

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**ORDER PURSUANT SECTIONS 105(a) AND 331 OF THE
BANKRUPTCY CODE ESTABLISHING PROCEDURES FOR MONTHLY
COMPENSATION AND REIMBURSEMENT OF EXPENSES FOR PROFESSIONALS**

Upon the motion (the “Motion”), dated May 14, 2003, of Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the “Debtors”), requesting an order, pursuant to section 105(a) and 331 of the Bankruptcy Code,¹ establishing procedures for interim compensation and reimbursement of expenses of professionals retained by order of this Court, as more fully set forth in the Motion; and the Court having jurisdiction to consider and determine the Motion as a core proceeding pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that the relief requested by the Motion is in the best interests of the Debtors, their creditors, and all parties in interest; and it appearing that due and proper notice of the Motion has been given; and after due deliberation and sufficient cause appearing therefor; it is

ORDERED that the Motion is granted on an interim basis pending a final hearing; and it is further

¹ Unless otherwise defined, all capitalized terms herein shall have the meaning ascribed to them in the Motion.

ORDERED that, except as may otherwise be provided in Court orders authorizing the retention of specific Professionals, all Professionals in these cases may seek monthly compensation in accordance with following procedures:

- (a) On or before the **twentieth (20th)** day of each month following the month for which compensation is sought, each Professional seeking compensation will serve a monthly statement, by hand or overnight delivery, on: (i) Allegiance Telecom, Inc., 9201 N. Central Expressway Dallas, TX 75231, Attn: Mark Stachiw; (ii) Kirkland & Ellis, 153 East 53rd Street, New York, New York 10022, Attn: Jonathan S. Henes; (iii) attorneys for any Committee appointed by the Office of the United States Trustee; (iv) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attn: Carolyn S. Schwartz; and (v) Paul Hastings Janofsky & Walker LLP, 600 Peachtree Street, N.E., Atlanta, Georgia 30308; Attn: Jesse H. Austin, III, Esq. (the “Notice Parties”);
- (b) The monthly statement need not be filed with the Court and a courtesy copy need not be delivered to the presiding bankruptcy judge’s chambers because this Order is not intended to alter the fee application requirements outlined in sections 330 and 331 of the Bankruptcy Code and because Professionals are still required to serve and file interim and final applications for approval of fees and expenses in accordance with the relevant provisions of the Bankruptcy Code, the Bankruptcy Rules and the Local Bankruptcy Rules;
- (c) For those Professionals who bill based on time, each monthly fee statement must contain a list of the individuals and their respective titles (e.g., attorney, accountant, or paralegal) who provided services during the statement period, their respective billing rates, the aggregate hours spent by each individual, a reasonably detailed breakdown of the disbursements incurred (no Professional should seek reimbursement of an expense which would otherwise not be allowed pursuant to the Court’s Administrative Orders dated June 24, 1991 and April 21, 1995 for the U.S. Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330 dated January 30, 1996), and contemporaneously maintained time entries for each individual in increments of tenths (1/10) of an hour;
- (d) Each person receiving a statement will have fifteen (15) days after its receipt to review it and, in the event that he or she has an objection to the compensation or reimbursement sought in a particular statement, he or she shall, by no later than the thirty-fifth (35th) day following the month for which compensation is sought, serve upon the Professional whose statement is objected to, and the Notice Parties, a written “Notice of Objection to Fee Statement” setting forth the nature of the objection and the amount of fees or expenses at issue;

