

KIRKLAND & ELLIS LLP
Citigroup Center
153 East 53rd Street
New York, New York 10022-4675
Telephone: (212) 446-4800
Facsimile: (212) 446-4900
Matthew A. Cantor (MC-7727)
Jonathan S. Henes (JH-1979)

Attorneys for Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**SECOND SUPPLEMENTAL AFFIDAVIT OF MATTHEW A. CANTOR
IN SUPPORT OF APPLICATION SEEKING ENTRY OF AN
ORDER AUTHORIZING THE EMPLOYMENT AND RETENTION
OF KIRKLAND & ELLIS AS ATTORNEYS FOR THE DEBTORS**

Matthew A. Cantor, being duly sworn, hereby deposes and says:

1. I am a partner of Kirkland & Ellis (“K&E”), Citigroup Center, 153 East 53rd Street, New York, New York 10022-4611. I am admitted to practice in the Southern District of New York and the Eastern District of New York.

2. On May 14, 2003, the Debtors filed with this Court the application (the “Application”) of Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the “Debtors”), for approval of the Debtors’ retention of K&E, as their attorneys in these chapter 11 cases, at their normal hourly rates in effect from time to time and in accordance with their normal reimbursement policies, in compliance with sections 328(a), 329 and 504 of title 11 of the United States Code (the “Bankruptcy Code”).

3. On May 14, 2003, K&E filed with this Court the Affidavit of Matthew A. Cantor in support of Application Seeking Entry of an Order Authorizing the Employment and Retention of Kirkland & Ellis As Attorneys for the Debtors (the “Original Affidavit”).

4. On June 20, 2003, K&E filed with this Court the First Supplemental Affidavit of Matthew A. Cantor in support of Application Seeking Entry of an Order Authorizing the Employment and Retention of Kirkland & Ellis As Attorneys for the Debtors (the “First Supplemental Affidavit”).

5. Specifically, I submit this Second Supplemental Affidavit in connection with the Application to provide additional disclosure required under rules 2014(a) and 2016(b) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”). Unless otherwise stated in this Affidavit, I have personal knowledge of the facts set forth herein. To the extent any information disclosed herein requires amendment or modification upon K&E’s completion of further review or as additional party-in-interest information becomes available to it, a supplemental affidavit will be submitted to the Court reflecting such amended or modified information.

6. None of the additional representations described herein are materially adverse to the interests of the Debtors’ estates or any class of creditors or equity security holders thereof. Moreover, pursuant to section 327(c) of the Bankruptcy Code, K&E is not disqualified from acting as the Debtors’ counsel merely because it represents creditors, equity security holders, and/or other parties in interest in matters unrelated to these chapter 11 cases.

7. K&E will periodically review its files during the pendency of these chapter 11 cases to ensure that no conflicts or other disqualifying circumstances exist or arise. If any new relevant facts or relationships are discovered or arise, K&E will use its reasonable

efforts to identify any such further developments and will promptly file a supplemental affidavit as required by Bankruptcy Rule 2014(a).

8. In connection with the preparation of the Original Affidavit and the First Supplemental Affidavit, K&E conducted an extensive conflicts search for all known or potential conflicts. This Affidavit supplements the Original Affidavit and the First Supplemental Affidavit to include additional disclosures.

Additional Disclosures

9. Subsequent to filing the Application, the Original Affidavit and the First Supplemental Affidavit, K&E searched the list of counterparties (the “Counterparties”) to executory contracts that it received from the Debtors. This list is annexed hereto as Exhibit “A.”

10. K&E’s search of the Counterparties reveals, to the best of my knowledge, that K&E’s representation of any of the Counterparties is in matters unrelated to the representation of the Debtors.

11. Although not relevant in concluding that K&E is “disinterested,” the results of K&E’s conflict search of the Counterparties is listed below.

