

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	)	Chapter 11
XO COMMUNICATIONS, INC.,	)	Case No. 02-12947 (AJG)
Debtor.)	

**ORDER AUTHORIZING THE EMPLOYMENT
OF PROFESSIONALS UTILIZED IN THE ORDINARY
COURSE OF THE DEBTOR'S BUSINESS**

Upon the motion (the "Motion"), dated June 17, 2002, of the debtor and debtor in possession (the "Debtor") in the above-captioned case, for entry of an order, pursuant to sections 105(a), 327, 328, 331 and 1107(b) of the Bankruptcy Code¹ and Bankruptcy Rule 2014, (i) authorizing the Debtor to retain and compensate special counsel and other professionals to provide legal and other services arising in the ordinary course of business, and (ii) establishing procedures pursuant to which such professionals are to be compensated; and it being found that the relief requested in the Motion is in the best interests of the Debtor, its estate, creditors and parties in interest; and notice having been provided as set forth in the Motion; and it appearing that no other or further notice need be given; and upon consideration of the Affidavit of Wayne M. Rehberger Pursuant to Local Bankruptcy Rule 1007-2 and in Support of First-Day Motions; and after due deliberation and sufficient cause appearing therefor; it is

ORDERED, that the Motion is granted on an interim basis; and it is further

¹ Capitalized terms used but not otherwise defined herein shall have the meanings given to such terms in the Motion.

ORDERED, that within the ordinary course of its business, the Debtor is authorized to retain and employ the Ordinary Course Professionals, including, but not limited to, those law firms and other professionals listed on Exhibit A annexed to the Motion; provided, however, that:

- a. For each Ordinary Course Professional retained by the Debtor, a Retention Affidavit shall be filed with the Court and served (by first class mail) upon the Notice Parties within twenty (20) days after the Retention Date.
- b. Each Retention Affidavit shall comply with Bankruptcy Rules 2014 and 5002. If, for any reason, such compliance is not possible, the relevant Retention Affidavit shall explain why the affiant believes departure from the Bankruptcy Rules is justified under the circumstances.
- c. The acceptance of employment by any Ordinary Course Professional shall constitute a representation by such Ordinary Course Professional, verified by the Retention Affidavit, that:
 - (i) Such Ordinary Course Professional does not represent or hold any interest adverse to the Debtor or its estate concerning the matter(s) upon which such Ordinary Course Professional is to be employed; and
 - (ii) Such Ordinary Course Professional agrees to be compensated by the Debtor based on hourly or other rates not greater than are customarily charged by such Ordinary Course Professional for its professional and paraprofessional services, and a schedule of such hourly or other rates shall be included with the Retention Affidavit; and
 - (iii) Such Ordinary Course Professional shall be entitled to reimbursement only for actual and necessary expenses incurred in connection with its representation of the Debtor.

; and it is further

ORDERED, that any party in interest shall have the right to file an objection to the retention of an Ordinary Course Professional within ten (10) days of the date of filing and service of that firm's Retention Affidavit; provided, however, that if the Court, after a hearing, does not approve the retention of the Ordinary Course Professional, such Ordinary Course Professional shall still be entitled to apply for compensation for the period from the date the

Debtor directed work to be commenced through the date of the Court's decision, upon appropriate application to the Court; and it is further

ORDERED, that upon submission to the Debtor of an appropriate invoice setting forth in reasonable detail the nature of services rendered, the Debtor is authorized to pay one hundred percent (100%) of the fees and disbursements to each Ordinary Course Professional, up to a monthly total of \$25,000 per Ordinary Course Professional, without the necessity of filing any interim or final fee applications on account of such fees and disbursements; and it is further

ORDERED, that monthly amounts in excess of \$25,000 shall be carried to the following month, provided, however, that as set forth in the preceding paragraph no monthly amount in excess of \$25,000 may be paid to an Ordinary Course Professional without further order of the Court; and it is further

