

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

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<b>In re:</b>	)	<b>Chapter 11</b>
	)	
<b>ALLEGIANCE TELECOM, INC., et al.</b>	)	<b>Case No. 03-13057 (RDD)</b>
	)	
<b>Debtors.</b>	)	<b>(Jointly Administered)</b>
	)	

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**SECOND INTERIM APPLICATION FOR  
ALLOWANCE OF FEES AND REIMBURSEMENT OF EXPENSES  
OF HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL  
AS FINANCIAL ADVISOR TO THE OFFICIAL COMMITTEE OF  
UNSECURED CREDITORS FOR THE PERIOD  
OCTOBER 1, 2003 THROUGH FEBRUARY 29, 2004**

Name of Applicant:	Houlihan Lokey Howard & Zukin Capital
Authorized to Provide Professional Services as:	Financial Advisor to the Official Committee of Unsecured Creditors
Retention Date:	<i>Nunc Pro Tunc</i> to June 3, 2003
Period for which Compensation is Sought:	October 1, 2003 through February 29, 2004
Amount of Compensation Sought as Actual, Reasonable and Necessary:	\$750,000.00
Amount of Expense Reimbursement Sought as Actual, Reasonable and Necessary:	\$ 30,898.53

Houlihan Lokey is not seeking any compensation for the preparation of this Application.

This is an:      X   interim               final application

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

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<b>In re:</b> )	<b>Chapter 11</b>
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<b>ALLEGIANCE TELECOM, INC., et al.</b> )	<b>Case No. 03-13057 (RDD)</b>
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<b>Debtors.</b> )	<b>(Jointly Administered)</b>
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**SECOND INTERIM APPLICATION FOR  
ALLOWANCE OF FEES AND REIMBURSEMENT OF EXPENSES  
OF HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL  
AS FINANCIAL ADVISOR TO THE OFFICIAL COMMITTEE OF  
UNSECURED CREDITORS FOR THE PERIOD  
OCTOBER 1, 2003 THROUGH FEBRUARY 29, 2004**

Houlihan Lokey Howard & Zukin Capital (“Houlihan Lokey”), as financial advisor to the Official Committee of Unsecured Creditors (the “Committee”), hereby submits its Second Interim Application for Compensation and Reimbursement of Expenses (the “Application”) pursuant to 11 U.S.C. §§ 327(a), 328 and 331, Federal Rule of Bankruptcy Procedure 2016, the Local Bankruptcy Rules, the Order Pursuant to §§ 105(a) and 331 of the Bankruptcy Code Establishing Procedures For Monthly Compensation And Reimbursement Of Expenses of Professionals, dated June 13, 2003 (the “Administrative Order”). Houlihan Lokey’s Application seeks compensation for financial advisory services performed and expenses incurred during the period October 1, 2003 through February 29, 2004 (the “Application Period”).

By this Application, Houlihan Lokey moves this Court for an Order approving interim compensation in the amount of \$750,000.00, of which \$390,000.00 remains unpaid, and the reimbursement of actual and necessary expenses of \$30,898.53, of which \$17,449.89 remains unpaid. This Application is supported by the Certification of Christopher R. Di Mauro, which is annexed hereto as Exhibit A. In support of this Application, Houlihan Lokey states as follows:

### **Background**

1. On May 14, 2003 (the "Petition Date"), the Debtors filed voluntary petitions in this Court for reorganization relief under chapter 11 of the Bankruptcy Code. The Debtors continue to operate their business and manage their property as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

2. On May 28, 2003, pursuant to section 1102 of the Bankruptcy Code, the United States Trustee appointed the Committee<sup>1</sup>. On June 3, 2003, the Committee selected Houlihan Lokey to serve as its financial advisors. Prior to the Petition Date, Houlihan Lokey had been retained as financial advisor to an ad hoc committee (the "Ad Hoc Committee") of certain unaffiliated holders of the 12 7/8% Senior Notes due 2008 and the 11 3/4% Senior Discount Notes due 2008, issued by Allegiance Telecom, Inc.

3. Pursuant to 28 U.S.C. §§ 1334, the Court has jurisdiction over this Application, which is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue of the Debtors' chapter 11 cases

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<sup>1</sup> On May 28, 2003, the Committee was comprised of the following entities: BellSouth Telecommunications, Inc., Broadwing Communications Services, Inc., LC Capital Master Fund, Ltd., Loeb Partners Corp., Nortel Networks Inc., Romulus Holdings, Inc., and The Bank of New York, as Indenture Trustee. On August 16, 2003, Broadwing Communications Services, Inc. resigned from the Committee. On January 20, 2004, Romulus Holdings, Inc. resigned from the Committee.

and this Application is proper under 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief sought herein are Bankruptcy Code sections 328(a), 331 and 1103.

4. On July 11, 2003, the Committee filed its Application for an Order Authorizing the Employment and Retention of Houlihan Lokey as the Financial Advisor to the Committee *Nunc Pro Tunc* to June 3, 2003 (the “Retention Application”). Pursuant to sections 328 and 1103 of the United States Bankruptcy Code and Rules 2014(a), 2016 and 5002 of the Bankruptcy Rules of Procedure, the Court entered an interim order approving the Retention Application on July 29, 2003, and a final order approving the Retention Application of Houlihan Lokey (collectively, the “Retention Orders”) on September 16, 2003. Copies of the Retention Orders are annexed hereto as Exhibit B.

**Terms and Conditions of Compensation of Houlihan Lokey**

5. The terms and conditions of Houlihan Lokey’s engagement in these cases, which were embodied in the Final Retention Order, are based in large measure upon Houlihan Lokey’s Engagement Letter of June 3, 2003 (the “Engagement Letter”), a copy of which is annexed hereto as Exhibit C. Pursuant to the Engagement Letter, Houlihan Lokey will be entitled to receive, as compensation for its services, the following:

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

6. As detailed in the Retention Application, the terms of the Engagement Letter were heavily negotiated between the Committee and Houlihan Lokey, and reflect the parties’ mutual agreement as to the substantial efforts that will be required in this engagement.

7. Subject to Bankruptcy Court approval, Houlihan Lokey seeks payment for compensation, plus reimbursement of actual and necessary expenses incurred by Houlihan Lokey during the Application Period.

8. Specifically, by this Application, Houlihan Lokey requests that this Court authorize: (a) an interim allowance of compensation for professional services Houlihan Lokey rendered during the Application Period for the Committee in the amount of \$750,000.00, and (b) the reimbursement of actual and necessary expenses Houlihan Lokey incurred in connection with the rendition of such professional services for the Committee in the amount of \$30,898.53.

#### **Summary of Services Provided by Houlihan Lokey**

9. Houlihan Lokey is a nationally recognized investment banking and financial advisory firm with 9 offices worldwide and with more than 275 professionals. Houlihan Lokey's Financial Restructuring Group, which has worked on this engagement, has a staff of over 100 professionals dedicated to financial restructuring engagements. In this area, Houlihan Lokey has provided financial advice, valuation analyses and investment banking services to debtors, bondholder groups, secured and unsecured creditors, acquirors, employee stock ownership plans, equity holders and other parties involved with financially distressed companies, both in and outside of bankruptcy.

10. During the Application Period the following professionals in Houlihan Lokey's Los Angeles and New York offices have performed substantial services to the Committee in these cases:

Irwin N. Gold – Senior Managing Director

Christopher R. Di Mauro – Director

David P. Trucano – Vice President

Craig J. Styrus – Associate

Christopher P. Foley – Financial Analyst

Biographies of these individuals are annexed hereto as Exhibit D.

11. During the Application Period, Houlihan Lokey's work on behalf of the Committee has involved six categories<sup>2</sup>, including:

- (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 the Debtors' 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 valuation or other analyses as the Committee may require in connection with the Cases; and
- (f) Helping with the claim resolution process and distributions relating thereto.

(a) **Evaluating the Assets and Liabilities of the Debtors.** Prior to the Petition Date and continuing throughout the Application Period, Houlihan Lokey expended considerable effort to understand the assets and liabilities of the Debtors. Throughout the Application Period, Houlihan Lokey has worked with the Debtors' advisors and senior management on the following initiatives:

- Reviewing and analyzing the corporate structure of the Debtors.
- Understanding the assets and operations associated with the major subsidiaries of the Debtors.