Counterparties

Name of Executory Contract Party Searched	Name of Executory Contract Party or Affiliate of Executory Contract Party that is a K&E Client	Brief Description of Representation
American Airlines	(i) American Airlines (ii) Trans World Airlines	Representation in connection with tax and litigation matters unrelated to the Debtors.
Applied Digital Access	(i) Remington Arms Company	Representation in connection with employee benefits matters unrelated to the Debtors.
Arthur Andersen LLP	(i) Arthur Andersen LLP	Representation in connection with corporate and litigation matters unrelated to the Debtors.
Dun & Bradstreet	(i) Dun & Bradstreet	Representation in connection with intellectual property matters unrelated to the Debtors.
Meristar H&R Operating Company	(i) Meristar Hospitality Corporation	Representation in connection with transactional matters unrelated to the Debtors.
Microsoft Corporation	(i) ICOS Corporation	Representation in connection with litigation matters unrelated to the Debtors.
Quest Software	(i) Quest Software	Representation in connection with litigation matters unrelated to the Debtors.
TSI Telecommunications	(i) TSI Telecommunication Services, Inc. (ii) InteCap, Inc. (iii) GTCR Golder Rauner, LLC (iv) Cardinal Freight Carriers, Inc. (v) Comsys, Inc. (vi) Daramic, Inc. (vii) Global Passenger Services, L.L.C. (viii) Golder, Thoma, Cressey, Rauner, Inc. (ix) Infusion Care Systems, Inc. (x) NSC Communications Corporation (xi) Polymer Group, Inc. (xii) Risk Management Alternatives, Inc. (xiii) Select Medical Corporation (xv) Thoma Cressey Equity Partners (xvi) U.S. Aggregates, Inc. (xvii) Vanteon Corporation (xviii) Vista Information Technologies, Inc. (xix) Iron Triangle Payment Systems, Inc. (xx) Alliant Resources Group, Inc. (xxi) InfoHighway Communications Corporation (xxii) Transaction Network Services, Inc. (xxiii) VeriFone, Inc. (xxiv) Genpass (xxv) Trans Healthcare, Inc. (xxvi) The Toy Box Theatre Company (xxvii) National Equipment Services, Inc.	Representation in connection with corporate matters unrelated to the Debtors.

12. As indicated above and on Exhibit "A", TSI Telecommunications ("TSI") is a Counterparty. In that regard, TSI assists the Debtors in delivering basic phone services to certain of its customers. K&E currently represents TSI in matters unrelated to the Debtors. For the fiscal year ending March 31, 2003, TSI represented approximately 0.06% of K&E's gross revenues.

13. Notably, TSI is a portfolio company of GTCR Golder Rauner, LLC, a private equity firm, which is a client of K&E. For the fiscal year ending March 31, 2003, GTCR Golder Rauner, LLC ("GTCR"), represented approximately 0.90% of K&E's gross revenues.

14. In addition, as described in the First Supplemental Affidavit, certain partners of K&E have organized investment entities to passively invest in a diversified group of high-quality, professionally managed venture capital, LBO and private equity funds ("PEFs") formed by some of K&E's venture capital and private equity clients. Two of the PEFs, i.e., K&E Investment Partners, LLC-1999, which is a Delaware Limited Liability Company formed in 1999 and comprised of certain K&E partners (the "99 PEF"),¹ and Randolph Street Partners III, which is a Illinois general partnership formed in 1999 and comprised of certain K&E partners (the "Randolph PEF"),² own limited partnership interests in three of GTCR's funds which make investments in a variety of companies. Specifically, the 99 PEF committed to invest (i) \$1,875,000 in the GTCR Fund VII, L.P. which had a total commitment of \$1,516,500,000, and (ii) \$625,000 in the GTCR Fund VII/A, L.P. which had a total commitment of \$483,500,000. As such, the 99 PEF has a 0.1236% ownership interest in the GTCR Fund VII, L.P. and a 0.1293%

¹ Neither Jonathan S. Henes nor I, the two partners primarily responsible for the representation of the Debtors in these chapter 11 cases, invested in the 99 PEF.

² Neither Jonathan S. Henes nor I, the two partners primarily responsible for the representation of the Debtors in these chapter 11 cases, invested in the Randolph PEF.

ownership interest in the GTCR Fund VII/A, L.P. Importantly, the 99 PEF does not – and, therefore, K&E partners do not – have any management or control rights over the investment decisions made by the GTCR Fund VII, L.P. or the GTCR Fund VII/A, L.P. In 2002, the GTCR Fund VII invested \$147,212,264 and the GTCR Fund VII/A, L.P. invested \$73,606,132 in TSI. The GTCR Fund VII, L.P. has a 49.9% ownership in TSI and the GTCR Fund VII/A, L.P. has 24.9% ownership in TSI. Accordingly, K&E has an indirect ownership of TSI of 0.0617% through the GTCR Fund VII, L.P. and of 0.0323% through the GTCR Fund VII/A, L.P.

