

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 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).