IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

In re:	)	
	)	**Chapter 11**
Allegiance Telecom, Inc. , et al.,	)	**Case No. 03-13057 (RDD)**
	)	**(Jointly Administered)**
Debtors.	)	

AFFIDAVIT OF SERVICE RE:

1. **NOTICE OF HEARING ON MOTION OF DEBTORS, PURSUANT TO SECTION 105(a) AND 331 OF THE BANKRUPTCY CODE, FOR ORDER ESTABLISHING PROCEDURES FOR MONTHLY COMPENSATION AND REIMBURSEMENT OF EXPENSES FOR PROFESSIONALS**
2. **MOTION OF DEBTORS, PURSUANT TO SECTION 105(a) AND 331 OF THE BANKRUPTCY CODE, FOR ORDER ESTABLISHING PROCEDURES FOR MONTHLY COMPENSATION AND REIMBURSEMENT OF EXPENSES FOR PROFESSIONALS**
3. **[PROPOSED] ORDER PURSUANT TO SECTION 105(a) AND 331 OF THE BANKRUPTCY CODE ESTABLISHING PROCEDURES FOR MONTHLY COMPENSATION AND REIMBURSEMENT OF EXPENSES FOR PROFESSIONALS**

I, James H. Myers, state as follows:

1. I am over eighteen years of age and I believe the statements contained herein are true based on my personal knowledge. My business address is c/o Bankruptcy Management Corporation, 1330 East Franklin Avenue, El Segundo, California 90245.

2. On May 24, 2003, at the direction of Kirkland & Ellis, Attorneys for Debtors and Debtors in Possession, I caused service of the documents attached hereto as Exhibit 1 to be effected on the parties listed in Exhibit 2.

///

3. All parties were served via first-class mail and deposited with the United States Postal Service with postage thereon fully prepaid.

I declare under penalty of perjury that the foregoing is true and correct.

DATED: June 2, 2003
El Segundo, California

James H. Myers

State of California)
) ss
County of Los Angeles)

Personally appeared before me on June 2, 2003, James H. Myers, an individual, known to me to be the person who executed the foregoing instrument and acknowledged the same.

ANGELINE M. CARTER
Commission # 1314038
Notary Public - California
Los Angeles County
My Comm. Expires Jul 20, 2005

EXHIBIT 1

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

Attorneys for Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	
	:	Chapter 11 Case No.
Allegiance Telecom, Inc., et al.,	:	03-13057 (RDD)
	:	
Debtors.	:	Jointly Administered

NOTICE OF HEARING ON MOTION OF DEBTORS, PURSUANT TO SECTIONS 105(a) AND 331 OF THE BANKRUPTCY CODE, FOR ORDER ESTABLISHING PROCEDURES FOR MONTHLY COMPENSATION AND REIMBURSEMENT OF EXPENSES FOR PROFESSIONALS

PLEASE TAKE NOTICE that upon the annexed motion, dated May 14, 2003 (the "Motion"), of Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (the "Debtors"), requesting an order, pursuant to sections 105(a) and 331 of title 11, United States Code, establishing procedures for monthly compensation and reimbursement of expenses for professionals, as more fully set forth in the Motion, a hearing will be held 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 (the "Bankruptcy Court"), One Bowling Green, New York, New York, on June 13, 2003, at 10:00 a.m. (prevailing Eastern Time), or as soon thereafter as the Debtors are heard.

PLEASE TAKE FURTHER NOTICE that objections, if any, to the relief requested in the Motion shall be in writing, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules of the Southern District of New York, shall set forth the name of the objectant, the nature and amount of claims or interests held or asserted by the objectant against the Debtors' estates or property, the basis for the objection, and the specific grounds therefore, and shall be filed with the Bankruptcy Court electronically in accordance with General Order M-242 (which can be found at www.nysb.uscourts.gov) by registered users of the Bankruptcy Court's case filing system and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), WordPerfect, or any other Windows-based word processing format (with a hard copy delivered directly to Chambers) and served in accordance with General Order M-242, and shall further be served upon (i) Kirkland & Ellis, Citigroup Center, 153 East 53rd Street, New York, New York 10022 (Attn: Samuel S. Kohn, Esq.), and (ii) the Office of the United States Trustee, 33 Whitehall Street, 21st floor, New York, New York 10004 (Attn: Pamela J. Lustin, Esq.), so as to be actually received no later than June 10, 2003, at 4:00 p.m. (prevailing Eastern Time).

Dated: New York, New York
May 23, 2003

Respectfully submitted,

/s/ Jonathan S. Henes

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	
	:	Chapter 11 Case No.
Allegiance Telecom, Inc., et al.,	:	03-_____ ( )
	:	
Debtors.	:	Jointly Administered

MOTION OF DEBTORS PURSUANT TO SECTIONS 105(a) AND 331 OF THE BANKRUPTCY CODE FOR ORDER ESTABLISHING PROCEDURES FOR MONTHLY COMPENSATION AND REIMBURSEMENT OF EXPENSES FOR PROFESSIONALS

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, "Allegiance" or the "Debtors"), respectfully represent:

Introduction

1. On the date hereof (the "Commencement Date"), the Debtors each commenced with this Court a voluntary case under chapter 11 of title 11, United States Code (the "Bankruptcy Code"). The Debtors are authorized to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. Simultaneously with the filing of their petitions and this Motion, the Debtors requested an order

for joint administration of their chapter 11 cases pursuant to rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

Jurisdiction

2. This Court has subject matter jurisdiction to consider and determine this Motion pursuant to 28 U.S.C. § 1334. This is a core proceeding within the meaning of 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

An Overview of Allegiance's Business

3. Allegiance is a facilities-based national local exchange carrier that provides integrated telecommunications products and services to small and medium-sized business customers, large businesses (i.e., national customers with multiple locations), governmental entities, wholesale customers and other institutional users. Allegiance offers its customers a variety of services, including:

- local and long distance voice services, including basic telephone services and advanced calling features;
- broadband and other Internet and data services, including high-speed Internet access, wide area network interconnection, domain name registration, web hosting, email and colocation services;
- integrated local long distance/Internet access offerings, which provide customers with integrated voice and Internet access over a single broadband line;
- wholesale services to other regional and national service providers, including equipment colocation, managed modem ports and Internet protocol traffic aggregation; and
- customer premise equipment sales and maintenance services.

4. Allegiance serves more than 100,000 business customers in 36 markets. Allegiance employs approximately 3,560 people, of which approximately 97 employees are covered by collective bargaining agreements.