- (e) At the expiration of the thirty-five (35) day period, the Debtors shall promptly pay eighty percent (80%) of the undisputed fees and one hundred percent (100%) of the undisputed expenses identified in each monthly statement to which no objection has been served in accordance with paragraph (d);
- (f) If the Debtors receive an objection to a particular fee statement, they shall withhold payment on that portion of the fee statement to which the objection is directed and promptly pay the remainder of the fees and disbursements in the percentages set forth in paragraph (e);
- (g) Similarly, if the parties to an objection are able to resolve their dispute following the service of Notice of Objection to Fee Statement and if the party whose statement was objected to serves on the Notice Parties a statement indicating that the objection is withdrawn and describing in detail the terms of the resolution, then the Debtors shall promptly pay, in accordance with paragraph (e), that portion of the fees statement which is no longer subject to an objection;
- (h) All objections that are not resolved by the parties, shall be preserved and presented to the Court at the next interim or final fee application hearing to be held by the Court (see sub-paragraph (j) below);
- (i) The service of an objection in accordance with paragraph (d) shall not prejudice the objecting party's right to object to any fee application made to the Court in accordance with the Bankruptcy Code on any ground whether raised in the objection or not. Furthermore, the decision by any party not to object to a fee statement shall not be a waiver of any kind or prejudice that party's right to object to any fee application subsequently made to the Court in accordance with the Bankruptcy Code;
- (j) Approximately every 120 days, but no more than every 150 days, each of the Professionals shall serve and file with the Court, in accordance with General Order M-242 (which can be found at www.nysb.uscourts.gov), an application for interim or final Court approval and allowance, pursuant to sections 330 and 331 of the Bankruptcy Code (as the case may be), of the compensation and reimbursement of expenses requested;
- (k) Any Professional who fails to file an application seeking approval of compensation and expenses previously paid under this Order when due shall (i) be ineligible to receive further monthly payments of fees or expenses as provided herein until further order of the Court, and (ii) may be required to disgorge any fees paid since retention or the last fee application, whichever is later;
- (l) The pendency of an application or a Court order that payment of compensation or reimbursement of expenses was improper as to a particular statement shall not disqualify a Professional from the future payment of compensation or reimbursement of expenses as set forth above, unless otherwise ordered by the Court;

- (m) Neither the payment of, nor the failure to pay, in whole or in part, monthly compensation and reimbursement as provided herein, shall have any effect on the Court's interim or final allowance of compensation and reimbursement of any Professional;
- (n) Attorney for the Committee may, in accordance with the foregoing procedure for monthly compensation and reimbursement of Professionals, collect and submit statements of expenses, with supporting vouchers, from members of the Committee he or she represents; provided, however, that such Committee attorneys ensure that these reimbursement requests comply with this Court's Administrative Orders dated June 24, 1991 and April 21, 1995.

and it is further

ORDERED that all time periods set forth in this order shall be calculated in accordance with the Bankruptcy Rule 9006(a); and it is further

ORDERED that the Debtors will serve a copy of this Order on (i) all entities specified in paragraph (a) hereof and (ii) the 40 largest creditors holding unsecured claims against the Debtors, within two (2) business days; and it is further

ORDERED that any objection to the relief requested by the Motion on a permanent basis must be filed with the Court, One Bowling Green, New York, New York 10004-1408, by no later than May __, 2003 at 4:00 p.m. and served on (a) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attention: Carolyn S. Schwartz, Esq. and (b) Kirkland & Ellis, attorneys for the Debtors, Citigroup Center, 153 East 53rd Street, New York, New York 10022-4611, Attention: Jonathan S. Henes, Esq., so as to be actually received by such filing deadline; and it is further

ORDERED that any objections to the relief requested in the Motion must be filed with the Court in accordance with General Order of the United States Bankruptcy Court for the Southern District of New York M-242, which order can be found at www.nysb.uscourts.gov; and it is further

ORDERED that if timely objections are received there shall be a hearing held on May __, 2003, at __:__.m., prevailing Eastern time, at the United States Bankruptcy Court, Room __, Alexander Hamilton Customs House, One Bowling Green Plaza, New York, New York 10004-1408; and it is further

ORDERED that if no objections to the relief requested in the Motion are timely filed, served and received in accordance with this Order, this Order shall be deemed a Final Order without further notice or hearing, and the Motion shall be granted in its entirety.

Dated: New York, New York
_____, 2003

UNITED STATES BANKRUPTCY JUDGE