

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 AUTHORIZING DEBTORS TO
HONOR CERTAIN PREPETITION OBLIGATIONS
TO CUSTOMERS AND CONTINUE IN THE ORDINARY
COURSE OF BUSINESS CUSTOMER PROGRAMS AND PRACTICES**

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 for authority to honor certain prepetition obligations to customers and to otherwise continue in the ordinary course of business the Customer Practices,¹ as more fully set forth in the Motion; and it appearing that this Court has jurisdiction to consider and determine the Motion as a core proceeding pursuant to 28 U.S.C. §§ 157 and 1334; and 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 appearing that due and proper notice of the Motion having been given; and after due deliberation and sufficient cause appearing therefor *and for the reasons set forth on the record of the hearing thereon*; it is hereby */RDD*

ORDERED that the Motion, as modified by this Order, is granted; and it is further

ORDERED that the Debtors, in their business judgment, are authorized, but not directed, to perform, as they see fit, their prepetition Customer Practices obligations in the

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

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ordinary course of business; provided, however, that the Debtors shall notify the attorneys for the Ad Hoc Committee, or after the statutory creditors' committee is formed (the "Committee"), the attorneys for the Committee, of any payment the Debtors intend to make to a customer as described in the Motion in an amount greater than \$75,000 (a "Customer Payment"), exclusive of payments in respect of refunds to customers for billing errors or customer overpayments, by telephone or email; and it is further

ORDERED that if the Committee does not communicate its objections to a Customer Payment to the Debtors in writing (including via electronic mail) within 2 business days after receipt of such notification, the Debtors shall be authorized immediately to make the Customer Payment; and it is further

ORDERED that if the Ad Hoc Committee or, after it is formed, the Committee, objects to a Customer Payment as provided in the previous decreed paragraph, the Debtors may seek Court approval for a Customer Payment; and it is further

ORDERED that the Debtors will provide the Committee a schedule of any payments made during the prior 45-day period pursuant to this Order every 45 days until all payments *contemplated and authorized by* the Motion have been made; and it is further *RDD/*

ORDERED that the Debtors, in their business judgment, are authorized, but not directed, to create, continue, renew, replace, modify, *or* implement new and/or terminate some or *RDD/*

all of the Customer Practices as they see fit (the "Revised Customer Practices"), in the ordinary course of business, provided, that the Debtors provide at least 5 business days notice to the Ad Hoc Committee, or after its formed, the Committee, of such proposed actions, without further

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application to the Court; and it is further

ORDERED that if the Ad Hoc Committee, or, after it is formed, the Committee,

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objects to a Revised Customer Practice as provided in the previous decreed paragraph, the Debtors may seek Court approval for such Revised Customer Practice; and it is further

ORDERED that the relief granted herein shall not constitute an approval or assumption of any Customer Practice or related agreement or policy pursuant to section 365 of the Bankruptcy Code; 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 relating to the Customer Practices prior to, or after the commencement of these chapter 11 cases; and it is further

ORDERED that any payment or transfer made, or service rendered, by the Debtors pursuant to this Order is not, and shall not be deemed, (a) an admission as to the validity of the underlying obligation or a waiver of any rights the Debtors may have to subsequently dispute such obligation, or (b) an approval or assumption of any agreement, contract or lease under section 365 of the Bankruptcy Code; and it is further

ORDERED that this Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: New York, New York
May 20, 2003

/s/Robert D. Drain
UNITED STATES BANKRUPTCY JUDGE