

ORIGINAL

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

United States Courts
Southern District of Texas
ENTERED

MAY 22 2002

Michael N. Milby, Clerk of Court

IN RE:

LOGIX COMMUNICATIONS
CORPORATION and

CASE NO. 02-32105-H5-11
(Chapter 11)

LOGIX COMMUNICATIONS
ENTERPRISES, INC.,

CASE NO. 02-32106-H5-11
(Chapter 11)

DEBTORS.

Jointly Administered Under
CASE NO. 02-32105-H5-11

**ORDER APPROVING BIDDING PROCEDURES AND ESTABLISHING THE FORM
AND MANNER OF NOTICE FOR SALE OF ASSETS**

The Court has considered the Expedited Motion for Order Approving Bidding Procedures and Establishing the Form and Manner of Notice for Sale of Assets ("Bidding Procedure Motion") filed by Logix Communications Corporation ("LCC" or "Debtor") and Logix Communications Enterprises, Inc. ("LCE") (collectively, the "Debtors") dated May 13, 2002 and the objections stated at the hearings by the Logix Communications Corporation Creditors' Committee and Ionex Telecommunications, Inc., which expressed an interest in bidding on the Assets. This Court has considered the Bidding Procedures Motion and has determined that notice of the Bidding Procedures Motion was proper under the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and the Local Rules of this Court.

LCC has reached an agreement with WCI, Inc., a Texas corporation (the "Purchaser") to sell certain assets relating to the CLEC Business of LCC ("Seller"), as set forth in the Bidding Procedures Motion (the "Assets"). The parties have entered into an Asset Purchase Agreement dated May 13, 2002 (the "APA"), which agreement is to be amended to include, among other changes, adjustments in the bidding procedures, the amount of the Break-Up Fee and the amount

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ORDER APPROVING BIDDING PROCEDURES AND ESTABLISHING
THE FORM AND MANNER OF NOTICE FOR SALE OF ASSETS

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of an individual Seller Material Adverse Effect based on the announcements at the hearings and as set forth in this Order. As agreed, the Debtor has filed a motion with the Court seeking expedited approval of the APA and the sale of the Assets to the Purchaser, together with the assumption and assignment of certain unexpired leases and executory contracts ("Sale Motion"). For purposes of facilitating the proposed sale transaction and providing the Purchaser with reasonable "stalking horse" protections, the Debtor seeks the approval of certain procedures that provide for purchaser protections in connection with the solicitation of higher and/or better offers in the form of a Break-Up Fee, an Auction, and Overbid procedures.

The Court finds that: (a) the Bidding Protections, Bidding Procedures and Break-Up Fee were and are a material inducement for, and condition of the Purchaser's proposed purchase of the Assets and that the Purchaser is unwilling to commit to hold open its offer without such protections; (b) the Break-Up Fee (if, as and when the Purchaser will be entitled to receive the same) will promote more competitive bidding by inducing the Purchaser's bid, that would otherwise not have been made; (c) the proposed Auction and Break-Up Fee provide a fair and reasonable means of insuring that the Assets are transferred for the highest and best terms attainable under the circumstances; (d) the Bidding Procedures, including the Break-Up Fee (to the extent that the Purchaser is entitled to receive the same), are the result of good faith, arm's length negotiations and is a reasonable exercise of the Debtors' business judgment under the circumstances; and (e) that good cause exists to grant the relief the Debtors requested in the Bidding Procedures Motion concerning the sale of substantially all of LCC's operating assets used in the CLEC Business. Upon consideration of the pleadings, evidence, objections and arguments, it is therefore **ORDERED**:

