadline”).

12. The Confirmation Hearing will be held at **10:00 a.m., prevailing Eastern Time, on May 26, 2004**; provided, however, that the Confirmation Hearing may be adjourned from time to time by the Court or the Debtors without further notice to parties other than an announcement in Court at the Confirmation Hearing or any adjourned Confirmation Hearing.

13. The Confirmation Hearing Notice in substantially the form attached to the Motion as Exhibit E is APPROVED. The Debtors shall serve copies of the Confirmation Hearing Notice, along with the other materials comprising the Solicitation Package, in accordance with the procedures set forth below. In addition, the Debtors shall publish a notice substantially in the form of the Confirmation Hearing Notice not less than twenty-five (25) days before the time fixed for filing objections to the confirmation of the Plan in the national editions of The Wall Street Journal and The New York Times.

14. Pursuant to Bankruptcy Rule 3018(a), the record date for purposes of determining which creditors are entitled to receive Solicitation Packages and, where applicable, vote on the Plan shall be _____, 2004 (the “Record Date”). The Debtors shall specify the Record Date in the Confirmation Hearing Notice. Only holders of claims as of the Record Date shall be entitled to vote to accept or reject the Plan or make any election set forth on the Ballot.

15. With respect to a transferred claim, the transferee shall be entitled to receive a Solicitation Package and cast a Ballot on account of such claim only if (a) all actions necessary to effectuate the transfer of the claim pursuant to Bankruptcy Rule 3001(e) have been completed by the Record Date or (b) the transferee files by the Record Date (i) the documentation required by Bankruptcy Rule 3001(e) to evidence the transfer and (ii) a sworn

statement of the transferor supporting the validity of the transfer. Each transferee shall be treated as a single creditor for purposes of the numerosity requirements in section 1126(c) of the Bankruptcy Code and the other voting and solicitation procedures set forth in this Order.

16. In the event a claim is transferred after the Record Date, the transferee of such claim shall be bound by any election made on the Ballot by the holder as of the Record Date of such claim as of the Record Date.

17. The Debtors are authorized to mail or cause to be mailed Solicitation Packages containing copies of: (a) a copy of this Order; (b) the Confirmation Hearing Notice; (c) the Disclosure Statement (together with the exhibits thereto, including the Plan annexed, that have been filed with the Court before the date of the mailing); (d) for Solicitation Packages sent to holders of claims in classes entitled to vote to accept or reject the Plan, an appropriate form of Ballot and a return envelope; and (e) for Solicitation Packages sent to holders of claims and interests not entitled to vote to accept or reject the Plan pursuant to sections 1126(f) or 1126(g) of the Bankruptcy Code, an appropriate Notice of Non-Voting Status substantially in the form of Exhibit C or D annexed to the Motion, as applicable; provided, however, that the Notices of Non-Voting Status shall provide that a copy of the Solicitation Packages may be viewed at www.bmccorp.net/allegiance.

18. With respect to the Beneficial Holders who hold stock through the Nominee Stockholders, the following procedures for the distribution of the Notices of Non-Voting Status-Impaired Classes shall apply:

- a. the Nominee Stockholders shall forward the Notice of Non-Voting Status-Impaired Class or copies thereof to the Beneficial Stockholders within three (3) business days of the receipt by such Nominee Stockholders of the Notice of Non-Voting Status-Impaired Classes; and

- b. the Debtors shall provide the Nominee Stockholders with sufficient copies of the Notice of Non-Voting Status-Impaired Classes to forward to the Beneficial Stockholders.

19. To the extent that the Nominee Stockholders incur out-of-pocket expenses in connection with distribution of the Notice of Non-Voting Status-Impaired Classes, the Debtors are authorized to reimburse such entities for their reasonable, actual, and necessary out-of-pocket expenses incurred in this regard.

20. The Debtors shall mail the Solicitation Packages to: (a) all persons or entities that filed proofs of claim on or before the Record Date, except to the extent a claim was paid pursuant to, or expunged by, a prior order of the Bankruptcy Court, (b) all persons or entities listed in the Debtors' schedules of assets and liabilities (as amended, the "Schedules") as holding liquidated, noncontingent, and undisputed claims in an amount greater than zero, (c) the registered holders of the Debtors' debt and equity securities as of the Record Date, by no later than later four (4) business days after the Record Date.

21. The Debtors shall distribute or cause to be distributed by the Solicitation Date (as defined in the Motion), (a) the Disclosure Statement Order, (b) the Confirmation Hearing Notice, (c) the Disclosure Statement (together with the Plan annexed thereto as Exhibit A) and (d) such other materials the Court may direct to: (i) the U.S. Trustee, (ii) the attorneys for the Creditors Committee, (iii) the attorneys for the Senior Lenders, (iv) all other parties in interest that have filed a request for notice pursuant to Bankruptcy Rule 2002 in the Debtors' chapter 11 cases, (v) the SEC, (w) the IRS, and (vii) the DOJ.

22. With respect to any creditor who has filed duplicate claims (whether against the same or multiple Debtors), which are classified under the Plan in the same class, the Debtors shall provide to such creditor only one Solicitation Package and one Ballot for voting a single claim in such class.

23. Solicitation Packages will not be sent to creditors whose claims are based solely on amounts scheduled by the Debtors but whose claims already have been paid in the full scheduled amount; provided, however, if, and to the extent that, any such creditor would be entitled to receive a Solicitation Package for any reason other than by virtue of the fact that its claim had been scheduled by the Debtors, such creditor will be sent a Solicitation Package in accordance with the procedures set forth above.

24. The Debtors will not send a Solicitation Package to any creditor who filed a proof of claim if the amount asserted in such proof of claim is less than or equal to the amount scheduled for such claim and such amount has already been paid.

25. With respect to addresses from which notices of the hearing to approve the Disclosure Statement that were sent to all creditors and equity security holders were returned as undeliverable by the United States Postal Service, the Debtors are excused from distributing Solicitation Packages to those entities at such addresses unless the Debtors are provided with accurate addresses for such entities before the Solicitation Date and failure to distribute Solicitation Packages to such entities will not constitute inadequate notice of the Confirmation Hearing, the Voting Deadline, or violation of Bankruptcy Rule 3017(d).

26. The certification of Ballots shall be filed on or before the date of the Confirmation Hearing.

27. The Debtors are authorized to make non-substantive changes to the Disclosure Statement, Plan, Ballots, Master Ballots, Confirmation Hearing Notice, and related documents without further order of the Court, including, without limitation, changes to correct typographical and grammatical errors and to make conforming changes among the Disclosure Statement, the Plan, and any other materials in the Solicitation Package prior to their distribution.

28. The Debtors are authorized to take or refrain from taking any action necessary or appropriate to implement the terms of, and the relief granted in, this Order without seeking further order of the Court.

29. All time periods set forth herein shall be calculated in accordance with Bankruptcy Rule 9006(a).

30. The Court shall retain jurisdiction with respect to all matters arising from or related to the implementation of this Order.

31. This Order shall be effective and enforceable upon its entry.

Dated: New York, New York
_____, 2004

UNITED STATES BANKRUPTCY JUDGE