

UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK PROOF OF CLAIM

Name of Debtor ALLEGIANCE TELECOM, INC, ET AL

Case Number 03-13057

REC'D OCT 18 2004

NOTE This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.

Name of Creditor (The person or other entity to whom the debtor owes money or property) The Irvine Company

Check box if you are aware that anyone else has filed a claim relating to Allegiance Telecom, Inc copy of statement given to you.

Name and address where notices should be sent The Irvine Company c/o Law Office of Dean P Sperling 201 E Sandpointe, Suite 220 Santa Ana, California 92707 Telephone number (714) 438-8090

Check box if you have never received any notices from the bankruptcy court in this case. Check box if the address differs from the address on the envelope sent to you by the court.

FILED U.S. BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK ALLEGIANCE TELECOM, INC 03-13057 (PRD) 2004

Account or other number by which creditor identifies debtor

Check here if this claim replaces or amends a previously filed claim dated

1 Basis for Claim: Goods sold, Services performed, Money loaned, Personal injury/wrongful death, Taxes, Other Rental Damages (checked).

Retiree benefits as defined in 11 U.S.C. § 1114(a), Wages salaries and compensation (fill out below). Last four digits of SS #, Unpaid compensation for services performed from to.

2 Date debt was incurred February 25, 1999

3 If court judgment, date obtained

4 Total Amount of Claim at Time Case Filed \$ 439,409.13 (unsecured), 0.00 (secured), 180,199.65 (Exhibit priority), 619,608.78 (Total)

If all or part of your claim is secured or entitled to priority also complete item 5 or 7 below. Check this box if claim includes interest or other charges in addition to the principal amount of the claim.

5 Secured Claim: Check this box if your claim is secured by collateral (including a right of setoff). Brief Description of Collateral: Real Estate, Motor Vehicle, Other. Value of Collateral \$ 0.00. Amount of arrearage and other charges at time case filed included in secured claim, if any \$ 0.00.

7 Unsecured Priority Claim: Check this box if you have an unsecured priority claim. Amount entitled to priority \$ 180,199.65. Specify the priority of the claim: Wages salaries or commissions (up to \$4,925) * earned within 90 days before filing of the bankruptcy petition or cessation of the debtor's business whichever is earlier 11 U.S.C. § 507(a)(3), Contributions to an employee benefit plan 11 U.S.C. § 507(a)(4), Up to \$2,225* of deposits toward purchase lease or rental of property or services for personal family or household use 11 U.S.C. § 507(a)(6), Alimony maintenance or support owed to a spouse former spouse or child 11 U.S.C. § 507(a)(7), Taxes or penalties owed to governmental units 11 U.S.C. § 507(a)(8), Other Specify applicable paragraph of 11 U.S.C. § 507(a) (1).

6 Unsecured Nonpriority Claim \$ 0.00. Check this box if a) there is no collateral or lien securing your claim or b) your claim exceeds the value of the property securing it or c) none or only part of your claim is entitled to priority.

8 Credit: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim (Exhibit "B").

9 Supporting Documents: Attach copies of supporting documents such as promissory notes purchase orders invoices itemized statements of running accounts contracts court judgments mortgages security agreements and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available explain. If the documents are voluminous attach a summary.

10 Date-Stamped Copy: To receive an acknowledgment of the filing of your claim enclose a stamped self-addressed envelope and copy of this proof of claim.

THIS SPACE IS FOR COURT USE ONLY RECEIVED OCT - 8 2004 CLAIMS PROCESSING CENTER USBC 5700 1

Date 10/7/2004

Sign and print the name and title of any of the creditor or other person authorized to file this claim (attach copy of power of attorney if any) Dean P Sperling

Allegiance Claim 02992

EXHIBIT "A"

Exhibit "A"
 THE IRVINE COMPANY'S AMENDED PROOF OF CLAIM

Unsecured Claim					
Pre-Petition Obligation					\$4,793 97
1 year unmitigated from April 1, 2005 thru March 31, 2006					
	April 1, 2005 thru September 30, 2005				\$216,239 58
	October 1, 2005 thru March 31, 2006				\$218,375 58
		Total Unsecured Claim			\$439,409 13
Priority Claim					
	November 1, 2004 thru March 31, 2005				\$180,199 65
	(This amount will be reduced by the monthly payments)				
		Total Priority Claim			\$180,199 65
		Total Claim			\$619,608 78

EXHIBIT "B"

OFFICE SPACE LEASE

BETWEEN

THE IRVINE COMPANY

AND

ALLEGIANCE TELECOM, INC

OFFICE SPACE LEASE

THIS LEASE is made as of the 25th day of February 1999 by and between THE IRVINE COMPANY hereafter called "Landlord" and ALLEGIANCE TELECOM, INC a Delaware corporation hereinafter called "Tenant"

ARTICLE I BASIC LEASE PROVISIONS

Each reference in this Lease to the "Basic Lease Provisions" shall mean and refer to the following collective terms the application of which shall be governed by the provisions in the remaining Articles of this Lease

- 1 Tenant's Trade Name N/A
2 Premises Suite No 200 (the Premises are more particularly described in Section 2 1)
Address of Building 4675 MacArthur Court Newport Beach CA 92660
Project Description (if applicable) MacArthur Court
3 Use of Premises General Office and for no other use
4 Estimated Commencement Date May 1 1999
5 Lease Term Eighty Four (84) months plus such additional days as may be required to cause this Lease to terminate on the final day of the calendar month subject to extension pursuant to Section 3 3 below
6 Basic Rent Seventeen Thousand Seven Hundred Ninety Two Dollars (\$17 792 00) per month
Rental Adjustments
Commencing thirty (30) months following the Commencement Date the Basic Rent shall be Nineteen Thousand Two Hundred Three Dollars (\$19 203 00) per month
Commencing sixty (60) months following the Commencement Date the Basic Rent shall be Twenty Thousand Six Hundred Ninety-Two Dollars (\$20 692 00) per month
7 Property Tax Base The Property Taxes per rentable square foot actually incurred by Landlord during the twelve month period ending June 30 1999
Building Cost Base The Building Costs per rentable square foot actually incurred by Landlord during the twelve month period ending June 30 1999
Expense Recovery Period Every twelve month period during the Term (or portion thereof during the first and last Lease years) ending June 30
8 Floor Area of Premises approximately 7 838 rentable square feet
9 Security Deposit \$22 761 00
10 Broker(s) Partners National Real Estate Group Inc
11 Plan Approval Date N/A
12 Parking See Section 6 4
13 Address for Payments and Notices

LANDLORD

TENANT

The Irvine Company
c/o PM Realty Group
4695 MacArthur Court Suite 480
Newport Beach CA 92660
Attn Property Manager

Allegiance Telecom Inc
4675 MacArthur Court
Suite 200
Newport Beach CA 92660

with a copy of notices to
THE IRVINE COMPANY
P O Box 6370
Newport Beach CA 92658-6370
Attn Vice President Operations Office Properties

with a copy of notices to
Allegiance Telecom Inc
4 Westbrook Corporate Center
Suite 400
Westchester Illinois 60154
Attn Patricia E Koide

ARTICLE II PREMISES

SECTION 2 1 LEASED PREMISES Landlord leases to Tenant and Tenant rents from Landlord the premises shown in Exhibit A (the "Premises") containing approximately the floor area set forth in Item 8 of the Basic Lease Provisions and known by the suite number identified in Item 2 of the Basic Lease Provisions. The Premises are located in the building identified in Item 2 of the Basic Lease Provisions (which together with the underlying real property is called the "Building") and is a portion of the project described in Item 2 (the "Project"). If upon completion of the space plans for the Premises → Landlord's architect or space planner reasonably determines that the rentable square footage of the Premises differs from that set forth in the Basic Lease Provisions then Landlord shall so notify Tenant and the Basic Rent (as shown in Item 6 of the Basic Lease Provisions) shall be promptly adjusted in proportion to the change in square footage. Within five (5) days following Landlord's request the parties shall memorialize the adjustments by executing an amendment to this Lease prepared by Landlord.

SECTION 2 2 ACCEPTANCE OF PREMISES Tenant acknowledges that neither Landlord nor any representative of Landlord has made any representation or warranty with respect to the Premises or the Building or the suitability or fitness of either for any purpose except as set forth in this Lease. The taking of possession or use of the Premises by Tenant for any purpose other than construction shall → conclusively establish that the Premises were in satisfactory condition and in conformity with the provisions of this Lease in all respects except for those matters which Tenant shall have brought to → Landlord's attention on a written punch list and for latent defects of which Landlord is notified within six → (6) months following the Commencement Date. The list shall be limited to any items required to be accomplished by Landlord under the Work Letter (if any) attached as Exhibit X and shall be delivered to Landlord within thirty (30) days after the term ("Term") of this Lease commences as provided in Article III below. If there is no Work Letter or if no items are required of Landlord under the Work Letter by taking → possession of the Premises for the commencement of business operations Tenant accepts the → improvements in their existing condition (the foregoing latent defects excepted) and waves any other right or claim against Landlord arising out of the condition of the Premises. Nothing contained in this Section shall affect the commencement of the Term or the obligation of Tenant to pay rent. Landlord shall → diligently complete in a good and workmanlike manner and in accordance with all applicable laws and requirements all punch list items of which it is notified as provided above.

SECTION 2 3 BUILDING NAME AND ADDRESS Tenant shall not utilize any name selected by Landlord from time to time for the Building and/or the Project as any part of Tenant's corporate or trade name. Landlord shall have the right to change the name, number or designation of the Building or Project without liability to Tenant.

ARTICLE III TERM

SECTION 3 1 GENERAL The Term shall be for the period shown in Item 5 of the Basic Lease Provisions. The Term shall commence ("Commencement Date") on the earlier of (a) subject to the provisions of Section 3 2 the Estimated Commencement Date as set forth in Item 4 of the Basic Lease Provisions or (b) the date Tenant commences its business activities within the Premises. Promptly following request by Landlord the parties shall memorialize on a form provided by Landlord the actual Commencement Date and the expiration date ("Expiration Date") of this Lease.

SECTION 3 2 DELAY IN POSSESSION If Landlord for any reason whatsoever cannot deliver possession of the Premises to Tenant on or before the Estimated Commencement Date this Lease shall not be void or voidable nor shall Landlord be liable to Tenant for any resulting loss or damage. However, Tenant shall not be liable for any rent and the Commencement Date shall not occur until Landlord delivers possession of the Premises and the Premises are in fact ready for occupancy as defined below except that if Landlord's failure to so deliver possession on the Estimated Commencement Date is attributable to any action or inaction by Tenant (including without limitation any Tenant Delay described in the Work Letter if any attached to this Lease) then the Commencement Date shall not be advanced to the date on which possession of the Premises is tendered to Tenant and Landlord shall be entitled to full performance by Tenant (including the payment of rent) from the date Landlord would have been able to deliver the Premises to Tenant but for Tenant's delay(s). The Premises shall be deemed ready for occupancy upon the tendered date but only if and when Landlord to the extent applicable (a) has put → into operation all building services essential for the use of the Premises by Tenant for its intended → purpose (b) has provided reasonable access to the Premises for Tenant so that they may be used without unnecessary interference (c) has substantially completed all the work required to be done by Landlord → in this Lease other than punch list items which do not materially interfere with Tenant's use and occupancy → of the Premises for its intended purpose and (d) has obtained requisite governmental approvals to Tenant's occupancy.