5. As of the Commencement Date, the Debtors have approximately $245 million of cash. As of December 31, 2002, the Debtors' consolidated books and records reflected assets totaling approximately $1.441 billion and liabilities totaling approximately $1.397 billion. For the three months ending December 31, 2002, the Debtors, on a consolidated basis, reported revenues of approximately $204.91 million, EBITDA (i.e., earnings before interest, taxes, depreciation, amortization, non-cash deferred compensation expense and non-cash goodwill impairment charges) of approximately negative $34 million and net losses of approximately $120 million.

Allegiance is Critical to Promoting Sustainable Competition in the Local Telecommunication Marketplace

The Telecommunications Act of 1996

6. In February of 1996, Congress enacted the Telecommunications Act of 1996 (the "Telecom Act"), with the stated purpose of:

> promot[ing] competition and reduc[ing] regulation in order to secure lower prices and higher quality services for American telecommunications consumers and encourage the rapid deployment of new telecommunications technologies.

H.R. REP No. 104-204(I), 104th Cong. 1st Sess. 1995 (July 24, 1995), reprinted in 1996 U.S.C.C.A.N. 10, **10. In that regard, the Telecom Act required Incumbent Local Exchange Carriers, including the Regional Bell Operating Companies ("ILECs") – i.e., existing telecommunications monopolies – to allow newly created Competitive Local Exchange Carriers ("CLECs") to (a) interconnect with the ILECs, (b) access portions of the ILEC network and (c) collocate their equipment in ILEC facilities all at forward-looking cost based rates. In addition, CLECs were permitted to purchase ILEC services at wholesale prices and resell them to customers at retail prices.

7. The enactment of the Telecom Act spurred entrepreneurs to start hundreds of new businesses to compete in the local telecommunications marketplace. During the late 1990s, investors recognized the growth opportunity inherent in the opening of a competitive local telecommunications marketplace and invested billions of dollars in equity and debt capital into a multitude of telecommunications companies primed to provide competing services to American consumers.

8. Funded with significant amounts of investment capital, two types of CLECs emerged. The first type of CLECs were "resellers". Specifically, "reseller" CLECs purchased telecommunications services from ILECs at a discount and resold the services to customers at a higher price. Thus, these CLECs simply offered consumers the same services supplied by ILECs - generally at lower prices. To be successful with this low margin business model, "reseller" CLECs invested their capital in sales and marketing efforts designed to acquire a substantial customer-base and attendant market-share in a relatively short period of time and ahead of their many competitors. However, because resellers were providing the identical services as the ILECs (with no differentiation) and were attempting to build a large market share in a highly competitive market, this business model was flawed and many in the telecommunications industry believe that the "resale" business will fail.

9. The second type of CLECs were "facilities-based" CLECs. These CLECs invested significant sums of money to build their own proprietary infrastructure and network in order to effectively compete with the ILECs. Specifically, facilities-based CLECs combined elements of an ILEC's network with their own to provide consumers with true differentiated services. As Michael Powell stated in his partial dissent to the FCC's 2003 Triennial Review:

> Facilities -based competition means a competitor can offer real differentiated service to consumers . . . . Facilities-based competitors own

> more of their own network and control more of their costs, thereby offering consumers real potential for lower prices. Facilities-based competitors offer greater rewards for the economy – buying more equipment from other suppliers . . . and creating more jobs. . . . . And, facilities providers create vital redundant networks that can serve own nation if other facilities are damaged by those hostile to our way of life.

F.C.C., 2003 Triennial Review - Open Meeting, Separate Statement of Chairman Michael R. Powell, dissenting in part (February 20, 2003) (transcript available at www.fcc.gov/wcb/cpd/triennial_review/). Allegiance is such a facilities-based CLEC with a nationwide network and a facility-based business strategy.

The Allegiance Nationwide Network – Servicing 36 Metropolitan Areas

10. In 1997, a management team of industry veterans launched Allegiance and focused on building a reliable nationwide network based on proven technologies, a nationwide direct sales force primarily focused on the small to medium sized business enterprise and information processing systems to support its operations. Allegiance was one of the first major local exchange carriers to open markets utilizing the "smart build" strategy. This strategy allowed a more rapid ramp-up in operations than the traditional competitive local exchange model in which extensive networks were built, including fiber networks, prior to the generation of significant revenues. In contrast, Allegiance's initial network build-out simply required (a) deploying digital switching platforms with local and long distance capability and (b) leasing transport facilities from the incumbent local exchange carriers and other competitive local exchange carriers to connect its switches with its transmission equipment colocated in the incumbent local exchange carrier's central offices. Once traffic volume justified further "success-based" investment, Allegiance leased dark fiber or built specific network segments. This strategy offered two major economic benefits. First, it enabled Allegiance to enter new markets with alacrity and reduce up-front capital requirements for entering individual markets

prior to revenue generation. Second, in contrast to the traditional competitive local exchange carriers that generally built their networks in highly concentrated downtown areas due to the high cost of constructing fiber networks, Allegiance's business model enabled it to provide services to customers in downtown areas as well as the more geographically dispersed, less competitive areas of its targeted markets.

11. Allegiance's initial business plan proposed entering into 24 of the largest metropolitan areas in the United States. Subsequently, management expanded its business plan to (a) increase the total number of target markets to 36, (b) increase its service area, i.e., its colocation "footprint" in its original 24 markets, and (c) acquire long-term rights to use dark fiber rings to replace network elements leased by the Debtors from the incumbent local exchange carriers.

12. In addition to internal growth, Allegiance's business plan included growth through strategic acquisitions. For example, in December 2001, Allegiance acquired certain assets of Intermedia Business Internet (the "Intermedia Acquisition"). The Intermedia Acquisition enabled Allegiance to (a) become a Tier 1 Internet access provider, (b) provide large quantities of data transmitted at high-speeds over the Internet to and from a customer's premises, (c) efficiently exchange traffic with other Internet backbone providers giving Allegiance greater control over its Internet access, and (d) leverage its local service presence to provide additional services to its target market. In June 2003, Allegiance acquired certain assets of Shared Technologies (the "Shared Technologies Acquisition"). The Shared Technologies Acquisition (a) added customer premises equipment sales, installation and maintenance to Allegiance's portfolio of integrated products and services, (b) strategically enhanced Allegiance's target market of small to medium size business enterprises, and (c) allowed Allegiance to provide a complete communications solution to business customers.

13. As of the date hereof, Allegiance provides its telecommunications services in major metropolitan areas across the United States, including the following 36 markets: Atlanta, Austin, Baltimore, Boston, Chicago, Cleveland, Dallas, Denver, Detroit, Fort Lauderdale, Fort Worth, Houston, Long Island, Los Angeles, Miami, Minneapolis/St. Paul, New York City, Northern New Jersey, Oakland, Ontario/Riverside, CA, Orange County, Philadelphia, Phoenix, Pittsburgh, Portland, Sacramento, St. Louis, San Antonio, San Diego, San Francisco, San Jose, Seattle, Tampa, Washington, D.C., West Palm Beach/Boca Raton and White Plains. Allegiance is colocated in 849 central offices and has a Tier 1 Internet backbone.