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<sup>2</sup> While specific work could qualify under more than one of these categories, Houlihan Lokey has assigned each of its various tasks/services to the most representative category. As an example, work performed evaluating projected cash flows would pertain on some basis to all of the categories outlined above and would not be specifically assignable to any one.

- Establishing appropriate protocols with the Debtors' advisors regarding noticing the Committee on (i) executory contracts and lease rejections, (ii) executory contracts and lease assumptions, and (iii) settlement negotiations.

(b) **Analyzing and Reviewing the Financial and Operating Statements of the**

**Debtors.** Houlihan Lokey expended considerable time and effort performing due diligence on the Debtors' financial projections and actual financial results. Houlihan Lokey regularly evaluates the 13-week cash flow forecasts of the Debtors, including analyzing trends in cash receipts and cash disbursements. More specifically, Houlihan Lokey performs regular due diligence with Debtors' senior management and reports to the Committee on major trends and business developments. Throughout the Application Period, Houlihan Lokey has performed due diligence on the Debtors' financial results, including an analysis of operating metrics and monthly operating results for key business lines with a comparison to the Debtors' projections.

(c) **Analyzing the Business Plans and Forecasts of the Debtors.** Houlihan Lokey performed extensive due diligence to understand the business lines of the Debtors, including an analysis of competitive advantages, market share, revenue drivers, and fixed and variable cost drivers. Houlihan Lokey has spent time reviewing the Debtors' projections for its various business lines, including an analysis of projected growth rates, penetration rates, churn, and pricing. Throughout the Application Period, Houlihan Lokey has spent time with the Debtors' advisors and senior management, reviewing the merits and impact of key restructuring initiatives on the Debtors' estate. Such initiatives include executory contract rejections and assumptions, potential contract amendments or settlements, workforce reductions, and non-core asset dispositions. Houlihan Lokey has reviewed all significant restructuring initiatives and informed the Committee of anticipated cost savings, expected damage claims, and the impact on future business, resulting in a recommendation to the Committee.

(d) **Evaluating All Aspects of the Debtors' Cash Collateral Usage and Adequate Protection Therefore and Any Exit Financing In Connection With Any Plan of Reorganization and Any Budgets Relating Thereto.** Houlihan Lokey has expended considerable efforts to understand the inflows and outflows of cash on a weekly, monthly and projected basis. Houlihan Lokey has worked with the Debtors' advisors and senior management on a regular basis to evaluate the timing of the cash flows to determine likely cash burn and projected cash balances. In addition, Houlihan Lokey has reviewed and evaluated the timing of projected capital expenditures.

(e) **Providing Valuation or Other Analyses As the Committee May Require In Connection With the Cases.** Houlihan Lokey has undertaken a number of valuation and related initiatives on behalf of the Committee. Houlihan Lokey spent considerable time evaluating the Debtors' key employee retention plan, including negotiating on behalf of the Committee with the Debtors. Houlihan Lokey's work included an extensive analysis of the terms of the key employee retention plan vis-à-vis other large Chapter 11 bankruptcies. Houlihan Lokey expended considerable efforts evaluating and monitoring the merger and acquisition activities of the Debtors' advisors and senior management, and regularly reporting to the Committee on the results of merger and acquisition activities.

(f) **Helping With the Claim Resolution Process and Distributions Relating Thereto.** Houlihan Lokey spent considerable time working with the Debtors' financial advisors and senior management to understand and evaluate all claims against the Debtors' estates. Houlihan Lokey reviewed and evaluated the Debtors' ability to minimize such claims through preemptive renegotiation and settlement discussions.

12. Houlihan Lokey does not, as described above, bill on an hourly basis, and accordingly it does not ordinarily maintain detailed time records. Pursuant to its agreement with the Office of the



United States Trustee in these cases, however, Houlihan Lokey has agreed to maintain time records from the date of the Interim Order. Time records for the professionals who have worked on this engagement are annexed hereto as Exhibit E.

### **Houlihan Lokey's Application**

13. The professional services and related expenses that are the subject of Houlihan Lokey's Application were rendered and incurred in connection with these cases, and in discharge of Houlihan Lokey's professional responsibilities as financial advisor and for the Committee in these chapter 11 cases. Houlihan Lokey's services have been substantial, necessary, and beneficial to the Debtors and their estates, the Committee, and other parties in interest. Houlihan Lokey believes that the fees and expenses requested by their Application are reasonable and necessary -- given the variety and complexity of the issues involved in these cases and the need to act or respond on an expedited basis to those issues -- and are contemplated by the Bankruptcy Code and the Administrative Order.

14. A summary of (i) professional fees and (ii) expenses incurred by and payable to Houlihan Lokey during the Application Period is attached hereto as Exhibit F of this Application. Houlihan Lokey has maintained detailed records of actual and necessary expenses incurred during the Application Period. In connection with the reimbursement of expenses, Houlihan Lokey's policy is to only seek reimbursement for actual out-of-pocket expenses incurred in connection with representing its clients. The expenses charged include, among other things, telephone and telecopy toll and other charges, mail and express mail charges, special or hand delivery charges, duplicating charges, out-of-town travel expenses, local transportation expenses, expenses for working meals, and computerized research.

15. Pursuant to the Administrative Order, Houlihan Lokey and other professionals retained in these cases are authorized each month to file and serve upon the Debtors and parties identified in the

Administrative Order a Monthly Fee Statement (the “Fee Statement”). After the expiration of a forty-five (45) day objection period (“Objection Period”), if no objections are filed and the Court does not schedule a hearing regarding the Monthly Statement, the Debtors are authorized and required to promptly pay 80% of all of the fees billed and 100% of all of the expenses incurred. For the period covered by this Application, Houlihan Lokey has submitted Monthly Statements for the monthly periods of October 1, 2003 through February 29, 2004.

16. Accordingly, Houlihan Lokey requests allowance of compensation in the amount of \$750,000.00 for financial advisory services rendered during the Application Period, and seeks reimbursement for actual and necessary expenses during the same period in the amount of \$30,898.53, the details of which are set forth in Exhibit F of this Application. Of these amounts, \$407,449.89 remains unpaid.

#### **Waiver of Memorandum of Law**

17. Based upon the supporting authorities contained herein, and because the Application presents no novel issues of law, Houlihan Lokey respectfully requests that the Court waive the requirement of Local Bankruptcy Rule 9013-1(b) of filing a separate memorandum of law in support of the Application.

#### **Notice**

18. Notice of this Application has been provided to all notice parties pursuant to the Administrative Order established in these chapter 11 cases.

19. WHEREFORE, Houlihan Lokey requests that the Court enter an Order, substantially in the form of the Order annexed hereto as Exhibit G, allowing interim compensation for financial advisory services rendered to the Committee during the Application Period in the amount of \$750,000.00 and reimbursement of expenses incurred during the same period in the amount of \$30,898.53, and that the Debtors be ordered to pay to Houlihan Lokey all amounts requested.

Dated: Los Angeles, California  
April 8, 2004

**HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL**

By: /s/ Christopher R. Di Mauro  
Christopher R. Di Mauro  
Houlihan Lokey Howard & Zukin Capital  
1930 Century Park West  
Los Angeles, California 90067  
(310) 553-8871

Financial Advisor to the Official Committee of Unsecured  
Creditors

**EXHIBIT A**

**Certification of Christopher R. Di Mauro**

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

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<b>In re:</b>	)	<b>Chapter 11</b>
	)	
<b>ALLEGIANCE TELECOM, INC., et al.</b>	)	<b>Case No. 03-13057 (RDD)</b>
	)	
<b>Debtors.</b>	)	<b>(Jointly Administered)</b>
	)	

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**CERTIFICATION OF CHRISTOPHER R. DI MAURO**

1. I am a Director of Houlihan Lokey Howard & Zukin Capital, and I make this certification in accordance with the applicable Local Bankruptcy Rules and Administrative Order (as defined in the Application) entered in these cases.

