BOULT ▪ CUMMINGS
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RECEIVED
REGULATORY AUTHORITY
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OFFICE OF THE
EXECUTIVE SECRETARY

May 8, 2002

David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

Re : *Application for Approval of the Transfer of Control of XO Communications, Inc. Pursuant to a Corporate Restructuring Involving the Issuance and Sale of New Common Stock*

Docket No: 02-00525

Dear David:

Enclosed are the original and thirteen copies of the *Application of the Transfer of Control of XO Communications, Inc., Sole Shareholder of XO Tennessee, Inc., Pursuant to a Corporate Restructuring Involving the Issuance and Sale of New Common Stock.* A $25.00 filing fee is enclosed.

Very truly yours,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By: Henry Walker

HW/cw
Enclosure

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BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

Application for Approval of the Transfer of Control	)	
of XO Communications, Inc., Sole Shareholder of	)	
XO Tennessee, Inc.	)	Docket No._____
Pursuant to a Corporate Restructuring Involving the	)	
Issuance and Sale of New Common Stock	)	

APPLICATION

XO Tennessee, Inc. ("XO Tennessee") and its parent, XO Communications, Inc. ("XO" and collectively with its subsidiary, the "Company"), by their attorneys, hereby respectfully request authority from the Tennessee Regulatory Authority ("Authority"), pursuant to Tenn. Code Ann § 65-4-113 to transfer ownership and control of XO, and thus its operating subsidiary, from Craig O. McCaw[1] and the existing shareholders of XO to the shareholders of the restructured and recapitalized XO, including Forstmann Little & Co. Equity Partnership-VII, L.P., Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VIII, L.P. (together "Forstmann Little") and an indirect, wholly owned subsidiary of Telefonos de Mexico, S.A. de C.V. [2] ("Telmex" and together with Forstmann Little, the "Investors").[3]

The attached Application and its contents are premised on the terms of a Stock Purchase Agreement, dated January 15, 2002 ("Stock Purchase Agreement") among XO, Forstmann Little,

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1 Craig O. McCaw currently controls, primarily through control of Eagle River Investments, L.L.C., or has rights to vote shares of common stock that in the aggregate represent more than 50% of the voting power of XO common stock.

2 Through intermediate holding companies, Telmex owns 100% of the capital stock of Teninver, S.A. de C.V., the Mexican entity through which Telmex proposes to make its investment in XO.

3 Applications related to this transaction were filed with the Federal Communications Commission on February 21, 2002.

and Telmex. If the transaction is implemented in accordance with the terms of the Stock Purchase Agreement, then the descriptions in this Application will hold. However, in light of the Company's ongoing negotiations with other parties regarding its restructuring, the terms discussed herein are subject to change, and any material changes will be provided to the Authority by amendment of this Application.

Upon completion of the transfer of control, each Investor is expected to hold approximately 40%[4] of XO's voting power and have corresponding representation on XO's Board of Directors. It is not anticipated that any other shareholder will hold more than a 10% interest in XO. This transfer of control will result from XO's planned restructuring involving the modification of XO's existing credit facility, the elimination of all equity and outstanding notes, and the purchase of new common stock in XO by the Investors for $800 million.[5] Importantly, no new party will be able to unilaterally control XO after the transfer of control. The Investors will hold their interests independently of one another and have no agreement to act in concert with respect to the future operations of XO and its subsidiaries, except with respect to the election of Directors, as set forth below.

This Application is required because XO Tennessee is currently authorized to provide local and interexchange services in Tennessee.[6] This Application does not seek to transfer any operating authority. Throughout the restructuring process and after the consummation of the transactions described herein, the Company will continue to provide the same high quality

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4 Negotiations with various parties in connection with the restructuring of XO are ongoing, and may result in some adjustments to the ultimate equity holdings. Accordingly, the anticipated equity interests of Forstmann Little and Telmex are approximations.

5 It is anticipated that additional new stock also will be issued to management of XO and may be issued to certain other parties.

6 See Docket No. 98-02502, granted September 29, 1995.

services as it always has in an uninterrupted manner. Upon completion of the proposed transfer of control, the Company will continue to provide intrastate telecommunications services in Tennessee under its same name and pursuant to its existing authorizations and tariffs. Accordingly, the contemplated transaction will be transparent to customers in Tennessee. In support of this Application, the parties provide the following information:

I. THE PARTIES TO THE TRANSACTION

The Company. XO Tennessee is a 100% wholly owned subsidiary of XO Communications, Inc., a Delaware corporation (XOXO on the OTC-Bulletin Board). Both are headquartered at 11111 Sunset Hills Road, Reston, Virginia 20190. Through its operating subsidiaries, XO provides bundled local and long distance as well as dedicated voice and data telecommunications services primarily to business customers. It has metro broadband fiber optic networks in more than 60 cities in the United States, including in the top 30 cities, and serves 25 of the largest metropolitan areas in the United States. The Company also is one of the nation's largest holders of fixed wireless spectrum, covering 95% of the population of the 30 largest U.S. cities, and has deployed fixed wireless technology in 27 of these markets.

XO is authorized, through its subsidiaries, to provide intrastate interexchange services virtually nationwide, including in Tennessee, and is authorized to provide local exchange services in approximately 30 states, including Tennessee. The Company also offers domestic and international telecommunications services pursuant to FCC Section 214 authorizations. The Company's international offering is incidental to its core domestic business.

XO currently is controlled by Craig O. McCaw through his ownership interest in Eagle River Investments, L.L.C., through other direct and indirect holdings of XO securities and pursuant to various voting arrangements, the primary one being with shareholder Wendy P.

McCaw, his former spouse.[7] Following the consummation of the contemplated transactions, it is expected that, to the extent Mr. McCaw holds any equity interest in XO, such interest will represent a very small percentage of its voting power (less than 10%), and Mr. McCaw will have neither control of XO's Board of Directors nor the right to elect any of its Directors.

Forstmann Little. Forstmann Little & Co. is a private equity firm formed in 1978. Since its formation, Forstmann Little & Co., through several limited partnerships ultimately controlled by individual general partners[8], has made 29 acquisitions and significant equity investments, focusing on high growth, high quality companies.[9] The address for Forstmann Little & Co. and its affiliates is 767 Fifth Avenue, New York, New York 10153.

Included in these investments are existing investments in XO. Funds affiliated with Forstmann Little & Co. have made equity investments in XO of $850 million in January 2000, $400 million in July 2000, and $250 million in the spring of 2001, which investments give the funds the right to designate two directors. Under the contemplated restructuring, these investments would be treated similarly to the other existing equity holders in XO.

In the instant transaction, Forstmann Little proposes to invest an additional $400 million in the restructured XO. The two Forstmann Little & Co. affiliates making the new investment in XO are also limited partnerships. Forstmann Little & Co. Equity Partnership-VII, L.P. is a

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7 Mr. McCaw holds a proxy to vote the number of shares of XO stock held by Mrs. McCaw necessary for Mr. McCaw to hold 51% of the voting power of XO.

8 Over time, the individual general partners have changed to some degree.

9 These companies include McLeodUSA, Incorporated (NASDAQ:MCLD) ("McLeod"), a facilities-based competitive local exchange carrier providing integrated communications services in approximately 28 states. An investor in McLeod since September 1999, funds affiliated with Forstmann Little recently have invested $175 million in the Company in conjunction with a financial restructuring. Funds affiliated with Forstmann Little now are McLeod's largest shareholder with a 58% share of McLeod's voting stock.

