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August 2, 2002

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VIA COURIER

Marlene H. Dortch
Secretary
Federal Communications Commission
445-12th Street, S.W.
Washington, D.C. 20554

Re: XO Communications, Inc.
Applications for Consent to Transfer of Control
IB Docket No. 02-50

Dear Ms. Dortch:

Enclosed for filing on behalf of XO Communications, Inc. ("XO") are the original and five (5) copies of a "Disclosure Statement With Respect to the Third Amended Plan of Reorganization for XO Communications, Inc.," dated July 22, 2002 and filed in the U.S. Bankruptcy Court for the Southern District of New York in *In re XO Communications, Inc.*, Case No. 02-12947 (AJG) ("Disclosure Statement"). The Disclosure Statement describes the terms and conditions of XO's Plan of Reorganization, including the two alternatives that may be implemented pursuant to the Plan. The Disclosure Statement was approved by the Bankruptcy Court on July 22, 2002. The order of the Bankruptcy Court approving the Disclosure Statement is also attached. XO is providing the Disclosure Statement and associated court order in response to the International Bureau's July 31, 2002 request for additional information and as agreed at the July 17, 2002 meeting with Commission staff.

Please date-stamp the additional copy of this letter and return it to the bearer. Although the International Bureau requested that XO send its response to the information request via email, in light of the size of the Disclosure Statement, we are sending the Disclosure Statement and court order to the Commission staff via courier and will email only the date-

015

Marlene H. Dortch
August 2, 2002
Page Two

stamped copy of this letter to the staff. Please contact the undersigned counsel if you have any questions regarding this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Joan M. Griffin".

Joan M. Griffin

cc: Jim Ball
George Li
Claudia Fox
Jackie Ruff
Mark Uretsky
Imani Ellis-Cheek
Zenji Nakazawa
Jeff Tobias
Elizabeth Yockus
Neil Dellar

CERTIFICATE OF SERVICE

I, Charles "Chip" M. Hines III, hereby certify that a true and correct copy of the foregoing letter and attachments from XO Communications, Inc. in the Matter of IB Docket No. 02-50 was served on this the 2nd day of August, 2002 on the individuals in the following list:

Delivered via U.S. Mail:

Scott Burnside
Senior Vice President, Regulatory
And Government Affairs
RCN Corporation
100 Lake Street
Dallas, Pennsylvania 18612

A handwritten signature in black ink, appearing to read "Charles M. Hines III". The signature is written in a cursive, flowing style with a large initial "C" and "H".

Charles "Chip" M. Hines III

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

RECEIVED

AUG - 2 2002

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

----- X
In re: :
XO COMMUNICATIONS, INC., : Chapter 11
Debtor. : Case No. 02-12947 (AJG)
----- X

DISCLOSURE STATEMENT WITH RESPECT TO
THE THIRD AMENDED PLAN OF REORGANIZATION
FOR XO COMMUNICATIONS, INC.

ATTORNEYS FOR
XO Communications, Inc.

Dated: New York, New York
July 22, 2002

WILLKIE FARR & GALLAGHER
787 Seventh Avenue
New York, NY 10019-6099
(212) 782-8000

DISCLAIMER

THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK (THE "BANKRUPTCY COURT") HAS APPROVED THIS DISCLOSURE STATEMENT FOR THE PLAN OF REORGANIZATION (THE "PLAN") OF XO COMMUNICATIONS, INC. THE APPROVAL OF THIS DISCLOSURE STATEMENT MEANS THAT THE BANKRUPTCY COURT HAS FOUND THAT THIS DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION WITHIN THE MEANING OF SECTION 1125 OF THE UNITED STATES BANKRUPTCY CODE. SUCH APPROVAL DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT ON THE MERITS OF THE PLAN OR AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT, REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN.

ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN AND THE EXHIBITS AND SCHEDULES ANNEXED TO THE PLAN AND THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE UNITED STATES BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING SECURITIES OR CLAIMS OF XO COMMUNICATIONS, INC. IN THIS CASE SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, XO COMMUNICATIONS, INC. IN THIS CASE.

