Appendix A

THE PLAN

(Filed Separately)

FINANCIAL PROJECTIONS

(FL/Telmex Plan)

Responsibility for and Purpose of the Projections

As a condition to confirmation of a plan, the Bankruptcy Code requires, among other things, that the Bankruptcy Court determine that confirmation is not likely to be followed by the liquidation or the need for further financial restructuring of the debtor. In connection with the development of the FL/Telmex Plan, and for purposes of determining whether the FL/Telmex Plan satisfies this feasibility standard, the Company's management has, through the development of financial projections related to the FL/Telmex Plan (the "Plan A Projections"), analyzed the ability of the Company to meet its obligations under the FL/Telmex Plan to maintain sufficient liquidity and capital resources to conduct its business. The Plan A Projections were also prepared to assist each Holder of a Claim in Classes 1, 5 and 6 in determining whether to accept or reject the FL/Telmex Plan.

The Plan A Projections should be read in conjunction with the assumptions, qualifications and footnotes to charts containing the Plan A Projections set forth herein, the historical consolidated financial information (including the notes and schedules thereto) and the other information set forth in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and the Company's Quarterly Reports on Form 10-Q for the period ended March 31, 2002. The Plan A Projections were prepared in good faith based upon assumptions believed to be reasonable and applied in a manner consistent with past practices. Most of the assumptions about the operations of the business after the assumed Effective Date that are utilized in the Plan A Projections were prepared in June 2002 and were based, in part, on economic, competitive, and general business conditions prevailing at the time. While, as of the date of this Disclosure Statement, such conditions, to the knowledge of management, have not materially changed, any future changes in these conditions may materially impact the ability of the Company to achieve the Plan A Projections.

Please note that the Plan A Projections are substantially identical to the Plan B Projections attached hereto as Appendix B-2. However, the Plan A Projections and Plan B Projections do reflect the different capital structures and implied fresh start enterprise valuations associated with the transactions contemplated by the FL/Telmex Plan and Stand-Alone Plan, respectively.

THE PLAN A PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARDS COMPLYING WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS. ACCORDINGLY, THE PLAN A PROJECTIONS WERE NOT INTENDED TO BE PRESENTED IN ACCORDANCE WITH THE PUBLISHED GUIDELINES OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS REGARDING FINANCIAL PROJECTIONS, NOR HAVE THEY BEEN PRESENTED IN LIEU OF PRO FORMA HISTORICAL FINANCIAL INFORMATION, AND

ACCORDINGLY, ARE NOT INTENDED TO COMPLY WITH RULE 11-03 OF REGULATION S-X OF THE SEC. THE COMPANY'S INDEPENDENT ACCOUNTANT, ERNST & YOUNG LLP, HAS NEITHER COMPILED NOR EXAMINED THE ACCOMPANYING PROSPECTIVE FINANCIAL INFORMATION TO DETERMINE THE REASONABLENESS THEREOF AND, ACCORDINGLY, HAS NOT EXPRESSED AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT THERETO.

THE COMPANY DOES NOT, AS A MATTER OF COURSE, PUBLISH PROJECTIONS OF ITS ANTICIPATED FINANCIAL POSITION, RESULTS OF OPERATIONS OR CASH FLOWS. ACCORDINGLY, THE COMPANY DOES NOT INTEND TO, AND DISCLAIMS ANY OBLIGATIONS TO (A) FURNISH UPDATED PROJECTIONS TO HOLDERS OF CLAIMS OR INTERESTS PRIOR TO THE EFFECTIVE DATE OR TO HOLDERS OF NEW COMMON STOCK OR ANY OTHER PARTY AFTER THE EFFECTIVE DATE, (B) INCLUDE SUCH UPDATED INFORMATION IN ANY DOCUMENTS THAT MAY BE REQUIRED TO BE FILED WITH THE SEC, OR (C) OTHERWISE MAKE SUCH UPDATED INFORMATION PUBLICLY AVAILABLE.

THE PLAN A PROJECTIONS PROVIDED IN THE DISCLOSURE STATEMENT HAVE BEEN PREPARED EXCLUSIVELY BY THE COMPANY'S MANAGEMENT. THESE PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS THAT, THOUGH CONSIDERED REASONABLE BY MANAGEMENT, MAY NOT BE REALIZED, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE COMPANY'S CONTROL. THE COMPANY CAUTIONS THAT NO REPRESENTATIONS CAN BE MADE AS TO THE ACCURACY OF THESE FINANCIAL PROJECTIONS OR TO THE COMPANY'S ABILITY TO ACHIEVE THE PROJECTED RESULTS. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE. FURTHER, EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THESE PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED OR, ALTERNATIVELY, MAY HAVE BEEN UNANTICIPATED, AND THUS THE OCCURRENCE OF THESE EVENTS MAY AFFECT FINANCIAL RESULTS IN A MATERIAL AND POSSIBLY ADVERSE MANNER. THE PLAN A PROJECTIONS, THEREFORE, MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR.

FINALLY, THE FOLLOWING PLAN A PROJECTIONS INCLUDE ASSUMPTIONS AS TO THE ENTERPRISE VALUE OF THE REORGANIZED COMPANY, THE FAIR VALUE OF ITS ASSETS AND ITS ACTUAL LIABILITIES AS OF THE EFFECTIVE DATE. THE COMPANY WILL BE REQUIRED TO MAKE SUCH ESTIMATES AS OF THE EFFECTIVE DATE. SUCH DETERMINATIONS WILL BE BASED UPON THE FAIR VALUES AS OF THAT DATE, WHICH COULD BE MATERIALLY GREATER OR LOWER THAN THE VALUES ASSUMED IN THE FOREGOING ESTIMATES.

Summary of Significant Assumptions

The Company has developed the Plan A Projections (summarized below) to assist both creditors and shareholders in their evaluation of the FL/Telmex Plan and to analyze its feasibility. THE PLAN A PROJECTIONS ARE BASED UPON A NUMBER OF SIGNIFICANT ASSUMPTIONS DESCRIBED BELOW. ACTUAL OPERATING RESULTS AND VALUES WILL VARY FROM THOSE PROJECTED. PLEASE NOTE THAT THE FL/TELMEX PLAN CONTEMPLATES A SIGNIFICANT NEW CASH INFUSION INTO THE COMPANY, WHICH PROVIDES THE COMPANY WITH INCREMENTAL LIQUIDITY ABOVE AND BEYOND THE PLAN B PROJECTIONS ASSOCIATED WITH THE STAND-ALONE PLAN.

a. Fiscal Years. The Company's fiscal year ends on December 31 of each year. Any reference to "Fiscal" immediately followed by a specific year means the 52 week period ending on December 31 of such year. The Projections assume that all fiscal years contain 52 weeks of projected results of operations.

b. Plan Terms and Consummation. The Plan A Projections assume an Effective Date of September 30, 2002 with Allowed Claims and Interests treated in accordance with the treatment provided in the FL/Telmex Plan with respect to such Allowed Claims and Interests. If the Effective Date does not occur by September 30, 2002, additional bankruptcy expenses will be incurred until such time as a new plan of reorganization is confirmed. This delay could significantly impact the Company's results of operations and cash flows.

