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February 24, 2004

Via UPS

Florida Public Service Commission  
Attention: Mr. Tom Williams  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399

Re: Informational Filing Regarding the Change in Ownership  
Allegiance Telecom of Florida, Inc.

Dear Mr. Williams:

This filing respectfully notifies the Florida Public Service Commission ("Commission") of the proposed transfer of control of the operating subsidiary of Allegiance Telecom, Inc., Debtor-In-Possession ("ATI") in Florida, Allegiance Telecom of Florida, Inc., Debtor-In-Possession ("Allegiance Florida"), to XO Communications, Inc. ("XO"). The transfer of control will result from a proposed transaction whereby XO will acquire substantially all of the assets of ATI, including the stock of Allegiance Florida, a Delaware corporation (the "Transaction").<sup>1</sup> The Transaction is in furtherance of the reorganization of Allegiance under chapter 11 of the U.S. Bankruptcy Code ("Bankruptcy Code").<sup>2</sup> As described below, as Allegiance Florida is not affected by the Transaction described herein, the Parties do not believe that Commission approval is required for the Transaction.

<sup>1</sup> ATI, Allegiance Florida and ATI's other operating subsidiaries are referred to herein collectively as "Allegiance." XO and its operating subsidiaries, including XO Florida, Inc., are referred to herein collectively as "XO." Allegiance and XO are referred to herein collectively as the "Parties." Please note that the control of XO Florida, Inc. is not affected by the proposed transfer of control described herein. This XO subsidiary in Florida will continue to operate pursuant to its same name, operating authority and tariff as at present.

<sup>2</sup> The agreement between ATI and XO supersedes a previous agreement between ATI and Qwest Communications International, Inc. ("Qwest"), whereby Qwest would have acquired substantially all of the assets of ATI's operating companies. ATI and Qwest notified the Commission of that transaction on January 20, 2004, and requested a waiver of Rule 25-4.118 (see Docket No. 040056-TI). That transaction has been terminated.

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The Transaction will result in the creation of a combined competitive carrier which holds sufficient financial, managerial, operational and technical resources to compete on a national basis against established and incumbent local exchange providers and long distance companies. The Transaction will pool the resources of XO and Allegiance such that the combined company can compete more effectively in the markets in which Allegiance and XO operate, provide new services and expand into new markets, and achieve economies of scope and scale. The Transaction also will ensure that Allegiance's current customers continue to receive the high quality services that they currently receive.

Upon review of relevant Florida statutes and discussion with Commission Staff, the Parties understand that prior Commission approval of the Transaction is not required.<sup>3</sup> The Parties therefore submit this letter for the Commission's information only and request that it be retained in the appropriate file. Should the Commission determine that approval is required, the Parties respectfully request that the Commission notify them as soon as possible.

**The Parties.** Allegiance Florida is a corporation organized under the laws of the State of Delaware with its principal office located at 9201 North Central Expressway, Dallas, Texas 75231.<sup>4</sup> Allegiance Florida is a wholly-owned, indirect subsidiary of ATI, which is a publicly-traded corporation organized under the laws of Delaware.

As of September 30, 2003, Allegiance, through its operating subsidiaries, provides facilities-based telecommunications products and services to over 100,000 small and medium-sized business customers, large business enterprises (e.g., national customers with multiple locations), governmental entities, and other institutional users in 36 metropolitan areas in 24 states, including Florida, and the District of Columbia. Allegiance provides services through the use of its own switches and routing equipment, leased transport facilities, fiber optic networks, and local loops obtained from ILECs.

XO Communications, Inc. is a Delaware corporation whose principal office and place of business is located at 11111 Sunset Hills Road, Reston, Virginia 20190-5339. XO is a leading facilities-based provider of broadband telecommunications services. The

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<sup>3</sup> Allegiance Florida will not sell or otherwise dispose of its franchise, facilities or system and Allegiance Florida does not propose to merge or consolidate its works and system with those of another carrier in connection with the Transaction. Allegiance Florida will continue to operate pursuant to its same name, operating authorities and tariffs as at present. There will be no transfer of certificates or customers. *See also* Florida Statute § 364.337(2) which eliminates the application of § 364.33 to competitive local exchange carriers.