2. I have read the Second Interim Application of Houlihan Lokey Howard & Zukin Capital for Compensation and Reimbursement of Expenses for the Period of October 1, 2003 through February 29, 2004 (the "Application").

3. To the best of my knowledge, information and belief formed after reasonable inquiry, the Application complies with the applicable provisions of the United States Bankruptcy Code, the Federal Rules of the Bankruptcy Procedure, the Local Rules of this Court and the Administrative Order.

/s/ Christopher R. Di Mauro  
Christopher R. Di Mauro

**EXHIBIT B**

**Copy of Retention Orders**

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

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	:	
In re:	:	Chapter 11
	:	
ALLEGIANCE TELECOM, INC., <u>et al.</u>	:	Case No. 03-13057 (RDD)
	:	
Debtors.	:	(Jointly Administered)
	x	

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**INTERIM ORDER AUTHORIZING EMPLOYMENT AND  
RETENTION OF HOULIHAN LOKEY HOWARD & ZUKIN  
CAPITAL AS FINANCIAL ADVISOR TO OFFICIAL COMMITTEE  
OF UNSECURED CREDITORS. NUNC PRO TUNC TO JUNE 3, 2003**

Upon consideration of the application (the "Application")<sup>1</sup> of the Official Committee of Unsecured Creditors (the "Committee") of the debtors and debtors in possession (the "Debtors") in the above-captioned chapter 11 cases for entry of an order, under sections 328(a) and 1103(a) of chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), and Rule 2014 of the Federal Bankruptcy Rules (the "Bankruptcy Rules"), authorizing the employment and retention of Houlihan Lokey Howard & Zukin Capital ("Houlihan Lokey") as its financial advisor pursuant to the terms of the engagement letter dated as of June 3, 2003 (the "Engagement Letter"); the Court having considered the Application and the Affidavit of Christopher DiMauro dated July 10, 2003 in support of the Application; and Houlihan Lokey (i) not holding an interest adverse to the interest of the estates with respect to the matters on which Houlihan Lokey will be employed and (ii) being "disinterested persons" as that term is defined under section 101(14) of the Bankruptcy Code, it is hereby

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<sup>1</sup> Capitalized terms not defined in this Order shall have the meanings ascribed to them in the Application.

ORDERED that Houlihan Lokey is a “disinterested person” as that term is defined under section 101(14) of the Bankruptcy Code and does not hold an interest adverse to the Debtors or their estates; and it is hereby

ORDERED that all objections to the Application are hereby overruled; and it is hereby

ORDERED that subject to the terms and conditions of this Order, the Committee is authorized to employ, retain, and compensate Houlihan Lokey as its financial advisor pursuant to the Engagement Letter, nunc pro tunc to June 3, 2003; and it is hereby

ORDERED that, subject to a final hearing on the Application, the Monthly Fee is approved; and it is hereby

ORDERED that a final hearing on the Application to consider approval of the Monthly Fee on a final basis shall be held before this Court on September 15, 2003 at 10:00 a.m. or as soon thereafter as counsel may be heard; and it is hereby

ORDERED that in accordance with the Committee’s Notice of Hearing, dated July 11, 2003 objections to the relief requested by the Application, on a final basis, must be served so as to be received no later than September 10, 2003 at 4:00 p.m. (ET); and it is hereby

ORDERED that the Office of the United States Trustee retains the right to object to any interim fee application filed by Houlihan Lokey on any grounds provided for under the Bankruptcy Code (including, without limitation, sections 328, 330 and 331 thereof), the Bankruptcy Rules, or any of the Local Rules for the United States Bankruptcy Court for the Southern District of New York (the “Local Rules”) or Orders of this Court; and it is further



ORDERED that the requirements of Local Rule 9013-1(b) are waived with respect to the Application; and it is further

ORDERED that this Court shall retain jurisdiction to construe and enforce the terms of this Order.

Dated: New York, New York  
July 29, 2003

/s/Robert D. Drain  
**ROBERT D. DRAIN**  
**UNITED STATES BANKRUPTCY JUDGE**

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

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	x	
	:	
In re:	:	Chapter 11
	:	
ALLEGIANCE TELECOM, INC., <u>et al.</u> ,	:	Case No. 03-13057 (RDD)
	:	
Debtors.	:	(Jointly Administered)
	x	

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**FINAL ORDER AUTHORIZING THE RETENTION OF  
HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL,  
AS FINANCIAL ADVISOR TO THE OFFICIAL COMMITTEE OF  
UNSECURED CREDITORS. NUNC PRO TUNC TO JUNE 3, 2003**

Upon consideration of the application (the "Application")<sup>1</sup> of the Official Committee of Unsecured Creditors (the "Committee") of the debtors and debtors in possession (collectively, the "Debtors") in the above-captioned chapter 11 cases for entry of an order, under sections 328(a) and 1103(a) of title 11 of the United States Code (the "Bankruptcy Code"), and Rule 2014 of the Federal Rules of Bankruptcy Procedures (the "Bankruptcy Rules"), authorizing the employment and retention of Houlihan Lokey Howard & Zukin Capital ("Houlihan Lokey") as its financial advisor pursuant to the terms of its engagement letter dated as of June 3, 2003 (the "Engagement Letter"); and the Court having considered the Application and the Affidavit of Christopher DiMauro dated July 10, 2003 in support of the Application; and Houlihan Lokey (i) not holding an interest adverse to the interest of the estates with respect to the matters on which Houlihan Lokey will be employed and (ii) being "disinterested persons" as that term is defined under section 101(14) of the Bankruptcy Code; and after due deliberation and sufficient cause appearing therefore, it is hereby:

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<sup>1</sup> Capitalized terms not defined in this order shall have the meanings ascribed to them in the Application.

ORDERED that subject to the terms and conditions of this Order, the Application is granted; and it is further

ORDERED that the Office of the United States Trustee retains the right to object to any interim or final fee application filed by Houlihan Lokey (including any request for the reimbursement of expenses) on any grounds provided for under the Bankruptcy Code (including, without limitation, sections 328, 330 and 331 thereof), the Bankruptcy Rules, or any of the Local Rules for the United States Bankruptcy Court for the Southern District of New York (the "Local Rules") or Orders of this Court; and it is further

ORDERED that the requirements of Local Bankruptcy Rule 9013-1(b) are waived with respect to the Application; and it is further

ORDERED that Houlihan Lokey is a disinterested person as that term is defined in section 101(14) of the Bankruptcy Code and does not hold an interest adverse to the Debtors or their estates; and it is further

ORDERED that the Committee is authorized to employ, retain, compensate and reimburse Houlihan Lokey as its financial advisor, pursuant to the Engagement Letter (a copy of which is attached to the Application), nunc pro tunc to June 3, 2003, on the terms and conditions set forth in the Engagement Letter and the Application; and it is further

ORDERED that the Debtors shall indemnify and hold harmless Houlihan Lokey and its affiliates, and their past, present and future directors, officers, shareholders, employees, agents and controlling persons within the meaning of either section 15 of the Securities Act of 1933, as amended, or section 20 of the Securities Exchange Act of 1934, as amended (collectively, the "Indemnified Parties"), pursuant to the Engagement Letter and subject to the following conditions:

(a) all requests of Indemnified Persons for payment of indemnity, contribution or otherwise pursuant to the Engagement Letter shall be made by submission of a Monthly Statement (as defined in the June 13, 2003, Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Interim Monthly Compensation and Reimbursement of Expenses of Professionals) and shall be subject to the approval of, and review by, the Court to ensure that such payment conforms to the terms of the Engagement Letter, the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and the Orders of this Court, and is reasonable based upon the circumstances of the litigation or settlement in respect of which the indemnity is sought, provided, however, that in no event shall an Indemnified Party be indemnified or receive reimbursement for any loss, claim, damage or liability which is finally judicially determined to have resulted primarily from the willful misconduct, gross negligence, bad faith or self dealing of any Indemnified Party, and

(b) in the event an Indemnified Party seeks reimbursement for attorneys' fees from the Debtors, the invoices and supporting time records from such attorneys shall be annexed to Houlihan Lokey's own Monthly Statement, and such invoices and time records shall be subject to the U.S. Trustee's guidelines for compensation and reimbursement of expenses and the approval of the Bankruptcy Court under the standards of section 330 of the Bankruptcy Code without regard to whether such attorney has been retained under section 327 or 1103 of the Bankruptcy Code; and it is further;

ORDERED that to the extent this order is inconsistent with the Engagement Letter, the terms of this Order shall govern; and it is further

ORDERED that Houlihan Lokey shall maintain daily time records containing descriptions of the work performed by each of its professionals in connection with any of its fee applications; and it is further

ORDERED that this Court shall retain jurisdiction to construe and enforce the terms of this order.

