

1 Street

2 I'm not sure and we didn't bother worrying about
3 which jurisdiction it was under. We clearly
4 sort of led that process.

5 So it's -- I mean, remember, this was,
6 if you look at the date on this, it's three days
7 before our assignment began. And the Chapter 11
8 process is a very dynamic process, so this is
9 what was intended before we started.

10 Q. Since the time of your engagement, has
11 Impala suggested the creation of any new task
12 forces?

13 A. Well, I think I just explained that
14 there was a task force set up to review motions,
15 pending motions.

16 Q. And Impala suggested that that be
17 created?

18 A. You know, I don't spend a lot of time
19 figuring out who suggested it. We agree and we
20 did it. In the same way the real estate task
21 force -- I'm not sure it was ever elevated to
22 the level of task force. It was an ad hoc group
23 of people who worked on real estate issues. The
24 title "task force" doesn't mean anything.

25 Q. Can you tell me, the real estate group

1 Street

2 that you were just discussing, can you tell me
3 how that would have differed in any material
4 way --

5 MR. KOHN: Can we go off the record a
6 second?

7 (Discussion off the record.)

8 MR. ADAMS: Let's go back on the
9 record. I'll rephrase.

10 Q. Can you tell me how the real estate
11 group that you were just describing, that
12 committee, would be different in any material
13 way from the real estate contracts committee
14 that's described on page 7 of the exhibit?

15 A. No. In fact, it's the same thing, and
16 the membership is not quite the same. I missed
17 this, in my haste to avoid delaying this process
18 any more than necessary, I bypassed that task
19 force. Clay Myers continues to be a member, and
20 a crucial member. Ken Close was terminated,
21 laid off in a lease reduction, and Annabelle
22 Frycki has not attended any of the meetings.

23 So Clay Myers continues to be a
24 valuable contributor, but other than that, it's
25 essentially the same thing. I apologize for

1 Street

2 having missed it in my haste.

3 Q. That's perfectly all right. That's
4 why we bring the documents.

5 Could you turn to page 23 for me.

6 A. I'm going to read more slowly now.

7 Q. Take your time.

8 A. Yes.

9 Q. Page 23 makes reference to the
10 activities of the real estate reduction task
11 force, and it specifically references the
12 closing of five sales offices; is that correct?

13 A. Yes.

14 Q. Have the debtors closed any additional
15 sales offices since this report was published?

16 A. I don't know the answer to that
17 question. As I recall, we were downsizing
18 significantly our sales office in Pittsburgh and
19 similarly in Chicago. It's actually outside
20 Chicago, and the town's name I don't recall.
21 Just outside, I believe, Chicago. I don't know
22 the name of the town.

23 And there were also attempts to look
24 at consolidating other sales offices, including
25 Dallas/Ft. Worth -- Dallas and Ft. Worth. And I

1 Street

2 don't know exactly where they are in all of
3 those. Some of them are still under
4 consideration.

5 But the main focus of the task force
6 has been the big-ticket rental items. As I said
7 earlier, we saved over \$300,000 a month on the
8 headquarters lease. We saved money on the
9 co-lo's. Those are rentals that there have
10 been. But once again, those wouldn't have been
11 done in this task, they were done in the network
12 task force even though they involved real estate
13 because co-locations are physical locations in a
14 telephone -- in the ILEC's switch center. So
15 those would involve real estate.

16 And the other big-ticket item that
17 we're working on and have tentative agreement is
18 the downsizing of our Chicago administrative
19 offices from 56,000 square feet to 26,000 square
20 feet and a significant rent reduction. So we,
21 you know, there's a lot of these. I haven't
22 been involved in every one of the sales offices.

23 Q. In regards to the headquarters lease,
24 do you know when the negotiations with the
25 current landlord began for the rejection of the

1 Street

2 headquarters lease?

3 A. Certainly after we started.

4 Q. Okay.

5 A. I was told that there had been
6 discussions, and the owner of the building
7 Trammel Crow had perfunctorily dismissed any
8 attempt to renegotiate. And in that case,
9 myself and my partner, Pete Keenoy, took
10 personal charge of the effort to do that given
11 that considerable amount of money.

12 Q. Let's turn to page 25. Give you a
13 chance to take a look.

14 (Pause)

15 Q. Page 25 makes reference to
16 restructuring activities, and then it's got a
17 dash and it says "field sales" and there's a
18 subheading which says "Headcount Reductions,"
19 correct?

20 A. Yes.

21 Q. Have the headcount reductions
22 described on page 25, have those taken place
23 yet?

24 A. I believe they have.

25 Q. Has Impala, in conjunction with the

1 Street

2 company, as we've discussed before, suggested
3 any additional headcount reductions above and
4 beyond what's presented here on page 25?

5 A. Yes, there have been significant
6 reductions in the -- what you -- what is called
7 in this document retail headcount.

8 Q. And as of today, those have taken
9 place?

10 A. Yes.

11 Q. And those were suggested by Impala in
12 collaboration with the company?

13 A. I don't want to characterize who
14 suggested what. They worked on them together
15 with the company. The word "suggest" is, you
16 know, is out of context.

