

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NORTH CAROLINA
RALEIGH DIVISION

FILED

MAR 11 2003

PEGGY D. DEANG, CLERK
U.S. BANKRUPTCY COURT
EASTERN DISTRICT OF N.C.

In re:) Chapter 11
)
SPECTRASITE HOLDINGS, INC.,) Case No. 02-03631-5 (ATS)
)
)
Debtor.)

**FIRST AND FINAL FEE APPLICATION OF
HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL
FOR COMPENSATION AND REIMBURSEMENT OF EXPENSES**

Name of Applicant: Houlihan Lokey Howard & Zukin Capital

Authorized to provide Professional Services to: Official Committee of Unsecured Creditors

Date of Retention: *Nunc pro tunc* to November 15, 2002

Period for which final compensation and reimbursement is sought: November 15, 2002, through February 10, 2003

Amount of final compensation sought as actual, reasonable and necessary: \$2,505,833.33, of which \$2,062,500.00 is unpaid

Amount of final expense reimbursement sought as actual, reasonable and necessary: \$9,029.85, of which \$9,029.85 is unpaid

This is a(n): _____ monthly _____ x _____ final application

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NORTH CAROLINA
RALEIGH DIVISION**

In re:) Chapter 11
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SPECTRASITE HOLDINGS, INC.,) Case No. 02-03631-5 (ATS)
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**FIRST AND FINAL FEE APPLICATION OF
HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL
FOR COMPENSATION AND REIMBURSEMENT OF EXPENSES**

To: *The Honorable A. Thomas Small*
United States Bankruptcy Judge:

Houlihan Lokey Howard & Zukin Capital (“Houlihan Lokey”), financial advisor and investment banker to the Official Committee of Unsecured Creditors (the “Committee”), hereby submits its First and Final Fee Application of Houlihan Lokey Howard & Zukin Capital For Compensation and Reimbursement of Expenses incurred on behalf of the Committee. By this Application, Houlihan Lokey seeks final compensation for professional services rendered to the Committee in the amount of \$2,505,833.33, together with final reimbursement for actual and necessary expenses incurred in the amount of \$9,029.85, for the period from November 15, 2002, through and including February 10, 2003 (the “Application Period”). Houlihan Lokey submits this Application pursuant to sections 328, 330 and 331 of title 11 of the United States Code (the “Bankruptcy Code”), Rule 2016(a) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), the Procedures for Preparing and Submitting Applications for Compensation by Professionals by the Office of the United States Bankruptcy Administrator for the Eastern District of North Carolina, and the Order Pursuant to Sections 105 and 331 of the Bankruptcy Code Establishing Procedures for Interim Compensation And Reimbursement of Expenses of Professionals entered November 21, 2002 [Docket No. 37] (the “Administrative Order”).

This Application is supported by the Declaration of Irwin N. Gold, which is annexed hereto as Exhibit A. In support of this Application, Houlihan Lokey states as follows:

I. Background

1. On November 15, 2002 (the "Petition Date"), SpectraSite Holdings, Inc., the debtor and debtor in possession (the "Debtor") filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. Shortly thereafter, on November 21, 2002, the Court appointed the Official Committee of Unsecured Creditors.

2. The Debtor and its wholly-owned subsidiaries are principally engaged in providing services to companies operating in the communications and broadcast industries, including leasing antenna sites on multi-tenant towers, managing rooftop and in-building telecommunications access on commercial real estate, and designing, constructing, modifying and maintaining wireless network systems and broadcast towers in the United States. Together with its direct and indirect subsidiaries, it is one of the largest wireless tower operators in the United States, and a leading provider of outsourced services to the broadcast industry in the United States. The Debtor owns 100% of the capital stock of SpectraSite Communications, Inc. ("Communications"). As of October 31, 2002, the Debtor had no employees and Communications had 1,584 employees. In 2001, the Debtor recorded revenue and EBITDA of \$472.9 million and \$98.6 million, respectively.

3. The Debtor's initial source of capital was the issuance of redeemable convertible preferred stock, all of which was converted into common stock in February 2000. During 2000, the Debtor issued a total of 42 million shares of common stock for aggregate net proceeds of approximately \$740 million in two underwritten public offerings and one private placement. In connection with the private placement, the purchasing shareholders received warrants to purchase an additional 1.5 million shares of common stock. The Debtor has authorized 300,000,000 shares of common stock, of which 154,013,917 was issued and outstanding as of

November 8, 2002. From June 26, 1998 to December 20, 2000, the Debtor issued approximately \$1,971.8 million face value of notes (the “Notes”). In April 1999, Communications entered into a \$500 million credit facility (as amended and restated, the “Credit Facility”). The most recent amendment and restatement of the Credit Facility provided for an aggregate borrowing capacity of \$1.085 billion.

