

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**INTERIM ORDER AUTHORIZING THE RETENTION
AND EMPLOYMENT OF KPMG LLP AS ACCOUNTANTS,
AUDITORS, TAX ADVISORS AND BANKRUPTCY COMPLIANCE
ADVISORS FOR THE DEBTORS NUNC PRO TUNC TO JULY 22, 2003**

Upon the application (the "Application"), dated August 6, 2003, of Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), seeking entry of an order, pursuant to sections 327(a) and 328(a) of title 11 of the United States Code (the "Bankruptcy Code"), authorizing the Debtors to employ and retain KPMG LLP ("KPMG") as their accountants, auditors, tax advisors, and bankruptcy compliance advisors on an interim basis, all as more fully set forth in the Application; and upon consideration of the affidavit of Jerry Borowick a partner of KPMG, sworn to on August 5, 2003 (the "Borowick Affidavit"), which is annexed to the Application as Exhibit "A"; and the Court being satisfied based on the representations made in the Application and the Borowick Affidavit that KPMG does not hold or represent any interest adverse to the Debtors or their estates and is disinterested, as that term is defined in section 101(14) the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code; and the Court having jurisdiction to consider and determine the Application as a core proceeding pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that the employment of KPMG is necessary and in the best interests of the Debtors,

their creditors, and all parties in interest; and it appearing that due and proper notice of the Application has been given; and after due deliberation and cause appearing therefore; it is hereby

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

ORDERED that, pursuant to section 327(a) and 328(a) of the Bankruptcy Code, the Debtors are authorized to employ and retain KPMG as their accountants, auditors, tax advisors and bankruptcy compliance advisors on the terms set forth in the Application, the Retention Agreement¹ and the Borowick Affidavit, effective as of July 22, 2003; and it is further

ORDERED that KPMG shall apply for compensation and reimbursement in accordance with the procedures set forth in sections 330 and 331 of the Bankruptcy Code, and the Order of this Court establishing procedures for monthly compensation and reimbursement of expenses for professionals, dated June 13, 2003; and it is further

ORDERED that the Debtors shall serve a copy of the Application and this Order upon the master service list within two (2) business days; and it is further

ORDERED that 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 _____, 2003 at 4:00 p.m. and served on the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attention: Carolyn Schwartz, Esq. and Kirkland & Ellis, attorneys for the Debtors, Citigroup Center, 153 East 53rd Street, New York, New York 10022-4611, Attention: Jonathan S. Henes, Esq., so as to be actually received by such filing deadline; and it is further

ORDERED that any objections to the proposed retention must be filed with the Court in accordance with General Order of the United States Bankruptcy Court for the Southern

¹ Capitalized terms not defined herein shall have the meaning ascribed to them in the Application.

District of New York M-242, which order can be found at www.nysb.uscourts.gov; and it is further

ORDERED that if timely objections are received there shall be a hearing held on _____, 2003 at __:__ a.m. to consider such timely objections to the proposed retention herein; and it is further

ORDERED that if no objections to KPMG'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 KPMG's retention shall be made effective nunc pro tunc to July 22, 2003; and it is further

ORDERED that this Court shall retain jurisdiction to hear and determine all matters arising from the implementation of this Order.

Dated: New York, New York
_____, 2003

UNITED STATES BANKRUPTCY JUDGE