

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re

Allegiance Telecom, Inc., et al.,

Debtors.

**Chapter 11
Case No. 02-130507 (RDD)**

(Jointly Administered)

**ORDER (A) ESTABLISHING BIDDING
PROCEDURES AND BID PROTECTIONS IN CONNECTION
WITH THE SALE OF SUBSTANTIALLY ALL OF THE ASSETS
OF THE DEBTORS (B) APPROVING THE FORM AND MANNER
OF NOTICES, (C) APPROVING THE ASSET PURCHASE
AGREEMENT WITH QWEST COMMUNICATIONS
INTERNATIONAL, INC., SUBJECT TO HIGHER AND BETTER
OFFERS AND (D) SETTING A SALE HEARING DATE**

Upon the motion, dated December 18, 2003 (the "Motion"), of Allegiance Telecom, Inc. ("Allegiance") and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), for orders (i) establishing bidding procedures and certain protections (the "Bidding Procedures") payable to the Buyer including a break-up fee and expense reimbursement in connection with the sale of substantially all of the assets of the Debtors (the "Sale Assets"); (ii) approving the form and manner of notice related to the sale of the Sale Assets; (iii) approving the Purchase Agreement,¹ subject to higher and better offers; (iv) setting a hearing date to consider approval of the sale of the Sale Assets (the "Sale Hearing"); (v) approving the sale to the Buyer, subject to higher and better offers, free and clear of (a) all liens, claims and encumbrances and (b) certain transfer taxes; (vi) authorizing the assumption and

¹ Unless otherwise defined herein, capitalized terms shall have the meaning ascribed to them in the Motion or Purchase Agreement, as applicable.

assignment of certain executory contracts and unexpired leases; and (vii) granting certain related relief; and an interim hearing having been held (the "Procedures Hearing") in respect of the relief requested in the Motion (as described in clauses (i) – (iv) above (the "Preliminary Relief")); and it appearing that notice of the hearing has been provided to (i) the Office of the United States Trustee; (ii) the attorneys for Prepetition Lenders; (iii) the attorneys for the Creditors' Committee; (iv) all nondebtor contracting and lease parties identified on Schedules 4.20 and 4.21 of the Disclosure Schedules, (v) all parties that provide telecom services to the Debtors pursuant to tariffs; (vi) the attorneys for the Buyer; (vii) all counterparties to the Assumed Contracts, (viii) all parties who have made written expressions of interest in acquiring the Sale Assets or the Business within two (2) months prior to the date of the Motion; (ix) all known persons holding a lien on any of the Sale Assets; (x) the Securities and Exchange Commission; (xi) all taxing authorities that have jurisdiction over the Sale Assets; (xii) all Governmental Agencies having jurisdiction over the Sale Assets with respect to Environmental Laws, (xiii) the attorneys general of all states in which the Sale Assets are located; (xiv) the Federal Communications Commission and applicable state public utility commissions; and (xv) all other parties that had filed a notice of appearance and demand for service of papers in these bankruptcy cases under Bankruptcy Rule 2002 as of the date of the Motion; and it appearing that such notice constitutes good and sufficient notice of the Motion and Preliminary Relief and that no other or further notice need be provided; and upon the hearing held on December 18, 2003 approving the Lock-Up Order; and upon the Motion and the record of the Procedures Hearing and all other proceedings had before the Court; and it appearing that an order granting the Preliminary Relief is in the best interest of the

Debtors and parties in interest; and it appearing that the Court has jurisdiction over this matter; and after due deliberation and sufficient cause appearing therefor.

IT IS HEREBY FOUND AND DETERMINED THAT:

A. The Bidding Procedures as set forth and defined below, are fair, reasonable, and appropriate and are designed to maximize the recovery on the Sale Assets, including the Assumed Contracts.

B. The Debtors have demonstrated a compelling and sound business justification for authorizing the payment of the Break-Up Fee and the Expense Reimbursement to the Buyer under the circumstances, timing, and procedures set forth in the Motion and the Purchase Agreement.

C. The Break-Up Fee and the Expense Reimbursement are fair and reasonable, provide a benefit to the Debtors' estates and creditors, and were negotiated by the parties to the Purchase Agreement in good faith and at arm's-length.

D. The Debtors' payment to the Buyer (under the conditions of and as set forth in the Purchase Agreement), of the Breakup Fee and the Expense Reimbursement is (i) an actual and necessary cost and expense of preserving the Debtors' estates, (ii) of substantial benefit to the Debtors' estates, (iii) reasonable and appropriate, in light of, among other things, (a) the size and nature of the proposed sale under the Agreement, (b) the substantial efforts that have been and will be expended by the Buyer, and (c) the benefits the Buyer has provided to the Debtors' estates and creditors and all parties in interest herein, notwithstanding that the proposed sale is subject to higher or better offers, and (iv) necessary to ensure that the Buyer will continue to pursue its proposed acquisition of the Sale Assets. In particular, the Purchase Agreement was the

culmination of a process undertaken by the Debtors and their professionals to negotiate a transaction with a bidder who was prepared to pay the highest or otherwise best purchase price to date for the Sale Assets in order to maximize the value of the Debtors' estates.

E. The payment of the Break-Up Fee and the Expense Reimbursement should be approved because, among other things, (i) no other party to date has entered into a definitive agreement for the acquisition of the Sale Assets on terms acceptable to the Debtors, (ii) the execution of the Purchase Agreement is a necessary prerequisite to determining whether any party other than the Buyer is willing to enter into a definitive agreement for the acquisition of the Sale Assets on terms acceptable to the Debtors and their creditor constituencies, (iii) the protections afforded to the Buyer by the Break-Up Fee and the Expense Reimbursement were material inducements for, and express conditions of, the Buyer's willingness to enter into the Purchase Agreement, and (iv) the Buyer is unwilling to commit to hold open its offer to acquire the Sale Assets under the terms of the Purchase Agreement unless it is assured of the payment of the Break-Up Fee and the Expense Reimbursement.

F. The assurance of the payment of the Break-Up Fee and the Expense Reimbursement has (i) promoted more competitive bidding by inducing the Buyer's bid, which otherwise would not have been made, without which competitive bidding would be limited, and which may be the highest and best available offer for the Sale Assets, (ii) induced the Buyer to research the value of the Sale Assets and propose the transactions contemplated by the Purchase Agreement, including, among other things, submission of a bid that will serve as a minimum or floor bid on which all other bidders

can rely, and (iii) provided a benefit to the Debtors' estates by increasing the likelihood that the price at which the Sale Assets are sold will reflect their true worth.

G. The payment of the Break-Up Fee and the Expense Reimbursement is an expense necessary to maximize the value of the Debtors' estates and the entry of this Order is in the best interests of the Debtors, their estates, creditors, and all other parties in interest.

NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

1. With respect to the Preliminary Relief, the Motion is granted.
2. The Auction shall be conducted on the following terms and conditions (the "Bidding Procedures"):

| <u>PROVISION</u> | <u>DESCRIPTION</u> |
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| <i>The Stalking Horse Bid</i> | <p>Under the terms of the Purchase Agreement, the Buyer has agreed to purchase the Sale Assets for approximately \$390 million, plus Assumed Liabilities (the "Stalking Horse Bid"), subject to the terms of the Purchase Agreement.</p> <p>Under the terms of the Purchase Agreement, beginning on the date the Bidding Procedures Order is entered by the Court and continuing until the conclusion of the Auction, the Debtors are entitled to, among other things, solicit and negotiate Competing Transactions.</p> |
| <i>Due Diligence</i> | <p>Unless otherwise determined by the Debtors, each potential bidder (a "Potential Bidder") must deliver (unless previously delivered) to the Debtors, c/o Jonathan S. Henes, Esq., Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, NY 10022-4611 and Michael A. Kramer, Greenhill & Co., LLC, 300 Park Avenue, 23rd Floor, New York, New York 10022, the following documents (the "Preliminary Bid Documents") in order to participate in the bidding process:</p> <ol style="list-style-type: none">a. an executed confidentiality agreement in form and substance satisfactory to the Debtors; andb. preliminary proof by the Potential Bidder of its financial capacity to close a proposed transaction, the adequacy of |

| PROVISION | DESCRIPTION |
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| | <p>which the Debtors and their advisors will determine in their sole discretion.</p> <p>Within two (2) business days after a Potential Bidder delivers the Preliminary Bid Documents, the Debtors shall determine, and shall notify the Potential Bidder, whether the Potential Bidder has submitted acceptable Preliminary Bid Documents so that such Potential Bidder may conduct due diligence with respect to the Sale Assets sought to be acquired. Only those Potential Bidders that have submitted acceptable Preliminary Bid Documents may submit bids for the Sale Assets.</p> |
| <i>Bid Deadline</i> | <p>Bids for the Sale Assets must (a) be in writing; (b) at a minimum, exceed the Stalking Horse Bid by \$40 million; (c) satisfy the Bid Requirements set forth herein and (d) be received by (i) the attorneys for the Debtors, Kirkland & Ellis LLP, 153 East 53rd Street, New York, New York 10022 (Attn: Matthew A. Cantor, Esq. and Jonathan S. Henes, Esq.), (ii) the financial advisors for the Debtors, Greenhill & Co., LLC, 300 Park Avenue, 23rd Floor, New York, New York 10022 (Attn: Michael A. Kramer), (iii) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 1004 (Attn: Pamela J. Lustrin, Esq.), (iv) the attorneys for the Prepetition Lenders, Paul, Hastings, Janofsky & Walker LLP, 600 Peachtree Street, N.E., 24th Floor, Atlanta, Georgia 30308 (Attn: Jesse Austin, III, Esq.), and (v) the attorneys for the statutory committee of unsecured creditors, Akin Gump Strauss Hauer Feld LLP, 590 Madison Avenue, New York, New York 10022 (Attn: Ira S. Dizengoff, Esq.), so as to be actually received no later than 5:00 p.m. (prevailing Eastern Time) on February 9, 2004 (the "Bid Deadline"). Such bids shall be deemed "Qualified Bids" and those parties submitting such Qualified Bids shall be "Qualified Bidders." One (1) Business Day after the Debtors receive such Qualified Bids, the Debtors shall provide copies of such bids to Buyer, provided, that Buyer shall keep the Qualified Bids confidential and shall not contact or communicate with any Qualified Bidder with respect to any such bids or discuss the Qualified Bids with any party, except as required by law.</p> <p>Parties that do not submit a Qualified Bid by the Bid Deadline will not be permitted to participate at the Auction.</p> |

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| <i>Bid Requirements</i> | <p>Qualified Bids must meet the following requirements (the “Bid Requirements”):</p> <ul style="list-style-type: none"> a. Each Qualified Bid must be on the same or better terms and conditions as those terms set forth in the Purchase Agreement and the documents set forth as exhibits thereto. The Debtors shall not entertain bids for the individual assets comprising their businesses. b. Each Qualified Bid must constitute a good faith, bona fide offer to acquire the Sale Assets. c. Each Qualified Bid shall not be conditioned on obtaining any of the following: financing, regulatory approval, shareholder approval, environmental contingencies, and/or the outcome of due diligence by the bidder. d. Each Qualified Bid must remain irrevocable until the Closing. e. As a condition to making a Qualified Bid, any competing bidder must provide the Debtors on or before the Bid Deadline, with sufficient and adequate information to demonstrate, to the satisfaction of the Debtors, that such competing bidder (i) has the financial wherewithal and ability to consummate the acquisition of the their business, and (ii) can provide all nondebtor contracting parties to the Assumed Contracts with adequate assurance of future performance as contemplated by section 365 of the Bankruptcy Code. f. In order for a bid to constitute a Qualified Bid, any bidder shall submit a deposit equal to the \$35 million (the “Good Faith Deposit”). The bidder shall, in immediately available funds, by wire transfer to an account or accounts designated by the Debtors, pay such amount on the date such bid is submitted. |
| <i>Auction and Overbids</i> | <p>If no Qualified Bid is received by the Bid Deadline, the Auction will not occur and the Debtors shall promptly pursue entry of an order by the Court authorizing the Sale to the Buyer.</p> <p>If the Debtors receive a Qualified Bid by the Bid Deadline, in addition to the Stalking Horse Bid, the Debtors shall conduct an auction (the “Auction”) with respect to the Sale Assets. The Auction shall commence at 9:00 a.m. (prevailing Eastern Time) on February 12, 2004, at the offices of Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, New York 10022-4611, or such later time</p> |

| PROVISION | DESCRIPTION |
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| | <p>or other place as the Debtors shall notify all Qualified Bidders who have submitted Qualified Bids. The Auction may be continued to a later date by the Debtors, with the reasonable consent of the Buyer, by making an announcement at the Auction. No further notice of any such continuance will be required to be provided to any party.</p> <p>Subsequent bids at the Auction shall be made in increments of at least \$5 million.</p> <p>At the Auction, the Buyer shall have the right to bid all or part of the Break-Up Fee (as defined herein) and the Expense Reimbursement (as defined herein).</p> |
| <i>Winning Bid</i> | <p>Upon conclusion of the Auction, the Debtors, in the exercise of their business judgment and after consulting with their advisors, shall identify the highest and best offer for the Sale Assets (the "Winning Bid") (the bidder having submitted a Winning Bid is the "Successful Bidder").</p> |
| <i>Sale Approval Hearing</i> | <p>The Sale Approval Hearing is presently scheduled to take place on February 17, 2004 at 10:00 a.m. (prevailing Eastern Time), before the Hon. Robert D. Drain, United States Bankruptcy Judge, in Room 610 of the United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, New York, 10004-1408. The Sale Approval Hearing may be continued to a later date by the Debtors, with the reasonable consent of the Buyer, by making an announcement at the Sale Approval Hearing; <u>provided</u>, that any such continuance shall not be later than the deadline set forth in Schedule J of the Purchase Agreement. No further notice of any such continuance will be required to be provided to any party. At the Sale Approval Hearing, the Debtors shall present to the Bankruptcy Court for approval the Winning Bid for the Sale Assets.</p> |
| <i>Return of Good Faith Deposit</i> | <p>The Good Faith Deposit of the Successful Bidder shall be credited to the price paid for the Sale Assets. The Good Faith Deposit of any unsuccessful bidders will be returned within fifteen (15) days after consummation of the Sale Transaction or upon permanent withdrawal by the Debtors of the proposed sale of such assets. The deposit of the Buyer, if not chosen as the Winning Bid, shall be returned in accordance with the Purchase Agreement.</p> |
| <i>Reservation of Right</i> | <p>The Debtors reserve the right to reject any (other than the Buyer's offer pursuant to the Purchase Agreement) Qualified Bid (as defined below) if the Debtors determine that such Qualified Bid is</p> |

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| | (i) inadequate or insufficient; (ii) not in conformity with the requirement of the Bankruptcy Code, any related rules or the terms set forth herein; or (iii) contrary to the best interests of the Debtors and their estates. |
| <i>Break-Up Fee and Expense Reimbursement</i> | In the event, among others set forth in the Purchase Agreement and as set forth below, that the Bankruptcy Court enters an order approving the Sale Transaction to a Successful Bidder other than Buyer, the Debtors shall pay to Buyer (i) a break-up fee in the amount of \$12.8 million (the “Break-Up Fee”) and (ii) a reimbursement of Buyer’s expenses in connection with the transaction contemplated in the Purchase Agreement, not to exceed \$5 million (the “Expense Reimbursement”). |

3. Pursuant to section 363(b) of the Bankruptcy Code, the Debtors are directed to pay (i) the Expense Reimbursement plus (ii) the Break-Up Fee immediately by wire transfer of immediately available funds to an account designated in writing by the Buyer in the event that: (i) the Purchase Agreement is terminated (A) by Buyer pursuant to Section 8.1(b) of the Purchase Agreement when ATI does not have the right to terminate the Agreement pursuant to Section 8.1(b) of the Purchase Agreement, (B) by Buyer pursuant to Section 8.1(c) or (d) of the Purchase Agreement, or (C) by Sellers pursuant to Section 8.1(f) of the Purchase Agreement; or (ii) Buyer terminates the Purchase Agreement pursuant to Section 8.1(e) as a result of Debtors’ gross negligence or willful, wanton or reckless action or inaction taken or not taken with an intent to cause the termination of the Agreement or otherwise negatively impact the transactions contemplated thereby (collectively, a “Sellers’ Intentional Breach”) or Buyer elects not to close because the condition set forth in Section 7.2(a) of the Purchase Agreement has not been satisfied as a result of a Sellers’ Intentional Breach.

4. In the event the Buyer terminates the Purchase Agreement pursuant to Section 8.1(e) of the Purchase Agreement or elects not to close, in each case

because the condition set forth in Section 7.2(a) of the Purchase Agreement has not been satisfied as a result of some reason other than a Sellers' Intentional Breach, the Buyer shall be entitled to immediate payment of the Expense Reimbursement (which Expense Reimbursement shall not exceed \$5 million).

5. In the event of a Sale Delay that the Buyer does not agree to waive or extend, the Debtors shall pay to the Buyer, within two (2) Business Days following the Buyer's termination of the Purchase Agreement pursuant to Section 8.1(g) thereof, the Break Up Fee and the Expense Reimbursement. In the event of any waiver of any default in Exhibit J to the Purchase Agreement, the Break Up Fee and the Expense Reimbursement, otherwise payable, shall be payable at such extended date if such extended deadline has not been met and the Buyer terminates the Purchase Agreement as a result thereof.