c. Assumptions Preceding the Effective Date. As a basis for the Plan A Projections, management has estimated the operating results for the period of time leading up to the Effective Date and has made assumptions with respect to the impact that the reorganization process will have on operations prior to the Effective Date. Specifically, it has been assumed that during the Chapter 11 cases, key vendors will continue to provide the Company with services and/or goods on customary terms and credit.

d. General Economic Conditions. The Plan A Projections were prepared assuming that economic conditions in the markets served by the Company do not differ significantly over the next three years from current economic conditions. Inflation in revenues and costs are assumed to remain relatively low.

e. Revenues. Revenues are broken down into five product lines within the Company: (i) voice, (ii) Internet access, (iii) network access, (iv) web hosting, and (v) integrated voice and data services. Revenues from voice continue to grow through the projected period, but decline as percentage of total revenues primarily as a result of the projected growth in data and integrated products. The projected growth in integrated products is in large part attributable to the assumed success of XOptions, a flat-rate, bundled package offering a combination of voice and data services.

f. Cost of Service. Cost of service represents those costs directly associated with providing telecommunications services to the Company's customers. Cost of service includes, among other items, the cost of connecting customers to the Company's networks via leased facilities, the cost of leasing components of the Company's network facilities and costs paid to third party providers for interconnect access and transport services. The improvement in cost of sales as measured as a percentage of revenue is largely attributable to three factors during the projected periods: (i) increase of on-net traffic (the Company-owned network traffic) as a percentage of total network traffic, (ii) expanded sales of higher margin data products, and (iii) leveraging of fixed costs through the addition of incremental customers.

g. Selling, Operating and General Expenses. Selling, operating and general expenses ("SOG") consist of sales, marketing, customer service and administrative expenses, as well as network provisioning, engineering and operating costs. The increase in the aggregate amount of SOG in the projections is largely attributable to the addition of incremental employees and service and support infrastructure to sustain projected revenue growth. However, SOG as a percentage of revenues is projected to decline in keeping with the Company's increasing success in leveraging its corporate infrastructure as economies of scale under a national footprint are realized.

h. Adjusted EBITDA. Adjusted EBITDA is defined, for purposes of the Plan A Projections, as earnings before net interest expense, income tax provision, depreciation and amortization, unusual items, reorganization items, and extraordinary items.

i. Net Interest Expense. Net interest expense reflects interest expense on the $1,000.0 million of outstanding borrowings under the Company's restructured Senior Credit Facility and on obligations under capital leases and other secured indebtedness. Net interest expense also reflects estimated interest income with respect to balances of cash and cash equivalents held by the Company. Please refer to "IX. Description of Securities to be Issued Under the FL/Telmex Plan" for discussion of securities to be issued under the FL/Telmex Plan.

j. Extraordinary Gain. Extraordinary gain reflects the early extinguishment of indebtedness resulting from the restructuring of the Company's balance sheet pursuant to the FL/Telmex Plan.

k. Income Taxes. The Plan A Projections assume that, upon consummation, the Reorganized Company and its Operating Subsidiaries will not have the benefit of any tax net operating loss carry-forwards. The Plan A Projections also assume the Reorganized Company and the Operating Subsidiaries will not recognize a reduction in much of the tax basis of the Company's long-term assets as a result of debt forgiveness. (See "XI. Risk Factors" for related future tax issues the Company may encounter and need to consider)

l. Capital Expenditures. Capital expenditures primarily reflect network operating and success-based investments in the projected periods. Capital expenditures in 2002 also reflect investments necessary to complete several network projects already in progress, with the majority of expenditures for those projects having already occurred in prior years. The Company substantially completed its network build in 2001. Consequently, capital expenditures decline significantly in future periods in both absolute terms and as a percent of period revenues.

m. Working Capital. Components of working capital are projected primarily on the basis of historic patterns applied to projected levels of operation. It has been assumed that vendor trade terms return to normal levels in the post-Effective Date period.

n. Fresh Start Accounting. The Plan A Projections have been prepared generally in accordance with the basic principles of "fresh start" accounting for periods after September 30, 2002. These principles are contained in the American Institute of Certified Public Accountants Statement of Position 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code." Under "fresh start" accounting principles, the Debtors will determine the reorganization value of the reorganized Company at the Effective Date. This value will be allocated, based on estimated fair market values, to specific tangible or identifiable intangible assets. The Company is in the process of evaluating further how the reorganization value will be allocated to its various assets. It is likely that the final allocation, as well as depreciation and amortization expense, will differ from the amounts presented herein.

o. Reorganization Value. For purposes of this Disclosure Statement and in order to prepare the Plan A Projections, management has estimated the reorganization value of the Company pursuant to the FL/Telmex Plan as of September 30, 2002 to be approximately $2,025 million on a post-money basis. See "Valuation Analysis."

Special Note Regarding Forward-Looking Statements

Except for the historical information, statements contained in this Disclosure Statement and incorporated herein by reference, including the projections in this section, may be considered "forward-looking statements" within the meaning of federal securities law. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Potential risks and uncertainties include, but are not limited to, general economic and business conditions, the competitive environment in which the Company operates and will operate, the success or failure of the Company in implementing its current business and operational strategies, the level of trade creditor support, the ability of the Company to maintain and improve its operating margins, and the liquidity of the Company on a cash flow basis (including the ability to comply with the financial covenants of its credit arrangements and to fund the Company's capital expenditure program). For additional information about the Company and relevant risk factors, see "XI. Risk Factors."

Financial Projections

The financial projections prepared by management are summarized in the following tables. Specifically, the attached tables include:

1. Pro-forma reorganized consolidated Company balance sheet as of September 30, 2002 ("Estimated Pre-Consummation"), including all reorganization adjustments.

2. Projected balance sheets as of December 31, 2002 through December 31, 2005.

3. Projected income statements for the fiscal years ending December 31, 2002 through December 31, 2005.

4. Projected statements of cash flow for the fiscal years ending December 31, 2002 through December 31, 2005.

All captions in the attached projections do not correspond exactly to the Company's historical external reporting; some captions have been combined for presentation purposes. Please note that the individual amounts may not sum to the totals presented in the following financial statements due to rounding differences.