ORDERED, that if fees and disbursements for any Ordinary Course Professional exceed in the aggregate \$300,000 over a twelve-month period commencing on or after the Petition Date, the amount in excess of \$300,000 shall only be paid and/or reimbursed, and interim and/or final fee applications in connection therewith shall be filed, in accordance with any administrative order establishing procedures for monthly and interim compensation and reimbursement of professionals, if entered; and it is further

ORDERED, that all fees awarded in this case to a Ordinary Course Professional which exceed \$300,000 over a twelve-month period commencing on or after the Petition Date in the aggregate shall be subject to final approval of the Court upon application therefor in accordance with sections 330 and 331 of the Bankruptcy Code or as otherwise provided in the Bankruptcy Rules, Local District Court Rules, Local Bankruptcy Rules or Orders of this Court; and it is further

ORDERED, that this Order shall be without prejudice to the Debtor's rights to apply to the Court, upon appropriate notice, for authority to modify the terms hereof; 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 July 5, 2002 at 4:00 p.m. and served on: (i) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attention: Paul Schwartzberg, Esq.; (ii) Willkie Farr & Gallagher, attorneys for the Debtor, 787 Seventh Avenue, New York, New York 10019-6099, Attention: Tonny K. Ho, Esq.; (iii) XO Communications, Inc., 11111 Sunset Hills Road, Reston, Virginia 20190, Attention: Gary D. Begeman, Esq.; and (iv) counsel to any official committee(s) appointed in this case, so as to be actually received by such filing deadline; and it is further

ORDERED, that if timely objections are received there shall be a hearing held on July 9, 2002 at 11:00 a.m. to consider such timely objections to the proposed retention herein; and it is further

ORDERED, that if no objections to 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, and the relief granted by this Order shall be made effective on a permanent basis nunc pro tunc to the date of the commencement of this chapter 11 case; and it is further

ORDERED, that the Court shall retain jurisdiction over any matters arising from or relating to the implementation or interpretation of this order.

Dated: New York, New York
June 18, 2002

s/Arthur J. Gonzalez
UNITED STATES BANKRUPTCY JUDGE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	)	Chapter 11
XO COMMUNICATIONS, INC.,	)	Case No. 02-12947 (AJG)
Debtor.)	

**ORDER AUTHORIZING DEBTOR TO EMPLOY AND
RETAIN DAVIS WRIGHT TREMAINE LLP AS SPECIAL
COUNSEL**

Upon the application, dated June 17, 2002 (the "Application"), of the above-captioned debtor and debtor in possession (the "Debtor"), for an order, pursuant to sections 327(e), 328(a) and 1107(b) of title 11 of the United States Code (the "Bankruptcy Code"), authorizing the Debtor to retain the firm of Davis Wright Tremaine LLP ("DWT") as special counsel in the Debtor's chapter 11 case; and upon the affidavit of David C. Baca, a member of DWT (the "Baca Affidavit"), which is annexed to the Application as Exhibit A; and notice having been given as set forth in the Application; and it appearing that such notice is due and sufficient and that no other or further notice is required; and the Court being satisfied that DWT represents no interest adverse to the Debtor's estate with respect to the matters upon which it will be engaged, all as set forth in the Affidavit, and that the employment of DWT is necessary and in the best interests of the Debtor's estate; and upon consideration of the Affidavit of Wayne M. Rehberger Pursuant to Local Bankruptcy Rule 1007-2 and in Support of First-Day Motions; and after due deliberation and sufficient cause appearing therefor, it is

FOUND THAT:

1. DWT and each of its members and associates do not represent or hold any interest adverse to the Debtor's estate such that would disqualify DWT from representation of the Debtor in this chapter 11 case;

2. DWT and each of its members and associates is a "disinterested person" as such term is defined in section 101(14) of the Bankruptcy Code; and

3. DWT's retention as special counsel is in the best interests of the Debtor and its estate, creditors, and interest holders; and it is therefore

ORDERED, ADJUDGED AND DECREED THAT:

1. The Application is granted on an interim basis.

2. Pursuant to sections 327(e) and 328 of the Bankruptcy Code, the Debtor is authorized to retain DWT to perform the services set forth in the Application.