<sup>4</sup> Allegiance Florida's articles of incorporation and certificate of authority to transact business in Florida were provided to the Commission in connection with Allegiance Florida's application for certification as a telecommunications carrier; thus, they are matters of public record. *See* Docket No. 990883-TX, Certificate No. 7143 effective September 27, 1999 (local exchange) and Docket No. 990882-TI, Certificate No. 7144 effective November 12, 1999 (interexchange).

company offers a complete set of telecommunications services including local and long distance voice, Internet access, Virtual Private Networking (VPN), Ethernet, Wavelength, Web Hosting and Integrated voice and data services. XO provides service through its facilities-based broadband networks and Tier One Internet peering relationships. XO currently offers facilities-based broadband telecommunications services within and between more than 70 markets throughout the United States.

XO is authorized by the FCC to provide interstate and international telecommunications services and, through its subsidiaries, is authorized to provide intrastate interexchange services virtually nationwide, and is authorized to provide competitive local exchange services in 47 states. In Florida, XO Florida, Inc. is authorized to provide competitive local exchange and interexchange services pursuant to authorizations issued by the Commission.<sup>5</sup> Thus, XO Florida, Inc. and its corporate parent, XO, have been found by this Commission to possess the requisite financial, managerial and technical qualifications necessary to operate as a provider of intrastate telecommunications services in Florida.<sup>6</sup> XO is ultimately controlled by Carl C. Icahn, a U.S. citizen, through his ultimate control and ownership of various companies. After closing, ultimate control of XO Florida, Inc. will remain with Carl C. Icahn.

**The Transaction.** The Transaction represents the culmination of a nine month process by Allegiance to reorganize its operations while ensuring that its customers receive uninterrupted service. On May 14, 2003, ATI and its subsidiaries, including Allegiance Florida, commenced cases under chapter 11 of the Bankruptcy Code.<sup>7</sup> Following the completion of a court-supervised auction for the sale of ATI's assets, XO was designated the high bidder. Subsequently, ATI and XO agreed to the terms of the Transaction and executed a Purchase Agreement (the "Agreement") dated February 18, 2004. The Bankruptcy Court for the Southern District of New York approved the Agreement on February 19, 2004.<sup>8</sup>

The Agreement provides that XO will acquire substantially all of the assets of ATI, including the stock of ATI's regulated operating subsidiaries. In return, XO will

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<sup>5</sup> See Docket No. TX205 dated June 13, 1998 (local exchange) and Docket No. 980472-TI dated May 22, 1998 (interexchange). As noted above, the control of this entity is not affected by the proposed transfer of control of the ATI operating subsidiaries.

<sup>6</sup> XO's most recent Annual Report and Form 10-Q for the quarter ended September 31, 2003 which contains the consolidated financial statements of XO and subsidiaries can be accessed at [www.xo.com](http://www.xo.com).

<sup>7</sup> *In re Allegiance Telecom, Inc., et al.*, Chap. 11 Case Nos. 03-13057-rdd, *et seq.* (Bankr. S.D.N.Y., filed May 14, 2003). The bankruptcy cases of ATI and its subsidiaries have been consolidated for procedural purposes and are being jointly administered pursuant to rule 1015(b) of the Federal Rules of Bankruptcy Procedure.

<sup>8</sup> Purchase Agreement by and among Allegiance Telecom, Inc. and Allegiance Telecom Company Worldwide jointly and severally as Sellers, and XO Communications, Inc. as Buyer, dated February 18, 2004.

deliver to ATI approximately \$311 million in cash and approximately 45.38 million shares of XO common stock. The respective boards of directors of XO and Allegiance, and the Bankruptcy Court, have approved the Transaction.

