UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

ORDER, PURSUANT TO RULE 9019 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE, APPROVING THE SETTLEMENT AGREEMENT, DATED OCTOBER 24, 2003, AMONG DRESDNER BANK AG, NEW YORK AND GRAND CAYMAN BRANCHES, AND THE DEBTORS

Upon consideration of the motion (the "Motion"), dated October 27, 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 Bankruptcy Rule 9019,[1] approving of the Settlement Agreement, 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 was entered into in good faith and is a result of arms-length negotiations; and after due deliberation and sufficient cause appearing therefor, it is

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 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 Dresdner 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, within two (2) business days from the entry of this Order, Dresdner shall advance and deliver directly to the Borrower an amount equal to the Dresdner Net Funding Obligation (i.e., an amount equal to $5,113,082.00); and it is further

ORDERED that cash representing the Dresdner Net Funding Obligation shall constitute Cash Collateral (as defined in the Amended Final Order); and it is further

ORDERED that the amount of the Dresdner Net Funding Obligation shall not be included in the calculation of the Minimum Cash Balance (as defined in the Amended Final Order); and it is further

ORDERED that, except for the release related to the Funding Dispute, the release set forth in Section 3.01 of the Settlement Agreement shall not provide Dresdner with any greater release than that set forth in Section 12(c) of the Amended Final Order as it relates to the Funding Lenders; and it is further

ORDERED that upon the effectiveness of the Settlement Agreement the rights and obligations of Dresdner under the Prepetition Credit Agreement and the Amended Final Order shall be equal to the rights and obligations of the Funding Lenders; 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
_____, 2003

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UNITED STATES BANKRUPTCY JUDGE