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I. INTRODUCTION

XO Communications, Inc., a Delaware corporation (“XO” or the “Debtor”, and together with XO’s subsidiaries, the “Company”), the debtor and debtor-in-possession in the above-referenced chapter 11 case, submits this disclosure statement (this “Disclosure Statement”) pursuant to section 1125 of the Bankruptcy Code for use in the solicitation of votes on the Third Amended Plan of Reorganization for XO Communications, Inc., dated July 22, 2002 (the “Plan”), proposed by the Debtor and filed with the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”). A copy of the Plan is annexed as Appendix A to this Disclosure Statement. On June 17, 2002, the Debtor commenced its case under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court, Case No. 02-12947 (AJG) (the “Chapter 11 Case”).

This Disclosure Statement sets forth certain information regarding the Debtor’s prepetition operating and financial history, the need to seek chapter 11 protection, significant events that are expected to occur during the Chapter 11 Case, and the anticipated organization, operations and financing upon successful emergence from chapter 11 of XO (after such date, “Reorganized XO” or “Reorganized Debtor”). This Disclosure Statement also describes terms and provisions of the Plan, including the two Alternatives (as defined below) that may be implemented pursuant to the Plan, certain effects of confirmation of the Plan, certain risk factors associated with securities to be issued under the Plan, and the manner in which distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that Holders of Claims entitled to vote under the Plan must follow for their votes to be counted.

Under the Plan, XO will be reorganized either (a) through the consummation of the transactions contemplated by the Investment Agreement (as defined below) with the Forstmann Little Investors and Telmex (each as defined below), and the distribution of the proceeds thereof and New Common Stock (as defined below) pursuant to the Investment Agreement and the Plan (the “FL/Telmex Plan”), or (b) if a Termination Event (as defined below) occurs, then, on a stand-alone basis without consummation of the FL/Telmex Plan, through consummation of the transactions contemplated by the Stand-Alone Term Sheet (as defined below) and any related agreements and the Plan (the “Stand-Alone Plan”, together with the FL/Telmex Plan, the “Alternatives”). Holders of Claims against the Debtor who are entitled to vote on the Plan will have the right to vote to accept either or both the FL/Telmex Plan and the Stand-Alone Plan, and may vote for or against each of the Plans. At the Confirmation Hearing (as defined below), the Debtor will proceed with confirmation of either the FL/Telmex Plan or the Stand-Alone Plan in accordance with the provisions of the Plan.

Except as otherwise provided herein, capitalized terms not otherwise defined in this Disclosure Statement have the meanings ascribed to them in the Plan. Unless otherwise noted herein, all dollar amounts provided in this Disclosure Statement and in the Plan are given in United States dollars.

FOR A DESCRIPTION OF THE PLAN AND VARIOUS RISKS AND OTHER FACTORS PERTAINING TO THE PLAN AS IT RELATES TO HOLDERS OF CLASSES 1, 5 AND 6 CLAIMS, WHICH ARE ENTITLED TO VOTE ON THE PLAN, PLEASE SEE SECTION VII OF THIS DISCLOSURE STATEMENT, ENTITLED "THE PLAN" AND SECTION XI OF THIS DISCLOSURE STATEMENT, ENTITLED "RISK FACTORS". IF THE STAND ALONE EVENTS OCCUR, HOLDERS OF CLASS 5 AND 6 CLAIMS WILL NOT BE ENTITLED TO ANY RECOVERY UNDER THE STAND-ALONE PLAN. HOWEVER, BASED UPON NEGOTIATIONS AMONG THE DEBTOR, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS AND A SUBSET OF THE SENIOR LENDERS COMMITTEE, UNDER THE STAND-ALONE PLAN HOLDERS OF CLASSES 5 AND 6 WILL RECEIVE A DISTRIBUTION OF CERTAIN NON-TRANSFERABLE RIGHTS AND, IF SUFFICIENT HOLDERS OF CLASS 5 OR CLASS 6 VOTE IN FAVOR OF THE STAND-ALONE PLAN, NEW REORGANIZATION COMMON STOCK AND NEW WARRANTS, OUT OF THE ENTITLED DISTRIBUTION OF THE SENIOR SECURED LENDERS.