**Public Interest Considerations.** The Transaction will serve the public interest. Allegiance's chapter 11 cases and its current financial position effectively preclude Allegiance Florida from devoting the resources necessary to introduce new products and services, or to expand its business in Florida. The Transaction will reinvigorate Allegiance and allow it access to the financial resources necessary for it to continue to provide high quality services and aggressively compete for customers. The Transaction will also permit the combined company to deploy new products and services and to expand their existing operations – including those of Allegiance Florida – while ensuring that Allegiance customers continue to receive high-quality service without interruption. The combination of XO and Allegiance thus will promote competition in Florida in the provision of intrastate local and long distance telecommunications services and data services.

Further, the proposed Transaction will be transparent to customers of Allegiance Florida. In particular, the Transaction will not result in a change of carrier for Allegiance Florida's customers. Immediately after the completion of the Transaction, Allegiance Florida will continue to provide service at the same rates, terms, and conditions as currently are provided, although such rates, terms and conditions may be changed in the future in accordance with the customer's service agreement and applicable law. The Transaction is not expected to result in any discontinuance of service.<sup>9</sup> Furthermore, in addition to having access to XO's experienced and high-quality management team, Allegiance Florida will continue to be supervised largely by the same management, technical and customer service personnel.

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<sup>9</sup> In light of Allegiance's bankruptcy and its proposed sale to XO, and in order to ensure that Allegiance's customers continue to receive high quality services pending closing, XO has agreed, under certain conditions, to provide certain management and related services to Allegiance on an interim basis until all required approvals and consents are received. XO would provide any such services on behalf of Allegiance and subject to Allegiance's direction and control in a manner consistent with Allegiance's certificates, tariffs, and applicable law and regulations.

As noted above, the Parties do not believe that Commission approval of the Transaction is required. Enclosed please find fifteen (15) copies of this filing, a duplicate copy and a self-addressed, postage-paid envelope. Please date-stamp the duplicate upon request and return it in the envelope provided. Should the Commission believe that any further action is required, the Parties respectfully request that the Commission contact the undersigned as soon as possible.

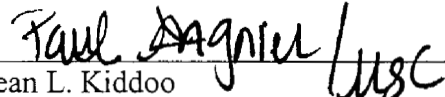
Respectfully submitted,

**XO COMMUNICATIONS INC.**

**ALLEGIANCE TELECOM, INC.,  
DEBTOR-IN-POSSESSION**

  
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Counsel to Allegiance

Dated: February 24, 2004

STATE OF ILLINOIS :  
 : SS.  
COUNTY OF DU PAGE :

**VERIFICATION**

I, Theresa Larkin, am Regional Vice President Industry and State Regulatory Affairs of Allegiance Telecom, Inc., Debtor-in-Possession, and am authorized to represent it and its subsidiaries, and to make this verification on their behalf. The statements in the foregoing document relating to Allegiance Telecom, Inc., Debtor-in-Possession and its subsidiaries, except as otherwise specifically attributed, are true and correct to the best of my knowledge, information and belief.

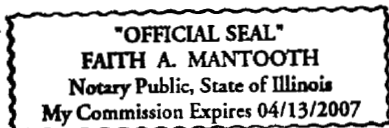
I declare under penalty of perjury that the foregoing is true and correct.

Theresa Larkin  
Theresa Larkin  
Regional Vice President, Industry and State  
Regulatory Affairs  
Allegiance Telecom, Inc., Debtor-in-Possession

Subscribed and sworn to before me this 18<sup>th</sup> day of  
February 2004.

Faith A. Mantooth  
Notary Public

My Commission expires: 4/13/2007  
Commission No. 388317



**VERIFICATION**

I, Lee Weiner, am Senior Vice President and General Counsel of XO Communications, Inc. and am authorized to represent it and its subsidiaries, and to make this verification on their behalf. The statements in the foregoing document relating to this company and its subsidiaries, except as otherwise specifically attributed, are true and correct to the best of my knowledge and belief.

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

Lee Weiner

Subscribed and sworn to before me this 19th day of February 2004.

Marsha J. Bault  
Notary Public

My Commission expires: May 31, 2005