

EXHIBIT A

SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release, dated as of October 24, 2003 (the "**Settlement Agreement**"), is by and among Dresdner Bank AG, New York & Grand Cayman Branches (collectively, "Dresdner"), and the Debtors (as defined below).

BACKGROUND

Dresdner and the Debtors are parties, along with certain other Lenders and the Agent, to a Credit and Guaranty Agreement, dated as of February 15, 2000, as amended, supplemented or modified from time to time (the "Prepetition Credit Agreement").

Pursuant to a Funding Notice (as defined in the Prepetition Credit Agreement), dated June 20, 2002 (the "2002 Funding Notice"), the Borrower (as defined in the Prepetition Credit Agreement) requested an advance by the Lenders (as defined in the Prepetition Credit Agreement) of the remaining portion of the then unfunded Revolving Loan Commitments (as defined in the Prepetition Credit Agreement).

Dresdner declined to fund its respective pro rata share of such unfunded Revolving Loan Commitments.

Dresdner's refusal to fund its respective pro rata share of the 2002 Funding Notice resulted in a dispute between Dresdner, on one hand, and the Debtors, on the other hand, relating to Dresdner's obligations under the Prepetition Credit Agreement to honor the 2002 Funding Notice (the "Funding Dispute").

The Prepetition Credit Agreement was amended pursuant to the First Amendment dated as of November 27, 2002 (the "First Amendment"), which was executed by the Debtors and the Requisite Lenders (as defined in the Prepetition Credit Agreement), but not Dresdner.

Pursuant to Section 7(j) of the First Amendment, the Borrower delivered a written declaration to Dresdner, dated January 16, 2003, stating that Dresdner was a "Defaulting Lender" under Section 2.20 of the Credit Agreement (such declaration being referred to herein as the "Defaulting Lender Declaration").

Pursuant to Section 7(i) of the First Amendment, the Borrower made a voluntary principal prepayment of \$15,000,000.00 to the Agent, who distributed the proceeds of such prepayment to those Lenders who funded their respective pro rata shares of the Revolving Loan Commitments (the "Funding Lender Loans") pursuant to the 2002 Funding Notice (the "Funding Lenders").

The Borrower made a further voluntary principal prepayment of \$5,000,000.00 to the Agent, who distributed the proceeds of such prepayment to the Funding Lenders, pursuant to the terms of a Forbearance Agreement, dated April 29, 2003, executed by the Debtors and the Requisite Lenders, but not Dresdner (such \$15,000,000.00 and \$5,000,000.00 prepayments being collectively the "Funding Lender Prepayments").

On May 14, 2003, Allegiance Telecom, Inc., and its direct and indirect subsidiaries, commenced cases under Title 11 of the United States Code (the "Bankruptcy Code") before the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), Case No. 03-13057 (RDD) (the "Bankruptcy Case") and the Debtors retained possession of their assets and continue to operate their businesses as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

The Debtors and Dresdner have determined that it is in the best interests of all of the parties hereto to resolve the Funding Dispute amicably and finally in order that all parties to the Prepetition Credit Agreement can focus on completing the restructuring of the Debtors as effectively as possible.

NOW THEREFORE, in consideration of the above premises and the promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree to settle the Funding Dispute, subject to approval of this settlement by the Bankruptcy Court as provided in Section 5.10 herein, pursuant to the following terms and conditions:

Section 1. Definitions.

1.01 The following terms used herein, including the preamble, recitals, annexes hereto, shall have the following meanings:

"Amended Final Order" means the Final Order Authorizing Use of Cash Collateral by Consent entered by the Bankruptcy Court on or about June 26, 2003.

"Bankruptcy Court Approval" means an order issued by the Bankruptcy Court in form and substance satisfactory to all of the parties hereto approving the terms of this Settlement Agreement.

"Debtors" means the Borrower, Allegiance Telecom, Inc., and each of the subsidiaries signatory hereto.

"Dresdner Funding Amount" means \$6,000,000.00, being Dresdner's unfunded portion of its Revolving Loan Commitment.

"Dresdner Net Funding Obligation" means \$5,113,082.00, being the Dresdner Funding Amount less the Dresdner Prepayment Amount.

