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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re	:	X
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Allegiance Telecom, Inc., <u>et al.</u> ,	:	Chapter 11 Case No.
	:	03-13057 (RDD)
	:	
Debtors.	:	Jointly Administered
	:	X

NOTICE OF HEARING ON APPLICATION OF THE DEBTORS FOR ENTRY OF AN ORDER AUTHORIZING THE EMPLOYMENT AND RETENTION OF GREENHILL & CO., LLC AS FINANCIAL ADVISOR AND INVESTMENT BANKER

TO ALL KNOWN CREDITORS OF THE DEBTORS AND THE UNITED STATES TRUSTEE FOR THE SOUTHERN DISTRICT OF NEW YORK

PLEASE TAKE NOTICE that Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), seek entry of an order approving their application, filed on May 14, 2003 (the "Application"), to employ and retain Greenhill & Co., LLC ("Greenhill"), pursuant to sections 327(a) and 328(a) of the Bankruptcy Code, as their financial advisor and investment banker in connection with these chapter 11 cases, and pursuant to the terms and conditions set forth in that certain retention agreement, dated October 20, 2002, as amended on May 8, 2003 (the "Retention Agreement").

PLEASE TAKE FURTHER NOTICE that the Honorable Richard D. Drain of the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") has entered an Interim Order Authorizing the Employment and Retention of Greenhill & Co., LLC as Financial Advisor and Investment Banker to the Debtors (the "Interim Order") on an interim basis pending a final hearing on the Application.

PLEASE TAKE FURTHER NOTICE that the final hearing on the Application is scheduled for July 14, 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 Application must be filed and served no later than July 12, 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, 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 Application 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).

PLEASE TAKE FURTHER NOTICE that pursuant to the Application, the Debtors seek to retain Greenhill to perform, among others, the following services:

- i. review and analyze the business, operations, properties, financial condition and prospects of the Debtors;
- ii. evaluate the Debtors' debt capacity in light of their projected cash flows;
- iii. assist in the determination of an appropriate capital structure for the Debtors;
- iv. determine a range of values for the Debtors on a going concern basis and on a liquidation basis.

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- v. advise and attend meetings of the Debtors' Boards of Directors and their Committees.
- vi. provide financial advice and assistance to the Debtors in developing and seeking approval of a chapter 11 plan (as the same may be modified from time to time, the "Plan");
- vii. provide financial advice and assistance to the Debtors in structuring any new securities, other consideration or other inducements to be offered and/or issued under the Plan;
- viii. assist the Debtors and/or participate in negotiations with entities or groups affected by the Plan; and
- ix. assist the Debtors in preparing documentation within Greenhill's area of expertise required in connection with the Plan.

PLEASE TAKE FURTHER NOTICE that, if its retention is approved, Greenhill will, unless such terms prove to have been improvident in light of developments not capable of being anticipated at the time of the hearing, be entitled to receive compensation as set forth in the Retention Agreement. A portion of Greenhill's compensation under the Retention Agreement became payable, and was paid, to Greenhill prior to the commencement of these chapter 11 cases. The Debtors anticipate that Greenhill will continue to be entitled to receive the following compensation, in consideration of work performed post-petition:

- a. Monthly Advisory Fee. A monthly financial advisory fee of \$175,000 (the "Monthly Advisory Fee"), which became due and paid by the Debtors upon the execution of the Retention Agreement and thereafter on each monthly anniversary thereof during the term of Greenhill's engagement. Fifty percent (50%) of the amount of the Monthly Advisory Fee paid to Greenhill after the payment of the March 20, 2003 Monthly Advisory Fee and prior to the payment of October 20, 2003 Monthly Advisory Fee from the date of execution of the Retention Agreement will be credited against any Recapitalization Transaction Fee (as defined below). One hundred percent (100%) of the amount of the Monthly Advisory Fee paid to Greenhill after the payment of the twelfth Monthly Advisory Fee from the date of execution of the Retention Agreement will be credited against any Recapitalization Transaction Fee.
- b. Recapitalization Transaction Fee. If during the term of this engagement or within the twelve full months following the termination of this engagement (including the term of this engagement, the "Fee Period"), a Recapitalization is consummated, Greenhill shall be entitled to receive a transaction fee (the "Recapitalization Transaction Fee"), contingent upon the consummation of such a Recapitalization and payable at the closing thereof, equal to \$6.5 million.
- c. Out-of-Pocket Expenses. The Debtors will reimburse Greenhill on a monthly basis for its travel and other reasonable out-of-pocket expenses incurred in connection with, or arising out of Greenhill's activities under or contemplated by the Retention Agreement.
- d. Sales, Use or Similar Taxes. The Debtors will reimburse Greenhill for any sales, use or similar taxes (including additions to such taxes, if any), but in no event income taxes, arising in connection with any matter referred to or contemplated under this engagement.