4. The Debtor believes that its financial difficulties were the result of a variety of factors including (i) the downturn in the economy, particularly the telecommunications sector in the latter half of 2001, which prohibited the Debtor from building its revenue base and thus generating sufficient funds for debt service, (ii) the Debtor’s customers’ restricted access to the capital markets and resultant decreased capital expenditures, and (iii) the Debtor’s growth, which was spurred by acquisitions and capital expenditures, resulted in a highly leveraged capital structure vulnerable to general adverse economic and industry conditions.

5. Since May 2001, the Debtor had been exploring strategic alternatives to improve its capital structure and decrease its high leverage. Initially, the Debtor focused on raising equity, however, despite several efforts, including an unsuccessful tender offer and exchange offer, the Debtor was unable to restructure its capital structure to the degree necessary to ensure its viability while remaining in compliance with its Credit Facility covenants.

6. After the termination of the tender offers in 2002, the Debtor and Communications commenced negotiations to amend the Credit Facility as the Debtor was anticipating violating one or more Credit Facility covenants as of the quarter ended September 30, 2002. On August 14, 2002, the Debtor reached an agreement with the Credit Facility lenders for an amendment (the “Amendment”) that, among other things, provided for an overall loosening of covenants until the earlier of September 30, 2003 or the date that the Debtor completed an “Acceptable Restructuring Plan,” as defined in the Credit Facility. In addition, the Amendment waived other potential defaults, including those arising from a payment default on the Debtor’s Notes or a bankruptcy filing by the Debtor.

7. On September 16, 2002, the Debtor announced that it was unable to pay the \$10.8 million of interest due on the 10.750% Senior Notes. In September 2002, the Debtor began negotiations with the Prepetition Noteholders Committee, which held approximately 66.4% of the outstanding principal amount of the Notes. The Prepetition Noteholders Committee retained Houlihan Lokey as its financial advisor and Hennigan, Bennett & Dorman, LLP as its legal counsel. The extensive negotiations between the Debtor and the Prepetition Noteholders Committee resulted in an agreement in principal on the terms of a restructuring. Thereafter, and up to the Petition Date, the Debtor and the Prepetition Noteholders Committee continued to negotiate the definitive terms of the Plan and prepared the documentation necessary to effectuate it. The Plan provided for all the Notes to convert into 95% of the equity (assuming dilution only from the warrants distributed to the old equity, which are convertible into 5% of the equity).

8. On November 15, 2002, the Debtor filed for chapter 11 bankruptcy protection in this Court, and filed their Disclosure Statement and Plan of Reorganization on November 18, 2002. The Court entered an Order conditionally approving the Disclosure Statement on November 21, 2002. Pursuant to changes approved at the hearing on November 15, 2002, the Debtors filed a revised Disclosure Statement on November 27, 2002. The Court entered an Order conditionally approving the revised Disclosure Statement on December 19, 2002. The Court entered an order confirming the Plan of Reorganization at a confirmation hearing held on January 28, 2003. On February 10, 2003, the Plan became effective in accordance with its terms, and the Debtor emerged from bankruptcy.

9. On December 23, 2002 [Docket No. 113], the Committee filed an Application for Order Authorizing the Employment, *Nunc Pro Tunc* to November 15, 2002 of Houlihan Lokey Howard & Zukin Capital as Financial Advisor to the Official Committee of Unsecured Creditors (the "Retention Application"). A copy of the Retention Application is annexed hereto as Exhibit B. On January 15, 2003, the Court entered an order approving Houlihan Lokey's retention as Financial Advisor to the Committee *nunc pro tunc* to the Petition Date. A copy of the Order approving Houlihan Lokey's retention is annexed hereto as Exhibit C.

10. The Court has jurisdiction over this Application pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief sought in this Application are sections 328, 330 and 331 of the Bankruptcy Code.

II. Terms And Conditions Of Compensation Of Houlihan Lokey

11. The terms and conditions of Houlihan Lokey's engagement in this case, which is embodied in the Retention Application and approved by the Court, are based upon Houlihan Lokey's retainer agreement with the Committee of July 25, 2002 (the "Retainer Agreement"), a copy of which is annexed hereto as Exhibit D. Pursuant to the Retainer Agreement, the Committee agreed to compensate Houlihan Lokey for its work by (i) paying a monthly fee of \$175,000 per month and (ii) paying a transaction fee equal to \$2,000,000. In addition, the Retention Agreement entitled Houlihan Lokey to receive reimbursement of all actual, reasonable and necessary out-of-pocket expenses.

12. As detailed in the Retention Application, the terms of the Retention Agreement were comparable to the terms of Houlihan Lokey and other financial advisors and investment bankers agreed-upon in similar engagements, both in, and outside of bankruptcy. Moreover, these terms, including the payment of monthly retainer fees, were not only similar to those routinely approved by the courts within this District, but were expressly contemplated by the Bankruptcy Code.

13. Subject to Bankruptcy Court approval, Houlihan Lokey seeks payment for compensation, plus reimbursement of actual, reasonable and necessary out-of-pocket expenses incurred by Houlihan Lokey during the Application Period.