6. The Debtors are authorized and empowered to pay the Break-Up Fee and the Expense Reimbursement to the Buyer, as required under and pursuant to the Purchase Agreement, without further order of the Court.

7. Pursuant to section 364(c)(1) of the Bankruptcy Code, the Break-Up Fee and the Expense Reimbursement shall receive superpriority administrative claim status and shall have priority over any and all administrative expenses of the kinds specified in sections 503(b), 506(c), 507(a), or 507(b) of the Bankruptcy Code; provided, however, that the Break Up Fee and Expense Reimbursement shall not prime the Liens held by Sellers' senior secured lenders and any such amounts payable shall be subordinated to this carve out for professionals fees and fees under 28 U.S.C. § 1930 as

provided in the Bankruptcy Court's order authorizing Debtors to use cash collateral that was entered in these cases.

8. The rights of the Buyer to the Break-Up Fee and the Expense Reimbursement and the superpriority administrative status of such claims shall all survive rejection or breach of the Purchase Agreement, and shall be unaffected thereby.

9. Following the Sale Order Approval Date, and so long as the Purchase Agreement has not been terminated in accordance with its terms, the Debtors are directed not to enter or solicit a Competing Transaction as set forth in Section 6.17 of the Purchase Agreement.

10. Pursuant to Bankruptcy Rule 2002(a)(2), (a) the Sale Hearing shall be held on February 17, 2004, before the Hon. Robert D. Drain, United States Bankruptcy Judge, in Room 610 of the United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, New York, 10004-1408 at 10:00 a.m. (EST), and (b) objections to approval of the relief requested in the Motion (other than the Preliminary Relief provided herein), if any, shall be in writing, shall state the name of the objecting party, shall state with particularity the reasons and basis for the objection, and shall be filed with the Court and served upon (i) the attorneys for the Debtors, Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, New York 10022 (Attn: Matthew A. Cantor, Esq. and Jonathan S. Henes, Esq.), (ii) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn: Pamela J. Lustrin, Esq.), (iii) the attorneys for the agent for the Debtors' prepetition lenders, Paul, Hastings, Janofsky & Walker LLP, 600 Peachtree Street, N.E., 24th Floor, Atlanta, Georgia 30308 (Attn: Jesse Austin,

III, Esq.), (iv) the attorneys for the Creditors' Committee, Akin Gump Strauss Hauer Feld LLP, 590 Madison Avenue, New York, New York 10022 (Attn: Ira S. Dizengoff, Esq.), and (v) the attorneys for the Buyer, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: Paul M. Basta, Esq.), so as to be actually received by such persons no later than February 9, 2004 at 4:00 p.m. (EST).

11. Pursuant to Bankruptcy Rule 2002(1), the Debtors are authorized to publish, at least seven (7) days prior to the Auction, Notice of the Auction and Sale Approval Hearing, once, in the form annexed hereto as Exhibit 1, in each of the national editions of The New York Times and The Wall Street Journal.

12. Pursuant to Bankruptcy Rule 2002, within two (2) Business Days following entry of the Bidding Procedures Orders, notice of the proposed Auction and the Sale Approval Hearing in the form annexed hereto as Exhibit 1, shall be sent by first class mail to (i) the United States Trustee, (ii) the attorneys for the agent for the Debtors' prepetition lenders, (iii) the attorneys for the Creditors' Committee, (iv) all nondebtor contracting and lease parties listed on Schedules 4.20 and 4.21 of the Disclosure Schedules, (v) all parties that provide telecommunications services to the Debtors pursuant to a tariff, (vi) all parties who have made written expressions of interest in acquiring the Sale Assets or the Business within two (2) months prior to the date of this Bidding Procedures Order (vii) all appropriate federal, state and local taxing authorities, (viii) all known persons holding a lien on any of the Sale Assets, and (ix) all parties having filed a notice of appearance in the Debtors' chapter 11 cases pursuant to Bankruptcy Rule 2002, shall constitute good and sufficient notice of the Sale Transaction, Auction and Sale Hearing.

13. Pursuant to Bankruptcy Rule 2002, notice of the proposed assumption and assignment of the Assumed Contracts (the “Cure Procedures”), in the form annexed hereto as Exhibit “2” which shall reflect the Cure Amounts that the Debtors believe must be paid to cure all defaults under the Assumed Contracts, shall constitute good and sufficient notice of the Debtors’ intent to assume and assign the Assumed Contracts, and shall (i) be served, at Buyer’s direction, at least 20 days prior to the hearing to confirm the Bankruptcy Plan, to all counterparties to the Assumed Contracts or (ii) in the event of an Early Closing Notice, be served on all counterparties to the Assumed Contracts within four (4) Business Days of such Early Closing Notice. Buyer and the Debtors shall keep confidential the Executory Contracts as set forth in Section 3.5(d) of the Purchase Agreement. With respect to the Assumed Contracts, Buyer shall cooperate with Sellers to provide adequate assurance of future performance as required by section 365 of the Bankruptcy Code.

14. With respect to the proposed assumption and assignment of the Assumed Contracts, Cure Amounts that must be paid to cure defaults under the Assumed Contract shall be determined in accordance with the following procedures (the “Cure Procedures”):

| <u>Procedure</u> | <u>Description</u> |
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| <i>Notice of Assumption and Assignment Objection Deadline</i> | At least 20 days prior to the hearing to confirm the Bankruptcy Plan (or, in the event of an Early Closing Notice, within four Business Days of such Early Closing Notice), the Debtors, or the Debtors’ noticing agent, shall serve a copy of the Bidding Procedures Order together with the Notice of the Debtors’ Intent to Assume and Assign Executory Contracts and Unexpired Leases (the “Contract Assignment Notice”), substantially in the form of Exhibit 2 attached to the Bidding Procedures Order, by first class mail to the Contract Parties notifying them of the Debtors’ intent to assume and assign each agreement listed on Schedule (a) of the Disclosure Schedules (as it may be modified by that time) and of |

| <u>Procedure</u> | <u>Description</u> |
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| | the Cure Amount determined by the Debtors for each such Assumed Contract to be necessary for such assumption and assignment on the Closing Date. |
| <i>Assumption and Assignment Objections</i> | Any Contract Party seeking to (a) assert a Cure Amount based on defaults, conditions or pecuniary losses under its Assumed Contract (collectively, the “Cure Obligation”) different from that set forth on any of the Contract Assignment Notices or (b) object to the potential assumption and assignment of its Assumed Contract on any other grounds, shall be required to file and serve an objection (an “Assumption and Assignment Objection”), in writing, setting forth with specificity (i) any and all Cure Obligations that the Contract Party asserts must be cured or satisfied with respect to such Assumed Contract and/or (ii) if the objection to the potential assignment of such Assumed Contract is based on adequate assurance issues, the information required regarding the Buyer to satisfy the Contract Party’s adequate assurance concerns. |
| <i>Assumption and Assignment Objection Deadline</i> | To be considered a timely Assumption and Assignment Objection, the Assumption and Assignment Objection must be filed with the Court and a copy delivered to (i) the attorneys for the Debtors, Kirkland & Ellis LLP, Citigroup Center, 153 East 53 rd Street, New York, NY 10022-4611, Attn: Michael J. Frishberg, Esq., (ii) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 1004 (Attn: Pamela J. Lustrin, Esq.), (iii) the attorneys for the Prepetition Lenders, Paul, Hastings, Janofsky & Walker LLP, 600 Peachtree Street, N.E., 24th Floor, Atlanta, Georgia 30308 (Attn: Jesse Austin, III, Esq.), (iv) the attorneys for the statutory committee of unsecured creditors, Akin Gump Strauss Hauer Feld LLP, 590 Madison Avenue, New York, New York 10022 (Attn: Ira S. Dizengoff, Esq.), (v) the attorneys for the Buyer, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: Paul M. Basta, Esq.) and (vi) any other party or partner set forth in the Contract Assignment Notice so as to be received no later than 15 days after service of the Contract Assignment Notice (the “Assumption and Assignment Objection Deadline”). |
| <i>Failure to File Assumption and Assignment Objection</i> | Unless an Assumption and Assignment Objection is timely filed and served by a Contract Party by the Assumption and Assignment Objection Deadline, the assumption and assignment of the applicable Assumed Contract at the Sale Approval Hearing may occur without regard to any objection such party may have or any provisions to the contrary in the applicable Assumed Contract. |

| <u>Procedure</u> | <u>Description</u> |
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| <i>Waiver of Assumption and Assignment Objection</i> | Contract Parties that fail to file and serve Assumption and Assignment Objections as provided above shall be deemed to have waived and released any and all Cure Obligations and shall be forever barred and estopped from asserting or claiming against the Debtors, the Buyer or any other Successful Bidder of the relevant contract or lease that any additional amounts are due or defaults exist, or prohibitions or conditions to assignment exist or must be satisfied, under such Assumed Contract for the period prior to the closing date. |

15. The Debtors are hereby authorized to take any and all actions necessary or appropriate to implement the Bidding Procedures and Cure Procedures.

Dated: New York, New York
_____, 2004

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 1

In re

Allegiance Telecom, Inc., et al.,
Debtors.

Chapter 11
Case No. 02-130507 (RDD)

(Jointly Administered)

**NOTICE OF AUCTION AND HEARING
TO CONSIDER APPROVAL OF THE SALE
OF SUBSTANTIALLY ALL OF THE ASSETS OF THE DEBTORS**

NOTICE IS HEREBY GIVEN, as follows:

1. On December __, 2003, Allegiance Telecom, Inc. (“Allegiance”) and its direct and indirect subsidiaries, as debtors and debtors-in-possession (collectively, the “Debtors”) filed a motion (the “Motion”) with the United States Bankruptcy Court for the Southern District of New York for or orders (i) establishing bidding procedures and certain protections (the “Bidding Procedures”) payable to the Buyer including a break-up fee and expense reimbursement in connection with the sale of substantially all of the assets of the Debtors (the “Sale Assets”); (ii) approving the form and manner of notice related to the sale of the Sale Assets; (iii) approving the Purchase Agreement,¹ subject to higher and better offers; (iv) setting a hearing date to consider approval of the sale of the Sale Assets (the “Sale Hearing”); (v) approving the sale to the Buyer, subject to higher and better offers, free and clear of (a) all liens, claims and encumbrances and (b) certain transfer taxes; (vi) authorizing the assumption and assignment of certain executory contracts and unexpired leases; and (vii) granting certain related relief. The successful

¹ Unless otherwise defined herein, capitalized terms shall have the meaning ascribed to them in the Motion or Purchase Agreement, as applicable.

bidder at the Auction will agree to purchase the Sale Assets, free and clear of all liabilities, obligations, claims, liens, and encumbrances on the same terms and conditions as those set forth in the Purchase Agreement entered into between the Debtors and the Buyer.

2. By order dated **[inset date, 2004]** (the “Bidding Procedures Order”), the Court authorized the Debtors, among other things, to conduct an Auction of the Sale Assets at Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, New York 10022, on **[inset date, 2004]** at --:00 --.m. (prevailing Eastern Time).

3. The Debtors will conduct the Auction pursuant to the following terms and conditions (the “Bidding Procedures”):

| <u>PROVISION</u> | <u>DESCRIPTION</u> |
|--------------------------------------|---|
| <i>The Stalking Horse Bid</i> | <p>Under the terms of the Purchase Agreement, the Buyer has agreed to purchase the Sale Assets for approximately \$390 million, plus Assumed Liabilities (the “Stalking Horse Bid”), subject to the terms of the Purchase Agreement.</p> <p>Under the terms of the Purchase Agreement, beginning on the date the Bidding Procedures Order is entered by the Court and continuing until the conclusion of the Auction, the Debtors are entitled to, among other things, solicit and negotiate Competing Transactions.</p> |
| <i>Due Diligence</i> | <p>Unless otherwise determined by the Debtors, each potential bidder (a “Potential Bidder”) must deliver (unless previously delivered) to the Debtors, c/o Jonathan S. Henes, Esq., Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, NY 10022-4611 and Michael A. Kramer, Greenhill & Co., LLC, 300 Park Avenue, 23rd Floor, New York, New York 10022, the following documents (the “Preliminary Bid Documents”) in order to participate in the bidding process:</p> <p>a. an executed confidentiality agreement in form and substance satisfactory to the Debtors; and</p> <p>b. preliminary proof by the Potential Bidder of its financial capacity to close a proposed transaction, the adequacy of which the Debtors and their advisors will determine in their</p> |

| <u>PROVISION</u> | <u>DESCRIPTION</u> |
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| | <p>sole discretion.</p> <p>Within two (2) business days after a Potential Bidder delivers the Preliminary Bid Documents, the Debtors shall determine, and shall notify the Potential Bidder, whether the Potential Bidder has submitted acceptable Preliminary Bid Documents so that such Potential Bidder may conduct due diligence with respect to the Sale Assets sought to be acquired. Only those Potential Bidders that have submitted acceptable Preliminary Bid Documents may submit bids for the Sale Assets.</p> |
| <i>Bid Deadline</i> | <p>Bids for the Sale Assets must (a) be in writing; (b) at a minimum, exceed the Stalking Horse Bid by \$40 million; (c) satisfy the Bid Requirements set forth herein and (d) be received by (i) the attorneys for the Debtors, Kirkland & Ellis LLP, 153 East 53rd Street, New York, New York 10022 (Attn: Matthew A. Cantor, Esq. and Jonathan S. Henes, Esq.), (ii) the financial advisors for the Debtors, Greenhill & Co., LLC, 300 Park Avenue, 23rd Floor, New York, New York 10022 (Attn: Michael A. Kramer), (iii) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 1004 (Attn: Pamela J. Lustrin, Esq.), (iv) the attorneys for the Prepetition Lenders, Paul, Hastings, Janofsky & Walker LLP, 600 Peachtree Street, N.E., 24th Floor, Atlanta, Georgia 30308 (Attn: Jesse Austin, III, Esq.), and (v) the attorneys for the statutory committee of unsecured creditors, Akin Gump Strauss Hauer Feld LLP, 590 Madison Avenue, New York, New York 10022 (Attn: Ira S. Dizengoff, Esq.), so as to be actually received no later than 5:00 p.m. (prevailing Eastern Time) on [insert date] (the "Bid Deadline"). Such bids shall be deemed "Qualified Bids" and those parties submitting such Qualified Bids shall be "Qualified Bidders." One (1) Business Day after the Debtors receive such Qualified Bids, the Debtors shall provide copies of such bids to Buyer, provided, that Buyer shall keep the Qualified Bids confidential and shall not contact or communicate with any Qualified Bidder with respect to any such bids or discuss the Qualified Bids with any party, except as required by law.</p> <p>Parties that do not submit a Qualified Bid by the Bid Deadline will not be permitted to participate at the Auction.</p> |

| <u>PROVISION</u> | <u>DESCRIPTION</u> |
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| <i>Bid Requirements</i> | <p>Qualified Bids must meet the following requirements (the “Bid Requirements”):</p> <ol style="list-style-type: none"> a. Each Qualified Bid must be on the same or better terms and conditions as those terms set forth in the Purchase Agreement and the documents set forth as exhibits thereto. The Debtors shall not entertain bids for the individual assets comprising their businesses. b. Each Qualified Bid must constitute a good faith, bona fide offer to acquire the Sale Assets. c. Each Qualified Bid shall not be conditioned on obtaining any of the following: financing, regulatory approval, shareholder approval, environmental contingencies, and/or the outcome of due diligence by the bidder. d. Each Qualified Bid must remain irrevocable until the Closing. e. As a condition to making a Qualified Bid, any competing bidder must provide the Debtors on or before the Bid Deadline, with sufficient and adequate information to demonstrate, to the satisfaction of the Debtors, that such competing bidder (i) has the financial wherewithal and ability to consummate the acquisition of the their business, and (ii) can provide all nondebtor contracting parties to the Assumed Contracts with adequate assurance of future performance as contemplated by section 365 of the Bankruptcy Code. f. In order for a bid to constitute a Qualified Bid, any bidder shall submit a deposit equal to the \$35 million (the “Good Faith Deposit”). The bidder shall, in immediately available funds, by wire transfer to an account or accounts designated by the Debtors, pay such amount on the date such bid is submitted. |
| <i>Auction and Overbids</i> | <p>If no Qualified Bid is received by the Bid Deadline, the Auction will not occur and the Debtors shall promptly pursue entry of an order by the Court authorizing the Sale to the Buyer.</p> <p>If the Debtors receive a Qualified Bid by the Bid Deadline, in addition to the Stalking Horse Bid, the Debtors shall conduct an auction (the “Auction”) with respect to the Sale Assets. The Auction shall commence at 10:00 a.m. (prevailing Eastern Time) on [INSERT], at the offices of Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, New York 10022-4611, or such later time or other</p> |

| <u>PROVISION</u> | <u>DESCRIPTION</u> |
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| | <p>place as the Debtors shall notify all Qualified Bidders who have submitted Qualified Bids. The Auction may be continued to a later date by the Debtors, with the reasonable consent of the Buyer, by making an announcement at the Auction. No further notice of any such continuance will be required to be provided to any party.</p> <p>Subsequent bids at the Auction shall be made in increments of at least \$5 million.</p> <p>At the Auction, the Buyer shall have the right to bid all or part of the Break-Up Fee (as defined herein) and the Expense Reimbursement (as defined herein).</p> |
| <i>Winning Bid</i> | <p>Upon conclusion of the Auction, the Debtors, in the exercise of their business judgment and after consulting with their advisors, shall identify the highest and best offer for the Sale Assets (the "Winning Bid") (the bidder having submitted a Winning Bid is the "Successful Bidder").</p> |
| <i>Sale Approval Hearing</i> | <p>The Sale Approval Hearing is presently scheduled to take place on [insert date] at [] (prevailing Eastern Time), before the Hon. Robert D. Drain, United States Bankruptcy Judge, in Room 610 of the United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, New York, 10004-1408. The Sale Approval Hearing may be continued to a later date by the Debtors, with the reasonable consent of the Buyer, by making an announcement at the Sale Approval Hearing; <u>provided</u>, that any such continuance shall not be later than the deadline set forth in Schedule J of the Purchase Agreement. No further notice of any such continuance will be required to be provided to any party. At the Sale Approval Hearing, the Debtors shall present to the Bankruptcy Court for approval the Winning Bid for the Sale Assets.</p> |
| <i>Return of Good Faith Deposit</i> | <p>The Good Faith Deposit of the Successful Bidder shall be credited to the price paid for the Sale Assets. The Good Faith Deposit of any unsuccessful bidders will be returned within fifteen (15) days after consummation of the Sale Transaction or upon permanent withdrawal by the Debtors of the proposed sale of such assets. The deposit of the Buyer, if not chosen as the Winning Bid, shall be returned in accordance with the Purchase Agreement.</p> |
| <i>Reservation of Right</i> | <p>The Debtors reserve the right to reject any (other than the Buyer's offer pursuant to the Purchase Agreement) Qualified Bid (as defined below) if the Debtors determine that such Qualified Bid is</p> |

| <u>PROVISION</u> | <u>DESCRIPTION</u> |
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| | (i) inadequate or insufficient; (ii) not in conformity with the requirement of the Bankruptcy Code, any related rules or the terms set forth herein; or (iii) contrary to the best interests of the Debtors and their estates. |
| <i>Break-Up Fee and Expense Reimbursement</i> | In the event, among others set forth in the Purchase Agreement and as set forth below, that the Bankruptcy Court enters an order approving the Sale Transaction to a Successful Bidder other than Buyer, the Debtors shall pay to Buyer (i) a break-up fee in the amount of \$12.8 million (the “Break-Up Fee”) and (ii) a reimbursement of Buyer’s expenses in connection with the transaction contemplated in the Purchase Agreement, not to exceed \$5 million (the “Expense Reimbursement”). |