PLEASE TAKE FURTHER NOTICE that if the Application is granted, the Debtors will indemnify and hold Greenhill harmless against liabilities arising out of or in connection with its retention by the Debtors except for any such liability for any losses, claims, damages, liabilities or expenses which are finally judicially determined by a court of competent jurisdiction to have resulted from the bad faith, self-dealing, breach of fiduciary duty, gross negligence or willful misconduct of Greenhill.

PLEASE TAKE FURTHER NOTICE that the foregoing summary of certain elements of Greenhill's retention is not complete and that the full terms of the retention are contained in the Application, the Retention Agreement and the Interim Order, which are available for inspection at the clerk's office for the Bankruptcy Court and on the Bankruptcy Court's Internet site at www.nysb.uscourts.gov, through an account obtained from Pacer Service Center at 1-800-676-6856. To the extent that the summary of the retention terms set forth in this Notice conflict with the terms of the Retention Agreement, the terms of the Retention Agreement control; provided, however, that to the extent there may be any inconsistency between the terms of the Application, the Retention Agreement or the Interim Order, the terms of the Interim Order shall control.

Dated: New York, New York
June 3, 2003

Respectfully submitted,

/s/ Jonathan S. Henes
Matthew A. Cantor (MC-7727)
Jonathan S. Henes (JH-1979)
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Attorneys for Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	X	
	:	
	:	Chapter 11
Allegiance Telecom, Inc., et al.,	:	Case No. 03-13057 (RDD)
	:	
Debtors.	X	Jointly Administered

**NOTICE OF COMMENCEMENT OF CASES UNDER CHAPTER 11 OF THE BANKRUPTCY CODE,
MEETING OF CREDITORS, FIXING OF CERTAIN DATES, AND OTHER MATTERS**

COMMENCEMENT OF CASES. On May 14, 2003 (the "Commencement Date"), Allegiance Telecom, Inc. and its direct and indirect subsidiaries (collectively, the "Debtors") filed voluntary petitions under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). The complete list of the Debtors and their respective addresses, case numbers and federal tax identification numbers are provided at the end of this Notice. You may be a creditor of one or more of the Debtors. You will not receive notice of all documents filed in these cases. All documents filed with the Bankruptcy Court, including schedules of the Debtors' assets and liabilities, are or will be available for inspection at the Office of the Clerk of the Bankruptcy Court or at the Bankruptcy Court's website <<http://www.nysb.uscourts.gov>>. **NOTE:** A PACER password is required to access documents on the Bankruptcy Court's website; a PACER password may be obtained online at the PACER website <<http://pacer.psc.uscourts.gov>>.

DATE, TIME AND LOCATION OF MEETING OF CREDITORS PURSUANT TO SECTION 341(a) OF THE BANKRUPTCY CODE.

The Debtors' representative, as specified in rule 9001(5) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), is required to appear at the meeting of creditors on June 30, 2003 at 2:00 p.m., prevailing Eastern Time, for the purpose of being examined under oath. The meeting will take place at the Office of the United States Trustee for the Southern District of New York, 80 Broad Street, Second Floor, New York, New York 10004. Attendance by creditors at the meeting is welcomed but not required. At the meeting, the creditors may examine the Debtors' representative and transact such other business as may properly come before the meeting. The meeting may be continued or adjourned from time to time by notice at the meeting, without further written notice to creditors.

DEADLINE TO FILE A PROOF OF CLAIM. Notice of a deadline will be sent at a later time.

ATTORNEYS FOR THE DEBTORS

Kirkland & Ellis
Matthew A. Cantor, Esq.
Jonathan S. Henes, Esq.
Citigroup Center
153 East 53rd Street
New York, New York 10022

**NAME, ADDRESS AND TELEPHONE NUMBER OF
THE UNITED STATES TRUSTEE**

Office of the United States Trustee
Pamela J. Lustrin, Esq.
33 Whitehall Street, 21st Floor
New York, New York 10004
(212) 510-0500

PURPOSE OF CHAPTER 11 FILING. Chapter 11 of the Bankruptcy Code enables a debtor to reorganize pursuant to a plan. A plan is not effective unless approved by the Bankruptcy Court at a confirmation hearing. Creditors will be given notice concerning any plan, or if these chapter 11 cases are dismissed or converted to another chapter of the Bankruptcy Code. Each Debtor will remain in possession of its property and will continue to operate any business unless a trustee is appointed.