14. By this First and Final Application, Houlihan Lokey requests that this Court authorize: (a) compensation in the amount of \$2,505,833.33, of which \$2,062,500.00 remains unpaid for the Application Period; and (b) reimbursement of actual reasonable and necessary

out-of-pocket expenses of \$9,029.85, of which \$9,029.85 remains unpaid for the Application Period.

III. Summary Of Services Provided By Houlihan Lokey

15. The Committee selected Houlihan Lokey as its financial advisor because of its extensive and diverse experience, knowledge and reputation in the restructuring field, its understanding of the issues involved in chapter 11 cases, and because the Committee believes that Houlihan Lokey is well-qualified to provide the financial advisory services that will be required here. Houlihan Lokey has served as financial advisor in many large chapter 11 cases.

16. Immediately upon its selection by the Committee, Houlihan Lokey was active on the Committee's behalf and familiarized itself with the Debtors so as to be able to advise and assist the Committee in respect of these chapter 11 cases.

17. During the Application Period, although a number of professionals have worked on this engagement, the following professionals performed substantial services to the Committee in these cases:

Irwin N. Gold – Senior Managing Director
Christopher R. Di Mauro – Director
Eric M. Winthrop – Vice President
Matthew D. Gates – Associate
Samantha B. Sugar – Financial Analyst
Helen Chen – Financial Analyst

Biographies of these professionals are annexed hereto as Exhibit D.

IV. SUMMARY OF SERVICES RENDERED

18. During the Application Period, Houlihan Lokey's work on behalf of the Committee involved the following separate categories of work, which included:

- Strategic Discussions, Planning & Review;
- Financial and Operational Due Diligence;

- Financial Analysis and Monitoring;
- Correspondence, Meeting and Preparation with Parties-In-Interest; and
- Case Administration.¹

Strategic Discussions, Planning & Review - This category includes day-to-day discussions with the Committee members, Committee's attorneys, management of the Debtor and the Debtor's legal and financial advisors; the reading and review of various documentation throughout the case; and communication among Houlihan Lokey professionals on case matters. Activities principally included providing advice to the Committee on a variety of plan of reorganization and claim recovery proposals, hybrid financial/legal issues, approaches and strategies related to case planning and out-of-the-ordinary course of business events. Houlihan Lokey negotiated extensively with the key parties-in-interest to facilitate a consensual plan of reorganization.

Houlihan Lokey expended considerable time and effort assisting the Committee in its review and analysis of various strategic alternatives available to the Debtor, including reviewing the Company's operations, capital requirements, history, organizational structure, historical and projected financial performance. Houlihan Lokey prepared both quantitative and qualitative analyses regarding the value of the Debtor's assets and operations and the advantages and disadvantages of various actions proposed by the Debtor.

Financial and Operational Due Diligence - This category represents time and activities spent meeting with the Debtor's management and professionals,

¹ While specific work could qualify under more than one of these categories, Houlihan Lokey has assigned each of its various tasks/services to the most representative category. As an example, work performed evaluating projected cash flows would pertain on some basis to all of the categories outlined above (except, perhaps, case administration) and would not be specifically assignable to any one.

learning the history of the Debtor's business and planned operational strategies as well as the ongoing development of business plans and strategies that would have long-term impacts to value. A full understanding of these aspects was necessary in order to provide the framework for the Company's ongoing viability and value potential.

This involved travel to the Debtor's North Carolina headquarters to meet with management and subsequent follow up meetings with management and their financial and legal advisors. Also included is time spent reviewing documentation related to assets, liabilities and material contracts and other activities fundamental to understanding the Debtor's current business, capital structure, position within its industry and research to keep up with current trends in the industry.

In particular, Houlihan Lokey conducted extensive financial due diligence, including reviewing and analyzing (i) the Debtor's long-term financial projections as reflected in Debtor's disclosure statement, which included discussions with management and a detailed review of the various assumptions backing the projections and (ii) transactions contemplated by the Debtor including the SBC/Cingular transaction and the sale of the Debtor's Network Services Division.

Financial Analysis and Monitoring. This category encompasses financial modeling, analysis and consultation relating to monitoring and testing of the Debtor's performance relative to the budgeted financial projections. Analyses included, but are not limited to, modeling and testing the projections and reorganization value provided in the disclosure statement. This category also includes financial analyses Houlihan Lokey was asked to provide to assist the Committee in its assessment of plan of reorganization alternatives. Through conference calls and dissemination of memoranda, Houlihan Lokey provided the

Committee with accurate and timely financial and operational information. In conjunction with Strategic Discussions, Planning & Review and Financial and Operational Due Diligence, Financial Analysis and Monitoring work provided a basis upon which to assess the Debtor's business plan and plan of reorganization proposals. Some of the major Financial Analysis and Monitoring included the following:

- Reviewing and analyzing the SBC/Cingular transaction negotiations in order to understand the benefits of the transaction between the Debtor and SBC/Cingular;
- Monitoring the sale of the Debtor's Network Services Division;
- Negotiating the management incentive plan, which included reviewing comparable plans;
- Reviewing and analyzing the Debtor's business plan in order to assess the sensitivity of the Debtor's projected financial performance to changes in key assumptions;
- Valuation of the Debtor including detailed analysis of companies and transactions in the tower and related industries, and
- Valuation of the warrants to be distributed to the old common stockholders.