4. The Bidding Procedures Order further provides that the Sale Hearing will be held following the Auction on **[insert date]**, at __:00 a.m. (EST), before the Honorable Robert D. Drain, United States Bankruptcy Judge, in Room 610 of the United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004-1408.

5. At the Sale Hearing, the Debtors shall request that the Court enter an order approving the Purchase Agreement and approving the sale of the Sale Transaction to the Successful Bidder.

6. At the Sale Hearing, the Court may enter such orders as it deems appropriate under applicable law and as required by the circumstances and equities of these cases. Objections, if any, to the relief requested in the Motion, other than the relief granted in the Bidding Procedures Order, shall be in writing, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court for the Southern District of New York, shall set forth the name of the objectant, the nature and amount of any claims or interests held or asserted against the Debtors’ estates or properties, the basis for the objection and the specific grounds therefor, and shall be

served upon (i) the attorneys for the Debtors, Kirkland & Ellis LLP, 153 East 53rd Street, New York, New York 10022 (Attn: Matthew A. Cantor, Esq. and Jonathan S. Henes, Esq.), (ii) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 1004 (Attn: Pamela J. Lustrin, Esq.), (iii) the attorneys for the agent for the Debtors' prepetition lenders, Paul, Hastings, Janofsky & Walker LLP, 600 Peachtree Street, N.E., 24th Floor, Atlanta, Georgia 30308 (Attn: Jesse Austin, III, Esq.), (iv) the attorneys for the statutory committee of unsecured creditors, Akin Gump Strauss Hauer Feld LLP, 590 Madison Avenue, New York, New York 10022 (Attn: Ira S. Dizengoff, Esq.), and (v) the attorneys for the Buyer, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: Paul M. Basta, Esq.), so as to be actually received no later than **[insert date]** at 4:00 p.m. (EST).

7. A copy of the Purchase Agreement is annexed as Exhibit A to the Motion. All requests for information concerning the sale of the Sale Assets should be directed by written request to Kirkland & Ellis LLP, 153 East 53rd Street, New York, New York 10022 (Attn: Jonathan S. Henes, Esq.).

Dated: New York, New York
[insert date]

KIRKLAND & ELLIS LLP

By: _____
Matthew A. Cantor, Esq. (MC-7727)
Jonathan S. Henes, Esq. (JH-1979)
Kirkland & Ellis LLP
Citigroup Center
153 East 53rd Street
New York, New York 10022-4675
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

Attorneys for Debtors and Debtors in Possession

EXHIBIT 2

In re

Allegiance Telecom, Inc., et al.,
Debtors.

Chapter 11
Case No. 02-130507 (RDD)
(Jointly Administered)

NOTICE OF DEBTORS' INTENT TO ASSUME AND ASSIGN CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES

NOTICE IS HEREBY GIVEN, as follows:

1. On December __, 2003, Allegiance Telecom, Inc. ("Allegiance") its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the "Debtors") filed a motion (the "Motion") with the United States Bankruptcy Court for the Southern District of New York for or orders (i) establishing bidding procedures and certain protections (the "Bidding Procedures") payable to the Buyer including a break-up fee and expense reimbursement in connection with the sale of substantially all of the assets of the Debtors (the "Sale Assets"); (ii) approving the form and manner of notice related to the sale of the Sale Assets; (iii) approving the Purchase Agreement,¹ subject to higher and better offers; (iv) setting a hearing date to consider approval of the sale of the Sale Assets (the "Sale Hearing"); (v) approving the sale to the Buyer, subject to higher and better offers, free and clear of (a) all liens, claims and encumbrances and (b) certain transfer taxes; (vi) authorizing the assumption and assignment of certain executory contracts and unexpired leases; and (vii) granting certain related relief.

¹ Unless otherwise defined herein, capitalized terms shall have the meaning ascribed to them in the Motion or Purchase Agreement, as applicable.

2. Pursuant to the Motion and sections 363 and 365 of the Bankruptcy Code, the Debtors intend to assume and assign to the Buyer, on the later of (i) the Closing or (ii) State PUC Consent or FCC Consent, the Assumed Contracts listed on Exhibit A annexed hereto.

3. The Debtors have identified on Exhibit A annexed hereto the cure amounts that the Debtors believe must be paid to cure all defaults under the Assumed Contracts to which you are a party (in each instance, the “Cure Amount”). The Debtors believe that there are no non-monetary defaults (other than the filing of these chapter 11 cases) that will not be cured by payment of the Cure Amount. Pursuant to the Purchase Agreement, the Buyer has no liability to the Debtors or any party to an Assumed Contract for any Cure Amounts that arise from any Excluded Liabilities (including any unrecorded liabilities of the Debtors).

4. The Buyer’s obligation to pay the amounts arising under the Assumed Contracts after the Closing constitutes adequate assurance of future performance of the Assumed Contracts in accordance with section 365(f)(2)(b) of the Bankruptcy Code.

5. If you seek to (a) assert a Cure Amount based on defaults, conditions or pecuniary losses under its Assumed Contract (collectively, the “Cure Obligation”) different from that set forth on any of the Contract Assignment Notices or (b) object to the potential assumption and assignment of its Assumed Contract on any other grounds, you are required to file and serve an objection (an “Assumption and Assignment Objection”), in writing, setting forth with specificity (i) any and all Cure Obligations that you assert must be cured or satisfied with respect to such Assumed

Contract and/or (ii) if the objection to the potential assignment of such Assumed Contract is based on adequate assurance issues, the information required regarding the Buyer to satisfy your adequate assurance concerns.

6. To be considered a timely Assumption and Assignment Objection, the Assumption and Assignment Objection must be filed with the Court and a copy delivered to the attorneys for the Debtors, Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, NY 10022-4611, Attn: Michael J. Frishberg, Esq., (ii) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 1004 (Attn: Pamela J. Lustrin, Esq.), (iii) the attorneys for the Prepetition Lenders, Paul, Hastings, Janofsky & Walker LLP, 600 Peachtree Street, N.E., 24th Floor, Atlanta, Georgia 30308 (Attn: Jesse Austin, III, Esq.), (iv) the attorneys for the statutory committee of unsecured creditors, Akin Gump Strauss Hauer Feld LLP, 590 Madison Avenue, New York, New York 10022 (Attn: Ira S. Dizengoff, Esq.), (v) the attorneys for the Buyer, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: Paul M. Basta, Esq.) so as to be received no later than **15** days after service of the Contract Assignment Notice (the “Assumption and Assignment Objection Deadline”).

7. Unless your Assumption and Assignment Objection is timely filed and served by the Assumption and Assignment Objection Deadline, the assumption and assignment of the applicable Assumed Contract at the Sale Approval Hearing may occur without regard to any objection you may have or any provisions to the contrary in the applicable Assumed Contract.

8. If you fail to file and serve Assumption and Assignment

Objections as provided above you shall be deemed to have waived and released any and all Cure Obligations and shall be forever barred and estopped from asserting or claiming against the Debtors, the Buyer or any other Successful Bidder of the relevant contract or lease that any additional amounts are due or defaults exist, or prohibitions or conditions to assignment exist or must be satisfied, under such Assumed Contract for the period prior to the closing date.

9. Hearings with respect to the Assumption and Assignment

Objections may be held at such other date as the Court may designate upon motion by the Debtors and the Buyer, provided, that, if the subject Assumed Contracts are assumed and assigned, the cure amount asserted by the objecting party (or such lower amount as may be agreed to by the parties or fixed by the Court) shall be deposited by the Debtors or the Buyer, in accordance with the Debtors and Buyer's respective liabilities for Cure Amounts pursuant to the Purchase Agreement, and held in a segregated account by the Debtors or Buyer, applicable, pending further order of the Court or mutual agreement of the parties. The fact that any Assumption and Assignment Objections are not resolved shall not prevent or delay the occurrence of the date of assumption and assignment of any Assumed Contracts, and the objector's only recourse after the relevant assumption date shall be to the segregated amounts.

10. If you agree that there are no cure amounts due under the Assumed

Contract, and otherwise do not object to the Debtors' assumption and assignment of your Assumed Contract, you need not take any further action.

11. The Buyer reserves the right to exclude or add any Assumed Contract from or to the proposed sale and to withdraw the request to assume and assign any Assumed Contract pursuant to the terms of the Purchase Agreement.

12. The Debtors' decision to assume and assign to the Buyer the Assumed Contracts is subject to Court approval, the Closing and State PUC Approval or FCC Approval. Accordingly, the Debtors shall be deemed to have assumed and assigned each of the Assumed Contracts as of the later of (i) the Closing or (ii) State PUC Consent or FCC Consent. Absent such Closing, State PUC Consent or FCC Consent, any of the affected Assumed Contracts shall not be deemed assumed nor assigned, and shall in all respects be subject to further administration under the Bankruptcy Code. The inclusion of any document on the list of Assumed Contracts shall not constitute or be deemed to be a determination or admission by the Debtors or the Buyer that such document is, in fact, an executory contract or unexpired lease within the meaning of the Bankruptcy Code (all rights with respect thereto being expressly reserved).

Dated: New York, New York
[insert date], 2004

KIRKLAND & ELLIS LLP

By: _____
Matthew A. Cantor, Esq. (MC-7727)
Jonathan S. Henes, Esq. (JH-1979)
Kirkland & Ellis LLP
Citigroup Center
153 East 53rd Street
New York, New York 10022-4675
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

Attorneys for Debtors and Debtors in Possession

EXHIBIT B



Confidential

Regarding: Term sheet for the convertible notes to be issued at part of the purchase price consideration for Allegiance Telecom

Convertible Security

| | |
|----------------------------|--|
| Issuer | Qwest Communications International, Inc. ("QCII") |
| Face Value | \$90,000,000 |
| Issue Rank | Senior Notes |
| Maturity | 20 Year with Puts in Yrs 5, 10, 15 |
| Non-Call Period | 5 Years |
| Premium / Conversion Price | \$6.10 |
| Covenants | Change of control only with no additional financial covenants |
| Yield | 1.50% |
| Coupon | Cash pay until end of non-call period (Year 5), Zero thereafter |

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re

Allegiance Telecom, Inc., et al.,
Debtors.

**Chapter 11
Case No. 02-130507 (RDD)

(Jointly Administered)**

**ORDER (I) APPROVING THE SALE FREE AND
CLEAR OF ALL LIENS, CLAIMS AND ENCUMBRANCES
TO THE SUCCESSFUL BIDDER, (II) AUTHORIZING THE
ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY
CONTRACTS AND UNEXPIRED LEASES AND (III) GRANTING RELATED RELIEF**

Upon the motion, dated December 18, 2003 (the “Motion”) of Allegiance Telecom, Inc., (“Allegiance”) and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the “Debtors”) for an order (i) approving the sale of the Sale Assets,¹ free and clear of (a) all liens, claims and encumbrances and (b) certain transfer taxes, to the successful bidder (the “Successful Bidder”); (ii) authorizing the assumption and assignment of certain executory contracts and unexpired leases; and (iii) granting certain related relief, and the Court having entered an order (the “Bidding Procedures Order”) on [insert date]__ 2004, approving the Bidding Procedures (as defined therein); and the Court having held a hearing on [insert date], 2004, to approve the relief requested in the Motion (the “Sale Hearing”); and it appearing that notice of the Sale Hearing has been provided to (i) the Office of the United States Trustee; (ii) the attorneys for Prepetition Lenders; (iii) the attorneys for the Creditors’ Committee; (iv) all nondebtor contracting and lease parties identified on Schedule 4.20 and 4.21 of the Disclosure Schedules, (v) all parties that provide telecom services to the Debtors pursuant

¹ Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Motion or the Purchase Agreement, as applicable.

to tariffs; (vi) the attorneys for the Buyer; (vii) all parties who have made written expressions of interest in acquiring the Sale Assets or the Business within two (2) months prior to the date of the Motion; (viii) all known persons holding a lien on any of the Sale Assets; (ix) the Securities and Exchange Commission; (x) all taxing authorities that have jurisdiction over the Sale Assets; (xi) all Governmental Agencies having jurisdiction over the Sale Assets with respect to Environmental Laws, (xii) the attorneys general of all states in which the Sale Assets are located; (xiii) the Federal Communications Commission and applicable state public utility commissions; and (xiv) all other parties that had filed a notice of appearance and demand for service of papers in these bankruptcy cases under Bankruptcy Rule 2002 as of the date of the Motion; and it appearing that such notice constitutes good and sufficient notice of the Motion and Sale Hearing and that no other or further notice need be provided; and upon the Motion and the record of the Sale Hearing and all other proceedings had before the Court; and it appearing that an order approving the transaction(s) contemplated in the Purchase Agreement is in the best interests of the Debtors and all parties in interest; and it appearing that the Court has jurisdiction over this matter; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY FOUND AND DETERMINED THAT:

A. This Court has jurisdiction over the Motion under 28 U.S.C. §§ 157 and 1334, and this matter is a core proceeding under 28 U.S.C. § 157(b)(2)(A). Venue of these cases and the motion in this District is proper under 28 U.S.C. §§ 1408 and 1409.

B. The statutory predicates for the relief sought in the Motion are sections 105(a), 363(b), (f), (m), and (n) of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, 6006, and 9014.

C. Proper, timely, adequate, and sufficient notice of the Motion and the sale set forth herein (the “Sale”) has been provided in accordance with sections 105(a) and 363 of the Bankruptcy Code and Bankruptcy Rules 2002, 2002(i), 6004, and 9014, in compliance with the Order Establishing Notice Procedures, dated May 15, 2003, and in compliance with the Bidding Procedures Order, such notice was good and sufficient, and appropriate under the particular circumstances, and no other or further notice of the Motion or the Sale Hearing is or shall be required.

D. As demonstrated by the pleadings and affidavit of publication filed herein, the Debtors have marketed the Sale Assets and conducted the sale process in compliance with the Bidding Procedures Order and have completed a full and complete auction process.

E. No consents or approvals, other than those expressly set forth in and required by the Purchase Agreement or expressly set forth herein, are required for the Debtors or Buyer to consummate the transaction(s) contemplated in the Purchase Agreement.

F. Approval of the Purchase Agreement and consummation of the transaction(s) contemplated therein at this time are in the best interests of the Debtors, their creditors, and their estates.

G. The Debtors have demonstrated both (i) good, sufficient, and sound business purpose and justification and (ii) compelling circumstances for approval of the sale transaction(s) contemplated in the Purchase Agreement pursuant to section 363(b) of the Bankruptcy Code and in connection with a plan of reorganization.

H. A reasonable opportunity to object or be heard with respect to the Motion and the relief requested therein has been afforded to all interested persons and entities.

I. The Purchase Agreement was negotiated, proposed, and entered into by the Debtors and Buyer, in good faith, without collusion, and from arm's-length bargaining positions. Neither the Debtors nor Buyer have engaged in any conduct that would cause or permit the Purchase Agreement to be avoided under section 363(n) of the Bankruptcy Code. Buyer is not an "insider" of any of the Debtors, as that term is defined in Bankruptcy Code section 101.

