

UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

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In re:	Chapter 11 Case
	:
ALLEGIANCE TELECOM, INC., <u>et al.</u>	Case No. 03-13057 (RDD)
	:
Debtors.	Jointly Administered
	:
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**AFFIDAVIT AND STATEMENT OF THOMAS H. STEELE IN SUPPORT OF
MORRISON & FOERSTER LLP'S EMPLOYMENT AS A PROFESSIONAL USED
IN THE ORDINARY COURSE OF BUSINESS**

STATE OF CALIFORNIA)
) ss:
COUNTY OF SAN FRANCISCO)

Thomas H. Steele, being duly sworn, upon his oath, deposes and says:

1. I am a partner of Morrison & Foerster LLP, an international law firm with offices in 19 countries (the "Firm"). The Firm's principal office is located at 425 Market Street, San Francisco, California 94105-2482 .

2. On May 14, 2003, Allegiance Telecom, Inc. and its direct and indirect subsidiaries (collectively, the "Debtors") commenced voluntary cases under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") with this Court (the "Chapter 11 Cases"). The Debtors requested and this Court ordered the joint administration of the Chapter 11 Cases pursuant to Federal Rule of Bankruptcy Procedure 1015(b).

3. The Debtors have requested that the Firm provide legal services relating to certain property tax assessment issues. This Affidavit is submitted in compliance with the Final Order Pursuant to Sections 105(a), 327, 328, 330 and 363(c) of the Bankruptcy Code Authorizing Employment of Professionals Utilized in the Ordinary Course of Business (the "OCB Professionals Order").

4. To prepare this affidavit, Firm personnel experienced in the preparation and submission of affidavits in support of the Firm's retention as ordinary course counsel pursuant to section 327(e) of the Bankruptcy Code directed a computer search of the Firm's records to identify matters involving the Firm that were related to the Debtors or the Bankruptcy Cases. Thereafter, following established Firm procedures, they contacted attorneys involved in such representations to obtain and verify the information contained in this Affidavit. Based upon representations made by those individuals, the reports drawn from those computer records and information of public record, I hereby affirm the facts set forth in this Affidavit. I have personal knowledge of the Firm's representation of the Debtors with respect to property tax assessment issues.

5. The Firm may have performed services in the past and may perform services in the future, in matters unrelated to these Chapter 11 Cases, for persons who are parties in interest in the Chapter 11 Cases. As part of its customary practice, the Firm is retained in cases, proceedings, and transactions involving many different parties, some of whom may represent or be claimants, employees of the Debtors, or other parties in interest in the Chapter 11 Cases. The Firm does not perform services for any such person in connection with the Chapter 11 Cases, except as disclosed herein. In addition, the Firm does not have any relationship with any such person, their attorneys, or accountants that would be adverse to the Debtors or their estates with respect to matters for which the Firm is retained.

6. The Firm and its partners, associates and other professionals may have in the past represented, currently represent, and may in the future represent entities that are parties in interest in the Chapter 11 Cases in matters unrelated to the Chapter 11 Cases. Except as set forth herein or as arises in the ordinary course of the Firm's restructuring practice (which new matters will be disclosed in a supplemental affidavit), the Firm does not represent any such entity in connection with the Chapter 11 Cases and does not have any relationship with any such entity, attorney, or accountants that would be adverse to the Debtors or their estates, other than as, if

necessary, the Firm would disclose in a supplemental affidavit with the Court. Specifically, as set forth in Exhibit A hereto, the Firm has represented and continues to represent certain such entities in unrelated matters. The disclosures set forth herein are based upon, among other things, an internal conflicts check performed by the Firm, consistent with its normal and customary practice. Due to the large number of the Debtors' creditors, the Firm performed a conflicts check with respect to the Debtors, the current officers and directors of the Debtors, the former officers and directors of the Debtors, the parties to litigation with the Debtors, the top 40 unsecured creditors, the creditors under capital lease agreements, the bank group, the indenture trustee, the beneficiaries of performance bonds, the bondholders, the landlords, the insurers, the equity security holders, the beneficiaries of letters of credit, significant vendors and customers, the Debtors' major competitors, the judgment lien holder, and the attorneys, financial advisors and other professionals for the Debtors, rather than with respect to all creditors of the Debtors.¹ Again, the results of this extensive search are attached hereto as Exhibit A.