"Dresdner Prepayment Amount" means a prepayment by the Borrower of the Loans by Dresdner in the principal amount of \$886,918.00, such amount being a prepayment of 4.43459% of the principal amount of fully funded Loans of \$20,000,000.00 by Dresdner and being a prepayment in the same percentage amount as the percentage of the Funding Lender Loans prepaid by the Funding Lender Prepayments.

"Interim Order" means the Emergency Order Authorizing Use of Cash Collateral by Consent entered by the Bankruptcy Court on May 15, 2003.

1.02 All capitalized terms used herein but not defined herein shall have the same meaning as ascribed to them in the Prepetition Credit Agreement.

Section 2. Resolution of Funding Dispute.

2.01 The Parties hereto agree to settle finally and unconditionally the Funding Dispute and all matters related thereto pursuant to the terms and conditions set forth herein.

2.02 Within two (2) business days following the Bankruptcy Court Approval, Dresdner agrees to advance and deliver directly to the Borrower, which advance will be treated by the Agent for the benefit of the Borrower as provided in the Prepetition Credit Agreement as a Loan, an amount equal to the Dresdner Net Funding Obligation as full and complete satisfaction of all of its payment and funding obligations herein and under the Prepetition Credit Agreement.

2.03 Subject only to receipt of the Bankruptcy Court Approval and receipt by the Borrower of the Dresdner Net Funding Obligation from Dresdner as provided in Section 2.02 herein:

- (a) Each of the Debtors hereby declares that Dresdner is a Lender in good standing and in full compliance with all of the terms of the Prepetition Credit Agreement and all other Credit Documents and that Dresdner and its successors and assigns are entitled to exercise all of the rights and privileges of a Lender in good standing under the Prepetition Credit Agreement and all other Credit Documents to which Dresdner is a party;
- (b) The Borrower hereby rescinds in its entirety the Defaulting Lender Declaration as it may relate to Dresdner and, within two (2) business days of the issuance of the Bankruptcy Court Approval, shall deliver to the Agent, along with a copy to Dresdner, a notice substantially in the form set forth in Annex A hereto, which notice shall become effective upon receipt by the Borrower of the Dresdner Net Funding Obligation from Dresdner; and
- (c) Each of the Debtors agrees immediately to cease and desist from, and to use its reasonable efforts to prohibit any other party to the Prepetition Credit Agreement from, referring to or treating Dresdner, or any subsequent assignee or transferee thereof, as a Defaulting Lender.

2.04 Upon receipt by the Borrower from Dresdner of the amount equal to the Dresdner Net Funding Obligation, the Debtors shall retain the funds as Cash Collateral (as this term is defined in the Amended Final Order) and use such Cash Collateral only in accordance with the terms of the Amended Final Order.

Section 3. Releases.

3.01 Subject to the effectiveness of this Settlement Agreement as provided in Section 5.10 herein, each of the Debtors hereby releases, acquits and forever discharges Dresdner and

its directors, officers, employees, shareholders, agents, representatives, attorneys, successors and assigns (collectively, the "Dresdner Released Parties"), from any and all actions, causes of action, suits, claims for sums of money, contracts, controversies, agreements, costs, attorneys' fees, expenses, damages, judgments and demands whatsoever in law or in equity, known or unknown, which any Debtor has or may have against any Dresdner Released Party arising out of, under or in connection with the Prepetition Credit Agreement through the date of issuance of the Bankruptcy Court Approval, including Dresdner's prior refusal to advance the Dresdner Funding Amount or any other matter relating to the Funding Dispute.

- 3.02 Subject to the effectiveness of this Settlement Agreement as provided in Section 5.10 herein, Dresdner hereby releases, acquits and forever discharges each of the Debtors and their respective directors, officers, employees, subsidiaries, shareholders, agents, representatives, attorneys, successors and assigns (collectively, the "Allegiance Released Parties"), from any and all actions, causes of action, suits, claims for sums of money, contracts, controversies, agreements, costs, attorneys' fees, expenses, damages, judgments and demands whatsoever in law or in equity, known or unknown, which Dresdner has or may have against any Allegiance Released Party arising out of, under or in connection with the Defaulting Lender Declaration through the date of issuance of the Bankruptcy Court Approval.

