

HEARING DATE AND TIME: June 17, 2004 at 10:00 a.m.
OBJECTION DEADLINE: June 10, 2004 at 4:00 p.m.

TOGUT, SEGAL & SEGAL LLP
Co-Bankruptcy Counsel for Debtors
and Debtors in Possession
One Penn Plaza, Suite 3335
New York, New York 10119
Phone: (212) 594-5000
Albert Togut (AT-9759)
Gerard DiConza (GD-0890)

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	Chapter 11 Case No.
	:	03-13057 (RDD)
ALLEGIANCE TELECOM, INC., <i>et al.</i> ,	:	
	:	Jointly Administered
Debtors.	:	

**DEBTORS' SECOND OMNIBUS
OBJECTION TO CERTAIN PROOFS OF CLAIMS**

(CLAIM NOS. 48, 95, 111, 150, 153, 177, 189, 196, 213, 242, 258, 319, 328, 364, 372, 413, 417, 467, 553, 690, 741, 791, 825, 1232, 1289, 1326, 1359, 1389, 1457, 1480, 1487, 1542, 1574, 1587, 1588, 1792, 1812, 1878, 2054, 2097, 2104 and 2604)

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, "Allegiance" or the "Debtors"), respectfully represent:

Introduction

1. On May 14, 2003 (the "Commencement Date"), the Debtors each commenced with this Court a voluntary case under chapter 11 of title 11 of the United

States Bankruptcy Code (the “Bankruptcy Code”). The Debtors are authorized to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. 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 (the “Bankruptcy Rules”).

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 creditors’ committee (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.

Background

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 and other institutional users. Allegiance offers its 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 collocation services;
- integrated local long distance/Internet access offerings, which provide customers with integrated voice and Internet access over a single broadband line;
- equipment collocation, 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 36 markets. As of December 31, 2003, the Debtors employed approximately 2,893 people, of which approximately 66 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 twelve 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.

Bar Date and Proofs of Claim

7. On or about September 23, 2003, the Court entered an order, pursuant to Bankruptcy Rule 3003(c)(3), establishing a final date for filing proofs of claim and approving the bar date notice and the notice and publication procedures (the "Bar Date Order"), which, among other things, established November 26, 2003 (the "Bar Date") as the last date for all persons and entities (including governmental units) holding or wishing to assert pre-petition and certain other "Claims" (as such

term is defined in 11 U.S.C. § 101(5)) against the Debtors to file a proof of claim form (the “Proofs of Claim”) with respect to each such Claim.

8. Within fifteen (15) days of the entry of the Bar Date Order, the Debtors’ notice and claims agent, Bankruptcy Management Corporation (“BMC”), provided notice of the Bar Date by mailing the notice of the Bar Date approved by the Court (the “Bar Date Notice”) and a proof of claim form upon the persons or entities listed in the Debtors’ Schedule of Assets and Liabilities (the “Schedules”), which were previously filed with the Court, and upon those parties listed in the Bar Date Order.

9. In addition, the Debtors published the Bar Date Notice in the USA Today (National Edition) on one occasion at least twenty-five (25) days before the Bar Date.

10. To date, approximately 2,730 Proofs of Claim have been filed against the Debtors in these Chapter 11 cases. In the Debtors’ first omnibus claims objection approximately 780 claims were addressed. The Debtors are objecting to 42 Claims in this Second Omnibus Objection.

11. Prior to the commencement of these Chapter 11 cases, the Debtors maintained, in the ordinary course of their business, books and records that reflected, among other things, the Debtors’ liabilities and the amounts thereof owed to their creditors (the “Books and Records”). The Debtors have conducted a review of the Proofs of Claim and their Books and Records and compared each Proof of Claim against the Books and Records. For the reasons set forth in more detail below and based upon these reviews, the Debtors have determined that certain of the Claims asserted against the Debtors in the Proofs of Claim are objectionable, and therefore the

Debtors hereby object to the allowance of those Claims. The Debtors have not completed the review of all Claims for all objections, and therefore the Debtors reserve the right to object to the Surviving Claims (as defined below), on any basis, in future motions.

The Objection and Request for Relief

12. By this Second Omnibus Objection, the Debtors seek to disallow, reclassify or reassign, as appropriate, the Claims set forth in the Exhibits attached hereto for the reasons described herein and in such Exhibits:

- a. The Claims set forth as “Wrong Debtor Split Claims” in Exhibit A attached hereto are filed against one or more of the wrong Debtors in these Chapter 11 cases and need to be split and allocated by correct amount and reassigned to one or more of the proper Debtors in these Chapter 11 cases (the “Wrong Debtor Split Claims”); and
- b. The Claims set forth as “Wrong Debtor Claims” in Exhibit B attached hereto are filed against one or more of the wrong Debtors in these Chapter 11 cases and need to be reassigned to the proper Debtors in these Chapter 11 cases (the “Wrong Debtor Claims”).