3. DWT shall be compensated in accordance with the Baca Affidavit, subject to sections 330 and 331 of the Bankruptcy Code, such Federal Rules of Bankruptcy Procedure as may be applicable, the rules of this Court, and such procedures as may be fixed by order of this Court.

4. Any objection to the relief requested by the Application on a permanent basis must be filed with the court, One Bowling Green New York, New York 10004-1408, by no later than July 5, 2002 at 4:00 p.m. and served on: (i) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attention: Paul Schwartzberg, Esq.; (ii) Willkie Farr & Gallagher, attorneys for the Debtor, 787 Seventh Avenue, New York, New York 10019-6099, Attention: Tonny K. Ho, Esq.; (iii) XO Communications, Inc., 11111 Sunset Hills Road, Reston, Virginia 20190, Attention: Gary D. Begeman, Esq.; and (iv) Davis Wright

Tremaine LLP, 1300 Southwest Fifth Avenue, Suite 2300, Portland, Oregon 97201-5682,
Attention: David C. Baca, so as to be actually received by such filing deadline.

5. If timely objections are received there shall be a hearing held on July 9, 2002 at 11:00 a.m. to consider such timely objections to the proposed retention herein.

6. If no objections to DWT's retention 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 Application shall be granted in its entirety, and DWT's retention shall be made effective nunc pro tunc to the date of the commencement of this chapter 11 case.

7. The requirement pursuant to Local Rule 9013-1(b) that the Debtor file a memorandum of law in support of the Application is hereby waived.

8. This Court shall retain jurisdiction over any and all matters arising from or related to the implementation or interpretation of this Order.

Dated: New York, New York
June 18, 2002

s/Arthur J. Gonzalez
UNITED STATES BANKRUPTCY JUDGE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re)

) Chapter 11

XO COMMUNICATIONS, INC.,)

) Case No. 02-12947 (AJG)

Debtor.)

**ORDER AUTHORIZING RETENTION OF
WILLKIE FARR & GALLAGHER AS ATTORNEYS
FOR DEBTOR AND DEBTOR IN POSSESSION**

Upon the application, dated June 17, 2002 (the "Application"), of the above-captioned debtor and debtor in possession (the "Debtor"), for an order, pursuant to sections 327(a), as modified by section 1107, and 328 of title 11 of the United States Code (the "Bankruptcy Code"), authorizing the Debtor to retain Willkie Farr & Gallagher ("WF&G") as counsel; and upon the affidavit of Tonny K. Ho, Esq., attached to the Application as Exhibit A (the "Ho Affidavit"); and notice having been provided as set forth in the Application; and it appearing that no further or other notice is necessary; and upon consideration of the Affidavit of Wayne M. Rehberger Pursuant to Local Bankruptcy Rule 1007-2 and in Support of First-Day Motions; and after due deliberation and sufficient cause appearing therefor, it is

FOUND THAT

1. WF&G and each of its members and associates represent no interest adverse to the Debtor's estate such that would disqualify WF&G from representation of the Debtor in this chapter 11 case;
2. WF&G and each of its members and associates is a "disinterested person" as such term is defined in section 101(14) of the Bankruptcy Code;

3. The retention of WF&G as the Debtor's counsel is in the best interests of the Debtor and its estate, creditors, and interest holders; and it is therefore

ORDERED, ADJUDGED AND DECREED THAT:

