

**EXHIBIT 1**

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

In re

Allegiance Telecom, Inc., et al.,

Hosting Debtors.

**Chapter 11**

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

**(Jointly Administered)**

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

NOTICE IS HEREBY GIVEN, as follows:

1. On May 4, 2004, Hosting.com, Inc., Allegiance Internet, Inc., Adgrafix Corporation, and Virtualis Systems, Inc. (collectively, the “Hosting Debtors”) filed a motion (the “Motion”) with the United States Bankruptcy Court for the Southern District of New York for orders (i) establishing bidding procedures and certain protections (the “Bidding Procedures”) including a break-up fee payable to the Buyer<sup>1</sup>; (ii) approving the form and manner of notice related to the sale of the Sale Assets; (iii) setting a hearing date (the “Sale Hearing”) to consider approval of the sale of certain of the assets of the Hosting Debtors as provided in the Purchase Agreement (the “Sale Assets”); (iv) authorizing the procedures for assumption and assignment of certain executory contracts in connection with the sale of the Sale Assets (the “Sale Transaction”); and (v) granting certain related relief. The Successful Bidder at the Auction will agree to purchase the assets to be acquired, free and clear of all liabilities, obligations, claims,

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<sup>1</sup> Unless otherwise defined herein, capitalized terms shall have the meaning ascribed to them in the Motion or that certain purchase agreement between the Hosting Debtors and WebOnTap, Inc. dated April 28, 2004 (the “Purchase Agreement”), as applicable, and as modified by this Bidding Procedures Order (as defined below), as applicable.

liens, and encumbrances on the same or better terms and conditions as those set forth in the Purchase Agreement entered into between the Hosting Debtors and the Buyer.

2. By order dated \_\_\_\_\_, 2004 (the “Bidding Procedures Order”), the Court authorized the Hosting Debtors, among other things, to conduct an Auction of the Sale Assets, if necessary, at the offices of Kirkland & Ellis LLP, Aon Building, 200 East Randolph Drive, Chicago, Illinois 60601-6636, on June 16, 2004 at 10:00 a.m. (prevailing Eastern Time).

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

PROVISION	DESCRIPTION
<i>The Stalking Horse Bid</i>	Under the terms of the Purchase Agreement, the Buyer has agreed to purchase the Sale Assets for \$1.0 million, plus Assumed Liabilities (the “Stalking Horse Bid”), subject to the terms of the Purchase Agreement.
	Until the entry of the Sale Approval Order, the Hosting Debtors are permitted to cause their Representatives and Affiliates to initiate contact with, solicit or encourage submission of any inquiries, proposals or offers by, any Person (in addition to Buyer and its Affiliates, agents and Representatives) in connection with any Competing Transaction, <u>provided, however, that</u> , the Hosting Debtors, their Representatives and Affiliates must reveal the existence of the Purchase Agreement to any such Person. In addition, the Hosting Debtors shall have the responsibility and obligation to respond to any inquiries or offers to purchase all of the Sale Assets and perform any and all other acts related thereto which are required under the Bankruptcy Code or other applicable law, including, without limitation, supplying information relating to the Business and Sale Assets to prospective buyers.
<i>Due Diligence</i>	Unless otherwise determined by the Hosting Debtors after consultation with the Creditors Committee and/or the Plan Administrator, as applicable, each potential bidder (a “Potential Bidder”) must deliver (unless previously delivered) to (i) the attorneys for the Hosting Debtors, Kirkland & Ellis LLP, Citigroup Center, 153 East 53 <sup>rd</sup> Street, New York, NY 10022-4611 (Attn: Lisa G. Laukitis, Esq.), (ii) the financial advisors to the Debtors, Greenhill & Co., LLC, 300 Park Avenue, 23rd Floor, New York, New York 10022 (Attn: Ryan Taylor), (iii) the attorney for the Creditors Committee, Akin Gump Strauss Hauer Feld LLP, 590 Madison Avenue, New York,