1. The Bidding Procedures Motion is Granted.
2. An auction sale of the Assets, which Assets are defined in the Asset Purchase Agreement, shall be conducted on June 10, 2002, at 10:00 a.m. Houston, Texas time at the offices of Winstead Sechrest & Minick P.C., 2400 Bank One Center, 910 Travis Street, Houston, Texas, 77002 ("Auction").
3. The Court shall conduct a hearing to approve the sale of the Debtor's assets and the assumption and assignment of certain executory contracts and unexpired leases to the Purchaser or the highest bidder (or combination of bidders) at the Auction, before this Court on June 12, 2002, at 2:00 p.m., in Courtroom 10A, 515 Rusk Avenue, Houston, Texas (the "Sale Hearing").
4. Upon the occurrence of a Break-Up Fee Event under the terms of the APA (as amended), the Debtor is authorized to pay (if, as and when earned by the Purchaser) a Break-Up Fee of \$750,000 to the Purchaser without further order of this Court. LCC's obligation to pay a Break-Up Fee, if any, shall constitute an administrative expense of LCC under sections 503(b) and 507(a)(1) of the Bankruptcy Code. The Debtor shall pay the Break-Up Fee simultaneously with the occurrence of a Break-Up Fee Event as provided under the APA. In any event, if the APA is terminated by reason of an Overbid, the Debtor shall pay the Break-Up Fee to the Purchaser no later than the Closing of the Overbid transaction. No Break-Up Fee shall be payable by the Seller to the Purchaser in the event the APA is terminated under (i) Section 9.4(e) or Section 9.4(g), (ii) Section 9.5, or (iii) solely because the non-fulfillment of any of the conditions specified in Sections 8.3(d), (f), (g), (h), (i) or (k) of the APA which non-fulfillment is not caused by any act or omission of the Seller.

5. Within one (1) business day of entry of this Overbid Procedures Order, the Debtor shall serve a copy of this Order, along with the Sale Motion, by first-class mail, postage prepaid, upon (i) all the parties in interest who were previously served with the Bidding Procedures Motion, (ii) all parties who hold a lien, claim, or encumbrance against any of the Assets, (iii) all taxing authorities, (iv) certain potential purchasers with whom the Debtors have held discussions on a potential sale, (v) all creditors and any other potential purchasers whose names are given to the Debtors by a party in interest, and (vi) all other parties on the Master Service List. No other notice will be required other than as set forth in this Order.

6. Any Person or group of Persons who desire to submit a competing bid for the Assets shall serve a written bid no later June 7, 2002, 10:00 a.m. Houston, Texas time, on the following:

Craig T. Sheetz
Logix Communications Corporation
14101 Wireless Way
Oklahoma City, Oklahoma 73134
(405) 516-8292 (facsimile)

Berry D. Spears/Joseph G. Epstein
WINSTEAD SECHREST & MINICK P.C.
910 Travis Street, Suite 2400
Houston, Texas 77002-5895
(713) 650-2400 (facsimile)

Robert Crawford/Connie Stamets
WINSTEAD SECHREST & MINICK P.C.
5400 Renaissance Tower
1201 Elm Street
Dallas, Texas 75201
(214) 745-5390 (facsimile)

Michael K. Scott
Jay Alix & Associates
4004 Belt Line Road, Suite 210
Addison, Texas 75001
(972) 587-4801 (facsimile)

The bids shall be time stamped upon receipt. Any written bids must include (i) appropriate evidence (in the form of sworn affidavits or declarations under penalty of perjury) of the prospective bidder's financial ability to consummate the transactions contemplated by its or their bid on or prior to the Closing Date and (ii) a certified or bank check payable to the Seller as a deposit in the amount of ten percent (10%) of the prospective purchaser's Overbid. No prospective purchaser (other than the Purchaser) will be permitted to bid at the Auction unless the Seller and Jay Alix & Associates ("Jay Alix"), the Debtors' financial advisor, determines that the prospective purchaser is financially qualified and that the prospective purchaser's bid constitutes an Overbid (as defined in paragraph 9 below). Such written bid shall also include a covenant by the prospective bidder that, in the event such prospective bidder becomes the successful bidder at the Auction, such bidder shall, prior to the conclusion of the Auction, execute an APA in identical form to the APA executed by the Purchaser, except as to price equal to the amount of the winning Overbid and any necessary conforming changes to reflect a different buyer. In the event a party seeking qualification to submit a competing bid seeks changes in the form of APA, such requested changes shall be submitted in "redline" format at the same time as the written bid. Acceptance of any such requested changes to the APA shall be totally in the discretion of the Seller. In the event that any of such requested changes have not been accepted by the Seller, in writing, prior to the commencement of the Auction, the prospective bidder requesting such changes may elect to proceed without the requested changes, or shall not be qualified to participate in the Auction.

7. Only the Purchaser and those parties who submit timely written Overbids (as defined in paragraph 9 below) will be entitled to bid at the Auction, unless the Seller or the Court determines otherwise.