→ SECTION 3.3 RIGHT TO EXTEND THIS LEASE Provided that Tenant is not in default
→ beyond any applicable cure period under any provision of this Lease at the time of exercise of the
→ extension right granted herein and provided further that Tenant is occupying the entire Premises and has
→ not assigned or sublet any of its interest in this Lease other than to a "Tenant Affiliate" (as hereinafter
→ defined) Tenant may extend the Term of this Lease for one (1) period of sixty (60) months. Tenant shall
→ exercise its right to extend the Term by and only by delivering to Landlord not less than two hundred
→ ninety (290) days or more than three hundred sixty five (365) days prior to the expiration date of the Term
→ Tenant's written notice of its commitment to extend (the "Commitment Notice"). The Basic Rent payable
→ under the Lease during the extension of the Term shall be at the prevailing market rental rate (including
→ periodic adjustments) for comparable and similarly improved space within the Building as of the
→ commencement of the extension period as determined by Landlord based on a reasonable extrapolation
→ of its then-current leasing rates. In no event shall the monthly Basic Rent payable for the extension period
→ be less than the Basic Rent payable during the month immediately preceding the commencement of such
→ extension period. Landlord shall notify Tenant in writing of its calculation of the Basic Rent for the
→ extension period within ten (10) business days following receipt of the Commitment Notice ("Landlord's
→ Notice"). The parties shall then negotiate in good faith the rental terms for the extension period. Should
→ the parties fail to agree in writing on such terms within fifteen (15) days following the Landlord's Notice
→ then Tenant may elect by written notice to Landlord within five (5) business days thereafter either to (i)
→ rescind the Commitment Notice in which event Tenant's right to extend the Lease Term shall cease and
→ be of no further force or effect or (ii) submit the reasonableness of Landlord's calculation of the Basic Rent
→ to arbitration in accordance with Section 14.7(b). Should Tenant fail timely to make either of such
→ elections Landlord's determination of the Basic Rent shall be conclusive. Upon determination of the Basic
→ Rent Landlord shall prepare an appropriate amendment to this Lease memorializing the terms of the
→ Lease extension and Tenant shall execute and return same in fifteen (15) days. If Tenant fails to timely
→ deliver the Commitment Notice Tenant's right to extend the Term shall be extinguished and the Lease
→ shall automatically terminate as of the expiration date of the Term without any extension and without any
→ liability to Landlord. Any attempt to assign or transfer any right or interest created by this paragraph shall
→ be void from its inception. Tenant shall have no other right to extend the Term beyond the single sixty (60)
→ month extension created by this paragraph. Unless agreed to in a writing signed by Landlord and Tenant
→ any extension of the Term whether created by an amendment to this Lease or by a holdover of the
→ Premises by Tenant or otherwise shall be deemed a part of and not in addition to any duly exercised
→ extension period permitted by this paragraph.

ARTICLE IV RENT AND OPERATING EXPENSES

→ SECTION 4.1 BASIC RENT From and after the Commencement Date Tenant shall pay to
→ Landlord without deduction or offset (except as expressly provided herein) a Basic Rent for the Premises
→ in the total amount shown (including subsequent adjustments if any) in Item 6 of the Basic Lease
→ Provisions. Any rental adjustment shown in Item 6 shall be deemed to occur on the specified monthly
→ anniversary of the Commencement Date whether or not that date occurs at the end of a calendar month.
→ The rent shall be due and payable in advance commencing on the Commencement Date (as prorated for
→ any partial month) and continuing thereafter on the first day of each successive calendar month of the
→ Term. No demand notice or invoice shall be required. An installment of rent in the amount of one (1) full
→ month's Basic Rent at the initial rate specified in Item 6 of the Basic Lease Provisions shall be delivered
→ to Landlord concurrently with Tenant's execution of this Lease and shall be applied against the Basic Rent
→ first due hereunder.

SECTION 4.2 OPERATING EXPENSE INCREASE

→ (a) Commencing on the first day of the thirteenth month of the Lease Term Tenant
→ shall compensate Landlord as additional rent for Tenant's proportionate shares of "Building Costs" and
→ "Property Taxes" as those terms are defined below incurred by Landlord in the operation of the Building
→ and Project. Property Taxes and Building Costs are mutually exclusive and may be billed separately or
→ in combination as determined by Landlord. Tenant's proportionate share of Property Taxes shall equal
→ the product of the rentable floor area of the Premises multiplied by the difference of (i) Property Taxes per
→ rentable square foot less (ii) the Property Tax Base set forth in Item 7 of the Basic Lease Provisions.
→ Tenant's proportionate share of Building Costs shall equal the product of the rentable floor area of the
→ Premises multiplied by the difference of (i) Building Costs per rentable square foot less (ii) the Building
→ Cost Base set forth in Item 7 of the Basic Lease Provisions. Tenant acknowledges Landlord's rights to
→ make changes or additions to the Building and/or Project from time to time pursuant to Section 6.5 below
→ in which event the total rentable square footage within the Building and/or Project may be adjusted. For
→ convenience of reference Property Taxes and Building Costs may sometimes be collectively referred to
→ as Operating Expenses.

(b) Commencing prior to the start of the first full "Expense Recovery Period" of the Lease (as defined in Item 7 of the Basic Lease Provisions) and prior to the start of each full or partial Expense Recovery Period thereafter Landlord shall give Tenant a written estimate of the amount of Tenant's proportionate shares of Building Costs and Property Taxes for the Expense Recovery Period or portion thereof. Commencing on the first day of the thirteenth month of the Lease Term Tenant shall pay the estimated amounts to Landlord in equal monthly installments in advance with Basic Rent. If Landlord has not furnished its written estimate for any Expense Recovery Period by the time set forth above Tenant shall continue to pay cost reimbursements at the rates established for the prior Expense Recovery Period if any provided that when the new estimate is delivered to Tenant Tenant shall at the next monthly payment date pay any accrued cost reimbursements based upon the new estimate. Landlord may from time to time change the Expense Recovery Period to reflect a calendar year or a new fiscal year of Landlord as applicable in which event Tenant's share of Operating Expenses shall be equitably prorated for any partial year.

(c) Within one hundred twenty (120) days after the end of each Expense Recovery Period Landlord shall furnish to Tenant a statement showing in reasonable detail the actual or prorated Property Taxes and Building Costs incurred by Landlord during the period and the parties shall within thirty (30) days thereafter make any payment or allowance necessary to adjust Tenant's estimated payments if any to Tenant's actual proportionate shares as shown by the annual statement. If Tenant has not made estimated payments during the Expense Recovery Period any amount owing by Tenant pursuant to subsection (a) above shall be paid to Landlord in accordance with Article XVI. If actual Property Taxes or Building Costs allocable to Tenant during any Expense Recovery Period are less than the Property Tax Base or the Building Cost Base respectively Landlord shall not be required to pay the differential to Tenant. Should Tenant fail to object in writing to Landlord's determination of actual Operating Expenses within one hundred eighty (180) days following delivery of Landlord's expense statement Landlord's determination of actual Operating Expenses for the applicable Expense Recovery Period shall be conclusive and binding on the parties.

(d) Even though the Lease has terminated and the Tenant has vacated the Premises when the final determination is made of Tenant's share of Property Taxes and Building Costs for the Expense Recovery Period in which the Lease terminates Tenant shall upon notice pay the entire increase due over the estimated expenses paid. Conversely any overpayment made in the event expenses decrease shall be rebated by Landlord to Tenant. The obligations of Landlord and Tenant under this paragraph shall survive the expiration or termination of this Lease.

(e) If at any time during any Expense Recovery Period any one or more of the Operating Expenses are increased to a rate(s) or amount(s) in excess of the rate(s) or amount(s) used in calculating the estimated expenses for the year then Tenant's estimated share of Property Taxes or Building Costs as applicable shall be increased for the month in which the increase becomes effective and for all succeeding months by an amount equal to Tenant's proportionate share of the increase. Landlord shall give Tenant written notice of the amount or estimated amount of the increase the month in which the increase will become effective. Tenant's monthly share thereof and the months for which the payments are due. Tenant shall pay the increase to Landlord as a part of Tenant's monthly payments of estimated expenses as provided in paragraph (b) above commencing with the month in which effective.

(f) The term Building Costs shall include all expenses of operation and maintenance of the Building and the Project together with all appurtenant Common Areas (as defined in Section 6.2) and shall include the following charges by way of illustration but not limitation: water and sewer charges; insurance premiums or reasonable premium equivalents should Landlord elect to self-insure; any risk that Landlord is authorized to insure hereunder; license, permit and inspection fees; heat, light, power, janitorial services, repairs, air conditioning, supplies, materials, equipment, tools, tenant services, programs instituted to comply with transportation management requirements, amortization of capital investments reasonably intended to produce a reduction in operating charges or energy conservation, amortization of capital investments necessary to bring the Building into compliance with applicable laws and building codes enacted subsequent to the date of this Lease; labor, reasonably allocated wages and salaries, fringe benefits, and payroll taxes for administrative and other personnel directly applicable to the Building and/or Project, including both Landlord's personnel and outside personnel; any expense incurred pursuant to Sections 6.1, 6.2, 6.4, 7.2, and 10.2 and Exhibits B and C below and a reasonable and customary overhead/management fee. It is understood that Building Costs shall include competitive charges for direct services provided by any subsidiary or division of Landlord. The term Property Taxes as used herein shall include the following: (i) all real estate taxes or personal property taxes as such property taxes may be reassessed from time to time; and (ii) other taxes, charges and assessments which are levied with respect to this Lease or to the Building and/or the Project and any improvements, fixtures and equipment and other property of Landlord located in the Building and/or the Project except that general net income, gift, inheritance, transfer, mortgage recording and franchise taxes imposed against Landlord shall be excluded; and (iii) any tax surcharge or assessment which shall be levied in addition to or in lieu of real estate or personal property taxes other than taxes covered by Article VIII; and (iv) costs and expenses incurred in contesting the amount or validity of any Property Tax by appropriate proceedings. A copy of Landlord's unaudited statement of expenses shall be made available.

→ to Tenant upon request. The Building Costs shall be extrapolated by Landlord to reflect at least ninety-five percent (95%) occupancy of the rentable area of the Building.