17 Q. Let me just have you turn to page 27
18 for a moment. Now, the page 27 again references
19 special task force and it says "SG & A Cost
20 Reductions," and there's a bullet on the page
21 that says "Headcount reductions taken or
22 planned."

23 The headcount reductions that you and
24 I were just speaking about in reference to page
25 25, are the headcount reductions reflected here

1 Street

2 on page 27, have these all taken place?

3 A. Oh, yes.

4 Q. Have there been any additional
5 headcount reductions since the August headcount
6 reduction referenced on page 27?

7 A. Yes.

8 MR. ADAMS: Okay. I'm going to take a
9 quick break and confer with my colleague,
10 Mr. Dublin, and we'll come back, but I think
11 we're close to being done.

12 (Discussion off the record.)

13 EXAMINATION BY

14 MR. DUBLIN:

15 Q. Just to refresh, I'm Phil Dublin from
16 Akin Gump. I'm going to ask a couple more
17 questions that I believe Mr. Adams may have
18 touched on but I just wanted to flesh out a
19 little further.

20 Do you recall earlier you discussed
21 the fee arrangement that Impala has reached with
22 the company, and just one of the things I'm
23 trying to determine is, when you have been
24 engaged in other cases, when Impala has been
25 engaged in other cases, has Impala, with respect

1 Street

2 to success fees, has Impala and the other client
3 agreed to a flat success fee, not taking into
4 account any metrics or any accomplishments that
5 Impala has identified or that have actually been
6 implemented?

7 A. Yes. I believe I have answered that
8 question, by the way. If you refer back to the
9 questions, you will find I have answered that
10 question. And there is a specific instance
11 under way right now in which your firm is
12 representing the unsecured creditors.

13 Q. Right, other than Horizon PCS, can you
14 think of any?

15 A. You know, I would have to look at it,
16 but it's not uncommon for us to do that.

17 Q. But you can't think of any off the top
18 of your head in a Chapter 11 setting where you
19 received a flat fee?

20 A. No, I can't recall any right now. I
21 have something sort of in the back of my mind
22 that there has been at least one previous one,
23 but I can't recall.

24 Q. Thank you.

25 I believe you testified earlier, and

1 Street

2 correct me if I'm wrong, that the primary person
3 from the company that was involved in the
4 negotiation of your fee arrangement with
5 Allegiance was Mark Tresnowski, the company's
6 general counsel?

7 A. Yes.

8 Q. And in connection with those
9 negotiations, did you or any other
10 representative from your firm provide
11 Mr. Tresnowski with any comparable fee
12 arrangements that either your firm or any other
13 firm that you were aware of had received in
14 connection with a CRO engagement in a Chapter 11
15 case?

16 A. I don't recall. We may have. My
17 partner Pete may have. I don't recall.

18 Q. Okay.

19 A. I don't recall having done so myself.
20 Pete may have.

21 Q. Let's segue to a quick question with
22 respect to Mr. Keenoy. To the extent Mr. Keenoy
23 was deposed on the topics that you have been
24 deposed on today, do you have any reason to
25 believe that his responses would differ from

1 Street

2 yours?

3 A. He may have a better memory on
4 details. Pete is a CPA and is very
5 detail-oriented, and he may have a different
6 recollection on the specific details, but -- and
7 he wasn't at all -- at many of these meetings he
8 was not present. So, you know, he's clearly not
9 going to be able to answer questions -- to the
10 best of my knowledge, he wasn't at the June 12th
11 meeting, for example.

12 Q. Was Mr. Keenoy --

13 A. Oh, no. He may have been. I don't
14 recall, but --

15 Q. Do you recall if Mr. Keenoy was at the
16 meetings that you held with Mr. Tresnowski or
17 other representatives from the company in the
18 negotiation of your fee arrangement?

19 A. Some, but not all.

20 Q. Some, but not all.

21 So, just to summarize, for the most
22 part, at least on the tasks that Impala has
23 completed and the items that Impala has
24 identified to complete the services that it has
25 been retained to perform on behalf of the

1 Street

2 company and to work in conjunction with the
3 company, you have no reason to believe -- or, do
4 you have reason to believe that Mr. Keenoy,
5 other than maybe providing more clarifying
6 details, his testimony would be different than
7 yours today?

8 A. No.

9 MR. DUBLIN: We have no further
10 questions.

11 I don't know if the debtors have any
12 questions or if you have any questions.

13 MR. RATHKOPF: I'm going to have a few
14 questions.

15 Do you have any questions?

16 MR. KOHN: You go first.

17 MR. DUBLIN: We will reserve to the
18 extent anything comes from any of the
19 questions you ask.

20 MR. RATHKOPF: That's fine. I would
21 like to take a break first.

22 (Recess; time noted: 12:21 P.M.)

23 (Time noted: 12:26 P.M.)