The FCC Recognizes the Importance of Allegiance

14. Federal policy recognizes the importance of facilities-based CLECs and Allegiance is the model. In that regard, the Federal Communications Commission (the "FCC") recently published its latest rules for local competition in the *FCC Triennial Review*. In reviewing these rules, a Kaufman Bros. Equity Research Report, dated March 4, 2003, stated that "*Allegiance is the blueprint for local competition proposed by the FCC.*" In addition, Kevin J. Martin, Commissioner of the FCC has noted:

> Allegiance has focused on building a business that adheres to the letter of the Telecom Act while leveraging the entrepreneurial spirit of the law, as well. Today, Allegiance stands as a model of what Congress intended in 1996, and what we hope to achieve in the years ahead – new entrants that have the opportunity to continue to invest in infrastructure, bring innovation and offer new service offerings to consumers in local markets that are open to fair and robust competition.

Kevin J. Martin, Commissioner, F.C.C., Address to the Telecommunications Law Conference and the Texas Chapter of the Federal Communications Bar Association (March 7, 2002) (transcript available at www.fcc.gov/Speeches/Martin/2002/spkjm203.html).

15. Thus, it is clear that Allegiance, by focusing on an intelligent – well thought out business model – building its own network and offering its consumers innovative

services, is an integral player in the telecommunications marketplace and a model for the nation's policy of promoting sustainable facilities-based competition in the local telecommunications arena. With an appropriate capital structure and a reduction in unnecessary costs, Allegiance believes it will be one of the most successful telecommunications companies in the United States.

Capital Structure of the Debtors

Capital Stock

16. Allegiance Telecom, Inc. has two classes of authorized stock: (a) 750,000,000 shares of common stock, with par value of $0.01 per share and (b) 1,000,000 shares of preferred stock, with par value of $0.01 per share. As of December 31, 2002, Allegiance Telecom, Inc. had (i) 124,830,110 shares of common stock issued and outstanding, with 295 registered holders and at least 20,000 beneficial owners, and (ii) no shares of preferred stock outstanding. Allegiance Telecom, Inc.'s common stock is publicly traded on the Nasdaq National Market under the symbol "ALGX."

17. Allegiance Telecom, Inc. owns 100% of the capital stock of Allegiance Telecom Company Worldwide ("ATCW"), and ATCW directly or indirectly owns 100% of the capital stock of each of the other Debtors.

Prepetition Notes

18. In 1998, Allegiance Telecom, Inc. issued two series of notes: (i) 11 3/4% Senior Discount Notes with a face value of $445 million, due on February 15, 2008 (the "Senior Discount Notes") and (ii) 12 7/8% Senior Notes with a face value of $205 million, due on May 15, 2008 (the "Senior Notes"). The Senior Discount Notes were issued under that certain Indenture, dated as of February 3, 1998, between Allegiance Telecom, Inc. and The Bank of New York, as Indenture Trustee. The Senior Notes were issued under that certain Indenture,

dated as of July 7, 1998, between Allegiance Telecom, Inc. and The Bank of New York, as Indenture Trustee. Neither the Senior Discount Notes nor the Senior Notes are secured by any assets of the Debtors or guaranteed by any of the Debtors.

Prepetition Credit Agreement

19. Prior to the Commencement Date, ATCW entered into that certain Credit and Guaranty Agreement, dated as of February 15, 2000, as amended as of November 27, 2002 (the "Prepetition Credit Agreement"), among ATCW, as borrower; all of the other Debtors, as guarantors; Goldman Sachs Credit Partners L.P. ("Goldman Sachs"), as syndication agent and sole lead arranger; General Electric Capital Corporation ("GECC") (as successor to Toronto Dominion (Texas), Inc.), as administrative agent, BankBoston, N.A. ("BankBoston") and Morgan Stanley Senior Funding, Inc. ("Morgan Stanley"), as co-documentation agents; Goldman Sachs, GECC, BankBoston, Morgan Stanley, certain managing agents, and lenders party thereto from time to time (collectively, the "Prepetition Lenders"). As of the Commencement Date, the amount outstanding under the Prepetition Credit Agreement was approximately $465.3 million. The Debtors have pledged substantially all of their assets as collateral under the Prepetition Credit Agreement, including (a) the capital stock of ATCW and (b) substantially all of the assets of ATCW and its direct and indirect subsidiaries, including the capital stock owned by ATCW in each of its Debtor subsidiaries. As of the Commencement Date, there were 27 Prepetition Lenders under the Prepetition Credit Agreement.

Events Leading to Chapter 11 Filing

20. The distressed economic environment in the United States that followed the economic boom of the late 1990s has had a global and adverse impact on the telecommunications industry. In the late 1990s, in an effort to finance operations and build their networks, telecommunications companies borrowed significant amounts of money from lenders

and the public through the issuance of debt. The resulting significant indebtedness incurred by telecommunications companies, combined with poor economic conditions required many companies, including the Debtors, to focus on reducing their debt either through out of court restructurings or the chapter 11 process.

21. Many of Debtors' existing and potential customers have experienced their own financial difficulties, thereby decreasing customer demand for existing and new services. The financial difficulties of the Debtors' customers has led to non-payment, partial payment, or slow payment of bills for services provided by the Debtors. The financial instability of other companies in the telecommunications industry has adversely affected the willingness of potential customers to move their telecommunications services to the Debtors. In addition, certain of the Debtors' suppliers have requested deposits, letters of credit, or other types of security. Moreover, telecommunications carriers that owe reciprocal and/or intercarrier compensation to the Debtors have either refused to pay or failed to pay in a timely manner for the services provided by the Debtors.

22. As a consequence of the foregoing, the Debtors' business operations were adversely impacted and, due to revenue trends and continuing negative EBITDA, the Debtors determined that their current level of indebtedness needed to be significantly reduced. Thus, in order to maximize the long-term wealth generating capacity of their business operations, the Debtors, among other things, (a) established a special restructuring committee of the Board of Directors of Allegiance Telecom, Inc., (b) retained restructuring advisors, and (c) commenced extensive negotiations with their senior lenders and bondholders, as detailed below.

Negotiations with the Prepetition Lenders and the Ad Hoc Committee of Bondholders

23. The Debtors, in the exercise of their sound business judgment - and in recognition of the distressed economic environment and the need for the Debtors' businesses to

focus on profitability instead of high revenue growth - determined that a meaningful de-leveraging of their capital structure was crucial for the preservation and maximization of the value of their businesses. In that regard, the Debtors, in conjunction with their financial advisors and the Board of Directors of Allegiance Telecom, Inc., commenced the process of determining the appropriate capital structure for their business operations. After determining the appropriate capital structure, the Debtors commenced negotiations with the Prepetition Lenders and the Ad Hoc Committee (as defined below) to effectuate a restructuring transaction.

