

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	

**ORDER PURSUANT TO SECTIONS 105(a) AND 363(b) OF THE BANKRUPTCY CODE
AUTHORIZING PAYMENT OF PREPETITION EMPLOYEE OBLIGATIONS**

Upon the motion (the "Motion"),¹ dated May 14, 2003, of Allegiance Telecom, Inc. and its subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), requesting an order, pursuant to sections 105(a) and 363(b) of title 11, United States Code (the "Bankruptcy Code"), authorizing the payment of certain prepetition employee obligations, as is more fully set forth in the Motion; and the Court having jurisdiction to consider and determine the Motion as a core proceeding in accordance with 28 U.S.C. §§157 and 1334; and for the reasons set forth on the record of the hearing on the motion, it appearing that the relief requested by the Motion is necessary and in the best interests of the Debtors, their estates, and their creditors; and due notice of the Motion having been given, and it appearing that no other or further notice need be given; and sufficient cause appearing therefor, it is

ORDERED that the Motion is granted and approve as set forth herein; and it is further

¹ Unless otherwise defined herein, capitalized terms shall have the meaning ascribed to them in the Motion.

ORDERED that the Debtors are authorized to pay any and all Prepetition Employee Obligations with the exceptions of the Prepetition Obligations owed to the 10 senior executives identified at the hearing on the motion (the “Senior Executives”); and it is further

ORDERED that the Debtors are authorized to pay earned and unpaid Payroll Tax Obligations to the extent any such payments remain unpaid; and it is further

ORDERED that the Debtors are authorized to honor their plans, policies, and programs with respect to vacation, Employee Payroll Deductions, and Reimbursable Business Expenses as such plans, policies, and programs were in effect as of the Commencement Date, including the payment of prepetition amounts as they become due in the ordinary course of business without such conduct and payment to be deemed an assumption of such plans, policies, and programs; and it is further

ORDERED that the Debtors are authorized to maintain their Employee Benefits Programs, including their health, dental, life, accident and disability insurance plans, but excluding their severance plans with respect to the Senior Executives, on an uninterrupted basis, consistent with prepetition practices, and to pay any amounts that become due in the ordinary course of business all prepetition reimbursements, premiums, administrative fees, and other prepetition insurance obligations to the extent due and payable postpetition, without such conduct and payment to be deemed an assumption of such plans, policies, and programs; and it is further

ORDERED that the Debtors’ banks are authorized and directed to honor and pay all prepetition and postpetition checks issued or to be issued, and fund transfers requested or to be requested, by the Debtors in respect of the Prepetition Employee Obligations and Payroll Tax

Obligations that were not honored or paid as of the Commencement Date to the extent sufficient funds are on deposit; and it is further

ORDERED that the Debtors are authorized to issue new postpetition checks or effect new fund transfers on account of the Prepetition Employee Obligations or Payroll Tax Obligations to replace any prepetition checks or fund transfer requests that may be dishonored or voided, and to reimburse their employees or the applicable tax authority, as the case may be, for any fees and costs incurred by them in connection with a dishonored or voided check or funds transfer; and it is further

ORDERED that nothing in this Order nor any actions taken by the Debtors in the implementation thereof shall constitute the assumption of any executory contract pursuant to section 365 of the Bankruptcy Code; and it is further

ORDERED that service of the Motion as provided therein shall be deemed good and sufficient notice of such Motion.

Dated: New York, New York
May 15, 2003

/s/Robert D. Drain
UNITED STATES BANKRUPTCY JUDGE