

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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| In re                                     | : |                      |
|   | : | Chapter 11 Case No.  |
| Allegiance Telecom, Inc., <u>et al.</u> , | : | 03-13057 (RDD)       |
|   | : |                      |
| Debtors.                                  | : | Jointly Administered |

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**FINAL ORDER AUTHORIZING  
THE EMPLOYMENT AND RETENTION OF  
KIRKLAND & ELLIS AS ATTORNEYS FOR THE DEBTORS**

Upon the application, dated May 14, 2003 (the "Application"), of Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), seeking entry of an order (the "Order"), pursuant to sections 327(a) and 328(a) of title 11 of the United States Code (the "Bankruptcy Code"), authorizing the Debtors to employ and retain the law firm of Kirkland & Ellis ("K&E") as their attorneys under a general retainer, as more fully set forth in the Application; and upon the affidavit of Matthew A. Cantor, a partner of the firm of K&E, sworn to on May 14, 2003 (the "Cantor Affidavit"), annexed to the Application as Exhibit "A"; and the first supplement affidavit of Matthew A. Cantor, sworn to and filed on June 20, 2003 (the "First Supplemental Affidavit"); and a hearing to consider the Application having been held on May 15, 2003 (the "Interim Hearing"); and an order approving the Application on an interim basis having been entered on May 15, 2003; and an objection to the Application having been filed by the statutory creditors' committee (the "Committee") on June 11, 2003 (the "Objection"); and a response to the Objection having been filed by the Debtors on June 21, 2003; and a hearing to consider the Application on a final basis having been held on June 23, 2003 (the "Final Hearing," and together with the Interim Hearing, the "Hearings"); and it appearing that this Court has jurisdiction to consider and determine the

Application as a core proceeding in accordance with 28 U.S.C. §§ 157 and 1334; and the Court being satisfied, based on the representations made in the Application, the Cantor Affidavit, the First Supplemental Affidavit, and as set forth on the record at the Final Hearing that K&E does not hold or represent any interest adverse to the Debtors or their estates and is disinterested, as that term is defined in section 101(14) the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code; and for the reasons stated upon the record of the Hearings, it appearing that the relief requested in the Application is necessary and in the best interests of the Debtors' estates, their creditors, and other parties in interest; and it appearing that due and proper notice of the Application has been given; and after due deliberation and sufficient cause appearing therefor, it is hereby

ORDERED that the Objection is overruled; and it is further

ORDERED that the Application is granted as provided herein; and it is further

ORDERED that, pursuant to sections 327(a) and 328(a) of the Bankruptcy Code, the Debtors are authorized to employ and retain K&E as their attorneys under a general retainer on the terms set forth in the Application, the Cantor Affidavit and the First Supplemental Affidavit, effective as of the commencement of these cases; and it is further

ORDERED that K&E shall apply for compensation and reimbursement in accordance with the procedures set forth in sections 330 and 331 of the Bankruptcy Code, applicable Federal Rules of Bankruptcy Procedure, Local Bankruptcy Rules for the Southern District of New York, guidelines established by the Office of the United States Trustee, and such other procedures as may be fixed by this Court; and it is further

ORDERED that the law firm of Togut Segal & Segal LLP ("TS&S") is hereby authorized to investigate all payments made by the Debtors prior to the commencement of these

chapter 11 cases made to K&E, to determine whether any such payments may be avoidable as preferences pursuant to section 547 of the Bankruptcy Code; and it is further

ORDERED that in connection with TSS's investigation of the Debtors' prepetition payments to K&E, TSS shall provide all relevant information with respect thereto and otherwise consult with the Committee in connection therewith; and it is further

ORDERED that K&E shall waive its right to litigate the determination made by TS&S regarding the avoidability of the prepetition payments made by the Debtors to K&E; and it is further

ORDERED that any determination made by TS&S, in consultation with the Committee, regarding the avoidability or non-avoidability of payments made by the Debtors to K&E prior to the commencement of these chapter 11 cases shall be subject to the approval of this Court upon a motion brought by the Debtors in accordance with rule 9019 of the Federal Rules of Bankruptcy Procedure; and it is further

ORDERED that, within one day after the date of entry of this Order, a copy of this Order shall be served upon the Debtors' Master Service List established pursuant to that certain Order Establishing Notice Procedures, dated May 15, 2003; and it is further

ORDERED that the entry of this Order is without prejudice of any party in interest to file a motion for reconsideration of this Order; *provided, however*, that any such motion for reconsideration must be filed with this Court no later than ten (10) days of the date of entry of this Order; and it is further

ORDERED that this Court shall retain jurisdiction to hear and determine all matters arising from the implementation of this Order.

Dated: New York, New York  
June 26, 2003

/s/Robert D. Drain  
UNITED STATES BANKRUPTCY JUDGE