

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**STIPULATION AND ORDER GRANTING JPMORGAN
CHASE BANK RELIEF FROM THE AUTOMATIC STAY**

This Stipulation and Order (the “Stipulation”) is entered into as of May 18, 2004 by and among Allegiance Telecom, Inc. (“Allegiance”) and Allegiance Telecom Company Worldwide (“ATCW”), debtors and debtors in possession, the Official Committee of Unsecured Creditors of Allegiance Telecom, Inc., *et al.* (the “Committee”), and JPMorgan Chase Bank (“JPMC”), by their counsel, with reference to the following Recitals:

RECITALS

A. On May 14, 2003 (the “Petition Date”), Allegiance, ATCW, and other affiliates (collectively, the “Debtors”) filed voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. § 101, *et seq.* (the “Bankruptcy Code”). The Debtors continue to operate their business and manage their property as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

B. On or about April 28, 2003, prior to the Petition Date, ACTW, as applicant, established with JPMC a \$3 million irrevocable standby letter of credit, No. D-236916 (the “LOC”), for the account of Allegiance, to benefit WorldCom, Inc. and its affiliates and

subsidiaries. To collateralize the LOC, ATCW pledged a \$3 million certificate of deposit, No. 08806351357 (the “CD”), to JPMC as security for its reimbursement obligations thereunder.

C. On or about February 20, 2004, WorldCom presented a conforming partial draw under the letter of credit to JPMC in the principal amount of \$1,404,295.77, which JPMC honored and paid on or about February 24, 2004 (the “WorldCom Payment”).

D. On March 29, 2004, JPMC filed a Motion for Relief from Automatic Stay With Respect to Collateral Securing a Certain Letter of Credit (the “Motion”), seeking to terminate the automatic stay to the extent of permitting JPMC to reimburse itself for the WorldCom Payment, interest accrued thereon as provided in the LOC from February 24, 2004 at JPMC’s Prime Rate plus one percent, which has been and is currently 5% per annum (the “5% LOC Interest Rate”), and all reasonable attorney’s fees.

E. The Debtors and the Committee consent to the relief requested in the Motion to the extent and on the terms set forth herein.

THEREFORE, the parties stipulate and agree, and it is hereby **ORDERED** that:

1. Pursuant to 11 U.S.C. § 362(d), the automatic stay is terminated to the extent set forth below.

2. JPMC is authorized to reimburse itself from the proceeds of the CD the full amount of the Debtors’ current LOC obligation to JPMC, consisting of (a) the WorldCom Payment principal amount of \$1,404,295.77, plus (ii) interest thereon in an amount calculated at the 5% LOC Interest Rate from February 24, 2004 through the date of reimbursement.

3. JPMC is authorized to immediately reimburse itself from the proceeds of the CD the principal amount of any future partial draws on the LOC prior to its expiration date of April 30, 2005.

4. JPMC shall not be entitled to reimburse itself for attorney's fees as requested in the Motion. On or before the date on which the Debtors' plan of reorganization (the "Plan") is confirmed by order of the Bankruptcy Court, JPMC shall be entitled to file proof of its secured claim for any and all reasonable attorney's fees incurred by JPMC in connection with the LOC (the "Fees Claim"), including but not limited to fees related to the Motion. The Debtors, the Committee and any other party in interest may file, and must serve prior to the effective date of the Plan, a written objection to any Fees Claim that may be filed by JPMC, its successor or assign. Objections shall be served, as appropriate, upon counsel for the Debtors, the Committee, JPMC and the United States Trustee, with a copy to the Chambers of the Hon. Robert D. Drain.

5. JPMC waives any fee for terminating the CD prior to May 25, 2004, the maturity date of the CD, which permits JPMC to reimburse itself as provided in paragraph 2.

6. The relief granted in this Stipulation is without prejudice to the right of the estate or any other party in interest to assert claims or causes of action against third parties with respect to the delivery of the LOC to the beneficiary and the transfer of the proceeds of the LOC thereunder. Nothing in this Stipulation is intended to, and this Stipulation shall not be construed to waive any claims of the Debtors or the estate against third parties, and no third party shall be entitled to rely upon this Stipulation as evidence of any such purported waiver. This Stipulation is limited to resolving the Motion between the Debtors and JPMC.

[signatures on next page]

ALLEGIANCE TELECOM INC, *et al.*,
Debtors and Debtors in Possession,
By their Bankruptcy Co-Counsel,
TOGUT, SEGAL & SEGAL LLP
By:

/a/ Albert Togut

ALBERT TOGUT (AT-9759)
SCOTT E. RATNER (SER-0015)
Members of the Firm
One Penn Plaza, Suite 3335
New York, New York 10119
(212) 594-5000

J.P. MORGAN CHASE LEGAL
DEPARTMENT
Counsel for Secured Creditor
JPMorgan Chase Bank
By:

/s/ James D. Greenhalgh

JAMES D. GREENHALGH (JDG-6839)
Assistant General Counsel
One Chase Manhattan Plaza
26th Floor
New York, New York 10005-1489
(212) 552-6925

BILZIN SUMBERG BAENA PRICE &
AXELROD, LLP
Co-counsel for Official Committee of
Unsecured Creditors
By:

/s/ Mindy A. Mora

MINDY A. MORA (MAM-8305)
2500 Wachovia Financial Center
200 South Biscayne Boulevard
Miami, Florida 33131-2326
305-350-2414

The Foregoing Stipulation is
"So Ordered" on May 20, 2004

/s/Robert D. Drain

Robert D. Drain
United States Bankruptcy Judge