

# **Exhibit 1**

Declaration of Natalie Bannister

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

-----X  
In re: : Chapter 11  
ALLEGIANCE TELECOM, INC., *et al.*, : Case No. 03-13057 (RDD)  
Debtors. :  
(Jointly Administered) :  
-----X

**DECLARATION OF NATALIE G. BANNISTER**

NATALIE G. BANNISTER hereby declares pursuant to section 1746 of title 28 of the United States Code:

1. I am over 18 years of age and am not a party to the above-captioned proceedings. I am employed by WorldCom, Inc., and certain of its direct and indirect domestic subsidiaries (collectively, "WorldCom"), as the Senior Lead Paralegal, Wholesale Credit & Collections.

2. On July 21, 2002 and November 8, 2002, WorldCom commenced cases (the "WorldCom Bankruptcy") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the Bankruptcy Court for the Southern District of New York, Case No. 02-13533 (AJG) (the "WorldCom Court"). WorldCom continues to operate its businesses and manage its properties as a debtor in possession.

3. WorldCom is a party to that certain Agreement for Additional Services, Security, and Settlement of Certain Matters, as amended by Addendum No. 1, dated as of April 15, 2003 (as amended, the "Settlement Agreement"), by and among WorldCom and Allegiance Telecom, Inc. and certain of its direct and indirect subsidiaries

(collectively, "Allegiance"). On May 2, 2003, WorldCom filed its Motion pursuant to Bankruptcy Rule 9019 seeking an Order approving the Settlement Agreement (the "Settlement Motion"). On May 29, 2003, the WorldCom Court entered an Order granting the Settlement Motion and approving the Settlement Agreement in its entirety.

4. In accordance with the Settlement Agreement, on April 28, 2003, Allegiance provided to WorldCom, as sole beneficiary, an irrevocable letter of credit (the "LOC") from JP Morgan Chase Bank with a term until April 30, 2005. Allegiance provided the LOC in an amount equal to \$3,000,000.00, as security for purchases of services and products by Allegiance from WorldCom ("Services"), including, but not limited to, those products and services provided pursuant to prior agreements between the parties, tariff, under the Settlement Agreement, or pursuant to new agreements. Annexed hereto as Exhibit 1-A is a true and correct copy of the form of LOC that was made a part of the Settlement Agreement.

5. WorldCom has the right to draw upon the LOC if Allegiance fails to pay WorldCom undisputed amounts for Services within 60 days after the receipt by Allegiance of an invoice and upon 15 days prior written notice to Allegiance of WorldCom's intention to draw upon the LOC.

6. Allegiance and WorldCom continue to provide Services to each other pursuant to the Settlement Agreement.

7. On May 14, 2003, Allegiance filed petitions for relief under chapter 11 of the Bankruptcy Code. As of May 14, 2003, Allegiance owed WorldCom approximately \$5,990,915.29 in the aggregate for Services rendered under the Settlement Agreement.

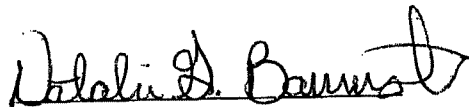
8. Allegiance has pending disputes with respect to certain amounts owed to WorldCom as of May 14, 2003. In addition, Allegiance has claimed certain credits in order to reduce the amount owed to WorldCom. After subtracting the credits claimed by Allegiance, and all disputed charges between the period of July 22, 2002 and May 14, 2003, the undisputed amount owed is \$1,404,295.77 (the "Undisputed Charges").

9. It has been more than sixty days from the date of receipt by Allegiance of the invoices for the Undisputed Charges.

10. Annexed hereto as Exhibit 1-B is a detailed schedule of the Undisputed Charges.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.

Dated: Tulsa, Oklahoma  
December 12, 2003

  
Natalie G. Bannister

## **Exhibit 1-A**

Form of LOC

**Advising Bank**

\*\*\*\*\* DIRECT \*\*\*\*\*

APPLICANT:  
ALLEGIANCE TELECOM COMPANY  
WORLDWIDE  
9021 N. CENTRAL EXPRESSWAY STE 500  
DALLAS, TX 75231-5916

**Beneficiary**

WORLD COM INC. AND ALL OF ITS  
AFFILIATES AND SUBSIDIARIES  
6929 NORTH LAKEWOOD AVE.  
TULSA, OK 74117

AMOUNT: USD 3,000,000.00  
(THREE MILLION AND 00/100  
UNITED STATES DOLLARS)