1. The Application is granted on an interim basis.
2. Pursuant to sections 327(a) and 1107(b) of the Bankruptcy Code, the Debtor is authorized to retain WF&G as its counsel under a general retainer in this chapter 11 case, and WF&G is authorized to perform the services set forth in the Application.
3. WF&G shall be compensated in accordance with the Ho Affidavit, subject to sections 330 and 331 of the Bankruptcy Code, the applicable Federal Rules of Bankruptcy Procedure, the rules of this Court and such other procedures as may be fixed by order of this Court.
4. Any objection to the relief requested by the Application on a permanent basis must be filed with the court, One Bowling Green New York, New York 10004-1408, by no later than July 5, 2002 at 4:00 p.m. and served on: (i) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attention: Paul Schwartzberg, Esq., (ii) Willkie Farr & Gallagher, attorneys for the Debtor, 787 Seventh Avenue, New York, New York 10019-6099, Attention: Tonny K. Ho, Esq., and (iii) XO Communications, Inc., 11111 Sunset Hills Road, Reston, Virginia 20190, Attention: Gary D. Begeman, Esq., so as to be actually received by such filing deadline.
5. If timely objections are received there shall be a hearing held on July 9, 2002 at 11:00 a.m. to consider such timely objections to the proposed retention herein.

6. If no objections to WF&G's retention 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 Application shall be granted in its entirety, and WF&G's retention shall be made effective nunc pro tunc to the date of the commencement of this chapter 11 case.

7. The requirement pursuant to Local Rule 9013-1(b) that the Debtor file a memorandum of law in support of the Application is hereby waived.

8. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation of this order.

Dated: New York, New York
June 18, 2002

s/Arthur J. Gonzalez
UNITED STATES BANKRUPTCY JUDGE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	)	Chapter 11
XO COMMUNICATIONS, INC.,	)	Case No. 02-12947 (AJG)
Debtor.)	

**ORDER AUTHORIZING RETENTION OF ERNST &
YOUNG LLP TO PERFORM AUDITING, ACCOUNTING,
TAX AND RELATED SERVICES**

Upon the application, dated June 17, 2002 (the "Application"), of XO Communications, Inc., the above-captioned debtor and debtor in possession (the "Debtor"), for an order, pursuant to sections 327(a), 328 and 330 of title 11 of the United States Code (the "Bankruptcy Code"), authorizing the Debtor to retain and employ Ernst & Young LLP ("E&Y") as of the Petition Date to perform certain audit and accounting services; and upon the affidavit of G. Anthony Hahn, annexed to the Application as Exhibit B; and notice of the Application having been given as set forth in the Application; and it appearing that such notice is due and sufficient and that no further or other notice is required; and upon consideration of the Affidavit of Wayne M. Rehberger Pursuant to Local Bankruptcy Rule 1007-2 and in Support of First-Day Motions; and after due deliberation and sufficient cause appearing therefor, it is

FOUND THAT:

1. E&Y and each of its members and associates do not represent or hold any interest adverse to the Debtor's estate such that would disqualify E&Y from representation of the Debtor in this chapter 11 case;
2. E&Y and each of its members and associates is a "disinterested person" as such term is defined in section 101(14) of the Bankruptcy Code; and

3. The retention of E&Y to provide the Debtor with auditing, accounting, tax, and related services is in the best interests of the Debtor and its estates, creditors, and interest holders; and it is therefore

ORDERED, ADJUDGED AND DECREED that

1. The Application is granted on an interim basis.
2. Pursuant to sections 327(a), 328 and 330 of the Bankruptcy Code, the Debtor is authorized to retain E&Y to perform the services set forth in the Application and Engagement Letter annexed to the Application as Exhibit A, the terms of which are hereby approved.
3. E&Y shall be compensated in accordance with the Engagement Letter, subject to sections 328, 330 and 331 of the Bankruptcy Code, such Federal Rules of Bankruptcy Procedure as may be applicable, the rules of this Court, and such procedures as may be fixed by order of this Court.
4. E&Y shall be required to maintain and provide detailed time records in connection with such services on an hourly basis (not tenths of an hour).
5. Any objection to the relief requested by the Application on a permanent basis must be filed with the court, One Bowling Green, New York, New York 10004-1408, by no later than July 5, 2002 at 4:00 p.m. and served on: (i) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attention: Paul Schwartzberg, Esq.; (ii) Willkie Farr & Gallagher, attorneys for the Debtor, 787 Seventh Avenue, New York, New York 10019-6099, Attention: Tonny K. Ho, Esq.; (iii) XO Communications, Inc., 11111 Sunset Hills Road, Reston, Virginia 20190, Attention: Gary D. Begeman, Esq.; and (iv) Ernst &

