

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**SECOND AMENDED FINAL ORDER
AUTHORIZING USE OF CASH COLLATERAL BY CONSENT**

This matter came before the Court on the Notice of Presentment of Second Amended Final Order Authorizing Use of Cash Collateral by Consent and Opportunity for a Hearing (the “Notice”). It appearing to the Court that no objections to the Notice were filed and the parties represented that the potential objections to the Notice and this Order by the Official Committee of Unsecured Creditors (the “Committee”) were resolved. It further appearing to the Court that, on May 14, 2003, Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the “Debtors”) filed a motion which sought entry of (I) Interim and Final Orders Authorizing the Debtors to (A) Use Cash Collateral and (B) Provide Adequate Protection to the Prepetition Lenders and (II) Order Scheduling Final Hearing Pursuant to Bankruptcy Rule 4001 (the “Motion”). It further appearing to the Court that no objections to the Notice were filed and good cause exists to amend the Final Order Authorizing Use of Cash Collateral by Consent, dated June 23, 2003, and the Amended Final Order Authorizing Use of Cash Collateral by Consent, dated June 26, 2003 (collectively, the “Final Order”)¹. The Final Order authorized the Debtors to use “Cash Collateral” (as such term is defined in section 363(a)

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

of the Bankruptcy Code) and to provide adequate protection, substantially all of which Cash Collateral is presently subject to a first-priority security interest and rights of setoff in favor of the Agent on behalf of the Lenders, as senior secured creditors.

Upon all of the pleadings filed with the Court and all of the proceedings held before the Court, and upon the record of the Interim and Final Hearings on the Motion and after due deliberation and consideration and sufficient cause appearing therefor;

IT IS HEREBY ORDERED, ADJUDGED, FOUND, DECREED AND, AS APPLICABLE, STIPULATED THAT²:

1. Paragraph 4 of the Final Order is hereby amended by deleting the first sentence of the paragraph and replacing the following in lieu thereof:

The Debtors' right to use Cash Collateral commenced upon entry of the Interim Order and shall expire on the earlier of (i) the close of business on March 1, 2004, unless mutually extended by the Agent and the Debtors, or (ii) the occurrence of a Termination Event as defined in Paragraph 18 of this Final Order (collectively referred to as the "Expiration Date").

2. Paragraph 8 of the Final Order is hereby amended by deleting the fourth sentence of the paragraph and replacing the following in lieu thereof:

In addition, the Debtors will continue to pay to the Agent all other actual and reasonable fees, costs and expenses provided for under the Prepetition Credit Agreement, whether incurred prepetition or postpetition, including, but not limited to, actual and reasonable legal fees and costs of the Agent's counsel and financial advisory fees and costs, of such professionals engaged by the Agent on behalf of the Lenders; provided, however, that commencing October 6, 2003, such financial advisory fees³ shall not exceed \$300,000 per month in the aggregate, plus expenses.

² Findings of fact shall be construed as conclusions of law, and conclusions of law shall be construed as findings of fact pursuant to Fed. R. Bankr. P. 7052.

³ The Agent has retained Lazard Frères & Co. LLC ("Lazard") under the terms of the Prepetition Credit Agreement as of October 6, 2003. A copy of Lazard's engagement letter was attached as Exhibit "B" to the Notice. In connection with this Order, the Agent, Debtors and Committee entered into that certain letter agreement dated as of December 17, 2003 which confirms the deletion of the restructuring fee from the Lazard engagement letter and establishes definitive termination dates for the Agent's financial advisors.