J. Buyer is a good faith purchaser under section 363(m) of the Bankruptcy Code and, as such, is entitled to all of the protections afforded thereby. Buyer will be acting in good faith within the meaning of section 363(m) of the Bankruptcy Code in closing the transactions contemplated by the Purchase Agreement at all times after the entry of this Order.

K. The Purchase Agreement was not entered into for the purpose of hindering, delaying, or defrauding creditors under the Bankruptcy Code and under the laws of the United States, any state, territory, possession, or the District of Columbia.

L. The Purchase Price for the Sale Assets pursuant to the Purchase Agreement (i) is fair and reasonable, (ii) is the highest or best offer for the Sale Assets, and (iii) constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code and under the laws of the United States, any state, territory, possession, or the District of Columbia.

M. The transfer of the Sale Assets to Buyer will be a legal, valid, and effective transfer of the Sale Assets, and will vest Buyer with all rights, title, and interest in and to the Sale Assets free and clear of all liens (other than Permitted Liens of the type set forth in clause (iii) of the definition thereof), claims, encumbrances, and interests, which have, or could have, been asserted by the Debtors or their creditors.

N. The Debtors have demonstrated a compelling and sound business justification for authorizing the payment of the Liquidated Damages to the Buyer under the circumstances, timing, and procedures set forth in the Motion and the Purchase Agreement. The Liquidated Damages are not a penalty, but rather, a reasonable estimate of the damages to be suffered by the Buyer in the event the transactions contemplated by the Purchase Agreement are not consummated under the circumstances set forth therein.

O. The Liquidated Damages were a material inducement for, and express conditions of, the Buyer's willingness to enter into the Purchase Agreement, and the Buyer was unwilling to commit to hold open its offer to acquire the Sale Assets, pending Closing, and consummate the other transactions under the terms of the Purchase Agreement unless it was assured of the payment of the Liquidated Damages.

**NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND
DECREED THAT:**

1. The Motion is granted.
2. All objections to the Motion or the relief requested therein, if any, that have not been withdrawn, waived, or settled, and all reservations of rights included therein, are hereby overruled on the merits.

Approval of the Purchase Agreement

3. The Purchase Agreement and all of the terms and conditions thereof are hereby approved.
4. Pursuant to section 363(b) of the Bankruptcy Code, the Debtors and Buyer are authorized and directed to consummate the Sale Transaction, pursuant to and in accordance with the terms and conditions of the Purchase Agreement.

5. The Debtors are authorized and directed to execute and deliver, and empowered to perform under, consummate and implement the Purchase Agreement, together with all additional instruments and documents that may be reasonably necessary or desirable to implement the Purchase Agreement, and to take all further actions as may be reasonably requested by Buyer as may be necessary or appropriate to the performance of the obligations as contemplated by the Purchase Agreement.

6. The Debtors have completed a full and complete auction process.

7. So long as the Purchase Agreement has not been terminated in accordance with its terms, the Debtors shall not be entitled to consider or accept a Competing Transaction.

8. The Regulatory Transition Process is hereby approved pursuant to sections 105, 363, and 365 of the Bankruptcy Code.

Transfer of the Sale Assets

9. Pursuant to sections 105(a), 363(b) and 363(f) of the Bankruptcy Code, the transfer of the Sale Assets, including any limited liability company (“LLC”) membership interests and any equipment of Debtors that may be transferred to such LLC prior to the Closing, to Buyer on the later of (i) Closing or (ii) the applicable State PUC Consent or FCC Consent, shall vest Buyer (or such LLC as the case may be with respect to equipment) with all rights, title, and interest in and to the Sale Assets and shall be, free and clear of all liens (other than Permitted Liens of the type set forth in clause (iii) of the definition thereof), claims, encumbrances, and interests which have, or could have, been asserted by the Debtors or their creditors in connection with the Debtors’ chapter 11 cases, if any, with all such liens, claims, encumbrances, and interests of any kind or nature whatsoever to attach to the net proceeds that the Debtors ultimately realize from the sale transaction contemplated herein in the order of their priority,

with the same validity, force and effect which they now have as against the Sale Assets, subject to any claims and defenses the Debtors may possess with respect thereto.

10. Buyer shall have no liability or responsibility for any liability or other obligation of the Debtors arising under or related to the Sale Assets other than as expressly set forth in the Purchase Agreement and in no event shall Buyer have any liability or responsibility for any Excluded Liabilities (including any unrecorded liabilities of the Debtors). Without limiting the effect or scope of the foregoing, the transfer of the Sale Assets from the Debtors to Buyer does not and will not subject Buyer or its affiliates, successors or assigns or their respective properties (including the Sale Assets) to any liability for claims (as that term is defined in section 101(5) of the Bankruptcy Code) against the Debtors or the Sale Assets by reason of such transfer under the laws of the United States or any state, territory or possession thereof applicable to such transactions. Neither Buyer nor its affiliates, successors, or assigns shall be deemed, as a result of actions taken in connection with the purchase of the Sale Assets: (i) to be a successor to the Debtors (except for purposes of section 1145 of the Bankruptcy Code) or (ii) be a continuation or substantial continuation of the Debtors or any enterprise of the Debtors. Neither Buyer nor its affiliates, successors, or assigns is acquiring or assuming any liability, warranty, or other obligation of the Debtors, including, without limitation, any tax incurred but unpaid by the Debtors prior to the date of the Closing (except as expressly set forth in the Purchase Agreement), including, but not limited to, any tax, any fine or penalty relating to a tax, or any addition to a tax, whether or not previously assessed, fixed or audited, whether or not paid, and whether or not contested before and adjudicated by a judicial or administrative tribunal of competent jurisdiction, except as otherwise expressly provided in the Purchase Agreement.

11. The process set forth in the Purchase Agreement, the Management Agreements, the Transition Plan and other related documents for obtaining all approvals, consents (including assignments of any permits and rights of way), certificates, waivers and other authorizations required to be obtained from, or filings or other notices required to be made with or to, any Governmental Entities (as defined in the Purchase Agreement) having jurisdiction over any of the Sale Assets in order to consummate the transactions contemplated by the Purchase Agreement and the other related transaction documents and the transfer of such Sale Assets, including the Non-Transferred Assets, to Buyer upon the receipt of such approvals (the “Regulatory Transition Process”) is hereby approved pursuant to sections 105, 363 and 365 of the Bankruptcy Code.

Assumption and Assignment of Assumed Contracts to Buyer

12. Pursuant to sections 105(a) and 365 of the Bankruptcy Code, (x) on the later of (i) the Closing or (ii) the applicable State PUC Consent or FCC Consent or (y) in the event of an Early Closing Election, the Debtors’ assumption and assignment to Buyer and Buyer’s assumption on the terms and conditions set forth in the Purchase Agreement of the Assumed Contracts is hereby approved, provided that the requirements of section 365(b)(1) of the Bankruptcy Code with are satisfied as set forth in the Debtors Notice of Intent to Assume and Assign (as defined below). Buyer and the Debtors shall keep confidential the Executory Contracts as set forth in Section 3.5(d) of the Purchase Agreement.

13. Subject to (x) the later of (i) the Closing or (ii) the applicable State PUC Consent or FCC Consent or (y) an Early Closing Election, the Debtors are hereby authorized and directed in accordance with sections 105(a) and 365 of the Bankruptcy Code to (a) assume and assign to Buyer the Assumed Contracts free and clear of all liens (other than Permitted Liens),

claims, and encumbrances as well as all interests of any kind or nature whatsoever and (b) execute and deliver to Buyer such documents or other instruments as may be necessary to assign and transfer the Assumed Contracts to Buyer.

14. Pursuant to the procedures set forth in Sections 3.5, 6.3 and 8.3 of the Purchase Agreement, the Assumed Contracts shall be transferred to, and remain in full force and effect for the benefit of, Buyer in accordance with their respective terms, notwithstanding any provision in any of the Assumed Contracts (including those of the type described in sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits, restricts, or conditions such assignment or transfer and, pursuant to section 365(k) of the Bankruptcy Code, the Debtors shall be relieved from any further liability with respect to the Assumed Contracts after such assignment to and assumption by Buyer.

15. All defaults or other obligations of the Debtors under the Assumed Contracts (without giving effect to any acceleration clauses or any default provisions of the kind specified in section 365(b)(2) of the Bankruptcy Code) shall be promptly cured by the Debtors or Buyer as set forth in the Purchase Agreement as provided in Bankruptcy Code section 365(b)(1) and the cure amounts with respect to the Assumed Contracts will be those amounts (the "Cure Amounts") established in accordance with the procedures set forth in the Bidding Procedures Order and Exhibit 2 thereto.

16. With the exception of the Cure Amounts, except as otherwise set forth herein, each nondebtor party to an Assumed Contract hereby will be forever barred, estopped, and permanently enjoined from asserting against the Debtors or Buyer, or the property of any of them, any default existing under the Assumed Contracts as of the later of date of (i) the Closing or (ii) the applicable State PUC Consent or FCC Consent; or, against Buyer, any counterclaim,

defense, setoff, or any other claim under the Assumed Contracts asserted or assertable against the Debtors. All parties that provide telecommunications services pursuant to a tariff related to any of the Sale Assets are hereby directed to continue providing such services to Buyer.

17. If the Debtors receive an objection to the cure amounts (the “Cure Amount Objection”) in the Notice of Intent to Assume and Assign, they shall attempt to resolve such disputed cure amounts with the party asserting the objection. If consensual resolution of the Cure Amount Objection cannot be reached, the Debtors or Buyer, as provided in the Purchase Agreement will (i) pay in full the undisputed portion of such Cure Amount on or before the applicable date of assumption and (ii) segregate the disputed portion of such cure amount (the “Segregated Amounts”) pending the resolution of the Cure Amount Objection by this Court or by mutual agreement of the parties. In light of these procedures, the fact that any Cure Amount Objection is not resolved shall not prevent or delay the occurrence of the date of assumption or the assumption and assignment of any Assumed Contracts, and the objectors’ only recourse after the relevant date of assumption shall be to the segregated amounts.

18. The Buyer is (i) permitted to participate and monitor any of the Debtors’ negotiations and settlements regarding ILEC and non-ILEC Cure Amounts and (ii) has standing to participate in any disputes before the Bankruptcy Court regarding ILEC and non-ILEC Cure Amounts. Any treatment of ILEC charges under the Bankruptcy Plan, or otherwise, shall be reasonably acceptable to Buyer. The Debtors shall pay all ILEC Cure Amounts (whether in cash or by application of the ILEC Set Off Amounts) subject to and as set forth in Section 3.5 of the Purchase Agreement

Liquidated Damages

19. Pursuant to section 363(b) of the Bankruptcy Code and because damage suffered by the Buyer in the event of any such termination would be impossible to calculate and the Liquidated Damages (as defined below) constitute a reasonable estimate of such damages, the Debtors are required to pay to Buyer as liquidated damages and not as a penalty (i) the Expense Reimbursement (which shall not exceed \$10 million) plus (ii) \$30 million (clauses (i) and (ii) together, the “Liquidated Damages”) immediately in the event that: (x) the Purchase Agreement is terminated pursuant to sections 8.1(b), (c), or (d) of the Purchase Agreement following the Sale Order Approval Date, or (y) Buyer elects to terminate the Purchase Agreement pursuant to Section 8.1(e) of the Purchase Agreement or not to close, in each case because the condition set forth in section 7.2(a) of the Purchase Agreement has not been satisfied, as a result of a Seller’s Intentional Breach following the Sale Order Approval Date.

20. In the event of an Adverse Bankruptcy Event that Buyer does not agree to waive or extend, the Debtors shall either (i) immediately terminate the Purchase Agreement and simultaneously pay to Buyer the Liquidated Damages or (ii) immediately waive the condition set forth in Section 7.1(d) of the Purchase Agreement, send an irrevocable election of early closing on the date of such Adverse Bankruptcy Event and promptly close on the transactions contemplated by the Purchase Agreement (the “Early Closing Election”), provided, that the Debtors shall only be entitled to invoke clause (ii) above if all other conditions to Closing set forth in Article VII of the Purchase Agreement have been satisfied or waived if such conditions may be satisfied prior to Closing or will be satisfied or waived at Closing in accordance with the terms of the Purchase Agreement. Debtors shall also have the right to invoke clause (ii) above in accordance with the terms thereof at any time after the date hereof provided that the Closing

pursuant thereto shall not occur sooner than the later of 35 days after the Sale Order Approval Date or twenty (20) Business Days after the delivery of the Early Closing Election. In the event of any waiver of any deadline in Exhibit J to the Purchase Agreement, the Liquidated Damages otherwise payable shall be payable at such extended date if such extended deadline has not been met.

21. The Debtors are authorized and empowered to pay the Liquidated Damages to the Buyer, as required under and pursuant to the Purchase Agreement, without further order of the Court and the Liquidated Damages shall (i) receive superpriority administrative claim status and shall have priority over any and all administrative expenses of the kinds specified in sections 503(b), 506(c), 507(a), or 507(b) of the Bankruptcy Code and (ii) the Buyer's right to the Liquidated Damages and the superpriority administrative claim status of such claims shall survive rejection or breach of the Purchase Agreement, and shall be unaffected thereby, provided, however, that the Liquidated Damages shall not prime the Liens held by the Sellers' senior secured lenders and any such amounts payable shall be subordinated to the carve out for professionals fees and fees under 28 U.S.C. § 1930 as provided in the Bankruptcy Court's order authorizing Debtors to use cash collateral that was entered in these cases.

Additional Provisions

22. Pursuant to section 364(c)(1) of the Bankruptcy Code, (i) the obligation of the Debtors to pay any adjustments to the Purchase Price, including interest with respect thereto, and (ii) any amounts that may be owed to Buyer pursuant to, or for Debtors' breach of, the Management Agreement, shall receive superpriority administrative claim status and shall have priority over any and all administrative expenses of the kinds specified in sections 503(b), 506(c), 507(a), or 507(b) of the Bankruptcy Code, provided, however, that any such amounts

payable shall be subordinate to the carve out for professional fees and fees under 28 U.S.C.

§ 1930 as provided in the Bankruptcy Court's order authorizing Debtors to use cash collateral that was entered in these cases.

23. Any amounts payable by the Debtors pursuant to the Purchase Agreement or any of the documents delivered by the Debtors pursuant to or in connection with the Purchase Agreement shall (i) constitute administrative priority expenses of the Debtors' estates pursuant to Bankruptcy Code sections 503(b) and 507(a)(1), except as otherwise specifically provided in the Purchase Agreement, (ii) be paid by the Debtors in the time and manner provided in the Purchase Agreement without further order of this Court, and (iii) not be discharged, modified, or otherwise affected by any plan of reorganization of any of the Debtors.

24. On the date of the Closing, each of the Debtors' creditors is authorized and directed to execute such documents and take all other actions as may be necessary to release its interest in the Sale Assets, if any, as such interests may have been recorded or may otherwise exist.

25. All Liens held by the Debtors' senior secured lenders on the Non-Transferred Assets and all other Liens shall be released at the Closing and the Buyer shall be granted a first-priority, perfected Lien as security for all of the Debtors' obligations to Buyer pursuant to the Management Agreement on all Non-Transferred Assets pending FCC Approval and State PUC Approval, as applicable.

26. Regardless of whether the Debtors' creditors execute the releases set forth in the above paragraphs, this Order (a) shall be effective as a determination that, on the date of the Closing, all liens, claims, security interests, encumbrances, and interests of any kind or nature whatsoever existing with respect to the Debtors and the Sale Assets prior to the Closing have

been unconditionally released, discharged and terminated, and that the conveyances described herein have been effected and (b) shall be binding upon and shall govern the acts of all entities including without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrars of deeds, administrative agencies, governmental departments, secretaries of state, federal, state, and local officials, and all other persons and entities who may be required by operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any of the Sale Assets.

27. Each and every federal, state, and local governmental agency or department is hereby directed to accept for filing and/or recording and approve as necessary any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Purchase Agreement.

28. If any person or entity that has filed financing statements, mortgages, mechanic's liens, *lis pendens*, or other documents or agreements evidencing claims or interests with respect to the Debtors or the Sale Assets shall not have delivered to the Debtors prior to the date of the Closing, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, releases of all interests which the person or entity has with respect to the Debtors or the Sale Assets or otherwise, then (a) the Debtors are hereby authorized to execute and file such statements, instruments, releases and other documents on behalf of the person or entity with respect to the Sale Assets and (b) Buyer is hereby authorized to file, register, or otherwise record a certified copy of this Order, which, once filed, registered, or otherwise recorded, shall constitute conclusive evidence of the release of all claims and interests in the Sale Assets of any kind or nature whatsoever.

29. Pursuant to sections 105(a) and 1146(c) of the Bankruptcy Code, the transfer of the Sale Assets in connection with the Bankruptcy Plan is not subject to taxation under any federal, state, local, municipal, or other law imposing or purporting to impose a stamp, transfer, recording, or any other similar tax on any of the Debtors' transfers or conveyances of the Sale Assets, which includes real estate, personal property, and any other assets and is deemed to be part of a plan pursuant to section 1146(c) of the Bankruptcy Code.

30. All entities who presently are in possession of some or all of the Sale Assets are hereby directed to surrender possession of the Sale Assets to the Debtors at the Closing.

