

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re

Chapter 11

ALLEGIANCE TELECOM, INC , *et al* ,

Case No 03-13057 (RDD)

Debtors
(Jointly Administered)

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STIPULATION AND AGREED ORDER RESOLVING, AMONG OTHER THINGS, OBJECTION OF MCI, INC TO DEBTORS' SECOND AMENDED JOINT PLAN OF REORGANIZATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE DATED APRIL 22, 2004

MCI, Inc (formerly, WorldCom, Inc) and its direct and indirect subsidiaries (collectively, "MCI") and Allegiance Telecom, Inc , Allegiance Telecom Company Worldwide ("ATCW"), and ATCW's direct and indirect subsidiaries (collectively, "Allegiance" or the "Debtors," and together with MCI, the "Parties") respectfully submit this Stipulation and Agreed Order ("Stipulation")

WHEREAS, on May 14, 2003 (the "Petition Date"), Allegiance commenced cases under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the Bankruptcy Court for the Southern District of New York, Case No 03-13057 (RDD) (the "Bankruptcy Court") Allegiance continues to operate its businesses and manage its properties as debtors in possession

WHEREAS, prior to the Petition Date, MCI and Allegiance entered into various agreements including the following (1) the Asset Purchase Agreement, dated November 30, 2001 (the "IBI Agreement"), (2) the Asset Purchase Agreement dated June 17, 2002 (the "APA"), and (3) the Domestic & Metro Private Line Special Carrier

Docket #1466

Service Agreement, dated September 29, 2000 (as amended, the "MSA") In order to resolve certain disputes and claims raised under such contracts and various other agreements and tariffs between the Parties, MCI and Allegiance entered into an Agreement for Additional Services, Security, and Settlement of Certain Matters, as amended by Addendum No 1, dated as of April 15, 2003 (as amended, the "Settlement Agreement"), and together with the IBI Agreement, the APA, the MSA, and all other prepetition agreements, tariffs and service orders between the Parties, the "Prepetition Agreements") MCI continues to provide various services to Allegiance pursuant to the Prepetition Agreements

WHEREAS, as of April 28, 2003, and in accordance with the Settlement Agreement, ATCW is the account party with respect to a certain irrevocable standby letter of credit (the "LOC") issued by JPMorgan Chase Bank ("JPMorgan") in the amount of \$3,000,000 JPMorgan issued the LOC to MCI and solely for the benefit of MCI The LOC will expire by its terms on April 30, 2005

WHEREAS, on November 25, 2003, MCI filed various proofs of claim against Allegiance in the aggregate amount of \$6,591,441.37 (the "Prepetition Claims"), for, among other things, amounts alleged to be due and owing to MCI under the Prepetition Agreements The Debtors dispute that they owe a portion of the Prepetition Claims

WHEREAS, MCI has reduced the outstanding amount owed on its Prepetition Claims by making a \$1,404,295.77 draw on the LOC (the "Draw") Allegiance has disputed MCI's right to the Draw and has filed an adversary proceeding against MCI with respect to the Draw, styled *Allegiance Telecom, Inc , et al v MCI*,

Inc , et al (Adv Pro 04-03098-rdd) (the ‘Lawsuit’) In the Lawsuit, Allegiance asserts, *inter alia*, that the Draw is an avoidable preference under sections 547 and 550 of the Bankruptcy Code MCI has not yet answered the Lawsuit, but nevertheless disputes that the Draw is avoidable by Allegiance as a preference or otherwise

WHEREAS, the Debtors have filed their Second Amended Plan of Reorganization to Chapter 11 of the Bankruptcy Code, dated April 22, 2004 (the ‘Plan’) ¹ Allegiance intends to reject certain of the Prepetition Agreements pursuant to the Plan Allegiance has also notified MCI that it intends to assume, assume and assign, or assign to Buyer a certain Telecommunications Services Agreement with MCI pursuant to the Plan (the ‘Assumed Agreement’) and has proposed an amount that will cure defaults under the Assumed Agreement in such notice

WHEREAS, on June 1, 2004, MCI filed its objection to the Plan (the ‘Objection’) (docket no 1357) In the Objection, MCI raises, among other things, certain concerns related to the proposed rejection of certain of the Prepetition Agreements under the Plan

WHEREAS, in order to resolve the disputes between the Parties, including disputes related to the Objection, the Lawsuit, and the Prepetition Claims, the Parties have negotiated this Stipulation in good faith and at arms’ length and desire that it shall be binding on each of them

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and between the Allegiance and MCI, through their undersigned counsel, that

¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Plan.

1 Upon entry of a final, non-appealable order approving this Stipulation (the “Order”), the Objection shall be deemed withdrawn with prejudice

2 The Order shall constitute a complete dismissal of the Lawsuit with prejudice and Allegiance shall file notice of such dismissal with prejudice on the docket of the Lawsuit within three (3) business days after entry of the Order

3 MCI proof of claim number 2229, filed against ATCW, is hereby Allowed in the aggregate amount of \$3,000,000 (the “Allowed Claim Amount”) MCI acknowledges and agrees that it has satisfied \$1,404,295 77 of the Allowed Claim Amount by means of the Draw Allegiance acknowledges and agrees that MCI shall fully satisfy the Allowed Claim Amount by means of an additional draw on the LOC in the amount of \$1,595,704 23 Allegiance waives any right to further prior written notice of such additional draw After taking account of such additional draw on the LOC, MCI shall have a remaining prepetition claim against the Debtors’ chapter 11 estates in the amount of \$0 00