7. The Firm has a large secondary debt transactions group in its Washington, D.C., New York and Los Angeles offices. That group routinely advises large global financial institutions, asset managers and smaller privately held hedge funds in transactions involving the purchase and sale of a wide variety of debt assets domestically and internationally. At this time, none of the attorneys in the Firm's debt transactions group are representing any parties in connection with the purchase and sale of loans and commitments made to the Debtors.

8. Many of the Firm's offices have telephone and voicemail maintenance agreements (the "Maintenance Agreements"), with Shared Technologies Allegiance, Inc. ("Shared Technologies"), one of the Debtors in these Chapter 11 Cases. Pursuant to the

¹ In running the conflicts check, the Firm relied on lists and information provided by the Debtors and, as a result, will update this Affidavit if new or different material information becomes known to the Firm.

Maintenance Agreements, the Firm pays the annual fee on a quarterly basis. All of the Maintenance Agreements will expire within the next three months. The Firm is currently in process of negotiating an extension of the Maintenance Agreements with Shared Technologies.

9. In addition, two employees of the Firm's Los Angeles office have shares of Allegiance Telecom, Inc. These employees will not work on, or have access to information or files relating to, the Firm's proposed services relating to property tax assessment issues for the Debtors or any of the Firm's other representations relating to the Debtors.

10. Except as disclosed herein, neither I, the Firm, nor any partner, associate or other professional thereof, insofar as I have been able to ascertain after reasonable investigation, holds or represents any interest adverse to the Debtors or its estates concerning the matters upon which the Firm is engaged.

11. The Firm intends to apply for compensation for professional services rendered in connection with the Chapter 11 Cases directly to the Debtors, in accordance with the OCB Professionals Order, with such application to request compensation for services based in the hourly rates set forth below, plus the reimbursement of actual necessary expenses and other charges incurred by the Firm. Presently, the hourly rates for attorneys under the Firm's general rate structure range from approximately \$195 to \$675.

12. The rates set forth above are subject to periodic adjustments to reflect the economy and other conditions. The rates set forth above are the Firm's standard rates for work of this nature. The rates are set at a level designed to fairly compensate the Firm for the work of its attorneys and paralegals/other professionals and to cover fixed and routine overhead expenses. It is the Firm's policy to charge its clients in all areas of practice for all other expenses incurred in connection with the client's matter. The expenses charged to clients include, among other things, travel costs, telecommunications, express mail, messenger service, photocopying costs, document processing, temporary employment of additional staff, overtime meals, Lexis and Westlaw expenses, court fees, transcript costs and, in general, all identifiable expenses that

would not have been incurred except for representation of a particular client. The Firm will charge the Debtors for these expenses in a manner and at rates consistent with charges made generally to the Firm's other clients.

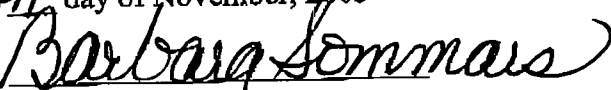
13. Except as provided in the OCB Professionals Order, no representations or promises have been received by the Firm as to compensation in connection with this case other than in accordance with the provisions of the Bankruptcy Code. The Firm has no agreement with any other entity to share with such entity any compensation received by the Firm in connection with the Chapter 11 Cases.

14. The Firm is conducting further inquiries regarding its retention by any creditors of the Debtors, and upon conclusion of that inquiry, or at any time during the period of the Firm's retention by Debtors during the Chapter 11 Cases, if the Firm should discover any facts bearing on the matters described herein, the Firm will supplement the information contained in this Affidavit, if necessary.



