

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

**ORDER, PURSUANT TO SECTION 365(a)
OF THE BANKRUPTCY CODE, AUTHORIZING THE DEBTORS TO REJECT THE
SETTLEMENT AGREEMENT WITH SPRINT COMMUNICATIONS COMPANY L.P.**

Upon consideration of the motion (the “Motion”), dated July 1, 2003, of Allegiance Telecom, Inc. and its direct and indirect subsidiaries, debtors in possession (collectively, the “Debtors”), seeking entry of an order, pursuant to section 365(a) of the Bankruptcy Code,¹ authorizing the Debtors to reject the Settlement Agreement, as more fully set forth in the Motion; and an objection to the Motion having been filed under seal with this Court by Sprint on July 23, 2003 (the “Objection”); and a response to the Objection having been filed under seal with this Court by the Debtors on July 28, 2003; and a hearing to consider the Motion having been held on June 29, 2003; 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 and creditors; and 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 at the hearing on the motion; it is

ORDERED that the Objection is overruled; and it is further

ORDERED that the Motion is granted; and it is further

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

ORDERED that the Settlement Agreement shall be deemed rejected effective as of July 29, 2003; and it is further

ORDERED that the Debtors and Sprint do not waive any claims that they may have against each other whether or not such claims are directly related to the Settlement Agreement; and it is further

ORDERED that the Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion; and it is further

ORDERED that this Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation of this Order.

Dated: New York, New York
August 5, 2003

/s/Robert D. Drain
UNITED STATES BANKRUPTCY JUDGE