Dated: New York, New York  
September 16, 2003

/s/Robert D. Drain  
**ROBERT D. DRAIN**  
**UNITED STATES BANKRUPTCY JUDGE**

**EXHIBIT C**

**Copy of Engagement Letter**



**HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL**

INVESTMENT BANKERS

www.HLHZ.com

June 3, 2003

To: The Official Committee of Unsecured Creditors (the "Committee") of Allegiance Telecom, Inc. and its affiliated debtors and debtors-in-possession (collectively, the "Company" or the "Debtors"), in care of:

Committee Chair:  
Romulus Holdings  
560 Sylvan Ave., 3<sup>rd</sup> Floor  
Englewood Cliff, NY 07632  
Attn: Gary Singer

Committee Counsel:  
Akin, Gump, Strauss, Hauer & Feld, LLP  
590 Madison Avenue, 22<sup>nd</sup> Floor  
New York, NY  
Attn: Ira Dizengoff

Gentlemen:

Effective as of June 3, 2003, this letter confirms the terms of the agreement among Houlihan Lokey Howard & Zukin Capital ("Houlihan Lokey"), and the Committee concerning the Committee's engagement of Houlihan Lokey to provide financial advisory and related services to the Committee in connection with the Debtors' Chapter 11 cases (the "Cases"), which are pending in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court").

1. **Scope of Engagement.** Houlihan Lokey's exclusive representation of the Committee in connection with the Cases will include:

- (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 (collectively, "Transactions") involving the Company including, but not limited to, (a) the sale of any assets of the Debtors, either in whole or in part, and (b) 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 Committee Counsel may, from time to time agree in writing and which are consistent with Houlihan Lokey's capabilities.

For the avoidance of doubt, Houlihan Lokey shall not have any obligation or responsibility to provide business consulting services nor shall it be responsible for designing, implementing or operating any organizational, administrative or cash management function of the Company. Additionally, Houlihan Lokey shall not be responsible for providing any specialist tax, accounting or legal advice.

As used herein, the term "Transactions" shall include the consummation of any agreement or series of agreements, or transaction or series of transactions (which agreement or series of agreements or transaction or series of transactions subsequently closes within a reasonable time period thereafter, or a similar transaction closes thereafter with a competing bidder upon Bankruptcy Court approval), which in each case may include, but is not limited to, the following:

- (a) Any merger, consolidation, reorganization, recapitalization, business combination or other transaction pursuant to which the Debtors are acquired by, or combined with, any person, group of persons, partnership, corporation or other entity (including, without limitation, existing creditors, employees, affiliates, and/or shareholders) (collectively, a "Purchaser");
- (b) The acquisition, directly or indirectly, by a Purchaser (or by



one or more persons acting together with a Purchaser pursuant to a written agreement or otherwise) in a single transaction or a series of transactions, of (x) all or a significant part of the assets or operations of the Debtors; or (y) all or a significant part of the outstanding or newly-issued shares of the Debtors' capital stock (or any securities convertible into, or options, warrants or other rights to acquire such capital stock);

- (c) The closing of any other sale, transfer or assumption of all or substantially all of the assets, liabilities or stock of the Debtors; or
- (d) The confirmation of a Chapter 11 plan of reorganization or liquidation, the terms of which have been substantially agreed to by the Committee.

2. **Exclusive Representation.** Neither the Committee, its constituents, nor any of their respective advisors or professionals (including, but not limited to, Committee Counsel), shall be liable for the fees, expenses or other amounts payable to Houlihan Lokey hereunder. Notwithstanding such arrangement, Houlihan Lokey's duties hereunder run solely to the Committee, and Houlihan Lokey is not authorized to be, and will not purport to be, acting on behalf of, or at the direction of the Debtors for any purpose unless otherwise agreed to by the Committee. All financial advice, written or oral, provided by Houlihan Lokey to the Committee pursuant to this Agreement is intended solely for the use and benefit of the Committee, which agrees that such advice may not be disclosed publicly or made available to third-parties without the prior consent of Houlihan Lokey, which consent shall not be unreasonably withheld. At the direction of Committee Counsel, certain communication and correspondence between Houlihan Lokey and the Committee, and work product and analyses prepared by Houlihan Lokey for the Committee in connection with this matter, will be considered in preparation for litigation over the restructuring of the Debtors, and accordingly will be subject to the attorney-client and work-product privileges.

3. **Advisor.** Houlihan Lokey's services are limited to those specifically provided in this Agreement or subsequently agreed-upon in writing by the parties hereto, and Houlihan Lokey shall have no obligation or responsibility for any other services. Houlihan Lokey is providing its services hereunder as an independent contractor, and the parties agree that this Agreement does not create an agency or fiduciary relationship between Houlihan Lokey and the parties to this Agreement.

4. **Consideration.** As consideration for the services being provided by Houlihan Lokey, subject to the approval of the Bankruptcy Court, the Company shall pay Houlihan Lokey a fee of \$150,000 per month (the "Monthly Fee") The first payment of \$150,000 shall be due immediately upon entry by the Bankruptcy Court of an order approving the Committee's retention of Houlihan Lokey. Thereafter, the Company shall pay the Monthly Fee by the 3<sup>rd</sup> day of each month, in advance. Notwithstanding the foregoing, upon entry of an order approving

Houlihan Lokey's retention by the Committee, the Company shall immediately remit payment to Houlihan Lokey as if this Agreement went into effect on June 3, 2003. In addition, the Company shall promptly reimburse Houlihan Lokey, upon the request from time to time, for all out-of-pocket expenses reasonably incurred by Houlihan Lokey in connection with the matters contemplated by this Agreement. Out-of-pocket expenses shall include, but not be limited to, all reasonable travel expenses, accommodation expenses, duplicating charges, on-line service charges, messenger services, delivery services, meeting services, long distance telephone and facsimile charges incurred by Houlihan Lokey. Payment of all fees and reimbursed out-of-pocket expenses shall be made in care of Houlihan Lokey at the address above, Attention: Christopher DiMauro.

The parties acknowledge that a substantial professional commitment of time and effort will be required by Houlihan Lokey and its professionals hereunder, and that such commitment may foreclose other opportunities for Houlihan Lokey. Moreover, the actual time and commitment required for the engagement may vary substantially, creating "peak load" issues for Houlihan Lokey. Given the numerous issues which may arise in these cases, Houlihan Lokey's commitment to the variable level of time and effort necessary to address such issues, the expertise and capabilities of Houlihan Lokey that will be required in this engagement, and the market rate for Houlihan Lokey's services of this nature whether in, or out of court, the parties agree that the fee arrangement hereunder is reasonable, fairly compensates Houlihan Lokey and provides certainty to the Debtors and the Committee.

5. **Bankruptcy Court.** Subject to the prompt receipt of documents and approvals required to be received from Houlihan Lokey (e.g., declarations), the Committee shall, as soon as practicable after the execution of this Agreement by all parties hereto, seek an order from the Bankruptcy Court authorizing the employment of Houlihan Lokey pursuant to the terms of this Agreement, as professional persons pursuant to (and subject to the standard of review of) Section 328(a) of the Bankruptcy Code, the Bankruptcy Rules and applicable local rules, and shall use its reasonable best efforts to cause such application to be considered on the most expedited basis. The employment application and the order authorizing employment of Houlihan Lokey shall be provided to Houlihan Lokey sufficiently in advance of their filing, and must be acceptable to the Houlihan Lokey in its sole discretion. If the Order authorizing the employment of Houlihan Lokey is obtained, the Company shall pay all fees and expenses as promptly as possible in accordance with the terms of this Agreement, the Bankruptcy Code, the Bankruptcy Rules and applicable local rules and orders. This agreement shall be binding upon the Debtors only upon approval of the Bankruptcy Court. Except for the preceding sentence, the terms of this paragraph are solely for the benefit of Houlihan Lokey and may be waived, in whole or in part, only by Houlihan Lokey.