Thomas H. Steele
Partner

Subscribed and sworn to before me on this
18th day of November, 2003



Notary Public

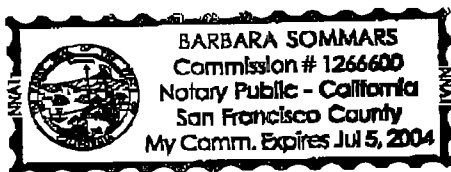


EXHIBIT A**CONFLICTING ENTITIES LIST¹****DEBTORS**

Shared Technologies Allegiance Inc.	The Firm is a customer of Shared Technologies Allegiance Inc. as described in paragraph 8 of the Affidavit.
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CURRENT OFFICERS AND DIRECTORS

James E Crawford, III	The Firm is adverse to Mr. Crawford in an unrelated matter.
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FORMER OFFICERS AND DIRECTORS

Joseph Bartlett	Current co-client in unrelated matters.
Richard Myers	Former client in unrelated matter.
William Wilson	Current client in unrelated matter.

PARTIES TO LITIGATION

Goldman Sachs	Current client in unrelated matters; affiliates are current clients in unrelated matters.
ICG Communications	Former client in unrelated matter.
Life Sciences Corp.	Affiliate is current client in unrelated matters.
State Farm Insurance Co.	Affiliates are former clients in unrelated matters.
Walker, Brian	Former client in unrelated matter.

TOP 40 UNSECURED CREDITORS

Pacific Bell	Former client in unrelated matters; affiliates are current clients in unrelated
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¹ Several parties that were run through the Firm's internal "conflicts check" have names that are similar to certain parties in the Firm's client database, the vast majority of which are former clients in unrelated matters or clients with closed matters that are unrelated to these chapter 11 cases. After reasonable efforts, it appears that none of these similarly named parties are the same.

	matters.
Southwestern Bell	Former client in unrelated matter; affiliates are current clients in unrelated matters.
Verizon	Verizon (Bell Atlantic and GTE Corp.) entities are current clients in unrelated matters; affiliates are current clients in unrelated matters; one of the Firm's attorneys is an expert witness for an affiliate in unrelated matter.
Qwest	Current client in unrelated matters; affiliates are current clients in unrelated matters.
Alcatel, Inc.	Current client in unrelated matters; affiliates are current clients in unrelated matters.
Nortel Networks Inc.	Affiliates are former clients in unrelated matters.
AT&T	Former client in unrelated matters; affiliates are former clients in unrelated matters.
WorldCom Inc.	Affiliates are former clients in unrelated matters; one of the Firm's partners is an expert witness for parent MCI Worldcom in unrelated matter.
Southern California Edison	Affiliate is current co-client in unrelated matter.
XO Communications (f/k/a NEXTLINK)	Current client in unrelated matters; affiliate is current client in unrelated matter.
System Services	The president of System Services is a former client in an unrelated matter.
Extreme Networks	Current client in unrelated matter.
Level 3 Communications LLC	Current client in unrelated matter.
NEC America Inc.	Corporate parent NEC Corp. is current client in unrelated matter; affiliates are current clients in unrelated matters.
Sprint	Current client in unrelated matters; affiliates are current clients in unrelated matters.
EMC Corp.	Current client in unrelated matter.
JP Morgan Chase	Current client in unrelated matters; affiliates are current clients in unrelated matters.
Lucent Technologies	Former co-client in unrelated matters.
MCI Worldcom Communications	Affiliates are former clients in unrelated matters; one of the Firm's partners is an expert witness for parent MCI Worldcom

	in unrelated matter.
Hewlett Packard Co.	Former client in unrelated matters; affiliates are former clients in unrelated matters.

CREDITORS UNDER CAPITAL LEASE AGREEMENTS

CitiCapital (Fidelity Leasing)	Affiliates are current clients in unrelated matters.
Dell Financial Services	Affiliates are current clients in unrelated matters.
Deutsche Bank	Current client/co-client in unrelated matters; affiliates are current clients in unrelated matters.
GE Capital Fleet Services	Affiliates are current clients in unrelated matters.
Level 3 Communications LLC	Current client in unrelated matter.
Metromedia Fiber Network Service, Inc.	Former co-client in unrelated matter; affiliates are current clients in unrelated matters.
Sony Financial Services	Parent Sony Corp. is current client in unrelated matters; affiliates are current clients in unrelated matters.
Sprint Communications Company	Former client in unrelated matter; affiliates are current clients in unrelated matters.
United Capital	Affiliates are former clients in unrelated matters.

