

KIRKLAND & ELLIS LLP
Citigroup Center
153 East 53rd Street
New York, New York 10022-4675
Telephone: (212) 446-4800
Facsimile: (212) 446-4900
Matthew A. Cantor (MC-7727)
Jonathan S. Henes (JH-1979)

Attorneys for Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

NOTICE OF HEARING ON MOTION OF THE DEBTORS PURSUANT TO SECTIONS 105 AND 363 OF THE BANKRUPTCY CODE FOR APPROVAL OF SERVICES AGREEMENT WITH IMPALA PARTNERS, LLC

TO ALL THE ENTITIES SET FORTH ON THE DEBTORS' MASTER SERVICE LIST ESTABLISHED PURSUANT TO THAT CERTAIN ORDER ESTABLISHING NOTICE PROCEDURES, DATED MAY 15, 2003:

PLEASE TAKE NOTICE that on July 11, 2003, Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), filed a motion (the "Motion") seeking entry an order, pursuant to sections 105 and 363 of the Bankruptcy Code, approving the Debtors' employment of Impala Partners LLC ("Impala"), as the Debtors' Chief Restructuring Officer in connection with these chapter 11 cases, and pursuant to the terms and conditions set forth in that certain

services agreement (the “Agreement”), dated as of July 11, 2003, between the Debtors and Impala.

PLEASE TAKE FURTHER NOTICE that on July 29, 2003, the Honorable Richard D. Drain of the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) entered an order (the “Interim Order”) approving the Debtors’ employment of Impala and the Agreement on an interim basis pending a final hearing on the Motion.

PLEASE TAKE FURTHER NOTICE that the Debtors and Impala, after negotiations, have agreed on the terms of a success fee (the “Success Fee”) payable to Impala in accordance with terms and conditions of the Agreement and the Interim Order.

PLEASE TAKE FURTHER NOTICE that, based on the negotiation and agreement between the Debtors and Impala, the Agreement has been amended, as described below.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Interim Order, the following are the material terms of the Success Fee and monthly fees:

- a. Effective August 15, 2003, paragraph 2, of the Agreement was amended such that the Debtors will pay Impala monthly fees in accordance with following schedule:
 - i. August 15, 2003 to September 15, 2003 - \$250,000;
 - ii. September 15, 2003 to October 15, 2003 - \$200,000;
 - iii. October 15, 2003 to November 15, 2003 - \$175,000; and
 - iv. November 15, 2003 through the emergence from bankruptcy or sale of the Company (as defined in the Agreement) - \$175,000;

- b. Beginning on February 1, 2004 and through the sale of all or substantially all of the Debtors' assets or the confirmation of a plan of reorganization in these chapter 11 cases, \$100,000 of the monthly fees, if earned, will be credited against the Success Fee;
- c. The Success Fee shall be equal to \$2,500,000 and will be payable upon the effective date following the confirmation of a plan of reorganization in these chapter 11 cases or the sale of all or substantially all of the Debtors' assets.

PLEASE TAKE FURTHER NOTICE that the final hearing on the Motion is scheduled for October 8, 2003, at 10:00 a.m., prevailing Eastern Time, at the following address: United States Bankruptcy Court, Room 610, United States Customs House, One Bowling Green, New York, New York 10004.

PLEASE TAKE FURTHER NOTICE that objections, if any, to the Motion and/or the Success Fee must be filed and served no later than October 1, 2003 at 4:00 p.m., prevailing Eastern Time, on (i) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall, 21st Floor, New York, New York 10004, Attention: Carolyn S. Schwarz, Esq. and (ii) Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, New York 10022-4611, Attention: Samuel S. Kohn, Esq., attorneys for the Debtors.

PLEASE TAKE FURTHER NOTICE that any objections to the Motion must be in writing, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the Southern District of New York, and shall be filed with the Bankruptcy Court electronically in accordance with the General Order M-242 (General Order M-242 and the User's Manual for the Electronic Case Filing System can be found at www.nysb.uscourts.gov, the official website for the Bankruptcy Court), by registered

users of the Bankruptcy Court's case filing system and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), Wordperfect or any other Windows-based word processing format (with a hard copy delivered directly to Judge Drain's Chambers).

Dated: New York, New York
September 11, 2003

Respectfully submitted,

/s/ Jonathan S. Henes

Matthew A. Cantor (MC-7727)

Jonathan S. Henes (JH-1979)

KIRKLAND & ELLIS LLP

Citigroup Center

153 East 53rd Street

New York, New York 10022-4675

Telephone: (212) 446-4800

Facsimile: (212) 446-4900

Attorneys for Debtors and Debtors in
Possession