Delaware limited partnership, and its general partner is FLC XXXII Partnership, L.P., a New York limited partnership. Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VIII, L.P. also is a Delaware limited partnership, and its general partner is FLC XXXIII Partnership, L.P., a New York limited partnership. The general partners of both of those general partner entities are: Theodore J. Forstmann, Sandra J. Horbach, Winston W. Hutchins, Thomas H. Lister, Jamie C. Nicholls, and Gordon A. Holmes. The limited partners of Forstmann Little & Co. Equity Partnership-VII, L.P. are comprised primarily of institutional investors, with some individual investors, while the limited partners of Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VIII, L.P. are comprised of various institutional investors.

Telmex. Telefonos de Mexico, S.A. de C.V. (NYSE:TMX; NASDAQ:TFONY), a Mexican corporation, provides telecommunications services in Mexico. Telmex has more than 13 million telephone lines in service, 1.43 million line equivalents for data transmission and more than 845,000 Internet accounts.[10] Telmex and its subsidiaries offer a wide range of advanced telecommunications, data and video services, Internet as well as integrated telecommunications solutions for corporate customers through an extensive fiber optic digital network. Telmex's address is Parque Via 190, Colonia Cuauhtemoc, 06599 Mexico, D.F. Privatized in 1990, Telmex has no state ownership. Telmex is controlled by Carso Global Telecom, S.A. de C.V., a Mexican holding company. For additional information about Telmex,

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10 Telmex owns Controladora de Servicios de Telecomunicaciones, S.A. de C.V., which, in turn, owns Teninver, the Mexican entity through which Telmex proposes to make its investment in XO.

please see its website at www.telmex.com.[11] In the instant transaction, Telmex proposes to invest $400 million in the restructured XO.

II. DESIGNATED CONTACTS

The designated contacts for questions concerning this Application are:

For XO:
Nicholaus G. Leverett
Melissa S. Conway
KELLEY, DRYE & WARREN, LLP
1200 19th Street, N.W.
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Washington, D.C. 20036
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Copies of any correspondence relating to the Company also should be sent to its following designated representative:

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11 Telmex has an indirect, wholly owned subsidiary, Telmex USA, L.L.C., that is authorized to provide international switched resale services in the United States. Telmex USA, L.L.C. currently is authorized as a long distance reseller in approximately 16 states. America Movil, S.A. de C.V., a Mexican corporation under common ownership and control with Telmex, indirectly holds an approximate 25% (up to 45% if certain outstanding warrants are exercised) ownership interest in ARBROS Communications, Inc. and ARBROS's utility subsidiaries, including Comm South Companies, Inc., a prepaid local wireline service provider that is certificated in various states. Other subsidiaries of ARBROS provide voice, data and enhanced services to small and medium-sized business customers primarily in the eastern U.S.

Cathleen A. Massey
Vice President – External Affairs/Assistant General Counsel
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Email: cathy.massey@xo.com

III. DESCRIPTION OF THE TRANSACTION

Pursuant to the Stock Purchase Agreement XO will, among other things, issue new common shares to the Investors, each of whom will pay $400 million in cash for the shares, for a total aggregate investment in XO of $800 million.[12] Specifically, the Stock Purchase Agreement contemplates that Forstmann Little will purchase 79,999,998 shares of Class A Common Stock, par value $0.01 per share, of XO and two (2) shares of a newly created class of Class D Common Stock, par value $0.01 per share of XO.[13] The Forstmann Little shares in the aggregate are expected to equal approximately 40% of the total outstanding equity securities of XO.[14] Telmex is purchasing 80,000,000 shares of a newly created class of Class C Common Stock, par value

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12 A synopsis of the Stock Purchase Agreement and related documents from the SEC Form 13D/A filed by Forstmann Little on January 22, 2002 is attached as ***Exhibit 1*** hereto. A copy of the complete Stock Purchase Agreement is attached to the same SEC form or may be obtained from undersigned counsel.

13 Forstmann Little & Co. Equity Partnership-VII, L.P. is purchasing 49,999,999 shares of Class A Common Stock and one (1) share of Class D Common Stock, for an aggregate of $250 million, which is expected to equal approximately 25% of the total outstanding equity securities of XO. Forstmann Little & Co. Subordinated Debt & Equity Management Buyout Partnership-VIII, L.P. is purchasing 29,999,999 shares of Class A Common Stock and one (1) share of Class D Common Stock, for an aggregate of $150 million, which is expected to equal approximately 15% of the total outstanding equity securities of XO. Final percentages may differ.

14 Under the contemplated restructuring, Forstmann Little's existing investments in XO would be treated similarly to the other existing equity holders in XO.

$0.01 per share, of XO. The Telmex shares in the aggregate are expected to equal approximately 40% of the total outstanding equity securities of XO.[15] The purchase by and issuance of the new shares to the Investors will occur at the closing of the contemplated transactions. Closing is subject to the satisfaction or waiver of certain conditions set forth in the Stock Purchase Agreement, including the restructuring of XO as discussed below and the receipt of certain regulatory approvals.

The restructuring contemplates the completion of transactions that would result in XO having no more than $1 billion of outstanding senior secured debt in addition to other existing capital lease and secured obligations, and equity consisting of each Investor's 40% common stock interest with the remaining 20% divided between management (approximately 2%) and other holders (18%).

In February of 2002, the Company and a committee of lending institutions reached a tentative understanding regarding the treatment of the company's borrowings pursuant to its credit facility. The tentative understanding provided that the $1 billion of principal owed to the lending institutions would remain outstanding, but the scheduled maturity dates would be extended by three years. In addition, modifications will be made to certain financial and negative covenants to which XO is subject and certain other minor amendments to the credit facility will be made. In light of the ongoing negotiations regarding XO's restructuring, this

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15 ***Exhibit 2*** is a diagram of the ownership of XO before and after the transaction described herein.

tentative understanding is subject to further consideration. The process of restructuring may include a reorganization of XO's finances through a Chapter 11 proceeding.[16]

In addition to the Investors' acquisition of a stock interest in XO, upon the closing of the transactions contemplated by the Stock Purchase Agreement, pursuant to the amended and restated certificate of incorporation, restated bylaws and the Stockholders Agreement, Forstmann Little and Telmex also will be able to designate persons to the XO Board of Directors proportionate to their equity interests so long as they hold more than 10% of XO's common stock.[17] However, other than with respect to the election of each other's Directors as described below, there is no agreement between the Investors to vote their shares together, and neither Investor has the right to unilaterally control the day-to-day operations of the Company.

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16 XO expects that it will file for bankruptcy under Chapter 11 of the Bankruptcy Code in order to effectuate the restructuring. Should XO file for bankruptcy, XO will at that time make any necessary filing to amend this Application.

17 The holders of both Class C and Class D common stock, voting as separate classes, must approve any merger, consolidation, reorganization or recapitalization of XO or any sale of all or a substantial portion of the assets of XO and its subsidiaries. In addition, until Telmex elects to name affiliated persons to the Board, as discussed below the Class C Common Stock must vote as a separate class before the Company may: acquire, by merger, purchase or otherwise, any equity interest in or assets of any other person with a value greater than 20% of XO's net assets; authorize for issuance or issue any equity securities or derivative securities with a value in excess of $100 million; incur indebtedness for borrowed money in excess of $100 million in aggregate principal amount; or amend its certificate of incorporation or bylaws. The Class C and Class D Common Stock automatically convert into Class A Common (resulting in the termination of these special class rights) on the earlier of the date when the Class C common stock represents less than 10% of the total common shares or the fourth anniversary of the closing of the proposed transaction.