→ (g) Notwithstanding the foregoing, Building Costs shall not include any capital expense or improvement except as expressly permitted above, depreciation and amortization except as expressly permitted above, any costs or expenses to the extent reimbursed by any insurer, warrantor or condemning authority, ground rent, interest or penalties resulting from any late payments by Landlord except to the extent proximately caused by Tenant's default under this Lease, the cost of any artwork, the wages of any management personnel located outside of the Project (except that the cost of the senior manager may be allocated based on his portfolio responsibilities), salaries, wages and other compensation paid to officers or directors of Landlord in their capacity as officers or directors, the cost of operating any retail space contained in the Building to the extent such costs are paid by such retail tenant or are for services provided exclusively thereto, costs incurred by Landlord in connection with the operation of the business entity which constitutes Landlord (as opposed to the operation of the Building), any fines or penalties incurred due to violations by Landlord of any applicable legal requirement provided that such violation is not attributable to any act or omission of Tenant or any of its employees, agents, contractors or invitees, costs incurred in the consummation of any sale or change of ownership of the Building including without limitation brokerage commissions, attorneys and accountants fees, closing costs, title insurance premiums, transfer taxes and debt losses, rent losses and reserves for such losses, amounts paid to any person, firm or other entity related to or otherwise affiliated with Landlord which are in excess of arms length competitive prices in the Irvine/Newport Beach area for such services or goods provided, costs arising from the removal or abatement of hazardous materials except those introduced to the Building by the Tenant or any of its contractors, agents, employees or invitees, costs arising from conditions which on the date of this Lease violate the Americans With Disabilities Act or any other applicable law, any tenant improvements, marketing, advertising and promotional costs and expenditures, leasing commissions, the initial construction cost of the Building and the Project, legal expenses incurred in enforcing any leases, debt service on any financing and other fees, costs and expenses incurred in connection with any financing, specific costs and expenses separately billed to and paid for by other tenants, any costs or expenses reimbursed by any third party or through the payment of insurance proceeds or condemnation awards, costs incurred by Landlord on account of Landlord's default under any lease, any bad debt loss, rent loss or reserves for bad debts or rent loss, or reserves for equipment or capital replacement, and any political or charitable contributions.

→ (h) Provided Tenant is not then in default hereunder, Tenant shall have the right to cause an appropriate professional with an accounting background to audit Operating Expenses by inspecting Landlord's ledger accounts not more than once during any Expense Recovery Period. In no event shall the person(s) conducting such audit be compensated on a contingency fee basis. Tenant shall give notice to Landlord of Tenant's intent to audit within one hundred eighty (180) days after Tenant's receipt of Landlord's expense statement which sets forth Landlord's actual Operating Expenses. Such audit shall be conducted at a mutually agreeable time during normal business hours at the office of Landlord or its management agent where such accounts are maintained. If Tenant's audit determines that actual Operating Expenses have been overstated by more than five percent (5%), then subject to Landlord's right to review and/or contest the audit results, Landlord shall reimburse Tenant for the reasonable out-of-pocket costs of such audit. Tenant's rent shall be appropriately adjusted to reflect any overstatement in Operating Expenses. In addition, if any component of Operating Expenses is determined to be either inappropriate or excessive during an Expense Recovery Period, and if the Building Cost Base or Property Tax Base also included such component, then the appropriate Base shall concurrently be adjusted if and to the extent appropriate. In the event of a dispute between Landlord and Tenant regarding the results of such audit, either party may elect to submit the matter for binding arbitration pursuant to Section 14.7(b) below. All of the information obtained by Tenant and/or its auditor in connection with such audit, as well as any compromise, settlement or adjustment reached between Landlord and Tenant as a result thereof, shall be held in strict confidence and, except as may be required pursuant to litigation, shall not be disclosed to any third party, directly or indirectly, by Tenant or its auditor or any of their officers, agents or employees. Landlord may require Tenant's auditor to execute a separate confidentiality agreement affirming the foregoing as a condition precedent to any audit. In the event of a violation of this confidentiality covenant in connection with any audit, then in addition to any other legal or equitable remedy available to Landlord, Tenant shall forfeit its right to any reconciliation or cost reimbursement payment from Landlord due to said audit (and any such payment theretofore made by Landlord shall be promptly returned by Tenant) and Tenant shall have no further audit rights under this Lease.

SECTION 4.3 SECURITY DEPOSIT Concurrently with Tenant's delivery of this Lease, Tenant shall deposit with Landlord the sum, if any, stated in Item 9 of the Basic Lease Provisions (the "Security Deposit") to be held by Landlord as security for the full and faithful performance of Tenant's obligations under this Lease to pay any rent as and when due, including without limitation such additional rent as may be owing under any provision hereof, and to maintain the Premises as required by Sections 7.1 and 15.3. Upon any breach of those obligations by Tenant, Landlord may apply all or part of the Security Deposit as full or partial compensation for such obligations. If any portion of the Security Deposit is so applied, Tenant shall, within ten (10) business days after written demand by Landlord, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount. Landlord shall not be

required to keep this Security Deposit separate from its general funds and Tenant shall not be entitled to interest on the Security Deposit. If Tenant fully performs its obligations under this Lease, the Security Deposit or any balance thereof shall be returned to Tenant or, at Landlord's option, to the last assignee of Tenant's interest in this Lease.

- SECTION 4.4 ADDITIONAL RENT. In addition to the Basic Rent described in Section 4.1
- above, Tenant shall pay to Landlord during the Lease Term and concurrently with Basic Rent, additional rent (Additional Rent) as follows: (i) One Thousand Two Hundred Fifty Dollars (\$1,250.00) per month during the initial six (6) months of the Lease Term; (ii) One Thousand Eight Hundred Fifty Dollars (\$1,850.00) per month during Lease months seven (7) through twelve (12) of the Lease Term; and (iii) Two Thousand Five Hundred Dollars (\$2,500.00) per month during Lease months thirteen (13) through eighty-four (84) of the Lease Term. Notwithstanding the foregoing, the Additional Rent shall be increased by Seventy Dollars (\$70.00) per month for each Reserved Stall leased by Tenant pursuant to Section 6.4 below. Upon request by Landlord from time to time, Tenant shall memorialize any change in the monthly Additional Rent by executing an appropriate instrument submitted by Landlord.

ARTICLE V USES

- SECTION 5.1 USE. Tenant shall use the Premises only for the purposes stated in Item 3 of the Basic Lease Provisions. The parties agree that any contrary use shall be deemed to cause material and irreparable harm to Landlord and shall entitle Landlord to injunctive relief in addition to any other available remedy. Tenant shall not do or permit anything to be done in or about the Premises which will in any way interfere with the rights or quiet enjoyment of other occupants of the Building or the Project or use or allow the Premises to be used for any unlawful purpose, nor shall Tenant permit any nuisance or commit any waste in the Premises or the Project. Tenant shall not do or permit to be done anything which will invalidate or increase the cost of any insurance policy(ies) covering the Building, the Project and/or their contents, and shall comply with all applicable insurance underwriters' rules and the requirements of the Pacific Fire Rating Bureau or any other organization performing a similar function. Tenant shall comply at its expense with all present and future laws, ordinances and requirements of all governmental authorities that pertain to Tenant or its use of the Premises, including without limitation all federal and state occupational health and safety and handicap access requirements, whether or not Tenant's compliance will necessitate expenditures or interfere with its use and enjoyment of the Premises. Tenant shall not generate, handle, store or dispose of hazardous or toxic materials (as such materials may be identified in any federal, state or local law or regulation) in the Premises or Project without the prior written consent of Landlord, provided that the foregoing shall not be deemed to proscribe the use by Tenant of customary office supplies in normal quantities so long as such use comports with all applicable laws. Tenant agrees that it shall promptly complete and deliver to Landlord any disclosure form regarding hazardous or toxic materials that may be required by any governmental agency. Tenant shall also, from time to time upon request by Landlord, execute such affidavits concerning Tenant's best knowledge and belief regarding the presence of hazardous or toxic materials in the Premises. Landlord shall have the right at any time to perform an assessment of the environmental condition of the Premises and of Tenant's compliance with this Section, provided that Landlord has a reasonable basis to perform such assessment or is required to do so by its lender or a governmental agency. As part of any such assessment, Landlord shall have the right, upon reasonable prior notice to Tenant, to enter and inspect the Premises and to perform tests (including physically invasive tests), provided those tests are performed in a manner that minimizes disruption to Tenant. Tenant will cooperate with Landlord in connection with any assessment by, among other things, promptly responding to inquiries and providing relevant documentation and records. Landlord shall have no liability to Tenant with respect to the results of any such assessments, inspections or tests. The reasonable cost of the assessment/testing shall be reimbursed by Tenant to Landlord if such assessment/testing determines that Tenant failed to comply with the requirements of this Section, and in that event Tenant shall accept custody and arrange for the disposal of any hazardous materials found in the test samples if such materials were placed in the Premises by Tenant or any of its agents, employees, contractors, subtenants or licensees. In all events, Tenant shall indemnify Landlord in the manner elsewhere provided in this Lease from any release of hazardous or toxic materials caused by Tenant, its agents, employees, contractors, subtenants or licensees. The foregoing covenants shall survive the expiration or earlier termination of this Lease.

SECTION 5.2 SIGNS. Tenant, upon obtaining the approval of Landlord in writing, may affix a sign (restricted solely to Tenant's name as set forth herein or such other name as Landlord may consent to in writing) adjacent to the entry door of the Premises and shall maintain the sign in good condition and repair during the Term. The sign shall conform to the criteria for signs established by Landlord and shall be ordered through Landlord. Tenant shall not place or allow to be placed any other sign, decoration or advertising matter of any kind that is visible from the exterior of the Premises. Any violating sign or decoration may be immediately removed by Landlord at Tenant's expense without notice and without the removal constituting a breach of this Lease or entitling Tenant to claim damages.

ARTICLE VI LANDLORD SERVICES

SECTION 6 1 UTILITIES AND SERVICES Landlord shall furnish to the Premises the utilities and services described in Exhibit B. Landlord shall not be liable for any failure to furnish any services or utilities when the failure is the result of any accident or other cause beyond Landlord's reasonable control nor shall Landlord be liable for damages resulting from power surges or any breakdown in telecommunications facilities or services except to the extent caused by the negligence or willful misconduct of Landlord or any of its agents, employees or contractors and not covered by Tenant's insurance. Landlord's temporary inability to furnish any services or utilities shall not entitle Tenant to any damages, relieve Tenant of the obligation to pay rent or constitute a constructive or other eviction of Tenant, except that Landlord shall diligently attempt to restore the service or utility promptly. Tenant shall comply with all rules and regulations which Landlord may reasonably establish for the provision of services and utilities and shall cooperate with all reasonable conservation practices established by Landlord. Landlord shall at all reasonable times have free access to all electrical and mechanical installations of Landlord. Notwithstanding the foregoing, in the event the Premises are rendered untenantable for more than five (5) consecutive business days due to Landlord's failure to furnish an essential service or utility, then Tenant's rent shall abate from and after the sixth business day until the Premises are again tenantable.

SECTION 6 2 OPERATION AND MAINTENANCE OF COMMON AREAS During the Term, Landlord shall operate all Common Areas within the Building and the Project. The term "Common Areas" shall mean all areas within the Building and other buildings in the Project which are not held for exclusive use by persons entitled to occupy space and all other appurtenant areas and improvements provided by Landlord for the common use of Landlord and tenants and their respective employees and invitees, including without limitation parking areas and structures, driveways, sidewalks, landscaped and planted areas, hallways and interior stairwells not located within the premises of any tenant, common entrances and lobbies, elevators and restrooms not located within the premises of any tenant.