XO Communications, Inc.
Projected Opening and Closing Balance Sheet - Plan 4

($ in millions)	Projected Pre-Transaction	New Investment	Debt/Preferred Restructuring	Projected Post-Debt/Pref. Restructuring	Fresh Start Adjustments	Projected Closing BS
	For the Projected Fiscal Quarter Ending September 30, 2002					
Assets						
Cash & Cash Equivalents	$434	$800 (a)	($241) (b)	$993	$0	$993
Accounts Receivable (net)	214	-	-	214	-	214
Other Current Assets	86	-	-	86	(61)	25
Total Current Assets	$734	$800	($241)	$1,293	($61)	$1,232
Net Property, Plant & Equipment	$3,472	$0	$0	$3,472	($2,546) (c)	$926
Net Investment in Fixed Wireless Licenses	924	-	-	924	(821) (c)	102
Net Goodwill & Intangibles	125	-	-	125	63 (c)	188
Other Assets	130	-	(77) (b)	53	(36) (c)	17
Total Assets	$5,386	$800	($318)	$5,867	($3,401)	$2,466
Liabilities & Shareholders' Equity						
Accounts Payable & Accrued Liabilities	$353	$0	$0	$353	($8)	$345
Accrued Interest	325	-	(325) (b)	-	-	-
Other Current Liabilities	11	-	-	11	-	11
Total Current Liabilities	$689	$0	($325)	$364	($8)	$356
Long-Term Debt	$5,182	$0	($4,167) (b)	$1,015	$0	$1,015
Other Long-Term Liabilities	110	-	-	110	(14) (c)	96
Total Long-Term Liabilities	$5,981	$0	($4,492)	$1,489	($23)	$1,466
Preferred Stock	$1,790	$0	($1,790) (b)	$0	$0	$0
Total Shareholders' Equity	($2,385)	$800 (a)	$5,964	$4,379	($3,379) (c)	$1,000
Total Liabilities & Shareholders' Equity	$5,386	$800	($318)	$5,867	($3,401)	$2,466

Notes to Pro-Forma Reorganized Balance Sheet

(a) Reflects the $800 million aggregate new money investment by Forstmann Little and Telmex. Of the net $800 million of cash, $200 million will be allocated to Holders of Senior Notes and Class 5 General Unsecured Claims pursuant to the FL/Telmex Plan.

(b) The FL/Telmex Plan provides for, among other things, a restructuring of the Company through the exchange of 100% of the Company's outstanding Senior Note Claims and Class 5 General Unsecured Claims into $200 million in cash and 18% in aggregate of New Reorganization Common Stock. The FL/Telmex Plan assumes that all claims, including accrued interest, related to all of the outstanding Senior Notes and General Unsecured Claims will be forgiven in exchange for the allocation of cash and new securities outlined above. The adjustments reflect the cancellation of all Subordinated Note Claims and Old Preferred Stock Interests pursuant to the terms of the FL/Telmex Plan. Estimated restructuring fees associated with the FL/Telmex Plan approximate $41 million. Accrued interest has been adjusted to write-off all accrued and unpaid interest and dividends related to the Senior Notes, Subordinated Notes and Old Preferred Stock.

(c) The Company proposes to account for the reorganization and the related transactions using the principles of "fresh start" accounting as required by Statement of Position 90-7 ("SOP 90-7") issued by the American Institute of Certified Public Accountants (the "AICPA"). The company has estimated a reorganization value of $2,025 million on a post-money basis, approximately $1,000 million of which value is assumed to be attributable to shareholder's equity. In accordance with SOP 90-7, the reorganization value has been allocated to specific tangible and identifiable intangible assets and liabilities. The excess of the Company's historical tangible and identified intangible assets over the reorganization value is reflected as an adjustment to record these

assets at their fair value. The Company is currently evaluating the value of various assets, including certain of its fixed assets and LMDS licenses, which may lead to additional pro forma adjustments to book values and result in a different allocation of fair market values over the Company's tangible and identifiable intangible assets as of the Effective Date. The amount of shareholders' equity in the fresh start balance sheet is not an estimate of the trading value of the New Common Stock after confirmation of the FL/Telmex Plan, which value is subject to many uncertainties and cannot be reasonably estimated at this time. The Company does not make any representation as to the trading value of shares and warrants to be issued pursuant to the FL/Telmex Plan.

XO Communications, Inc.
Projected Consolidated Statements of Operations - Plan A

($ in millions)	*For the Projected Fiscal Period Ending December 31,*			
	2002	**2003**	**2004**	**2005**
Revenues				
Voice	$661	$686	$753	$850
Internet Access	135	131	133	146
Network Access	326	324	371	498
Web Hosting	51	51	58	66
Integrated	135	169	223	293
Total Revenues	**$1,309**	**$1,361**	**$1,539**	**$1,853**
Costs and Expenses:				
Cost of Service	$550	$557	$610	$714
Selling, Operating, and General Expenses	765	771	806	859
Depreciation	459	182	216	256
Amortization	51	3	3	3
Deferred Compensation	9	-	-	-
Total Costs and Expenses:	$1,834	$1,514	$1,636	$1,832
Profit (Loss) From Operations	**($525)**	**($153)**	**($97)**	**$22**
Net Interest Expense	$248	$74	$82	$87
Other Expenses/(Income)	(0)	-	-	-
Pro Forma Fresh Start & Transaction Adjustments	308	-	-	-
Earnings Before Taxes	**($1,081)**	**($227)**	**($179)**	**($65)**
Income Taxes	-	-	-	-
Net Income (Loss)	($1,081)	($227)	($179)	($65)
Cumulative Effect of Change in Accounting Principal	1,878	-	-	-
Extraordinary Gain	(6,219)	-	-	-
Net Income (Loss), After Cumulative Effects of Changes in Accounting Principals and Extraordinary Gain	**$3,261**	**($227)**	**($179)**	**($65)**
Preferred Dividends & Accretion	51	-	-	-
Net Income (Loss) Applicable to Common Shares	**$3,210**	**($227)**	**($179)**	**($65)**
Adjusted EBITDA	**($6)**	**$32**	**$123**	**$281**
EBITDA Margin	*-0.5%*	*2.4%*	*8.0%*	*15.2%*

XO Communications, Inc.

Projected Consolidated Balance Sheets - Plan A

($ in millions)	*Projected as of December 31,*			
	2002	2003	2004	2005
Assets				
Cash & Cash Equivalents	$907	$622	$390	$277
Accounts Receivable (net)	215	237	279	336
Other Current Assets	25	17	20	23
Total Current Assets	$1,147	$876	$688	$636
Net Property, Plant & Equipment	$948	$977	$997	$1,008
Net Investment in Fixed Wireless Licenses	94	90	87	84
Net Goodwill & Intangibles	188	188	188	188
Other Assets	17	14	11	8
Total Assets	**$2,394**	**$2,146**	**$1,971**	**$1,923**
Liabilities & Shareholders' Equity				
Accounts Payable & Accrued Liabilities	$344	$342	$376	$413
Accrued Interest	-	-	-	-
Other Current Liabilities	11	11	11	11
Total Current Liabilities	$355	$353	$387	$424
Long-Term Debt	$1,015	$1,015	$1,015	$1,015
Other Long-Term Liabilities	86	66	36	16
Total Liabilities	**$1,455**	**$1,433**	**$1,437**	**$1,454**
Total Shareholders' Equity	$939	$713	$534	$469
Total Liabilities & Shareholders' Equity	**$2,394**	**$2,146**	**$1,971**	**$1,923**

XO Communications, Inc.