Section 4. Representations and Warranties.

- 4.01 Each of the Debtors makes the following representations and warranties:

- (a) The Debtors have not paid or distributed any amount to the Agent or the Funding Lenders between June 30, 2002 and the date hereof, other than (i) the Funding Lender Prepayments, (ii) interest due under the Prepetition Credit Agreement paid to the Agent for further distribution to all of the Lenders pro rata to their respective Loans then outstanding, (iii) periodic adequate protection payments authorized under the Interim Order and the Amended Final Order paid to the Agent for further distribution to all of the Lenders pro rata to their respective Loans then outstanding in amounts equal to the interest payments due and owing under the Prepetition Credit Agreement and (iv) other amounts authorized under the Interim Order and the Amended Final Order to be paid to the Agent; and
- (b) None of the Debtors has incurred or suffered any damage or harm, of whatever nature, caused by, in connection with, or arising from, directly or indirectly, the decision of Dresdner not to fund pursuant to the 2002 Funding Notice, the lack of funding by Dresdner or any other action taken or not taken by Dresdner in connection with its decision not to fund.

- 4.02 Dresdner makes the following representations and warranties:

- (a) Dresdner has all requisite power and corporate authority to enter into this Settlement Agreement, and to consummate the transactions contemplated hereby;

- (b) The execution, delivery and performance by Dresdner of this Settlement Agreement, and the consummation of the transactions contemplated hereby have been authorized by all necessary corporate action; and
- (c) This Agreement constitutes a valid obligation of Dresdner enforceable against Dresdner in accordance with its terms.

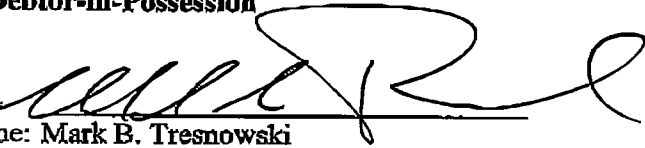
Section 5. Miscellaneous.

- 5.01 No Admission. By entering into this Settlement Agreement, no party hereto intends to make, nor shall they be deemed to have made, any admission of any kind except as specifically set forth herein.
- 5.02 Entire Agreement. This Settlement Agreement constitutes the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein, and there are no restrictions, promises, representations, warranties, covenants, conditions or undertakings with respect to the subject matter hereof, other than those expressly set forth or referred to herein. This Settlement Agreement supersedes all prior agreements and understandings between the parties hereto with respect to the subject matter hereof. This Settlement Agreement constitutes the entire understanding of the parties concerning its subject matter and may not be modified, altered, supplemented, or discharged except by a writing signed by all of the parties. No representations or promises except those set forth herein have been made to induce any party to enter into this Settlement Agreement.
- 5.03 Successors and Assigns. This Settlement Agreement shall be binding on each of the parties hereto and on their respective successors and assigns.
- 5.04 Representations and Warranties. The representations and warranties set forth herein shall survive indefinitely following the execution of this Settlement Agreement and the consummation of the transactions contemplated hereby.
- 5.05 Governing Law. This Settlement Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect to the principles and conflicts of law thereof.
- 5.06 Notices. All notices and other communications in connection with this Settlement Agreement shall be made in accordance with Section 10.1 of the Prepetition Credit Agreement.
- 5.07 Counterparts. This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
- 5.08 Specific Performance. The parties hereby agree that in addition to any other remedy to which Dresdner may be entitled at law or in equity, Dresdner shall be entitled to compel specific performance of this Settlement Agreement in any action instituted in any court of the United States.

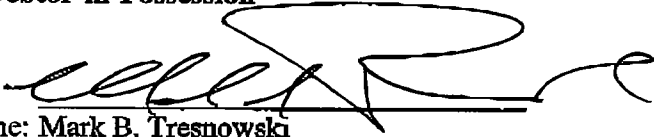
- 5.09 Severability. The invalidity, illegality or unenforceability of one or more of the provisions of this Settlement Agreement in any jurisdiction shall not affect the validity, legality or enforceability of this Settlement Agreement, including any such provision, in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.
- 5.10 Effectiveness. This Settlement Agreement, including the releases contained herein, shall become effective immediately upon issuance of the Bankruptcy Court Approval.