There will be a twelve (12) person Board which will include the CEO of XO, an independent director acceptable to both Investors,[18] and five (5) individuals designated by each Investor. Until Telmex determines that certain events have occurred, the Telmex designees will be individuals who are independent of, and not affiliated with, either Telmex or XO. In future elections, Forstmann Little and Telmex will be able to designate directors proportionate to their then-current equity interests. Certain actions coming before the Board will require the approval of at least one director appointed by each of Forstmann Little and Telmex. These proposed actions include amending the certificate of incorporation or bylaws of XO, transactions with other than wholly owned affiliates or "insiders," filing for bankruptcy, adopting anti-takeover provisions or issuing preferred stock.

The Board will have a five (5) member Executive Committee having the responsibility for the strategic direction of the Company, which shall be comprised of XO's CEO and four board members appointed by the Investors. Initially, the approval of three-fifths of the Executive Committee members will be required for the Company to undertake certain significant actions.[19]

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18 After completion of their terms on the initial Board, the seats held by the CEO and independent director will be selected by majority vote.

19 A super-majority vote will be required for XO to:

Adopt or modify the business plan; acquire any equity interest in or assets of any other person with a value greater than $100 million; issue any equity securities with a value in excess of $100 million; purchase any shares of its capital stock; pay any dividends or distributions in respect of its capital stock; retire or change any material term of outstanding long-term debt; incur indebtedness in excess of $100 million; make any material change in its accounting principles or change XO's outside auditors; and appoint or terminate or modify the terms of the employment of any member of XO's senior management.

Initially, three of the Forstmann Little Directors and one independent Telmex director shall serve on the Executive Committee along with XO's CEO. But when Telmex elects to designate persons affiliated with it to serve as Directors, the Executive Committee will be comprised of XO's CEO and two Board members designated by each of Telmex and

. . . continued

If an action requiring a super-majority is not approved, however, any member of the Executive Committee may take the matter before the entire Board of Directors where it would be decided by majority vote. As the ultimate power to approve these actions resides in the Board of Directors, the Executive Committee cannot itself block XO from taking these actions. Even actions approved by the Executive Committee, moreover, may also be subject to any approval normally required by the full Board of Directors.

Neither Investor will be directly involved in the day-to-day operations of XO. XO currently plans to retain its current management team and will continue to rely on its experienced professionals. It is thus not contemplated that there will be significant changes in XO's current management occasioned by this investment or the restructuring, and the current senior management is expected to continue to oversee the day-to-day operations of its operating subsidiaries. Of course, over time there may be management changes as deemed appropriate by the Board of Directors.

IV. PUBLIC INTEREST ANALYSIS

Approving the transfer of control of XO is in the public interest. After the consummation of the transaction described herein, the Company will continue to operate under its same names and operating authorities as at present. This transaction does not involve any transfer of authorizations or change in carriers providing service to customers or any change in the rates, terms or conditions of service. The Company's management and the contact for customer and Authority inquiries will remain the same for the operating subsidiaries of XO after the transfer of control:

Forstmann Little. At that time, these actions will be by a two-thirds rather than three-fifths vote.

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Thus, the transfer of control of XO will be transparent to customers and will not have any adverse impact on them. The only change is in the ultimate ownership of the Company.

In brief, the proposed investment is necessary for XO to survive in the telecommunications market. XO and other emerging telecommunications companies have suffered over the past year amid the downturn in the technology and communications markets, slowing demand, and a marked tightening of capital markets as investors shied away from funding enterprises that were not generating net profits or had unfunded business plans. XO's results of operations have remained relatively strong. However, XO has not had access to the capital markets to address its funding needs and XO's business plan is not fully funded. Therefore, without the new investment and balance sheet restructuring, XO's financial stability could be significantly compromised. At that point, services to consumers in Tennessee would be adversely affected.

The proposed infusion of capital by Forstmann Little and Telmex will allow XO to build upon its solid foundation with a strengthened balance sheet and is projected to result in a fully funded business plan. Specifically, XO expects to have sufficient funds and cash generated in operations to pay for operating expenses through the time at which the business is cash-flow positive.

Thus, the proposed investment serves the public interest because it will strengthen XO and is expected to enable it to meet its contractual and service obligations over the longer term. The simple fact is that, without additional funding, XO may be forced to decrease services and investment, and perhaps cease operations altogether. By contrast, the proposed transaction should enable XO to continue investing in the expansion of its network and providing high quality local, long distance, and broadband services to its customer base.

WHEREFORE, XO Tennessee, Inc. and its parent, XO Communications, Inc., respectfully request that the Authority approve the transfer of control of XO and its subsidiaries as described herein, and grant such other and further relief as it deems necessary to carry out the transactions described above. Because the continued operation and success of XO depends on the consummation of the investment described herein and the related restructuring, it is respectfully requested that the Authority act on this application as expeditiously as possible.

Respectfully submitted,

XO TENNESSEE, INC. AND XO COMMUNICATIONS, INC.

By: Brad Mutschelknaus by permission
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Its Attorneys

Dated: May 8, 2002

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Attorneys for XO Tennessee, Inc.

Dated: May 8, 2002

EXHIBIT 1

Synopsis of Stock Purchase Agreement and Related Documents from SEC Form 13D/A

On January 15, 2002, the Investors and XO entered into the Stock Purchase Agreement, a copy of which is attached hereto as Exhibit 22.

If the transactions contemplated by the Stock Purchase Agreement are consummated, the FL Investors, which are under common control with the Reporting Persons, will, following the Restructuring, collectively become the beneficial owners of 40.00% of the then-outstanding shares of XO common stock. This will occur through their purchase from XO for $400,000,000 in cash of the New Forstmann Little Shares. The Class D Common Stock will be identical to the Class A Common Stock in all respects other than certain special voting rights described more fully below and in the Amended and Restated Certificate of Incorporation. Each share of Class D Common Stock to be purchased by the FL Investors will automatically convert into one share of Class A Common Stock under certain circumstances described more fully below and in the Amended and Restated Certificate of Incorporation.

The Stock Purchase Agreement also provides that following the Restructuring, Telmex shall purchase from XO the New Telmex Shares for $400,000,000 in cash, which shares will represent or be convertible into 40.00% of the then-outstanding shares of XO common stock. Each share of Class C Common Stock will be convertible into one share of Class A Common Stock under certain circumstances described more fully below and in the Amended and Restated Certificate of Incorporation. The Class C Common Stock will be identical to the Class A Common Stock in all respects other than certain special voting rights more fully described below and in the Amended and Restated Certificate of Incorporation.

Restructuring. The Stock Purchase Agreement provides that it is a condition precedent to the obligations of the Investors to consummate the transactions contemplated by the Stock Purchase Agreement that the Company shall have effected the Restructuring, as described more completely in the Stock Purchase Agreement. The Stock Purchase Agreement also provides that the Restructuring must result in the new capitalization. Under the new capitalization, XO will have no more than $1.034 billion in aggregate indebtedness and a capital structure with the following outstanding equity: the New Forstmann Little Shares, the New Telmex Shares, with the remaining 20% of the Company's outstanding common stock being held by the Company's management and other equity holders, which are expected to include current holders of the Company's outstanding debt securities. The Stock Purchase Agreement further provides that it is a condition precedent to the obligations of the Investors to consummate the transactions contemplated by the Stock Purchase Agreement that the Company's current bank credit facility or a replacement bank credit facility be in form and substance reasonably acceptable to the Investors. The percentage of the outstanding equity securities of the Company to be held by the FL Investors, Telmex and other equity holders is subject to adjustment based on the terms and amount of the shares to be purchased by and any grants of options made to the management of the Company. No shares of the Company's existing Class B Common Stock may be outstanding as of the Closing.

The Company may effect the Restructuring by means of an exchange offer for the Company's currently outstanding public debt securities and preferred stock, by commencing a bankruptcy case in a bankruptcy court of competent jurisdiction, by some combination of such actions or by any other actions reasonably likely to effect the new capitalization which are acceptable to each Investor in its reasonable discretion. If a case is commenced in bankruptcy court, the orders of the bankruptcy court must be final and non-appealable and reasonably acceptable to the Investors as a condition precedent to the Closing. The Company may commit up to $200,000,000 in connection with the Restructuring.