6. **Termination.** This Agreement is terminable upon thirty (30) days written notice by the Committee or Houlihan Lokey, provided, however, that if the Agreement is terminated, the Company shall pay Houlihan Lokey all previously unpaid Monthly Fees and the pro-rata portion of the Monthly Fee for the month in which the Agreement is terminated. The termination of this Agreement will not affect (i) the Debtors' indemnification, reimbursement, contribution and other obligations set forth in this Agreement, (ii) Houlihan Lokey's right to receive, and the

Debtors' obligation to pay, any and all fees and expenses accrued as of the effective date of termination of this Agreement, and (iii) the confidentiality provisions contained in paragraph 7.

7. **Information.** The Debtors will promptly provide or procure the provision to Houlihan Lokey of all information concerning the Debtors' business and affairs which is relevant to Houlihan Lokey for the proper provision of the services, as set out in this Agreement, and all such further information as Houlihan Lokey may reasonably request, all of which will be, to the Debtors best knowledge, accurate and complete in all material respects at the time it is provided. In addition, the Debtors will promptly correct any material information so provided to Houlihan Lokey if it subsequently appears that any such information was or has become materially inaccurate or misleading in any respect. The Committee acknowledges and agrees that, in rendering its services hereunder, Houlihan Lokey will be using and relying on information made available to it by the Debtors and their advisors (the "Information") (and information available from public sources and other sources deemed reliable by Houlihan Lokey) without independent verification thereof by Houlihan Lokey or independent appraisal by Houlihan Lokey. Houlihan Lokey does not assume responsibility for the accuracy or completeness of the Information or any other information regarding the Company. Houlihan Lokey acknowledges and agrees that in rendering services under this Agreement, it will receive certain non-public and proprietary information concerning the Company ("Confidential Information"). Houlihan Lokey agrees that no Confidential Information will be disclosed to any person other than to members of the Committee or their advisors, to a potential party to a Transaction, under appropriate assurances of confidentiality, to those representatives of Houlihan Lokey, solely for the purposes of performing services under this Agreement or as may be required by legal process, provided that adequate notice of such process is provided to the Company.

8. **CHOICE OF LAW; JURISDICTION.** THIS AGREEMENT HAS BEEN NEGOTIATED, EXECUTED AND DELIVERED AT AND SHALL BE DEEMED TO HAVE BEEN MADE IN NEW YORK, NEW YORK. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. THE PARTIES TO THIS AGREEMENT WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) RELATED TO OR ARISING OUT OF THE ENGAGEMENT OF HOULIHAN LOKEY PURSUANT TO, OR THE PERFORMANCE BY HOULIHAN LOKEY OF THE SERVICES CONTEMPLATED BY, THIS AGREEMENT.

9. **Counterparts.** For the convenience of the parties, any number of counterparts of this Agreement may be executed by the parties hereto. Each such counterpart shall be, and shall be deemed to be, an original instrument, but all such counterparts taken together shall constitute one and the same Agreement.

10. **Severability.** If it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) that any term or provision hereof is invalid or unenforceable, (i) the remaining terms and provisions hereof shall be unimpaired and shall remain in full force and effect and (ii) the invalid or unenforceable provision or term shall be replaced by a term or

provision that is valid and enforceable and that comes closest to expressing the intention of such invalid or unenforceable term or provision.

11. **Publicity.** Upon consummation of any Transaction, Houlihan Lokey may, at their own expense, place announcements in financial and other newspapers and periodicals (such as is customary) describing their services in connection with such Transaction. Where reasonably practical, Houlihan Lokey will seek the consent of the Company and the Committee as to the form and content of the proposed announcement prior to publication.

12. **Entire Agreement.** This Agreement embodies the entire agreement and understanding of the parties hereto and supersedes any and all prior agreements, arrangements and understanding relating to the matters provided for herein. No alteration, waiver, amendment, change or supplement hereto shall be binding or effective unless the same is set forth in writing signed by a duly authorized representative of each party.

13. **Indemnification.** As a material part of the consideration for Houlihan Lokey to furnish its services under this Agreement, the Debtors shall indemnify Houlihan Lokey and shall hold harmless Houlihan Lokey and its affiliates, and their respective past, present and future directors, officers, shareholders, employees, agents and controlling persons within the meaning of either Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (collectively, the "Indemnified Parties"), to the fullest extent lawful, from and against any and all losses, claims, damages or liabilities (or actions in respect thereof), joint or several, arising out of or related to the Agreement, any actions taken or omitted to be taken by an Indemnified Party in connection with Houlihan Lokey's provision of services to the Committee, or any Transaction (as defined herein) or proposed Transaction contemplated thereby. In addition, the Debtors shall reimburse the Indemnified Parties for any legal or other expenses reasonably incurred by them in respect thereof at the time such expenses are incurred; provided, however, there shall be no liability under the foregoing indemnity and reimbursement agreement for any loss, claim, damage or liability which is finally judicially determined (and from which there is no further right of appeal) to have resulted primarily from the willful misconduct, gross negligence, bad faith or self-dealing of any Indemnified Party.

If the foregoing indemnification is insufficient to hold any Indemnified Party harmless, the Debtors shall contribute to the amount paid or payable by the Indemnified Party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by the Committee and the Debtors, on the one hand, and Houlihan Lokey, on the other hand, in connection with the proposed Transaction and/or the services rendered by Houlihan Lokey. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or otherwise, then the Debtors shall contribute to such amount paid or payable by any Indemnified Party in such proportion as is appropriate to reflect not only such relative benefits, but also the relative fault of the Committee and the Debtors, on the one hand, and Houlihan Lokey, on the other hand, in connection therewith, as well as any other relevant equitable considerations. Notwithstanding the foregoing, the aggregate contribution of all Indemnified Parties to any such losses, claims, damages, liabilities and expenses shall not exceed the amount of fees actually received by Houlihan Lokey pursuant to the Agreement.

The Committee and the Debtors shall not affect any settlement or release from liability in connection with any matter for which an Indemnified Party would be entitled to indemnification from the Debtors unless such settlement or release contains a release of the Indemnified Parties reasonably satisfactory in form and substance to Houlihan Lokey. The Committee and/or the Debtors shall not be required to indemnify any Indemnified Party for any amount paid or payable by such party in the settlement or compromise of any claim or action without the prior written consent of the Committee and the Debtors.

Prior to entering into any agreement or arrangement with respect to, or effecting, any (i) merger, statutory exchange or other business combination or proposed sale, exchange, dividend or other distribution or liquidation of all or a significant proportion of its assets, or (ii) significant recapitalization or reclassification of its outstanding securities that does not directly or indirectly provide for the assumption of the obligations of the Debtors set forth in this Agreement, the Debtors will notify Houlihan Lokey in writing thereof (if not previously so notified) and, if requested by Houlihan Lokey, shall arrange in connection therewith alternative means of providing for the obligations of the Debtors set forth herein, including the assumption of such obligations by another party, insurance, surety bonds or the creation of an escrow, in each case in an amount and upon terms and conditions reasonably satisfactory to Houlihan Lokey.

The Committee and the Debtors further agree that neither Houlihan Lokey nor any other Indemnified Party shall have any liability, regardless of the legal theory advanced, to the Committee, the Debtors or any other person or entity (including the Debtors' equity holders and creditors) related to or arising out of or related to the Agreement, any actions taken or omitted to be taken by an Indemnified Party in connection with Houlihan Lokey's provision of services to the Committee, or any Transaction (as defined herein) or proposed Transaction contemplated thereby, except for any liability for losses, claims, damages, liabilities or expenses incurred by the Committee and/or the Debtors which are finally judicially determined (and from which there is no further right of appeal) to have resulted primarily from the willful misconduct, gross negligence, bad faith or self-dealing of any Indemnified Party. The indemnity, reimbursement, contribution and other obligations and agreements of the Committee and the Debtors set forth herein shall apply to any modifications of this Agreement, shall be in addition to any liability which these parties may otherwise have, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of these parties and each Indemnified Party. The foregoing indemnification provisions shall survive the consummation of any Transaction and/or any termination of the relationship established by this Agreement.