24. In October of 2002, Allegiance began negotiations with its Prepetition Lenders regarding a potential restructuring of its long-term debt. On November 27, 2003, Allegiance and its Prepetition Lenders entered into that certain First Amendment to the Prepetition Credit Agreement (the "Amendment"). Pursuant to the Amendment, the Debtors obtained a moratorium on their financial covenants through April 30, 2003. In exchange for the Amendment, Allegiance agreed, among other things, (a) that an event of default would occur on April 30, 2003 unless it reduced its long term debt to a level not to exceed $645 million, and (b) to repay $15 million to the Prepetition Lenders on account of debt owed under the Prepetition Credit Agreement. During the latter part of 2002 and to meet covenants under the Amendment, the Debtors significantly lowered their capital expenditures, reduced headcount, substantially decreased growth, eliminated less profitable products and services, and continued to optimize their existing network assets.

25. After entering into the Amendment, the Debtors commenced negotiations with the Prepetition Lenders to consummate a permanent restructuring. In connection with the negotiations regarding the permanent restructuring, the Debtors commenced negotiations with an

ad hoc committee of noteholders, which is comprised of certain holders of the Senior Notes and the Senior Discount Notes (the "Ad Hoc Committee").

26. The Debtors, the Prepetition Lenders and the Ad Hoc Committee were not able to reach an agreement concerning the permanent restructuring prior to the April 30 deadline. On April 29, 2003, in order to avoid the occurrence of certain events of default under the Prepetition Credit Agreement, the Debtors and the Prepetition Lenders entered into a forbearance agreement (the "Forbearance Agreement"), which expires on May 15, 2003. The Forbearance Agreement provided for, among other things, a pay down of $5 million of principal owed under the Prepetition Credit Agreement.

27. After entering into the Forbearance Agreement, the Debtors continued their negotiations with the Prepetition Lenders and the Ad Hoc Committee. However, the parties were unable to reach an agreement prior to the expiration of the term of the Forbearance Agreement. Consequently, the Debtors, in the exercise of their prudent business judgment, determined that it was in the best interests of all of their stakeholders and for the maximization of the value of their businesses to commence these chapter 11 cases and consummate a restructuring of their indebtedness under the auspices of this Court.

Relief Requested

28. The Debtors request entry of an order pursuant to sections 105(a) and 331 of the Bankruptcy Code establishing an orderly, regular process for the allowance and payment of compensation and reimbursement for attorneys and other professionals whose retentions are approved by this Court pursuant to sections 327 or 1103 of the Bankruptcy Code and who will be required to file applications for allowance of compensation and reimbursement of expenses pursuant to sections 330 and 331 of the Bankruptcy Code. In addition, the Debtors request entry of an order establishing a procedure for reimbursement of reasonable out-of-pocket expenses

incurred by members of any statutory creditors' committee (the "Committee") appointed in these chapter 11 cases.

Retention of Professionals

29. The Debtors are seeking Court approval to employ Kirkland & Ellis and Greenhill & Co., LLC. In addition, the Debtors anticipate that they may need to retain other professionals in connection with these chapter 11 cases. Moreover, a Committee will be appointed in these chapter 11 cases, and such Committee when appointed, will likely retain counsel and may retain other professionals to represent it.

30. Contemporaneously herewith, the Debtors have filed an Application for Authorization Pursuant to Sections 105(a), 327, 328, 330 and 363(c) of the Bankruptcy Code Authorizing Employment of Professionals Utilized in the Ordinary Course of the Debtors' Businesses (the "OCP Application"). The OCP Application seeks authority for the Debtors to continue to retain and/or employ professionals in the ordinary course of business on terms substantially similar to those in effect prior to the Commencement Date, without the need to file individual retention applications for each of these professionals. In addition, the OCP Application seeks authority to pay ordinary course professionals in full, without interim or final fee applications, in accordance with their prepetition arrangements, but subject to monthly or aggregate caps as provided therein. Any ordinary course professional seeking payment of fees and disbursements exceeding the monthly or aggregate caps will be required to file interim and final fee applications.

31. Thus, there are two categories of professionals who will be required to submit interim and final applications: (a) separately retained chapter 11 professionals; and (b) those ordinary course professionals whose fees and expenses are subject to and exceed the

limitations set forth in the OCP Application (each a "Professional," and collectively, the "Professionals").

Proposed Procedures

32. Pursuant to section 331 of the Bankruptcy Code, all Professionals are entitled to submit applications for interim compensation and reimbursement of expenses every 120 days, or more often if the court permits. In addition, section 105(a) of the Bankruptcy Code authorizes the court to issue any order "necessary or appropriate to carry out the provisions of [the Bankruptcy Code]," thereby codifying the bankruptcy court's inherent equitable powers.

33. The Debtors request issuance of an order in accordance with the standing General Order of the Bankruptcy Court for the Southern District of New York, signed on January 24, 2000 by then Chief Bankruptcy Judge Tina L. Brozman (the "Standing Order"), establishing procedures for monthly compensation and reimbursement of expenses of professionals, and pursuant to sections 105(a) and 331 of the Bankruptcy Code and Rule 2014 of the Federal Rules of Bankruptcy Procedure.

34. Specifically, the Debtors propose that the monthly payment of compensation and reimbursement of expenses of the Professionals (the "Compensation Procedures") be structured as follows:

a. On or before the **twentieth (20th)** day of each month following the month for which compensation is sought, each Professional seeking compensation will serve a monthly statement, by hand or overnight delivery, on: (i) Allegiance Telecom, Inc., 9201 N. Central Expressway Dallas, TX 75231, Attn: Mark Stachiw; (ii) Kirkland & Ellis, 153 East 53rd Street, New York, New York 10022, Attn: Jonathan S. Henes; (iii) attorneys for any Committee appointed by the Office of the United States Trustee; (iv) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attn: Carolyn S. Schwartz; and (v) Paul Hastings Janofsky & Walker LLP, 600 Peachtree Street, N.E., Atlanta, Georgia 30308; Attn: Jesse H. Austin, III, Esq. (the "Notice Parties");

b. The monthly statement need not be filed with the Court and a courtesy copy need not be delivered to the presiding bankruptcy judge's chambers because this Motion is not intended to alter the fee application requirements outlined in sections 330 and 331 of the Bankruptcy Code and because Professionals are still required to serve and file interim and final applications for approval of fees and expenses in accordance with the relevant provisions of the Bankruptcy Code, the Bankruptcy Rules and the Local Bankruptcy Rules for the Southern District of New York (the "Local Bankruptcy Rules");