Projected Consolidated Statements of Cash Flows - Plan A

($ in millions)	*For the Projected Fiscal Period Ending December 31,*			
	2002	2003	2004	2005
Cash Flows from Operations:				
Net Income (Loss)	($1,081)	($227)	($179)	($65)
Adjustments to Net Income:				
Depreciation and Amortization	509	185	220	259
Pro Forma Fresh Start & Transaction Adjustments	308	-	-	-
Non-Cash Interest	207	-	-	-
Deferred Compensation	9	-	-	-
Changes in Non-Working Capital Assets & Liabilities	(30)	-	-	-
Changes in Working Capital	(29)	(33)	(37)	(41)
Net Cash Flows From Operations	**($107)**	**($75)**	**$4**	**$154**
Cash Flows From Investing Activities:				
Capital Expenditures	($300)	($211)	($237)	($266)
Other Investing Activities	-	-	-	-
Net Cash Flows From Investing Activities	**($300)**	**($211)**	**($237)**	**($266)**
Cash Flows From Financing Activities:				
Equity Issuance	$559	$0	$0	$0
Debt Issuance	-	-	-	-
Debt Repayment	-	-	-	-
Other Financing	-	-	-	-
Net Cash Flows From Financing Activities	**$559**	**$0**	**$0**	**$0**
Net (decrease) Increase in Cash	**$152**	**($286)**	**($232)**	**($113)**
Cash and Cash Equivalents, Beginning of Period	$755	$907	$622	$390
Cash and Cash Equivalents, End of Period	$907	$622	$390	$277

FINANCIAL PROJECTIONS

(Stand-Alone Plan)

Responsibility for and Purpose of the Projections

As a condition to confirmation of a plan, the Bankruptcy Code requires, among other things, that the Bankruptcy Court determine that confirmation is not likely to be followed by the liquidation or the need for further financial restructuring of the debtor. In connection with the development of the Stand-Alone Plan, and for purposes of determining whether the Stand-Alone Plan satisfies this feasibility standard, the Company's management has, through the development of financial projections related to the Stand-Alone Plan (the "Plan B Projections"), analyzed the ability of the Company to meet its obligations under the Stand-Alone Plan to maintain sufficient liquidity and capital resources to conduct its business. The Plan B Projections were also prepared to assist each Holder of a Claim in Classes 1, 5 and 6 in determining whether to accept or reject the Stand-Alone Plan.

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Please note that the Plan B Projections are substantially identical to the Plan A Projections attached hereto as Appendix B-1. However, the Plan B Projections and Plan A Projections do reflect the different capital structures and implied fresh start enterprise valuations associated with the transactions contemplated by the Stand-Alone Plan and FL/Telmex Plan, respectively.

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c. Assumptions Preceding the Effective Date. As a basis for the Plan B Projections, management has estimated the operating results for the period of time leading up to the Effective Date and has made assumptions with respect to the impact that the reorganization process will have on operations prior to the Effective Date. Specifically, it has been assumed that during the Chapter 11 cases, key vendors will continue to provide the Company with services and/or goods on customary terms and credit.

d. General Economic Conditions. The Plan B Projections were prepared assuming that economic conditions in the markets served by the Company do not differ significantly over the next three years from current economic conditions. Inflation in revenues and costs are assumed to remain relatively low.

e. Revenues. Revenues are broken down into five product lines within the Company: (i) voice, (ii) Internet access, (iii) network access, (iv) web hosting, and (v) integrated voice and data services. Revenues from voice continue to grow through the projected period, but decline as percentage of total revenues primarily as a result of the projected growth in data and integrated products. The projected growth in integrated products is in large part attributable to the assumed success of XOptions, a flat-rate, bundled package offering a combination of voice and data services.

f. Cost of Service. Cost of service represents those costs directly associated with providing telecommunications services to the Company's customers. Cost of service includes, among other items, the cost of connecting customers to the Company's networks via leased facilities, the cost of leasing components of the Company's network facilities and costs paid to third party providers for interconnect access and transport services. The improvement in cost of sales as measured as a percentage of revenue is largely attributable to three factors during the projected periods: (i) increase of on-net traffic (the Company-owned network traffic) as a percentage of total network traffic, (ii) expanded sales of higher margin data products, and (iii) leveraging of fixed costs through the addition of incremental customers.

g. Selling, Operating and General Expenses. Selling, operating and general expenses ("SOG") consist of sales, marketing, customer service and administrative expenses, as well as network provisioning, engineering and operating costs. The increase in the aggregate amount of SOG in the projections is largely attributable to the addition of incremental employees and service and support infrastructure to sustain projected revenue growth. However, SOG as a percentage of revenues is projected to decline in keeping with the Company's increasing success in leveraging its corporate infrastructure as economies of scale under a national footprint are realized.

h. Adjusted EBITDA. Adjusted EBITDA is defined, for purposes of the Plan B Projections, as earnings before net interest expense, income tax provision, depreciation and amortization, unusual items, reorganization items, and extraordinary items.

i. Net Interest Expense. Net interest expense reflects interest expense on outstanding borrowings under the Company's new senior secured Exit Facility, the $500.0 million in initial principal amount of New Junior Secured Loans and on obligations under capital leases and other secured indebtedness. Net interest expense also reflects estimated interest income with respect to balances of cash and cash equivalents held by the Company. Please refer to "X. Description of Securities to be Issued Under the Stand-Alone Plan" for discussion of securities to be issued under the Stand-Alone Plan.

j. Extraordinary Gain. Extraordinary gain reflects the early extinguishment of indebtedness resulting from the restructuring of the Company's balance sheet pursuant to the Stand-Alone Plan.

k. Income Taxes. The Plan B Projections assume that, upon consummation, the Reorganized Company and its Operating Subsidiaries will not have the benefit of any tax net operating loss carry-forwards. The Plan B Projections also assume the Reorganized Company and the Operating Subsidiaries will not recognize a reduction in much of the tax basis of the Company's long-term assets as a result of debt forgiveness. (See "XI. Risk Factors" for related future tax issues the Company may encounter and need to consider)

l. Capital Expenditures. Capital expenditures primarily reflect network operating and success-based investments in the projected periods. Capital expenditures in 2002 also reflect investments necessary to complete several network projects already in progress, with the majority of expenditures for those projects having already occurred in prior years. The Company substantially completed its network build in 2001. Consequently, capital expenditures decline significantly in future periods in both absolute terms and as a percent of period revenues.

m. Working Capital. Components of working capital are projected primarily on the basis of historic patterns applied to projected levels of operation. It has been assumed that vendor trade terms return to normal levels in the post-Effective Date period.

n. Fresh Start Accounting. The Plan B Projections have been prepared generally in accordance with the basic principles of "fresh start" accounting for periods after September 30, 2002. These principles are contained in the American Institute of Certified Public Accountants Statement of Position 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code." Under "fresh start" accounting principles, the Debtors will determine the reorganization value of the reorganized Company at the Effective Date. This value will be allocated, based on estimated fair market values, to specific tangible or identifiable intangible assets. The Company is in the process of evaluating further how the reorganization value will be allocated to its various assets. It is likely that the final allocation, as well as depreciation and amortization expense, will differ from the amounts presented herein.

o. Reorganization Value. For purposes of this Disclosure Statement and in order to prepare the Plan B Projections, management has estimated the reorganization value of the Company pursuant to the Stand-Alone Plan as of September 30, 2002 to be approximately $1,000 million on a pre-Rights Offering basis. See "Valuation Analysis."