IN WITNESS WHEREOF, the parties hereto have caused this Settlement Agreement to be duly executed and delivered by their duly authorized officers as of the day and year first above written.

**ALLEGIANCE TELECOM COMPANY
WORLDWIDE,
as Debtor-in-Possession**

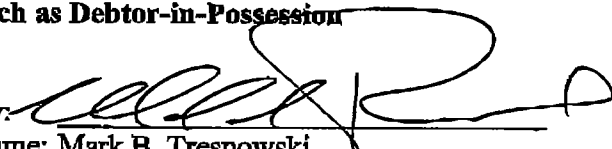
By: 
Name: Mark B. Tresnowski
Title: Executive Vice President and Secretary

**ALLEGIANCE TELECOM, INC.,
as Debtor-in-Possession**

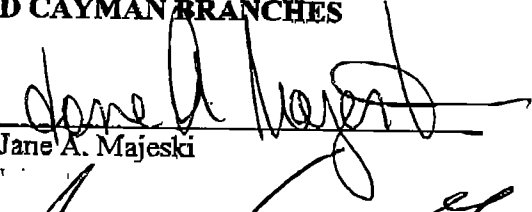
By: 
Name: Mark B. Tresnowski
Title: Executive Vice President, General Counsel and Secretary

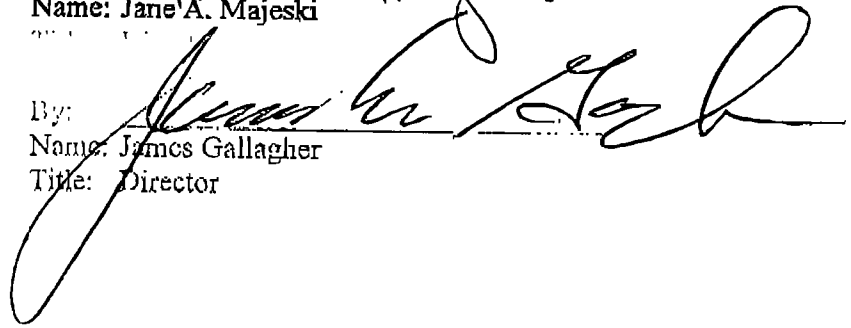
- ADGRAFIX CORPORATION**
- ALGX BUSINESS INTERNET, INC.**
- ALLEGIANCE INTERNET, INC.**
- ALLEGIANCE TELECOM INTERNATIONAL, INC.**
- ALLEGIANCE TELECOM OF ARIZONA, INC.**
- ALLEGIANCE TELECOM OF CALIFORNIA, INC.**
- ALLEGIANCE TELECOM OF COLORADO, INC.**
- ALLEGIANCE TELECOM OF FLORIDA, INC.**
- ALLEGIANCE TELECOM OF GEORGIA, INC.**
- ALLEGIANCE TELECOM OF ILLINOIS, INC.**
- ALLEGIANCE TELECOM OF INDIANA, INC.**
- ALLEGIANCE TELECOM OF MARYLAND, INC.**
- ALLEGIANCE TELECOM OF MASSACHUSETTS, INC.**
- ALLEGIANCE TELECOM OF MICHIGAN, INC.**
- ALLEGIANCE TELECOM OF MINNESOTA, INC.**
- ALLEGIANCE TELECOM OF MISSOURI, INC.**
- ALLEGIANCE TELECOM OF NEVADA, INC.**
- ALLEGIANCE TELECOM OF NEW JERSEY, INC.**
- ALLEGIANCE TELECOM OF NEW YORK, INC.**
- ALLEGIANCE TELECOM OF NORTH CAROLINA, INC.**
- ALLEGIANCE TELECOM OF OHIO, INC.**
- ALLEGIANCE TELECOM OF OKLAHOMA, INC.**
- ALLEGIANCE TELECOM OF OREGON, INC.**

