

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
	:	X

**NOTICE OF A HEARING TO DETERMINE
THE ENFORCEABILITY OF CERTAIN TERMS
OF THE ASSET PURCHASE AGREEMENT BETWEEN
ALLEGIANCE TELECOM, INC. AND XO COMMUNICATIONS INC.**

PLEASE TAKE NOTICE that a hearing (the “Hearing”) to determine the enforceability of certain terms of the XO Purchase Agreement (as defined herein) 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 June 7, 2004, at 10:00 a.m. (prevailing Eastern Time), or as soon thereafter as the Debtors and XO Communications, Inc. (“XO”) are heard.

PLEASE TAKE FURTHER NOTICE that on February 18, 2004, Allegiance Telecom, Inc. (“ATI”) and Allegiance Telecom Company Worldwide (“ATCW”) executed that certain Asset Purchase Agreement by and among ATI and ATCW, jointly and severally as

Sellers, and XO as Buyer (the “XO Purchase Agreement”), pursuant to which ATI and ATCW agreed to sell (a) substantially all of the assets of ATI and ATCW and (b) the stock of the reorganized subsidiaries of ATCW, other than Shared Technologies Allegiance, Inc. to XO (the “Sale Transaction”).

PLEASE TAKE FURTHER NOTICE that on February 20, 2004, this Court entered an order approving the Sale Transaction to XO (the “Sale Order”).

PLEASE TAKE FURTHER NOTICE that on April 22, 2004, the Debtors filed the Debtors’ Second Amended Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code (as amended, the “Plan”). The hearing to determine the confirmation of the Plan is currently scheduled for June 7, 2004 at 10:00 a.m. (the “Confirmation Hearing”).

PLEASE TAKE FURTHER NOTICE that several disputes have arisen between the Debtors and XO regarding their rights and obligations under the XO Purchase Agreement.

Specifically:

- The parties are in dispute regarding the amount of severance liabilities to be assumed by XO under Section 2.3(e) of the XO Purchase Agreement;
- The parties are in dispute regarding the current liabilities and accrued expenses to be assumed by XO under Section 2.3(c) of the XO Purchase Agreement; and
- The parties are in dispute as to whether the Debtors have a duty not to take any actions that might jeopardize the availability of the provisions of section 1145 of the Bankruptcy Code that otherwise would exempt the XO Common Stock (as defined in the XO Purchase Agreement) from the registration requirements of Section 5 of the Securities Act of 1933 and, in the event the Debtors took any such action, whether XO would be required to file a registration statement with the Securities Exchange Commission in connection with the XO Common Stock.

PLEASE TAKE FURTHER NOTICE that the Debtors, XO, and the statutory committee of the unsecured creditors (the “Creditors Committee”) have agreed to conduct expedited, voluntary discovery in order to present the issues in dispute to this Court on June 7, 2004.

PLEASE TAKE FURTHER NOTICE that the Debtors, XO, and the Creditors Committee have agreed that each party will file with the Court a memorandum of law setting forth each parties positions with respect to the disputes over the XO Purchase Agreement by no later than noon (prevailing Eastern Time) on June 3, 2004.

PLEASE TAKE FURTHER NOTICE that to the extent any party in interest in these chapter 11 cases has any questions regarding this notice or the disputes referenced herein, such party in interest should contact Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, New York 10022, 212-446-4800 (Attn. Michael J. Frishberg, Esq.).

Dated: New York, New York
May 28, 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
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