ATTN: COY CHEZEM 5.3-518

(1) WE HEREBY ESTABLISH IN YOUR FAVOR THIS IRREVOCABLE STANDBY LETTER OF CREDIT NO. D-236916 (THIS "LETTER OF CREDIT") FOR THE ACCOUNT OF ALLEGIANCE TELECOM, INC. IN AN AGGREGATE AMOUNT OF THREE MILLION DOLLARS AND 00/100 (US\$3,000,000.00) (THE "STATED AMOUNT"). THIS LETTER OF CREDIT IS EFFECTIVE IMMEDIATELY AND AUTOMATICALLY EXPIRES ON APRIL 30, 2005 (THE "EXPIRATION DATE") WITHOUT RENEWAL AT THE CLOSE OF BANKING BUSINESS AT THE COUNTERS OF JPMORGAN CHASE BANK AND SUBJECT TO EARLIER TERMINATION AS SET FORTH IN THIS LETTER OF CREDIT. ALL REFERENCES TO "DOLLARS" OR "\$" HEREIN AND IN ANY CERTIFICATE DELIVERED PURSUANT HERETO SHALL MEAN LAWFUL MONEY OF THE UNITED STATES OF AMERICA.

(2) THE STATED AMOUNT IS AVAILABLE TO BE DRAWN IN A SINGLE OR MULTIPLE DRAWINGS, AGAINST PRESENTATION OF YOUR DRAWING CERTIFICATE(S) IN THE FORM ATTACHED HERETO (THE "DRAWING CERTIFICATE"). THE DRAWING CERTIFICATE SHALL HAVE ALL BLANKS APPROPRIATELY FILLED IN AND SHALL BE SIGNED BY ONE OF YOUR DULY AUTHORIZED OFFICERS AND SHALL BE IN THE FORM OF A LETTER ON YOUR LETTERHEAD AND DELIVERED TO US BY COURIER.

(3) WE HEREBY AGREE THAT A DRAW UNDER THIS LETTER OF CREDIT WILL BE DULY HONORED BY US UPON DELIVERY OF A DRAWING CERTIFICATE IN COMPLIANCE WITH THE TERMS HEREOF ON OR PRIOR TO THE EXPIRATION DATE. WE HEREBY FURTHER AGREE WITH YOU THAT IF A DRAWING CERTIFICATE IN COMPLIANCE WITH THE TERMS HEREOF IS PRESENTED TO JPMORGAN CHASE BANK, UNDER THIS LETTER OF CREDIT AT OR PRIOR TO 9:00 A.M. NEW YORK TIME ON A BUSINESS DAY, PAYMENT SHALL BE EFFECTED BY US IN IMMEDIATELY AVAILABLE FUNDS BY THE CLOSE OF BUSINESS ON SUCH BUSINESS DAY. IF A DRAWING CERTIFICATE IN COMPLIANCE WITH THE TERMS HEREOF IS PRESENTED TO JPMORGAN CHASE BANK, UNDER THIS LETTER OF CREDIT AFTER 9:00 A.M. NEW YORK TIME ON A BUSINESS DAY, PAYMENT SHALL BE EFFECTED BY US IN IMMEDIATELY AVAILABLE FUNDS ON THE FOLLOWING BUSINESS DAY. AS USED IN THIS LETTER OF CREDIT, "BUSINESS DAY" SHALL MEAN ANY DAY OTHER THAN A SATURDAY, SUNDAY OR A DAY ON WHICH BANKING INSTITUTIONS IN THE STATE OF NEW YORK ARE AUTHORIZED OR REQUIRED BY LAW TO CLOSE.

(4) PAYMENTS UNDER THIS LETTER OF CREDIT SHALL BE MADE TO YOU BY WIRE TRANSFER OF IMMEDIATELY AVAILABLE FUNDS IN ACCORDANCE WITH

-CONTINUED-

D-236916- -001-L1-01-



Authorized Signature

**Advising Bank**

\*\*\*\*\* DIRECT \*\*\*\*\*

APPLICANT:  
ALLEGIANCE TELECOM COMPANY  
WORLDWIDE  
9021 N. CENTRAL EXPRESSWAY STE 500  
DALLAS, TX 75231-5916

**Beneficiary**

WORLD.COM INC. AND ALL OF ITS  
AFFILIATES AND SUBSIDIARIES  
6929 NORTH LAKEWOOD AVE.  
TULSA, OK 74117

AMOUNT: USD 3,000,000.00  
(THREE MILLION AND 00/100  
UNITED STATES DOLLARS)

M  
A  
I  
L  
T  
O

THE WIRE TRANSFER INSTRUCTIONS SPECIFIED IN THE DRAWING CERTIFICATE. SUCH ACCOUNT MAY BE CHANGED ONLY BY PRESENTATION TO US OF A LETTER SATISFACTORY TO US SPECIFYING A DIFFERENT ACCOUNT AND EXECUTED BY ONE OF YOUR DULY AUTHORIZED OFFICERS.

