

Hearing Date and Time: July 29, 2003 at 10:00 a.m.
Objection Deadline: July 25, 2003 at 4:00 p.m.

Hearing Date and Time: September 15, 2003 at 10:00 a.m.
Objection Deadline: September 10, 2003 at 4:00 p.m.

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Proposed Counsel to the Official Committee of Unsecured
Creditors of Allegiance Telecom, Inc., et al.

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re: : Chapter 11
: :
ALLEGIANCE TELECOM, INC., et al., : Case No. 03-13057 (RDD)
: :
Debtors. : (Jointly Administered)
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**NOTICE OF HEARING ON THE APPLICATION OF THE OFFICIAL COMMITTEE
OF UNSECURED CREDITORS OF ALLEGIANCE TELECOM, INC., ET AL., FOR AN
ORDER AUTHORIZING THE RETENTION OF HOULIHAN LOKEY HOWARD &
ZUKIN CAPITAL, AS FINANCIAL ADVISOR, NUNC PRO TUNC TO JUNE 3, 2003**

PLEASE TAKE NOTICE that the Official Committee of Unsecured Creditors (the “Committee”) of Allegiance Telecom, Inc., et al., (collectively, the “Debtors”), seeks entry of an order approving its Application Authorizing the Employment of Houlihan Lokey Howard & Zukin Capital (“Houlihan Lokey”), as Financial Advisor, pursuant to sections 328(a) and 1103(a) of chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”), nunc pro tunc to June 3, 2003 (the “Application”).

PLEASE TAKE FURTHER NOTICE that a hearing to consider the employment of Houlihan Lokey and the payment of Houlihan Lokey's Monthly Fees,¹ on an interim basis, shall be held before the Honorable Robert D. Drain, United States Bankruptcy Judge, in the United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York 10004-1408 (the "Bankruptcy Court"), on July 29, 2003 at 10:00 a.m. (ET), or as soon thereafter as counsel can be heard (the "Interim Hearing").

PLEASE TAKE FURTHER NOTICE that a hearing to consider final approval of the Application, shall be held before the Honorable Robert D. Drain, United States Bankruptcy Judge, in the Bankruptcy Court, on September 15, 2003 at 10:00 a.m. (ET), or as soon thereafter as counsel can be heard (the "Final Hearing").

PLEASE TAKE FURTHER NOTICE that, responses or objections, if any, to the Application must comply with the Federal Rules of Bankruptcy procedure (the "Bankruptcy Rules"), must be set forth in a writing describing the basis therefor and must be filed with the Bankruptcy Court electronically in accordance with General Order M-182 and M-193 by registered users of the Court's electronic case filing system and, by all other parties in interest, on a 3-1/2 inch disk, preferably in Portable Document Format (PDF), Word Perfect or any other Windows-based word processing format (with a hard copy delivered directly to Chambers) and served in accordance with General Order M-182 or by first-class mail upon each of the following: (i) counsel to the Committee, Akin Gump Strauss Hauer & Feld LLP, 590 Madison Avenue, New York, New York 10022-2524, Attn: Ira S. Dizengoff, Esq. and Philip C. Dublin, Esq., (ii) counsel to the Debtors, Kirkland & Ellis, Citigroup Center, 153 East 53rd Street, New York, New York 10022, Attn: Jonathan S. Henes, Esq., (iii) counsel to the Agent for the

¹ Terms not otherwise defined herein shall have the meanings ascribed to them in the Application.

Lenders, Paul, Hastings, Janofsky & Walker LLP, 600 Peachtree Street, NE, Ste. 2400, Atlanta, GA 30308, Attn: Jesse H. Austin, III, Esq., and (iv) the Office of the United States Trustee, Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attn: Pamela Jean Lustrin, Esq., in each case so as to be received not later than (a) July 25, 2003 at 4:00 p.m. (ET) with respect to the relief requested at the Interim Hearing, and (b) September 10, 2003 at 4:00 p.m. (ET) with respect to the relief requested at the Final Hearing. Only those responses made in writing and timely filed and received will be considered at either hearing. Any such response must state with specificity the reason or reasons why the relief requested in the Application should not be granted.

PLEASE TAKE FURTHER NOTICE that pursuant to the Application, the Committee seeks to retain Houlihan Lokey to provide the following services for the Committee: (a) evaluating the assets and liabilities of the Debtors; (b) analyzing and reviewing the financial and operating statements of the Debtors; (c) analyzing the business plans and forecasts of the Debtors; (d) evaluating all aspects of debtor in possession financing (if any), cash collateral usage and adequate protection therefore and any exit financing in connection with any plan of reorganization and any budgets relating thereto; (e) providing such specific valuation or other financial analyses as the Committee may require in connection with the case; (f) helping with the claim resolution process and distributions relating thereto; (g) assessing the financial issues and options concerning various transactions involving the Debtors including, but not limited to, the sale of any assets of the Debtors (either in whole or in part) and/or the Debtors' plan(s) of reorganization or any other plan(s) of reorganization (the "Plan"); (h) preparation, analysis and explanation of the Plan to various constituencies; (i) providing testimony in court on behalf of the Committee, if necessary or as reasonably requested by the Committee; and (j) providing such

other financial advisory services as Houlihan Lokey, the Committee and/or counsel to the Committee may, from time to time agree in writing and which are consistent with Houlihan Lokey's capabilities.

PLEASE TAKE FURTHER NOTICE that, if Houlihan Lokey's retention is approved, Houlihan Lokey will be entitled to receive the following compensation:

- (a) \$150,000 monthly fee; and,
- (b) the reimbursement of all reasonable and actual out of pocket expenses.

PLEASE TAKE FURTHER NOTICE that if the Application is granted, as more fully described in the Application and subject to certain conditions, the Debtors shall indemnify and hold Houlihan Lokey harmless against any and all losses, claims, damages or liabilities in connection with the engagement, except to the extent they result from Houlihan's gross negligence, willful misconduct, bad faith or self dealing in connection with the performance of its services.

PLEASE TAKE FURTHER NOTICE that the foregoing summary of certain elements of the retention is not complete, and that the full terms of the retention are contained in the Application and the letter agreement, dated as of June 3, 2003, containing the terms of Houlihan Lokey's employment in these chapter 11 cases (the "Engagement Letter"), which is annexed to the Application as Exhibit A. The Application and the Engagement Letter are available for inspection at the Office of the Clerk for the Bankruptcy Court and on the Bankruptcy Court's Internet site at www.nysb.uscourts.gov, through an account obtained from Pacer Service Center at 1-800-676-6856, or 1-210-301-6440, or www.pacer.psc.uscourts.gov. To the extent that the summary of the retention terms set forth in this notice conflict with the terms of the Engagement Letter, the terms of the Engagement Letter shall control.

PLEASE TAKE FURTHER NOTICE that if you do not object by the September 10, 2003 objection deadline above, your rights to subsequently object to the compensation of Houlihan Lokey will be affected and subject to the heightened standard of review enumerated in section 328 of the Bankruptcy Code.

Dated: New York, New York
July 11, 2003

AKIN GUMP STRAUSS HAUER & FELD LLP

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