NOTICE OF MATTERS. The Bankruptcy Court has entered an order establishing notice requirements with respect to all proceedings in these chapter 11 cases. Pursuant to that order, notice of all proceedings in these cases will be given only to those creditors who file with the Bankruptcy Court a written request to be included on a limited notice list established in these chapter 11 cases. Therefore you must file with the Bankruptcy Court, electronically if you are a registered user of the Bankruptcy Court's CM/ECF filing system, such written notice of appearance or request for service if you desire to receive notice of all proceedings in these cases. Further, any notice of appearance or request for special notice must be served on attorneys for the Debtors, Kirkland & Ellis, Attention: Samuel S. Kohn, Esq., 153 East 53rd Street, New York, New York 10022. You need not file a written notice of appearance or request for service to be included in the limited notice list for purposes of receiving notice of proceedings affecting your basic rights as creditors. Whether or not you file such a written notice of appearance or request for service, you will receive notice of any deadline established for the filing of proofs of claim or proofs of interest, the time fixed for filing objections and the hearing to consider adequacy of the disclosure statement, the time fixed for filing objections to consider confirmation of a chapter 11 plan and any other proceedings with respect to which notice is ordered to be given to you by the Bankruptcy Court.

CREDITORS MAY NOT TAKE CERTAIN ACTIONS. A creditor is anyone to whom the Debtors owe money or property. Under the Bankruptcy Code, the Debtors are granted certain protections against creditors. Common examples of prohibited actions by creditors are contacting the Debtors to demand repayment of claims arising prior to the Commencement Date, taking action against the Debtors to collect money owed to creditors for such claims or to take property of the Debtors, and starting or continuing foreclosure actions or repossessions. If unauthorized actions are taken by a creditor against the Debtors, the Bankruptcy Court may penalize that creditor. A creditor who is considering taking action against the Debtors or the property of the Debtors should review section 362 of the Bankruptcy Code and may wish to seek legal advice.

CLAIMS. Schedules of creditors will be filed pursuant to Bankruptcy Rule 1007. Any creditor holding a scheduled claim which is not listed as disputed, contingent, or unliquidated as to amount may, but is not required to, file a proof of claim in these chapter 11 cases. Creditors whose claims are not scheduled or whose claims are listed as disputed, contingent, or unliquidated as to amount and who desire to participate in the cases or share in any distribution must file their proofs of claim. A creditor who desires to rely on the schedule of creditors has the responsibility for determining that the claim is listed accurately. **Separate notice of the deadlines to file proofs of claim will be provided**

at a later date to the Debtors' known creditors. Bankruptcy Management Corporation is the court-appointed claims agent for the Debtors and can provide claim forms and information on filing claims. Bankruptcy Management Corporation can be reached at: 1330 East Franklin Avenue, El Segundo, CA 90245 (888) 909-0100. In addition, proof of claim forms are available in the clerk's office as well as at the following websites: <<http://www.nysb.uscourts.gov>> or <<http://www.algx.com/restructuring>>. **The fact that you have received this Notice does not mean that you have a claim against any of the Debtors. You should consult with your own counsel to determine whether you hold a claim against the Debtors. You should not file a proof of claim if you do not have any claims against the Debtors.** Questions about this notice may be directed to Bankruptcy Management Corporation.

DISCHARGE OF DEBTS. Confirmation of a chapter 11 plan may result in a discharge of debts, which may include all or part of your debt. See section 1141(d) of the Bankruptcy Code. A discharge means that you may never try to collect the debt from any of the Debtors, except as provided in the plan of reorganization.

OFFERS TO PURCHASE CLAIMS Certain entities are in the business of purchasing claims held by creditors against a debtor for an amount that is less than the face amount of the claims. One or more of these entities may contact you and offer to purchase your claim against one or more of the Debtors. Some of the written communications from these entities may be easily confused with official Bankruptcy Court documentation or communications from the Debtors. These entities do not represent the Bankruptcy Court or the Debtors. Therefore, you have no obligation to sell your claim to these entities. In the event you do decide to sell your claim, any transfer of such claim is subject to Bankruptcy Rule 3001(e), any applicable provisions of the Bankruptcy Code and any applicable orders of the Bankruptcy Court.

