

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

| | | |
|--|----------|-----------------------------|
| In re | : | Chapter 11 Case No. |
| | : | 03-13057 (RDD) |
| ALLEGIANCE TELECOM, INC., et al., | : | |
| | : | Jointly Administered |
| Debtors. | : | |

**ORDER PURSUANT TO SECTIONS 105, 363 AND 365 OF THE BANKRUPTCY CODE
(i) APPROVING THE ASSUMPTION OF AN UNEXPIRED LEASE OF
NONRESIDENTIAL REAL PROPERTY, AS AMENDED, WITH NCX OFFICE
DEVELOPMENT, L.P., (ii) AUTHORIZING THE TRANSFER OF PERSONAL
PROPERTY FREE AND CLEAR OF LIENS, CLAIMS AND ENCUMBRANCES, (iii)
AUTHORIZING THE REJECTION OF EXECUTORY CONTRACTS AND PERSONAL
PROPERTY LEASES, AND (iv) AUTHORIZING THE DEBTORS
TO ENTER INTO A LETTER OF CREDIT ARRANGEMENT
IN CONNECTION WITH THE LEASE AMENDMENT**

Upon the motion dated September 15, 2003 (the "Motion"), of Allegiance Telecom, Inc., and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), for an order pursuant to sections 105, 363 and 365 of the Bankruptcy Code (i) approving the assumption of that certain lease agreement, dated July 19, 2000 (as amended, the "Lease Agreement"), between Allegiance Telecom Company Worldwide ("ATCW"), one of the Debtors in these chapter 11 cases, and NCX Office Development, L.P. ("NCX"), as amended by the Amendment No. 5 to the Lease Agreement, dated as of August 1, 2003 (the "Amendment"), a copy of which is annexed to the Motion as Exhibit "A," (ii) authorizing the transfer of certain furniture, fixtures, equipment and other personal property (the "Personal Property") to NCX, free and clear of all liens, claims and encumbrances, (iii) authorizing the rejection of certain executory contracts (the "Contracts") and unexpired personal property leases (the "Leases"), as of the effective date of the Amendment, and (iv) approving the

letter of credit (the “LOC”) provisions contained in Exhibit “D” to the Amendment (the “LOC Provisions”), as more fully set forth in the Motion; and the Court having jurisdiction to consider and determine the Motion as a core proceeding in accordance with 28 US.C. §§ 157 and 1334; and it appearing that the relief requested by the Motion is based upon the Debtors’ reasonable business judgment and is necessary and in the best interests of the Debtors, their estates, and their creditors; and due notice of the Motion having been provided, and it appearing that no other or further notice is necessary; and sufficient cause appearing therefor, it is

ORDERED that the Motion is granted; and it is further

ORDERED that the Debtors’ assumption of the Lease Agreement, as amended by the Amendment, pursuant to section 365(a) of the Bankruptcy Code, is approved; and it is further

ORDERED that, pursuant to the sections 105, 363 and 365 of the Bankruptcy Court, the Amendment and the transactions contemplated therein are approved, and ATCW is authorized to perform its obligations thereunder; and it is further

ORDERED that the Debtors are authorized to pay to NCX the amount of \$196,989.09 to cure all prepetition defaults under the Lease Agreement, as provided in the Amendment; and it is further

ORDERED that, pursuant to section 363(b) of the Bankruptcy Code, ATCW is authorized to transfer the Personal Property to NCX; and it is further

ORDERED that, pursuant to section 363(f) of the Bankruptcy Code, the transfer of the Personal Property to NCX shall be free and clear of all liens, claims, encumbrances, and interests thereon; and it is further

ORDERED that the Debtors are authorized to pay to NCX \$62,000 in cash as reimbursement in full of the attorney’s fees, court costs and filing fees incurred by NCX in

connection with the negotiation, preparation and consummation of the Amendment and all other documents and transactions related thereto; and it is further

ORDERED that the Debtors' rejection of the Contracts and Leases, pursuant to section 365(a) of the Bankruptcy Code, is approved, with such rejection being effective as of the date of the Amendment; and it is further

ORDERED that the Debtors do not waive or release any rights, claims, causes of action, or defenses, with respect to the Contracts or Leases; and it is further

ORDERED that, pursuant to section 363(b) of the Bankruptcy Code, the Debtors are authorized to enter into a letter of credit arrangement with NCX, in accordance with the LOC Provisions set forth in Exhibit "D" to the Amendment; and it is further

ORDERED that, subject to the events allowed by the LOC Provisions, non-Debtor parties may draw down upon the LOC, or otherwise exercise remedies under the LOC Provisions, notwithstanding the automatic stay provisions of section 362 of the Bankruptcy Code; and it is further

ORDERED that the Debtors' prepetition senior secured lenders (the "Prepetition Lenders") shall be granted a second priority security interest in any cash collateral posted by the Debtors for the benefit of the issuer (the "Issuer") of the LOC, in connection with LOC Provisions, and the Issuer shall be deemed a bailee in such cash collateral on behalf of the Prepetition Lenders for perfection purposes; 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 over the parties to enforce the terms of the Amendment and to determine disputes thereunder; and it is further

ORDERED that the requirement under rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York for the filing of a separate memorandum of law is waived.

Dated: New York, New York
October 8, 2003

/s/Robert D. Drain
UNITED STATES BANKRUPTCY JUDGE