Young LLP, 8020 Towers Crescent Drive, Vienna, Virginia 22182, Attention: Anthony Hahn, so as to be actually received by such filing deadline.

6. If timely objections are received there shall be a hearing held on July 9, 2002 at 11:00 a.m. to consider such timely objections to the proposed retention herein.

7. If no objections to E&Y's retention 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 Application shall be granted in its entirety, and E&Y's retention shall be made effective as of the Petition Date.

8. The requirement pursuant to Local Rule 9013-1(b) that the Debtor file a memorandum of law in support of the Application is hereby waived.

9. This Court shall retain jurisdiction over any and all matters arising from or related to the implementation or interpretation of this Order.

Dated: New York, New York

June 18, 2002

s/Arthur J. Gonzalez
UNITED STATES BANKRUPTCY JUDGE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	)	Chapter 11 Case
XO COMMUNICATIONS, INC.,	)	Case No. 02-12947 (AJG)
Debtor.)	

**INTERIM ORDER AUTHORIZING RETENTION OF
HOULIHAN LOKEY HOWARD & ZUKIN
CAPITAL AS FINANCIAL ADVISOR TO DEBTOR**

TO: THE HONORABLE JUDGES OF THE
UNITED STATES BANKRUPTCY COURT FOR
THE SOUTHERN DISTRICT OF NEW YORK

Upon the application, dated June 17, 2002 (the "Application"), of the above-captioned debtor and debtor in possession (the "Debtor"), for an order, pursuant to sections 327(a) and 328 of title 11 of the United States Code (the "Bankruptcy Code"), authorizing the Debtor to retain Houlihan Lokey Howard & Zukin Capital ("Houlihan Lokey") as financial advisor; and upon the affidavit of David Hilty, annexed to the Application as Exhibit A; and notice of the Application having been given as set forth in the Application; and it appearing that such notice is due and sufficient and that no further or other notice is required; and upon consideration of the Affidavit of Wayne M. Rehberger Pursuant to Local Bankruptcy Rule 1007-2 and in Support of First-Day Motions; and after due deliberation and sufficient cause appearing therefor, it is

FOUND THAT:

1. Houlihan Lokey and each of its members and associates do not represent or hold any interest adverse to the Debtor's estate such that would disqualify Houlihan Lokey from representation of the Debtor in this chapter 11 case;

2. Houlihan Lokey and each of its members and associates is a “disinterested person” as such term is defined in section 101(14) of the Bankruptcy Code;

3. The retention of Houlihan Lokey as the Debtor’s financial advisor is in the best interests of the Debtor and its estate, creditors, and interest holders, and the terms and conditions of Houlihan Lokey’s retention are reasonable; and it is therefore

ORDERED, ADJUDGED, AND DECREED THAT:

1. Pursuant to sections 327 and 328(a) of the Bankruptcy Code and Bankruptcy Rule 2014(a), the Debtors are authorized, effective as of the Petition Date, to employ and retain Houlihan Lokey, on an interim basis pending a final hearing on adequate notice (the “Interim Period”), as its financial advisor, pursuant to the terms and conditions of the Engagement Letter, the Application and this Order.

2. The Office of the United States Trustee retains the right to object to any interim or final fee application filed by Houlihan Lokey (including any request for the reimbursement of expenses) on any ground provided for under the Bankruptcy Code (including, without limitation, sections 327, 328, 330, and 331 thereof), the Bankruptcy Rules, or any Local Rules or Orders of this Court.