SECTION 6 3 USE OF COMMON AREAS The occupancy by Tenant of the Premises shall include the use of the Common Areas in common with Landlord and with all others for whose convenience and use the Common Areas may be provided by Landlord, subject, however, to compliance with all non-discriminatory rules and regulations as are prescribed from time to time by Landlord. Landlord shall at all times during the Term have exclusive control of the Common Areas and may restrain any use or occupancy, except as authorized by Landlord's rules and regulations. Tenant shall keep the Common Areas clear of any obstruction or unauthorized use related to Tenant's operations. Landlord may temporarily close any portion of the Common Areas for repairs, remodeling and/or alterations to prevent a public dedication or the accrual of prescriptive rights or for any other reasonable purpose.

SECTION 6 4 PARKING Landlord hereby leases to Tenant, and Tenant hereby agrees to lease from Landlord for the Term of this Lease, the following number of vehicle parking spaces within the parking structure in the Project: twenty five (25) unreserved parking spaces during the initial six (6) months of the Lease Term; (ii) thirty seven (37) unreserved parking spaces during Lease months seven (7) through twelve (12) of the Lease Term; and (iii) fifty (50) unreserved parking spaces from and after Lease month thirteen (13), provided, however, that fifteen (15) of those aforementioned fifty (50) parking spaces shall be subject to their month to month availability as determined by Landlord (the "Extra Parking Stalls"). If, in Landlord's sole discretion, the parking structure serving the Building becomes congested, then Landlord shall have the right to restrict Tenant's use of the Extra Parking Stalls to designated locations within the Project, including but not limited to the roof top floor of the parking structure and/or the surface parking lot serving the Project. Tenant may convert up to four (4) of its initial allotted unreserved parking spaces to reserved stalls ("Reserved Stalls") by providing written notice of such election to Landlord prior to the Commencement Date of this Lease. The parking spaces shall be provided in accordance with the provisions set forth in said Exhibit C.

SECTION 6 5 CHANGES AND ADDITIONS BY LANDLORD Landlord reserves the right to make alterations or additions to the Building or the Project or to the attendant fixtures, equipment and Common Areas. No change shall entitle Tenant to any abatement of rent or other claim against Landlord, provided that the change does not deprive Tenant of reasonable access to or use of the Premises or the parking facilities.

ARTICLE VII MAINTAINING THE PREMISES

SECTION 7 1 TENANT'S MAINTENANCE AND REPAIR Tenant at its sole expense shall make all repairs necessary to keep the Premises in the condition as existed on the Commencement Date (or on any later date that the improvements may have been installed), excepting ordinary wear and tear. All repairs shall be at least equal in quality to the original work, shall be made only by a licensed, bonded

contractor approved in writing in advance by Landlord and shall be made only at the time or times approved by Landlord. Any contractor utilized by Tenant shall be subject to Landlord's standard requirements for contractors as modified from time to time. Landlord may impose reasonable restrictions and requirements with respect to repairs as provided in Section 7.3 and the provisions of Section 7.4 shall apply to all repairs. Alternatively, Landlord may elect to make any such repair on behalf of Tenant and at Tenant's expense and Tenant shall promptly reimburse Landlord as additional rent for all actual costs incurred upon submission of an invoice.

SECTION 7.2 LANDLORD'S MAINTENANCE AND REPAIR

(a) Subject to Section 7.1 and Article XI, Landlord shall provide service maintenance and repair with respect to any air conditioning, ventilating or heating equipment which serves the Premises (exclusive of any supplemental HVAC equipment installed by or at the request of Tenant) and shall maintain in good repair the roof, foundations, footings, the exterior surfaces of the exterior walls of the Building and the structural, electrical and mechanical systems, except that Tenant at its expense shall make all repairs which Landlord deems reasonably necessary as a result of the act or negligence of Tenant, its agents, employees, invitees, subtenants or contractors. Landlord shall have the right to employ or designate any reputable person or firm, including any employee or agent of Landlord or any of Landlord's affiliates or divisions, to perform any service, repair or maintenance function. Landlord need not make any other improvements or repairs except as specifically required under this Lease, and nothing contained in this Section shall limit Landlord's right to reimbursement from Tenant for maintenance, repair costs and replacement costs as provided elsewhere in this Lease. Tenant understands that it shall not make repairs at Landlord's expense or by rental offset.

(b) Except as provided in Sections 11.1 and 12.1 below, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements to any portion of the Building, including repairs to the Premises, nor shall any related activity by Landlord constitute an actual or constructive eviction, provided however that in making repairs, alterations or improvements, Landlord shall interfere as little as reasonably practicable with the conduct of Tenant's business in the Premises.

SECTION 7.3 ALTERATIONS. Tenant shall make no alterations, additions or improvements to the Premises without the prior written consent of Landlord. Landlord's consent shall not be unreasonably withheld, delayed or conditioned as long as the proposed changes do not affect the structural, electrical or mechanical components or systems of the Building and are not visible from the exterior of the Premises. Landlord may impose, as a condition to its consent, any requirements that Landlord in its discretion may deem reasonable or desirable, including but not limited to a requirement that all work be covered by a lien and completion bond satisfactory to Landlord and requirements as to the manner, time and contractor for performance of the work. Without limiting the generality of the foregoing, Tenant shall use Landlord's designated mechanical and electrical contractors for all work affecting the mechanical or electrical systems of the Building. Tenant shall obtain all required permits for the work and shall perform the work in compliance with all applicable laws, regulations and ordinances, and Landlord shall be entitled to a supervision fee in the amount of five percent (5%) of the cost of the work. Under no circumstances shall Tenant make any improvement which incorporates asbestos-containing construction materials into the Premises. Any request for Landlord's consent shall be made in writing and shall contain architectural plans describing the work in detail reasonably satisfactory to Landlord. Unless Landlord otherwise agrees in writing, all alterations, additions or improvements affixed to the Premises (excluding moveable trade fixtures and furniture) shall become the property of Landlord and shall be surrendered with the Premises at the end of the Term, except that Landlord may, by notice to Tenant given at the time of Landlord's consent to the alteration or improvement, require Tenant to remove by the Expiration Date or sooner termination date of this Lease, all or any alterations, decorations, fixtures, additions, improvements and the like installed either by Tenant or by Landlord at Tenant's request and to repair any damage to the Premises arising from that removal. Landlord may require Tenant to remove an improvement provided as part of the initial build-out pursuant to Exhibit X, if any, if and only if the improvement is a non-building standard item and Tenant is notified of the requirement prior to the build-out. Except as otherwise provided in this Lease or in any Exhibit to this Lease, should Landlord make any alteration or improvement to the Premises at the request of Tenant, Landlord shall be entitled to prompt reimbursement from Tenant for all costs incurred.

SECTION 7.4 MECHANIC'S LIENS. Tenant shall keep the Premises free from any liens arising out of any work performed, materials furnished or obligations incurred by or for Tenant. Upon request by Landlord, Tenant shall promptly cause any such lien to be released by posting a bond in accordance with California Civil Code Section 3143 or any successor statute. In the event that Tenant shall not, within thirty (30) days following the imposition of any lien, cause the lien to be released of record by payment or posting of a proper bond, Landlord shall have, in addition to all other available remedies, the right to cause the lien to be released by any means it deems proper, including payment of or defense against the claim giving rise to the lien. All expenses so incurred by Landlord, including Landlord's attorneys' fees, shall be reimbursed by Tenant promptly following Landlord's demand, together with interest from the date of payment by Landlord at the maximum rate permitted by law until paid. Tenant shall give Landlord no less than twenty (20) days prior notice in writing before commencing construction of any kind on the Premises so that Landlord may post and maintain notices of nonresponsibility on the Premises.

SECTION 7.5 ENTRY AND INSPECTION. Landlord shall at all reasonable times have the right to enter the Premises to inspect them, to supply services in accordance with this Lease, to protect the interests of Landlord in the Premises, to make repairs and renovations as reasonably deemed

necessary by Landlord and to submit the Premises to prospective or actual purchasers or encumbrance holders (or during the last one hundred and eighty (180) days of the Term or when an uncured Tenant default exists to prospective tenants) all without being deemed to have caused an eviction of Tenant and without abatement of rent except as provided elsewhere in this Lease. All such actions by Landlord shall be performed in a manner designed to minimize interference with Tenant's use and occupancy of the Premises. Landlord shall at all times have and retain a key which unlocks all of the doors in the Premises excluding Tenant's vaults and safes and Landlord shall have the right to use any and all means which Landlord may deem proper to open the doors in an emergency in order to obtain entry to the Premises and any entry to the Premises obtained by Landlord shall not under any circumstances be deemed to be a forcible or unlawful entry into or a detainer of the Premises or any eviction of Tenant from the Premises.

SECTION 7.6 SPACE PLANNING AND SUBSTITUTION Landlord shall have the one-time right upon providing not less than sixty (60) days written notice to move Tenant to other space of comparable size in the Building or in the Project. The new space shall be on the same or a higher floor and provided with improvements of comparable quality to those within the Premises. In no event shall Tenant's rent increase due to the relocation should the rentable area of the new space be smaller than that of the Premises. Tenant's rent shall decrease proportionately. Landlord shall pay the reasonable out of pocket costs to relocate and reconnect Tenant's personal property and equipment within the new space provided that Landlord may elect to cause such work to be done by its contractors. Landlord shall also reimburse Tenant for such other reasonable out of pocket costs that Tenant may incur in connection with the relocation including without limitation necessary stationery revisions. In no event however shall Landlord be obligated to incur or fund total relocation costs exclusive of tenant improvement expenditures in an amount in excess of six (6) months of Basic Rent at the rate then payable hereunder. Within ten (10) days following request by Landlord Tenant shall execute an amendment to this Lease prepared by Landlord to memorialize the relocation. Should Tenant fail timely to execute and deliver the amendment to Landlord for any reason (including without limitation the inability of the parties to reach an agreement on the proposed relocation) or should Tenant thereafter fail to comply with the terms thereof then Landlord may at its option elect to terminate this Lease upon not less than ninety (90) days prior written notice to Tenant. In the event of such termination Tenant's obligation to pay Basic Rent during the final two (2) months of the Term shall be waived. Upon the effective date of any termination of this Lease Tenant shall vacate the Premises in accordance with Section 15.3.

ARTICLE VIII TAXES AND ASSESSMENTS ON TENANT'S PROPERTY

Tenant shall be liable for and shall pay before delinquency all taxes and assessments levied against all personal property of Tenant located in the Premises. When possible Tenant shall cause its personal property to be assessed and billed separately from the real property of which the Premises form a part. If any taxes on Tenant's personal property are levied against Landlord or Landlord's property and if Landlord pays the same or if the assessed value of Landlord's property is increased by the inclusion of a value placed upon the personal property of Tenant and if Landlord pays the taxes based upon the increased assessment Tenant shall pay to Landlord the taxes so levied against Landlord or the proportion of the taxes resulting from the increase in the assessment.