c. For those Professionals who bill based on time, each monthly fee statement must contain a list of the individuals and their respective titles (e.g., attorney, accountant, or paralegal) who provided services during the statement period, their respective billing rates, the aggregate hours spent by each individual, a reasonably detailed breakdown of the disbursements incurred (no Professional should seek reimbursement of an expense which would otherwise not be allowed pursuant to the Court's Administrative Orders dated June 24, 1991 and April 21, 1995 for the U.S. Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330 dated January 30, 1996), and contemporaneously maintained time entries for each individual in increments of tenths (1/10) of an hour;

d. Each person receiving a statement will have fifteen (15) days after its receipt to review it and, in the event that he or she has an objection to the compensation or reimbursement sought in a particular statement, he or she shall, by no later than the thirty-fifth (35^{th}) day following the month for which compensation is sought, serve upon the Professional whose statement is objected to, and the Notice Parties, a written "Notice of Objection to Fee Statement" setting forth the nature of the objection and the amount of fees or expenses at issue;

e. At the expiration of the thirty-five (35) day period, the Debtors shall promptly pay eighty percent (80%) of the undisputed fees and one hundred percent (100%) of the undisputed expenses identified in each monthly statement to which no objection has been served in accordance with paragraph (d);

f. If the Debtors receive an objection to a particular fee statement, they shall withhold payment on that portion of the fee statement to which the objection is directed and promptly pay the remainder of the fees and disbursements in the percentages set forth in paragraph (e);

g. Similarly, if the parties to an objection are able to resolve their dispute following the service of Notice of Objection to Fee Statement and if the party whose statement was objected to serves on the Notice Parties a statement indicating that the objection is withdrawn and describing in

detail the terms of the resolution, then the Debtors shall promptly pay, in accordance with paragraph (e), that portion of the fees statement which is no longer subject to an objection;

h. All objections that are not resolved by the parties, shall be preserved and presented to the Court at the next interim or final fee application hearing to be held by the Court (see sub-paragraph (j) below);

i. The service of an objection in accordance with paragraph (d) shall not prejudice the objecting party's right to object to any fee application made to the Court in accordance with the Bankruptcy Code on any ground whether raised in the objection or not. Furthermore, the decision by any party not to object to a fee statement shall not be a waiver of any kind or prejudice that party's right to object to any fee application subsequently made to the Court in accordance with the Bankruptcy Code;

j. Approximately every 120 days, but no more than every 150 days, each of the Professionals shall serve and file with the Court, in accordance with General Order M-242 (which can be found at www.nysb.uscourts.gov), an application for interim or final Court approval and allowance, pursuant to sections 330 and 331 of the Bankruptcy Code (as the case may be), of the compensation and reimbursement of expenses requested;

k. Any Professional who fails to file an application seeking approval of compensation and expenses previously paid under this Motion when due shall (i) be ineligible to receive further monthly payments of fees or expenses as provided herein until further order of the Court and (ii) may be required to disgorge any fees paid since retention or the last fee application, whichever is later;

l. The pendency of an application or a Court order that payment of compensation or reimbursement of expenses was improper as to a particular statement shall not disqualify a Professional from the future payment of compensation or reimbursement of expenses as set forth above, unless otherwise ordered by the Court;

m. Neither the payment of, nor the failure to pay, in whole or in part, monthly compensation and reimbursement as provided herein, shall have any effect on the Court's interim or final allowance of compensation and reimbursement of any Professional;

n. Attorney for the Committee may, in accordance with the foregoing procedure for monthly compensation and reimbursement of Professionals, collect and submit statements of expenses, with supporting vouchers, from members of the Committee he or she represents; provided, however, that such Committee attorneys ensure that these reimbursement requests

comply with this Court's Administrative Orders dated June 24, 1991 and April 21, 1995.

35. The Debtors further request that neither (a) the payment of or the failure to pay, in whole or in part, monthly interim compensation and reimbursement of expenses under the Compensation Procedures nor (b) the filing of or the failure to file an objection will bind any party in interest or bind the Court with respect to the allowance of interim or final applications for compensation and reimbursement of expenses of Professionals. All fees and expenses paid to Professionals under the Compensation Procedures are subject to disgorgement until final allowance by the Court.

36. The Debtors further request that each member of any Committee (when and if appointed) be permitted to submit statements of expenses (excluding individual such Committee members' counsel expenses) and supporting vouchers to counsel to any such Committee, which shall collect and submit the Committee members' requests for reimbursement in accordance with the Compensation Procedures.

37. The Debtors further request that the Court limit service of interim fee statement and the final fee application (collectively, the "Applications") and notice of hearings thereon (the "Hearing Notices") to the Notice Parties. The Debtors further request that all other parties that have filed a notice of appearance with the Clerk of this Court and requested notice of pleadings in these chapter 11 cases shall be entitled to receive only the Hearing Notices. Serving the Applications and the Hearing Notices in this manner will permit the parties most active in these chapter 11 cases to review and object to the Professionals' fees and will save unnecessary duplication and mailing expenses.

38. The proposed procedures will enable the Debtors to closely monitor costs of administration, maintain a level cash flow availability and implement efficient cash

management procedures. Moreover, these procedures will allow the Court and key parties in interest to insure the reasonableness and necessity of the compensation and reimbursement sought pursuant to such procedures.

39. The Debtors submit that the efficient administration of the chapter 11 cases will be significantly aided by establishing foregoing interim compensation and expense reimbursement procedures. Accordingly, the relief requested is in the best interests of the Debtors, their estates and creditors.

Waiver of Memorandum of Law

40. Because there are no novel issues of law presented herein, the Debtors respectfully request that the Court waive the requirement that the Debtors file a separate memorandum of law in support of this Motion pursuant to the Local Bankruptcy Rule 9013-1(b).

Notice

41. Notice of this Motion has been provided to: (a) the Office of the United States Trustee for the Southern District of New York; (b) attorneys for the Prepetition Lenders; and (c) attorneys for the Ad Hoc Committee. In light of the nature of the relief requested herein, the Debtors submit that no other or further notice is required.

No Prior Request

42. No prior motion for the relief requested herein has been made to this or any other Court.

WHEREFORE, the Debtors respectfully request an entry of an order, substantially in the form attached hereto, establishing procedures for the monthly compensation of Professionals and reimbursement of expenses of Professionals and granting such other further relief as is just and proper.

