

August 28, 2003

Dan Yost
President and COO
Allegiance Telecom, Inc.
9201 N. Central Expressway
Dallas, Texas 75231

Dear Dan:

This letter shall modify and amend the engagement letter dated June 20, 2003, which sets out the terms of the retention of Impala Partners, LLC ("Impala") to provide advisory services to Allegiance Telecom, Inc. (the "Company").

Effective August 15, 2003, we amend paragraph 2 of the agreement dated June 20, 2003, such that in consideration for our services you agree to pay according to the following schedule for monthly fees:

August 15, 2003 to September 15, 2003	\$250,000
September 15, 2003 to October 15, 2003	\$200,000
October 15, 2003 to November 15, 2003	\$175,000
November 15, 2003 through the emergence from bankruptcy or sale of the Company as required by the Company.	\$175,000

Beginning on February 1, 2004, through sale or confirmation of a plan \$100,000 of the monthly fees, if earned, will be credited against the success fee.

The agreement dated June 20, 2003, shall be further amended to reflect a success fee as agreed to in section 2 of the engagement letter. The success fee shall be \$2,500,000.00 payable upon the effective date following confirmation of a plan of reorganization or sale of the Company.

If the foregoing correctly sets forth the understanding between us, please so indicate on the enclosed signed copy of this agreement in the space provided therefor and return it to us, whereupon this agreement shall constitute a binding agreement between us.

Very truly yours,
IMPALA PARTNERS

By: 
Peter C. Keenoy

AGREED TO AND ACCEPTED
as of the date first above written:

By: 