HOLDERS OF CLASSES 7, 8, 9, 10 AND 11 CLAIMS ARE NOT ENTITLED TO ANY RECOVERY UNDER EITHER ALTERNATIVE UNDER THE PLAN, ARE DEEMED TO REJECT BOTH THE FL/TELMEX PLAN AND THE STAND-ALONE PLAN AND ARE NOT ENTITLED TO VOTE ON EITHER ALTERNATIVE UNDER THE PLAN. HOWEVER, BASED UPON NEGOTIATIONS AMONG THE DEBTOR, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS AND A SUBSET OF THE SENIOR LENDERS COMMITTEE, UNDER THE STAND-ALONE PLAN HOLDERS OF CLASSES 7, 9 AND 10 WILL RECEIVE A CONTINGENT REDISTRIBUTION OF CERTAIN NON-TRANSFERABLE RIGHTS, IF ANY, OUT OF THE ENTITLED DISTRIBUTION OF THE SENIOR SECURED LENDERS.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN DOCUMENTS RELATING TO THE PLAN, CERTAIN EVENTS EXPECTED TO OCCUR IN THE CHAPTER 11 CASE AND CERTAIN FINANCIAL INFORMATION. ALTHOUGH THE DEBTOR BELIEVES THAT THE SUMMARIES OF THE PLAN AND RELATED DOCUMENT SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTOR, EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTOR DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THE DEBTOR BELIEVES THAT THE CONSUMMATION OF EITHER ALTERNATIVE UNDER THE PLAN WILL ENABLE THE DEBTOR TO SUCCESSFULLY REORGANIZE AND ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 AND THAT ACCEPTANCE OF BOTH THE FL/TELMEX PLAN AND THE STAND-ALONE PLAN IS IN THE BEST INTERESTS OF THE DEBTOR AND THE HOLDERS OF CLASSES 1, 5 AND 6 CLAIMS.

THE DEBTOR, THE SENIOR LENDERS COMMITTEE AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS ALL STRONGLY RECOMMEND THAT HOLDERS OF CLASSES 1, 5 AND 6 CLAIMS VOTE TO ACCEPT BOTH THE FL/TELMEX PLAN AND THE STAND-ALONE PLAN.

HOLDERS OF CLAIMS MAY VOTE TO (I) ACCEPT BOTH ALTERNATIVES, (II) REJECT BOTH ALTERNATIVES OR (III) ACCEPT ONE ALTERNATIVE AND REJECT THE OTHER ALTERNATIVE. ANY EXECUTED BALLOT THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF AN ALTERNATIVE OR INDICATES BOTH AN ACCEPTANCE AND REJECTION OF AN ALTERNATIVE SHALL BE DEEMED TO CONSTITUTE AN ACCEPTANCE OF SUCH ALTERNATIVE.

FOR FURTHER INFORMATION AND INSTRUCTIONS ON VOTING TO ACCEPT OR REJECT THE PLAN, SEE SECTION XIII OF THIS DISCLOSURE STATEMENT, ENTITLED "THE SOLICITATION; VOTING PROCEDURE."

II. PLAN VOTING INSTRUCTIONS AND PROCEDURES

A. Definitions

Except as otherwise defined herein, capitalized terms not otherwise defined in this Disclosure Statement have the meanings ascribed to them in the Plan.

B. Notice to Holders of Claims

This Disclosure Statement will be transmitted to Holders of Claims that are entitled under the Bankruptcy Code to vote on the Plan. See Section XIII for a discussion and listing of those Holders of Claims that are entitled to vote on the Plan and those Holders of Claims and Interests that are not entitled to vote on the Plan. The purpose of this Disclosure Statement is to provide adequate information to enable such Claim Holders to make a reasonably informed decision with respect to the Plan prior to exercising their right to vote to accept or reject an Alternative under the Plan.

