

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**FINAL 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 a hearing to consider the Motion having been held on May 15, 2003 (the “Interim Hearing”); and an order approving the Motion on an interim basis having been entered on May 15, 2003; and a hearing to consider the Motion on a final basis having been held on June 13, 2003 (the “Final Hearing” and together with the Interim Hearing, the “Hearings”); and it

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

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 Hearings, 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 this Motion has been given; and after due deliberation and sufficient cause appearing therefor; it is hereby

ORDERED that the Motion is granted; 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 this Court shall retain jurisdiction to hear and determine all matters arising from the implementation of this Order.

Dated: New York, New York
June 13, 2003

/s/Robert D. Drain
United States Bankruptcy Judge