

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**STIPULATION AND CONSENT ORDER AMENDING THAT CERTAIN
ORDER, PURSUANT TO SECTIONS 105(a), 363(b) AND 365 OF THE
BANKRUPTCY CODE, APPROVING AND AUTHORIZING KEY EMPLOYEE
RETENTION PROGRAM AS IT RELATES TO PRIORITY KEY EMPLOYEES**

The above captioned debtors and debtors in possession (collectively, the “Debtors”), the statutory committee of unsecured creditors appointed in these chapter 11 cases (the “Committee”) and the Debtors’ prepetition secured lenders (the “Prepetition Lenders”), by and through their respective counsel, hereby stipulate and agree, subject to Court approval, as follows:

WHEREAS, on May 14, 2003, the Debtors each commenced with this Court a voluntary case under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”); and

WHEREAS, on August 11, 2003, the Debtors filed that certain Motion of the Debtors, Pursuant to Sections 105(a), 363(b)(1) and 365 of the Bankruptcy Code, for an Order Approving and Authorizing Key Employee Retention Program (the “KERP Motion”);¹ and

WHEREAS, a hearing on the KERP Motion, solely as it relates to the Priority Key Employees (as defined in the KERP Motion), including the following sales and management executives of Shared Technologies Allegiance, Inc.: Carlos Deaton, Denise Crane and John

¹ On November 5, 2003, the Debtors filed that certain Supplement to the Motion of the Debtors, Pursuant to Sections 105(a), 363(b)(1) and 365 of the Bankruptcy Code, for an Order approving Key Employee Retention Program as it Relates to Certain Remaining Key Executives.

Wassenbergh (the “STFI Managers”), was held before the Court on August 19, 2003 (the “Hearing”); and

WHEREAS, the KERP Motion provides, in relevant part, that, pursuant to requests of the Prepetition Lenders, the Debtors intend on amending the retention agreements of the STFI Managers to provide that: (a) 50% of the total Performance Based Retention Payment (as defined in the KERP Motion) be paid on or about September 8, 2003 and (b) 50% of the total Performance Based Retention Payment (the “Remaining Retention Payment”) be paid on the earlier of (i) the date of confirmation of a plan of reorganization and (ii) certain other specified events; and

WHEREAS, on August 22, 2003, the Court entered that certain Order, Pursuant to Sections 105(a), 363(b) and 365 of the Bankruptcy Code, Approving and Authorizing Key Employee Retention Program as it Relates to Priority Key Employees (the “Priority Employees KERP Order”); and

WHEREAS, subsequent to the entry of the Priority Employees KERP Order, the Debtors, with the support of the Committee and the Prepetition Lenders, request that the Court amend the Priority Employees KERP Order solely to authorize the Debtors to make the Remaining Retention Payments to the STFI Managers on December 31, 2003 or as soon as practicable thereafter.

**ACCORDINGLY, IT IS HEREBY SO ORDERED, THIS 30th DAY OF DECEMBER
2003
AS FOLLOWS:**

1. Notwithstanding anything to the contrary in the KERP Motion or the Priority Employees KERP Order, the Debtors are authorized to make the Remaining Retention Payments to the STFI Managers on December 31, 2003 or as soon as practicable thereafter.

/s/ ROBERT D. DRAIN
UNITED STATES BANKRUPTCY JUDGE

STIPULATED AND AGREED TO BY:

Dated: New York, New York
December 23, 2003

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