If a bankruptcy case is commenced to effect the new capitalization, the Stock Purchase Agreement provides that the Company shall use its reasonable best efforts to ensure that the confirmation order granted in connection therewith shall release the Investors and their respective affiliates and representatives from any litigation related to the Company, its business, its governance, its securities disclosure practices, the purchase of any of its securities and the investment and Restructuring transactions contemplated by the Stock Purchase Agreement.

Representations and Warranties. The Stock Purchase Agreement contains several representations and warranties of the Company to the Investors. These representations and warranties, most of which are made at the time of execution of the agreement and at Closing, address, among other things, the following matters: (i) the Company's capitalization; (ii) the Company's filings with the United States Securities and Exchange Commission; (iii) the Company's financial statements; (iv) the absence of certain undisclosed material changes; (v) litigation relating to the Company, its assets and the transactions contemplated by the Stock Purchase Agreement; (vi) the Company's network facilities; (vii) the Company's regulatory compliance; (viii) fee commitments; and (ix) several other matters relating to the Company's business, operations and compliance with laws and agreements.

Closing Conditions. The Stock Purchase Agreement provides that

transactions contemplated by the Agreement are subject to the satisfaction or waiver by such party of several conditions. These conditions include, without limitation, the following: (i) that the representations and warranties of the Company shall be true and correct as of the time each is made; (ii) that the Company and the Investors have executed, filed or adopted the Stockholders Agreement, a registration rights agreement substantially in the form attached hereto as Exhibit 24 (the "Registration Rights Agreement"), the proposed Amended and Restated Certificate of Incorporation and the Restated Bylaws; (iii) that after giving effect to the issuance of the New Common Shares pursuant to the terms of the Stock Purchase Agreement, the complete capital structure of the Company shall be the new capitalization effected by the Restructuring; (iv) the absence of litigation instituted against the Company or for which the Company would have obligations to indemnify any person which would be reasonably likely to result in a material adverse effect on the business, operations, assets, financial condition, prospects, or results of operations of the Company and its subsidiaries i.e. taken as a whole (a "Material Adverse Effect"); (v) that certain senior management positions at the Company shall be held either by the person who held such position on the date of the Stock Purchase Agreement or another person acceptable to each Investor; (vi) that there shall not have occurred any event, circumstance, condition, fact, effect or other matter since the execution of the Stock Purchase Agreement which, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect or a material adverse effect upon the ability of the Company to perform any material obligation under the agreement or to consummate the transactions contemplated by the agreement; (vii) that the Company and the Investors have obtained all material regulatory approvals, including without limitation, the consent of the United States Federal Communications Commission, and competition approvals; and (viii) that any and all litigation pending or threatened against the Company, the Investors or their representatives or affiliates related to the Company, its business, its governance, its securities regulatory disclosure practices, the purchase or sale of any of the Company's equity or debt securities, the investment or the Restructuring, shall have been resolved in a manner that is satisfactory to each Investor in its sole discretion (other than Ordinary Course Litigation (as defined therein)).

Covenants. The Stock Purchase Agreement provides that during the interim period between the execution of the Stock Purchase Agreement and the Closing, the Company will conduct its business in the ordinary course and will not take certain specified actions without the prior written consent of the Investors, except as contemplated by the Stock Purchase Agreement. Such prohibited actions include, without limitation: (i) the incurrence of additional indebtedness (subject to certain exceptions); (ii) changes to any of the Company's methods of accounting or accounting practices; (iii) the repurchase or redemption of the Company's equity securities (subject to certain exceptions); (iv) the issuance of additional equity securities (subject to certain exceptions); (v) the declaration of any dividends; (vi) the redemption or defeasance of any of the Company's outstanding publicly-traded debt securities or other indebtedness; (vii) the amendment of the Company's certificate of incorporation or bylaws; (viii) any actions reasonably likely to result in the breach of any of the Company's representations and warranties made in the Stock Purchase Agreement or the failure to satisfy any of the conditions precedent to Closing; (ix) actions adversely affecting the Company's insurance coverage; (x) material increases in the compensation or benefits of the Company's employees (except for certain permitted payments under certain bonus and retention bonus plans); and (xi) the sale, lease or other disposition any of the Company's material assets (subject to certain exceptions).

The Stock Purchase Agreement provides that the Company must keep the Investors informed regarding the receipt of certain proposals or offers for significant transactions or the negotiations in connection therewith. The Stock Purchase Agreement provides that the Company must cause each of its executive officers and directors, and use its reasonable best efforts to cause each holder of five percent or more of its common stock, not to sell any of their equity securities for six months and one year, respectively, from the Closing. The Stock Purchase Agreement also provides that the Company and the Investors will cooperate in several respects and use their reasonable best efforts to satisfy the conditions precedent to the consummation of the purchase of the New Forstmann Little Shares and the New Telmex Shares.

The Stock Purchase Agreement further provides that the Company

and the Investors will use their reasonable best efforts to revise the existing documentation and agreements, including the Stock Purchase Agreement and the exhibits thereto: (i) to the extent necessary to consummate the transactions contemplated by the Stock Purchase Agreement if Telmex's current investment would be unlikely to result in regulatory approval of the transaction; (ii) if either Investor shall have assumed the rights of the other Investor under the Stock Purchase Agreement; and (iii) to define the relative rights and preferences of a to-be-determined class of the Company's common stock that may be issued to certain members of the management of the Company.

Termination. The Stock Purchase Agreement provides that each Investor has the right to terminate the agreement upon certain events, including without limitation: (i) if the parties are unable to obtain the necessary regulatory consents and other approvals by certain deadlines; (ii) if the Company has breached any of its representations or warranties and such breach shall have a Material Adverse Effect; (iii) if any fact, circumstance or other matter has occurred or exists which would or would reasonably be likely to give rise to the failure of any of the conditions precedent to the obligations of each Investor to consummate the transactions contemplated by the Stock Purchase Agreement and such fact, circumstance or other matter cannot be cured within twenty days; (iv) if the Company has not taken certain actions in the bankruptcy court to have certain fees, expenses and payments approved by the bankruptcy court; and (v) if the other Investor has terminated the Stock Purchase Agreement. In most instances, if either Investor shall terminate the Stock Purchase Agreement in accordance with its rights of termination thereunder, the non-terminating Investor may assume the rights and obligations of the terminating Investor.

The Stock Purchase Agreement provides that the Company has the right to terminate the agreement upon certain events, including without limitation: (i) if the board of directors deems it necessary to accept an alternative proposal received by the Company; (ii) if either Investor terminates the agreement and the non-terminating Investor does not assume such terminating Investor's rights and obligations under the Stock Purchase Agreement; (iii) if the Closing shall not have occurred by certain deadlines; (iv) if either Investor has breached any of its representations or warranties in any material respect; and (v) if any fact, circumstance or other matter has occurred or exists which would or would reasonably be likely to give rise to the failure of any of the conditions precedent to the obligations of the Company to consummate the transactions contemplated by the Stock Purchase Agreement and such fact, circumstance or other matter cannot be cured within twenty days.

Break-Up Payment. If the Company proposes to terminate the Stock Purchase Agreement to accept an alternative proposal received by the Company, each Investor will be entitled to receive a break-up payment from the Company equal to one percent of the implied, pre-money enterprise value of the Company, which shall be determined using accounting methods and principles and valuation methodology set forth in a schedule to the Stock Purchase Agreement.

