

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**INTERIM ORDER AUTHORIZING THE EMPLOYMENT
AND RETENTION OF GREENHILL & CO., LLC AS FINANCIAL
ADVISOR AND INVESTMENT BANKER TO THE DEBTORS**

Upon the application (the “Application”), dated May 14, 2003, of Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (the “Debtors”), seeking entry of an order, pursuant to sections 327(a) and 328(a) of the Bankruptcy Code,¹ authorizing and approving the employment and retention of Greenhill & Co., LLC (“Greenhill”), as financial advisor and investment banker to the Debtors, and upon the Affidavit of Michael A. Kramer, a Managing Director of Greenhill (the “Kramer Affidavit”), as more fully set forth in the Application; and the Court being satisfied pending a final hearing on reasonable notice, based on the representations made in the Application and in the Kramer Affidavit, that (i) Greenhill does not hold or represent an interest adverse to the Debtors or their estates, (ii) Greenhill is a “disinterested person” as that term is defined under section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code, and (iii) the employment of Greenhill is necessary and is in the best interests of the Debtors, their creditors and estates; and the Court being satisfied that the terms of compensation being sought by Greenhill applicable during its interim retention (i.e., the Monthly Advisory Fee), as described in

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

the Retention Agreement, are fair and reasonable; and the Court having jurisdiction to consider and determine the Application as a core proceeding pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that due and proper notice of the Motion has been given under the circumstances; and after due deliberation and sufficient cause appearing therefor it is

ORDERED that the employment and retention of Greenhill as financial advisor and investment banker to the Debtors, on the terms set forth in the Retention Agreement, is hereby authorized and approved as of the Commencement Date on an interim basis, pending a final hearing upon adequate notice; and it is further

ORDERED that all compensation and reimbursement of expenses to be paid to Greenhill shall be subject to prior approval of this Court in accordance with the requirements of sections 330 and 331 of the Bankruptcy Code and the order of this Court which establishes procedures for monthly compensation and reimbursement of expenses; and it is further

ORDERED that except as provided in the following decretal paragraph, that to the extent accrued during this interim retention, Greenhill shall receive only (a) Greenhill's monthly compensation as specified in the Retention Agreement (i.e., the Monthly Advisory Fee) and (b) reimbursement of Greenhill's expenses, which shall not hereafter be subject to challenge except under the standard of review set forth in section 328(a) of the Bankruptcy Code; and it is further

ORDERED that the U.S. Trustee retains all rights to object to Greenhill's interim and final fee applications (including the reimbursement of expenses) on all grounds including but not limited to the reasonableness standard provided for in section 330 of the Bankruptcy Code; and it is further

ORDERED that the Recapitalization Transaction Fee shall be subject to a final hearing on Greenhill's retention; and it is further

ORDERED that the Indemnification Provisions set forth in the Retention Agreement are hereby approved, subject to the following conditions:

(a) all requests of Indemnified Persons (as defined in the Retention Agreement) for payment of indemnity, contribution or otherwise pursuant to the Indemnification Provisions shall be made by means of an interim or final fee application and shall be subject to the approval of, and review by, the Court to ensure that such payment conforms to the terms of the Retention Agreement, the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules and the orders of this Court and is reasonable based upon the circumstances of the litigation or settlement in respect of which indemnity is sought; provided, however, that in no event shall an Indemnified Person be indemnified or receive contribution to the extent that any claim or expense has resulted from the bad-faith, self-dealing, breach of fiduciary duty, gross negligence or willful misconduct on the part of that or any other Indemnified Person; and

(b) in no event shall an Indemnified Person be indemnified or receive contribution or other payment under the indemnification provisions of the Retention Agreement if the Debtors, their estates, or the official committee of unsecured creditors appointed in these chapter 11 cases assert a claim, to the extent that the Court determines by final order that such claim arose out of bad-faith, self-dealing, breach of fiduciary duty, gross negligence, or willful misconduct on the part of that or any other Indemnified Person; and

(c) in the event an Indemnified Person seeks reimbursement for attorneys' fees from the Debtors pursuant to the Retention Agreement, the invoices and supporting time records from such attorneys shall be annexed to Greenhill's own interim and final fee applications, 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 this Court under the standards of section 330 of the Bankruptcy Code without regard to whether such attorney has been retained under section 327 of the Bankruptcy Code; and it is further

ORDERED that the Debtors shall serve a notice on all creditors that discloses to the served parties the material terms of Greenhill's proposed compensation and indemnification; and it is further

ORDERED that to the extent that there may be any inconsistency between the terms of the Application, the Retention Agreement or this Order, the terms of this Order shall govern; and it is further

ORDERED that the final hearing on Greenhill's retention shall be held on May __, 2003 at __:__ .m., prevailing Eastern Time, at the United States Bankruptcy Court, Room __, United States Customs House, One Bowling Green Plaza, New York, New York 10004; and it is further

ORDERED that this Court shall retain jurisdiction to continue and enforce the terms of the Application, the Retention Agreement and this Order.

Dated: New York, New York
_____, 2003

UNITED STATES BANKRUPTCY JUDGE