Correspondence, Meeting and Preparation with Parties-In-Interest. During the Application Period, Houlihan Lokey provided various services related to chapter 11 issues and procedures, retention matters, communications and administrative functions and other matters. Houlihan Lokey attended meetings, in person and via telephone, held by the Committee, the Debtor, and the Debtor's financial advisors. Houlihan Lokey was an active participant at numerous

meetings and on numerous telephone conferences with the Committee to report on valuation, recoveries, asset sales and other matters of importance to the Committee.

Case Administration. This category includes various services related to chapter 11 non-plan issues, retention matters, addressing Debtor and counsel questions, chapter 11 procedures, communications and administrative functions and other matters not falling into any of the other categories listed above.

19. Houlihan Lokey also coordinated any such services performed at the Committee's request with services of other advisors and counsel, as appropriate, in an effort to avoid duplication of effort.

20. In accordance with the Retention Order, Houlihan Lokey is not required to submit time records in support of this application.

IV. Houlihan Lokey's Application

21. The professional services and related expenses that are the subject of Houlihan Lokey's Application were rendered and incurred in connection with these cases, and in discharge of Houlihan Lokey's professional responsibilities as financial advisor and investment banker for the Committee in this chapter 11 case. Houlihan Lokey's services have been substantial, necessary, and beneficial to the Committee and other parties in interest. Houlihan Lokey believes that the fees and expenses requested by this Application are reasonable and necessary given the variety and complexity of the issues involved in this case and the need to act or

respond on an expedited basis to those issues - and are contemplated by the Bankruptcy Code and this Court's Retention Order.

22. A summary of professional fees and expenses incurred by and payable to Houlihan Lokey during the Application Period is attached hereto as Exhibit E.

WHEREFORE, Houlihan Lokey requests that the Court enter an Order, substantially in the form of the Order annexed hereto as Exhibit F, allowing (a) compensation in the amount of \$2,505,833.33 for the Application Period, of which \$2,062,500.00 remains unpaid and (b) reimbursement of actual reasonable and necessary out-of-pocket expenses of \$9,029.85, of which \$9,029.85 remains unpaid for the Application Period.

Dated: March 7, 2003
Los Angeles, California

HOULIHAN LOKEY HOWARD & ZUKIN
CAPITAL

By: 

Irwin N. Gold

Houlihan Lokey Howard & Zukin Capital
1930 Century Park West
Los Angeles, California 90067
(310) 788-5337

Financial Advisor to the Official Committee
Of Unsecured Creditors

EXHIBIT A

Declaration of Irwin N. Gold

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NORTH CAROLINA
RALEIGH DIVISION**

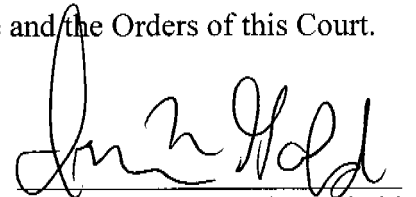
In re:) Chapter 11
)
SPECTRASITE HOLDINGS, INC.,) Case No. 02-03631-5 (ATS)
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Debtor.)

DECLARATION OF IRWIN N. GOLD

1. I am a Senior Managing Director of Houlihan Lokey Howard & Zukin Capital, and make the following Declaration:

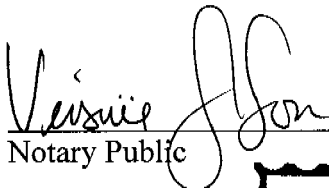
2. I have read the First and Final Application of Houlihan Lokey Howard & Zukin Capital for Compensation and Reimbursement of Expenses (the "Final Application").

3. I have read the Local Rule, and believe that the Application complies with the provisions of the Local Rule, the United States Bankruptcy Code and the Orders of this Court.



Irwin N. Gold
Senior Managing Director

Sworn to before me this 7th day of
March 2003



Notary Public

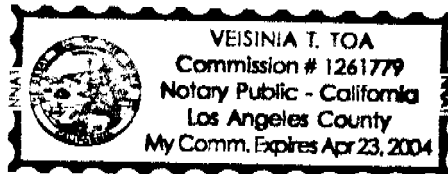


EXHIBIT B

Retention Application

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NORTH CAROLINA
RALEIGH DIVISION

FILED

DEC 23 2002

PEGGY B. DEANS, CLERK
U.S. BANKRUPTCY COURT
EASTERN DISTRICT OF N.C.

In re:) Chapter 11
))
SPECTRASITE HOLDINGS, INC.,) Case No. 02-03631-5 (ATS)
))
))
Debtor.)