The Bankruptcy Court has approved this Disclosure Statement as containing information of a kind and in sufficient and adequate detail to enable such Claim Holders to make an informed judgment with respect to acceptance or rejection of the Plan. THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE EITHER A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN, A DETERMINATION BY THE BANKRUPTCY COURT ON THE MERITS OF THE PLAN OR AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT.

ALL HOLDERS OF CLAIMS AGAINST THE DEBTOR ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS APPENDICES CAREFULLY AND IN THEIR ENTIRETY BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR TO REJECT THE PLAN. This Disclosure Statement contains important information about the Plan, considerations pertinent to acceptance or rejection of the Plan, and developments concerning the Chapter 11 Case.

YOU SHOULD CONSULT WITH YOUR LEGAL, BUSINESS, FINANCIAL AND TAX ADVISORS AS TO ANY SUCH MATTERS CONCERNING THE SOLICITATION OF VOTES TO ACCEPT OR REJECT THE PLAN, THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

THIS DISCLOSURE STATEMENT IS THE ONLY DOCUMENT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ON THE PLAN. No solicitation of votes may be made except after distribution of this Disclosure Statement, and no person has been authorized to distribute any information concerning the Debtor other than the information contained herein.

CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD LOOKING AND CONTAINS ESTIMATES, ASSUMPTIONS AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL, FUTURE RESULTS. Except with respect to the financial projections set forth in

Appendix B-1 (FL/Telmex Plan) and Appendix B-2 (Stand-Alone Plan) annexed hereto (collectively, the "Projections") and except as otherwise specifically and expressly stated herein, this Disclosure Statement does not reflect any events that may occur subsequent to the date hereof and that may have a material impact on the information contained in this Disclosure Statement. The Debtor does not intend to update the Projections; thus, the Projections will not reflect any subsequent events not already accounted for in the assumptions underlying the Projections. Further, the Debtor does not anticipate that any amendments or supplements to this Disclosure Statement will be distributed to reflect such occurrences. Accordingly, the delivery of this Disclosure Statement shall not under any circumstance imply that the information herein is correct or complete as of any time subsequent to the date hereof.

EXCEPT WHERE SPECIFICALLY NOTED, THE FINANCIAL INFORMATION CONTAINED HEREIN HAS NOT BEEN AUDITED BY A CERTIFIED PUBLIC ACCOUNTING FIRM.

C. Solicitation Package

Along with the mailing of this Disclosure Statement, as part of the solicitation of acceptances of the Plan, the Debtor will send copies of (1) the Plan, included as Appendix A to this Disclosure Statement; (2) the order approving this Disclosure Statement, which, among other things, gives notice of the deadline for the submission of Ballots; (3) the voting procedures order, which, among other things, outlines the procedures for the submission of Ballots; (4) notice of the date, time and place of the Confirmation Hearing, and the time for filing objections to confirmation of the Plan; and (5) if you are the Holder of Claim(s) entitled to vote on the Plan, one or more Ballots (and return envelopes) to be used by you in voting to accept or to reject each of the Alternatives under the Plan.

D. Voting Procedures, Ballots, and Deadlines

After carefully reviewing the Plan, this Disclosure Statement and the detailed instructions accompanying your Ballot, please indicate your acceptance or rejection of each of the Alternatives under the Plan by voting in favor of or against each of the Alternatives under the Plan on the enclosed Ballot. You must complete and sign your original Ballot (copies will not be accepted) and return it in the envelope provided.

Each Ballot has been coded to reflect the Class of Claim it represents. Accordingly, in voting to accept or reject the Plan, you must use only the coded Ballot or Ballots sent to you with this Disclosure Statement.