Dated: New York, New York
May 14, 2003

Respectfully submitted,

/s/ Jonathan S. Henes
Matthew A. Cantor (MC-7727)
Jonathan S. Henes (JH-1979)
KIRKLAND & ELLIS
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

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	
	:	Chapter 11 Case No.
Allegiance Telecom, Inc., et al.,	:	03-_____( )
	:	
Debtors.	:	Jointly Administered

ORDER PURSUANT SECTIONS 105(a) AND 331 OF THE BANKRUPTCY CODE ESTABLISHING PROCEDURES FOR MONTHLY COMPENSATION AND REIMBURSEMENT OF EXPENSES FOR PROFESSIONALS

Upon the motion (the "Motion"), dated May 14, 2003, of Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), requesting an order, pursuant to section 105(a) and 331 of the Bankruptcy Code,[1] establishing procedures for interim compensation and reimbursement of expenses of professionals retained by order of this Court, as more fully set forth in the Motion; and the Court having jurisdiction to consider and determine the Motion as a core proceeding pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that the relief requested by the Motion is in the best interests of the Debtors, their creditors, and all parties in interest; and it appearing that due and proper notice of the Motion has been given; and after due deliberation and sufficient cause appearing therefor; it is

ORDERED that the Motion is granted on an interim basis pending a final hearing; and it is further

[1] Unless otherwise defined, all capitalized terms herein shall have the meaning ascribed to them in the Motion.

ORDERED that, except as may otherwise be provided in Court orders authorizing the retention of specific Professionals, all Professionals in these cases may seek monthly compensation in accordance with following procedures:

(a) On or before the **twentieth (20th)** day of each month following the month for which compensation is sought, each Professional seeking compensation will serve a monthly statement, by hand or overnight delivery, on: (i) Allegiance Telecom, Inc., 9201 N. Central Expressway Dallas, TX 75231, Attn: Mark Stachiw; (ii) Kirkland & Ellis, 153 East 53rd Street, New York, New York 10022, Attn: Jonathan S. Henes; (iii) attorneys for any Committee appointed by the Office of the United States Trustee; (iv) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attn: Carolyn S. Schwartz; and (v) Paul Hastings Janofsky & Walker LLP, 600 Peachtree Street, N.E., Atlanta, Georgia 30308; Attn: Jesse H. Austin, III, Esq. (the "Notice Parties");

(b) The monthly statement need not be filed with the Court and a courtesy copy need not be delivered to the presiding bankruptcy judge's chambers because this Order is not intended to alter the fee application requirements outlined in sections 330 and 331 of the Bankruptcy Code and because Professionals are still required to serve and file interim and final applications for approval of fees and expenses in accordance with the relevant provisions of the Bankruptcy Code, the Bankruptcy Rules and the Local Bankruptcy Rules;

(c) For those Professionals who bill based on time, each monthly fee statement must contain a list of the individuals and their respective titles (e.g., attorney, accountant, or paralegal) who provided services during the statement period, their respective billing rates, the aggregate hours spent by each individual, a reasonably detailed breakdown of the disbursements incurred (no Professional should seek reimbursement of an expense which would otherwise not be allowed pursuant to the Court's Administrative Orders dated June 24, 1991 and April 21, 1995 for the U.S. Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330 dated January 30, 1996), and contemporaneously maintained time entries for each individual in increments of tenths (1/10) of an hour;

(d) Each person receiving a statement will have fifteen (15) days after its receipt to review it and, in the event that he or she has an objection to the compensation or reimbursement sought in a particular statement, he or she shall, by no later than the thirty-fifth (35th) day following the month for which compensation is sought, serve upon the Professional whose statement is objected to, and the Notice Parties, a written "Notice of Objection to Fee Statement" setting forth the nature of the objection and the amount of fees or expenses at issue;

(e) At the expiration of the thirty-five (35) day period, the Debtors shall promptly pay eighty percent (80%) of the undisputed fees and one hundred percent (100%) of the undisputed expenses identified in each monthly statement to which no objection has been served in accordance with paragraph (d);

(f) If the Debtors receive an objection to a particular fee statement, they shall withhold payment on that portion of the fee statement to which the objection is directed and promptly pay the remainder of the fees and disbursements in the percentages set forth in paragraph (e);

(g) Similarly, if the parties to an objection are able to resolve their dispute following the service of Notice of Objection to Fee Statement and if the party whose statement was objected to serves on the Notice Parties a statement indicating that the objection is withdrawn and describing in detail the terms of the resolution, then the Debtors shall promptly pay, in accordance with paragraph (e), that portion of the fees statement which is no longer subject to an objection;

(h) All objections that are not resolved by the parties, shall be preserved and presented to the Court at the next interim or final fee application hearing to be held by the Court (see sub-paragraph (j) below);

(i) The service of an objection in accordance with paragraph (d) shall not prejudice the objecting party's right to object to any fee application made to the Court in accordance with the Bankruptcy Code on any ground whether raised in the objection or not. Furthermore, the decision by any party not to object to a fee statement shall not be a waiver of any kind or prejudice that party's right to object to any fee application subsequently made to the Court in accordance with the Bankruptcy Code;

(j) Approximately every 120 days, but no more than every 150 days, each of the Professionals shall serve and file with the Court, in accordance with General Order M-242 (which can be found at www.nysb.uscourts.gov), an application for interim or final Court approval and allowance, pursuant to sections 330 and 331 of the Bankruptcy Code (as the case may be), of the compensation and reimbursement of expenses requested;

(k) Any Professional who fails to file an application seeking approval of compensation and expenses previously paid under this Order when due shall (i) be ineligible to receive further monthly payments of fees or expenses as provided herein until further order of the Court, and (ii) may be required to disgorge any fees paid since retention or the last fee application, whichever is later;

(l) The pendency of an application or a Court order that payment of compensation or reimbursement of expenses was improper as to a particular statement shall not disqualify a Professional from the future payment of compensation or reimbursement of expenses as set forth above, unless otherwise ordered by the Court;

(m) Neither the payment of, nor the failure to pay, in whole or in part, monthly compensation and reimbursement as provided herein, shall have any effect on the Court's interim or final allowance of compensation and reimbursement of any Professional;

(n) Attorney for the Committee may, in accordance with the foregoing procedure for monthly compensation and reimbursement of Professionals, collect and submit statements of expenses, with supporting vouchers, from members of the Committee he or she represents; provided, however, that such Committee attorneys ensure that these reimbursement requests comply with this Court's Administrative Orders dated June 24, 1991 and April 21, 1995.

and it is further

ORDERED that all time periods set forth in this order shall be calculated in accordance with the Bankruptcy Rule 9006(a); and it is further

ORDERED that the Debtors will serve a copy of this Order on (i) all entities specified in paragraph (a) hereof and (ii) the 40 largest creditors holding unsecured claims against the Debtors, within two (2) business days; and it is further

ORDERED that any objection to the relief requested by the Motion on a permanent basis must be filed with the Court, One Bowling Green, New York, New York 10004-1408, by no later than May __, 2003 at 4:00 p.m. and served on (a) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attention: Carolyn S. Schwartz, Esq. and (b) Kirkland & Ellis, attorneys for the Debtors, Citigroup Center, 153 East 53rd Street, New York, New York 10022-4611, Attention: Jonathan S. Henes, Esq., so as to be actually received by such filing deadline; and it is further

ORDERED that any objections to the relief requested in the Motion must be filed with the Court in accordance with General Order of the United States Bankruptcy Court for the Southern District of New York M-242, which order can be found at www.nysb.uscourts.gov; and it is further

ORDERED that if timely objections are received there shall be a hearing held on May __, 2003, at __:_._m., prevailing Eastern time, at the United States Bankruptcy Court, Room ___, Alexander Hamilton Customs House, One Bowling Green Plaza, New York, New York 10004-1408; and it is further

ORDERED that if no objections to the relief requested in the Motion are timely filed, served and received in accordance with this Order, this Order shall be deemed a Final Order without further notice or hearing, and the Motion shall be granted in its entirety.