**OFFICIAL COMMITTEE OF UNSECURED CREDITORS' APPLICATION FOR
ORDER AUTHORIZING THE EMPLOYMENT, NUNC PRO TUNC TO
NOVEMBER 15, 2002, OF HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL AS
FINANCIAL ADVISOR PURSUANT TO §§ 328(a) AND 1103(a)
OF THE BANKRUPTCY CODE**

The Official Committee of Unsecured Creditors (the "Committee") of Spectrasite Holdings, Inc. (the "Debtor"), hereby moves this Court for and order, pursuant to sections 328(a) and 1103(a) of Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") and Rule 2014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), authorizing the Committee to retain and employ Houlihan Lokey Howard & Zukin Capital ("Houlihan Lokey"), pursuant to the terms of its engagement letter attached hereto as Exhibit A" (the "Engagement Letter"), as its financial advisor, nunc pro tunc, effective as of November 15, 2002, and, in support thereof respectfully represents as follows:

Background

1. On November 15, 2002 (the "Petition Date"), the Debtor filed its voluntary petition for relief under Chapter 11 of the Bankruptcy Code. The Debtor continues to operate its business and manage its affairs as a debtor-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

2. Prior to the Petition Date, Houlihan Lokey was retained as the financial advisor to an ad hoc committee of holders of the Debtor's Senior Notes (the "Ad Hoc Committee"). The Ad Hoc Committee consisted of the following members: Apollo Management V, L.P., Capital Research and Management Company, Conseco Capital Management, Inc., Fidelity Management and Research Co., and Oaktree Capital Management LLC.¹

3. Subsequent to the formation of the Ad Hoc Committee, Houlihan Lokey and the Debtor entered into the Engagement Letter.

4. On November 21, 2002, the Court held hearings on the Debtor's "First-Day Pleadings" (the "First Day Hearings") and, pursuant to Section 1102 of the Bankruptcy Code, reconstituted the Committee into the Informal Committee, which originally consisted of the same entries that comprised the Ad Hoc Committee.

5. Thereafter, at a meeting held on November 26, 2002, the Committee confirmed that Houlihan Lokey would continue to serve as its financial advisor in this case. The Bankruptcy Administration for the Eastern District of North Carolina subsequently requested that the Court change the composition of the Committee to replace Capital Research and Management Co. with HSBC (the successor Indenture Trustee for the Senior Notes) as a Committee member.

¹ The Ad Hoc Committee collectively held approximately \$1,323,000,000 of the face amount of the following notes issued by the Debtor (collectively, the "Senior Notes"): the 12% Senior Notes due 2010; the 6% Senior Convertible Notes due 2010; the 10% Senior Notes due 2010; the 12% Senior Discount Notes due 2010; the 11% Senior Discount Notes due 2009; and the 12% Senior Discount Notes due 2008. The holdings of the members of the Ad Hoc Committee

Jurisdiction and Venue

6. This Court has jurisdiction to consider this Application pursuant to 28 U.S.C. §§157 and 1334, and this Application is a core proceeding pursuant to 28 U.S.C. §157(b). Venue of these cases in this District is proper pursuant to 28 U.S.C. §§1408 and 1409. The statutory predicates for the relief requested in this Application are 11 U.S.C. §§328(a) and 1103(a).

Retention of Houlihan Lokey Howard & Zukin Capital

a. Introduction

7. The Committee brings this Application because of their pressing need to retain a financial advisor to assist them in the critical tasks associated with analyzing and implementing critical restructuring alternatives, and to help guide them through their reorganization efforts. As a result of their careful deliberations, and through the exercise of their business judgment, the Committee determined that Houlihan Lokey's broad experience, including the considerable experience gained as financial advisor to the Ad Hoc Committee, would best serve the interests of the Committee, its counsel, and the creditors in these cases.

8. Houlihan Lokey is a nationally recognized investment banking/financial advisory firm with 9 offices worldwide, and more than 300 professionals. Houlihan Lokey provides investment banking and financial advisory services and execution capabilities in a variety of areas, including financial restructuring, where Houlihan Lokey is one of the leading investment bankers and advisors to debtors, bondholder groups, secured and unsecured creditors,

represented approximately sixty-seven percent (67%) of the total outstanding face amount of Senior Notes (which comprise substantially all of the Debtor's unsecured debt).

acquirors, and other parties-in-interest involved in financially distressed companies, both in and outside of bankruptcy. Houlihan Lokey's Financial Restructuring Group, which has over 80 professionals dedicated to such engagements, will be providing the agreed-upon financial advisory services to the Committee. Houlihan Lokey has served as a financial advisor in some of the largest and most complex restructuring matters in the United States, including serving as the financial advisor to the debtors in the Chapter 11 proceedings of *XO Communications, NII Holdings, Inc. (Nextel International), Covad Communications, Inc.* and *AmeriServe Food Distribution, Inc.*, and as the financial advisor to the official creditors committees in the Chapter 11 proceedings of *WorldCom, Inc., Enron Corporation, Williams Communications Group, Inc., Laidlaw, Inc.,* and *The Loewen Group, Inc.*, to name a few of its representative engagements. In addition, Houlihan Lokey's Financial Restructuring Group has particular expertise in regard to the telecommunications industry, where Houlihan Lokey has provided financial advisory and investment banking services to many telecommunications companies and their creditors throughout the world, including *McLeod USA, Impsat Fiber Networks, Inc., Flag Telecom Holdings, Ltd., Global Telesystems, Inc. GST Telecommunications and CTI Movil* to name a few of its engagements.