Expense Reimbursement. The Stock Purchase Agreement provides that the Company will reimburse the Investors for their reasonable, out-of-pocket, documented costs and expenses incurred in connection with the Stock Purchase Agreement and the transactions contemplated thereby up to $14,000,000. Any and all expenses (including, without limitation, legal fees) incurred by the Investors in enforcing any provision of the Stock Purchase Agreement or any other transaction document contemplated thereby shall not be subject to such maximum reimbursement amount.

As described above, the obligation of each Investor to complete the transactions contemplated by the Stock Purchase Agreement are subject to the satisfaction or waiver by such Investor, at or prior to the Closing, of a number of conditions including, without limitation, the execution and delivery by the Company and each of the Investors of the Stockholders Agreement, the filing by the Company with the Secretary of State of the State of Delaware of the Amended and Restated Certificate of Incorporation, and the adoption by the board of directors of the Company of the Restated Bylaws.

Stockholders Agreement, Restated Bylaws and
Amended and Restated Certificate of Incorporation

Election of Directors. The Stockholders Agreement, a form of which is attached hereto as Exhibit 23, and the Restated Bylaws, a form of which is attached hereto as Exhibit 26, provide that, following the Closing and prior to the Board Representation Date (defined below), the number of directors on the board of directors of the Company shall be fixed at twelve and, at and after the Board Representation Date, the board of directors may be expanded to include such number of directors as are required by any stock exchange or quotation system on which the Company's common stock is quoted or listed. The Stockholders Agreement contemplates that the initial board of directors will include those designees appointed or nominated by the Investors as described below, the Chief Executive Officer of the Company and such number of other independent directors as shall be required by any stock exchange or quotation system on which the Company's common stock is quoted or listed and which independent directors shall be approved by each of the Investors. The term "Board Representation Date" means the earlier of: (i) the first date on which the board of directors has received written notice from Telmex that Telmex desires to designate directors to the board pursuant to the Stockholders Agreement, and Telmex has determined in good faith, after consultation with its legal counsel, which counsel shall be an outside law firm of national reputation, that one or more directors, officers or employees of Telmex or a subsidiary of Telmex can become directors without violating Section 8 of the Clayton Antitrust Act of 1914, as amended; and (ii) the first date upon which any director, officer or employee of Telmex or a subsidiary of Telmex is elected or appointed as a director of the Company.

The Stockholders Agreement and Restated Bylaws provide that, following the Closing and prior to the Board Representation Date, so long as the FL Investors beneficially own shares of Company common stock representing at least 10% of the outstanding shares of Company common stock, the FL Investors shall have the right to appoint or nominate to the board of directors of the Company the number of directors equal to the sum of (A) (i) a fraction in which the numerator is the total number of outstanding shares of Company common stock beneficially owned by the FL Investors, and the denominator is the total number of shares of Company common stock outstanding, multiplied by (ii) the total number of directors on the board of directors, rounded up to the nearest whole number, plus (B) (i) a fraction in which the numerator is the total number of outstanding shares of Company common stock beneficially owned by Telmex, and the denominator is the total number of shares of Company common stock outstanding multiplied by (ii) the total number of directors on the board of directors, rounded up to the nearest whole number. Notwithstanding the foregoing, the Stockholders Agreement provides that the FL Investors shall, in connection with such appointment or nomination, include among its appointees or nominees, if so requested by Telmex by written notification, up to that number, rounded up to the next whole number, of individuals nominated by Telmex (the "Telmex Independent Designees"), who are independent of, and not affiliated with, either Telmex or the Company, equal to the product of (i) the total number of directors on the board multiplied by (ii) a fraction in which the numerator is the total number of outstanding shares of Company common stock beneficially owned by Telmex, and the denominator is the total number of shares of Company common stock outstanding; provided that the total number of Telmex Independent Designees may at no time exceed the number of directors on the board of directors appointed or nominated by the FL Investors (excluding Telmex Independent Designees). At the Board Representation Date, the Telmex Independent Designees shall resign from the board of directors and shall be replaced by directors nominated or appointed by Telmex pursuant to the following paragraph.

The Stockholders Agreement and Restated Bylaws provide that at and after the Board Representation Date, so long as an Investor beneficially own shares of Company common stock representing at least 10% of the outstanding shares of Company common stock, such Investor shall have the right to appoint or nominate to the board of directors such number of directors, rounded up to the next whole number, equal to the product of (i) a fraction in which the numerator is the total number of outstanding shares of Company common stock owned by such Investor, and the denominator is the total number of shares of Company common stock outstanding, multiplied by (ii) the total number of directors on the board of directors. The Stockholders Agreement further provides that, both before and after the Board Representation Date, the FL Investors and Telmex will vote their respective shares of Company common stock for the election of the nominees

of the other Investor to the board of directors of the Company.

Quorum Requirements. The Stockholders Agreement and the Amended and Restated Certificate of Incorporation further provide that, during such time as the FL Investors beneficially own shares of Company common stock representing at least 10% of the outstanding shares of Company common stock, the board of directors may not take any action unless a quorum consisting of at least one designee of the FL Investors is present, and during such time as Telmex beneficially owns shares of Company common stock representing at least 10% of the outstanding shares of Company common stock, the board of directors may not take any action unless a quorum consisting of at least one Telmex designee (which, prior to the Board Representation Date, shall be a Telmex Independent Designee, to the extent a Telmex Independent Designee has been designated pursuant to the Stockholders Agreement) is present.

Non-Voting Observer and Consultation Rights. In addition to its right to designate directors (or prior to the Board Representation Date, Telmex Independent Designees) to the board of directors of the Company, the Stockholders Agreement provides that, prior to the Board Representation Date and so long as Telmex beneficially owns shares of Company common stock representing 10% or more of the outstanding shares of Company common stock, Telmex shall have the right to designate up to two non-voting observers to the board of directors which observers shall have access to certain information concerning the business and operations of the Company and shall be entitled to attend all regular and special meetings of the board of directors, and any meeting of any committee thereof, but shall not have any right to vote at such meetings. Moreover, prior to the Board Representation Date, the FL Investors shall consult with representatives of Telmex at least monthly and, to the extent consistent with applicable law, shall share information with Telmex regarding the business, finances and prospects of the Company.

Committees. The Stockholders Agreement and the Restated Bylaws provide that, subject to certain conditions and exceptions, so long as an Investor beneficially owns shares of Company common stock representing at least 10% of the outstanding shares of Company common stock, each Investor shall have the right to have at least one of its director designees (which, in the case of Telmex, prior to the Board Representation Date, shall be a Telmex Independent Designee, to the extent a Telmex Independent Designee has been designated pursuant to the Stockholders Agreement) sit on each committee of the board of directors. The Stockholders Agreement and the Amended and Restated Certificate of Incorporation further provide for the creation of a five-member executive committee (the "Executive Committee"), which shall include the Chief Executive Officer of the Company. Prior to the Board Representation Date, the FL Investors shall have the right to have (i) three of their director designees on the Executive Committee so long as the FL Investors beneficially own shares of Company common stock representing 15% or more of the outstanding shares of Company common stock and (ii) two of their director designees on the Executive Committee so long as the FL Investors beneficially own shares of Company common stock representing at least 10% of the outstanding shares of Company common stock but less than 15% of the outstanding shares of Company common stock. Prior to the Board Representation Date, Telmex shall have the right to have one Telmex Independent Designee on the Executive Committee so long as Telmex beneficially owns shares of Company common stock representing at least 10% of the outstanding shares of Company common stock. After the Board Representation Date, each Investor shall have the right to have (i) two of its director designees on the Executive Committee so long as such Investor beneficially owns shares of Company common stock representing 15% or more of the outstanding shares of Company common stock or (ii) one of its director designees on the Executive Committee so long as such Investor owns shares of Company common stock representing at least 10% of the outstanding shares of Company common stock but less than 15% of the outstanding shares of Company common stock. The Stockholders Agreement contemplates that the initial Executive Committee will consist of the Chief Executive Officer of the Company, three designees of the FL Investors and one Telmex Independent Designee.