24 MR. RATHKOPF: Okay. We're ready to
25 go on the record.

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2 EXAMINATION BY

3 MR. RATHKOPF:

4 Q. Mr. Street, would Impala have taken
5 this engagement without a success fee?

6 A. No.

7 Q. Has Impala ever agreed to act as chief
8 restructuring officer for a company without a
9 success fee?

10 A. No.

11 Q. Has Impala ever taken any assignment,
12 inside or outside of a bankruptcy, without a
13 success fee?

14 A. I don't recall ever having done so.

15 Q. In Impala's existence, could you tell
16 me approximately how many assignments Impala has
17 accepted?

18 A. North of 20.

19 Q. Let's talk about the Horizon's million
20 dollar flat fee that you mentioned in response
21 to a very recent question.

22 Could you please tell me the method in
23 which that million dollar fee was negotiated?

24 A. I took into account the size of the
25 company. It was a considerably smaller company

1 Street

2 than Allegiance. I took into account the
3 company's flexibility to improve its operations
4 given their dependence on their -- on Sprint.
5 They're a Sprint network affiliate. And I took
6 into account, you know, what I think the market
7 is around transactions for companies of that
8 size.

9 Q. And in connection with what you just
10 answered, when you said what you think the
11 market was for companies of that size, how do
12 you derive any knowledge of what the market
13 would be for companies of that size or for any
14 other company?

15 A. Well, as I earlier testified, I do
16 look at fees on assignments that we -- where we
17 don't get the assignment where we compete for
18 them. There have also been some prominent
19 assignments, which, as a bankruptcy
20 professional, one can't help noticing. Enron,
21 you know, where I've got a sense for the Zulfo
22 Cooper success fee and the group where they're
23 acting as CRO, and I, you know, I look at -- I
24 look at some. We don't formally record it, we
25 don't have a reporting mechanism. I'm

1 Street

2 interested in it. I read the newspapers, and
3 where it's really interesting, like Enron, I
4 take the trouble to find out.

5 Q. In those cases where you have looked
6 in situations where you were not designated as
7 chief restructuring officer but some other
8 company was, about how many such instances were
9 there?

10 A. A dozen or so over the last two or
11 three years.

12 Q. And there was some testimony earlier
13 today about MFN. That was apparently an
14 assignment that, after three months, you didn't
15 get and somebody else did.

16 Could you give me any details about
17 what, if any, success fee was awarded to
18 whichever company took the assignment?

19 A. Yes. The winner was Zulfo Cooper.
20 Their success fee approved by the court was \$2
21 and a half million. It was for a company which
22 is less than a third of the size of Allegiance.

23 Q. Was that \$2 and a half million a flat
24 fee?

25 A. No, as I recall it had three

1 Street

2 components. There was a million or a million
3 and a half component -- I think it was a million
4 and a half component -- that had some time
5 element with a flaw; and then there were two
6 separate amounts which were related to specific
7 hurdles that were, in my opinion, and certainly
8 in the view of John Gerdelman, the chief
9 executive, to use the colloquialism, even though
10 I'm an immigrant, they were "gimmes."

11 And, you know, so two and a half
12 million was there. And then they had a monthly
13 fee that was not precise but was capped at
14 \$275,000 a month, which is higher than ours, and
15 a hundred thousand -- you know, starting from
16 this month, a hundred thousand dollars a month
17 higher than ours in addition.

18 Q. And MFN was a company smaller than
19 Allegiance?

20 A. Less than a third of the size.

21 MR. RATHKOPF: I have no further
22 questions at this point.

23 MR. DUBLIN: We have no more
24 questions.

25 THE WITNESS: Wait a second, Mr. Kohn.

1 Street

2 MR. KOHN: We have no more questions.

3 MR. ADAMS: I think we can do this off
4 the record, but just between the attorneys,
5 if we can go through sort of the basic usual
6 stipulations.

7 (Discussion off the record.)

8 (Time noted: 12:31 P.M.)

9

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PAUL A. STREET

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13 Subscribed and sworn to
14 before me this day
15 of 2003.

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Street

CERTIFICATE

STATE OF NEW YORK)

: SS

COUNTY OF NEW YORK)

I, Kathy S. Klepfer, a Registered Merit Reporter and Notary Public within and for the State of New York, do hereby certify:

That PAUL A. STREET, the witness whose deposition is herein before set forth, was duly sworn by me and that such deposition is a true record of the testimony given by such witness.

I further certify that I am not related to any of the parties to this action by blood or marriage and that I am in no way interested in the outcome of this matter.

In witness whereof, I have hereunto set my hand this 1st day of October, 2003.

KATHY S. KLEPFER, RMR

Street

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1 Street

2 NAME OF CASE: In re Allegiance Telecom, Inc., et al.

3 DATE OF DEPOSITION: 10/1/03

4 NAME OF WITNESS: Paul A. Street

5 Reason Codes:

6 1. To clarify the record.

2. To conform to the facts.

7 3. To correct transcription errors.

8 Page _____ Line _____ Reason _____
From _____ to _____

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PAUL A. STREET