8. On or before June 6, 2002 at 10:00 a.m. Houston, Texas time, the Purchaser shall provide the Seller with a list setting forth the contracts and unexpired leases on the Preliminary Draft of Section 1.5 that it wishes to assume, which list shall include the cure amounts that the Purchaser contemplates paying as part of the Assumed Contracts ("Aggregate Preliminary Cure Amount"). The Seller and its financial advisor alone shall maintain such list on a confidential basis; provided, however the Seller and its financial advisor shall be authorized to disclose the Aggregate Preliminary Cure Amount only (without disclosing any part of the list of contracts the Purchaser proposes to assume) to other prospective bidders so that such bidders may tender qualified competing Overbids with such information. Prospective bidders desiring the Aggregate Preliminary Cure Amount shall notify the Seller in writing of their request for such information no later than June 5, 2002, 5:00 p.m. Houston, Texas time, and the Seller will provide such information in writing to any requesting party no later than June 6, 2002, 2:00 p.m. Houston, Texas time.

9. Prior to the commencement of the Auction, the Seller, in consultation with Jay Alix and the LCC Committee, shall determine whether there is an all cash bid or combination of bids (collectively, an "Overbid") for the Assets of not less than \$1,000,000 in excess of the sum of the Purchase Price, after consideration of all adjustments and liabilities being assumed, which Overbid the Seller wishes to accept.

10. The Seller, in consultation with the LCC Committee, shall identify at the Auction all parties who timely submitted written Overbids.

11. The procedure at the Auction shall be as follows: If the Seller determines there is such an Overbid, the Seller shall announce the amount of such Overbid, including the cash component and any Aggregate Preliminary Cure Amount attributable to such Overbid, and the name or names of the bidder or bidders. The Seller shall then ask whether the Purchaser or any other Person wishes to make a further bid, which must be at least \$100,000 more than the then announced Overbid. In the Auction, the Purchaser and any other Person who submitted an Overbid may bid on the same basis and terms as any prior bids as long as such further bid (or combination of bids) is at least \$100,000 more than the previous bid (or combination of bids), and the Auction shall continue in the same manner until there is no further bid (or combination of bids) topping the previous bid (or combination of bids) by at least \$100,000.

12. At such time as there is no further bidding, the Seller shall declare the Auction closed, upon the terms and conditions of the APA, except that the Purchaser shall receive pursuant to Section 1.5(b)(i) of the APA a credit from the Seller toward the Purchase Price in the amount of the previous Deposit plus all interest accrued thereon. If (a) there are no qualified Overbids submitted, or (b) there are one or more qualified Overbids submitted and an Auction commences, the Purchaser, if it is the highest bidder, or the highest bidder (or combination of bidders) at such Auction shall be the successful bidder(s), subject to the approval of this Court at the Sale Hearing and subject to reopening the Auction before the Court as described in paragraph 13 below. The Purchaser shall be deemed to be a party in interest with standing to appear and be heard in connection with any motion, hearing or other proceeding relating to the APA or any Overbid.

13. At the Sale Hearing, if there are contracts remaining on the successful bidder's (the "Original Successful Bidder") list of Assumed Contracts which are subject to a dispute as to

cure amounts, once this Court has adjudicated those cure amounts, if, the Original Successful Bidder is entitled under Section 5.10(b) of the APA to exclude additional Seller Contracts from the Assumed Contracts and the Original Successful Bidder elects to do so, and if the aggregate cure amount of the remaining Assumed Contracts after exclusion of such additional Seller Contracts is less than ninety percent (90%) of the Aggregate Preliminary Cure Amount used by the Original Successful Bidder at the Auction, the Auction will be reopened for higher and better bids by the Purchaser or other Persons that submitted qualified Overbids. However, in such a case where the Auction is required to be reopened under the preceding sentence, prior to any such a reopening of the Auction, the Seller may, after consultation with the LCC Committee, offer the Assets to the party who submitted the second-highest and best bid at the Auction (the "Back-Up Bidder") for the purchase price last offered by the Back-Up Bidder at the Auction, without adjustment. Should the Back Up Bidder elect to accept such offer, the Back Up Bidder will become the successful bidder. If the Back Up Bidder does not elect to accept such offer, the Seller may, at its sole option after consultation with the LCC Committee, either (i) sell the Assets to the Original Successful Bidder at the modified Purchase Price after taking into account the exclusion of additional Seller Contracts from the Assumed Contracts, or (ii) reopen bidding by adjourning the hearing on the Sale Motion and conducting a new Auction in accordance with the procedures described herein at a time and place established by this Court at the Sale Hearing; provided, however, that the amount of the opening bid at such new Auction must be at least \$100,000 in excess of the purchase price (including the aggregate cure amount of the remaining Assumed Contracts after exclusion of the additional Seller Contracts described above) that was to be paid by the Original Successful Bidder. A sale to the Original Successful Bidder, the Back Up Bidder or any subsequent successful bidder at such new Auction shall be deemed to be a sale