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND RECEIVED NO LATER THAN AUGUST 19, 2002, AT 5:00 P.M. (EASTERN TIME) (THE "VOTING DEADLINE") BY BANKRUPTCY SERVICES LLC (THE "BALLOTING AGENT"). DO NOT RETURN ANY STOCK CERTIFICATES OR DEBT INSTRUMENTS WITH YOUR BALLOT.

If you are entitled to vote to accept or reject an Alternative under the Plan, a Ballot is enclosed for the purpose of voting on each of the Alternatives. Please vote and return your Ballot to the Balloting Agent, provided, however, that pursuant to the terms of the Plan, beneficial owners of Senior Notes who receive a Ballot from a bank or brokerage firm (or its agent) shall return the Ballot to such bank or brokerage firm (or its agent).

HOLDERS OF CLAIMS MAY VOTE TO (I) ACCEPT BOTH ALTERNATIVES, (II) REJECT BOTH ALTERNATIVES OR (III) ACCEPT ONE ALTERNATIVE AND REJECT THE OTHER ALTERNATIVE. ANY EXECUTED BALLOT THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF AN ALTERNATIVE OR INDICATES BOTH AN ACCEPTANCE AND REJECTION OF AN ALTERNATIVE SHALL BE DEEMED TO CONSTITUTE AN ACCEPTANCE OF SUCH ALTERNATIVE.

If you are a Holder of a Claim entitled to vote on the Plan and you did not receive a Ballot, received a damaged Ballot or lost your Ballot, or if you have any questions concerning this Disclosure Statement, the Plan or the procedures for voting on the Plan, please call XO Balloting Center, c/o Bankruptcy Services LLC at (212) 376-8494.

If you have any questions about (1) the procedure for voting your Claim or with respect to the packet of materials that you have received or (2) the amount of your Claim, or if you wish to obtain, at your own expense, unless otherwise specifically required by Federal Rule of Bankruptcy Procedure 3017(d), an additional copy of the Plan, this Disclosure Statement or any appendices or exhibits to such documents, please contact the Balloting Agent:

XO Communications, Inc.
c/o Bankruptcy Services LLC
70 East 55th Street, 6th Floor
New York, New York 10022
Attn: Mariah Martin
Phone: (212) 376-8494

FOR FURTHER INFORMATION AND INSTRUCTIONS ON VOTING TO ACCEPT OR REJECT THE PLAN, SEE SECTION XIII.

E. Rights Certificates and Deadlines under the Stand-Alone Plan

Under the Stand-Alone Plan, XO will offer 40,000,000 shares of New Reorganization Common Stock (the "Rights Shares") at \$5.00 per share for an aggregate of \$200 million through the rights offering described below; provided, that XO may offer up to an additional 3,333,333 shares for up to an aggregate of \$16,666,666 in certain events. Assuming 40,000,000 shares of New Reorganization Common Stock are offered in the Rights Offering, the Rights Shares would represent approximately 29.6% of the shares of New Reorganization Common Stock outstanding following their issuance, without giving effect to the issuance of shares pursuant to options issued under the Management Incentive Program and the New Warrants.

Holders of Senior Note Claims, General Unsecured Claims, Subordinated Note Claims and Old Preferred Stock Interests and Old Common Stock Interests will have the opportunity to exercise Nontransferable Rights to subscribe for any or all of the Rights Shares through the first business day after the 29th day after the Effective Date (the "Nontransferable Rights Expiration Date"), subject to the priority and allocation rules described in Section X.E. herein under "Rights Offering". Thereafter, Transferable Rights will be issued to the Holders of Senior Secured Lender Claims covering any Rights Shares not issued upon exercise of Nontransferable Rights. The Transferable Rights will expire on the first business day after the 29th day after the Transferable Rights Certificates are delivered (the "Final Expiration Date").