ALLEGIANCE TELECOM OF PENNSYLVANIA, INC.
ALLEGIANCE TELECOM OF TEXAS, INC.
ALLEGIANCE TELECOM OF THE DISTRICT OF COLUMBIA, INC.
ALLEGIANCE TELECOM OF VIRGINIA, INC.
ALLEGIANCE TELECOM OF WASHINGTON, INC.
ALLEGIANCE TELECOM OF WISCONSIN, INC.
ALLEGIANCE TELECOM PURCHASING COMPANY
ALLEGIANCE TELECOM SERVICE CORPORATION
COAST TO COAST TELECOMMUNICATIONS, INC.
HOSTING.COM, INC.
INTERACCESS TELECOMMUNICATIONS CO.
JUMP.NET, INC.
SHARED TECHNOLOGIES ALLEGIANCE, INC.
VIRTUALIS SYSTEMS, INC.,
each as Debtor-in-Possession

By: 
Name: Mark B. Tresnowski
Title: Executive Vice President and Secretary

**DRESDNER BANK AG, NEW YORK AND
GRAND CAYMAN BRANCHES**


By: 
Name: Jane A. Majeski

By: 
Name: James Gallagher
Title: Director

The undersigned, in its capacity as Administrative Agent, and for itself as a Lender, under the Prepetition Credit Agreement, hereby acknowledges and agrees to the terms and conditions of the foregoing Settlement Agreement. Furthermore, subject only to receipt of the Bankruptcy Court Approval and receipt by the Borrower of the Dresdner Net Funding Obligation from Dresdner as provided in Section 2.02 above, the Administrative Agent agrees: (i) that Dresdner is a Lender in good standing and in full compliance with all of the terms of the Prepetition Credit Agreement and all other Credit Documents and that Dresdner and its successors and assigns are entitled to exercise all of the rights and privileges of a Lender in good standing under the Prepetition Credit Agreement and all other Credit Documents to which Dresdner is a party; (ii) immediately to cease and desist from, and to use its reasonable efforts to prohibit any other party to the Prepetition Credit Agreement from, referring to or treating either of Dresdner, or any subsequent assignee or transferee thereof, as a Defaulting Lender; and (iii) to take all reasonable steps to help effect full and unconditional implementation of, all of the terms and conditions set forth in the foregoing Settlement Agreement.

Dated: October 24, 2003

GENERAL ELECTRIC CAPITAL CORPORATION,
As Administrative Agent and as a Lender

By: 
Name: Christopher T. Nicholls
Title: Senior Vice President

Annex A
to the Settlement Agreement dated October 24, 2003

[Borrower's letterhead]

[_____, 2003]

Christopher Nicholls
GE Structured Finance, Inc.
120 Long Ridge Road
Stamford, CT 06927

Re: Credit and Guaranty Agreement, dated as of February 15, 2000 (the "Prepetition Credit Agreement"), by and among ALLEGIANCE TELECOM, INC. (the "Company"), ALLEGIANCE TELECOM COMPANY WORLDWIDE (the "Borrower"), the Guarantors, the Lenders and the Administrative Agent from time to time party thereto, and others.

Dear Chris:

We refer to the Revolving Loan Commitments of Dresdner Bank AG, New York & Grand Cayman Branches (collectively, "Dresdner") under the Prepetition Credit Agreement. All capitalized terms used herein but not defined shall have the same meaning ascribed to them in the Prepetition Credit Agreement and the Settlement Agreement referenced below.

Please be advised that we have finally and permanently settled all outstanding disputes among the Company, the Borrower and the Guarantors (collectively, the "Debtors") and Dresdner pursuant to that certain Settlement Agreement and Release, dated October 24, 2003 (the "Settlement Agreement"). The Settlement Agreement has been approved by the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). Copies of the Bankruptcy Court's order and the Settlement Agreement are attached for your reference.

Pursuant to the Settlement Agreement, (i) Dresdner has agreed to fund the Dresdner Net Funding Obligation; and (ii) the Debtors, on one hand, and Dresdner, on the other hand, have executed mutual releases for the benefit of the other relevant parties thereof as set forth in the Settlement Agreement.