9. As the financial advisor to the Committee, it is expected that Houlihan Lokey will provide the following services:

- (a) Evaluating the assets and liabilities of the Debtor;
- (b) Analyzing and reviewing the financial and operating statements of the Debtor;
- (c) Analyzing the business plans and forecasts of the Debtor;

- (d) Evaluating all aspects of the Debtor's near term liquidity, including all available financing alternatives;
- (e) Providing such specific valuation or other financial analyses as the Committee may require in connection with the case;
- (f) Assessing the financial issues and options concerning any proposed Transaction; and
- (g) Preparing analyzing and explaining any Transaction to various constituencies.

10. Houlihan Lokey's retention should be approved, nunc pro tunc, effective to November 15, 2002. This is appropriate as, since that time Houlihan Lokey has been providing critical services to the Committee (and to the Ad Hoc Committee prior to the Committee's formation).

b. The Terms of Houlihan Lokey's Engagement

11. The terms of Houlihan Lokey's engagement with the Committee are set forth in the Engagement Letter. Pursuant to the Engagement Letter, Houlihan Lokey will be entitled to receive, as compensation for its services:

- a. a Monthly Fee of \$175,000;
- b. a fee in the event that a Transaction (as defined in the Engagement Letter) is consummated in an amount equal to \$2,000,000 (the "Transaction Fee"); and
- c. the reimbursement of all reasonable out-of-pocket expenses.

Finally, the Engagement Letter provides that the Debtor shall indemnify and hold Houlihan Lokey harmless against any and all losses, claims, damages or liabilities in connection with the engagement, except to the extent they arise as a result of any gross negligence, willful misconduct, bad faith or self-dealing on the part of Houlihan Lokey in the performance of its services. Pursuant to the agreement it has reached with the Office of the United States Trustee in other engagements, Houlihan Lokey has agreed to certain modifications of these indemnification provisions, and they are reflected in the proposed Order attached hereto as Exhibit C.

12. As described more fully in the Affidavit of Christopher DiMauro in Support of the Application (the "DiMauro Affidavit"), attached hereto as Exhibit B, the terms of Engagement Letter are similar to the terms, both financial and otherwise, agreed to by Houlihan Lokey and other investment bankers in similar engagements, both in and outside of bankruptcy.

13. The terms of the Engagement Letter, which are those agreed to by the Ad Hoc Committee, were heavily negotiated between the Ad Hoc Committee, the Debtor, their respective legal advisors and Houlihan Lokey, and they reflect the Committees' evaluation of the extensive work to be performed by Houlihan Lokey and the Firm's financial advisory expertise.

c. Houlihan Lokey's Application Should be Approved Pursuant to Section 328(a) of the Bankruptcy Code

14. The Engagement Letter provides that Houlihan Lokey will be retained pursuant to section 328(a) of the Bankruptcy Code. Section 328(a) provides, in relevant part, that the Debtor, "with the court's approval may, employ or authorize the employment of a professional person under section 327... on any reasonable terms and conditions of employment, including a retainer...." 11 U.S.C. §328(a). Section 328 reflects a significant departure from

prior bankruptcy practice relating to the compensation of professionals, as it permits the compensation of professionals, including investment bankers and financial advisors, on more flexible terms that reflect the nature of their services and market conditions. As the Fifth Circuit Court of Appeals recognized in *In re National Gypsum Co.*, 123 F.3d 861 (5th Cir. 1997):

Prior to 1978, the most able professionals were often unwilling to work for bankruptcy estates where their compensation would be subject to the uncertainties of what a judge thought the work was worth after it had been done. That uncertainty continues under the present §330 of the Bankruptcy Code, which provides that the court award to professional consultants reasonable compensation' based on relevant factors of time and comparable costs, etc. Under present §328 the professional may avoid that uncertainty by obtaining court approval of compensation agreed to with the trustee (or debtor or committee).

Id. at 862 (citations omitted).

15. Owing to this inherent flexibility, courts have approved similar arrangements that contain reasonable terms and conditions under section 328. The fee structure for this engagement is similar to fee agreements approved by bankruptcy courts throughout the United States under section 328(a).

16. Pursuant to section 331 of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules and the Orders of this Court, Houlihan Lokey will apply to the Court for the interim and final allowance of compensation and reimbursement of expenses. Because Houlihan Lokey will be compensated on a flat monthly basis with a Transaction Fee, it should not be required to submit detailed time records in support of such applications.

d. Houlihan Lokey is a Disinterested Party

17. Houlihan Lokey's compliance with the requirements of sections 326 and 504 of the Bankruptcy Code and Federal Rules of Bankruptcy Procedure 2014 and 2016 (the "Bankruptcy Rules") is set forth in greater detail in the DiMauro Affidavit.