ARTICLE IX ASSIGNMENT AND SUBLETTING

SECTION 9.1 RIGHTS OF PARTIES

(a) Except as otherwise provided in Section 9.1(e) below Tenant will not either voluntarily or by operation of law assign, sublet, encumber or otherwise transfer all or any part of Tenant's interest in this lease or permit the Premises to be occupied by anyone other than Tenant without Landlord's prior written consent which consent shall not unreasonably be withheld in accordance with the provisions of Section 9.1(c). No assignment (whether voluntary, involuntary or by operation of law) and no subletting shall be valid or effective without Landlord's prior written consent (except as provided in Section 9.1(e) below) and at Landlord's election shall constitute a material default of this Lease. Landlord shall not be deemed to have given its consent to any assignment or subletting by any other course of action including its acceptance of any name for listing in the Building directory. To the extent not prohibited by provisions of the Bankruptcy Code, 11 U.S.C. Section 101 et seq. (the "Bankruptcy Code") including Section 365(f)(1) Tenant on behalf of itself and its creditors, administrators and assigns waives the applicability of Section 365(e) of the Bankruptcy Code unless the proposed assignee of the Trustee for the estate of the bankrupt meets Landlord's standard for consent as set forth in Section 9.1(c) of this Lease. If this Lease is assigned to any person or entity pursuant to the provisions of the Bankruptcy Code, any and all monies or other considerations to be delivered in connection with the assignment shall be delivered to Landlord, shall be and remain the exclusive property of Landlord and shall not constitute property of Tenant or of the estate of Tenant within the meaning of the Bankruptcy Code. Any person or entity to which this Lease is assigned pursuant to the provisions of the Bankruptcy Code shall be deemed to have assumed all of the obligations arising under this Lease on and after the date of the assignment and shall upon demand execute and deliver to Landlord an instrument confirming that assumption.

(b) If Tenant or any guarantor of Tenant ("Tenant's Guarantor") is a corporation whose stock is not publicly traded or is an unincorporated association or partnership, the transfer of any stock or interest in any such corporation, association or partnership which results in a change in the voting

control of Tenant or Tenant's Guarantor if any shall be deemed an assignment within the meaning and provisions of this Article. In addition, any change in the status of the entity such as but not limited to the withdrawal of a general partner shall be deemed an assignment within the meaning of this Article.

(c) Except as provided in Section 9 1(e) below, if Tenant desires to transfer an interest in this Lease, it shall first notify Landlord of its desire and shall submit in writing to Landlord: (i) the name and address of the proposed transferee; (ii) the nature of any proposed subtenant's or assignee's business to be carried on in the Premises; (iii) the terms and provisions of any proposed sublease or assignment; and (iv) any other information requested by Landlord and reasonably related to the transfer. Except as provided in Subsection (d) of this Section, Landlord shall not unreasonably withhold its consent, provided: (1) the use of the Premises will be consistent with the provisions of this Lease and with Landlord's commitment to other tenants of the Building and Project; (2) fifty percent (50%) of any excess rent received by the Tenant (following the deduction of all out-of-pocket costs reasonably incurred by Tenant to effect the assignment or sublease) from the assignment or subletting, whether during or after the Term of this Lease, shall be paid to Landlord when received; (3) any proposed subtenant or assignee demonstrates that it is financially responsible by submission to Landlord of all reasonable information as Landlord may request concerning the proposed subtenant or assignee, including but not limited to a balance sheet of the proposed subtenant or assignee as of a date within ninety (90) days of the request for Landlord's consent and statements of income or profit and loss of the proposed subtenant or assignee for the two-year period preceding the request for Landlord's consent to the extent such profit and loss statements are available; (4) the proposed assignee or subtenant is neither an existing tenant of the Building or Project nor a prospective tenant with whom Landlord is then actively negotiating; and (5) the proposed transfer will not impose additional burdens or adverse tax effects on Landlord. If Landlord consents to the proposed transfer, Tenant may within one hundred fifty (150) days after the date of the consent effect the transfer upon the terms described in the information furnished to Landlord, provided that any material change in the terms shall be subject to Landlord's consent as set forth in this Section. Landlord shall approve or disapprove any requested transfer within thirty (30) days following receipt of Tenant's written request and the information set forth above. Tenant shall pay to Landlord a transfer fee of Five Hundred Dollars (\$500.00) if and when any transfer requested by Tenant is approved.

(d) Notwithstanding the provisions of Subsection (c) above, in lieu of consenting to a proposed assignment or subletting, Landlord may elect to: (i) sublease the Premises (or the portion proposed to be subleased) or take an assignment of Tenant's interest in this Lease upon the same terms as offered to the proposed subtenant or assignee (excluding terms relating to the purchase of personal property, the use of Tenant's name or the continuation of Tenant's business); or (ii) terminate this Lease as to the portion of the Premises proposed to be subleased or assigned with a proportionate abatement in the rent payable under this Lease, effective on the date that the proposed sublease or assignment would have become effective. Landlord may thereafter, at its option, assign or re-let any space so recaptured to any third party, including without limitation the proposed transferee of Tenant.

(e) Notwithstanding anything herein to the contrary, Tenant may, without Landlord's consent but with prompt written notice to Landlord, assign its interest in this Lease or sublet all or any portion of the Premises to a corporation, partnership, or other entity into or with which Tenant is merged or consolidated, or to which substantially all of Tenant's assets are transferred, or to any corporation, partnership, or other entity which controls or is controlled by Tenant or Tenant's parent or is under common control with Tenant or Tenant's parent (any of the foregoing, a "Tenant Affiliate").

SECTION 9 2 EFFECT OF TRANSFER No subletting or assignment other than pursuant to Section 9 1(d) shall relieve Tenant or any successor in interest to Tenant hereunder of its obligation to pay rent and to perform all its other obligations under this Lease. Moreover, Tenant shall indemnify and hold Landlord harmless, as provided in Section 10 3, for any act or omission by an assignee or subtenant other than a transferee pursuant to Section 9 1(d). Each assignee, other than Landlord, shall be deemed to assume all obligations of Tenant under this Lease and shall be liable jointly and severally with Tenant for the payment of all rent and for the due performance of all of Tenant's obligations under this Lease. Such joint and several liability shall not be discharged or impaired by any subsequent modification or extension of this Lease. No transfer shall be binding on Landlord unless any document memorializing the transfer is delivered to Landlord and both the assignee/subtenant and Tenant deliver to Landlord an executed consent to transfer instrument prepared by Landlord and consistent with the requirements of this Article. The acceptance by Landlord of any payment due under this Lease from any other person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any transfer. Consent by Landlord to one or more transfers shall not operate as a waiver or estoppel to the future enforcement by Landlord of its rights under this Lease. In addition to the foregoing, no change in the status of Tenant or any party jointly and severally liable with Tenant as aforesaid (e.g., by conversion to a limited liability company or partnership) shall serve to abrogate the liability of any person or entity for the obligations of Tenant, including any obligations that may be incurred by Tenant after the status change by exercise of a pre-existing right in this Lease.

SECTION 9 3 SUBLEASE REQUIREMENTS The following terms and conditions shall apply to any subletting by Tenant of all or any part of the Premises and shall be included in each sublease:

(a) Tenant hereby irrevocably assigns to Landlord all of Tenant's interest in all rentals and income arising from any sublease of the Premises, and Landlord may collect such rent and income and apply same toward Tenant's obligations under this Lease, provided, however, that until a default beyond any applicable cure period occurs in the performance of Tenant's obligations under this Lease, Tenant shall have the right to receive and collect the sublease rentals. Landlord shall not, by reason of this assignment or the collection of sublease rentals, be deemed liable to the subtenant for the

performance of any of Tenant's obligations under the sublease. Tenant hereby irrevocably authorizes and directs any subtenant upon receipt of a written notice from Landlord stating that an uncured default exists in the performance of Tenant's obligations under this Lease to pay to Landlord all sums then and thereafter due under the sublease. Tenant agrees that the subtenant may rely on that notice without any duty of further inquiry and notwithstanding any notice or claim by Tenant to the contrary. Tenant shall have no right or claim against the subtenant or Landlord for any rentals so paid to Landlord. In the event Landlord collects amounts from subtenants that exceed the total amount then due from Tenant hereunder Landlord shall promptly remit the excess to Tenant.

(b) In the event of the termination of this Lease Landlord may at its sole option take over Tenant's entire interest in any sublease and upon notice from Landlord the subtenant shall attorn to Landlord. In no event however shall Landlord be liable for any previous act or omission by Tenant under the sublease or for the return of any advance rental payments or deposits under the sublease that have not been actually delivered to Landlord nor shall Landlord be bound by any sublease modification executed without Landlord's consent or for any advance rental payment by the subtenant in excess of one month's rent. The general provisions of this Lease including without limitation those pertaining to insurance and indemnification shall be deemed incorporated by reference into the sublease despite the termination of this Lease.

(c) Tenant agrees that Landlord may at its sole option authorize a subtenant of the Premises to cure a default by Tenant under this Lease. Should Landlord accept such cure the subtenant shall have a right of reimbursement and offset from and against Tenant under the applicable sublease.

ARTICLE X INSURANCE AND INDEMNITY

SECTION 10.1 TENANT'S INSURANCE Tenant at its sole cost and expense shall provide and maintain in effect the insurance described in Exhibit D. Evidence of that insurance must be delivered to Landlord prior to the Commencement Date.

SECTION 10.2 LANDLORD'S INSURANCE Landlord shall provide the following types of insurance with or without deductible and in amounts and coverages as may be determined by Landlord in its discretion: "all risk" property insurance subject to standard exclusions covering the Building or Project and such other risks as Landlord or its mortgagees may from time to time deem appropriate and commercial general liability coverage. Landlord shall not be required to carry insurance of any kind on Tenant's leasehold improvements, trade fixtures, furnishings, equipment, interior plate glass, signs and all other items of personal property and shall not be obligated to repair or replace that property should damage occur except to the extent such damage is caused by the negligence or willful misconduct of Landlord or any of its agents, contractors or employees and is not covered by Tenant's insurance. All proceeds of insurance maintained by Landlord upon the Building and Project shall be the property of Landlord whether or not Landlord is obligated to or elects to make any repairs.

SECTION 10.3 TENANT'S INDEMNITY To the fullest extent permitted by law Tenant shall defend, indemnify and hold harmless Landlord, its agents, lenders and any and all affiliates of Landlord from and against any and all claims, liabilities, costs or expenses arising either before or after the Commencement Date from Tenant's use or occupancy of the Premises, the Building or the Common Areas or from the conduct of its business or from any activity, work or thing done, permitted or suffered by Tenant or its agents, employees, subtenants, invitees or licensees in or about the Premises, the Building or the Common Areas or from any default in the performance of any obligation on Tenant's part to be performed under this Lease or from any act or negligence of Tenant or its agents, employees, subtenants, invitees or licensees. Landlord may at its option require Tenant to assume Landlord's defense in any action covered by this Section through counsel reasonably satisfactory to Landlord.