THE BANK GROUP

GE Capital Services	Current client in unrelated matter; affiliates are current clients in unrelated matters.
ABN Amro Bank	Former client in unrelated matters; affiliates are current clients in unrelated matters.
Bank of America	Current client in unrelated matters; affiliates are current clients in unrelated matters.
Bank of Austria	Affiliate is current client in unrelated matters.
Bank of Nova Scotia	Current client in unrelated matter; affiliates are current clients in unrelated matters.
Bayerische Hypo	Current client in unrelated matters; affiliates are former clients in unrelated matters.
BNP Paribas	Current client in unrelated matters;

	affiliates are current clients in unrelated matters.
CIT Lending Services Corp.	Affiliates are former clients in unrelated matters.
Credit Suisse First Boston	Current client in unrelated matters; affiliates are current clients in unrelated matters.
Dresdner Bank	Affiliates are current clients in unrelated matters.
Fleet Bank	Current client in unrelated matters; affiliates are current clients in unrelated matters.
Fortis Bank	Affiliate is current client in unrelated matter.
Goldman Sachs	Current client in unrelated matters; affiliates are current clients in unrelated matters.
IBM Credit Co.	Affiliate is a current client in an unrelated matter.
ING Capital Corp.	Affiliates are current clients in unrelated matters.
Morgan Stanley Senior Funding	Former client in unrelated matter; parent Morgan Stanley Dean Witter is a current client in unrelated matters; affiliates are current clients in unrelated matters.
Toronto Dominion	Former client in unrelated matters.
UBS AG	Current co-client in unrelated matters; affiliates are current clients in unrelated matters.
Union Bank of California	Current client in unrelated matters; affiliates are current clients in unrelated matters.

INDENTURE TRUSTEE

The Bank of New York	Current client in unrelated matters; affiliates are former clients in unrelated matters.
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BENEFICIARIES OF PERFORMANCE BONDS

Central Washington University	Current co-client in unrelated matter.
City of Seattle	Current client in unrelated matter.
Pacific Bell	Former client in unrelated matters; affiliates are current clients in unrelated matters.

BONDHOLDERS

Allianz Mutual Insurance Company	Affiliates are current clients in unrelated matters.
American Express Financial Corp.	Affiliates are current clients in unrelated matters.
Blackrock Financial Management, Inc.	Former co-client in unrelated matter; affiliate is current client in unrelated matters.
Chase Manhattan Bank	Current client in unrelated matters; affiliates are current clients in unrelated matters.
Chubb Asset Managers, Inc.	Affiliates are current clients in unrelated matters.
Clarion	Current client in unrelated matter.
Indosuez Capital	Affiliate is a current client in unrelated matters.
Manufacturers & Traders Trust Co.	Former client in unrelated matters.
Nationwide Provident	Affiliates are former client in unrelated matters.
Royce & Associates LLC	Affiliates are current clients in unrelated matters.
Alexander Capital Management	Affiliate is former client in unrelated matters.
American Express Financial Management	Affiliates are current clients in unrelated matters.
Bank of Butterfield	Affiliate is current client in unrelated matter.
Bank of Montreal	Former client in unrelated matters; affiliate is current client in unrelated matters.
CIBC Oppenheimer	Affiliates are current clients in unrelated matters.
Credit Suisse Asset Management, LLC	Affiliates are current clients in unrelated matters.
Conseco Capital Management, Inc.	Affiliate is current client in unrelated matters.
Goldman Sachs Asset Management	Affiliates are current clients in unrelated matters.
Invesco Funds Group	Affiliates are current co-clients in unrelated matters.
Merrill Lynch Investment Managers	Current client in unrelated matters; affiliates are current clients in unrelated matters.
Millennium Partners	Former client in unrelated matters.
Morgan Stanley Investment Management,	Parent Morgan Stanley Dean Witter is

Inc.	current client in unrelated matters; affiliates are current clients in unrelated matters.
New York Life Insurance Co.	Former client in unrelated matters; affiliate is current client in unrelated matters.

PROFESSIONALS

Akin, Gump, Strauss, Hauer, Feld LLP	Former client in unrelated matters.
KPMG Peat Marwick	Former client in unrelated matters; affiliates are former clients in unrelated matters.
Paul, Hastings, Janofsky & Walker LLP	Former client in unrelated matters; one of the Firm's attorneys is an expert witness in an unrelated matter involving Paul Hastings.