18. As described in the DiMauro Affidavit, Houlihan Lokey does not represent any of the Debtor's creditors or other parties to this proceeding, or their respective attorneys or accountants, in any matter which is adverse to the interests of the Debtor as debtor-in-possession, and is a "disinterested person" as defined in 11 U.S.C. § 101(14).

19. As also described in the DiMauro Affidavit, Houlihan Lokey does not hold any interest adverse to the Debtor as debtor-in-possession or their estates in the matters upon which Houlihan Lokey is to be engaged herein.

20. As discussed supra, Houlihan Lokey had been retained prior to the Petition Date on behalf of the Ad Hoc Committee. Pursuant to this retention, Houlihan Lokey had been paid \$1,129,740 as compensation for its services and reimbursement of expenses for its services on behalf of the Ad Hoc Committee. Of this amount, Houlihan Lokey had already been paid the Monthly Fee for the months of December 2002 and January 2003. Accordingly, Houlihan Lokey is not a prepetition creditor of the Debtor.

Notice

21. This Application has been provided by Regular U.S. Mail upon: (i) the Debtor, (ii) Debtor's counsel, (iii) the Bankruptcy Administrator for the Eastern District of North Carolina, and (iv) the members of the Committee.

22. No previous application for the relief requested herein has been made to this or any other court.

WHEREFORE, the Official Committee of Unsecured Creditors respectfully request that this Court enter an Order in the form attached hereto as Exhibit C, approving the retention and employment of Houlihan Lokey Howard & Zukin Capital, as financial advisor to the Official Committee of Unsecured Creditors, nunc pro tunc to November 15, 2002, pursuant to §§328(a) and 1103(a) of the Bankruptcy Code, and grant such other relief as may be just and equitable.

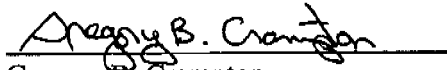
Dated: New York, New York
December __, 2002

OAKTREE CAPITAL MANAGEMENT, LLP
On behalf of certain funds and accounts it manages



By: _____
Kenneth Liang
Managing Director

NICHOLS & CRAMPTON P.A.



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*Proposed Counsel for the Official
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-and-

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Telephone: (213) 694-1200
Facsimile: (213) 694-1234
*Proposed Counsel for the Official
Committee of Unsecured Creditors*

CERTIFICATE OF SERVICE


It is hereby certified that the foregoing **OFFICIAL COMMITTEE OF UNSECURED CREDITORS' APPLICATION FOR ORDER AUTHORIZING THE EMPLOYMENT, NUNC PRO TUNC TO NOVEMBER 15, 2002, OF HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL AS FINANCIAL ADVISOR PURSUANT TO §§ 328(a) and 1103(a) OF THE BANKRUPTCY CODE** was served this day by placing a copy thereof in a depository under the exclusive care and custody of the United States Postal Service in a postage prepaid envelope and properly addressed as follows:

Terri L. Gardner
Poyner & Spruill LLP
Attorneys for Debtor
3600 Glenwood Avenue
Raleigh, NC 27612

Marjorie K. Lynch
Bankruptcy Administrator
United States Bankruptcy Court
Eastern District of North Carolina
P.O. Box 3039
Raleigh, NC 27602-3093

Andrew N. Rosenberg
Paul Weiss Rifkind Wharton & Garrison
Attorneys for Debtor
1285 Avenue of the Americas
New York, NY 10019-6064

This 23rd day of December, 2002



Mayi S. Alvarez
Legal Assistant

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NORTH CAROLINA
RALEIGH DIVISION**

In re:) Chapter 11
)
SPECTRASITE HOLDINGS, INC.,) Case No. 02-03631-5 (ATS)
)
)
)
Debtor.)

FILED

DEC 23 2002

PEGGY B. DEANS, CLERK
U.S. BANKRUPTCY COURT
EASTERN DISTRICT OF N.C.

**AFFIDAVIT OF CHRISTOPHER DIMAURO IN SUPPORT OF OFFICAL
COMMITTEE OF UNSECURED CREDITORS' APPLICATION FOR ORDER
AUTHORIZING THE EMPLOYMENT, NUNC PRO TUNC TO NOVEMBER 15, 2002,
OF HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL AS FINANCIAL ADVISOR
PURSUANT TO §§ 328(a) AND 1103 OF THE BANKRUPTCY CODE**

STATE OF CALIFORNIA)
) SS
COUNTY OF LOS ANGELES)

Pursuant to Federal Rule of Bankruptcy Procedure 2014(a), Christopher DiMauro, being duly sworn, deposes and says:

1. I am a Senior Vice-President of Houlihan Lokey Howard & Zukin Capital ("Houlihan Lokey"), and am duly authorized to make this Affidavit on behalf of Houlihan Lokey. I make this Affidavit in support of the Official Committee of Unsecured Creditors' Application for Order Authorizing the Employment of Houlihan Lokey Howard & Zukin Capital as Financial Advisor (the "Application"). The facts set forth in this Affidavit are personally known to me, and if called as a witness, I could and would testify thereto. Unless otherwise defined, all capitalized terms used herein have the meanings given to them in the Application.