We refer to the First Amendment to the Prepetition Credit Agreement dated as of November 27, 2002 (the "First Amendment") and, in particular, Section 7(j) thereof, and the Borrower's written declaration to Dresdner, dated January 16, 2003, that Dresdner is a "Defaulting Lender" under Section 2.20 of the Prepetition Credit Agreement (such declaration being referred to herein as the "Defaulting Lender Declaration").

Effective upon the Borrower's receipt of the Dresdner Net Funding Obligation, the Borrower rescinds in its entirety the Defaulting Lender Declaration as it may relate to Dresdner. Each of the Debtors declares that Dresdner is not a Defaulting Lender and hereby revokes any statement, declaration, notice or other communication (whether written or oral) whatsoever to the effect that Dresdner is a Defaulting Lender. Each of the Debtors declares that Dresdner is and its successors and assigns shall be considered Lenders in good standing under the Prepetition Credit Agreement as it relates to any matter occurring on or before the date hereof and shall be entitled to exercise any and all rights of the Lenders set forth in the Prepetition Credit Agreement and all other Credit Documents to which Dresdner is a party.

Dresdner and its successors and assigns shall be entitled to receive their respective pro rata portion of all amounts paid to the Lenders under the Prepetition Credit Agreement or any other Credit Document, whether of interest, principal, fees or any other amount and whether a scheduled payment or a mandatory or voluntary prepayment or other distribution.

Very truly yours,

**ALLEGIANCE TELECOM COMPANY
WORLDWIDE,
as Debtor-in-Possession**

By: _____
Name: _____
Title: _____

Acknowledged and Agreed on _____, 2003

**ALLEGIANCE TELECOM, INC.
ADGRAFIX CORPORATION
ALGX BUSINESS INTERNET, INC.
ALLEGIANCE INTERNET, INC.
ALLEGIANCE TELECOM INTERNATIONAL, INC.
ALLEGIANCE TELECOM OF ARIZONA, INC.
ALLEGIANCE TELECOM OF CALIFORNIA, INC.
ALLEGIANCE TELECOM OF COLORADO, INC.
ALLEGIANCE TELECOM OF FLORIDA, INC.
ALLEGIANCE TELECOM OF GEORGIA, INC.
ALLEGIANCE TELECOM OF ILLINOIS, INC.
ALLEGIANCE TELECOM OF INDIANA, INC.
ALLEGIANCE TELECOM OF MARYLAND, INC.
ALLEGIANCE TELECOM OF MASSACHUSETTS, INC.**

**ALLEGIANCE TELECOM OF MICHIGAN, INC.
ALLEGIANCE TELECOM OF MINNESOTA, INC.
ALLEGIANCE TELECOM OF MISSOURI, INC.
ALLEGIANCE TELECOM OF NEVADA, INC.
ALLEGIANCE TELECOM OF NEW JERSEY, INC.
ALLEGIANCE TELECOM OF NEW YORK, INC.
ALLEGIANCE TELECOM OF NORTH CAROLINA, INC.
ALLEGIANCE TELECOM OF OHIO, INC.
ALLEGIANCE TELECOM OF OKLAHOMA, INC.
ALLEGIANCE TELECOM OF OREGON, INC.
ALLEGIANCE TELECOM OF PENNSYLVANIA, INC.
ALLEGIANCE TELECOM OF TEXAS, INC.
ALLEGIANCE TELECOM OF THE DISTRICT OF COLUMBIA, INC.
ALLEGIANCE TELECOM OF VIRGINIA, INC.
ALLEGIANCE TELECOM OF WASHINGTON, INC.
ALLEGIANCE TELECOM OF WISCONSIN, INC.
ALLEGIANCE TELECOM PURCHASING COMPANY
ALLEGIANCE TELECOM SERVICE CORPORATION
COAST TO COAST TELECOMMUNICATIONS, INC.
HOSTING.COM, INC.
INTERACCESS TELECOMMUNICATIONS CO.
JUMP.NET, INC.
SHARED TECHNOLOGIES ALLEGIANCE, INC.
VIRTUALIS SYSTEMS, INC.,
each as Debtor-in-Possession**

By: _____
Name: _____
Title: _____