Dated: New York, New York
_____, 2003

_____
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 2

Interim Comp Notice for Allegiance Telecom

Total number of parties: 69
Mode of Service: US Mail (1st Class)

Exhibit 2 - Allegiance Telecom Mailing

Svc Lst	Name and Address of Served Party
3628	A GOLDMAN/JEFFREY GLEIT, WILMER CUTLER, 399 PARK AV, NEW YORK, NY 10022
3628	ALAN GRAYSON, PEGASUS LOGISTICS GROUP, CORPORATE HQ, 612 E DALLAS RD 100, GRAPEVINE, TX 76099-0370
3628	ANDREW H SHERMAN, (REPRESENTING: QWEST CORPORATION), SILLS CUMMIS RADIN, ONE RIVERFRONT PLZ, THE LEGAL CENTER, NEWARK, NJ 07102
3628	ATTN: GENERAL COUNSEL, KMC TELECOM XI LLC, KMC TELECOM HOLDINGS, 1545 ROUTE 206 # 300, BEDMINSTER, NJ 07921
3628	BANKRUPTCY UNIT, NEW YORK DEP OF FIN, 345 ADAMS ST, 10TH FL, BROOKLYN, NY 11201
3628	BRETT JAFFE, 4 JENNIFER CIRCLE, BILLERICA, MA 01821
3628	CAROLYN S SCHWARTZ, UNITED STATES TRUSTEE, 33 WHITEHALL ST, 21ST FL, NEW YORK, NY 10004
3628	CHRIS DE LA CRUZ, AVAYA - CABS, 3410 MIDCOURT, STE 115, CARROLLTON, TX 75006-5066
3628	CONSTANCE LOOSEMORE, KMC TELECOM HOLDINGS, INC., 1545 US HIGHWAY 206, BEDMINSTER, NJ 07921
3628	CONTRACTS ADMIN, INTERMEDIA COMM INC, MCI WORLDCOM COMMUNICATIONS, 500 CLINTON CTR DR BLDG 4, CLINTON, MS 39056
3628	CONTRACTS ADMIN, MCIWORLDCOMCOMM, 500 CLINTON CTR DR, BLDG 4, CLINTON, MS 39056
3628	CONTRACTS ADMIN, MFS TELECOM INC - CABS, MCI WORLDCOM, 500 CLINTON CTR DR BLDG 4, CLINTON, MS 39056
3628	CONTRACTS ADMIN, UUNET, MCI WORLDCOM, 500 CLINTON CTR DR BLDG 4, CLINTON, MS 39056
3628	CONTRACTS ADMIN, WORLDCOM ONNET DSL, MCI WORLDCOM, 500 CLINTON CTR DR BLDG 4, CLINTON, MS 39056
3628	CRAIG FRICKE, XO COMMUNICATIONS, 11111 SUNSET HILLS, RESTON, VA 20190
3628	DANA KANE/THOMAS E PITTS, JR, (REPRESENTING: KMC TELECOM XI, LLC), SIDLEY AUSTIN BROWN, 787 SEVENTH AVE, NEW YORK, NY 10019
3628	DAVID GUTHAIM, ENTERPRISE FLEET SERVICES, 1550 ROUTE 23 N, WAYNE, NJ 07470
3628	DAVID SILVERMAN, XO COMMUNICATIONS, 11111 SUNSET HILLS RD, RESTON, VA 20190
3628	DISTRICT DIRECTOR, INTERNAL REVENUE SERVICE, 290 BROADWAY, NEW YORK, NY 10007
3628	ERNEST WILLIAMS, BROADWING COMM SERVICES, 1122 CAPITAL OF TEXAS HWY S, AUSTIN, TX 78746
3628	FRANK MILLER, EDWARDS & KELCEY TECHNOLOGY, INC., 450 RARITAN CTR PKWY, EDISON, NJ 08837
3628	GEN COUN INTERCON Q, QWEST COMMUNICATIONS, LAW DEPARTMENT, 1801 CALIFORNIA ST 4900, DENVER, CO 80202
3628	GENERAL ATTORNEY - COU, BELL SOUTH GEORGIA, 675 W PEACHTREE ST, STE 4300, ATLANTA, GA 30375
3628	GENERAL COUNSEL, FOCAL COMM CORP OF PA, (CABS), 200 N LASALLE ST 1100, CHICAGO, IL 60601
3628	GENERAL COUNSEL, FPL FIBERNET LINE COST, FPL FIBERNET LLC, JUNO BEACH, FL 33408
3628	GENERAL COUNSEL, LEVEL 3 COMM LLC - CABS, 1025 ELDORADO BLVD, BROOMFIELD, CO 80021
3628	ICS ATTORNEY, BELL SOUTH FLORIDA, 675 W PEACHTREE ST, STE 4300, ATLANTA, GA 30375
3628	IRA S DIZENGOFF, AKIN GUMP STRAUSS, 590 MADISON AVE, NEW YORK, 10022
3628	ISABEL MIRO, TEK TRADEMARK TELECOM, 2211 NORFOLK, STE 800, HOUSTON, TX 77098
3628	J KEPNER/H VICENTE/D LADDIN, (REPRESENTING: VERIZON COMMUNICATIONS), ARNALL GOLDEN GREGORY, 2800 ONE ATLANTIC CTR, 1201 W PEACHTREE ST, ATLANTA, GA 30303-3450
3628	JEFFREY F JACOBS, RT 1 BOX 51, HARDESTY, OK 73944
3628	JESSE H AUSTIN III, PAUL HASTINGS JANOFSKY, 600 PEACHTREE ST NE, 24TH FL, ATLANTA, GA 30308-2222
3628	JIM LARAMY VP LEGAL, DST OUTPUT, 5220 ROBERT J MATTHEWS PKWY, EL DORADO HILLS, CA 95762