3. The requirements of L.B.R. 9013-1(b) are waived with respect to the Application.

4. Except as provided in paragraph 2 above, to the extent accrued during the Interim Period, Houlihan Lokey shall receive only (a) Houlihan Lokey’s monthly compensation as provided in the Engagement Letter and (b) reimbursement of Houlihan Lokey’s reasonable out-of-pocket 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.

5. Houlihan Lokey shall file interim and final fee applications pursuant to the applicable provisions of the Bankruptcy Code, Bankruptcy Rules and the Local Rules and Orders of this Court.

6. The Debtor is authorized to indemnify and hold harmless Houlihan Lokey and its affiliates, and its respective past, present and future directors, officers, shareholders, employees, agents and controlling persons within the meaning of either Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (collectively, the "Indemnified Parties"), pursuant to the Engagement Letter and subject to the following conditions:

- (a) all requests of Indemnified Persons for payment of indemnity, contribution or otherwise pursuant to the Indemnification and Engagement Letter shall be made by means of an Interim and Final Fee Application (as defined in the Administrative Order for Interim Compensation and Reimbursement of Expenses of Professionals) and shall be subject to the approval of, and review by, the Court to ensure that such payment conforms to the terms of the Indemnification, 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 the indemnity is sought, provided, however, that in no event shall an Indemnified Person be indemnified or receive contribution in the case of bad-faith, self-dealing, breach of fiduciary duty, if any, 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 if the Debtor, its estate, or any official committee appointed in this case, assert a claim for, and the Court determines by final order that such claim arose out of bad faith, self dealing, breach of fiduciary duty, if any, 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 Debtor, the invoices and supporting time records from such attorneys shall be annexed to Houlihan Lokey'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 the Bankruptcy 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.

7. To the extent this Order is inconsistent with the Engagement Letter, the terms of this Order shall govern.

8. Any objection to the relief requested by the Application on a permanent basis must be filed with the court, One Bowling Green, New York, New York 10004-1408, by no later than July 5, 2002 at 4:00 p.m. and served on: (i) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attention: Paul Schwartzberg, Esq.; (ii) Willkie Farr & Gallagher, attorneys for the Debtor, 787 Seventh Avenue, New York, New York 10019-6099, Attention: Tonny K. Ho, Esq.; (iii) XO Communications, Inc., 11111 Sunset Hills Road, Reston, Virginia 20190, Attention: Gary D. Begeman, Esq.; and (iv) Houlihan Lokey Howard & Zukin Capital, financial advisors for the Debtor, 685 Third Avenue, 15th Floor, New York, New York 10017, Attention: David Hilty, so as to be actually received by such filing deadline.

9. If timely objections are received there shall be a hearing held on July 9, 2002 at 11:00 a.m. to consider such timely objections to the proposed retention herein.

10. The requirement pursuant to Local Rule 9013-1(b) that the Debtor file a memorandum of law in support of the Application is hereby waived.

11. This Court shall retain jurisdiction to construe and enforce the terms of this Order.

Dated: New York, New York
June 18, 2002

s/Arthur J. Gonzalez
UNITED STATES BANKRUPTCY JUDGE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	)	Chapter 11
XO COMMUNICATIONS, INC.,	)	Case No. 02-12947 (AJG)
Debtor.)	

**ORDER AUTHORIZING DEBTOR TO PAY PREPETITION
TRUST FUND TAXES IN THE ORDINARY
COURSE**

Upon the motion, dated June 17, 2002, for an order authorizing the above-captioned debtor and debtor in possession herein (the "Debtor"), to pay prepetition trust fund taxes in the ordinary course (the "Motion"); and notice of the Motion having been given as set forth in the Motion; and it appearing that no other or further notice is required; and the Court having determined that the relief sought in the Motion is in the best interests of the Debtor, its creditors and all parties in interest; and upon consideration of the Affidavit of Wayne M. Rehberger Pursuant to Local Bankruptcy Rule 1007-2 and in Support of First-Day Motions; and after due deliberation, sufficient cause appearing therefor; it is