SECTION 10.4 LANDLORD'S NONLIABILITY Landlord shall not be liable to Tenant, its employees, agents and invitees and Tenant hereby waives all claims against Landlord, its employees and agents for loss of or damage to any property or any injury to any person or loss or interruption of business or income resulting from any condition including but not limited to fire, explosion, falling plaster, steam, gas, electricity, water or rain which may leak or flow from or into any part of the Premises or from the breakage, leakage, obstruction or other defects of the pipes, sprinklers, wires, appliances, plumbing, air conditioning, electrical works or other fixtures in the Building whether the damage or injury results from conditions arising in the Premises or in other portions of the Building except to the extent caused by the willful misconduct or negligence of Landlord or any of its agents, employees or contractors and not covered by Tenant's insurance. It is understood that any such condition may require the temporary evacuation or closure of all or a portion of the Building. Should Tenant elect to receive any service from a concessionaire, licensee or third party tenant of Landlord, Tenant shall not seek recourse against Landlord for any breach or liability of that service provider. Neither Landlord nor its agents shall be liable for interference with light or other similar intangible interests. Tenant shall immediately notify Landlord in case of fire or accident in the Premises, the Building or the Project and of defects in any improvements or equipment.

SECTION 10.5 WAIVER OF SUBROGATION Landlord and Tenant each hereby waives all rights of recovery against the other on account of loss and damage occasioned to the property of such waiving party to the extent that the waiving party is entitled to proceeds for such loss and damage under any all risk property insurance policies carried or otherwise required to be carried by this Lease. By this waiver it is the intent of the parties that neither Landlord nor Tenant shall be liable to any insurance

- company (by way of subrogation or otherwise) insuring the other party for any loss or damage insured
- against under any all-risk property insurance policies even though such loss or damage might be
- occasioned by the negligence of such party its agents employees or contractors The foregoing waiver
- by Tenant shall also inure to the benefit of Landlord s management agent for the Building

ARTICLE XI DAMAGE OR DESTRUCTION

SECTION 11 1 RESTORATION

(a) If the Building of which the Premises are a part is damaged as the result of an event of casualty Landlord shall repair that damage as soon as reasonably possible unless (i) Landlord reasonably determines that the cost of repair would exceed ten percent (10%) of the full replacement cost of the Building (Replacement Cost) and the damage is not covered by Landlord s fire and extended coverage insurance (or by a normal extended coverage policy should Landlord fail to carry that insurance) or (ii) Landlord reasonably determines that the cost of repair would exceed twenty five percent (25%) of the Replacement Cost or (iii) Landlord reasonably determines that the cost of repair would exceed ten percent (10%) of the Replacement Cost and the damage occurs during the final twelve (12) months of the Term Should Landlord elect not to repair the damage for one of the preceding reasons Landlord shall so notify Tenant in the Casualty Notice (as defined below) and this Lease shall terminate as of the date of delivery of that notice

(b) As soon as reasonably practicable following the casualty event but not later than sixty (60) days thereafter Landlord shall notify Tenant in writing (Casualty Notice) of Landlord s election if applicable to terminate this Lease If this Lease is not so terminated the Casualty Notice shall set forth the anticipated period for repairing the casualty damage If the anticipated repair period exceeds one hundred eighty (180) days and if the damage is so extensive as to reasonably prevent Tenant s substantial use and enjoyment of the Premises then Tenant may elect to terminate this Lease by written notice to Landlord within ten (10) days following delivery of the Casualty Notice If neither party elect to terminate this Lease in accordance with the foregoing then Landlord shall diligently prosecute the restoration of the Building and the Premises to substantially the same condition as existed prior to the casualty Notwithstanding the foregoing in the event that Landlord fails substantially to complete said restoration of the Building and the Premises by the date (Outside Date") that is thirty (30) days following the estimated completion date set forth in Landlord s original notice to Tenant then Tenant shall have the right to terminate this Lease However should Landlord at any time and from time to time determine that it will not complete the restoration by the Outside Date Landlord shall so notify Tenant and advise Tenant of the revised date by which Landlord estimates the work shall be substantially completed Tenant shall have five (5) business days following such notice from Landlord to terminate this Lease otherwise the Outside Date shall be extended to the revised date as submitted by Landlord

(c) From and after the sixth business day following the casualty event the rental to be paid under this Lease shall be abated in the same proportion that the floor area of the Premises that is rendered unusable by the damage from time to time bears to the total floor area of the Premises

(d) Notwithstanding the provisions of subsections (a) (b) and (c) of this Section the cost of any repairs shall be borne by Tenant and Tenant shall not be entitled to rental abatement or termination rights if the damage is due to the fault or neglect of Tenant or its employees subtenants invitees or representatives In addition the provisions of this Section shall not be deemed to require Landlord to repair any improvements or fixtures that Tenant is obligated to repair or insure pursuant to any other provision of this Lease

SECTION 11 2 LEASE GOVERNS Tenant agrees that the provisions of this Lease including without limitation Section 11 1 shall govern any damage or destruction and shall accordingly supersede any contrary statute or rule of law

ARTICLE XII EMINENT DOMAIN

SECTION 12 1 TOTAL OR PARTIAL TAKING If all or a material portion of the Premises is taken by any lawful authority by exercise of the right of eminent domain or sold to prevent a taking either Tenant or Landlord may terminate this Lease effective as of the date possession is required to be surrendered to the authority In the event title to a portion of the Building or Project other than the Premises is taken or sold in lieu of taking and if Landlord elects to restore the Building in such a way as to alter the Premises materially either party may terminate this Lease by written notice to the other party effective on the date of vesting of title In the event neither party has elected to terminate this Lease as provided above then Landlord shall promptly after receipt of a sufficient condemnation award proceed to restore the Premises to substantially their condition prior to the taking and a proportionate allowance shall be made to Tenant for the rent corresponding to the time during which and to the part of the Premises of which Tenant is deprived on account of the taking and restoration In the event of a taking Landlord shall be entitled to the entire amount of the condemnation award without deduction for any estate or interest of Tenant provided that nothing in this Section shall be deemed to give Landlord any interest in or prevent Tenant from seeking any award against the taking authority for the taking of personal property and fixtures belonging to Tenant or for relocation or business interruption expenses recoverable from the taking authority

SECTION 12 2 TEMPORARY TAKING No temporary taking of the Premises shall terminate this Lease or give Tenant any right to abatement of rent and any award specifically attributable to a temporary taking of the Premises shall belong entirely to Tenant. A temporary taking shall be deemed to be a taking of the use or occupancy of the Premises for a period of not to exceed thirty (30) days.

SECTION 12 3 TAKING OF PARKING AREA In the event there shall be a taking of the parking area such that Landlord can no longer provide sufficient parking to comply with this Lease, Landlord may substitute reasonably equivalent parking in a location reasonably close to the Building, provided that if Landlord fails to make that substitution within ninety (90) days following the taking and if the taking materially impairs Tenant's use and enjoyment of the Premises, Tenant may, at its option, terminate this Lease by written notice to Landlord. If this Lease is not so terminated by Tenant, there shall be no abatement of rent and this Lease shall continue in effect, provided that the Additional Rent as set forth in Section 4.4 shall be equitably reduced based on the number of parking stalls lost to Tenant.

ARTICLE XIII SUBORDINATION ESTOPPEL CERTIFICATE

SECTION 13 1 SUBORDINATION Tenant agrees that this Lease and its other interests, if any, in the Project are and shall be subordinate to any first lien now of record affecting the Premises and, if the holder of such first lien also holds a second lien now of record affecting the Premises, to such second lien (such first lien and such second lien, if any, being hereinafter collectively called the "Prior Lien") to any and all advances made or to be made under the Prior Lien, to the interest on all obligations secured by the Prior Lien, to all other sums secured or to be secured thereby, including without limitation attorneys' fees, taxes, and insurance premiums, and to all renewals, replacements, extensions, and modifications of the Prior Lien. Tenant further agrees that this Lease and its other interests, if any, in the Project shall be subordinate to any first lien that may hereafter be placed on the Premises, to any and all advances made or to be made under such first lien, to the interest on all obligations secured by such first lien, and to all renewals, replacements, extensions, and modifications of such first lien, provided that the holder of such first lien delivers to Tenant an agreement by such lien holder that Tenant's rights and interests with respect to the Premises and the Project shall not be impaired or disturbed by foreclosure or other enforcement of such first lien, except as expressly permitted under this Lease or any related agreement between Landlord and Tenant with respect to the Project. The holder of any lien described above ("Lien Holder") at any time prior to foreclosure or other enforcement of its lien(s) may elect to subordinate such lien(s) to this Lease by recording a subordination agreement effecting such subordination and delivering a copy thereof to Tenant at the address set forth in this Lease. The failure of any Lien Holder to include Tenant in a judicial foreclosure action or the election by such Lien Holder to foreclose non-judicially its encumbrance on Landlord's reversionary interest in the Premises under this Lease, only expressly excluding Tenant's leasehold estate under this Lease, shall be deemed (i) an election by such Lien Holder not to impair or disturb Tenant's rights and interests with respect to the Premises and the Project, except as expressly permitted under this Lease or any related agreement between Landlord and Tenant with respect to the Project, and (ii) the agreement by Tenant to attorn to any person who succeeds to Landlord's interest in the Premises. In the event of any foreclosure or other enforcement of an encumbrance on the Premises which is subordinate to this Lease pursuant to the foregoing provisions or otherwise, Tenant agrees to attorn to any person who succeeds to Landlord's interest in the Premises. Tenant further agrees that, if requested by such transferee, Tenant shall enter into a new lease of the Premises with such transferee for the balance then remaining of the term of the Lease and upon the same terms and conditions as are then contained in the Lease. In the event of any foreclosure or other enforcement of a Prior Lien or other first lien on the Premises which is subordinate to this Lease as aforesaid, Tenant agrees that its rights to insurance and/or condemnation proceeds pursuant to this Lease shall be subordinate to the lien holder's rights to such proceeds pursuant to its security instruments. Any subordination or agreement to attorn by Tenant and any subordination by a Lien Holder pursuant to this Section shall be effective without the need for any further act of Tenant. However, within ten (10) business days of any written request from Landlord or any Lien Holder, Tenant shall execute and deliver any documents or instruments that may be required by the Lien Holder to effectuate any such subordination or attornment. If Tenant fails to timely execute and deliver any such documents or instruments, then, in addition to any other available remedy, Tenant irrevocably constitutes and appoints Landlord as Tenant's special attorney in fact, coupled with an interest, to execute and deliver any such documents or instruments. Tenant acknowledges that Landlord's Lien Holders and successors in-interest are intended third party beneficiaries of this Section. Upon request by Tenant, Landlord will use reasonable efforts to obtain a nondisturbance agreement in favor of Tenant from any existing lienholder as of the date hereof, which agreement shall be on such lender's standard form.