A. Wrong Debtor Split Claims

13. During the review process described above, the Debtors determined that certain of the Claims were filed or scheduled, in part, against the wrong Debtors. The Wrong Debtor Split Claims are listed on Exhibit A attached hereto. The Debtors object to the Wrong Debtor Split Claims pursuant to section 502(b)(1) of the Bankruptcy Code because such Claims were filed or scheduled in full against only one Debtor in these Chapter 11 cases. The amount asserted in the Wrong Debtor Split

Claims set out in Exhibit A should be allocated among the proper Debtors that the claim amount should have been asserted against by the relevant claimants.

14. To effect the proper allocation of the Wrong Debtor Split Claims amounts, the Debtors propose that the Wrong Debtor Split Claims be expunged and that new Claims in the correct amounts against the proper Debtors (the “Target New Claims”) be recorded in the claims register as noted on Exhibit A. The Target New Claims noted on Exhibit A will be reassigned to the New Case Names and Case Numbers for the appropriate Debtors as noted on Exhibit A. Therefore, the Wrong Debtor Split Claims set forth in Exhibit A should be modified as requested herein for all purposes.

B. Wrong Debtor Claims

15. During the review process described above, the Debtors determined that certain of the Claims were filed or scheduled against the wrong Debtors. The Wrong Debtor Claims are listed on Exhibit B attached hereto. The Debtors object to the Wrong Debtor Claims pursuant to Section 502(b)(1) of the Bankruptcy Code because such Claims were filed or scheduled against the wrong the Debtor in these Chapter 11 cases. The Wrong Debtor Claims set out in Exhibit B should be adjusted in these Chapter 11 cases. The Debtors propose that the Wrong Debtor Claims noted on Exhibit B be reassigned to the specific New Case Number and Name noted on Exhibit B. Therefore, the Wrong Debtor Claims set forth in Exhibit B should be modified as requested herein for all purposes.

Affidavit in Support of Objections

16. Attached hereto as Exhibit C is the affidavit of Heather D. Revill, senior director of accounting of the Debtors (the "Revill Affidavit"). The Revill Affidavit is submitted in support of the relief requested by this Second Omnibus Objection.

Responses to Objections

17. Any party wishing to oppose the relief requested in the Second Omnibus Objection must file a written response. Only those responses timely filed with the Court and received in accordance with the notice served contemporaneously herewith (the "Notice") will be considered by the Court. If a claimant does not want the Court to reduce, modify, or eliminate a Claim, the claimant must comply with the instructions in the Notice. If a response is properly and timely filed in accordance with the above procedures, and the Debtors are unable to reach a consensual resolution with the claimant, the Debtors may request the Court to conduct a hearing with respect to the objection and the response.

18. If a claimant whose Claim is subject to the Second Omnibus Objection and who is served with the Second Omnibus Claims Objection fails to file and serve a timely response in compliance with the foregoing procedures, the Debtors request that the relief requested in the Second Omnibus Objection may be granted without further notice to the claimant.

19. If a response contains an address for the claimant different from that stated on the Proof of Claim, the address listed in the Proof of Claim shall constitute the service address for future service of papers upon the claimant until the

Debtors receive written notice from the claimant or the claimant's counsel for a changed service address.

Debtors' Replies to Responses

20. The Debtors seek leave to, at their option, file and serve a reply to a claimant's response so that it is received by the claimant (or the claimant's counsel, if represented) no later than 10:00 a.m. (Eastern Daylight Time) one day prior to any hearing on the objection.

Reservation of Rights

21. Notwithstanding anything contained herein to the contrary, the Debtors hereby reserve the right to object in the future to any of the surviving Claims listed in Exhibits A and B of this Second Omnibus Objection based on the merits of the Claim and on any procedural or substantive grounds, and to seek to disallow, reduce, reclassify such Claim. A separate notice will be given and hearings will be scheduled for any such objections. Further, the Debtors reserve the right to amend, modify or supplement this Second Omnibus Objection, in which case the subject claimant(s) will receive notice and a new hearing will be scheduled.

Waiver of Memorandum of Law

22. This Objection does not raise any novel issues of law. Accordingly, the Debtors respectfully request that the Court waive the requirement contained in rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York that a separate memorandum of law be submitted.

Notice

23. Notice of this Objection has been provided to: (a) the U.S. Trustee; (b) attorneys for the Prepetition Lenders; (c) attorneys for the Creditors' Committee; (d) the entities set forth in the Debtors' Master Service List established pursuant to that certain Order Establishing Notice Procedures, dated May 15, 2003, and (e) the parties whose Proofs of Claim are being objected to on the attached exhibits. The Debtors submit that no other or further notice is required.

24. The Debtors have made no previous request for the relief sought herein to this or any other court.

WHEREFORE, the Debtors respectfully request that the Court enter an order, substantially in the form attached hereto as Exhibit D, granting the Objections to the subject Proofs of Claim in all respects and granting the Debtors such further relief as it deems just and proper.

Dated: New York, New York
April 30, 2004

Respectfully submitted,

ALLEGIANCE TELECOM, INC., *et al.*,
Debtors and Debtors in Possession
By: Their Co-Bankruptcy Counsel,
TOGUT, SEGAL & SEGAL LLP

By: /s/ Albert Togut
ALBERT TOGUT (AT-9759)
A Member of the Firm
One Penn Plaza, Suite 3335
New York, New York 10119
Phone: (212) 594-5000