31. The Debtors are hereafter not permitted to cause their Representatives to initiate contact with, solicit or encourage submission of any inquiries, proposals or offers by, any Person in connection with any inquiry, proposal, offer, sale or other disposition related to any or all of the Acquired Assets.

32. This Court retains jurisdiction to enforce and implement the terms and provisions of the Purchase Agreement (including the breach of the Purchase Agreement as provided in Section 9.12 thereof), all amendments thereto, any waivers and consents thereunder, and of each of the agreements executed in connection therewith in all respects.

33. The transaction contemplated by the Purchase Agreement is undertaken by Buyer in good faith, as that term is used in section 363(m) of the Bankruptcy Code. Accordingly, the reversal or modification on appeal of the authorization provided herein to consummate the transaction(s) contemplated herein shall not affect the validity of the sale of the Sale Assets to Buyer, unless such authorization is duly stayed pending such appeal. Buyer is a

purchaser in good faith of the Sale Assets, and is entitled to all of the protections afforded by section 363(m) of the Bankruptcy Code.

34. The Purchase Agreement and the transactions and instruments contemplated hereby shall be specifically performed and enforceable against and binding upon, and not subject to rejection or avoidance by, Debtors, and their respective affiliates, successors, and assigns, or any chapter 7 or chapter 11 trustee of Debtors and their estates.

35. The Purchase Agreement and the transactions and instruments contemplated hereby shall be specifically performable and enforceable against and binding upon, and not subject to rejection or avoidance by, the Debtors or any chapter 7 or chapter 11 trustee of the Debtors and their estates.

36. The failure specifically to include any particular provision of the Purchase Agreement in this Order shall not diminish or impair the effectiveness of such provision, it being the intent of the Court that the Purchase Agreement be authorized and approved in its entirety.

37. The Purchase Agreement and any related agreements, documents or other instruments may be modified, amended, or supplemented by the parties thereto, in a writing signed by both parties, and in accordance with the terms thereof, without further order of the Court.

38. Notwithstanding the provisions of Bankruptcy Rules 6004(g) and 6006(d), there is no stay pursuant to Bankruptcy Rule 6004(g) and this Order shall be effective and enforceable immediately upon entry.

Dated: New York, New York
_____, 2004

UNITED STATES BANKRUPTCY JUDGE

BILL OF SALE

THIS BILL OF SALE (this "Bill of Sale") is made and delivered this ____ day of _____, 2004, by Allegiance Telecom, Inc., a Delaware corporation ("ATI"), and each of the other parties set forth on the signature pages hereto under the caption "SELLERS" (each individually, "Seller," and collectively with ATI, "Sellers"), to Qwest Communications International Inc., a Delaware corporation ("Buyer"). Capitalized terms defined in the Asset Purchase Agreement (as defined below) which are used but not defined herein shall have the meanings ascribed to such terms in the Asset Purchase Agreement.

WHEREAS, the Sellers have entered into that certain Asset Purchase Agreement, dated as of December 18, 2003 (as amended from time to time, the "Asset Purchase Agreement"), by and among the Sellers and the Buyer, which provides, among other things, for the assignment by the Sellers to the Buyer of the Acquired Assets.

NOW, THEREFORE, in consideration of the mutual promises contained in the Asset Purchase Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and subject to the terms and conditions of the Asset Purchase Agreement:

1. Each Seller does hereby sell, convey, assign, transfer and deliver to Buyer free and clear of all Liens and Liabilities (other than Permitted Liens of the type included in clause (iii) of the definition of Permitted Liens in the Asset Purchase Agreement), all of such Seller's right, title and interest in and to the Acquired Assets.

2. This Bill of Sale is executed and delivered pursuant to the Asset Purchase Agreement. Nothing in this Bill of Sale, express or implied, is intended to or shall be construed to supersede, modify, expand or limit in any way the terms of the Asset Purchase Agreement. To the extent that any provision of this Bill of Sale conflicts or is inconsistent with the terms of the Asset Purchase Agreement, the Asset Purchase Agreement shall govern.

3. This Bill of Sale shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

4. The Bill of Sale shall be construed and interpreted, and the rights of the parties shall be determined, in accordance with the Bankruptcy Code and the substantive laws of the State of New York for contracts expected and likely to be performed solely within such state, in each case without regard to the conflict of laws principles thereof or of any other jurisdiction.

5. This Bill of Sale may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, and all of which together shall constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties have caused this Bill of Sale to be executed and delivered as of the day and year first above written.

SELLERS:

ALLEGIANCE TELECOM, INC.

By: _____

Name:

Title:

ALLEGIANCE TELECOM COMPANY WORLDWIDE
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.

(Signatures Continued)

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.

VIRTUALIS SYSTEMS, INC.

By: _____
Name:
Title:

(Signatures Continued)

BUYER:

QWEST COMMUNICATIONS INTERNATIONAL INC.

By: _____

Name:

Title:

ASSUMPTION AGREEMENT

ASSUMPTION AGREEMENT (this "Agreement") dated as of _____, 2004 by and among Allegiance Telecom, Inc., a Delaware corporation ("ATI"), and each of the other parties set forth on the signature pages hereto under the caption "SELLERS" (each individually, "Seller," and collectively with ATI, "Sellers") and Qwest Communications International Inc., a Delaware corporation ("Buyer"). Capitalized terms defined in the Asset Purchase Agreement (as defined below) which are used but not defined herein shall have the meanings ascribed to such terms in the Asset Purchase Agreement.

WHEREAS, Sellers and Buyer have entered into that certain Asset Purchase Agreement, dated as of December 18, 2003 (as amended from time to time, the "Asset Purchase Agreement"), pursuant to which Sellers have agreed to sell, convey, assign, transfer and deliver to Buyer, and Buyer has agreed to purchase, acquire and accept from Sellers, all right, title and interest of Sellers in and to all Acquired Assets and Assumed Liabilities;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

1. In accordance with and subject to the terms, provisions and limitations of the Asset Purchase Agreement, Buyer hereby assumes the Assumed Liabilities.
2. This Agreement is executed and delivered pursuant to the Asset Purchase Agreement. Nothing in this Agreement, express or implied, is intended to or shall be construed to supersede, modify, expand or limit in any way the terms of the Asset Purchase Agreement. To the extent that any provision of this Agreement conflicts or is inconsistent with the terms of the Asset Purchase Agreement, the Asset Purchase Agreement shall govern.
3. Nothing in this Agreement, express or implied, is intended or shall be construed to confer upon, or give to, any Person other than Buyer and Sellers and their respective successors and permitted assigns, any remedy or claim under or by reason of this instrument or any term, covenant or condition hereof, and all the terms, covenants and conditions, promises and agreements contained in this instrument shall be for the sole and exclusive benefit of Buyer and Sellers and their respective successors and permitted assigns.
4. This Agreement may be amended, supplemented or modified, and any provision hereof may be waived, only pursuant to a written instrument making specific reference to this Agreement signed by each of the parties hereto.
5. This Agreement shall be construed and interpreted, and the rights of the parties shall be determined, in accordance with the Bankruptcy Code and the substantive laws of the State of New York for contracts expected and likely to be

performed solely within such state, in each case without regard to the conflict of laws principles thereof or of any other jurisdiction.

6. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, and all of which together shall constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this
Assumption Agreement as of the date and year first above written.

SELLERS:

ALLEGIANCE TELECOM, INC.

By: _____

Name:

Title:

ALLEGIANCE TELECOM COMPANY WORLDWIDE

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.

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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.

(Signatures Continued)

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.

VIRTUALIS SYSTEMS, INC.

By: _____

Name:

Title:

(Signatures Continued)

BUYER:

QWEST COMMUNICATIONS INTERNATIONAL INC.

By: _____

Name:

Title:

CLOSING ESCROW AGREEMENT

CLOSING ESCROW AGREEMENT (this "*Escrow Agreement*"), dated as of _____, 2004, by and among Allegiance Telecom, Inc., a Delaware corporation ("*ATP*"), and Allegiance Telecom Company Worldwide, a Delaware corporation, debtors-in-possession under title 11, of the United States Code, 11 U.S.C. in the United States Bankruptcy Court for the Southern District of New York (each individually, "*Seller*," and together, "*Sellers*"), Qwest Communications International Inc., a Delaware corporation ("*Buyer*"), and [_____] as escrow agent (the "*Escrow Agent*").

WITNESSETH

WHEREAS, Buyer and Sellers have entered into an Asset Purchase Agreement, dated as of December 18, 2003 (the "*Asset Purchase Agreement*" and capitalized terms used herein and not otherwise defined in this Escrow Agreement shall have the meaning ascribed to them in the Asset Purchase Agreement);

WHEREAS, pursuant to Section 3.2(b) of the Asset Purchase Agreement, Buyer and Sellers have agreed that Buyer will deliver a deposit equal to the greater of (i) \$7,000,000 and (ii) the sum of \$5,000,000 plus, to the extent required by Section 3.4(f) of the Asset Purchase Agreement, the Initial Working Capital Adjustment (the "*Escrowed Funds*") into an escrow account;

WHEREAS, Buyer and Sellers desire to appoint the Escrow Agent to act as escrow agent hereunder in the manner hereinafter set forth and the Escrow Agent is willing to act in such capacity;

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Buyer, Sellers and the Escrow Agent hereby agree as follows:

1. Establishment of Escrow Account. The Escrow Agent shall establish and maintain on behalf of the parties hereto, an interest bearing trust account (the "*Escrow Account*") to which there shall be immediately credited and held all amounts received by the Escrow Agent from Buyer in accordance with Section 2 hereof. The funds credited to the Escrow Account shall be applied and disbursed only as provided herein. The Escrow Agent shall, to the extent required by law, segregate the funds credited to the Escrow Account from its other funds held as an agent or in trust.

2. Deposits to the Escrow Account; Investment.

(a) Buyer shall deliver to the Escrow Agent for deposit in the Escrow Account the Escrowed Funds as required pursuant to Section 3.2(b) and Section 3.4(f) of the Asset Purchase Agreement and the terms set forth herein.

(b) All amounts to be deposited with the Escrow Agent shall be transferred by wire transfer of immediately available funds to the following account of the Escrow Agent (or to such other account of the Escrow Agent as the Escrow Agent shall notify Sellers and Buyer in writing prior to the transfer of funds and which account Sellers and Buyer approve):

[Name of Escrow Agent]
ABA No.: []
Account No.: []
Allegiance Telecom Escrow
Attention: []

(c) The Escrow Agent shall confirm in writing to Sellers and Buyer the deposit received by it pursuant to Section 2(a) above and the amount of such deposit and of any other amounts from time to time deposited with the Escrow Agent in connection with the Asset Purchase Agreement.

(d) Funds on deposit in the Escrow Account shall be invested in short-term United States government securities, money-market funds, interest bearing depository accounts or short-term certificates of deposit of a bank or trust company having combined capital, surplus and retained earnings of at least \$500 million; provided that any such investment can be liquidated upon [three] days notice. The Escrow Agent shall not be accountable or liable for any losses resulting from the sale or depreciation in the market value of such investments thereof.

(e) ATI shall be deemed the owner of all Escrowed Funds and investments in the Escrow Account and shall be responsible for the preparation of all tax returns associated with the investments therein and shall pay all costs relating to such returns, and all taxes, fines and penalties and interest. The Escrow Account shall be assigned the federal tax identification number of ATI. ATI shall provide Escrow Agent, at any time upon request of Escrow Agent with a Form W-8 or W-9 to evidence ATI is not subject to any back-up withholding under the United States Internal Revenue Code. ATI shall report all income, if any, that is earned on, or derived from, the Escrowed Funds as its income, in the taxable year or years in which such income is properly includible and pay any taxes attributable thereto.

3. Distributions from Escrow Account.

(a) Funds on deposit in the Escrow Account shall be withdrawn by the Escrow Agent only in accordance with this Section 3.

(b) If the Escrow Agent receives joint written instructions signed by Buyer and Sellers pursuant to Section 3.4 and/or Section 3.6 of the Asset Purchase Agreement that the Escrowed Funds, or any portion thereof, should be paid to (i) Buyer, (ii) Sellers or (iii) Buyer and Sellers under the terms of the Asset Purchase Agreement, the Escrow Agent shall disburse the Escrowed Funds to Buyer and/or Sellers, as the case may be, in

such amounts as are set forth in such joint written instructions, together with the earnings thereon, within three (3) business days of receipt thereof.

(c) If one of the parties (the “*Notifying Party*”) (without joint instructions from the other party) notifies the Escrow Agent that it is entitled to the Escrowed Funds, such notice (the “*Notice*”) shall state the reason under Section 3(b) that the Notifying Party is entitled to the Escrowed Funds, and the Notice will also be sent to the other party (the “*Recipient*”). The Recipient shall have ten (10) calendar days from its actual receipt of the Notice to provide notice to the Escrow Agent and the Notifying Party disputing the Notifying Party’s entitlement to the Escrowed Funds. If the Escrow Agent does not receive notice disputing such entitlement to the Escrowed Funds within ten (10) calendar days after the Recipient actually receives the Notice, the Escrow Agent shall pay the Escrowed Funds as directed by the Notifying Party. If the Escrow Agent receives notice disputing such entitlement to the Escrowed Funds within ten days after the Recipient receives the Notice, the Escrow Agent shall not pay the Escrowed Funds until the Escrow Agent receives either an order of the Bankruptcy Court, which order has become final and not subject to appeal and has been certified by the clerk of the Bankruptcy Court or other appropriate official, or joint written notice signed by Buyer and Sellers indicating that the dispute has been resolved and directing the Escrow Agent to whom to pay the Escrowed Funds and income earned thereon and in what amounts (collectively, a “*Final Resolution*”). The Escrow Agent shall pay the Escrowed Funds within three (3) business days of its receipt of the written evidence of a Final Resolution required above in this Section 3(c). The Escrow Agent shall be entitled to rely, exclusively, on any representation jointly made by Buyer and Sellers in writing in relation to the release of funds from the Escrow Account, and shall release funds from the Escrow Account from time to time as directed in any such joint written instruction from Buyer and Sellers or pursuant to a Final Resolution.

(d) Any written instructions delivered to the Escrow Agent by Buyer shall only be effective if such instructions are executed on behalf of Buyer by both Mark T. Evans and Peter Hutchinson, or their respective successors.

(e) All disbursements of the Escrowed Funds, or any portion thereof, and the earnings thereon to Buyer shall be disbursed to Buyer in accordance with the instructions attached hereto as Exhibit A. Buyer may amend Exhibit A hereto from time to time by providing written notice to the Escrow Agent. Any such amendment shall be effective immediately upon receipt by the Escrow Agent of such written notice.

(f) All disbursements of the Escrowed Funds, or any portion thereof, and the earnings thereon to Sellers shall be disbursed to Sellers in accordance with the instructions attached hereto as Exhibit B. Sellers may amend Exhibit B hereto from time to time by providing written notice to the Escrow Agent. Any such amendment shall be effective immediately upon receipt by the Escrow Agent of such written notice.

4. Termination of Escrow Account and Escrow Agreement. The Escrow Account shall be deemed dissolved and this Escrow Agreement shall terminate upon the

written agreement of the parties hereto, upon disbursement of all of the funds in the Escrow Account, or upon transfer of all amounts in the Escrow Account then in the possession of the Escrow Agent to the Bankruptcy Court or such other party as the parties hereto may jointly agree upon in writing in accordance with the terms of this Escrow Agreement.

5. Escrow Agent.

(a) Buyer and Sellers, jointly and severally, agree to pay the Escrow Agent reasonable compensation for its services as Escrow Agent hereunder, as listed on Schedule A annexed hereto, promptly upon request therefor, and to reimburse the Escrow Agent for all reasonable expenses of or reasonable disbursements incurred by the Escrow Agent in the performance of its duties hereunder, including the reasonable fees, expenses and disbursements of counsel to the Escrow Agent. Notwithstanding the foregoing, and without prejudice to the Escrow Agent's rights hereunder, each of Buyer and Sellers shall bear 50% of the fees, costs and expenses of the Escrow Agent and of any indemnity obligation pursuant to Section 6(c) hereof.

(b) The Escrow Agent may retain that portion of the Escrow Account equal to any such unpaid reasonable costs, expenses and fees incurred by the Escrow Agent as contemplated by Section 5(a) above until such time as such costs, expenses and fees have been paid.

6. Rights, Duties and Immunities of Escrow Agent. Acceptance by the Escrow Agent of its duties under this Escrow Agreement is subject to the following terms and conditions, which all parties to this Escrow Agreement hereby agree shall govern and control the rights, duties and immunities of the Escrow Agent:

(a) The duties and obligations of the Escrow Agent shall be determined solely by the express provisions of this Escrow Agreement and the Escrow Agent shall not be liable, except for the performance of such duties and obligations as are specifically set out in this Escrow Agreement. The Escrow Agent shall not be required to inquire as to the performance or observation of any obligation, term or condition under any agreement or arrangement by Buyer and Sellers. The Escrow Agent is not a party to, and is not bound by, any agreement or other document out of which this Escrow Agreement may arise. The Escrow Agent shall be under no liability to any party hereto by reason of any failure on the part of any other party hereto or any maker, guarantor, endorser or other signatory of any document or any other person to perform such person's obligations under any such document. The Escrow Agent shall not be bound by any waiver, modification, termination or rescission of this Escrow Agreement or any of the terms hereof, unless evidenced by a writing delivered to the Escrow Agent signed by the proper party or parties and, if the duties or rights of the Escrow Agent are affected, unless it shall give its prior written consent thereto. This Escrow Agreement shall not be deemed to create a fiduciary relationship between the parties hereto under state or federal law.