If you are entitled to purchase Rights Shares in the Rights Offering and wish to do so, you must, on or before the Nontransferable Rights Expiration Date or the Final Expiration Date, as applicable, (a) complete and sign your original Rights Certificate (copies will not be accepted) and (b) return it in the envelope provided with either (i) a check, bank draft, cashier's check or money order payable to: American Stock Transfer & Trust Company as Rights Agent – XO Communications or (ii) a wire transfer of payment and notification that payment for the shares was sent, prior to the applicable expiration date, via wire transfer directly to a bank account maintained by American Stock Transfer & Trust Company at Chase Manhattan Bank, ABA ROUTING #: 021-000-021, for credit to Account #: 323053785, Contact: XO Communications Rights Offering.

To purchase Rights Shares, you must properly complete the applicable Rights Certificate as set forth above and in accordance with the instructions thereon. Rights Certificates and payment for shares must be received by American Stock Transfer & Trust Company (the "Rights Agent") no later than 5:00 p.m. (eastern time) on the Nontransferable Rights Expiration Date or the final expiration date specified on the transferable rights certificate, as the case may be.

If you are a Holder of a Claim or Interest entitled to receive Rights pursuant to the Rights Offering and you did not receive a Rights Certificate, received a damaged Rights Certificate or lost your Rights Certificate, or if you have any questions concerning the procedures for exercising your Rights, please call XO Rights Center, c/o American Stock Transfer & Trust Company at 1-800-937-5449.

For a more detailed summary of the recipients and terms of the Rights Offering, see “X. Description of Securities to be Issued under the Stand-Alone Plan – E. Rights Offering”. If you have any questions about (1) the procedure for exercising the Rights or with respect to the packet of materials that you have received or (2) the amount of Rights available to you, please contact the Rights Agent:

XO Communications, Inc.
c/o American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038
Attn: Shareholder Relations Department
Phone: 1-800-937-5449

F. New Warrants and Exercise Procedures under the Stand-Alone Plan

Three series of New Warrants may be issued under the Stand-Alone Plan: New Series A Warrants, New Series B Warrants and New Series C Warrants.

- The New Series A Warrants will be exercisable at an exercise price of \$6.25 per share, representing a 25% premium to the pre-Rights Offering equity value of Reorganized XO assumed in the Stand-Alone Plan (\$475 million).
- The New Series B Warrants will be exercisable at an exercise price of \$7.50 per share, representing a 50% premium to the pre-Rights Offering equity value of Reorganized XO assumed in the Stand-Alone Plan (\$475 million).
- The New Series C Warrants will be exercisable at an exercise price of \$10.00 per share, representing a 100% premium to the pre-Rights Offering equity value of Reorganized XO assumed in the Stand-Alone Plan (\$475 million).

Each series of New Warrants will expire seven (7) years after the date of issuance.

Under the Stand-Alone Plan, on the Effective Date, each of the Holders of Allowed General Unsecured Claims (Class 5) and Holders of Allowed Senior Note Claims (Class 6) will receive (in addition to any other distribution authorized under the Plan) its pro rata share of the Senior Note Portion or General Unsecured Claim Portion (each as defined below), as applicable, of New Warrants as follows:

- i. If two-thirds or more of the Unaffiliated Senior Note Claims voting with respect to the Stand-Alone Plan vote to approve it, and the Official Committee of Unsecured Creditors has recommended a vote in favor of confirmation of the Stand-Alone Plan and not withdrawn such recommendation (the “Official Committee Vote”),

- (1) New Series A Warrants to purchase 9,500,000 shares of New Reorganization Common Stock representing 10% of the New Reorganization Common Stock (but excluding any Rights Shares) issued and outstanding on the Effective Date of the Stand-Alone Plan;
 - (2) New Series B Warrants to purchase 7,125,000 shares of New Reorganization Common Stock representing 7.5% of the New Reorganization Common Stock (but excluding any Rights Shares) issued and outstanding on the Effective Date of the Stand-Alone Plan;
 - (3) New Series C Warrants to purchase 7,125,000 shares of New Reorganization Common Stock representing 7.5% of the New Reorganization Common Stock (but excluding any Rights Shares) issued and outstanding on the Effective Date of the Stand-Alone Plan; or
- ii. if less than two-thirds of the Unaffiliated Senior Note Claims voting with respect to the Stand-Alone Plan vote to approve its confirmation, but the Official Committee of Unsecured Creditors has recommended a vote in favor of the Stand-Alone Plan, has not withdrawn such recommendation and the Debtor believes, in its reasonable judgment, that all of the members of such Committee have voted their Claims in favor of confirmation of the Stand-Alone Plan, New Series B Warrants to purchase 4,750,000 shares of New Reorganization Common Stock (representing 5% of the New Reorganization Common Stock (but excluding any Rights Shares) issued and outstanding on the Effective Date of the Stand-Alone Plan);

