

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	X	
	:	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 DEBTORS TO CONTINUE WORKERS COMPENSATION
PROGRAMS, INSURANCE POLICIES, AND AGREEMENTS RELATING THERETO
AND PAY CERTAIN PREPETITION OBLIGATIONS IN RESPECT THEREOF**

Upon the motion, dated May 14, 2003 (the "Motion"), of Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), for an order, pursuant to sections 105(a) and 363(b) of title 11, United States Code (the "Bankruptcy Code"), authorizing the Debtors to (a) continue (i) the Debtors' workers compensation insurance policies and programs (the "Workers' Compensation Programs"), (ii) to pay certain additional premiums to insurance carriers for employees who submit claims for injuries sustained while working for the Debtors ("Workers' Compensation Claims"), (iii) certain general liability, property, directors and officers insurance policies, and other insurance policies, (the "Liability Insurance Policies," and together with the Workers' Compensation Programs, the "Insurance Programs and Policies"), and (iv) agreements relating thereto, and (b) pay certain prepetition obligations in respect of the Insurance Programs and Policies, all as 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 stated upon the record of 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 it is further

ORDERED that the Debtors are authorized and empowered to maintain the Insurance Programs and Policies without interruption, on the same basis, and in accordance with the same practices and procedures as were in effect prior to the commencement of the Debtors' chapter 11 cases; and it is further

ORDERED that the Debtors are authorized to pay, in their discretion, all premiums, administrative fees, deductible payments or reimbursements, Workers' Compensation Claims, and other prepetition obligations in connection with the Insurance Programs and Policies, as applicable, to the extent due and payable postpetition, whether or not such premiums or amounts relate to the prepetition period or were due prior to the commencement of these chapter 11 cases; and it is further

ORDERED that the Debtors' banks are directed and authorized to process, honor, and pay, to the extent of funds on deposit, any and all prepetition checks or wire transfer requests issued by the Debtors in respect of any prepetition obligations with respect to the Insurance Programs and Policies prior to, or after, the commencement of these chapter 11 cases; and it is further

ORDERED that the Debtors are authorized (consistent with this Order) to issue postpetition checks, or to effect postpetition fund transfer requests, in replacement of any checks or fund transfer requests in respect of prepetition obligations with respect to the Insurance Programs and Policies that were dishonored or rejected as of the commencement of these chapter 11 cases; and it is further

ORDERED that nothing in this Order or the Motion shall be construed as prejudicing any rights the Debtors may have to dispute or contest the amount of or basis for any claims against the Debtors in connection with or relating to the Insurance Programs and Policies; and it is further

ORDERED that nothing in this Order nor any action taken by the Debtors in furtherance of the implementation thereof shall be deemed an approval of the assumption or rejection 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