LANDLORDS

Insignia ESG/CB Richard Ellis Investors	Current client in unrelated matters; corporate parent Blum Capital Partners (f/k/a Richard C. Blum & Associates) is former client in unrelated matters; affiliate is current client in unrelated matter.
AMB Property L.P.	Current client in unrelated matters; corporate parent AMB Investments Inc. is former client in unrelated matters; affiliate is current client in unrelated matter.
Bank of America, N.A.	Current client in unrelated matters; affiliates are current clients in unrelated matters.
BHX Inc.	Former co-client in unrelated matter.
Connecticut General Life Insurance	Former client in unrelated matters; corporate parent Cigna Corp. is former client in unrelated matters; affiliates are former co-clients in unrelated matters.
Electronic Data Systems Corp.	Current client in unrelated matter.
Equity Office Properties Trust	Current client in unrelated matters; affiliate is current client in unrelated matters.
Equity Office Properties	Current client in unrelated matters; affiliate is current client in unrelated matters.
Firm Associates LLC	The CEO is a current client in unrelated matters.
RREEF Real Estate	Affiliates are current clients in unrelated matters.
Hitachi Electronic Devices	Affiliates are current clients in unrelated matters.

John Hancock Mutual Life Insurance Company	Current client in unrelated matters; affiliates are current clients in unrelated matters.
Jones Lang LaSalle Management Services I	Affiliates are current clients in unrelated matters.
L.A.T. Investment Corporation	Affiliate is former client in unrelated matters.
Cohen Brothers Realty Corp.	Affiliate is current client in unrelated matters.
Massachusetts Mutual Life Insurance Co.	Former client in unrelated matters.
Orange County Business Center LLC	Affiliates are former clients in unrelated matters.
Pyramid Investment Corp.	Former co-client in unrelated matter; affiliates are clients in unrelated matters.
Saint Paul Properties, Inc.	Corporate parents Saint Paul Co. is former client in unrelated matter; one of the Firm's attorneys was an expert witness in an unrelated matter in which CEO was a co-client; affiliates are former clients in unrelated matters.
The King Group	Former co-client in unrelated matter.
Teachers Insurance & Annuity Association of America	Former client in unrelated matters.
Thomas Properties Group LLC	Former co-client in unrelated matters.
T-REX Technology Centers, LLC	The CEO of certain affiliates is a former client in unrelated matters.
Wachovia Bank, N.A.	Affiliates are current clients in unrelated matters.

INSURERS

Marsh USA	Affiliate is current client in unrelated matters.
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EQUITY SECURITY HOLDERS

Barclays Global Investors	Current client in unrelated matters; affiliates are current clients in unrelated matters.
California State Public Employees Retirement System	Former client in unrelated matters.
Dimensional Fund Advisors Inc.	Current client in unrelated matters; affiliates are former clients in unrelated matters.
James E Crawford, III	The Firm is adverse to Mr. Crawford in an unrelated matter.

Madison Dearborn	Affiliate is current client in unrelated matters.
Morgan Stanley Investment Management	Parent Morgan Stanley Dean Witter is a current client in unrelated matters; affiliates are current clients in unrelated matters.
State Street Global Advisors	Affiliate is current co-client in unrelated matters.

BENEFICIARIES OF LETTERS OF CREDIT

Hartford Fire Insurance Co.	Former client in unrelated matters; affiliates are current clients in unrelated matters.
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SIGNIFICANT VENDORS

Alcatel, Inc.	Current client in unrelated matters; affiliates are current clients in unrelated matters.
AT&T	Former client/co-client in unrelated matters; affiliates are former clients/co-clients in unrelated matters.
EMC Corp.	Current client in unrelated matter.
Extreme Networks	Current client in unrelated matter.
JP Morgan Chase	Current client in unrelated matters; affiliates are current clients in unrelated matters.
Lucent Technologies	Former co-client in unrelated matters.
Metromedia Fiber Network, Inc.	Former client in unrelated matters; affiliates are current clients in unrelated matters.
MFS Telecom, Inc.	Affiliate is current client in unrelated matters.
NEC America, Inc.	Corporate parent NEC Corp. is current client in unrelated matter; affiliates are current clients in unrelated matters.
Nortel Networks Inc.	Affiliates are former clients in unrelated matters.
Pacific Bell	Former client in unrelated matters; affiliates are current clients in unrelated matters.
Qwest	Current client in unrelated matters; affiliates are current clients in unrelated matters.
Southern California Edison	Affiliate is a current co-client in unrelated matter.