The Stockholders Agreement and Amended and Restated Certificate of Incorporation provide that the Company shall not, without the approval of (x) prior to the Board Representation Date, at least three-fifths of the members of the Executive Committee, or (y) at and after the Board Representation Date, at least two-thirds of the members of the Executive Committee: (i) adopt a new business plan, materially modify the business

plan or take any action that would constitute a material deviation from the business plan; (ii) approve or recommend a merger (other than a merger of a wholly-owned subsidiary of the Company with and into the Company), consolidation, reorganization or recapitalization of the Company or any sale of all or a substantial portion of the assets of the Company and its subsidiaries, taken as a whole (a "Major Event"); (iii) acquire, by purchase, merger or otherwise, in one transaction or a series of related transactions, any equity or other ownership interest in, or assets of, any person in exchange for consideration with a fair market value greater than $100 million; (iv) with certain limited exceptions, authorize for issuance or issue any equity securities or equity derivative securities in one transaction or a series of related transactions with a fair market value at the time of issuance in excess of $100 million; (v) purchase, redeem, prepay, acquire or retire for value any shares of its capital stock or securities exercisable for or convertible into shares of its capital stock other than as required under the terms of such capital stock or securities; (vi) declare, incur any liability to declare, or pay any dividends, or make any distributions in respect of, any shares of its capital stock other than as required under the terms of such capital stock; (vii) redeem, retire, defease, offer to purchase or change any material term, condition or covenant in respect of outstanding long-term indebtedness other than as required under the terms of such indebtedness; (viii) with certain limited exceptions, incur indebtedness in one transaction or a series of related transactions in excess of $100 million in aggregate principal amount; (ix) make any material change in its accounting principles or practices (other than as required by GAAP or recommended by the Company's outside auditors), or remove the Company's outside auditors or appoint new auditors; or (x) appoint, or terminate or modify the terms of the employment of, any member of the Company's senior management as described in the Stockholders Agreement, and any of their successors or replacements, and any other persons of a similar level of authority and responsibility in the organizational structure who are appointed after the date of the Stockholders Agreement.

Notwithstanding the foregoing, the Stockholders Agreement and Amended and Restated Certificate of Incorporation further provide that if any of such significant corporate actions are proposed but not approved by the Executive Committee by the requisite three-fifths majority (or, at and after the Board Representation Date, the requisite two-thirds majority) of the Executive Committee, then the Investor designees on the Executive Committee shall attempt in good faith to resolve any objections any such Investor designee may have to the proposal and, if the Investor designees on the Executive Committee are unable to resolve in good faith the disagreement within 30 days after the Executive Committee meeting at which the matter was not approved, any member of the Executive Committee shall be entitled to present such issue to the board of directors where the issue may be adopted or rejected by a majority vote of the board of directors.

Veto Rights. The Stockholders Agreement and Amended and Restated Certificate of Incorporation also provide that so long as (i) an Investor owns shares of Class A Common Stock representing at least 20% of the outstanding Company common stock and (ii) no Major Event nor any acquisition by any "person" or any "group" of persons (as such terms are used for purposes of Rules 13d-1 and 13d-5 under the Securities Exchange Act of 1934) of more than 50% of the total number of outstanding shares of Company common stock shall have occurred, the approval of at least one director designee of such Investor shall be required before the Company may take any of the following actions: (i) amend, alter or repeal its certificate of incorporation or bylaws, or any part thereof, or amend, alter or repeal any constituent instruments of any the Company subsidiary, or any part thereof; (ii) enter into any transaction with any affiliate (other than a wholly owned subsidiary of the Company), officer, director or stockholder of the Company, except for compensation and benefits paid to directors and officers in the ordinary course of business and other than those entered into concurrently with or prior to the Closing; (iii) file any voluntary petition for bankruptcy or for receivership (including a voluntary petition for the liquidation, dissolution or winding up of the Company or any of its subsidiaries other than a liquidation of a subsidiary in which all the assets of the liquidating subsidiary are distributed to the Company or another subsidiary of the Company) or make any assignment for the benefit of creditors; (iv) adopt any stockholder rights plan or other anti-takeover provisions in any document or instrument; or (v) issue or agree to issue any Company preferred stock.

Voting Rights. In addition to the corporate governance rights of

the Investors arising out of their participation on the board of directors of the Company or on the Executive Committee described above, the Amended and Restated Certificate of Incorporation also provides that the Investors shall have certain additional governance rights through their ownership of Class C Common Stock and Class D Common Stock.

Pursuant to the Amended and Restated Certificate of Incorporation, at any time at which there remain outstanding any shares of Class C Common Stock or Class D Common Stock, the affirmative vote of the holders of a majority of the outstanding shares of Class C Common Stock, voting as a separate class, and the affirmative vote of the holders of a majority of the outstanding shares of Class D Common Stock, voting as a separate class, shall be required before the Company may consummate a Major Event. In addition, if, at any time prior to the Board Representation Date there are any outstanding shares of Class C Common Stock, the affirmative vote of the holders of a majority of the outstanding shares of Class C Common Stock, voting as a separate class, shall be required before the Company may (i) acquire, by purchase, merger or otherwise, in one transaction or a series of related transactions, any equity or other ownership interest in, or assets of, any person in exchange for consideration with a fair market value greater than 20% of the Company's consolidated net assets determined in accordance with GAAP; (ii) with certain limited exceptions, authorize for issuance or issue any equity securities or equity derivative securities in one transaction or a series of related transactions with a fair market value at the time of issuance in excess of $100 million; (iii) with certain limited exceptions, incur indebtedness in one transaction or a series of related transactions in excess of $100 million in aggregate principal amount; (iv) amend the Company's certificate of incorporation or bylaws; or (iv) issue or agree to issue any Company preferred stock.

Standstill Provisions. The Stockholders Agreement provides that, except for certain limited exceptions, each Investor agrees that, so long as the other Investor beneficially owns shares of Company common stock representing 20% or more of the outstanding shares of the Company common stock, it shall not, and will cause each of its affiliates not to, either alone or as part of a "group" (as such term is used in Section 13d-5 of the Securities Exchange Act of 1934), and such Investor will not, and will cause each of its affiliates not to, advise, assist or encourage others to, directly or indirectly, without the prior written consent of the other Investor: (i) acquire, or offer or agree to acquire, or become the beneficial owner of or obtain rights in respect of any shares of Company common stock, other equity securities of the Company or other securities convertible or exchangeable into equity securities of the Company; (ii) solicit proxies or consents or become a "participant" in a "solicitation" (as such terms are defined or used in Regulation 14A under the Securities Exchange Act of 1934) of proxies or consents with respect to any voting securities of the Company or initiate or become a participant in any stockholder proposal or "election contest" with respect to the Company or induce others to initiate the same, or otherwise seek to advise or influence any person with respect to the voting of any voting securities of the Company in connection with the election of directors or with respect to an amendment to the Company's certificate of incorporation or bylaws that would increase or decrease the number of directors on the board of directors; (iii) form, encourage or participate in a "person" within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934 for the purpose of taking any actions described in this paragraph; (iv) initiate any stockholder proposals for submission to a vote of stockholders, with respect to the Company; or (v) offer, seek, or propose to enter into any merger, acquisition, tender offer, sale transaction involving a substantial portion of the Company's assets or other business combination involving the Company.