Special Note Regarding Forward-Looking Statements

Except for the historical information, statements contained in this Disclosure Statement and incorporated herein by reference, including the projections in this section, may be considered "forward-looking statements" within the meaning of federal securities law. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Potential risks and uncertainties include, but are not limited to, general economic and business conditions, the competitive environment in which the Company operates and will operate, the success or failure of the Company in implementing its current business and operational strategies, the level of trade creditor support, the ability of the Company to maintain and improve its operating margins, and the liquidity of the Company on a cash flow basis (including the ability to comply with the financial covenants of its credit arrangements and to fund the Company's capital expenditure program). For additional information about the Company and relevant risk factors, see "XI. Risk Factors."

Financial Projections

The financial projections prepared by management are summarized in the following tables. Specifically, the attached tables include:

5. Pro-forma reorganized consolidated Company balance sheet as of September 30, 2002 ("Estimated Pre-Consummation"), including all reorganization adjustments.

6. Projected balance sheets as of December 31, 2002 through December 31, 2005.

7. Projected income statements for the fiscal years ending December 31, 2002 through December 31, 2005.

8. Projected statements of cash flow for the fiscal years ending December 31, 2002 through December 31, 2005.

All captions in the attached projections do not correspond exactly to the Company's historical external reporting; some captions have been combined for presentation purposes. Please note that the individual amounts may not sum to the totals presented in the following financial statements due to rounding differences.

XO Communications, Inc.
Projected Opening and Closing Balance Sheet - Plan B

($ in millions)	*For the Projected Fiscal Quarter Ending September 30, 2002*				
	Projected Pre-Transaction	**Debt/Preferred Restructuring**	**Projected Post-Debt/Pref. Restructuring**	**Fresh Start Adjustments**	**Projected Closing BS**
Assets					
Cash & Cash Equivalents	$434	($47) *(a)*	$387	$0	$387
Accounts Receivable (net)	214	-	214	-	214
Other Current Assets	86	-	86	(61)	25
Total Current Assets	$734	($47)	$687	($61)	$626
Net Property, Plant & Equipment	$3,472	$0	$3,472	($2,865) *(b)*	$607
Net Investment in Fixed Wireless Licenses	924	-	924	(857) *(b)*	67
Net Goodwill & Intangibles	125	-	125	(2) *(b)*	123
Other Assets	130	(71) *(a)*	59	(42) *(b)*	17
Total Assets	**$5,386**	**($118)**	**$5,267**	**($3,826)**	**$1,441**
Liabilities & Shareholders' Equity					
Accounts Payable & Accrued Liabilities	$353	$0	$353	($8)	$345
Accrued Interest	325	(325) *(a)*	-	-	-
Other Current Liabilities	11	-	11	-	11
Total Current Liabilities	$689	($325)	$364	($8)	$356
Long-Term Debt	$5,182	($4,667) *(a)*	$515	$0	$515
Other Long-Term Liabilities	110	-	110	(14) *(b)*	96
Total Long-Term Liabilities	**$5,981**	**($4,992)**	**$989**	**($23)**	**$966**
Preferred Stock	$1,790	($1,790) *(a)*	$0	$0	$0
Total Shareholders' Equity	($2,385)	$6,664	$4,279	($3,804) *(b)*	$475
Total Liabilties & Shareholders' Equity	**$5,386**	**($118)**	**$5,267**	**($3,826)**	**$1,441**

Notes to Pro-Forma Reorganized Balance Sheet

(a) The Stand-Alone Plan provides for, among other things, a restructuring of the Company through the exchange of 50% of the outstanding Senior Secured Lender Claims into 100% of all issued and outstanding shares of New Reorganization Common Stock and the exchange of 100% of the Company's outstanding Senior Note Claims and Class 5 General Unsecured Claims into New Warrants. The Stand-Alone Plan assumes that all claims, including accrued interest, related to all of the outstanding Senior Notes and General Unsecured Claims will be forgiven in exchange for the allocation of new securities outlined above. The adjustments reflect the cancellation of all Subordinated Note Claims and Old Preferred Stock Interests pursuant to the terms of the Stand-Alone Plan. Estimated restructuring fees associated with the Stand-Alone Plan approximate $47 million (including an estimated $6.0 million of fees related to the Exit Facility). Accrued interest has been adjusted to write-off all accrued and unpaid interest and dividends related to the Senior Notes, Subordinated Notes and Old Preferred Stock.

(b) The Company proposes to account for the reorganization and the related transactions using the principles of "fresh start" accounting as required by Statement of Position 90-7 ("SOP 90-7") issued by the American Institute of Certified Public Accountants (the "AICPA"). The company has estimated a reorganization value of $1,000 million on a pre-Rights Offering basis, $475 million of which value is assumed to be attributable to shareholder's equity. In accordance with SOP 90-7, the reorganization value has been allocated to specific tangible and identifiable intangible assets and liabilities. The excess of the Company's historical tangible and identified intangible assets over the reorganization value is reflected as an adjustment to record these assets at their fair value. The Company is currently evaluating the value of various assets, including certain of its fixed assets and LMDS licenses, which may lead to

additional pro forma adjustments to book values and result in a different allocation of fair market values over the Company's tangible and identifiable intangible assets as of the Effective Date. The amount of shareholders' equity in the fresh start balance sheet is not an estimate of the trading value of the New Common Stock after confirmation of the Stand-Alone Plan, which value is subject to many uncertainties and cannot be reasonably estimated at this time. The Company does not make any representation as to the trading value of shares and warrants to be issued pursuant to the Stand-Alone Plan.

XO Communications, Inc.
Projected Consolidated Statements of Operations - Plan B

($ in millions)	*For the Projected Fiscal Period Ending December 31,*			
	2002	**2003**	**2004**	**2005**
Revenues				
Voice	$661	$686	$753	$850
Internet Access	135	131	133	146
Network Access	326	324	371	498
Web Hosting	51	51	58	66
Integrated	135	169	223	293
Total Revenues	**$1,309**	**$1,361**	**$1,539**	**$1,853**
Costs and Expenses:				
Cost of Service	$550	$557	$610	$714
Selling, Operating, and General Expenses	765	771	806	859
Depreciation	446	133	170	213
Amortization	43	3	3	3
Deferred Compensation	9	-	-	-
Total Costs and Expenses:	$1.813	$1,464	$1,589	$1,789
Profit (Loss) From Operations	**($504)**	**($104)**	**($51)**	**$65**
Net Interest Expense	$241	$48	$62	$78
Other Expenses/(Income)	6	19	-	-
Pro Forma Fresh Start & Transaction Adjustments	308	-	-	-
Earnings Before Taxes	**($1,060)**	**($170)**	**($113)**	**($13)**
Income Taxes	-	-	-	-
Net Income (Loss)	($1,060)	($170)	($113)	($13)
Cumulative Effect of Change in Accounting Principal	1,878	-	-	-
Extraordinary Gain	(6,719)	-	-	-
Net Income (Loss), After Cumulative Effects of Changes in Accounting Principals and Extraordinary Gain	**$3,782**	**($170)**	**($113)**	**($13)**
Preferred Dividends & Accretion	51	-	-	-
Net Income (Loss) Applicable to Common Shares	**$3,731**	**($170)**	**($113)**	**($13)**
Adjusted EBITDA	**($6)**	**$32**	**$123**	**$281**
EBITDA Margin	*-0.5%*	*2.4%*	*8.0%*	*15.2%*