Exhibit 2 - Allegiance Telecom Mailing

Svc Lst	Name and Address of Served Party
3628	JODI J CARO GEN COUN, LOOKING GLASS NETWORKS, 1111 WEST 22ND ST, STE 600, OAK BROOK, IL 60523
3628	JONATHAN S KRUEGER, (REPRESENTING: NCX OFFICE DEVELOPMENT LP), VINSON & ELKINS LLP, 666 FIFTH AVE 27TH FL, NEW YORK, NY 10103
3628	KENNETH JOHNS, GE CAPITAL FLEET SERVICES, 300 RIVER HILLS BUS PK, BIRMINGHAM, AL 35242
3628	LANCE EISENBERG, ESQ., (REPRESENTING: AT&T CORP), LOWENSTEIN SANDLER PC, 65 LIVINGSTON AVE, ROSELAND, NJ 07068
3628	LISA C BERRY GEN COUN, JUNIPER NETWORK, 1194 N MATHILDA AVE, SUNNYVALE, CA 94089
3628	LISA M GOLDEN, (REPRESENTING: SBC AFFILIATES), JASPAN SCHLESINGER, 300 GARDEN CITY PLZ, GARDEN CITY, NY 11530
3628	LUCENT TECHNOLOGIES INC, 2601 LUCENT LANE, LISLE, IL 60532
3628	MARILYN WASSERMAN, (REPRESENTING: CARRIERSOLUTIONSFINADMIN), S CAL EDISON, 2244 WALNUT GROVE, GO1 QUAD 2B, ROSEMEAD, CA 91770
3628	MARK B TRESNOWSKI, ALLEGIANCE TELECOM, INC, 700 E BUTTERFIELD RD, STE 400, LOMBARD, IL 60148
3628	MARK STACHIW, ALLEGIANCE TELECOM, INC, 9201 N CENTRAL EXPRESSWAY, DALLAS, TX 75231
3628	MATTHEW A CANTOR, KIRKLAND & ELLIS, JONATHAN S HENES, 153 EAST 53RD ST, NEW YORK, NY 10022
3628	MIKHAEL VITENSON, ESQ., KMC TELECOM HOLDINGS, INC., 1545 US HIGHWAY 206, BEDMINSTER, NJ 07921
3628	NORMAN COLLINS SALES VP, AT&T CORP, 1200 PEACHTREE ST, ATLANTA, GA 30309
3628	NOTICES MANAGER, AMERITECHLECSERVICESBILLING, SBC CONTRACT ADMIN, 4 BELL PLZ311S AKARD FL 9, DALLAS, TX 75202-5398
3628	NOTICES MANAGER, SOUTHWESTERN BELL, SBC CONTRACT ADMIN, 4 BELL PLZ311S AKARD FL 9, DALLAS, TX 75202-5398
3628	PACIFIC BELL/ NOTICES MGR, SBC CONTRACT ADMIN, FOUR BELL PLAZA, 311 S AKARD 9TH FLOOR, DALLAS, TX 75202-5398
3628	PATRICK J POTTER, (REPRESENTING: XO COMMUNICATIONS, INC.), SHAW PITTMAN LLP, 2300 N STREET, NW, WASHINGTON, DC 20037
3628	PAUL M ROSENBLATT, (REPRESENTING: BELLSOUTH TELECOM), KILPATRICK STOCKTON, STE 2800, 1100 PEACHTREE ST NE, ATLANTA, GA 30309-4530
3628	RICK GOSHORN GEN COUN, ACTERNA, 12410 MILESTONE CTR DR, GERMANTOWN, MD 20876
3628	STEVEN M ABRAMOWITZ, (REPRESENTING: NCX OFFICE DEVELOPMENT LP), VINSON & ELKINS LLP, 666 FIFTH AVE, 27TH FL, NEW YORK, NY 10103
3628	STORNET INC, 7388 S REVERE PKWY, STE 1003, CENTENNIAL, CO 80112
3628	STREAM REALTY PARTNERS, NCX OFFICE DEVELOPMENT, 511 EAST JOHN CARPENTER HWY, STE 400, IRVING, TX 75062
3628	STUART KRATTER, THE BANK OF NEW YORK, 101 BARCLAY ST, FLOOR 21 WEST, NEW YORK, NY 10286
3628	TAX AND FINANCE, NEW YORK DPT TAX/FINAN, BANKRUPTCY UNIT, PO BOX 5300, ALBANY, NY 12205-0300
3628	TINAMARIE FEIL, BMC CORPORATION, 1330 E FRANKLIN AVE, EL SEGUNDO, CA 90245
3628	UNITED STATES ATTORNEY, 100 CHURCH ST, 19TH FL, NEW YORK, NY 10007
3628	VERIZON LINE COST INGLWD CA, VERIZON BA-PA WHOLESALE MKT, VP ASSOC GEN COUNSEL, 1515 N COURT HOUS RD 500, ARLINGTON, VA 22201
3628	VINCENT D'AGOSTINO, ESQ., (REPRESENTING: AT&T CORP), LOWENSTEIN SANDLER PC, 65 LIVINGSTON AVE, ROSELAND, NJ 07068
3628	VP ASSOC GEN COUN, VERIZON GTECALINECOSTINGLE, WHOLESALE MARKETS, 1515 N COURT HOUSE RD, ARLINGTON, VA 22201
3628	VP & ASSOC GEN COUN, VERIZON (GTE-SW), LINECOSTDALLASWHOLESALEMARK, 1515 N COURT HOUSE RD, ARLINGTON, VA 22201
3628	VP & ASSOC GEN COUN, VERIZON BA LINE COSTALBANY, WHOLESALE MARKETS, 1515 N COURT HOUSE RD, ARLINGTON, VA 22201

Exhibit 2 - Allegiance Telecom Mailing

Svc Lst	Name and Address of Served Party
3628	VP & ASSOC GEN COUN, VERIZON GTE-SW WHLSL, LINE COST ATLANTA GA, 1515 N COURT HOUSE RD, ARLINGTON, VA 22201
3628	VP & ASSOC GEN COUN, VERIZONBALINECOSTBALTIMORE, WHOLESALE MARKETS, 1515 N COURT HOUSE RD, ARLINGTON, VA 22201
3628	VP & ASSOC GEN COUN, VERIZONBA-NJ LINECOSTTRENTO, WHOLESALE MARKETS, 1515 N COURT HOUSE RD, ARLINGTON, VA 22201
3628	VP & ASSOC GEN COUN, VERIZONBASOUTHLINECOSTCOC, WHOLESALE MARKETS, 1515 N COURT HOUSE RD, ARLINGTON, VA 22201
3628	WAYNE M CARLIN REG DIR, SEC, 233 BROADWAY, NEW YORK, NY 10279

Subtotal for this group: 69