ORDERED, that the Motion is granted; and it is further

ORDERED, that the Debtor is authorized, solely to the extent adequate funds are available, but not directed, to pay all Trust Fund Taxes (as defined in the Motion), including, but not limited to prepetition sales, use and related tax obligations due and owing to all federal, state and local taxing authorities (the "Taxing Authorities"), consistent with the practices and policies in effect as of the commencement of the Debtor's chapter 11 case; and it is further

ORDERED, that nothing in this order or the Motion shall be construed as prejudicing any rights the Debtor may have to contest the amount or basis of any sales, use or employee-related withholding tax obligations allegedly due any Taxing Authority, whether or not paid pursuant to this Order.

ORDERED, that this Court shall retain jurisdiction over any and all matters arising from or related to the implementation or interpretation of this Order.

Dated: New York, New York
June 18, 2002

s/Arthur J. Gonzalez
UNITED STATES BANKRUPTCY JUDGE

ORDERED, that the Debtor is authorized to continue the Company's customary intercompany accounting and cash management procedures in the ordinary course, provided however, that the Company shall maintain records of all such accounting procedures and intercompany transactions in a manner such that all such procedures and transactions can be readily monitored and ascertained; and it is further

ORDERED, that the Operating Subsidiaries are authorized to transfer funds to, or make payments on behalf of the Debtor in the same manner consistent with their prepetition practice and without any further Court approval; provided, however, the Operating Subsidiaries are not hereby authorized to issue checks to third parties from and after the Petition Date on behalf of prepetition obligations of the Debtor, unless such payment is previously authorized by the Court; and it is further

ORDERED, that any payment made by an Operating Subsidiary to a third party on account of a prepetition obligation of the Debtor shall be treated as a prepetition claim by such Operating Subsidiary against the Debtor and any payment made by an Operating Subsidiary to a third party on account of a postpetition obligation of the Debtor shall be treated as an administrative claim by such Operating Subsidiary against the Debtor; and it is further

ORDERED, that the Debtor shall not be required to open a new bank account; and it is further

ORDERED, that each bank at which a Bank Account is located is authorized and directed to maintain and continue the existence of such Bank Account without interruption, provided that sufficient funds exist within such accounts to honor the checks; and it is further

ORDERED, that the Debtor is authorized to continue to use their existing business forms in the ordinary course without the requirement of indicating either "Debtor in Possession" or "DIP" thereon; and it is further

ORDERED, that each bank at which a Bank Account is located is authorized and directed to honor all checks issued by the Company from such Bank Account without regard to when the checks were issued (other than the Stop Payment Checks); and it is further

ORDERED, that the Company is authorized to invest and deposit funds in accordance with the Company's established investment and deposit practices and guidelines in effect as of the commencement of this case, and to the extent such investment and deposit practices are not consistent with the requirements of section 345(b) of the Bankruptcy Code, such requirements are waived; and it is further

ORDERED, that this Order shall be without prejudice to the rights of the Debtor or any party in interest to apply to the Court for authority to further modify the terms hereof on appropriate notice and motion; and it is further

ORDERED, that this Court shall retain jurisdiction over any matters arising from or relating to the implementation or interpretation of this order.

