

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**INTERIM ORDER PURSUANT TO SECTIONS 105(a), 363, AND 541 OF
THE BANKRUPTCY CODE (A) AUTHORIZING THE DEBTORS TO
PAY SALES AND USE TAXES AND REGULATORY AND UNIVERSAL
SERVICE FEES, AND (B) AUTHORIZING AND DIRECTING APPLICABLE
BANKS AND OTHER FINANCIAL INSTITUTIONS TO RECEIVE,
PROCESS, HONOR AND PAY ALL CHECKS PRESENTED FOR PAYMENT**

Upon the motion (the “Motion”), dated May 14, 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 105(a), 363, and 541 of the Bankruptcy Code¹ (a) authorizing, but not requiring, the Debtors to pay prepetition sales and use taxes and regulatory and universal service fees and such other similar taxes and fees as the Debtors, in their discretion, deem necessary and (b) authorizing applicable banks and other financial institutions to receive and process, honor and pay all checks presented for payment that were drawn in satisfaction of the prepetition amounts represented herein, as more fully set forth in the Motion; and it appearing that this Court has jurisdiction to consider and determine the Motion as core proceeding pursuant to 28 U.S.C. §§ 157 and 1334; and for the reasons stated upon the record of the hearing on the motion, it appearing that the relief requested in the Motion is in the best interests of the Debtors’ estates, their creditors, and other parties in interest; and it

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

appearing that due and proper notice of this Motion has been given; and after due deliberation and sufficient cause appearing therefor; it is hereby

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

ORDERED that the Debtors are authorized, in their sole discretion, to pay all prepetition Sales and Use Taxes, including all those Sales and Use Taxes subsequently determined upon audit to be owed for periods prior to the Commencement Date, to the proper taxing authorities (the “Taxing Authorities”) including those Taxing Authorities listed in Exhibit “A” annexed to the Motion; and it is further

ORDERED that the Debtors are authorized, in their sole discretion, to pay all prepetition Regulatory and Universal Service Fees, including all those Regulatory and Universal Service Fees subsequently determined upon audit to be owed for periods prior to the Commencement Date, to the proper regulatory authorities (the “Regulatory Authorities”) including those Regulatory Authorities listed in Exhibit “B” annexed to the Motion; and it is further

ORDERED that all applicable Banks listed on Exhibit “C” annexed to the Motion shall be, and hereby are, authorized and directed, when requested by the Debtors in their sole discretion, to receive, process, honor, and pay any and all checks or electronic transfers drawn on the Debtors’ accounts to pay the Sales and Use Taxes and Regulatory and Universal Service Fees, whether those checks were presented prior to or after the Commencement Date, provided that sufficient funds are available in the applicable accounts to make the payments; and it is further

ORDERED that nothing in the Motion or this Order shall be construed as impairing the Debtors’ right to contest the validity or amount of any Sales and Use Taxes or

Regulatory and Universal Service Fees that may be due to any Taxing Authorities or Regulatory Authorities; and it is further

ORDERED that the final hearing on approval of the Motion shall be held on June 13, 2003 at 10:00 a.m.; prevailing Eastern Time, at the United States Bankruptcy Court, Room 610, United States Customs House, One Bowling Green, New York, New York 1004; and it is further

ORDERED that the Debtors shall serve a copy of the Motion and this Order upon the Master Service List and any other parties affected by the requested relief within two business days; and it is further

ORDERED that any objection to the relief requested by the Motion on a final basis must be filed with the Court, One Bowling Green, New York, New York 10004-1408 by no later than June 11, 2003 at 4:00 p.m. and served upon Kirkland and 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 Motion must be filed with the Court in accordance with General Order of the United States Bankruptcy Court for the Southern District of New York M-242, which order can be found at www.nysb.uscourts.gov; 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
May 15, 2003

/s/Robert D. Drain
UNITED STATES BANKRUPTCY JUDGE