The obligations of Houlihan Lokey are solely corporate obligations, and no officer, director, employee, agent, shareholder or controlling person of Houlihan Lokey shall be subjected to any personal liability whatsoever to any person, nor will any such claim be asserted by or on behalf of any other party to this Agreement or any person relying on the services provided hereunder. The Debtors' obligations with respect to any and all payments owing to Houlihan Lokey and the indemnification, reimbursement, contribution and other similar obligations of the Debtors under this Agreement shall survive any termination of this Agreement.

This Agreement is effective as of June 3, 2003.

**OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF ALLEGIANCE  
TELECOM, INC., et al.**

**ROMULUS HOLDINGS**

s/Gary Singer  
By: Gary Singer  
Committee Chair

**AKIN, GUMP, STRAUSS, HAUER & FELD, LLP**

s/ Ira S. Dizengoff  
By: Ira Dizengoff  
Counsel to the Committee

**HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL**

s/ Christopher Di Mauro  
By: Christopher DiMauro  
Director

**EXHIBIT D**

**Professional Biographies**

## **Irwin N. Gold**

Mr. Gold is a Senior Managing Director and member of the Board of Directors of Houlihan Lokey Howard & Zukin where he has been a co-founder and national co-director of the firm's Financial Restructuring Group since 1988. Mr. Gold has led many of the Group's largest and most complex financial restructuring engagements, both in bankruptcy and out-of-court situations. Many of these transactions involved significant sales or purchases of distressed assets/companies. Currently, Mr. Gold leads the Group's efforts in the telecommunications area including advising *Covad Communications* with respect to its successful restructuring, advising *Global TeleSystems* regarding its global recapitalization, advising *GST Telecommunications* in its sale to Time Warner Telecom, advising the creditors committee of *ICG Communications*, advising *NorthPoint Communications* in its sale to AT&T, and advising *XO Communications* with respect to its restructuring.

Mr. Gold earned a B.A. in Economics, summa cum laude and Phi Beta Kappa, from Duke University and a J.D. from the University of Virginia School of Law. He was associated with Gibson, Dunn & Crutcher from 1982 through 1985 as a member of the firm's corporate department. Mr. Gold was vice president and director of corporate finance of Wood Bros. Homes, Inc., a Denver-based real estate and mortgage banking company, from 1985 to 1986, where he helped negotiate a workout and sale of the company. He was a principal of The Seneca Group, an investment banking and financial advisory firm, from 1986 to 1988.

Mr. Gold is a member of a variety of organizations including the Financial Lawyers Conference, the Bankruptcy Study Group and the American Bankruptcy Institute. He has testified as an expert witness on numerous occasions on restructuring matters, has spoken publicly on a variety of financial restructuring topics, and is the author of "Valuation of the Restructured Enterprise and Its Effect on Negotiating Leverage." In addition, Mr. Gold is a director of Cole National Corporation (NYSE:CNJ).

## **Christopher R. Di Mauro**

Mr. Di Mauro is a Director in the Los Angeles office of Houlihan Lokey Howard & Zukin. Mr. Di Mauro has participated in a number of financial restructuring and M&A engagements at Houlihan Lokey, across a variety of industries. Prior to re-joining Houlihan Lokey in 2000, Mr. Di Mauro was a Senior High Yield Analyst in the High Yield Group of SunAmerica Investments. At SunAmerica, Mr. Di Mauro maintained primary responsibility for a \$900 million portfolio of high yield, mezzanine and equity investments. Mr. Di Mauro was previously a member of Houlihan Lokey's Financial Restructuring Group during 1997 and 1998. Prior to Houlihan Lokey, Mr. Di Mauro was an associate attorney in the corporate department of O'Melveny & Myers LLP, where he participated in numerous mergers and acquisitions and advised both companies and underwriters in several issuances of debt and equity. Mr. Di Mauro began his career at the Second National Bank of Boston, where he was a Loan Officer in the bank's Large Corporate Group. Mr. Di Mauro received a B.A. from Dartmouth College and a J.D. from the University of Southern California, where he was a member of the Order of the Coif and a staff member of the Southern California Law Review, and was a Legion Lex Scholarship recipient.



## **David P. Trucano**

Mr. Trucano is a Vice President in the Financial Restructuring Group of the New York office of Houlihan Lokey Howard & Zukin. Mr. Trucano joined Houlihan Lokey in 1999 after receiving his M.B.A. in finance and accounting from the University of Chicago. Prior to receiving his M.B.A., Mr. Trucano was an associate at Wachovia Capital Associates and Norwest Venture Capital, the private equity investment subsidiaries of Wachovia Corporation and Norwest Corporation, respectively. Before joining Norwest, Mr. Trucano was a financial analyst at Wessels, Arnold & Henderson. In 1993, Mr. Trucano received a joint B.A. degree in economics and history from Emory University.

## **Craig J. Styris**

Mr. Styris is an Associate in the Financial Restructuring Group in the Los Angeles office of Houlihan Lokey. Mr. Styris holds a Graduate Diploma in finance and a Bachelor of Management Studies with a double major in accounting and economics from the University of Waikato, New Zealand. Mr. Styris spent a year on exchange at the Haas School of Business at the University of California, Berkeley.

## **Christopher P. Foley**

Mr. Foley is a Financial Analyst in the Financial Restructuring Group in the Los Angeles office of Houlihan Lokey. Prior to joining the Firm, Mr. Foley was an analyst in the Corporate Banking Group of The Northern Trust Corporation. Mr. Foley holds a B.A. in economics from the University of Michigan.

**EXHIBIT E**

**Time Detail**

## Allegiance Telecom, Inc.

Hours Expended

Date	Day	ING	CDM	DT	CJS	CF	Total
10/1/2003	Wed	0.0	0.0	0.5	8.0	3.0	11.5
10/2/2003	Thu	2.0	0.5	8.0	8.0	0.0	18.5
10/3/2003	Fri	0.5	0.5	4.0	4.5	4.0	13.5
10/4/2003	Sat	0.0	0.0	7.5	5.0	8.0	20.5
10/5/2003	Sun	0.0	0.0	5.0	7.0	7.0	19.0
10/6/2003	Mon	0.0	0.5	6.5	6.0	0.0	13.0
10/7/2003	Tue	0.0	1.0	4.5	4.0	3.0	12.5
10/8/2003	Wed	1.0	1.0	2.5	8.5	3.0	16.0
10/9/2003	Thu	0.0	0.0	2.5	7.0	4.0	13.5
10/10/2003	Fri	0.0	1.5	5.5	8.0	4.0	19.0
10/11/2003	Sat	0.0	0.0	0.0	3.0	4.0	7.0
10/12/2003	Sun	0.0	0.0	0.0	2.0	0.0	2.0
10/13/2003	Mon	0.5	1.5	2.0	2.0	4.0	10.0
10/14/2003	Tue	1.0	2.5	4.0	4.0	3.0	14.5
10/15/2003	Wed	1.5	0.5	4.0	7.0	3.0	16.0
10/16/2003	Thu	0.0	0.0	2.0	5.0	2.0	9.0
10/17/2003	Fri	1.0	3.0	3.0	7.5	0.0	14.5
10/18/2003	Sat	0.0	0.0	0.0	2.0	3.0	5.0
10/19/2003	Sun	0.0	0.0	0.0	0.0	0.0	0.0
10/20/2003	Mon	0.0	0.0	2.0	1.5	0.0	3.5
10/21/2003	Tue	1.0	1.5	0.0	2.5	0.0	5.0
10/22/2003	Wed	2.5	2.5	7.5	10.5	3.0	26.0
10/23/2003	Thu	0.0	0.0	4.0	3.0	0.0	7.0
10/24/2003	Fri	0.5	0.5	1.0	0.0	0.0	2.0
10/25/2003	Sat	0.0	0.0	0.0	0.0	0.0	0.0
10/26/2003	Sun	0.0	0.0	0.0	0.0	0.0	0.0
10/27/2003	Mon	0.0	0.0	9.0	11.0	2.5	22.5
10/28/2003	Tue	0.0	0.0	7.5	9.0	0.0	16.5
10/29/2003	Wed	0.0	0.0	3.0	6.0	4.0	13.0
10/30/2003	Thu	2.0	2.0	2.5	1.5	1.0	9.0
10/31/2003	Fri	0.0	0.0	5.5	5.0	0.0	10.5
11/1/2003	Sat	0.0	0.0	0.0	0.0	0.0	0.0
11/2/2003	Sun	0.8	0.8	1.3	0.0	0.0	2.8
11/3/2003	Mon	1.3	2.5	5.5	1.5	2.0	12.8
11/4/2003	Tue	0.0	1.3	2.0	1.3	5.0	9.5
11/5/2003	Wed	0.8	4.3	5.5	1.3	3.0	14.8