15. The Randolph PEF committed to invest \$900,000 in the GTCR Co-Invest, L.P. which had a total commitment \$183,100,000. As such, the Randolph Fund has a 0.4916% ownership interest in the GTCR Co-Invest, L.P. Importantly, the Randolph Fund does not – and, therefore, K&E partners do not – have any management or control rights over the investment decisions made by the GTCR Co-Invest, L.P. In 2002, the GTCR Co-Invest, L.P. invested \$2,021,600 in TSI and, as a result, GTCR Co-Invest, L.P. has a 0.69% ownership in TSI. Accordingly, K&E has an indirect ownership of TSI of 0.0034% through the GTCR Co-Invest, L.P.

16. Out of an abundance of caution, K&E will not represent TSI or GTCR in any matters relating to the Debtors. In addition, K&E will not represent the Debtors in any matter relating to TSI or GTCR. Togut, Segal & Segal will represent the Debtors in any and all matters related to TSI and GTCR.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing
is true and correct.

/s/ Matthew A. Cantor
Matthew A. Cantor
Kirkland & Ellis LLP
Citigroup Center
153 East 53rd Street
New York, New York 10022-4611
(212) 446-4800
(212) 446-4900 (fax)

Subscribed and sworn to before me on
this 5th day of August, 2003.

/s/ Nathanael F. Meyers
Notary Public
State of New York
No. 01ME5057476
My Commission Expires: March 25, 2006

EXHIBIT A

AboveNet
Acterna
ADC Software Systems USA
ADTRAN
Alcatel
Alcatel/DCS
Alcatel/Litespan
American Airlines, Inc.
Ameritech Advanced Data Services of Illinois
Applied Digital Access
Applied Solutions Incorporated
Aquila Broadband Services
Arthur Anderson LLP
AT&T (TCG)
AT&T Corp.
Atlas Van Lines
Avaya
Axon Telecom
BEA Systems
Broadview Networks
Broadwing
Cambrian Communications
Carson Group
Cawley International
CCMI
Cisco
Citrix Systems
Clarify, Inc. a Nortel Networks Co.
Compass Security Services
CompuCon Systems
Computershare Ltd.
Concert Global Networks Limited
Connect Direct
Copper Mountain
CSG Systems
CTSI
DaPron Systems
DSET Corporation
Dun & Bradstreet
Edocs, Inc.
Edwards & Kelecy
El Paso Networks
EMC Corporation
Emeritus Communications
Emerson Power

Encore! Presentations
ENSR
Entricom
Equifax/NTDE
EquiServe
Everett, Nancy Z.
Extreme
Fiber Technologies
FPL FiberNet, LLC
Fujitsu Network Services
Genuity
Global Crossing Bandwidth, Inc.
Global Internetworking
Go2Net
Grande Communications
Hurricane Consulting
ICG Communications
Implementation Partners, The
Infospace
Infra Corporation
Integ Systems
Internet America
Intertech Management Group
Intrado
IP Communications
J.D. Edwards
Juniper
KMC Telecom
KPMG Consulting, Inc.
Ksolutions
Lavastorm Telecom, Inc.
Level 3
Lightwave Communications, Inc.
LJF Consulting Corp.
Looking Glass Networks
Lucent Technologies, Inc.
Lucent/APX
Lucent/DWDM
Lucent/IAD
Lucent/IDLC
MegaPath Networks
Meristar H & R Operating Company
Merrill Lynch
MetaSolv Software
Method Networks
Metropolitan Fiber Systems of Baltimore

MFN
Micromuse
Microsoft
Monster.com
NEON
Network Conceptions, LLC
Nortel - Aastra
Nortel Networks
NTDE
Octel Communications
Omni Partners
ONE, Inc.
OneCall Internet
Open Market
Opnet
Option One
Oracle Corporation
PairGain Technologies
PAIX.net
PCP
Peregrine Systems
Pf.Net
Plan4Demand Solutions, Inc.
Power Conversion
PPL Prism
Precise Power
Price WC
Quest Software
Ratliff, R. Thomas
RCN Telecom Services
Reynolds and Reynolds Company
Salomon Smith Barney
SBC Ameritech
Service Strategies International
Shopsite, Inc.
Solvis Consulting, LLC
Southern California Edison Company
Sprint Communications
Sterling Software
System Services
Targus Information Corporation
Tasman
Telcordia
Telcordia Technologies
Tellabs Operations
Teoco Corporation

Time Warner Telecom Holdings, Inc.
TMP Interactive (see Monster.com)
TSI Telecommunication Services, Inc.
UpShot Corporation
Velocita
Veritas Software Global Corporation
VINA Technologies
Vitria Technology
Watson Wyatt
Webster Addison
WorldCom
Xtime
Yankee Group, The