XO Communications, Inc.
Projected Consolidated Balance Sheets - Plan B

($ in millions)	*Projected as of December 31,*			
	2002	2003	2004	2005
Assets				
Cash & Cash Equivalents	$315	$88	$25	$25
Accounts Receivable (net)	215	237	279	336
Other Current Assets	25	17	20	23
Total Current Assets	$554	$343	$324	$384
Net Property, Plant & Equipment	$642	$720	$787	$840
Net Investment in Fixed Wireless Licenses	67	64	62	60
Net Goodwill & Intangibles	123	123	123	123
Other Assets	17	14	11	8
Total Assets	**$1,403**	**$1,264**	**$1,306**	**$1,414**
Liabilities & Shareholders' Equity				
Accounts Payable & Accrued Liabilities	$344	$342	$376	$413
Accrued Interest	-	-	-	-
Other Current Liabilities	11	11	11	11
Total Current Liabilities	$355	$353	$387	$424
Long-Term Debt	$527	$580	$731	$835
Other Long-Term Liabilities	86	66	36	16
Total Liabilities	**$967**	**$999**	**$1,154**	**$1,275**
Total Shareholders' Equity	$436	$265	$152	$140
Total Liabilities & Shareholders' Equity	**$1,403**	**$1,264**	**$1,306**	**$1,414**

XO Communications, Inc.
Projected Consolidated Statements of Cash Flows - Plan B

($ in millions)	*For the Projected Fiscal Period Ending December 31,*			
	2002	2003	2004	2005
Cash Flows from Operations:				
Net Income (Loss)	($1,060)	($170)	($113)	($13)
Adjustments to Net Income:				
Depreciation and Amortization	489	136	173	216
Pro Forma Fresh Start & Transaction Adjustments	308	-	-	-
Non-Cash Interest	219	53	59	65
Deferred Compensation	9	-	-	-
Changes in Non-Working Capital Assets & Liabilities	(30)	-	-	-
Changes in Working Capital	(29)	(33)	(38)	(42)
Net Cash Flows From Operations	**($94)**	**($15)**	**$81**	**$227**
Cash Flows From Investing Activities:				
Capital Expenditures	($300)	($211)	($237)	($266)
Other Investing Activities	-	-	-	-
Net Cash Flows From Investing Activities	**($300)**	**($211)**	**($237)**	**($266)**
Cash Flows From Financing Activities:				
Equity Issuance	($41)	$0	$0	$0
Debt Issuance	-	-	92	47
Debt Repayment	-	-	-	(7)
Other Financing	(6)	-	-	-
Net Cash Flows From Financing Activities	**($47)**	**$0**	**$92**	**$40**
Net (decrease) Increase in Cash	**($441)**	**($225)**	**($63)**	**($0)**
Cash and Cash Equivalents, Beginning of Period	$755	$314	$89	$26
Cash and Cash Equivalents, End of Period	$314	$89	$26	$26

CHAPTER 7 LIQUIDATION ANALYSIS

The "Best Interest Test" under Section 1129 of the Bankruptcy Code requires that each Holder of impaired claims or impaired interests receives property with a value not less than the amount such Holder would receive in a Chapter 7 liquidation. As indicated in this Disclosure Statement, the Debtor believes that under the Plan, Holders of Impaired Claims or Impaired Interests will receive property with a value equal to or in excess of the value such Holders would receive in a liquidation of the Debtor under Chapter 7 of the Bankruptcy Code. The Chapter 7 Liquidation Analysis set forth herein demonstrates that the Plan satisfies the requirements of the "Best Interest Test."

To estimate potential returns to Holders of Claims and Interests in a Chapter 7 liquidation, the Debtor determined, as might a Bankruptcy Court conducting such an analysis, the amount of cash liquidation proceeds that might be available for distribution and the allocation of such proceeds among the Classes of Claims and Interests of XO based on their relative priorities. The Debtor considered many factors and data, including (i) the operating and financial performance of XO, (ii) the attractiveness of the assets of XO, respectively, to potential buyers, (iii) the potential universe of buyers, (iv) the potential impact of the Chapter 7 cases upon the businesses of the Debtor, as well as on the realizable value from the liquidation of the non-cash assets of XO, (v) the relative timing of the potential sale of the Debtor's assets, and (vi) an analysis of the liabilities and obligations of XO. For the purposes of this analysis, the Debtor has assumed that the liquidation of all assets would be conducted in an orderly, yet expedited, manner over a six-month period commencing on September 30, 2002. The liquidation proceeds available to XO for distribution to Holders of Claims against and Interests in XO, respectively, would consist of the net proceeds from the disposition of the assets of XO, augmented by any residual cash after deducting the expenses of operating the business pending disposition and the costs associated with the disposition of the non-cash assets of XO.

In general, liquidation proceeds would be allocated in the following priority: (i) first, to the Claims of secured creditors to the extent of the value of their collateral; (ii) second, to the costs, fees and expenses of the liquidation, as well as other administrative expenses of the Debtor's Chapter 7 cases, including tax liabilities; (iii) third, to the unpaid Administrative Claims of the reorganization cases (if commenced); (iv) fourth, to Priority Tax Claims and other Claims entitled to priority in payment under the Bankruptcy Code; (v) fifth, to unsecured Claims; (vi) sixth, to Holders of Old Preferred Stock; and (vii) seventh, to Holders of Old Class A Common Stock and Old Class B Common Stock. The Debtor's liquidation costs in its Chapter 7 case would include the compensation of a bankruptcy trustee, as well as compensation of counsel and other professionals retained by such trustee, asset disposition expenses, applicable taxes, litigation costs, Claims arising from the operation of the Debtor during the pendency of the Chapter 7 cases and all unpaid Administrative Claims incurred by the Debtor during the reorganization cases (if commenced) that are allowed in the Chapter 7 cases. The liquidation itself might trigger certain Priority Claims, such as Claims for severance pay, and would likely accelerate or, in the case of taxes, make it likely that the Internal Revenue Service would assert all of its claims as Priority Tax Claims rather than asserting them in due course as is expected to occur under the reorganization cases. These Priority Claims would be paid in full out of the net liquidation proceeds, after payment of secured Claims, Chapter 7 costs of administration and other Administrative Claims, and before any remaining balance would be made available to pay unsecured Claims or to make any distribution in respect of Interests.