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	<p>New York 10022 (Attn: Ira S. Dizengoff, Esq.), (iv) the financial advisors to the Creditors Committee, Houlihan Lokey Howard &amp; Zukin, 685 Third Avenue, 15<sup>th</sup> Floor, New York, New York 10017 (Attn: David Trucano), (v) and the Plan Administrator, c/o Akin Gump Strauss Hauer Feld LLP, 590 Madison Avenue, New York, New York 10022 (Attn: Allegiance Telecom, Inc. Plan Administrator) the following documents (the “Preliminary Bid Documents”) in order to participate in the bidding process:</p>
	<p>a. an executed confidentiality agreement in form and substance satisfactory to the Hosting Debtors, the Creditors Committee and/or the Plan Administrator, as applicable; and</p>
	<p>b. preliminary proof by the Potential Bidder of its financial capacity to close a proposed transaction, the adequacy of which the Hosting Debtors, the Creditors Committee and/or the Plan Administrator, as applicable, and their respective advisors will determine in their sole discretion.</p>
	<p>Within two (2) business days after a Potential Bidder delivers the Preliminary Bid Documents, the Hosting Debtors, the Creditors Committee and/or the Plan Administrator, as applicable, and their respective advisors shall determine, and shall notify the Potential Bidder, whether the Potential Bidder has submitted acceptable Preliminary Bid Documents so that such Potential Bidder may conduct due diligence with respect to the Sale Assets sought to be acquired. Only those Potential Bidders that have submitted acceptable Preliminary Bid Documents may submit bids for the Sale Assets.</p>
<b><i>Bid Deadline</i></b>	<p>Bids for the Sale Assets must (a) be in writing; (b) at a minimum, exceed the Stalking Horse Bid by \$50,000; (c) satisfy the Bid Requirements set forth herein and (d) be received by (i) the attorneys for the Hosting Debtors, Kirkland &amp; Ellis LLP, 153 East 53rd Street, New York, New York 10022 (Attn: Lisa G. Laukitis, Esq.), (ii) the financial advisors for the Hosting Debtors, Greenhill &amp; Co., LLC, 300 Park Avenue, 23rd Floor, New York, New York 10022 (Attn: Ryan Taylor), (iii) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 1004 (Attn: Pamela J. Lustrin, Esq.), (iv) the attorneys for the agent for the Prepetition Lenders, Paul, Hastings, Janofsky &amp; Walker LLP, 600 Peachtree Street, N.E., 24th Floor, Atlanta, Georgia 30308 (Attn: Jesse Austin, III, Esq.), (v) the attorneys for the Creditors Committee, Akin Gump Strauss Hauer Feld LLP, 590 Madison Avenue, New York, New York 10022 (Attn: Ira S. Dizengoff, Esq.), (vi) the financial advisors to the Creditors Committee, Houlihan Lokey Howard &amp; Zukin, 685 Third</p>

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	Avenue, 15 <sup>th</sup> Floor, New York, New York 10017 (Attn: David Trucano), and (vii) the Plan Administrator, c/o Akin Gump Strauss Hauer Feld LLP, 590 Madison Avenue, New York, New York 10022 (Attn: Allegiance Telecom, Inc. Plan Administrator) so as to be actually received no later than 4:00 p.m. (prevailing Eastern Time) on June 14, 2004 (the "Bid Deadline"). Such bids shall be deemed "Qualified Bids" and those parties submitting such Qualified Bids shall be "Qualified Bidders."
	Parties that do not submit a Qualified Bid by the Bid Deadline will not be permitted to participate at the Auction.
<b><i>Bid Requirements</i></b>	Qualified Bids must meet the following requirements (the "Bid Requirements"):  a. Each Qualified Bid must be on the same or more favorable terms and conditions as those terms set forth in the Purchase Agreement and the documents set forth as exhibits and schedules thereto. The Hosting Debtors shall not entertain bids for the individual assets comprising their businesses.
	b. Each Qualified Bid must constitute a good faith, bona fide offer to acquire the Sale Assets.

4. The Bidding Procedures Order further provides that the Sale Hearing will be held following the Auction on June 18, 2004 at 10:00 a.m. (prevailing Eastern Time), before the Honorable Robert D. Drain, United States Bankruptcy Judge, in Room 610 of the United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004-1408.

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

6. At the Sale Hearing, the Court may enter such orders as it deems appropriate under applicable law and as required by the circumstances and equities of these

cases. Objections, if any, to the relief requested in the Motion, other than the relief granted in the Bidding Procedures Order, shall be in writing, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court for the Southern District of New York, shall set forth the name of the objectant, the nature and amount of any claims or interests held or asserted against the Hosting Debtors' estates or properties, the basis for the objection and the specific grounds therefor, and shall be served upon (i) the attorneys for the Hosting Debtors, Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, New York 10022 (Attn: Lisa G. Laukitis, Esq.), (ii) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 1004 (Attn: Pamela J. Lustrin, Esq.), (iii) the attorneys for the agent for the Hosting Debtors' prepetition lenders, Paul, Hastings, Janofsky & Walker LLP, 600 Peachtree Street, N.E., 24th Floor, Atlanta, Georgia 30308 (Attn: Jesse Austin, III, Esq.), (iv) the attorneys for the Creditors Committee, Akin Gump Strauss Hauer Feld LLP, 590 Madison Avenue, New York, New York 10022 (Attn: Ira S. Dizengoff, Esq.), (v) the Plan Administrator, c/o Akin Gump Strauss Hauer Feld LLP, 590 Madison Avenue, New York, New York 10022 (Attn: Allegiance Telecom, Inc. Plan Administrator), and (vi) the Buyer, WebOnTap, Inc., 70 Blanchard Road, Burlington, Massachusetts 01803 (Attn: Eric S. Ritvo, Esq.) so as to be actually received by such persons no later than June 15, 2004 at 4:00 p.m. (prevailing Eastern Time).

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

Dated: New York, New York  
\_\_\_\_\_, 2004

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