3. Paragraph 9 of the Final Order is amended by deleting it in its entirety and restating the following in lieu thereof:

Notwithstanding any provision of this Final Order to the contrary, the liens on the Collateral, the Replacement Liens and the 507(b) Claims granted to the Agent on behalf of itself and the Lenders pursuant to this Order shall be subject and subordinate to a carve out (the "Carve Out") for the payment of: (a) the allowed and unpaid professional fees and expenses incurred by the Debtors and by any statutory committee appointed in these chapter 11 cases (the "Committee"), pursuant to sections 327(a) and 1103 of the Bankruptcy Code, through the Expiration Date plus \$2 million to cover professional fees and expenses accrued after the Expiration Date (the "Professional Fee Carve Out"); (b) the approved professional fees and expenses incurred by any court approved professional employed by a Chapter 7 Trustee or Chapter 11 Trustee up to the amount of \$50,000 (the "Trustee Cap"); and (c) fees payable to the U.S. Trustee required to be paid pursuant to 28 U.S.C. §1930; provided, however, that in any event, the Carve Out shall not include, and no Cash Collateral available to the Debtors pursuant to this Final Order shall be used to pay, professional fees and disbursements incurred in connection with prosecuting and asserting any claims or causes of action against the Agent or the Lenders, provided however, that the Carve Out shall include the fees and costs specifically related to the Committee's investigation rights through the Investigation Termination Date pursuant to Paragraph 14. Nothing herein shall be construed as a waiver of the right of any party to object to the allowance of any such professional fees. Notwithstanding anything to the contrary, the Professional Fee Carve Out shall not be reduced by any allowed interim amounts paid to the professionals pursuant to separate orders of the court or any prepetition retainers paid by the Debtors to professionals retained by it.

4. Paragraph 12 of the Final Order is hereby amended to (i) reflect the principal balance of the Obligations as of November 21, 2003 and (ii) delete any reference to the Defaulting Lenders, as the Defaulting Lender issues have been resolved by separate settlement agreements filed with the Court.

Paragraph 12(b) is hereby deleted in its entirety and the following is replaced in lieu thereof:

the principal balance due and owing under the revolving credit facility of the Prepetition Credit Agreement is \$332,815,964.53, plus interest, fees, costs and expenses, and that the principal balance due and owing under the delayed draw term loans of the Prepetition Credit Agreement is \$145,011,086.47, plus interest, fees, costs and expenses as of November 21, 2003.

Paragraph 12(c) is hereby deleted in its entirety and the following is replaced in lieu thereof:

the Debtors (i) are not aware of any claim, counterclaim, recoupment, setoff or defense of any kind or nature which would in any way affect the validity, enforceability and non-avoidability of the Agent's and the Lenders' obligations owing under the Prepetition Credit Agreement or any of the Lenders' liens claims or security interests, or, reduce or affect the obligations of the Debtors to pay any of the Agent's or the Lenders' claims; (ii) acknowledge and agree that the liens and security interests held by the Agent on behalf of itself and the Lenders with respect to the Prepetition Credit Agreement (exclusive of the Disputed Amount and the Disputed Account) are valid, enforceable, properly perfected and non-avoidable; and (iii) further acknowledges and agrees that if the Debtors now have or ever did have, any offsets, defenses, claims, or counterclaims against the Agent and the Lenders, or their respective officers, directors, employees, attorneys, representatives, parent, affiliates, predecessors, successors, or assigns, whether known or unknown, at law or in equity, from the beginning of the world through this date arising under the Prepetition Credit Agreement, all of them are hereby expressly **WAIVED**, and the Debtors hereby **RELEASE** the Agent and the Lenders, other than the Defaulting Lenders and their respective officers, directors, employees, attorneys, representatives, parent, affiliates, predecessors, successors, and assigns from any liability thereof.

5. Paragraph 14 of the Final Order was amended by four separate Stipulation and Consent Orders Regarding Extension of Deadline for Official Committee of Unsecured Creditors to Challenge Prepetition Obligations, dated September 2, 2003, October 10, 2003, October 31, 2003 and November 25, 2003 (collectively, the "Extension Orders").

6. The Debtors shall promptly serve a copy of this Second Amended Final Order on (i) the U.S. Trustee; (ii) attorneys for the Agent; (iii) attorneys for the Committee and (iv) those other parties identified on the Master Service List maintained in the Cases.

7. Except as otherwise modified herein, the terms and conditions and provisions of the Final Order and the Extension Orders shall continue in all respects in full force and effect.

SO ORDERED, ADJUDGED, DECREED AND STIPULATED, this 18th day of December, 2003.

/s/Robert D. Drain
ROBERT D. DRAIN
UNITED STATES BANKRUPTCY JUDGE