Dated: New York, New York
June 18, 2002

s/Arthur J. Gonzalez
UNITED STATES BANKRUPTCY JUDGE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

_____)
In re)

XO COMMUNICATIONS, INC.,)

Debtor.)
_____)

Chapter 11

Case No. 02-12947 (AJG)

**ORDER TO SHOW CAUSE SCHEDULING HEARING
AND APPROVING FORM AND MANNER OF
NOTICE THEREOF AND RELATED PROCEDURES**

Upon the motion (the "Motion"), dated June 17, 2002, of the above-captioned debtor and debtor in possession (the "Debtor") for an order: (a) authorizing and approving a Break-Up Payment and Expense Reimbursement (each as defined in the Motion) in connection with proposed equity investment; (b) scheduling a hearing and approving the form and manner of notice thereof; and (c) granting related relief; and upon the affidavit of Tonny K. Ho, Esq., which is prefixed to the Motion in accordance with Local Bankruptcy Rule 9077-1(a); and it appearing that an order to show cause setting forth procedures by which the Debtor is to provide notice of the Motion and setting forth procedures for submitting objections, if any, to the relief requested in the Motion being necessary and beneficial to the Debtor, its estate and creditors; and the Debtor having given notice of the Motion and this order to show cause by facsimile transmission to: (i) the Office of the United States Trustee for the Southern District of New York; (ii) counsel to the Senior Lenders Committee; (iii) each of the Indenture Trustees under the Debtor's indenture agreements; (iv) counsel to the Senior Noteholder Committee; (v) counsel to the Subordinated Noteholder Committee; and (vi) counsel to the Investors; and it appearing that no other or further notice of the Motion as it relates to this order to show cause need be given; and after due deliberation and sufficient cause appearing therefor, it is

ORDERED, that on or before the fourth business day following the entry of this order to show cause, the Debtor shall serve a conformed copy of this order to show cause and the Motion by first-class mail upon: (i) the Office of the United States Trustee for the Southern District of New York; (ii) counsel to the Senior Lenders Committee; (iii) each of the Indenture Trustees under the Debtor's indenture agreements; (iv) counsel to the Senior Noteholder Committee; (v) counsel to the Subordinated Noteholder Committee; (vi) the Debtor's thirty (30) largest unsecured creditors; (vii) counsel to the Investors; (viii) all entities known to have expressed an interest in a transaction with respect to the restructuring of the Debtor during the past twelve (12) months; (ix) any other potential investors the Debtor and its professionals reasonably believe could have an interest in investing in the Debtor and (x) counsel to any official committee appointed in this case.

ORDERED, that such notice as set forth herein shall constitute good and sufficient notice of the Motion, this Order to Show Cause and the hearing scheduled herewith, and no other or further notice is necessary or required.

ORDERED, that a hearing on the Motion shall be held before the Honorable Arthur J. Gonzalez, United States Bankruptcy Judge, at the United States Bankruptcy Court, Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004-1408 in Room 523, on July 12, 2002, at 10:00 a.m., or as soon thereafter as counsel may be heard. The hearing may be adjourned from time to time in open court.

ORDERED, that objections, if any, to the relief sought in the Motion must be in writing, state with particularity the grounds therefor, and be filed with the Bankruptcy Court, with a copy to chambers, and served upon: (i) Willkie Farr & Gallagher, attorneys for the Debtor, 787 Seventh Avenue, New York, New York 10019-6099, Attention: Tonny K. Ho, Esq.;

(ii) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10153, Attention: Paul K. Schwartzberg; (iii) XO Communications, Inc., 11111 Sunset Hills Road, Reston, Virginia 20190, Attention: Gary D. Begeman, Esq.; (iv) Skadden, Arps, Slate, Meagher & Flom, L.L.P., counsel to the lenders under the Senior Credit Facility, Four Times Square, New York, NY 10036, Attention: Jay M. Goffman, Esq.; (v) Fried, Frank, Harris, Shriver, and Jacobson, counsel to Forstmann, One New York Plaza, New York, New York 10004, Attn: George B. South III, Esq.; and (vi) counsel for any committees appointed in this case; so that they are received not later than July 9, 2002.

ORDERED, that the Debtor is authorized and empowered to take such steps, incur and pay such costs and expenses, and to do such things as may be reasonably necessary to fulfill the notice requirements established by this Order.

Dated: New York, New York
June 18, 2002

s/Arthur J. Gonzalez
UNITED STATES BANKRUPTCY JUDGE