SECTION 13 2 ESTOPPEL CERTIFICATE Tenant shall, at any time upon not less than ten (10) business days prior written notice from Landlord, execute, acknowledge, and deliver to Landlord, in any form that Landlord may reasonably require, a statement in writing in favor of Landlord and/or any prospective purchaser or encumbrancer of the Building, (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of the modification and certifying that this Lease, as modified, is in full force and effect) and the dates to which the rental, additional rent, and other charges have been paid in advance, if any, and (ii) acknowledging that, to Tenant's knowledge, there are no uncured defaults on the part of Landlord, or specifying each default, if any, are claimed, and (iii) setting forth all further information that Landlord may reasonably require. Tenant's statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the Building or Project. Tenant's failure to deliver any estoppel statement within the provided time shall constitute a default under this Lease and shall be conclusive upon Tenant that (i) this Lease is in full force and effect, without modification, except

as may be represented by Landlord (ii) there are no uncured defaults in Landlord's performance and (iii) not more than one month's rental has been paid in advance

ARTICLE XIV DEFAULTS AND REMEDIES

SECTION 14.1 TENANT'S DEFAULTS In addition to any other event of default set forth in this Lease the occurrence of any one or more of the following events shall constitute a default by Tenant

(a) The failure by Tenant to make any payment of rent or additional rent required to be made by Tenant as and when due where the failure continues for a period of five (5) business days after written notice from Landlord to Tenant provided however that any such notice shall be in lieu of and not in addition to any notice required under California Code of Civil Procedure Section 1161 and 1161(a) as amended For purposes of these default and remedies provisions the term additional rent shall be deemed to include all amounts of any type whatsoever other than Basic Rent to be paid by Tenant pursuant to the terms of this Lease

(b) Assignment sublease encumbrance or other transfer of the Lease by Tenant either voluntarily or by operation of law whether by judgment execution transfer by intestacy or testacy or other means without the prior written consent of Landlord to the extent such consent is required by Section 9.1

(c) The discovery by Landlord that any financial statement provided by Tenant or by any affiliate successor or guarantor of Tenant was materially false

(d) The failure by Tenant to observe or perform any of the covenants or provisions of this Lease to be observed or performed by Tenant other than as specified in any other subsection of this Section where the failure continues for a period of thirty (30) days after written notice from Landlord to Tenant provided however that any such notice shall be in lieu of and not in addition to any notice required under California Code of Civil Procedure Section 1161 and 1161(a) as amended However if the nature of the failure is such that more than thirty (30) days are reasonably required for its cure then Tenant shall not be deemed to be in default if Tenant commences the cure within thirty (30) days and thereafter diligently pursues the cure to completion

(e) (i) The making by Tenant of any general assignment for the benefit of creditors (ii) the filing by or against Tenant of a petition to have Tenant adjudged a Chapter 7 debtor under the Bankruptcy Code or to have debts discharged or a petition for reorganization or arrangement under any law relating to bankruptcy (unless in the case of a petition filed against Tenant the same is dismissed within sixty (60) days) (iii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease if possession is not restored to Tenant within thirty (30) days (iv) the attachment execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease where the seizure is not discharged within thirty (30) days or (v) Tenant's convening of a meeting of its creditors for the purpose of effecting a moratorium upon or composition of its debts Landlord shall not be deemed to have knowledge of any event described in this subsection unless notification in writing is received by Landlord nor shall there be any presumption attributable to Landlord of Tenant's insolvency In the event that any provision of this subsection is contrary to applicable law the provision shall be of no force or effect

SECTION 14.2 LANDLORD'S REMEDIES

(a) In the event of any default by Tenant then in addition to any other remedies available to Landlord Landlord may exercise the following remedies

(i) Landlord may terminate Tenant's right to possession of the Premises by any lawful means in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord Such termination shall not affect any accrued obligations of Tenant under this Lease Upon termination Landlord shall have the right to reenter the Premises and remove all persons and property Landlord shall also be entitled to recover from Tenant

(1) The worth at the time of award of the unpaid rent and additional rent which had been earned at the time of termination

(2) The worth at the time of award of the amount by which the unpaid rent and additional rent which would have been earned after termination until the time of award exceeds the amount of such loss that Tenant proves could have been reasonably avoided

(3) The worth at the time of award of the amount by which the unpaid rent and additional rent for the balance of the Term after the time of award exceeds the amount of such loss that Tenant proves could be reasonably avoided

(4) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result from Tenant's default including but not limited to the cost of recovering possession of the Premises commissions and other expenses of reletting

including necessary repair renovation improvement and alteration of the Premises for a new tenant the unamortized portion of any tenant improvements and brokerage commissions funded by Landlord in connection with this Lease reasonable attorneys fees and any other reasonable costs and

(5) At Landlord's election all other amounts in addition to or in lieu of the foregoing as may be permitted by law The term rent as used in this Lease shall be deemed to mean the Basic Rent the Additional Rent and all other sums required to be paid by Tenant to Landlord pursuant to the terms of this Lease Any sum other than Basic Rent shall be computed on the basis of the average monthly amount accruing during the twenty four (24) month period immediately prior to default except that if it becomes necessary to compute such rental before the twenty four (24) month period has occurred then the computation shall be on the basis of the average monthly amount during the shorter period As used in subparagraphs (1) and (2) above the worth at the time of award shall be computed by allowing interest at the rate of ten percent (10%) per annum As used in subparagraph (3) above the worth at the time of award shall be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%)

(ii) Landlord may elect not to terminate Tenant's right to possession of the Premises in which event Landlord may continue to enforce all of its rights and remedies under this Lease including the right to collect all rent as it becomes due Efforts by the Landlord to maintain preserve or relet the Premises or the appointment of a receiver to protect the Landlord's interests under this Lease shall not constitute a termination of the Tenant's right to possession of the Premises In the event that Landlord elects to avail itself of the remedy provided by this subsection (ii) Landlord shall not unreasonably withhold its consent to an assignment or subletting of the Premises subject to the reasonable standards for Landlord's consent as are contained in this Lease

(b) The various rights and remedies reserved to Landlord in this Lease or otherwise shall be cumulative and except as otherwise provided by California law Landlord may pursue any or all of its rights and remedies at the same time No delay or omission of Landlord to exercise any right or remedy shall be construed as a waiver of the right or remedy or of any default by Tenant The acceptance by Landlord of rent shall not be a (i) waiver of any preceding breach or default by Tenant of any provision of this Lease other than the failure of Tenant to pay the particular rent accepted regardless of Landlord's knowledge of the preceding breach or default at the time of acceptance of rent or (ii) a waiver of Landlord's right to exercise any remedy available to Landlord by virtue of the breach or default The acceptance of any payment from a debtor in possession a trustee a receiver or any other person acting on behalf of Tenant or Tenant's estate shall not waive or cure a default under Section 14.1 No payment by Tenant or receipt by Landlord of a lesser amount than the rent required by this Lease shall be deemed to be other than a partial payment on account of the earliest due stipulated rent nor shall any endorsement or statement on any check or letter be deemed an accord and satisfaction and Landlord shall accept the check or payment without prejudice to Landlord's right to recover the balance of the rent or pursue any other remedy available to it Tenant hereby waives any right of redemption or relief from forfeiture under California Code of Civil Procedure Section 1174 or 1179 or under any other present or future law in the event this Lease is terminated by reason of any default by Tenant No act or thing done by Landlord or Landlord's agents during the Term shall be deemed an acceptance of a surrender of the Premises and no agreement to accept a surrender shall be valid unless in writing and signed by Landlord No employee of Landlord or of Landlord's agents shall have any power to accept the keys to the Premises prior to the termination of this Lease and the delivery of the keys to any employee shall not operate as a termination of the Lease or a surrender of the Premises

SECTION 14.3 LATE PAYMENTS

(a) Any rent due under this Lease that is not paid to Landlord within five (5) business days of the date when due shall bear interest at the lesser of twelve percent (12%) per annum or the maximum rate permitted by law which interest shall accrue from the date due until fully paid The payment of interest shall not cure any default by Tenant under this Lease In addition Tenant acknowledges that the late payment by Tenant to Landlord of rent will cause Landlord to incur costs not contemplated by this Lease the exact amount of which will be extremely difficult and impracticable to ascertain Those costs may include but are not limited to administrative processing and accounting charges and late charges which may be imposed on Landlord by the terms of any ground lease mortgage or trust deed covering the Premises Accordingly if any rent due from Tenant shall not be received by Landlord or Landlord's designee within five (5) business days after the date due then Tenant shall pay to Landlord in addition to the interest provided above a late charge in the amount of one hundred dollars (\$100.00) for each delinquent payment Acceptance of a late charge by Landlord shall not constitute a waiver of Tenant's default with respect to the overdue amount nor shall it prevent Landlord from exercising any of its other rights and remedies

(b) Following each second consecutive installment of rent that is not paid within five (5) business days following notice of nonpayment from Landlord Landlord shall have the option (i) to require that beginning with the first payment of rent next due rent shall no longer be paid in monthly installments but shall be payable quarterly three (3) months in advance and/or (ii) to require that Tenant increase the amount if any of the Security Deposit by one hundred percent (100%) Should Tenant deliver to Landlord at any time during the Term two (2) or more insufficient checks the Landlord may require that all monies then and thereafter due from Tenant be paid to Landlord by cashier's check

SECTION 14.4 RIGHT OF LANDLORD TO PERFORM All covenants and agreements to be performed by Tenant under this Lease shall except as otherwise provided herein be performed at Tenant's sole cost and expense and without any abatement of rent or right of set-off If Tenant fails to pay any sum of money or fails to perform any other act on its part to be performed under this Lease and the

failure continues beyond any applicable grace period set forth in Section 14.1 then in addition to any other available remedies Landlord may at its election make the payment or perform the other act on Tenant's part. Landlord's election to make the payment or perform the act on Tenant's part shall not give rise to any responsibility of Landlord to continue making the same or similar payments or performing the same or similar acts. Tenant shall promptly upon demand by Landlord reimburse Landlord for all sums paid by Landlord and all necessary incidental costs together with interest at the lesser of twelve percent (12%) per annum or the maximum rate permitted by law from the date of the payment by Landlord.

SECTION 14.5 DEFAULT BY LANDLORD Landlord shall not be deemed to be in default in the performance of any obligation under this Lease unless and until it has failed to perform the obligation within thirty (30) days after written notice by Tenant to Landlord specifying in reasonable detail the nature and extent of the failure provided however that if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance then Landlord shall not be deemed to be in default if it commences performance within the thirty (30) day period and thereafter diligently pursues the cure to completion.

SECTION 14.6 EXPENSES AND LEGAL FEES Should either Landlord or Tenant bring any action in connection with this Lease the prevailing party shall be entitled to recover as a part of the action its reasonable attorneys fees and all other costs. The prevailing party for the purpose of this paragraph shall be determined by the trier of the facts.

SECTION 14.7 WAIVER OF JURY TRIAL/RIGHT TO ARBITRATE

(a) LANDLORD AND TENANT EACH ACKNOWLEDGES THAT IT IS AWARE OF AND HAS HAD THE ADVICE OF COUNSEL OF ITS CHOICE WITH RESPECT TO ITS RIGHT TO TRIAL BY JURY AND EACH PARTY DOES HEREBY EXPRESSLY AND KNOWINGLY WAIVE AND RELEASE ALL SUCH RIGHTS TO TRIAL BY JURY IN ANY ACTION PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER PARTY HERETO AGAINST THE OTHER (AND/OR AGAINST ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR SUBSIDIARY OR AFFILIATED ENTITIES) ON ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, TENANT'S USE OR OCCUPANCY OF THE PREMISES, AND/OR ANY CLAIM OF INJURY OR DAMAGE.