The following Chapter 7 liquidation analysis is provided solely to discuss the effects of hypothetical Chapter 7 liquidation of XO and is subject to the assumptions set forth herein. There can be no assurances that the assumptions and estimates employed in determining the liquidation values of the assets of XO will result in accurate estimates of the proceeds that would be realized were XO to undergo an actual liquidation. The Chapter 7 liquidation analysis has not been independently audited or verified.

Liquidation Value of the Debtor

The attached table details the computation of the Debtor's liquidation values and the estimated distributions to Holders of Impaired Claims in a Chapter 7 liquidation of XO. This analysis is based upon a number of estimates and assumptions that are inherently subject to significant uncertainties and contingencies, many of which would be beyond the control of the Debtor. Accordingly, while the analysis that follow is necessarily presented with numerical specificity, there can be no assurance that the values assumed would be realized if the Debtor was in fact liquidated, nor can there be any assurance that a Bankruptcy Court would accept this analysis or concur with such assumptions in making its determinations under Section 1129(a) of the Bankruptcy Code. *Actual liquidation proceeds could be materially lower or higher than the amounts set forth below; no representation or warranty can be or is being made with respect to the actual proceeds that could be received in a Chapter 7 liquidation of the Debtor. The liquidation valuations have been prepared solely for purposes of estimating proceeds available in a Chapter 7 liquidation of the Debtor's Estate and do not represent values that may be appropriate for any other purpose. Nothing contained in this valuation is intended to or may constitute a concession or admission of the Debtor for any other purpose.*

Methods for Determining Gross Proceeds from Liquidation

To estimate the potential returns to Holders of Claims and Interests in a Chapter 7 liquidation, the Debtor determined, as might a Bankruptcy Court conducting such an analysis, the amount of liquidation proceeds that might be available for distribution and the allocation of such proceeds among the Classes of Claims and Interests based on their relative priority.

The Debtor developed a liquidation analysis based upon an orderly, yet expedited sale, such as an auction or other similar-type sale of the assets of the Debtor occurring over a period of six-months starting September 30, 2002 and ending March 31, 2003. The gross proceeds were based upon estimates from the Debtor and its financial advisors in light of an orderly, yet expedited liquidation of XO. For the purpose of developing a liquidation analysis of XO, it is assumed that the Company's Operating Subsidiaries would be liquidated over a six-month period on a consolidated basis. The value available to XO from the liquidation of the Company's Operating Subsidiaries is further assumed to equal the value ascribed to the intercompany payables due to XO (after a *pari passu* allocation of estimated liquidation proceeds at the Company's Operating Subsidiaries between existing intercompany payables due to XO and outstanding general unsecured claims).

The analysis further assumes that the Debtor and the Operating Subsidiaries conduct business on a going concern basis from April 30, 2002 through September 30, 2002 at which the six-month liquidation process is assumed to begin. There is a cash cost associated with each of these respective time periods as the Debtor and the Operating Subsidiaries are not assumed to generate positive cash flow during these periods from operations from April 30, 2002 through the end of the six-month liquidation period.

Nature and Timing of the Liquidation Process

Under Section 704 of the Bankruptcy Code, a Chapter 7 trustee must, among other duties, collect and convert the property of the debtor's estate to cash and close the estate as expeditiously as is compatible with the best interests of the parties in interest. Solely for the purposes of this liquidation analysis, it is assumed that the Company would file the reorganization case and the case would be converted to a Chapter 7 liquidation on September 30, 2002. The Debtor assumes dispositions of its assets in multiple transactions, rather than the sale of substantially of assets in a single transaction or a piecemeal liquidation of the Debtor's operating assets, during a six-month period ending March 31, 2003. This analysis is subject to any changes resulting from the extension of the duration of the liquidation period beyond the contemplated six-months.

Additional Liabilities and Reserves

The Debtor believes that there would be certain actual and contingent liabilities and expenses for which provision would be required in a Chapter 7 liquidation before distributions could be made to creditors above and beyond the expenses that would be incurred in a Chapter 11 reorganization, including: (a) certain liabilities that are not dischargeable pursuant to the Bankruptcy Code; (b) Administrative Claims including the fees of a trustee, counsel and other professionals (including financial advisors and accountants) and other liabilities; and (c) certain administrative costs including post-petition trade payables and general and corporate costs associated with the orderly wind-down of the Debtor's businesses. Management believes that there is significant uncertainty as to the reliability of the Debtor's estimates of the amounts related to the foregoing.

CONCLUSION

In summary, the Debtor believes that a Chapter 7 liquidation of the Debtor would result in a diminution in the value to be realized by the Holders of Claims and Interests. As set forth in the following table, the management of the Debtor estimates that the total liquidation proceeds available for distribution to holders of claims in XO, net of Chapter 7 expenses, would aggregate to approximately $257 million to $561 million. The Debtor believes that the Claims against and Interests in the Debtor other than Chapter 7 trustees, professional fees and related expenses, Other Secured Claims, and Senior Secured Lender Claims would receive no value in a liquidation of the Company under Chapter 7 of the Bankruptcy Code. Holders of the Senior Secured Lender Claims, Non-Tax Priority Claims, General Unsecured Claims, and Note Claims are expected to receive recoveries under the Plan in excess of that shown in a Chapter 7 liquidation. The recovery for the Debtor's creditors, in aggregate, would be less than the proposed distributions under the Plan. Consequently, the Debtor believes that the Plan, which provides for the continuation of its business, would prove to provide a substantially greater ultimate return to the Holders of Claims than would a Chapter 7 liquidation. The following table estimates the Debtor's assets as of April 30, 2002, and the amount of recovery on each asset.

Liquidation Analysis of XO Communications, Inc.							
($ in millions)							
	Book Value	*Estimated Recovery*			*Estimated Liquidation*		
Assets	**as of 4/30/02**	**Low Case**		**High Case**	**Low Value**		**High Value**
Cash & Marketable Securities	$0.0	100.0%	-	100.0%	$0.0	-	$0.0
Accounts Receivable (net)	$0.0	*NA*	-	*NA*	-	-	-
Pledged Securities	$13.4	0.0%	-	0.0%	-	-	-
Other Current Assets	$69.4	2.7%	-	3.1%	1.9	-	2.1
Total Current Assets					$1.9		$2.1
Plant, Property & Equipment (net)	$76.4	3.5%	-	9.4%	$2.6	-	$7.2
Investment in Fixed Wireless Licenses (net)	936.6	1.0%	-	5.0%	9.4	-	46.8
Other Assets	156.1	0.9%	-	1.8%	1.4	-	2.9
Net Inter-Company Receivables & Investments in Subsidiaries		9.7%	-	13.5%	676.3	-	942.7
Total Fixed Assets					$689.8		$999.6
Total Estimated Proceeds from Liquidation of XO Communications, Inc.					$691.6		$1,001.7
Costs Associated with Liquidation							
Operating Costs through September 30, 2002 (1)					$134.9		$134.9
Operating Costs Associated with Wind-Down (2)					232.9		232.9
Employee Severance (3)					52.9		52.9
Restructuring Related Transaction Costs (4)					13.8		20.0
Costs Associated with Liquidation					$434.6		$440.8
Net Estimated Liquidation Proceeds Available for Distribution					$257.0		$560.9
					Estimated Recovery		
Estimated Secured Claims as of 9/30/02	**Claim Amount**				**Low Value**		**High Value**
Capital Lease Obligations	$24.7				$24.7		$24.7
Implied Recovery %					*100%*		*100%*
Residual Value Available for Senior Secure Lender Claims					$232.3		$536.2
Senior Secured Lender Claim	$1,028.1				$232.3		$536.2
Implied Recovery %					*22.6%*		*52.2%*

(1) Represents cash costs to run business from April 30, 2002, through September 30, 2002.