Southwestern Bell	Former client in unrelated matter; affiliates are current clients in unrelated matters.
Sprint	Current client in unrelated matters; affiliates are current clients in unrelated matters.
System Services	The president of System Services is a former client in an unrelated matter.
Verizon Verizon (GTE-SW) – Line Coast	Verizon (Bell Atlantic and GTE Corp.) entities are current clients in unrelated matters; affiliates are current clients in unrelated matters; one of the Firm's attorneys is an expert witness for affiliate in unrelated matter.
WorldCom Inc.	Affiliates are former clients in unrelated matters; one of the Firm's partners is an expert witness for parent MCI Worldcom in unrelated matter.
XO Communications (f/k/a NEXTLINK)	Current client in unrelated matters; affiliate is current client in unrelated matter.

SIGNIFICANT CUSTOMERS

Genuity	Current client in unrelated matters; affiliates are current clients in unrelated matters.
Verizon	Verizon (Bell Atlantic and GTE Corp.) entities are current clients in unrelated matters; affiliates are current clients in unrelated matters; one of the Firm's attorneys is an expert witness for affiliate in unrelated matter.
SBC	Former client in unrelated matters; affiliates are current clients in unrelated matters.
Level 3 Communications LLC	Current client in unrelated matter.
Office Depot	Current client in unrelated matters.
AT&T	Former client in unrelated matters; affiliates are former clients in unrelated matters.
Qwest	Current client in unrelated matters; affiliates are current clients in unrelated matters.
Worldcom	Affiliates are former clients in unrelated matters; one of the Firm's partners is an expert witness for parent MCI Worldcom in unrelated matter.

City of Atlanta	Current client in unrelated matter.
New York City Housing Authority	Affiliate is current co-client in unrelated matters.
Iron Mountain	Former client in unrelated matters.
Philadelphia Police Association	City of Philadelphia is current co-client in unrelated matter.
Ritz Carlton	Former client in unrelated matters; affiliate is current client in unrelated matters.
Swiss Re Financial Services	Affiliates are current clients in unrelated matters.
Kaplan Inc.	Affiliates are former clients in unrelated matters.
Bellsouth	Former client in unrelated matters; affiliates are former clients in unrelated matters.
EMC Corp.	Current client in unrelated matter.
Odyssey Reinsurance Holdings	Affiliate is a current client in unrelated matter.
Harcourt, Inc.	Affiliates are current clients in unrelated matters.
Stop & Shop Companies, Inc.	Affiliate is current client in unrelated matter.
Concord City Hall	Affiliate is former client in unrelated matters.
Millpore Co.	Former client in unrelated matters.
Global Crossing	Affiliates are former clients in unrelated matters.
Sprint	Current client in unrelated matters; affiliates are current clients in unrelated matters.
Martha Stewart Livings	Affiliates are former clients in unrelated matters.

MAJOR COMPETITORS

AT&T	Former client in unrelated matters; affiliates are former clients in unrelated matters.
Bellsouth	Former client in unrelated matters; affiliates are former clients in unrelated matters.
MCI Worldcom	Affiliates are former clients in unrelated matters; one of the Firm's partners is an expert witness in unrelated matter.
Qwest	Current client in unrelated matters; affiliates are current clients in unrelated

	matters.
SBC	Former client in unrelated matters; affiliates are current clients in unrelated matters.
Time Warner Telecom	Former client in unrelated matters; affiliates are current clients in unrelated matters.
Verizon	Verizon (Bell Atlantic and GTE Corp.) entities are current clients in unrelated matters; affiliates are current clients in unrelated matters; one of the Firm's attorneys is an expert witness for affiliate in unrelated matter.