(b) The Escrow Agent shall not be responsible in any manner for the validity or sufficiency of this Escrow Agreement or of any property delivered hereunder, or for the value or collectibility of any note, check or other instrument, if any, so delivered, or for any representations made or obligations assumed by any party other than the Escrow Agent. Nothing herein contained shall be deemed to obligate the Escrow Agent to deliver any cash, instruments, documents or any other property referred to herein, unless the same shall have first been received by the Escrow Agent pursuant to this Escrow Agreement.

(c) Buyer and Sellers will reimburse and indemnify the Escrow Agent for, and hold it harmless against, any loss, liability or expense, including but not limited to reasonable counsel fees, incurred without bad faith, willful misconduct or gross negligence on the part of the Escrow Agent arising out of or in conjunction with its acceptance of, or the performance of its duties and obligations under this Escrow Agreement, as well as the costs and expenses of defending against any claim or liability arising out of or relating to this Escrow Agreement.

(d) The Escrow Agent shall be fully protected in acting on and relying upon any written notice direction, request, waiver, consent, receipt or other paper or document which the Escrow Agent in good faith believes to have been signed and presented by the proper party or parties.

(e) The Escrow Agent shall not be liable for any error of judgment, or for any act done or step taken or omitted by it in good faith or for any mistake in act or law, or for anything which it may do or refrain from doing in connection herewith, except its own gross negligence or willful misconduct.

(f) The Escrow Agent may seek the advice of legal counsel in the event of any dispute or question as to the construction of any of the provisions of this Escrow Agreement or its duties hereunder, and it shall incur no liability and shall be fully protected in respect of any action taken, omitted or suffered by it in good faith in accordance with the written advice or opinion of such counsel.

(g) The parties hereto agree that should any dispute arise with respect to the payment, ownership or right of possession of the Escrow Account, the Escrow Agent is authorized and directed to retain in its possession, without liability to anyone, except for its bad faith, willful misconduct or gross negligence, all or any part of the Escrow Account until such dispute shall have been settled either by mutual agreement by the parties concerned or by the final order, decree or judgment of the Bankruptcy Court and a notice executed by the parties to the dispute or their authorized representatives shall have been delivered to the Escrow Agent setting forth the resolution of the dispute, which notice Buyer and Sellers hereby agree to so execute and deliver to the Escrow Agent in the event that such an order, decree or judgment is obtained from or issued by the Bankruptcy Court. The Escrow Agent shall be under no duty whatsoever to institute, defend or partake in such proceedings.

(h) The agreements set forth in this Section 6 shall survive the resignation or removal of the Escrow Agent, the termination of this Escrow Agreement and the payment of all amounts hereunder.

7. Resignation of Escrow Agent. The Escrow Agent shall have the right to resign upon 30 days written notice to Sellers and Buyer. In the event of such resignation, Sellers and Buyer shall mutually agree upon and appoint a successor escrow agent hereunder by delivering to the Escrow Agent a written notice of such appointment. Upon receipt of such notice, the Escrow Agent shall deliver to the designated successor escrow agent all money and other property held hereunder and shall thereupon be released and discharged from any and all further responsibilities whatsoever under this Escrow Agreement; provided, however, that the Escrow Agent shall not be deprived of its compensation earned prior to such time.

If no successor escrow agent shall have been designated by the date specified in the Escrow Agent's notice, all obligations of the Escrow Agent hereunder shall nevertheless cease and terminate. Its sole responsibility thereafter shall be to keep safely all property then held by it and to deliver the same to a person designated by the other parties hereto or in accordance with the direction of a final order or judgment of the Bankruptcy Court.

8. Notices. All claims, notices, consents, objections and other communications under this Escrow Agreement shall be in writing and shall, except as otherwise provided herein, be deemed to have been duly given when (i) delivered by hand, (ii) sent by telecopier (with receipt confirmed), or (iii) when received by the addressee, if sent by Express Mail, Federal Express or other reputable overnight delivery service, in each case, at the appropriate addresses and telecopier numbers as set forth below:

ESCROW AGENT:

[Name of Escrow Agent]
[Address of Escrow Agent]
Attention: [_____]
Telecopier: (____) ____ - ____

BUYER:

Qwest Communications International Inc.
1801 California Street
Denver, CO 80202
Telecopier: (303) 296-5974
Attention: General Counsel

With a copy to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, NY 10153
Telecopier: (212) 310-8007
Attention: Paul M. Basta, Esq.
Howard Chatzinoff, Esq.

SELLERS:

c/o Allegiance Telecom, Inc.
700 E. Butterfield Road, Suite 400
Lombard, IL 60148
Telecopier: (630) 522-5250
Attention: Mark B. Tresnowski, Esq.
Executive Vice President,
General Counsel and Secretary

With a copy to:

Kirkland & Ellis LLP
153 East 53rd St.
New York, NY 10022
Telecopier: (212) 446-4900
Attention: Jonathan S. Henes, Esq.
Michael Movsoovich, Esq.

(or to such other addresses and telecopier numbers as a party may designate as to itself by notice to the other parties). Notwithstanding any of the foregoing, any computation of a time period which is to begin after receipt of a notice by the Escrow Agent shall run from the date of receipt by it.

9. Successors. This Escrow Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided that this Escrow Agreement may not be assigned by any party without the prior written consent of the other parties, which consent shall not be unreasonably withheld.

10. Severability. If any portion or provision of this Escrow Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Escrow Agreement shall be construed by modifying or limiting it so as to be valid and enforceable to the maximum extent compatible with, and possible under, applicable law. The provisions hereof are severable, and in the event any provision hereof should be held invalid or unenforceable in any respect, it shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

11. Amendments. Except as set forth in Sections 3(e) and 3(f) above, this Escrow Agreement may be amended or modified at any time or from time to time in writing executed by the parties to this Escrow Agreement.

12. Governing Law. This Escrow Agreement shall be construed and interpreted, and the rights of the parties shall be determined, in accordance with the substantive laws of the State of New York, without regard to the conflict of laws principles thereof or of any other jurisdiction.

13. JURISDICTION. THE BANKRUPTCY COURT SHALL HAVE EXCLUSIVE JURISDICTION TO RESOLVE ANY AND ALL DISPUTES ARISING UNDER THIS ESCROW AGREEMENT AND EACH OF THE PARTIES HERETO HEREBY EXPRESSLY CONSENTS TO SUCH EXCLUSIVE JURISDICTION.

14. Waiver. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Escrow Agreement, or the waiver by any party of any breach of this Escrow Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

15. Headings. The headings and captions in this Escrow Agreement are for convenience of reference only and shall not in any way affect the meaning or interpretation of this Escrow Agreement.

16. Counterparts. This Escrow Agreement may be executed in any number of counterparts and by each of the parties hereto in separate counterparts (including by facsimile), each of which when so executed shall be deemed to be an original and all of which together shall constitute one and the same agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned have executed this Escrow Agreement as of the date first written above.

ALLEGIANCE TELECOM, INC.

By: _____
Name:
Title:

ALLEGIANCE TELECOM COMPANY
WORLDWIDE

By: _____
Name:
Title:

QWEST COMMUNICATIONS
INTERNATIONAL INC.

By: _____
Name:
Title:

[INSERT NAME OF ESCROW AGENT],
as Escrow Agent

By: _____
Name:
Title:

ALLEGIANCE

SCHEDULE OF FEES

To act as an
Escrow Agent

Annual Administration Fee

\$[_____]

Covers acceptance of appointment as Escrow Agent including complete study of drafts of Escrow Agreement and all supporting documents in connection therewith, conferences until the final Escrow Agreement is agreed upon and execution of final Agreement.

Investments (if applicable)

Per purchase, sale, redemption, maturity or exchange

\$[_____]

Wire Transfer of Funds

\$[_____] out going

\$[_____] incoming

NOTE:

Charges for any services not specifically covered in this schedule will be billed commensurate with the services rendered. This schedule reflects charges that are now in effect for our normal and regular services and are subject to modification where unusual conditions or requirements prevail, and does not include counsel fees or expenses and disbursements, which will be billed at cost. The fees of our counsel shall be due and payable whether or not the transaction closes.

[Remainder of Page Intentionally Left Blank]

EXHIBIT A

[to come from Buyer]

EXHIBIT B

[to come from Sellers]

EARNEST MONEY ESCROW AGREEMENT

EARNEST MONEY ESCROW AGREEMENT (this "*Escrow Agreement*"), dated as of December __, 2003, by and among Allegiance Telecom, Inc., a Delaware corporation, and Allegiance Telecom Company Worldwide, a Delaware corporation, debtors-in-possession under title 11, of the United States Code, 11 U.S.C. in the United States Bankruptcy Court for the Southern District of New York (each individually, "*Seller*," and together, "*Sellers*"), Qwest Communications International Inc., a Delaware corporation ("*Buyer*"), and [_____] as escrow agent (the "*Escrow Agent*").

W I T N E S S E T H

WHEREAS, Buyer and Sellers have entered into an Asset Purchase Agreement, dated as of December 18, 2003 (the "*Asset Purchase Agreement*" and capitalized terms used herein and not otherwise defined in this Escrow Agreement shall have the meaning ascribed to them in the Asset Purchase Agreement);

WHEREAS, pursuant to Section 3.3 of the Asset Purchase Agreement, Buyer and Sellers have agreed that Buyer will deliver a deposit of \$30,000,000 (the "*Escrowed Funds*") into an escrow account;

WHEREAS, Buyer and Sellers desire to appoint the Escrow Agent to act as escrow agent hereunder in the manner hereinafter set forth and the Escrow Agent is willing to act in such capacity;

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Buyer, Sellers and the Escrow Agent hereby agree as follows:

1. Establishment of Escrow Account. The Escrow Agent shall establish and maintain on behalf of the parties hereto, an interest bearing trust account (the "*Escrow Account*") to which there shall be immediately credited and held all amounts received by the Escrow Agent from Buyer in accordance with Section 2 hereof. The funds credited to the Escrow Account shall be applied and disbursed only as provided herein. The Escrow Agent shall, to the extent required by law, segregate the funds credited to the Escrow Account from its other funds held as an agent or in trust.

2. Deposits to the Escrow Account; Investment.

(a) Buyer shall deliver to the Escrow Agent for deposit in the Escrow Account \$30,000,000 as required pursuant to Section 3.3 of the Asset Purchase Agreement and the terms set forth herein.

(b) All amounts to be deposited with the Escrow Agent shall be transferred by wire transfer of immediately available funds to the following account of

the Escrow Agent (or to such other account of the Escrow Agent as the Escrow Agent shall notify Sellers and Buyer in writing prior to the transfer of funds and which account Sellers and Buyer approve):

[Name of Escrow Agent]
ABA No.: []
Account No.: []
Allegiance Telecom Escrow
Attention: []

(c) The Escrow Agent shall confirm in writing to Sellers and Buyer the deposit received by it pursuant to Section 2(a) above and the amount of such deposit and of any other amounts from time to time deposited with the Escrow Agent in connection with the Asset Purchase Agreement.

(d) Funds on deposit in the Escrow Account shall be invested in short-term United States government securities, money-market funds, interest bearing depository accounts or short-term certificates of deposit of a bank or trust company having combined capital, surplus and retained earnings of at least \$500 million; provided that any such investment can be liquidated upon three days notice. The Escrow Agent shall not be accountable or liable for any losses resulting from the sale or depreciation in the market value of such investments thereof.

(e) Buyer shall be deemed the owner of all Escrowed Funds and investments in the Escrow Account and shall be responsible for the preparation of all tax returns associated with the investments therein and shall pay all costs relating to such returns, and all taxes, fines and penalties and interest. The Escrow Account shall be assigned the federal tax identification number of Buyer. Buyer shall provide Escrow Agent, at any time upon request of Escrow Agent with a Form W-8 or W-9 to evidence Buyer is not subject to any back-up withholding under the United States Internal Revenue Code. Buyer shall report all income, if any, that is earned on, or derived from, the Escrowed Funds as its income, in the taxable year or years in which such income is properly includible and pay any taxes attributable thereto.

3. Distributions from Escrow Account.

(a) Funds on deposit in the Escrow Account shall be withdrawn by the Escrow Agent only in accordance with this Section 3.

(b) If the Escrow Agent receives joint written instructions signed by Buyer and Sellers pursuant to the Asset Purchase Agreement that such agreement has been terminated, the Escrow Agent shall disburse in accordance with the joint written instructions of Buyer and Sellers the Escrowed Funds to Buyer or Sellers and all accrued investment income thereon to Buyer, in each case within three (3) Business Days of receipt of notice of such termination.

(c) If one of the parties (the “*Notifying Party*”) (without joint instructions from the other party) notifies the Escrow Agent that it is entitled to the Escrowed Funds, such notice (the “*Notice*”) shall state the reason that the Notifying Party is entitled to the Escrowed Funds, and the Notice will also be sent to the other party (the “*Recipient*”). The Recipient shall have ten (10) calendar days from its actual receipt of the Notice to provide notice to the Escrow Agent and the Notifying Party disputing the Notifying Party’s entitlement to the Escrowed Funds. If the Escrow Agent does not receive notice disputing such entitlement to the Escrowed Funds within ten (10) calendar days after the Recipient actually receives the Notice, the Escrow Agent shall pay the Escrowed Funds as directed by the Notifying Party. If the Escrow Agent receives notice disputing such entitlement to the Escrowed Funds within ten days after the Recipient receives the Notice, the Escrow Agent shall not pay the Escrowed Funds until the Escrow Agent receives either an order of the Bankruptcy Court, which order has become final and not subject to appeal and has been certified by the clerk of the Bankruptcy Court or other appropriate official, or joint written notice signed by Buyer and Sellers indicating that the dispute has been resolved and directing the Escrow Agent to whom to pay the Escrowed Funds and income earned thereon and in what amounts (collectively, a “*Final Resolution*”). The Escrow Agent shall pay the Escrowed Funds within three (3) business days of its receipt of the written evidence of a Final Resolution required above in this Section 3(c). The Escrow Agent shall be entitled to rely, exclusively, on any representation jointly made by Buyer and Sellers in writing in relation to the release of funds from the Escrow Account, and shall release funds from the Escrow Account from time to time as directed in any such joint written instruction from Buyer and Sellers or pursuant to a Final Resolution.

(d) Upon the Escrow Agent receiving written notice, signed by Buyer and Sellers, of the Closing of the transactions contemplated by the Asset Purchase Agreement, the Escrow Agent shall disburse to Sellers the Escrowed Funds, and the earnings thereon shall be disbursed to Buyer, in each case within three (3) Business Days of receipt of notice of the Closing.

(e) Any written instructions delivered to the Escrow Agent by Buyer shall only be effective if such instructions are executed on behalf of Buyer by both Mark T. Evans and Peter Hutchinson, or their respective successors.

(f) All disbursements of the Escrowed Funds, or any portion thereof, and the earnings thereon to Buyer shall be disbursed to Buyer in accordance with the instructions attached hereto as Exhibit A. Buyer may amend Exhibit A hereto from time to time by providing written notice to the Escrow Agent. Any such amendment shall be effective immediately upon receipt by the Escrow Agent of such written notice.

(g) All disbursements of the Escrowed Funds, or any portion thereof, to Sellers shall be disbursed to Sellers in accordance with the instructions attached hereto as Exhibit B. Sellers may amend Exhibit B hereto from time to time by providing written notice to the Escrow Agent. Any such amendment shall be effective immediately upon receipt by the Escrow Agent of such written notice.

4. Termination of Escrow Account and Escrow Agreement. The Escrow Account shall be deemed dissolved and this Escrow Agreement shall terminate upon the written agreement of the parties hereto, upon disbursement of all of the funds in the Escrow Account, or upon transfer of all amounts in the Escrow Account then in the possession of the Escrow Agent to the Bankruptcy Court or such other party as the parties hereto may jointly agree upon in writing in accordance with the terms of this Escrow Agreement.

5. Escrow Agent.

(a) Buyer and Sellers, jointly and severally, agree to pay the Escrow Agent reasonable compensation for its services as Escrow Agent hereunder, as listed on Schedule A annexed hereto, promptly upon request therefor, and to reimburse the Escrow Agent for all reasonable expenses of or reasonable disbursements incurred by the Escrow Agent in the performance of its duties hereunder, including the reasonable fees, expenses and disbursements of counsel to the Escrow Agent. Notwithstanding the foregoing, and without prejudice to the Escrow Agent's rights hereunder, each of Buyer and Sellers shall bear 50% of the fees, costs and expenses of the Escrow Agent and of any indemnity obligation pursuant to Section 6(c) hereof.

(b) The Escrow Agent may retain that portion of the Escrow Account equal to any such unpaid reasonable costs, expenses and fees incurred by the Escrow Agent as contemplated by Section 5(a) above until such time as such costs, expenses and fees have been paid.