2. Houlihan Lokey is a nationally recognized investment banking/financial advisory firm with 9 offices worldwide, and more than 300 professionals. Houlihan Lokey

provides investment banking and financial advisory services and execution capabilities in a variety of areas, including financial restructuring, where Houlihan Lokey is one of the leading investment bankers and financial advisors to debtors, bondholder groups, secured and unsecured creditors, acquirors, and other parties-in-interest involved in financially distressed companies, both in and outside of bankruptcy. Houlihan Lokey's Financial Restructuring Group, has over 80 professionals dedicated to such engagements, and will be providing the agreed-upon financial advisory services to the Official Committee of Unsecured Creditors (the "Committee"). Houlihan Lokey has served as a financial advisor in some of the largest and most complex restructuring matters in the United States, including serving as the financial advisor to the debtors in the Chapter 11 proceedings of *XO Communications, NII Holdings, Inc. (Nextel International)*, *Covad Communications, Inc.* and *AmeriServe Food Distribution, Inc.*, and as the financial advisor to the official creditors committees in the Chapter 11 proceedings of *WorldCom, Inc.*, *Enron Corporation*, *Williams Communications Group, Inc.*, *Laidlaw, Inc.*, and *The Loewen Group, Inc.*, to name a few of its representative engagements. In addition, Houlihan Lokey's Financial Restructuring Group has particular expertise in regard to the telecommunications industry, where Houlihan Lokey has provided financial advisory and investment banking services to many telecommunications companies and their creditors throughout the world, including *McLeod USA*, *Impsat Fiber Networks, Inc.*, *Flag Telecom Holdings, Ltd.*, *Global Telesystems, Inc.* *GST Telecommunications* and *CTI Movil* to name a few of its engagements.

3. Houlihan Lokey has agreed to provide financial advisory services to the Committee in the above-captioned Chapter 11 cases before this Court, pursuant to the terms and conditions of the Engagement Letter dated July 25, 2002, between an ad hoc committee of

holders of the Debtor's Senior Notes (the "Ad Hoc Committee") and Houlihan Lokey (the "Engagement Letter"). A copy of the Engagement Letter is attached to the Application as Exhibit A. No agreement exists to share any compensation received by Houlihan Lokey for its services with any person or firm.

4. The terms and conditions of the Engagement Letter, which are the same to those terms and conditions contained in its engagement agreement with the Debtor on behalf of the Ad Hoc Committee, were heavily negotiated between the Ad Hoc Committee, the Debtor, their respective legal advisors and Houlihan Lokey, and reflected the parties' mutual agreement as to the substantial efforts that will be required in this engagement. As is customary in similar engagements, both in and outside of bankruptcy, the Engagement Letter provides for Houlihan Lokey to receive a Monthly Fee and a Transaction Fee (as defined in the Engagement Letter). Taking into account the complex nature of this engagement, the terms contained in the Engagement Letter are similar to the terms agreed to by Houlihan Lokey and other financial advisory firms in similar restructuring engagements, both in and outside of bankruptcy.

5. Houlihan Lokey is a "disinterested person" as that term is defined in Section 101(14) of the Bankruptcy Code in that Houlihan Lokey:

- a. is not a creditor, equity security holder or insider of the Debtor;
- b. is not and was not an investment banker for any outstanding security of the Debtor;
- c. has not been, within three (3) years before the date of the filing of the Debtor's Chapter 11 petition, (i) an investment banker for a security of the Debtor, or (ii) an attorney for such an investment banker in connection with the offer, sale, or issuance of a security of the Debtor; and

-
- d. is not and, was not, within two (2) years before the date of the filing of the Debtor's Chapter 11 petition, a director, officer, or employee of the Debtor or of any investment banker as specified in subparagraph (b) or (c) of this paragraph.

6. Moreover, to the best of my knowledge, information and belief formed after reasonable inquiry, Houlihan Lokey and its affiliates, professionals and employees have no materially adverse interest to the Debtor's estate or the creditors in this case.

7. To determine its relationship with the parties-in-interest in these cases, Houlihan Lokey researched its client databases as to the following individuals and entities (collectively, the "Interested Parties"), that were identified to Houlihan Lokey by Hennigan, Bennett and Dorman, LLP, counsel to the Committee, from a schedule provided by counsel to the Debtor:

- a. the Debtor's largest known creditors;
- b. the Debtor's direct and indirect subsidiaries;
- c. the Debtor's senior officers and directors;
- d. entities affiliated with the Debtor's directors or officers;
- e. parties to employment agreements with the Debtor;
- f. members of the Committee and its financial advisor;
- g. the Debtor's counsel, financial advisor and accountant;
- h. the Debtor's significant shareholders;
- i. the underwriters of the Debtor's securities;
- j. the Debtor's insurance carriers;