LEGAL ADVICE. The staff members of the Clerk of the Bankruptcy Court, the Office of the United States Trustee, and Bankruptcy Management Corporation are not permitted to give legal advice. You may want to consult with an attorney to protect your rights.

Address of the Clerk of the Bankruptcy Court Clerk of the United States Bankruptcy Court United States Bankruptcy Court One Bowling Green New York, New York 10004	For the Court: <u>/s/ Kathleen Farrell-Willoughby</u> Kathleen Farrell-Willoughby Clerk of the Bankruptcy Court
	Date: June 3, 2003

DEBTOR NAME	FILING DATE	CASE NO.	TAX ID	ADDRESS
Allegiance Telecom, Inc.	5/14/03	03-13057	75-2721491	9201 North Central Expressway, Dallas, TX 75231
Adgrafix Corporation	5/14/03	03-13060	75-2925520	9201 North Central Expressway, Dallas, TX 75231
ALGX Business Internet, Inc.	5/14/03	03-13061	75-2965464	9201 North Central Expressway, Dallas, TX 75231
Allegiance Internet, Inc.	5/14/03	03-13062	75-2778908	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom Company Worldwide	5/14/03	03-13064	75-2811276	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom International, Inc.	5/14/03	03-13066	75-2726851	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of Arizona, Inc.	5/14/03	03-13067	75-2837257	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of California, Inc.	5/14/03	03-13069	75-2729796	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of Colorado, Inc.	5/14/03	03-13070	75-2792938	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of the District of Columbia, Inc.	5/14/03	03-13097	75-2747673	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of Florida, Inc.	5/14/03	03-13073	75-2777353	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of Georgia, Inc.	5/14/03	03-13074	75-2729223	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of Illinois, Inc.	5/14/03	03-13075	75-2729797	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of Indiana, Inc.	5/14/03	03-13076	75-2881782	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of Maryland, Inc.	5/14/03	03-13077	75-2747670	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of Massachusetts, Inc.	5/14/03	03-13078	75-2747677	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of Michigan, Inc.	5/14/03	03-13079	75-2777344	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of Minnesota, Inc.	5/14/03	03-13080	75-2862620	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of Missouri, Inc.	5/14/03	03-13081	75-2827397	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of Nevada, Inc.	5/14/03	03-13082	75-2901910	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of New Jersey, Inc.	5/14/03	03-13084	75-2729799	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of New York, Inc.	5/14/03	03-13055	75-2729221	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of North Carolina, Inc.	5/14/03	03-13085	75-2881783	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of Ohio, Inc.	5/14/03	03-13088	75-2827398	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of Oklahoma, Inc.	5/14/03	03-13090	75-2901909	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of Oregon, Inc.	5/14/03	03-13092	75-2876503	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of Pennsylvania, Inc.	5/14/03	03-13093	75-2777346	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of Texas, Inc.	5/14/03	03-13095	75-2721493	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of Virginia, Inc.	5/14/03	03-13098	75-2747676	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of Washington, Inc.	5/14/03	03-13099	75-2777348	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom of Wisconsin, Inc.	5/14/03	03-13100	75-2876438	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom Purchasing Company	5/14/03	03-13101	75-2938817	9201 North Central Expressway, Dallas, TX 75231
Allegiance Telecom Service Corporation	5/14/03	03-13103	75-2736777	9201 North Central Expressway, Dallas, TX 75231
Coast to Coast Telecommunications, Inc.	5/14/03	03-13104	36-4363445	9201 North Central Expressway, Dallas, TX 75231
Hosting.com, Inc.	5/14/03	03-13105	75-2924387	9201 North Central Expressway, Dallas, TX 75231
InterAccess Telecommunications Co.	5/14/03	03-13106	36-4285613	9201 North Central Expressway, Dallas, TX 75231
Jump.Net, Inc.	5/14/03	03-13107	75-2907699	9201 North Central Expressway, Dallas, TX 75231
Shared Technologies Allegiance, Inc.	5/14/03	03-13108	33-1009098	9201 North Central Expressway, Dallas, TX 75231
Virtualis Systems, Inc.	5/14/03	03-13109	75-2898169	9201 North Central Expressway, Dallas, TX 75231