

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

ORDER (A) PURSUANT TO RULE 9019 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE, APPROVING THAT CERTAIN SETTLEMENT AGREEMENT, DATED AS OF MARCH 16, 2004, WITH NORTEL NETWORKS, INC. AND (B) PURSUANT TO SECTION 365 OF THE BANKRUPTCY CODE, APPROVING AND AUTHORIZING THE ASSUMPTION OF AN EXECUTORY CONTRACT, AS AMENDED, WITH NORTEL NETWORKS, INC.

Upon consideration of the motion (the “Motion”), dated March 26, 2004, of Allegiance Telecom, Inc. and its direct and indirect subsidiaries, including Shared Technologies Allegiance, Inc., as debtors and debtors in possession (collectively, the “Debtors”), seeking entry of an order (a) pursuant to Bankruptcy Rule 9019,¹ approving that certain Settlement Agreement, dated as of March 16, 2004, with Nortel Networks, Inc. (the “Settlement Agreement”) and (b) pursuant to section 365 of the Bankruptcy Code, approving and authorizing the assumption of an executory contract, as amended, with Nortel Networks, Inc. (“Nortel”), 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 there being no objections to the Motion; 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

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

other parties in interest; and it appearing based on the record of the hearing that the Settlement Agreement was entered in good faith and is a result of arms-length negotiations; and it appearing that the relief requested in the Motion with respect to the assumption of the Nortel Agreement, as amended by the Nortel Amendment, 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 Nortel 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 Nortel Agreement, as amended by the Nortel Amendment, pursuant to section 365(a) of the Bankruptcy Code, is approved and authorized; and it is further

ORDERED that, pursuant to section 365 of the Bankruptcy Code, the Debtors are authorized to perform their obligations under the Nortel Agreement, as modified by the Nortel Amendment; and it is further

ORDERED that the Debtors are authorized to make the Cure Payment to Nortel in full satisfaction of the Pre-Petition Amounts; 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
April 20, 2004

/s/Robert D. Drain
UNITED STATES BANKRUPTCY JUDGE