(5) THIS LETTER OF CREDIT IS SUBJECT TO THE UCP500, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND APPLICABLE U.S. FEDERAL LAW.

(6) ONLY YOU OR ONE OF YOUR WHOLLY OWNED SUBSIDIARIES MAY MAKE A DRAWING UNDER THIS LETTER OF CREDIT. THIS LETTER OF CREDIT IS ASSIGNABLE OR TRANSFERABLE BY YOU AND YOUR SUCCESSORS AND ASSIGNS IN ITS ENTIRETY, WITHOUT THE CONSENT OF ALLEGIANCE TELECOM, INC., ONLY TO A THIRD PARTY WHICH HAS ACQUIRED ALL, OR SUBSTANTIALLY ALL, OF THE ASSETS AND FACILITIES OF WORLD.COM, INC. OR ITS SUCCESSORS IN INTEREST. IN THE EVENT THAT YOU WISH TO EFFECT A TRANSFER, YOU MUST DELIVER TO US YOUR WRITTEN REQUEST ON OUR ENCLOSED TRANSFER FORM TOGETHER WITH A BANKING INSTITUTION'S VERIFICATION OF YOUR SIGNATURE. THE ORIGINAL OF THIS LETTER OF CREDIT WITH ANY AMENDMENTS MUST BE RETURNED TO US WITH THE TRANSFER REQUEST.

(7) UPON PAYMENT AS PROVIDED IN SECTION 3 ABOVE OF THE AMOUNT SPECIFIED IN ANY DRAWING CERTIFICATE, WE SHALL BE FULLY DISCHARGED OF OUR OBLIGATION UNDER THIS LETTER OF CREDIT ONLY WITH RESPECT TO SUCH DRAWING CERTIFICATE. UPON THE PAYMENT BY US TO YOU OF THE FULL STATED AMOUNT, THIS LETTER OF CREDIT SHALL AUTOMATICALLY TERMINATE. IN ADDITION, THIS LETTER OF CREDIT SHALL IMMEDIATELY TERMINATE UPON RECEIPT OF A WRITTEN NOTICE FROM ALLEGIANCE TELECOM, INC. THAT THIS LETTER OF CREDIT IS BEING TERMINATED IN ACCORDANCE WITH THAT CERTAIN AGREEMENT FOR ADDITIONAL SERVICES, SECURITY, AND SETTLEMENT OF CERTAIN MATTERS BETWEEN YOU AND ALLEGIANCE TELECOM, INC. DATED APRIL 15, 2003.

(8) ALL PAYMENTS UNDER THIS LETTER OF CREDIT SHALL BE MADE FROM OUR OWN FUNDS.

(9) IF A PURPORTED DRAW BY YOU HEREUNDER DOES NOT, IN ANY INSTANCE, COMPLY WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT, WE SHALL PROMPTLY GIVE YOU NOTICE BY TELECOPIER THAT THE PURPORTED DRAW WAS NOT EFFECTED IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT AND STATING THE REASONS

-CONTINUED-

D-236916- -001-L1-01-

Authorized Signature

**Advising Bank**

\*\*\*\*\* DIRECT \*\*\*\*\*

APPLICANT:  
ALLEGIANCE TELECOM COMPANY  
WORLDWIDE  
9021 N. CENTRAL EXPRESSWAY STE 500  
DALLAS, TX 75231-5916

**Beneficiary**

M  
A  
I  
L  
T  
O  
→

WORLDCOM INC. AND ALL OF ITS  
AFFILIATES AND SUBSIDIARIES  
6929 NORTH LAKEWOOD AVE.  
TULSA, OK 74117

AMOUNT: USD 3,000,000.00  
(THREE MILLION AND 00/100  
UNITED STATES DOLLARS)

THEREFORE, SUCH NOTICE SHALL BE GIVEN TO: WORLDCOM INC. AND ALL OF ITS AFFILIATES AND SUBSIDIARIES. UPON BEING NOTIFIED THAT THE PURPORTED DRAW WAS NOT EFFECTED IN ACCORDANCE WITH THIS LETTER OF CREDIT, YOU MAY ATTEMPT TO CORRECT ANY SUCH NONCONFORMING DRAW IF, AND TO THE EXTENT THAT, YOU ARE ABLE TO DO SO PRIOR TO THE EXPIRATION DATE.

