

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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

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**ORDER (A) PURSUANT TO RULE 9019 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE, APPROVING THAT CERTAIN SETTLEMENT AGREEMENT, DATED AS OF DECEMBER 10, 2003, WITH AT&T CORPORATION, AND (B) PURSUANT TO SECTION 365 OF THE BANKRUPTCY CODE, APPROVING AND AUTHORIZING THE ASSUMPTION OF EXECUTORY CONTRACTS, AS AMENDED, WITH AT&T CORP.**

Upon consideration of the motion (the “Motion”), dated December 12, 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 (a) pursuant to Bankruptcy Rule 9019,<sup>1</sup> approving that certain Settlement Agreement, dated as of December 10, 2003, with AT&T (the “Settlement Agreement”), and (B) pursuant to section 365 of the Bankruptcy Code, approving and authorizing the assumption of certain executory contracts, as amended, with AT&T, 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 due and proper notice of the Motion having been given; and the Court having reviewed the Motion and having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and it appearing that the Settlement Agreement is fair, reasonable and in the best interests of the Debtors, their estates, creditors and other parties in interest; and the Court having determined that the Settlement Agreement and the AT&T

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

Amendments were entered in good faith and are a result of arms-length negotiations; and it appearing that the relief requested in the Motion with respect to the assumption of the AT&T Agreements, as amended by the AT&T Amendments, is based upon the Debtors' sound business judgment and is necessary and in the best interests of the Debtors, their estates, creditors and other parties in interest; and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that the Motion is granted; and it is further

ORDERED that the Settlement Agreement is approved pursuant to Bankruptcy Rule 9019; and it is further

ORDERED that the Debtors are authorized to execute, deliver, implement and fully perform any and all obligations, instruments, documents and papers and to take any and all actions reasonably necessary or appropriate to consummate the Settlement Agreement and perform any and all obligations contemplated therein; and it is further

ORDERED that AT&T is authorized to execute, deliver, implement and fully perform any and all obligations, instruments, documents and papers and to take any and all actions reasonably necessary or appropriate to consummate the Settlement Agreement and perform any and all obligations contemplated therein; and it is further

ORDERED that the Debtors' assumption of the AT&T Agreements, as amended by the AT&T Amendments, pursuant to section 365(a) of the Bankruptcy Code, is approved; and it is further

ORDERED that, pursuant to the section 365 of the Bankruptcy Code, the Debtors are authorized to perform their obligations under the AT&T Agreements, as modified by the AT&T Amendments; and it is further

ORDERED that the Debtors are authorized to pay to AT&T the undisputed amounts to cure all prepetition and postpetitions defaults under the AT&T Agreements, as amended by the AT&T Amendments, as provided in the Settlement Agreement; and it is further

ORDERED that the Debtors are authorized to execute and deliver all instruments and documents and take such other action as may be necessary or appropriate to implement and effectuate the transactions contemplated by this Order; 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  
December 18, 2003

/s/Robert D. Drain  
UNITED STATES BANKRUPTCY JUDGE