Transfer Restrictions. In addition to the foregoing provisions, the Stockholders Agreement contains certain restrictions on the sale or transfer, by the Investors and their permitted transferees, of Company common stock. Generally, except for certain limited exceptions or with the prior written approval of the other Investor, no Investor may, prior to the fourth anniversary of the Closing, directly or indirectly, sell, assign, transfer or otherwise dispose of, by merger, consolidation or otherwise (including by operation of law), or pledge or otherwise encumber, any the Company common stock acquired by such Investor pursuant to the Stock Purchase Agreement and any securities issued or issuable with respect to such shares of common stock by way of a stock split, stock dividend or stock combination, or any shares of common stock issued in connection with

a recapitalization, merger, consolidation or other reorganization.

Preemptive Rights. The Stockholders Agreement provides that, except for certain excluded issuances, the Company shall not issue, or agree to issue: (i) any equity securities of the Company or any of its subsidiaries; (ii) any options, warrants or other rights to subscribe for, purchase or otherwise acquire any equity securities of the Company or any of its subsidiaries; or (iii) any other securities of the Company or any of its subsidiaries that are convertible into or exchangeable for any equity securities of the Company or any of its subsidiaries unless, in each case, the Company shall have first offered to each Investor the opportunity to purchase its pro rata percentage of any such issuance. The number of securities (or principal amount of debt securities) to be offered to each Investor in connection with the exercise of its preemptive rights shall be an amount equal to the product of (i) the total number of securities (or total principal amount of debt securities) to be issued in the issuance multiplied by (ii) a fraction in which the numerator is the number of shares of Company common stock beneficially owned by such Investor and the denominator is the aggregate number of shares of Company common stock beneficially owned by all Investors exercising preemptive rights, in each case immediately prior to such issuance. So long as there remain outstanding any shares of Class C Common Stock, and subject to certain limitations, Telmex shall have the right to purchase shares of Class C Common Stock in the exercise of its preemptive rights and the FL Investors shall have the right to purchase shares of Class D Common Stock in the exercise of its pre-emptive rights.

Right of First Refusal. The Stockholders Agreement further provides that, from and after the fourth anniversary of the Closing, if the Company receives a bona fide proposal from any person for a Major Event (a "Major Event Proposal"), the Company shall notify the Investors of the Major Event Proposal and provide them with certain information. Promptly upon receipt of notice of a Major Event Proposal, the Investors shall engage in good faith discussions regarding the desirability and timing of the proposed Major Event and shall endeavor, within a specified period of time, to agree with respect to whether to support or reject the Major Event Proposal. If the Investors agree to support or reject the Major Event Proposal, then the Major Event Proposal shall be submitted to the Executive Committee for approval or rejection in accordance with the provisions described above. If the Investors are unable to agree on whether to support or reject the Major Event Proposal, then the Investor which objects to approval of the Major Event Proposal shall be entitled, for a specified period of time, and subject to certain conditions and restrictions, to solicit a bona-fide proposal for an alternative Major Event (a "Competing Proposal") and negotiate or otherwise engage in discussions with any person with respect to such Competing Proposal.

Following this solicitation period, a meeting of the board of directors shall be held at which the board of directors shall consider both the Competing Proposal and the Major Event Proposal. The board of directors shall adopt the Competing Proposal if the board of directors determines, by majority vote, that the Competing Proposal is at least as favorable to the Company's stockholders in all material respects, and is as likely or more likely to be consummated, as the Major Event Proposal. If the board of directors approves the Competing Proposal, such Competing Proposal shall be recommended by the board of directors to the stockholders of the Company. If the board of directors approves the Major Event Proposal, the Company may enter into a definitive agreement with respect to, and consummate, a transaction substantially on the terms set forth in such Major Event Proposal.

Registration Rights Agreement

The Stock Purchase Agreement provides that concurrently with the Closing, the Investors and XO shall enter into the Registration Rights Agreement, the form of which is attached hereto as Exhibit 24. The Registration Rights Agreement provides that the Investors and their permitted transferees shall each be entitled, subject to certain terms and conditions, to require the Company to register shares of Class A Common Stock acquired pursuant to the Stock Purchase Agreement or into which shares acquired pursuant to the Stock Purchase Agreement are convertible or have been converted. The Registration Rights Agreement contains customary terms, conditions and rights, including, without limitation, rights to incidental registration.

The foregoing description of the Stock Purchase Agreement, including all exhibits thereto, is not intended to be complete and is qualified in its entirety by the complete text of the Stock Purchase Agreement, including all exhibits thereto, which is incorporated herein by reference. The Stock Purchase Agreement is filed as Exhibit 22 hereto.

ITEM 7. Material to be Filed as Exhibits

Item 7 is hereby amended as follows:

1. Stock Purchase Agreement, dated December 7, 1999, among XO (f/k/a NEXTLINK), MBO-VII and Equity-VI.*

2. Registration Rights Agreement, dated as of January 20, 2000, among XO (f/k/a NEXTLINK), MBO-VII and Equity-VI.*

3. Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of Series C Cumulative Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.*

4. Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of Series D Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.*

5. Assignment and Assumption Agreement, dated January 19, 2000, between Equity-VI and FL Fund.*

6. Joint Filing Agreement.*

7. Stock Purchase Agreement, dated as of June 14, 2000, among XO (f/k/a NEXTLINK), MBO-VII and Equity-VI.*

8. Amended and Restated Registration Rights Agreement, dated as of July 6, 2000, between XO (f/k/a NEXTLINK) and the FL Partnerships.*

9. Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of the Series G Cumulative Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.*

10. Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of Series G Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.*

11. Agreement and Waiver, dated as of June 14, 2000, among XO (f/k/a NEXTLINK), MBO-VII, Equity-VI and FL Fund.*

12. Amendment and Stock Purchase Agreement, dated as of April 25, 2001, by and between XO and the FL Partnerships.*

13. Form of Second Amended and Restated Registration Rights Agreement, dated as of _____, 2001, to be entered into by and between XO and the FL Partnerships.*

14. Form of Amended and Restated Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of the Series C Cumulative Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.*

15. Form of Amended and Restated Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of the Series C Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.*

