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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 MOTION OF  
THE DEBTORS FOR AN ORDER (A) PURSUANT TO RULE 9019  
OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE,  
APPROVING THAT CERTAIN SETTLEMENT AGREEMENT,  
DATED AS OF DECEMBER 10, 2003, WITH AT&T CORPORATION,  
AND (B) PURSUANT TO SECTION 365 OF THE BANKRUPTCY  
CODE, APPROVING AND AUTHORIZING THE ASSUMPTION OF  
EXECUTORY CONTRACTS, AS AMENDED, WITH AT&T CORPORATION**

TO THE HONORABLE ROBERT D. DRAIN,  
UNITED STATES BANKRUPTCY JUDGE:

Allegiance Telecom, Inc. (“Allegiance”) 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 and Assumption Motion”) for an order (a) pursuant to rule 9019 of the Federal Rules of Bankruptcy Procedure, approving that certain Settlement Agreement, dated as of December 10, 2003 (the “Settlement Agreement”), between the Debtors and AT&T Corporation, on behalf of itself and each of its subsidiaries (collectively, “AT&T”), and (b) pursuant to section 365 of the Bankruptcy Code, approving and

authorizing the assumption of certain executory contracts, as amended, with AT&T Corporation (the "AT&T Contracts").

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 and Assumption Motion.

**Cause Exists to Shorten the Notice  
Period with Respect to the Settlement and Assumption 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 and Assumption Motion to take place on December 18, 2003, at 10:00 a.m., prevailing Eastern Time. Consistent therewith, the Debtors request that the Court set December 17, 2003, at 4:00 p.m., prevailing Eastern Time, as the deadline for the service and filing of objections to the Settlement and Assumption 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. As set forth in more detail in the Settlement and Assumption Motion, if this Court approves the Settlement Agreement and assumption of the AT&T Contracts, AT&T will be required to pay increased rates to the Debtors for switched access services provided to AT&T by the Debtors and the Debtors will pay reduced rates for telecommunications services provided to them by AT&T. As a result, approval of the

relief requested in the Settlement and Assumption Motion will result in an increase in the Debtors' revenues, while decreasing their monthly administrative expense payments.

9. Specifically, the Debtors estimate that approval of the Settlement and Assumption Motion on an expedited basis (as opposed to being required to wait until January 2004) will result in the acceleration of the receipt of a credit of approximately \$1,037,867 (as a result of the reduction of rates paid by the Debtors for long distance services provided by AT&T) and the revenue increase of approximately \$336,451 in the month of December 2003. Accordingly, the prompt approval of the Settlement and Assumption Motion will increase the Debtors' EBIDTA for the fourth quarter of 2003 by approximately \$1,374,319.

10. In addition, as this Court is aware, the Debtors, with the support of their prepetition lenders (the "Prepetition Lenders") and the Creditors Committee, are in the process of multiple extensive negotiations regarding a potential sale or other transaction that will enable the Debtors to propose and file a chapter 11 plan. Consequently, the Debtors believe that the EBIDTA increase in December 2003 will have a significant positive impact on the sale negotiations.

11. Finally, the agreement reached by the Debtors and AT&T with respect to the terms of the Settlement Agreement and the AT&T Contracts is conditioned upon expedited approval of the Settlement and Assumption Motion in December 2003. Accordingly, the Debtors believe that it is critical to their estates that the Settlement and Assumption Motion be heard on an expedited basis.

12. In addition, Kirkland & Ellis LLP, as attorneys for the Debtors, consulted with (a) the attorneys for AT&T, (b) a representative of the U.S. Trustee's

Office, (c) the attorneys for the Prepetition Lenders and (d) the attorneys for the Creditors Committee regarding the relief requested herein. *All* of the aforementioned parties have consented to such relief.

13. The Debtors submit that notice by overnight mail, or where appropriate, by hand delivery, provided on the date hereof, to (a) the U.S. Trustee, (b) attorneys for the Creditors Committee, (c) attorneys for the Prepetition Lenders, (d) attorneys for AT&T and (e) 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 and Assumption Motion.

#### **Waiver of Memorandum of Law**

14. 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**

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

16. 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 a hearing on the Settlement and Assumption Motion, and providing the Debtors with such other and further relief as is just and proper.

Dated: New York, New York  
December 12, 2003

Respectfully submitted,

/s/ Jonathan S. Henes

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