(2) Represents cash used to fund operations during a hypothetical six-month wind down.

(3) Based upon active 5,679 active employees as of 5/24/02 and calculated using base salary, excludes overtime and commission.

(4) Trustee and professional fees associated with the six-month wind down period are estimated at 2% of the total estimated liquidation proceeds.

NOTES TO LIQUIDATION ANALYSIS

<u>*CASH*</u>

CONSISTS OF ALL CASH AND MARKETABLE SECURITIES HELD AT THE DEBTOR AND IS ASSUMED TO BE FULLY RECOVERABLE, AS BOOK VALUE APPROXIMATES MARKET VALUE. PLEASE NOTE THAT THE CASH HELD AT THE OPERATING SUBSIDIARIES IS INCLUDED IN NET INTERCOMPANY & INVESETMENTS IN SUBSIDIARIES.

ACCOUNTS RECEIVABLE

PLEASE NOTE THAT THE ACCOUNTS RECEIVABLE ARE HELD AT THE OPERATING SUBSIDIARIES AND THE RECOVERY IS INCLUDED IN NET INTERCOMPANY & INVESTMENTS IN SUBSIDIARIES. PAST BAD-DEBT EXPERIENCE, CURRENT ACCOUNTS RECEIVABLE AGING, THE EFFECT OF A CHAPTER 7 LIQUIDATION AND THE SPECIFIC DIRECT COSTS THAT WOULD HAVE TO BE INCURRED TO COLLECT ON RECEIVABLES WOULD ADVERSELY IMPACT THE RECOVERY ON RECEIVABLES. AS SUCH, AN ESTIMATED 41% TO 57% RECOVERY IS APPLIED TO THE ESTIMATED GROSS AMOUNT OF OUTSTANDING RECEIVABLES AT APRIL 30, 2002. THE APPLIED RECOVERY RANGES INCORPORATED LOWER EXPECTED RECOVERIES ON RECIPROCAL COMPENSATION AND ON SIGNIFICANTLY PAST DUE RECEIVABLES IN A CHAPTER 7 LIQUIDATION PROCESS.

PLEDGED SECURITIES

PLEDGED SECURITIES PRIMARILY CONSIST OF COLLATERAL FOR OUTSTANDING LETTERS OF CREDIT AND ARE NOT ASSUMED TO GENERATE ANY VALUE IN A CHAPTER 7 CONTEXT.

OTHER CURRENT ASSETS

OTHER CURRENT ASSETS CONSIST PRIMARILY OF PREPAID EXPENSES RELATED TO LEVEL 3, SERVICE AGREEMENTS, RENTS AND OTHER ITEMS. ADDITIONALLY, OTHER CURRENT ASSETS INCLUDE OTHER DEFERRED ASSETS, OTHER MISCELLANEOUS RECEIVABLES AND ASSETS HELD FOR SALE. A BLENDED RECOVERY OF 2.7% TO 3.1% WAS ASSUMED FOR OTHER CURRENT ASSETS, WITH NO RECOVERY VALUE BEING ALLOCATED TO PREPAID EXPENSES.

PROPERTY, PLANT & EQUIPMENT (NET)

PROPERTY, PLANT & EQUIPMENT IS PRIMARILY COMPRISED OF TELECOMMUNICATIONS NETWORKS, SOFTWARE DEVELOPMENT, CONSTRUCTION IN PROGRESS, OFFICE EQUIPMENT AND FIXTURES AND OTHER LONGER-LIVED TELECOMMUNICATIONS ASSETS. PROPERTY, PLANT & EQUIPMENT WERE ASSUMED TO RECEIVE A BLENDED RECOVERY OF 3.5% TO 9.4% BASED ON THE ASSUMED IMPLIED MARKETABILITY OF THESE ASSETS IN A CHAPTER 7 CONTEXT.

INVESTMENT IN FIXED WIRELESS LICENSES (NET)

INVESTMENT IN FIXED WIRELESS LICENSES IS COMPRISED OF THE DEBTOR'S INVESTMENT IN LMDS LICENSES. LMDS LICENSES WERE ASSUMED TO RECEIVE A BLENDED RECOVERY OF 1% TO 5% BASED ON THE ASSUMED MARKETABILITY OF THESE ASSETS IN A CHAPTER 7 CONTEXT.

OTHER ASSETS

OTHER ASSETS PRIMARILY CONSISTS OF FINANCING COSTS, DEFERRED ASSETS, DEPOSITS AND OTHER MISCELLANEOUS INVESTMENTS, AND WERE ASSUMED TO RECEIVE A BLENDED RECOVERY OF APPROXIMATELY 1% TO 2% IN A CHAPTER 7 CONTEXT.

NET INTERCOMPANY & INVESTMENTS IN SUBSIDIARIES

NET INTERCOMPANY RECEIVABLES EQUAL THE AGGREGATE AMOUNT OF LIQUIDATION PROCEEDS FROM ALL OF THE ASSETS OF THE OPERATING SUBSIDIARIES, REFLECTED AS INTERCOMPANY PAYABLES DUE FROM THE COMPANY'S OPERATING SUBSIDIARIES TO XO. A LIQUIDATION ANALYSIS OF THE COMPANY'S OPERATING SUBSIDIARIES WAS ESTIMATED ON A CONSOLIDATED BASIS AND, AS A RESULT, NO VALUE IS ATTRIBUTED TO XO'S INVESTMENTS IN SUBSIDIARIES DUE TO THE MAGNITUDE OF THE OUTSTANDING INTERCOMPANY PAYABLES DUE FROM THE COMPANY'S OPERATING SUBSIDIARIES TO XO.

PENDING LITIGATION

1. In re XO Communications, Inc. Securities Litigation, Civ. Action No.: 01-1832-A (E.D. Va.) (dismissed by Court Order dated May 31, 2002).

2. Irving Schoenfeld and Morgan Marketing, Ltd., Russ Land and Brian Beavers v. XO Communications, Inc. et al., Case No. 01-018358 (N.Y. Sup. Ct., Nassau County).

3. Ben Marshall Riley, Stanley Nitzburg, and Milton J. Ayala v. Akerson et al., Del. Ch. Ct., New Castle County,No. 19353.

4. Thad Wardall, Trustee, U/A 5-08-00, Wardall Revocable Living Trust, and Brian Bowden v. XO Communications, Inc., Del. Ch. Ct., New Castle County, No. 19590.

5. Sheldon Weiner v. XO Communications, Inc., Del. Ch. Ct., New Castle County, No. 19540.