6. Rights, Duties and Immunities of Escrow Agent. Acceptance by the Escrow Agent of its duties under this Escrow Agreement is subject to the following terms and conditions, which all parties to this Escrow Agreement hereby agree shall govern and control the rights, duties and immunities of the Escrow Agent:

(a) The duties and obligations of the Escrow Agent shall be determined solely by the express provisions of this Escrow Agreement and the Escrow Agent shall not be liable, except for the performance of such duties and obligations as are specifically set out in this Escrow Agreement. The Escrow Agent shall not be required to inquire as to the performance or observation of any obligation, term or condition under any agreement or arrangement by Buyer and Sellers. The Escrow Agent is not a party to, and is not bound by, any agreement or other document out of which this Escrow Agreement may arise. The Escrow Agent shall be under no liability to any party hereto by reason of any failure on the part of any other party hereto or any maker, guarantor, endorser or other signatory of any document or any other person to perform such person's obligations under any such document. The Escrow Agent shall not be bound by any waiver, modification, termination or rescission of this Escrow Agreement or any of the terms hereof, unless evidenced by a writing delivered to the Escrow Agent signed by the proper party or parties and, if the duties or rights of the Escrow Agent are affected, unless it shall give its prior written consent thereto. This Escrow Agreement shall not be deemed to create a fiduciary relationship between the parties hereto under state or federal law.

(b) The Escrow Agent shall not be responsible in any manner for the validity or sufficiency of this Escrow Agreement or of any property delivered hereunder, or for the value or collectibility of any note, check or other instrument, if any, so delivered, or for any representations made or obligations assumed by any party other than the Escrow Agent. Nothing herein contained shall be deemed to obligate the Escrow Agent to deliver any cash, instruments, documents or any other property referred to herein, unless the same shall have first been received by the Escrow Agent pursuant to this Escrow Agreement.

(c) Buyer and Sellers will reimburse and indemnify the Escrow Agent for, and hold it harmless against, any loss, liability or expense, including but not limited to reasonable counsel fees, incurred without bad faith, willful misconduct or gross negligence on the part of the Escrow Agent arising out of or in conjunction with its acceptance of, or the performance of its duties and obligations under this Escrow Agreement, as well as the costs and expenses of defending against any claim or liability arising out of or relating to this Escrow Agreement.

(d) The Escrow Agent shall be fully protected in acting on and relying upon any written notice direction, request, waiver, consent, receipt or other paper or document which the Escrow Agent in good faith believes to have been signed and presented by the proper party or parties.

(e) The Escrow Agent shall not be liable for any error of judgment, or for any act done or step taken or omitted by it in good faith or for any mistake in act or law, or for anything which it may do or refrain from doing in connection herewith, except its own gross negligence or willful misconduct.

(f) The Escrow Agent may seek the advice of legal counsel in the event of any dispute or question as to the construction of any of the provisions of this Escrow Agreement or its duties hereunder, and it shall incur no liability and shall be fully protected in respect of any action taken, omitted or suffered by it in good faith in accordance with the written advice or opinion of such counsel.

(g) The parties hereto agree that should any dispute arise with respect to the payment, ownership or right of possession of the Escrow Account, the Escrow Agent is authorized and directed to retain in its possession, without liability to anyone, except for its bad faith, willful misconduct or gross negligence, all or any part of the Escrow Account until such dispute shall have been settled either by mutual agreement by the parties concerned or by the final order, decree or judgment of the Bankruptcy Court and a notice executed by the parties to the dispute or their authorized representatives shall have been delivered to the Escrow Agent setting forth the resolution of the dispute, which notice Buyer and Sellers hereby agree to so execute and deliver to the Escrow Agent in the event that such an order, decree or judgment is obtained from or issued by the Bankruptcy Court. The Escrow Agent shall be under no duty whatsoever to institute, defend or partake in such proceedings.

(h) The agreements set forth in this Section 6 shall survive the resignation or removal of the Escrow Agent, the termination of this Escrow Agreement and the payment of all amounts hereunder.

7. Resignation of Escrow Agent. The Escrow Agent shall have the right to resign upon 30 days written notice to Sellers and Buyer. In the event of such resignation, Sellers and Buyer shall mutually agree upon and appoint a successor escrow agent hereunder by delivering to the Escrow Agent a written notice of such appointment. Upon receipt of such notice, the Escrow Agent shall deliver to the designated successor escrow agent all money and other property held hereunder and shall thereupon be released and discharged from any and all further responsibilities whatsoever under this Escrow Agreement; provided, however, that the Escrow Agent shall not be deprived of its compensation earned prior to such time.

If no successor escrow agent shall have been designated by the date specified in the Escrow Agent's notice, all obligations of the Escrow Agent hereunder shall nevertheless cease and terminate. Its sole responsibility thereafter shall be to keep safely all property then held by it and to deliver the same to a person designated by the other parties hereto or in accordance with the direction of a final order or judgment of the Bankruptcy Court.

8. Notices. All claims, notices, consents, objections and other communications under this Escrow Agreement shall be in writing and shall, except as otherwise provided herein, be deemed to have been duly given when (i) delivered by hand, (ii) sent by telecopier (with receipt confirmed), or (iii) when received by the addressee, if sent by Express Mail, Federal Express or other reputable overnight delivery service, in each case, at the appropriate addresses and telecopier numbers as set forth below:

ESCROW AGENT:

[Name of Escrow Agent]
[Address of Escrow Agent]
Attention: [_____]
Telecopier: (____) ____ - ____

BUYER:

Qwest Communications International Inc.
1801 California Street
Denver, CO 80202
Telecopier: (303) 296-5974
Attention: General Counsel

With a copy to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, NY 10153
Telecopier: (212) 310-8007
Attention: Paul M. Basta, Esq.
Howard Chatzinoff, Esq.

SELLERS:

c/o Allegiance Telecom, Inc.
700 E. Butterfield Road, Suite 400
Lombard, IL 60148
Telecopier: (630) 522-5250
Attention: Mark B. Tresnowski, Esq.
Executive Vice President,
General Counsel and Secretary

With a copy to:

Kirkland & Ellis LLP
153 East 53rd St.
New York, NY 10022
Telecopier: (212) 446-4900
Attention: Jonathan S. Henes, Esq.
Michael Movsovich, Esq.

(or to such other addresses and telecopier numbers as a party may designate as to itself by notice to the other parties). Notwithstanding any of the foregoing, any computation of a time period which is to begin after receipt of a notice by the Escrow Agent shall run from the date of receipt by it.

9. Successors. This Escrow Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided that this Escrow Agreement may not be assigned by any party without the prior written consent of the other parties, which consent shall not be unreasonably withheld.

10. Severability. If any portion or provision of this Escrow Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Escrow Agreement shall be construed by modifying or limiting it so as to be valid and enforceable to the maximum extent compatible with, and possible under, applicable law. The provisions hereof are severable, and in the event any provision hereof should be held invalid or unenforceable in any respect, it shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

11. Amendments. Except as set forth in Sections 3(f) and 3(g) above, this Escrow Agreement may be amended or modified at any time or from time to time in writing executed by the parties to this Escrow Agreement.

12. Governing Law. This Escrow Agreement shall be construed and interpreted, and the rights of the parties shall be determined, in accordance with the substantive laws of the State of New York, without regard to the conflict of laws principles thereof or of any other jurisdiction.

13. JURISDICTION. THE BANKRUPTCY COURT SHALL HAVE EXCLUSIVE JURISDICTION TO RESOLVE ANY AND ALL DISPUTES ARISING UNDER THIS ESCROW AGREEMENT AND EACH OF THE PARTIES HERETO HEREBY EXPRESSLY CONSENTS TO SUCH EXCLUSIVE JURISDICTION.

14. Waiver. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Escrow Agreement, or the waiver by any party of any breach of this Escrow Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

15. Headings. The headings and captions in this Escrow Agreement are for convenience of reference only and shall not in any way affect the meaning or interpretation of this Escrow Agreement.

16. Counterparts. This Escrow Agreement may be executed in any number of counterparts and by each of the parties hereto in separate counterparts (including by facsimile), each of which when so executed shall be deemed to be an original and all of which together shall constitute one and the same agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned have executed this Escrow Agreement as of the date first written above.

ALLEGIANCE TELECOM, INC.

By: _____
Name:
Title:

ALLEGIANCE TELECOM COMPANY
WORLDWIDE

By: _____
Name:
Title:

QWEST COMMUNICATIONS
INTERNATIONAL INC.

By: _____
Name:
Title:

[INSERT NAME OF ESCROW AGENT],
as Escrow Agent

By: _____
Name:
Title:

ALLEGIANCE

SCHEDULE OF FEES

To act as an
Escrow Agent

Annual Administration Fee

\$[_____]

Covers acceptance of appointment as Escrow Agent including complete study of drafts of Escrow Agreement and all supporting documents in connection therewith, conferences until the final Escrow Agreement is agreed upon and execution of final Agreement.

Investments (if applicable)

Per purchase, sale, redemption, maturity or exchange

\$[_____]

Wire Transfer of Funds

\$[_____] out going

\$[_____] incoming

NOTE:

Charges for any services not specifically covered in this schedule will be billed commensurate with the services rendered. This schedule reflects charges that are now in effect for our normal and regular services and are subject to modification where unusual conditions or requirements prevail, and does not include counsel fees or expenses and disbursements, which will be billed at cost. The fees of our counsel shall be due and payable whether or not the transaction closes.

[Remainder of Page Intentionally Left Blank]

EXHIBIT A

[to come from Buyer]

EXHIBIT B

[to come from Sellers]

Base Working Capital Calculation

Current Assets
Accounts Receivable:

Net of Shared Technologies (Net of allowance for doubtful accounts)
Net of Shared Hosting (Net of allowance for doubtful accounts)
Net of pre-Petition carrier access billings A/R (Net of allowance for doubtful accounts)
Net of Level 3 Communications Integrated Solutions Network Purchase Agreement (Net of allowance for doubtful accounts)

Prepaid Expenses and other Current Assets:

Prepaid Rent and Leases - Net of Shared Technologies
Prepaid Insurance
Prepaid Services

Current Liabilities:
Accounts Payable

Net of Administrative Fees related to the Cases
Net of Excluded Contracts:
Amvescap Group, Biddle Consulting Group, Ceridian Benefits Services, Cigna Behavioral Health, Connecticut General Life, Equiserve, My Benergy, Salomon Smith Barney, TMP Worldwide, The Hartford Financial Services, Vision Service Plan, Watson Wyatt & Company, KMC Telecom Primary Rate Interface Services Agreement
Net of Shared Technologies and Shared Hosting related Payables

Accrued Liabilities

Accrued Liabilities - Other - Net of Shared Technologies and Shared Hosting
Accrued Liabilities - Legal - Net of Shared Technologies and Shared Hosting
Accrued Liabilities - Audit Fees - Net of Shared Technologies and Shared Hosting

(Signatures Continued)

Accrued Customer Invoice Processing Fees - Net of Shared Technologies and Shared
Hosting
Post-Petition Accrued Network Costs - Net of Shared Technologies and Shared Hosting

Exhibit I

FORM OF MANAGEMENT AGREEMENTS

This MANAGEMENT AGREEMENT ("Agreement") is dated as of _____, by Allegiance Telecom, Inc. and its subsidiaries listed as Sellers on the signature page hereto (collectively, "Sellers"), and Qwest Communications International Inc., a Delaware corporation ("Manager").

WHEREAS, the Sellers and the Manager are parties to an Asset Purchase Agreement dated as of [____], 2003 (the "Asset Purchase Agreement") whereby Manager has agreed to purchase the Acquired Assets from Sellers;

WHEREAS, on [____], the Asset Purchase Agreement was approved by the Bankruptcy Court presiding over the Chapter 11 cases of the Sellers ("Bankruptcy Court");

WHEREAS, pursuant to the Asset Purchase Agreement, the Non-Transferred Assets will be transferred to Manager from time to time upon receipt of the FCC Consents and the State PUC Consents, or any of them;

WHEREAS, in order to ensure uninterrupted service to Sellers' customers pending issuance of the FCC Consents and the State PUC Consents, and to avoid associated potential harm to customers, Sellers and Manager desire that Manager provide management services to Sellers after the Closing Date, in conformity with the rules and policies of the FCC, the State PUCs and the terms and conditions of the Asset Purchase Agreement and this Agreement;

WHEREAS, this Agreement and the Asset Purchase Agreement are interrelated according to their respective provisions; and

WHEREAS, the Bankruptcy Court has approved this Agreement in connection with its approval of the Asset Purchase Agreement.

NOW, THEREFORE, in consideration of the above recitals and mutual promises and covenants contained herein, the parties, intending to be legally bound, agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 Definitions. Any term capitalized herein and not otherwise defined shall have the meaning assigned to it in the Asset Purchase Agreement.

ARTICLE II
APPOINTMENT AND TERM OF THE AGREEMENT

Section 2.1 Appointment; Expenses.

(a) Manager hereby agrees, on the terms and conditions set forth herein, to provide management services to Sellers so as to meet any and all ongoing obligations associated with the Non-Transferred Assets, including obligations of Sellers to their respective customers pursuant to existing contractual relationships and to any new customers that may from time to time purchase such services from Sellers or their respective customers, in compliance with the Communications Licenses. The duties of Manager under this Agreement shall include:

- (i) Providing all operational personnel necessary to the operation of the Non-Transferred Assets;
- (ii) Collecting all accounts receivable, rendering all bills, processing all credit card charges and keeping books and records substantially in accordance with Sellers' standard practices prior to the Closing;
- (iii) Providing all technical resources necessary to operate the Non-Transferred Assets substantially as Sellers had operated such assets prior to the Closing;
- (iv) Monitoring all of the administrative and governmental notice, filing, tax, fee and permit requirements with respect to the Non-Transferred Assets (other than any notices, filings or fees associated with the transfer of the Communications Licenses from Sellers to Manager or other disposition of the Sellers' assets, including the Communications Licenses which are addressed in the Asset Purchase Agreement) and, when such notices, reports or fees fall due, Manager shall submit to Sellers those notices, reports or invoices for Sellers to remit to the appropriate agency (together with instructions for remission and payment reimbursing Sellers for any fees or taxes Sellers must pay such agency); and
- (v) Doing all things commercially reasonable to carry out the duties of operating and managing the Non-Transferred Assets in a manner substantially similar to that of Sellers prior to the Closing Date.

(b) Manager hereby agrees to pay during the Term such newly-accruing actual costs and expenses of the ongoing operations of the Business. Manager shall either pay directly, or reimburse Sellers for (within fifteen (15) days of receipt of an invoice therefor), all such costs and expenses.

(c) Manager hereby agrees in furtherance of its obligations hereunder to ensure that, not later than the date hereof, it will fund an account at [bank] with at least Five Million dollars (\$5,000,000) in cash (the "Reserve Account") from which, during the Term,

funds may be withdrawn by Sellers, in consultation with Manager, to pay amounts required to be paid pursuant to Section 2.1 which are due and owing but which Manager has failed to pay. In the event that any funds shall be on deposit in the Reserve Account at the conclusion of the Term, and all accrued and unpaid costs required to be paid pursuant to Section 2.1 shall have been paid, any balance may, upon five (5) days' written notice to the Sellers, be withdrawn by Manager.

(d) In the event that the Sellers shall be held liable for any costs or expenses required to be paid by the Manager pursuant to this Agreement for which the funds deposited in the Reserve Account are insufficient, the Manager hereby agrees to indemnify the Sellers for all such costs and expenses.

ARTICLE III MANAGEMENT OF THE BUSINESS

Section 3.1 During the Term, the Manager shall have the duty to manage the facilities and operations authorized under the Communications Licenses on behalf of Sellers in the operation of the Non-Transferred Assets consistent with the provisions of this Agreement and subject to Sellers' continued ownership and control of the Non-Transferred Assets and Sellers' reasonable supervision and direction. Manager hereby agrees to report regularly to Sellers' designee the status of the operations of the Business.

Section 3.2 Sellers and Manager desire that this Agreement and the obligations performed hereunder be in full compliance with (i) the terms and conditions of the Communications Licenses; (ii) the Communications Act of 1934, as amended (the "Act"); (iii) all applicable rules, regulations and policies of the FCC and the State PUCs; and (iv) any other applicable federal, state and local law or regulation. It is expressly understood by Sellers and Manager that nothing in this Agreement is intended to give Manager any right which would be deemed to constitute a transfer of control (as is defined in the Act and/or any applicable FCC or state rules, regulations or case law) by the Sellers of any of the Communications Licenses or Non-Transferred Assets from Sellers to Manager.

Section 3.3 Manager acknowledges and agrees that Sellers have certain rights and obligations pursuant to the Communications Licenses with respect to activities authorized thereunder, which include compliance with the Act, and the rules, regulations, and policies of the FCC and the State PUCs. The services provided by Manager hereunder are not intended to diminish or restrict Sellers' compliance with their respective obligations under applicable law or before the FCC or the State PUCs, and this Agreement shall not be construed to diminish or interfere with any Seller's obligation or ability to comply with the rules, regulations or directives of any governmental or jurisdictional authority with respect to the Communications Licenses or the Non-Transferred Assets.

Section 3.4 At their discretion and at their expense, Sellers may conduct periodic audits (during normal business hours, upon reasonable notice, and in a manner so as not to interfere unreasonably with the operation of the Business) of Manager's management of the Business to ensure compliance in all material respects with the Communications Licenses and applicable federal, state and local law or regulation. In addition, the Sellers shall have access

and authority to inspect the equipment and related hardware that is required to transmit and/or receive telecommunications, including but not limited to network facilities, switching equipment, customer premises equipment and testing equipment, for any reason, including but not limited to determining whether under the Manager's management, the Non-Transferred Assets are operating in a manner that violates the terms of this Agreement, the Act or the FCC's or State PUC's rules, regulations, or policies or is otherwise operating in a harmful or unlawful manner.