The New Warrants will be evidenced by a warrant certificate (the "Warrant Certificate") and will be issued pursuant to the Plan and subject to the terms and conditions of the Warrant Agreement¹, between Reorganized XO and American Stock Transfer & Trust Company, as warrant agent (the "Warrant Agent"), to be executed on the Effective Date of the Stand-Alone Plan.

New Warrants may be exercised at any time on or before 5:00 p.m., New York City time, on the expiration date listed on the Warrant Certificate. The holder of New Warrants evidenced by a Warrant Certificate may exercise them by surrendering a Warrant Certificate, with the form of election to purchase properly completed and executed, together with payment of the exercise price (the "Exercise Price") as specified in the Warrant Agreement at the principal corporate trust office of the Warrant Agent. In the event that upon any exercise of a New Warrant the number of shares of New Reorganization Common Stock to be issued shall be less

¹ The Warrant Agreement will be included in a Plan Supplement.

than the total number of shares of New Reorganization Common Stock evidenced thereby, there shall be issued to the holder thereof or his assignee a new Warrant Certificate evidencing the number of shares of New Reorganization Common Stock not issued. No adjustment shall be made for any dividends on any Common Stock issuable upon exercise of such New Warrant.

Warrant Certificates, when surrendered at the principal corporate trust office of the Warrant Agent by the registered holder thereof in person or by legal representative or attorney duly authorized in writing, may be exchanged, in the manner and subject to the limitations provided in the Warrant Agreement, but without payment of any service charge, for another Warrant Certificate or Warrant Certificates of like tenor evidencing in the aggregate a like number of New Warrants.

Upon due presentation for registration of transfer of a Warrant Certificate at the office of the Warrant Agent a new Warrant Certificate or Warrant Certificates of like tenor and evidencing in the aggregate a like number of New Warrants shall be issued to the transferee(s) in exchange for a Warrant Certificate, subject to the limitations provided in the Warrant Agreement, without charge except for any tax or other governmental charge imposed in connection therewith.

Reorganized XO and the Warrant Agent may deem and treat the registered holder(s) thereof as the absolute owner(s) of a Warrant Certificate (notwithstanding any notation of ownership or other writing thereon made by anyone), for the purpose of any exercise thereof, of any distribution to the holder(s) thereof, and for all other purposes, and neither Reorganized XO nor the Warrant Agent shall be affected by any notice to the contrary. Neither the New Warrants nor the Warrant Certificate entitles any holder hereof to any rights of a stockholder of the Company.

FOR FURTHER INFORMATION AND INSTRUCTIONS ON THE NEW WARRANTS, SEE "X. DESCRIPTION OF SECURITIES TO BE ISSUED UNDER THE STAND-ALONE PLAN – D. NEW WARRANTS".

G. Confirmation Hearing and Deadline for Objections to Confirmation

The Bankruptcy Court has scheduled a Confirmation Hearing for August 26, 2002, at 9:30 a.m. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing. Objections to confirmation of the Plan must be filed with the Bankruptcy Court and served on the counsel listed below to ensure receipt by them not later than August 21, 2002, at 4:30 p.m.

Counsel on whom objections should be served are:

Counsel to the Debtor:

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11111 Sunset Hills Road,
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Facsimile: (703) 547-2025
Attn: General Counsel

with copies to:

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Alan J. Carr, Esq.

Counsel to the Official Committee of Unsecured Creditors:

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