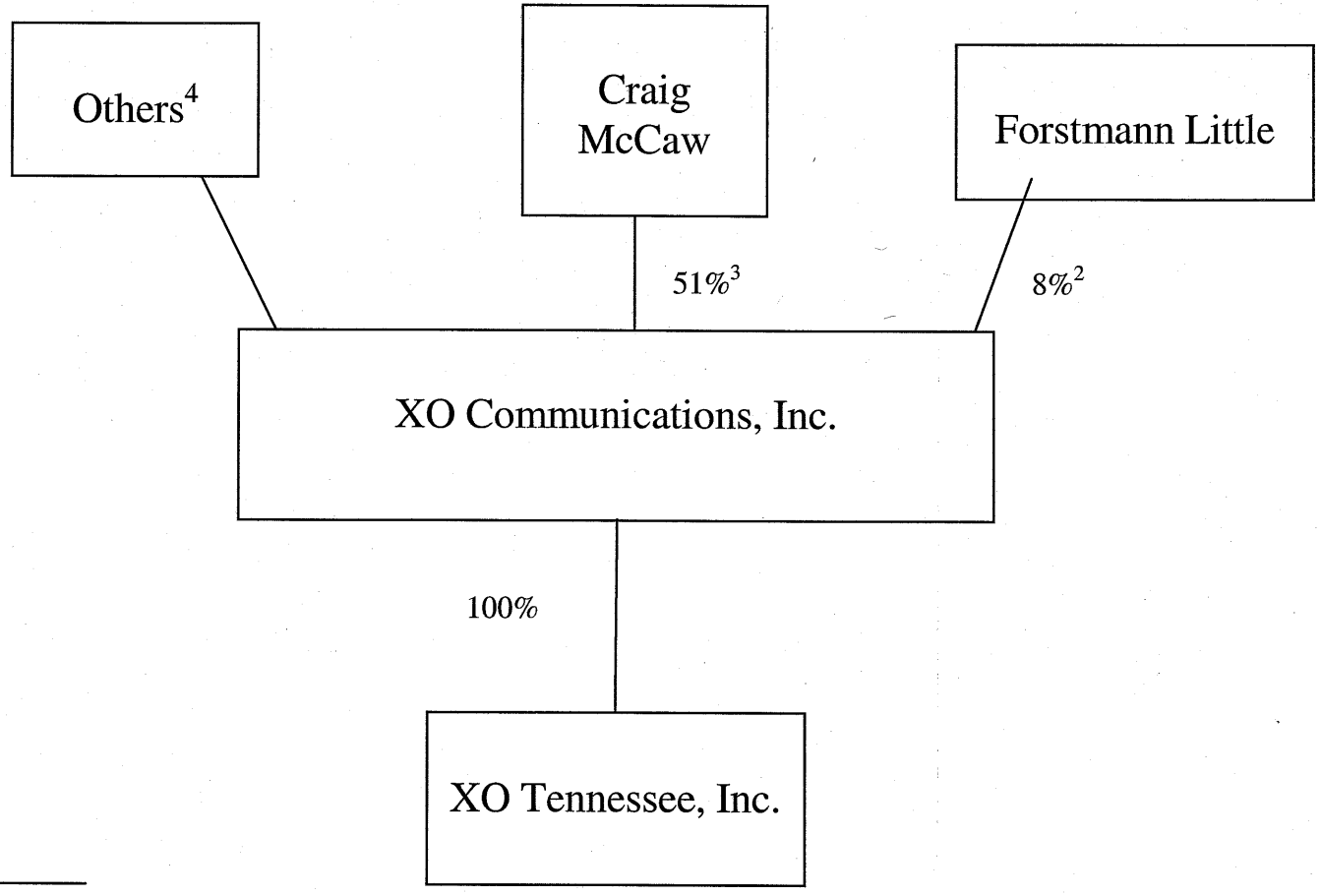
16. Form of Amended and Restated Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of the Series G Cumulative Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.*

17. Form of Amended and Restated Certificate of Designation of the Powers,

EXHIBIT 2

Ownership Diagrams of XO Pre- and Post-Transfer of Control

Current[1]



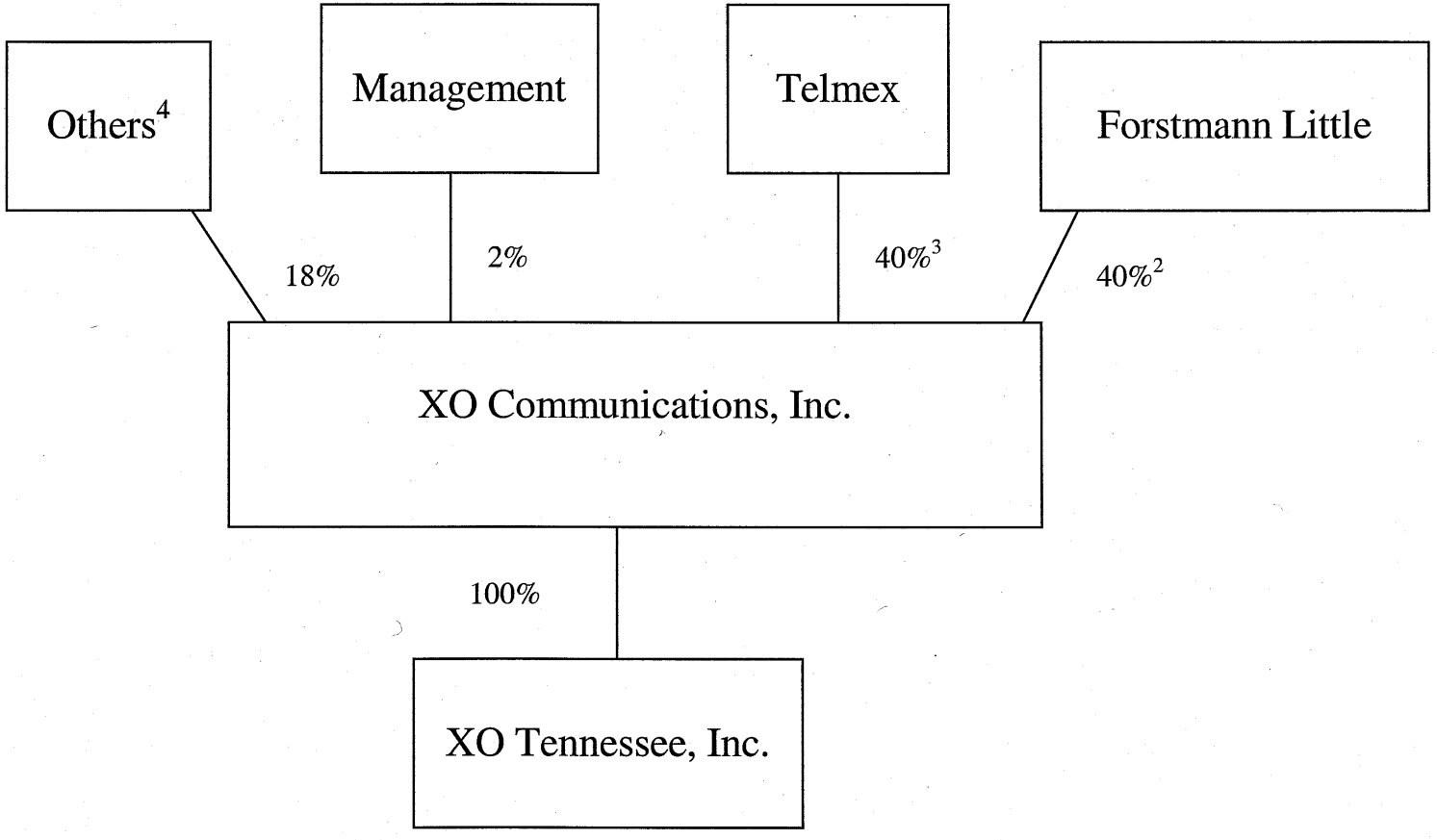
1. These diagrams show ownership as approximate percentages of the voting interests in XO.

2. Forstmann Little & Co.'s current interest is held primarily by Forstmann Little & Co. Equity Partnership-VI, L.P. and Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VII, L.P. Minor interests held by persons affiliated with Forstmann Little & Co. also are included.

3. Craig McCaw currently controls XO through his ownership interest in Eagle River Investments, L.L.C., through other holdings of XO securities and pursuant to various voting arrangements, the primary one with shareholder Wendy P. McCaw, his former wife. Mr. McCaw holds a proxy to vote the number of shares of XO stock held by Mrs. McCaw necessary for Mr. McCaw to hold 51% of the interest in XO.

4. No individual shareholder holds a voting interest greater than 10%.

Post-Transfer of Control[1]



1. Because negotiations with various parties in connection with the restructuring of XO are ongoing, each Investor's interest is an approximation as indicated in footnote 4 of the Application.

2. Forstmann Little & Co. Equity Partnership-VII, L.P. will hold approximately 25%, and Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VIII, L.P. will hold approximately 15%.

3. Telmex's investment is through its wholly owned subsidiary, Controladora de Servicios de Telecomunicaciones, S.A. de C.V., which owns Teninver, S.A. de C.V., which will own approximately 40% of XO.

4. It is not anticipated that any individual shareholder will hold a voting interest greater than 10%.