(10) COMMUNICATIONS WITH RESPECT TO THIS LETTER OF CREDIT SHALL SPECIFICALLY REFER TO THIS LETTER OF CREDIT BY NUMBER AND SHALL BE IN WRITING, AND SHALL BE ADDRESSED TO US AS FOLLOWS:

JPMORGAN CHASE BANK  
C/O JPMORGAN TREASURY SERVICES  
10420 HIGHLAND MANOR DRIVE  
BUILDING 2, 4TH FLOOR  
TAMPA, FLORIDA 33610  
ATTN: STANDBY LETTER OF CREDIT DEPT.

(11) THIS LETTER OF CREDIT SETS FORTH IN FULL OUR UNDERTAKING AND OUR UNDERTAKING SHALL NOT IN ANY WAY BE MODIFIED, AMENDED, AMPLIFIED OR LIMITED BY REFERENCE TO ANY DOCUMENT, INSTRUMENT OR AGREEMENT REFERRED TO HEREIN, EXCEPT THE UCP REFERRED TO HEREIN AND THE FORMS ATTACHED HERETO; AND ANY SUCH REFERENCES SHALL NOT BE DEEMED TO INCORPORATE HEREIN BY REFERENCE ANY DOCUMENT, INSTRUMENT OR AGREEMENT.

D-236916- -001-L1-01-

Authorized Signature





INSTRUCTION TO TRANSFER ENTIRETY

Attention: Standby Letter of Credit Dept.

Re: Letter of Credit No. D-236916 Issued by: JPMorgan Chase Bank

In favor of the undersigned (such credit, as amended to this date, being hereafter called the "Credit").

Ladies and Gentlemen:

For value received, the undersigned beneficiary hereby irrevocably transfers to:

\_\_\_\_\_  
(Name of Transferee)

\_\_\_\_\_  
(Address)

All rights of the undersigned beneficiary to draw under the above Letter of Credit in its entirety.

By this transfer, all rights of the undersigned beneficiary in such Letter of Credit are transferred to the transferee and the transferee shall have the sole rights as beneficiary thereof, including sole rights relating to any amendments, whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised directly to the transferee without necessity of any consent of or notice to the undersigned beneficiary.

The Letter of Credit is returned herewith, and we ask you to endorse the transfer on the reverse thereof, and forward it directly to the transferee with your customary notice of transfer.

Yours very truly,

\_\_\_\_\_  
(Name of Beneficiary)

\_\_\_\_\_  
(Authorized Signature and Title)

The above signature with title as stated confirms with that on file with us and is authorized for the execution of such instruments.

\_\_\_\_\_  
(Name of Bank)

\_\_\_\_\_  
(Authorized Signature and Title)



FORM OF DRAWING CERTIFICATE  
WHICH FORMS AN INTEGRAL PART OF IRREVOCABLE STANDBY LETTER OF  
CREDIT NO. D-236916 ISSUED IN FAVOR OF WORLDCOM, INC.

[Date]

JPMorgan Chase Bank  
C/O JPMorgan Treasury Services  
10420 Highland Manor Drive  
Building 2, 4<sup>th</sup> Floor  
Tampa, Florida 33610  
Attn: Standby Letter of Credit Dept.

Ladies and Gentlemen:

*WorldCom, Inc. ("WorldCom") hereby certifies to JPMorgan Chase Bank with reference to Irrevocable Standby Letter of Credit No. D-236916 (the "Letter of Credit"; all capitalized terms used herein without definition shall have the meanings given such terms in the Letter of Credit) that:*

- (1) All of the conditions under Paragraph 1.a.ii. of that certain Agreement for Additional Services, Security, and Settlement of Certain Matters dated April 15, 2003 between WorldCom and Allegiance Telecom, Inc. relating to the draw of moneys under the Letter of Credit have been met.
- (2) WorldCom hereby requests that \$\_\_\_\_\_ be drawn from the Letter of Credit.
- (3) WorldCom has provided the requisite written notice to Allegiance Telecom, Inc. informing it of WorldCom's intent to draw under the Letter of Credit.
- (4) Please wire transfer such funds to the following account:  
Bank:  
Address:  
Account name and Account No:

*IN WITNESS WHEREOF, a duly authorized officer of WorldCom, Inc. has executed and delivered this Drawing Certificate as of the \_\_\_ day of \_\_\_\_\_, 200\_\_.*

WORLDCOM, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

[MEDALLION SIGNATURE GUARANTY]