Section 3.5 Manager shall be responsible for providing the management services in compliance with the Sellers' existing tariffs and service contracts, and all applicable law, including, without limitation, tariffs in effect from time to time. Manager shall perform the management services in a professional manner and in accordance with all applicable professional or industry standards.

Section 3.6 The parties shall both have the right to use the Seller Marks during the Term (as hereinafter defined). The Manager shall take reasonable steps to maintain the distinct identities of the Sellers using each such entity's name and logo in all billing and other correspondence on behalf of the Sellers, maintaining accurate accounting books and records of operations for the Non-Transferred Assets separate from the Manager's accounting books and records of operations for other assets and following such other procedures as the parties may mutually agree upon from time to time.

Section 3.7 Sellers shall retain a reasonably sufficient number of employees to supervise and assist in the operation of the Non-Transferred Assets and meet Sellers' associated regulatory responsibilities, as designated herein and in the Transition Plan.

ARTICLE IV COMPENSATION

Section 4.1 As consideration for Manager providing Sellers the management services described herein, Sellers agree to pay to Manager a monthly fee ("Management Fee") equal to the sum of (x) Manager's costs incurred in providing the management services (including, without limitation, Manager's own out-of-pocket expenses and any of Sellers' costs that are reimbursed by Manager pursuant to Section 2.1(b) above) ("Manager's Aggregate Monthly Expenses") plus (y) 15% of Manager's Aggregate Monthly Expenses. Manager shall be paid solely out of the revenue generated by the Non-Transferred Assets for such month (the "Monthly Fee Receipts"), collectible by Manager solely from cash receipts related to the Non-Transferred Assets. In any month during the Term in which the Monthly Fee Receipts are not equal to or in excess of the Management Fee, Sellers will not have any obligation to pay Manager any additional amount or reimburse Manager for any costs or losses associated with the Non-Transferred Assets in excess of such receipts ("Payment Shortfall"), provided that to the extent Monthly Fee Receipts in any month exceed the Management Fee otherwise due to Manager hereunder ("Excess Payments"), such Excess Payments shall, first, be applied to reduce Payment Shortfalls in prior months, if any, and second, any residual Excess Payment amounts shall be held in escrow to be applied to Payment Shortfalls in future months, if any. Upon termination of this Agreement any cash receipts from customers in excess of the Management Fee shall be remitted to Sellers. Sellers and Manager agree to review the fee set forth above on a monthly basis and to negotiate in good faith a modification to such fee to reflect changing circumstances or operating results.

ARTICLE V
COMPLIANCE WITH APPLICABLE LAWS

Section 5.1 Compliance with Applicable Laws and Regulations.

(a) Manager agrees that, in connection with providing the management services hereunder, it shall comply in all material respects with all applicable laws, ordinances, rules, regulations, and restrictions, including but not limited to the Act, the FCC's and State PUCs' rules, regulations, and policies, and local ordinances.

(b) Manager and Sellers recognize that Sellers remain ultimately responsible for compliance with the terms of the Communications Licenses. In that regard, the Manager shall not, without the prior consent of the Sellers, such consent not to be unreasonably withheld, take the following actions with respect to the Non-Transferred Assets:

- (i) enter into, modify, intentionally breach or terminate any material agreement relating to the Non-Transferred Assets, other than in the ordinary course of business;
- (ii) sell, assign, lease, transfer or otherwise dispose of any material Non-Transferred Asset or purchase or otherwise acquire any assets for the Sellers except for non-material assets acquired in the Ordinary Course of Business;
- (iii) alter or change in any material respect the Sellers' accounting procedures or accounting practices, including their practices with respect to the maintenance of working capital balances, maintenance of inventory and write-downs and charge-offs of accounts receivable, collection of accounts receivable, payment of accounts payable and cash management practices generally;
- (iv) initiate, settle or terminate any material litigation relating to the Non-Transferred Assets or waive any material rights of the Non-Transferred Assets;
- (v) demote or terminate any employee of the Sellers;
- (vi) hire any employee for the Sellers;
- (vii) delay or hinder the deployment of network facilities in accordance with the existing network deployment plans relating to the Non-Transferred Assets; or
- (viii) cause the Sellers to take any action or neglect to take any action which would constitute a default under this Agreement or the Asset Purchase Agreement.

(b) Sellers shall be responsible for the filing of all applications, reports, correspondence and other documentation with the FCC or the State PUCs relating to the Non-

Transferred Assets; *provided, however*, that Manager shall cooperate in Sellers' preparation of such filings; and *provided, further*, that Manager shall reimburse Sellers for all reasonable out-of-pocket legal fees and other expenses incurred in connection with such applications, correspondence and other related matters. Manager shall provide upon Sellers' reasonable request any information which will enable them to prepare any records and reports required by the FCC or the State PUCs and other federal, state or local government authorities.

(c) Manager shall not represent itself as the holder of any of the Communications Licenses or as the representative of Sellers before the FCC or the State PUCs.

Section 5.2 Obligation to Renegotiate; Indemnification. In the event of any order or decree of an administrative agency or court of competent jurisdiction or any other action or determination by any Governmental Entity, including without limitation any material change in or clarification of FCC or State PUC rules, policies, or precedent, that would cause this Agreement to be invalid, in whole or in part, or violate any applicable Law, or if the staff of any Governmental Entity has advised the parties, orally or in writing, that the review of any request by the parties for authority for the transactions contemplated hereby will be inordinately delayed or will likely be determined adversely to the parties, the parties will use their respective reasonable efforts and negotiate in good faith to modify this Agreement to the minimum extent necessary so as to comply with such order, decree, action or determination and/or remove any controversy identified by such Government Entity without material economic detriment to either party, and to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible. This Agreement, as so modified, shall then continue in full force and effect. If after fulfilling the obligation to renegotiate set forth in this section, the parties mutually determine that they cannot modify this Agreement to comply with a Government Entity order, decree, action, determination, or remove a controversy identified by such Government Entity, Manager may elect not to pursue the transfer or assignment of any affected Non-Transferred Assets. If the FCC or any State PUC determines that this Agreement, the Asset Purchase Agreement or the transactions contemplated hereby or thereby has effectuated the transfer of any of the FCC Licenses or State PUC Licenses or is otherwise in violation of the Act or any applicable FCC or state regulations, rules or precedent, the Manager will indemnify and hold harmless the Sellers and their Representatives for any Liabilities arising out of or relating thereto.

ARTICLE VI TERM

Section 6.1 Term. This Agreement shall commence on the Closing Date and shall expire upon the earlier to occur of (x) the transfer or assignment of all Non-Transferred Assets, including as applicable all FCC Licenses and PUC Licenses associated therewith, to the Manager pursuant to the terms and subject to the conditions of the Asset Purchase Agreement or to a third party pursuant to Section 6.2 below, or (y) the six (6) month anniversary of the Closing Date; *provided, however*, that, in the event and on the date that this Agreement expires pursuant to clause (y) above, then, to the extent that any FCC Consent or any State PUC Consent, as applicable, has not been obtained, the Agreement shall automatically renew, as necessary, for two (2) additional successive three (3) month periods with respect to the Non-Transferred Assets until the last of such FCC Consents and/or State PUC Consents is obtained and any Non-

Transferred Assets subject to such FCC Consents and/or State PUC Consents have been transferred or assigned to the Manager (the initial term and any extensions thereof are herein referred to as the "Term"), unless, after fulfilling its obligation to renegotiate set forth in Section 5.2 above, the Manager determines that the parties cannot modify this Agreement to comply with a Government Entity order, decree, action, determination or remove a controversy identified by such Governmental Entity and Manager elects not to pursue the transfer, assignment or reauthorization of any affected Non-Transferred Assets. Notwithstanding the foregoing, upon the receipt from time to time of all necessary consents or approvals from any Governmental Entity, including FCC Consents and State PUC Consents, applicable to the Non-Transferred Assets, and the transfer of the Non-Transferred Assets relating to such FCC and/or State PUC Consent by the Sellers to the Manager pursuant to Section 2.5 of the Asset Purchase Agreement, such Non-Transferred Assets shall be considered Acquired Assets under the Asset Purchase Agreement and shall no longer be subject to this Agreement.

Section 6.2 Sale and Disposition of Proceeds. Manager may at any time designate an alternative purchaser of some or all of the Non-Transferred Assets, and upon Sellers' consent (such consent not to be unreasonably withheld) Sellers shall use commercially reasonable efforts to transfer such assets to the alternative purchaser, with all costs and expenses incurred in connection therewith to be borne by Manager, and promptly pay over to Manager the net proceeds of such sale. If any Non-Transferred Assets are not transferred to Manager within six (6) months of the Closing Date, then, subject to the provisions of Section 6.1, after that date Manager may give notice to Sellers of an intent to terminate this Agreement, and Sellers shall take actions, at Manager's expense, to dispose of any remaining Non-Transferred Assets, and remit any proceeds arising therefrom to Manager.

ARTICLE VII MISCELLANEOUS

Section 7.1 Amendment and Modification. This Agreement may be amended, modified or supplemented only by written agreement of Sellers and Manager.

Section 7.2 Waiver of Compliance; Consents. Except as otherwise provided in this Agreement, any failure of any of the parties to comply with any obligation, covenant or condition herein may be waived by the party entitled to the benefits thereof only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, or condition shall not operate as a waiver of or estoppel with respect to any subsequent or other failure.

Section 7.3 Notices. Unless otherwise provided herein, any notice, request, instruction or other document to be given hereunder by any party to any other party shall be in writing and shall be delivered in person or by courier or facsimile transmission (with such facsimile transmission confirmed by sending a copy of such notice, request, instruction or other document by certified mail, return receipt requested, or overnight mail) or mailed by certified mail, postage prepaid, return receipt requested (such mailed notice to be effective on the date such receipt is acknowledged), as follows:

If to Sellers:

c/o Allegiance Telecom, Inc.
700 E. Butterfield Road, Suite 400
Lombard, IL 60148
Attention: Mark B. Tresnowski, Esq.
Executive Vice President, General Counsel and
Secretary
Fax: (630) 522-5250

With a copy to (which shall not constitute notice):

Kirkland & Ellis LLP
153 East 53rd
New York, NY 10022
Attention: Jonathan S. Henes, Esq.
Michael Movsoovich, Esq.
Fax: (212) 446-4900

and

Swidler Berlin Shereff Friedman LLP
3000 K Street, NW, Suite 300
Washington, DC 20007
Attention: Jean L. Kiddoo, Esq.
Catherine Wang, Esq.
Fax: (202) 424-7645

If to Manager:

Qwest Communications International Inc.
1801 California Street
Denver, CO 80202
Attention: General Counsel
Fax: (303) 308-0385

With a copy to (which shall not constitute notice):

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, NY 10153
Attention: Paul M. Basta, Esq.
Howard Chatzinoff, Esq.
Fax: (212) 310-8007

and

Hogan & Hartson, L.L.P.
555 Thirteenth Street, N.W.
Washington, DC 20004-1109
Attention: Peter A. Rohrbach, Esq.
Mace J. Rosenstein, Esq.
Fax: (212) 637-5910

or to such other place and with such other copies as either party may designate as to itself by written notice to the other party. Notices sent as provided herein shall be deemed given on the date received by the recipient. If a recipient rejects or refuses to accept a notice given pursuant to this Section, or if a notice is not deliverable because of a changed address or fax number of which no notice was given in accordance with the provisions hereof, such notice shall be deemed to be received two (2) days after such notice was mailed (whether as the actual notice or as the confirmation of a faxed notice) in accordance with the terms hereof.

Section 7.4 Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto, including by operation of law, without the prior written consent of the other party; *provided, however*, that Manager may assign this Agreement and any of the rights, interests and obligations hereunder to any Affiliate upon written notice to Sellers; *provided further, however*, that Manager shall remain liable hereunder. Any assignment of this Agreement or any of the rights, interests or obligations hereunder in contravention of this Section 7.4 shall be null and void and shall not bind or be recognized by any of the Sellers or Manager.

Section 7.5 Third-Party Beneficiaries; Limitation of Liability. Nothing in this Agreement shall be construed as giving any person other than the parties hereto any legal or equitable right, remedy or claim under or with respect to this Agreement. Manager shall have no liability to Sellers or any other person or entity for any actual or alleged damage to the Non-Transferred Assets during the Term.

Section 7.6 Invalidity. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy all other terms, conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party.

Section 7.7 Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (regardless of the laws that might otherwise govern under applicable New York principles of conflicts of law) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies.

Section 7.8 Submission to Jurisdiction. The parties hereto irrevocably submit to the exclusive jurisdiction of the Bankruptcy Court (or any court exercising appellate jurisdiction over the Bankruptcy Court) over any dispute arising out of or relating to this

Agreement or any other agreement or instrument contemplated hereby or entered into in connection herewith or any of the transactions contemplated hereby or thereby. Each party hereby irrevocably agrees that all claims in respect of such dispute or proceedings may be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection that they may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum in connection therewith.

Section 7.9 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by telecopy shall be as effective as delivery of a manually executed counterpart of this Agreement. In proving this Agreement, it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought.

Section 7.10 Entire Agreement; Amendments and Waivers. This Agreement, together with the Asset Purchase Agreement (including the schedules and exhibits thereto) constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations, and discussions, whether oral or written, of the parties. No supplement, modification or waiver of this Agreement (including, without limitation, any schedule hereto) shall be binding unless the same is executed in writing by all parties. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), and no such waiver shall constitute a continuing waiver unless otherwise expressly provided.

Section 7.11 Headings. The headings of the Articles and Sections herein are inserted for convenience of reference only and are not intended to be a part of, or to affect the meaning or interpretation of, this Agreement.

Section 7.12 Remedies. Sellers and Manager hereby acknowledge and agree that money damages may not be an adequate remedy for any breach or threatened breach of any of the provisions of this Agreement and that, in such event, Sellers or their successors or assigns, or Manager or its successors or assigns, as the case may be, may, in addition to any other rights and remedies existing in their favor, apply to the Bankruptcy Court for specific performance, injunctive and/or other relief in order to enforce or prevent any violations of this Agreement.

Section 7.13 No Partnership or Joint Venture Created. Nothing in this Agreement shall be construed or interpreted to make Manager and Sellers partners or joint venturers, or to afford any rights to any third party other than as expressly provided herein.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of Sellers and Manager as of the date first above written.

SELLERS:

ALLEGIANCE TELECOM, INC.

By: _____
Name:
Title:

ALLEGIANCE TELECOM COMPANY WORLDWIDE
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.
VIRTUALIS SYSTEMS, INC.

By: _____
Name:
Title:

MANAGER:

QWEST COMMUNICATIONS INTERNATIONAL INC.

By: _____
Name:
Title:

Timetable

| <u>Action</u> | <u>Time from Start Date</u> |
|--|------------------------------------|
| Execution of Agreement. | December 18, 2003 |
| Filing of Motion to Approve (i) Bidding Procedures and Break Up Fee and (ii) Agreement With Qwest. | 2 Business Days |
| Bankruptcy Court Approval of Bidding Procedures. | January 9, 2004 |
| Auction. | February 13, 2004 |
| Bankruptcy Court Approval of Sale Order. | March 1, 2004 |
| Bankruptcy Court Approval of Disclosure Statement. | March 11, 2004 |
| Bankruptcy Court Entry of Confirmation Order. | April 26, 2004 |
| Effective Date of Plan. | May 17, 2004 |

EXHIBIT K

Current Liabilities

Wage Accruals
Payroll Taxes, to the extent related to wage accruals
Bonus
Commissions
Vacation
IBNR Medical/Dental
Workers Comp/Auto Liability
Legal Fees, not related to the Cases
Audit Fees, not related to the Cases
Invoice Processing
Network Accruals
Other Accrued Liabilities, not related to the Cases
Network Expense Settlements
Subscriber Taxes, other than Subscriber Taxes relating to Tax audit liabilities
Deferred Revenue – End User
Deferred Revenue – Set Up

EXHIBIT L

| Sellers' Severance Practices | |
|------------------------------|------------------------------|
| Employee Group | Estimated Weeks of Severance |
| Non-Exempt | 2 |
| Non-management Exempt | 2 |
| Supervisors | 2 |
| Managers | 2 |
| Directors | 2 |
| Commissionable Directors | 2 |
| VPs | 4 |
| SVPs | Case by Case |
| Above SVPs | Case by Case |

ILEC Cure Adjustment Illustration

To illustrate the provisions of clauses (i) and (ii) of Section 3.5(a):

- (i) If the ILEC Cure Amount is \$25 million, Sellers would pay \$25 million and Buyer would reduce the Cash Purchase Price by \$5 million;
- (ii) If the ILEC Cure Amount is \$35 million, Sellers would pay \$35 million and Buyer would reduce the Cash Purchase Price by \$1.67 million;
- (iii) If the ILEC Cure Amount is \$40 million, Sellers would pay the entire \$40 million; or
- (iv) If the ILEC Cure Amount is \$45 million, Sellers would pay \$40 million plus one third ($1/3$) of the additional \$5 million for a total of \$41.67 million and Buyer would pay \$3.34 million as an increase to the Cash Purchase Price.