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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**EX PARTE MOTION OF THE DEBTORS FOR AN ORDER
SHORTENING NOTICE, PURSUANT TO RULES 2002(a)
AND 9006(c) OF THE FEDERAL RULES OF BANKRUPTCY
PROCEDURE, WITH RESPECT TO A HEARING ON THE MOTION
OF THE DEBTORS FOR AN ORDER, PURSUANT TO RULE 9019
OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE,
APPROVING THE SETTLEMENT AGREEMENT, DATED JULY 15, 2003,
AMONG BAYERISCHE HYPO-UND VEREINSBANK AG, BANK AUSTRIA
CREDITANSTALT CORPORATE FINANCE, INC. AND THE DEBTORS**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

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

Introduction

1. On May 14, 2003, the Debtors each 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 (the "Bankruptcy Rules").

2. No trustee or examiner has been appointed in these chapter 11 cases. On May 28, 2003, pursuant to sections 1107(a) and 1108 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.

Summary of Relief Requested

4. Subsequent to the Court considering the relief requested herein (and to the extent such relief is granted), the Debtors intend to file a motion (the "Settlement Motion"), seeking entry of an order, pursuant to Bankruptcy Rule 9019, approving the terms of the Settlement Agreement and Release, dated as of July 15, 2003, among Bayerische Hypo-und Vereinsbank AG, Bank Austria Creditanstalt Corporate Finance, Inc. and the Debtors (the "Settlement Agreement"), which is attached to the Settlement Motion as Exhibit "A." General Electric Capital Corporation, in its role as the Administrative Agent (the "Agent") under that certain Credit and Guaranty Agreement,

dated as of February 15, 2000, as amended as of November 27, 2002, has acknowledged and agreed to the terms and conditions of the Settlement Agreement.

5. By this Motion, the Debtors request entry of an order, pursuant to Bankruptcy Rules 2002(a)(3) and 9006(c)(1), shortening the notice required to be provided with respect to the Settlement Motion.

**Cause Exists to Shorten the Notice
Period with Respect to the Settlement Motion**

6. The Debtors request that the Court shorten the twenty-day notice period required under Bankruptcy Rule 2002(a)(3) to allow the hearing on the Settlement Motion to take place on July 29, 2003, at 10:00 a.m., prevailing Eastern Time. Consistent therewith, the Debtors request that the Court set July 24, 2003, at 4:00 p.m., prevailing Eastern Time, as the deadline for the service and filing of objections to the Settlement Motion.

7. Bankruptcy Rules 2002(a)(3) and 9006(c)(1) authorize the Court, for cause shown, to reduce the notice period required for a hearing to consider approval of the compromise or settlement of a controversy. See Fed. R. Bankr. P. 2002(a)(3); 9006(c)(1). The Debtors submit there is ample cause to reduce the notice period.

8. In connection with the negotiations between Bayerische Hypo-und Vereinsbank AG and Bank Austria Creditanstalt Corporate Finance, Inc. (collectively, the “Banks”) and the Debtors regarding the Settlement Agreement, the Banks requested that the Debtors seek an expedited hearing on the Settlement Motion. This request was made because the Banks’ agreement to pay the Debtors the sum of \$7,413,968.90 was connected to the Banks’ desire to sell their bank debt to a third party purchaser. The

agreement between the Banks and the third party purchaser was contingent on an expedited closing. As such, the Debtors, in order to assure the receipt of the \$7,413,968.90, agreed to seek approval of the Court for an expedited hearing. In addition, Kirkland & Ellis LLP, as attorneys for the Debtors, consulted with a representative of the U.S. Trustee's Office and the attorneys for the Agent and the statutory committee of unsecured creditors appointed in these chapter 11 cases regarding the relief requested herein. The foregoing parties have all consented to such relief. Based on the foregoing, the Debtors submit that cause exists to shorten the notice period as requested herein.

9. The Debtors submit that notice by first class mail, or where appropriate, by hand delivery, provided on the date hereof, to (i) the U.S. Trustee, (ii) attorneys for the Creditors Committee, (iii) attorneys for the Debtors' prepetition lenders, (iv) attorneys for the Banks and (v) each person or entity on the Master Service List maintained in these chapter 11 cases will constitute good and sufficient notice of the relief requested in the Settlement Motion.

Waiver of Memorandum of Law

10. Because there are no novel issues of law presented herein, the Debtors respectfully request that the Court waive the requirement that the Debtors file a memorandum of law in support of this Motion pursuant to rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York.

Notice

11. Pursuant to Bankruptcy Rule 9006(c)(1), the Court may shorten time without notice.

12. No previous request for the relief sought herein has been made by the Debtors to this or any other court.

WHEREFORE the Debtors respectfully request that the Court enter an order, substantially in the form annexed hereto, shortening the notice period with respect to the Settlement Motion and providing the Debtors with such other and further relief as is just and proper.

Dated: New York, New York
July 17, 2003

Respectfully submitted,

/s/ Jonathan S. Henes
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