11/6/2003	Thu	1.0	3.8	4.8	3.3	0.0	12.8
11/7/2003	Fri	1.3	1.3	2.5	2.3	2.0	9.3
11/8/2003	Sat	0.0	0.0	0.0	0.0	4.0	4.0
11/9/2003	Sun	0.0	0.0	0.0	0.0	0.0	0.0
11/10/2003	Mon	1.8	1.3	6.8	9.5	7.0	26.3
11/11/2003	Tue	0.0	3.0	5.3	0.0	0.0	8.3
11/12/2003	Wed	0.0	2.0	3.8	3.3	0.0	9.0
11/13/2003	Thu	0.0	2.5	7.3	7.0	4.0	20.8
11/14/2003	Fri	1.0	3.5	6.8	7.3	0.0	18.5
11/15/2003	Sat	0.0	1.8	3.8	2.3	3.0	10.8
11/16/2003	Sun	0.0	0.0	0.0	2.8	3.0	5.8
11/17/2003	Mon	0.0	1.8	1.8	5.5	0.0	9.0
11/18/2003	Tue	1.3	1.3	1.8	3.5	8.0	15.8
11/19/2003	Wed	0.8	3.3	4.0	3.0	9.0	20.0
11/20/2003	Thu	0.0	1.3	3.5	3.3	7.0	15.0
11/21/2003	Fri	0.8	1.8	1.8	1.8	0.0	6.0
11/22/2003	Sat	0.0	0.0	0.0	0.0	0.0	0.0
11/23/2003	Sun	0.0	0.0	0.0	0.0	0.0	0.0
11/24/2003	Mon	1.0	2.8	2.5	3.0	0.0	9.3
11/25/2003	Tue	0.0	3.0	3.0	0.0	4.0	10.0
11/26/2003	Wed	0.0	3.0	5.3	2.8	0.0	11.0
11/27/2003	Thu	0.0	1.3	0.0	0.0	0.0	1.3
11/28/2003	Fri	0.0	0.0	0.0	0.0	0.0	0.0
11/29/2003	Sat	0.0	0.0	0.0	0.0	0.0	0.0
11/30/2003	Sun	0.0	0.0	0.0	0.0	0.0	0.0
12/1/2003	Mon	0.0	2.0	5.0	2.0	2.0	11.0
12/2/2003	Tue	0.0	1.0	4.0	3.0	2.0	10.0
12/3/2003	Wed	0.5	0.5	1.5	2.0	1.0	5.5
12/4/2003	Thu	0.0	0.0	0.0	1.0	0.0	1.0
12/5/2003	Fri	0.0	0.0	1.0	0.0	0.0	1.0
12/6/2003	Sat	0.0	0.0	0.0	0.0	0.0	0.0
12/7/2003	Sun	0.0	0.0	0.0	0.0	0.0	0.0
12/8/2003	Mon	0.0	1.0	1.0	1.0	0.0	3.0
12/9/2003	Tue	0.0	0.0	0.0	0.0	0.0	0.0
12/10/2003	Wed	0.5	1.0	3.5	2.5	1.0	8.5
12/11/2003	Thu	0.5	0.5	0.0	0.0	0.0	1.0
12/12/2003	Fri	0.0	0.0	0.0	0.0	0.0	0.0
12/13/2003	Sat	0.0	0.0	0.0	4.0	0.0	4.0
12/14/2003	Sun	0.0	0.0	0.0	8.0	0.0	8.0
12/15/2003	Mon	0.0	2.0	5.0	4.0	2.0	13.0
12/16/2003	Tue	0.0	0.0	6.0	1.5	0.0	7.5
12/17/2003	Wed	2.5	5.0	5.5	3.5	1.0	17.5
12/18/2003	Thu	0.0	0.0	4.5	2.5	4.0	11.0
12/19/2003	Fri	0.0	0.0	1.0	0.0	6.0	7.0
12/20/2003	Sat	0.0	0.0	0.0	0.0	0.0	0.0
12/21/2003	Sun	0.0	0.0	0.0	0.0	5.0	5.0
12/22/2003	Mon	0.0	0.0	4.5	0.0	5.0	9.5

12/23/2003	Tue	0.0	0.0	8.0	0.0	5.0	13.0
12/24/2003	Wed	0.0	1.0	1.0	0.0	3.0	5.0
12/25/2003	Thu	0.0	0.0	0.0	0.0	0.0	0.0
12/26/2003	Fri	0.0	0.0	0.0	0.0	4.0	4.0
12/27/2003	Sat	0.0	0.0	5.0	0.0	0.0	5.0
12/28/2003	Sun	0.0	0.0	5.0	0.0	0.0	5.0
12/29/2003	Mon	0.0	0.0	8.0	0.0	6.0	14.0
12/30/2003	Tue	0.0	0.5	9.5	0.5	3.0	13.5
12/31/2003	Wed	0.0	0.0	2.0	0.5	3.0	5.5
1/1/2004	Thu	0.0	0.0	0.0	0.0	0.0	0.0
1/2/2004	Fri	0.0	0.0	0.0	0.0	0.0	0.0
1/3/2004	Sat	0.0	0.0	0.0	0.0	0.0	0.0
1/4/2004	Sun	0.0	0.0	0.0	0.0	0.0	0.0
1/5/2004	Mon	0.0	0.0	1.5	3.0	2.5	7.0
1/6/2004	Tue	0.0	0.0	4.5	7.0	1.0	12.5
1/7/2004	Wed	0.0	3.0	4.5	2.0	0.0	9.5
1/8/2004	Thu	3.0	3.0	9.5	6.0	8.0	29.5
1/9/2004	Fri	2.5	3.0	1.5	3.0	4.0	14.0
1/10/2004	Sat	0.0	0.0	6.0	5.0	0.0	11.0
1/11/2004	Sun	0.0	0.0	7.0	0.0	0.0	7.0
1/12/2004	Mon	1.0	1.0	4.0	4.5	4.0	14.5
1/13/2004	Tue	0.0	0.0	7.0	3.5	5.0	15.5
1/14/2004	Wed	0.0	0.0	17.5	8.5	4.0	30.0
1/15/2004	Thu	2.0	5.5	9.0	8.0	1.5	26.0
1/16/2004	Fri	0.0	0.0	9.0	2.5	0.0	11.5
1/17/2004	Sat	0.0	0.0	0.0	0.0	0.0	0.0
1/18/2004	Sun	0.0	0.0	0.0	0.0	0.0	0.0
1/19/2004	Mon	0.0	4.0	1.0	2.5	0.0	7.5
1/20/2004	Tue	0.0	0.0	0.0	0.5	0.0	0.5
1/21/2004	Wed	0.0	0.0	5.5	5.0	5.0	15.5
1/22/2004	Thu	2.0	4.0	5.5	3.5	4.0	19.0
1/23/2004	Fri	0.0	4.0	2.0	1.0	2.0	9.0
1/24/2004	Sat	0.0	0.0	0.0	0.0	0.0	0.0
1/25/2004	Sun	0.0	0.0	10.3	5.0	3.0	18.3
1/26/2004	Mon	0.0	3.5	1.5	5.0	0.0	10.0
1/27/2004	Tue	0.0	0.0	0.0	0.0	2.0	2.0
1/28/2004	Wed	0.0	0.0	6.0	5.0	5.0	16.0
1/29/2004	Thu	0.0	0.0	0.0	0.0	0.0	0.0
1/30/2004	Fri	2.0	3.0	5.0	1.0	1.0	12.0
1/31/2004	Sat	0.0	0.0	0.0	0.0	0.0	0.0
2/1/2004	Sun	0.0	0.0	1.0	0.0	0.0	1.0
2/2/2004	Mon	0.0	0.0	1.5	0.0	0.0	1.5
2/3/2004	Tue	0.0	0.0	0.0	10.0	9.0	19.0
2/4/2004	Wed	0.0	0.0	0.0	13.5	8.0	21.5
2/5/2004	Thu	0.0	1.5	0.0	9.0	7.0	17.5
2/6/2004	Fri	1.0	2.0	0.0	4.5	4.0	11.5
2/7/2004	Sat	0.0	0.0	2.0	2.0	0.0	4.0