4 Except as otherwise provided herein, Allegiance and its predecessors, successors, parents, subsidiaries, affiliates, assigns, transferees, agents, directors, officers, employees, shareholders, and attorneys hereby release and forever discharge the MCI and its predecessors, successors, parents, subsidiaries, affiliates, assigns, transferees, agents, directors, officers, employees, shareholders, and attorneys from and against all actions, causes of action, claims, suits, debts, damages, judgments, defaults, breaches, violations, liabilities, and demands whatsoever, whether at law or in equity, whether now known or unknown, that Allegiance now has, may have had, or may in the future claim to have on behalf of itself or any other person or entity, that arise from

the beginning of time through the date hereof, including, without limitation, all causes of action under chapter 5 of the Bankruptcy Code, and all claims and causes of action which have been asserted, or which could have been asserted, in the Lawsuit

5 MCI waives and releases any claim deemed to have arisen prior to the Petition Date for damages arising from the rejection of executory contracts under section 365 of the Bankruptcy Code

6 Nothing contained in this Stipulation shall be construed to be a waiver of MCI's rights and claims against Allegiance or Buyer, as the case may be, with respect to postpetition amounts owed under the Prepetition Agreements, the Assumed Agreement, or otherwise, and all such rights and claims are expressly reserved. Further, nothing in this Stipulation shall be deemed to be a waiver of MCI's right to the cure amount proposed by Allegiance with respect to the Assumed Agreement

7 This Stipulation shall be governed, in all respects, by the laws of the State of New York, irrespective of its choice of law rules

8 This Stipulation may be executed in any number of counterparts, and all such counterparts, taken together, shall be deemed to constitute one and the same instrument.

9 This Stipulation may not be modified, except in a written instrument signed by each of the Parties hereto

10 Allegiance and MCI represent and agree that this Stipulation is binding on the Parties and their predecessors, successors, subsidiaries, affiliates, assignees, agents, directors, officers, employees, the Plan Administrator, and any trustee appointed chapter 7 of the Bankruptcy Code

11 This Stipulation shall be binding on the Parties from the date of its execution, but is expressly subject to and contingent upon its approval by the Bankruptcy Court. If the Bankruptcy Court does not approve this Stipulation, this Stipulation shall be null and void.

12 The Bankruptcy Court shall retain exclusive jurisdiction over any and all disputes arising out of or otherwise relating to the matter in this Stipulation.

By /s/Alfredo R. Perez
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Attorneys for the Debtors and debtors in
possession

IT IS SO ORDERED

Dated New York, New York
June 8, 2004

/s/Robert D. Dram
United States Bankruptcy Judge

L. Det Inc

9150123 957

5/29/03

TRANS DATE	TRANSACTION DESCRIPTION	AMOUNT BILLED	AMOUNT PAID	AMOUNT CREDIT	AMOUNT DEBIT	RUNNING BALANCE
4/1/2002	BILLED	\$1,227.68				\$1,227.68
5/2/2002	BILLED	\$1,189.90				\$2,417.58
5/13/2002	PAYMENT		\$1,227.68			\$1,189.90
5/20/2002	PAYMENT		\$1,189.90			\$0.00
6/2/2002	BILLED	\$1,230.02				\$1,230.02
7/1/2002	BILLED	\$1,193.44				\$2,423.46
7/1/2002	PAYMENT		\$1,230.02			\$1,193.44
8/1/2002	BILLED	\$1,230.63				\$2,424.07
9/1/2002	BILLED	\$1,229.34				\$3,653.41
9/30/2002	CASH RECPT		\$1,230.63			\$2,422.78
10/1/2002	BILLED	\$1,191.80				\$3,614.58
11/2/2002	BILLED	\$1,229.61				\$4,844.19
11/25/2002	PAYMENT		\$1,229.61			\$3,614.58
12/2/2002	BILLED	\$1,191.70				\$4,806.28
12/6/2002	PAYMENT		\$1,193.17			\$3,613.11
12/26/2002	PAYMENT		\$1,190.33			\$2,422.78
1/1/2003	BILLED	\$1,229.59				\$3,652.37
1/27/2003	PAYMENT		\$1,229.59			\$2,422.78
2/1/2003	BILLED	\$1,229.52				\$3,652.30
3/2/2003	BILLED	\$1,115.90				\$4,768.20
3/10/2003	PAYMENT		\$1,229.52			\$3,538.68
3/25/2003	PAYMENT		\$1,115.90			\$2,422.78
4/1/2003	BILLED	\$1,229.40				\$3,652.18
4/22/2003	PAYMENT		\$1,229.40			\$2,422.78
5/2/2003	BILLED	\$1,191.58				\$3,614.36
COLUMN TOTALS		\$90,535.93	\$86,921.57	\$0.00	\$0.00	\$3,614.36

May 30, 2003



U S Bankruptcy Court
Southern District of New York
1 Bowling Green 6th Floor
New York, NY 100401408

IN RE KIVEX INC / ALLEGIANCE TELECOM, INC

(CASE NO-03-13057)

PROOF OF CLAIM FOR PRE-PETITION BALANCE

To The United State Bankruptcy Judge

MCI WORLD COM respectfully submits our Proof of Claim against the debtor for
THREE THOUSAND SIX HUNDRED FOURTEEN AND 14/100 DOLLARS
(\$3,614 14) REPRESENTS THE PRE-PETITION BALANCE

Respectfully submitted,

MCI WORLD COM

By 

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