made pursuant to an Overbid for all purposes of the APA (including for the purposes of the payment of the Break-Up Fee) unless the Purchaser is the purchaser in such sale.

14. The termination provisions contained in Sections 9.1, 9.2, 9.3, 9.4, 9.5 and 9.6 of the APA are hereby approved.

15. The public announcements and communications provisions contained in Section 5.4 of the APA are hereby approved. To the extent potential bidders may contact the Debtors and request information about the Purchaser or other potential bidders other than what is disclosed by the documents filed of record or required to be served by the Court, the Debtors may inform potential bidders only of the name and telephone number of other potential bidders that have contacted the Seller and indicated an interest in purchasing all or some of the Assets without disclosing any other information.

16. The Purchaser's right to exclude certain assets and liabilities from the sale contained in Sections 7.2 and 7.3 of the APA are hereby approved.

17. During the period preceding the Auction, the Debtor shall, upon request, promptly provide to any person interested in bidding at the Auction ("Potential Bidder") who reasonably appears to be capable of qualifying as a financially qualified bidder, reasonable access to the same documents, information and data provided by the Debtor to the Purchaser, and to any other documents information or data reasonably relevant to due diligence regarding the sale of the Assets. Prior to receiving such access, any Potential Bidder will be required to execute the same confidentiality agreement executed by the Purchaser.

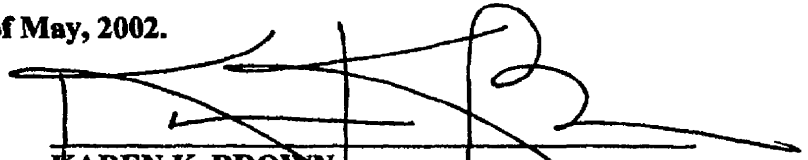
18. By submitting a competing bid pursuant to this Bidding Procedures Order, each bidder shall be conclusively deemed to acknowledge: (i) that such bidder had an opportunity to inspect and examine the Assets and to review any and all pertinent documents with respect to

such assets prior to making its offer, and that each such bidder relied solely upon that review and upon its own investigation and inspection of the Assets in making its offer; and (ii) that such bidder is not relying upon any written or oral statements, representations, or warranties of the Debtors, their agents or representatives, other than as set forth in such bidder's written offer.

19. Objections to the Sale Motion shall be filed and served on: (i) counsel for the Debtors, Berry D. Spears and Joseph G. Epstein, Winstead, Sechrest & Minick P.C., 910 Travis, Suite 2400, Houston, Texas 77002; (ii) counsel for Dobson CC Limited Partnership, Shari Siegel, Latham & Watkins, 885 Third Avenue, Suite 1000, New York, New York 10022-4802 and Ben B. Floyd and Robert Burrick, Floyd, Isgur, Rios & Wahrlich, P.C., 700 Louisiana, Suite 4600, Houston, Texas 77002; (iii) counsel for the LCC Creditors' Committee Kyung Lee and Daniel Patchin, Diamond, McCarthy, Taylor & Finley, L.L.P., Two Houston Center, 909 Fannin, Suite 1500, Houston, Texas 77010; and (iv) counsel for the Purchaser, Michael Dalton, Andrews & Kurth, Mayor, Day, Caldwell & Keeton, L.L.P., 600 Travis, Suite 4200, Houston, Texas 77002, so as to be received on or before the June 11, 2002, at 10:00 a.m. Houston, Texas time, or such objection shall not be considered by the Court.

20. This Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation of this Order.

SIGNED this 22nd day of May, 2002.


KAREN K. BROWN
UNITED STATES BANKRUPTCY JUDGE

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