2/8/2004	Sun	0.0	0.0	0.0	0.5	0.0	0.5
2/9/2004	Mon	0.0	0.0	8.0	12.0	5.0	25.0
2/10/2004	Tue	0.0	0.0	5.0	12.0	3.0	20.0
2/11/2004	Wed	0.0	1.5	4.0	4.0	6.0	15.5
2/12/2004	Thu	0.0	15.0	16.0	16.0	10.0	57.0
2/13/2004	Fri	2.0	5.5	9.0	14.0	7.0	37.5
2/14/2004	Sat	0.0	0.0	0.0	0.0	0.0	0.0
2/15/2004	Sun	0.0	0.0	0.0	0.0	0.0	0.0
2/16/2004	Mon	0.0	0.0	2.5	0.0	0.0	2.5
2/17/2004	Tue	0.0	0.0	4.0	5.5	4.0	13.5
2/18/2004	Wed	0.0	0.5	3.5	8.5	4.5	17.0
2/19/2004	Thu	0.0	0.0	2.5	5.5	2.0	10.0
2/20/2004	Fri	0.0	0.0	0.0	4.0	4.0	8.0
2/21/2004	Sat	0.0	0.0	0.0	5.0	6.0	11.0
2/22/2004	Sun	0.0	0.0	4.0	4.0	6.0	14.0
2/23/2004	Mon	0.0	0.0	1.0	5.0	5.0	11.0
2/24/2004	Tue	0.0	0.0	5.5	12.5	0.0	18.0
2/25/2004	Wed	0.0	0.5	6.5	12.5	0.0	19.5
2/26/2004	Thu	0.0	0.5	3.0	4.5	4.0	12.0
2/27/2004	Fri	0.0	0.0	6.0	3.5	3.0	12.5
2/28/2004	Sat	0.0	0.0	7.0	6.0	4.0	17.0
2/29/2004	Sun	0.0	0.0	1.5	0.0	0.0	1.5

<b>44.5</b>	<b>141.6</b>	<b>474.3</b>	<b>504.3</b>	<b>333.0</b>	<b>1497.6</b>
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**EXHIBIT F**

**Summary of Fees and Expenses**

## Allegiance Telecom, Inc.

### Fee and Expense Breakdown - Second Interim Period

Period Covered	Oct 1, 2003 - Oct 31, 2003	Nov 1, 2003 - Nov 30, 2003	Dec. 1, 2003 - Dec. 31, 2003	Jan. 1, 2004 - Jan. 31, 2004	Feb. 1, 2004 - Feb. 29, 2004	<b>TOTAL</b>
<b>Monthly Fee (100%)</b>	<b>\$150,000.00</b>	<b>\$150,000.00</b>	<b>\$150,000.00</b>	<b>\$150,000.00</b>	<b>\$150,000.00</b>	<b>\$ 750,000.00</b>
less: 20% holdback	<u>\$(30,000.00)</u>	<u>\$(30,000.00)</u>	<u>\$(30,000.00)</u>	<u>\$(30,000.00)</u>	<u>\$(30,000.00)</u>	<u>\$(150,000.00)</u>
Total Monthly Fees	\$120,000.00	\$120,000.00	\$120,000.00	\$120,000.00	\$120,000.00	\$ 600,000.00
<b><u>EXPENSES</u></b>						
Parking	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel Room & Taxes	\$ 1,199.79	\$ -	\$ -	\$ 1,274.38	\$ 3,644.24	\$ 6,118.41
Overtime Meals	\$ 516.23	\$ 135.82	\$ 207.56	\$ 115.66	\$ 418.98	\$ 1,394.25
Working Meals	\$ 1,768.99	\$ 146.14	\$ 141.57	\$ 54.08	\$ 655.94	\$ 2,766.72
Airfare	\$ 7,839.00	\$ -	\$ -	\$ 3,136.30	\$ 5,120.60	\$ 16,095.90
Ground Transportation	\$ 858.08	\$ -	\$ 33.40	\$ 480.01	\$ 1,124.26	\$ 2,495.75
Computer Information Svcs.	\$ 45.40	\$ 45.00	\$ 95.12	\$ 758.29	\$ 62.70	\$ 1,006.51
Publication Subscriptions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Duplicating Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Telephone	\$ 239.68	\$ 51.31	\$ 125.55	\$ 211.97	\$ 392.48	\$ 1,020.99
Cellular Phone Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Delivery	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outside Duplication Svcs.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outside Legal Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Messenger	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Office Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 12,467.17	\$ 378.27	\$ 603.20	\$ 6,030.69	\$ 11,419.20	\$ 30,898.53
<b>TOTAL FEES AND EXPENSES</b>						<b>\$ 780,898.53</b>
<b>less: payments received</b>						<b>\$ (373,448.64)</b>
<b>UNPAID FEES AND EXPENSES</b>						<b>\$ 407,449.89</b>



**EXHIBIT G**

**Order**

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

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<b>In re:</b>	)	<b>Chapter 11</b>
	)	
<b>ALLEGIANCE TELECOM, INC., et al.</b>	)	<b>Case No. 03-13057 (RDD)</b>
	)	
<b>Debtors.</b>	)	<b>(Jointly Administered)</b>
	)	

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**ORDER GRANTING SECOND INTERIM APPLICATION OF  
HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL FOR INTERIM  
ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF EXPENSES  
FOR THE PERIOD OCTOBER 1, 2003 THROUGH FEBRUARY 29, 2004**

This matter coming before the Court on the Second Interim Application for Compensation and Reimbursement of Expenses for the Period October 1, 2003 through February 29, 2004 (the "Application") filed by Houlihan Lokey Howard & Zukin Capital ("Houlihan Lokey"), financial advisor to the Official Committee of Unsecured Creditor (the "Committee"); the Court having reviewed the Application and all pleadings relating thereto; and the Court having determined that the legal and factual bases set forth in the Application establish just cause for the relief granted herein;

**THE COURT HEREBY FINDS THAT:<sup>(1)</sup>**

- A. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334.
- B. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

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<sup>(1)</sup> Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Application.

C. The Application complies, as applicable, with the requirements of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules for the Bankruptcy Court for the Southern District of New York and the Orders of this Court.

D. Houlihan Lokey's requested interim compensation for services rendered in connection with its representation of the Committee during the Application Period is reasonable and appropriate under sections 328, 331 and 1103 of the Bankruptcy Code.

E. Houlihan Lokey's expenses incurred during the Application Period for which it seeks reimbursement were actual and necessary expenses under sections 330(a) (1)(B) and 331 of the Bankruptcy Code.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Application is GRANTED.
2. Houlihan Lokey's request for an interim allowance of compensation of \$750,000.00 and reimbursement for of expenses of \$30,898.53 for the Application Period is hereby approved.
3. The Debtors are hereby authorized and directed to pay Houlihan Lokey all unpaid portions of the foregoing approved fees and expenses.

Dated: \_\_\_\_\_, 2004

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UNITED STATES BANKRUPTCY JUDGE