(b) SHOULD A DISPUTE ARISE BETWEEN THE PARTIES REGARDING ANY MATTER DESCRIBED ABOVE, THEN EXCEPT WITH RESPECT TO ACTIONS FOR UNLAWFUL OR FORCIBLE DETAINER EITHER PARTY MAY CAUSE THE DISPUTE TO BE SUBMITTED TO JAMS/ENDISPUTE OR ITS SUCCESSOR (JAMS) IN THE COUNTY IN WHICH THE BUILDING IS SITUATED FOR BINDING ARBITRATION BEFORE A SINGLE ARBITRATOR. HOWEVER, EACH PARTY RESERVES THE RIGHT TO SEEK A PROVISIONAL REMEDY BY JUDICIAL ACTION. NO ARBITRATION ELECTION BY EITHER PARTY PURSUANT TO THIS SUBSECTION SHALL BE EFFECTIVE IF MADE LATER THAN THIRTY (30) DAYS FOLLOWING SERVICE OF A JUDICIAL SUMMONS AND COMPLAINT BY OR UPON SUCH PARTY CONCERNING THE DISPUTE. THE ARBITRATION SHALL BE CONDUCTED IN ACCORDANCE WITH THE RULES OF PRACTICE AND PROCEDURE OF JAMS AND OTHERWISE PURSUANT TO THE CALIFORNIA ARBITRATION ACT (CODE OF CIVIL PROCEDURE SECTIONS 1280 ET SEQ.) NOTWITHSTANDING THE FOREGOING, THE ARBITRATOR IS SPECIFICALLY DIRECTED TO LIMIT DISCOVERY TO THAT WHICH IS ESSENTIAL TO THE EFFECTIVE PROSECUTION OR DEFENSE OF THE ACTION, AND IN NO EVENT SHALL SUCH DISCOVERY BY EITHER PARTY INCLUDE MORE THAN ONE NON EXPERT WITNESS DEPOSITION UNLESS BOTH PARTIES OTHERWISE AGREE. THE ARBITRATOR SHALL APPORTION THE COSTS OF THE ARBITRATION TOGETHER WITH THE ATTORNEYS FEES OF THE PARTIES IN THE MANNER DEEMED EQUITABLE BY THE ARBITRATOR. IT BEING THE INTENTION OF THE PARTIES THAT THE PREVAILING PARTY ORDINARILY BE ENTITLED TO RECOVER ITS REASONABLE COSTS AND FEES. JUDGMENT UPON ANY AWARD RENDERED BY THE ARBITRATOR MAY BE ENTERED BY ANY COURT HAVING JURISDICTION.

ARTICLE XV END OF TERM

SECTION 15.1 HOLDING OVER This Lease shall terminate without further notice upon the expiration of the Term and any holding over by Tenant after the expiration shall not constitute a renewal or extension of this Lease or give Tenant any rights under this Lease except when in writing signed by both parties. If Tenant holds over for any period after the expiration (or earlier termination) of the Term Landlord may at its option treat Tenant as a tenant at sufferance only commencing on the first (1st) day following the termination of this Lease. Any hold over by Tenant shall be subject to all of the terms of this Lease except that the monthly rental shall be one hundred fifty percent (150%) of the total monthly rental for the month immediately preceding the date of termination subject to Landlord's right to modify same upon thirty (30) days notice to Tenant. If Tenant fails to surrender the Premises upon the expiration of this Lease despite demand to do so by Landlord Tenant shall indemnify and hold Landlord harmless from all loss or liability including without limitation any claims made by any succeeding tenant relating to such failure to surrender. Acceptance by Landlord of rent after the termination shall not constitute a consent to a holdover or result in a renewal of this Lease. The foregoing provisions of this Section are in addition to and do not affect Landlord's right of re entry or any other rights of Landlord under this Lease or at law.

SECTION 15.2 MERGER ON TERMINATION The voluntary or other surrender of this Lease by Tenant or a mutual termination of this Lease shall terminate any or all existing subleases unless Landlord at its option elects in writing to treat the surrender or termination as an assignment to it of any or all subleases affecting the Premises

SECTION 15.3 SURRENDER OF PREMISES REMOVAL OF PROPERTY Upon the Expiration Date or upon any earlier termination of this Lease Tenant shall quit and surrender possession of the Premises to Landlord in as good order condition and repair as when received or as hereafter may be improved by Landlord or Tenant reasonable wear and tear and repairs which are Landlord's obligation excepted and shall without expense to Landlord remove or cause to be removed all wallpapering and voice and/or data transmission cabling installed by or for Tenant together with all personal property and debris except for any items that Landlord may by written authorization allow to remain Tenant shall repair all damage to the Premises resulting from the removal which repair shall include the patching and filling of holes and repair of structural damage provided that Landlord may instead elect to repair any structural damage at Tenant's expense If Tenant shall fail to comply with the provisions of this Section Landlord may effect the removal and/or make any repairs and the cost to Landlord shall be additional rent payable by Tenant upon demand If requested by Landlord Tenant shall execute acknowledge and deliver to Landlord an instrument in writing releasing and quitclaiming to Landlord all right title and interest of Tenant in the Premises

ARTICLE XVI PAYMENTS AND NOTICES

All sums payable by Tenant to Landlord shall be paid without deduction or offset in lawful money of the United States to Landlord at its address set forth in Item 13 of the Basic Lease Provisions or at any other place as Landlord may designate in writing Unless this Lease expressly provides otherwise as for example in the payment of rent pursuant to Section 4.1 all payments shall be due and payable within ten (10) days after demand All payments requiring proration shall be prorated on the basis of a thirty (30) day month and a three hundred sixty (360) day year Any notice election demand consent approval or other communication to be given or other document to be delivered by either party to the other may be delivered to the other party at the address set forth in Item 13 of the Basic Lease Provisions by personal service or telegram telecopier or electronic facsimile transmission or by any courier or overnight express mailing service or may be deposited in the United States mail postage prepaid Either party may by written notice to the other served in the manner provided in this Article designate a different address If any notice or other document is sent by mail it shall be deemed served or delivered three (3) business days after mailing or if sooner upon actual receipt If more than one person or entity is named as Tenant under this Lease service of any notice upon any one of them shall be deemed as service upon all of them

ARTICLE XVII RULES AND REGULATIONS

Tenant agrees to comply with the Rules and Regulations attached as Exhibit E and any reasonable and nondiscriminatory amendments modifications and/or additions as may be adopted and published by written notice to tenants by Landlord for the safety care security good order or cleanliness of the Premises Building Project and/or Common Areas Landlord shall not be liable to Tenant for any violation of the Rules and Regulations or the breach of any covenant or condition in any lease or any other act or conduct by any other tenant and the same shall not constitute a constructive eviction hereunder One or more waivers by Landlord of any breach of the Rules and Regulations by Tenant or by any other tenant(s) shall not be a waiver of any subsequent breach of that rule or any other Tenant's failure to keep and observe the Rules and Regulations shall constitute a default under this Lease In the case of any conflict between the Rules and Regulations and this Lease this Lease shall be controlling

ARTICLE XVIII BROKER'S COMMISSION

The parties recognize as the broker(s) who negotiated this Lease the firm(s) if any whose name(s) is (are) stated in Item 10 of the Basic Lease Provisions and agree that Landlord shall be responsible for the payment of brokerage commissions to those broker(s) unless otherwise provided in this Lease Each party warrants that it has had no dealings with any other real estate broker or agent in connection with the negotiation of this Lease and agrees to indemnify and hold the other party harmless from any cost expense or liability (including reasonable attorneys fees) for any compensation commissions or charges claimed by any other real estate broker or agent employed or claiming to represent or to have been employed by the indemnifying party in connection with the negotiation of this Lease The foregoing agreement shall survive the termination of this Lease

ARTICLE XIX TRANSFER OF LANDLORD'S INTEREST

In the event of any transfer of Landlord's interest in the Premises the transferor shall be automatically relieved of all obligations on the part of Landlord accruing under this Lease from and after the date of the transfer provided that any funds held by the transferor in which Tenant has an interest shall be turned over subject to that interest to the transferee and Tenant is notified of the transfer as required

by law. No holder of a mortgage and/or deed of trust to which this Lease is or may be subordinate shall be responsible in connection with the Security Deposit unless the mortgagee or holder of the deed of trust or the landlord actually receives the Security Deposit. It is intended that the covenants and obligations contained in this Lease on the part of Landlord shall subject to the foregoing be binding on Landlord, its successors and assigns only during and in respect to their respective successive periods of ownership.

ARTICLE XX INTERPRETATION

SECTION 20.1 GENDER AND NUMBER Whenever the context of this Lease requires the words Landlord and Tenant shall include the plural as well as the singular and words used in neuter masculine or feminine genders shall include the others.

SECTION 20.2 HEADINGS The captions and headings of the articles and sections of this Lease are for convenience only and are not a part of this Lease and shall have no effect upon its construction or interpretation.

SECTION 20.3 JOINT AND SEVERAL LIABILITY If more than one person or entity is named as Tenant, the obligations imposed upon each shall be joint and several and the act of or notice from or notice or refund to or the signature of any one or more of them shall be binding on all of them with respect to the tenancy of this Lease, including but not limited to any renewal, extension, termination or modification of this Lease.

SECTION 20.4 SUCCESSORS Subject to Articles IX and XIX, all rights and liabilities given to or imposed upon Landlord and Tenant shall extend to and bind their respective heirs, executors, administrators, successors and assigns. Nothing contained in this Section is intended or shall be construed to grant to any person other than Landlord and Tenant and their successors and assigns any rights or remedies under this Lease.

SECTION 20.5 TIME OF ESSENCE Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor.

SECTION 20.6 CONTROLLING LAW This Lease shall be governed by and interpreted in accordance with the laws of the State of California.

SECTION 20.7 SEVERABILITY If any term or provision of this Lease, the deletion of which would not adversely affect the receipt of any material benefit by either party or the deletion of which is consented to by the party adversely affected, shall be held invalid or unenforceable to any extent, the remainder of this Lease shall not be affected and each term and provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

SECTION 20.8 WAIVER One or more waivers by Landlord or Tenant of any breach of any term, covenant or condition contained in this Lease shall not be a waiver of any subsequent breach of the same or any other term, covenant or condition. Consent to any act by one of the parties shall not be deemed to render unnecessary the obtaining of that party's consent to any subsequent act. No breach of this Lease shall be deemed to have been waived unless the waiver is in a writing signed by the waiving party.

SECTION 20.9 INABILITY TO PERFORM In the event that either party shall be delayed or hindered in or prevented from the performance of any work or in performing any act required under this Lease by reason of any cause beyond the reasonable control of that party, then the performance of the work or the doing of the act shall be excused for the period of the delay and the time for performance shall be extended for a period equivalent to the period of the delay. The provisions of this Section shall not operate to excuse Tenant from the prompt payment of rent.

SECTION 20.10 ENTIRE AGREEMENT This Lease and its exhibits and other attachments cover in full each and every agreement of every kind between the parties concerning the Premises, the Building and the Project and all preliminary negotiations, oral agreements, understandings and/or practices, except those contained in this Lease, are superseded and of no further effect. Tenant waives its rights to rely on any representations or promises made by Landlord or others which are not contained in this Lease. No verbal agreement or implied covenant shall be held to modify the provisions of this Lease, any statute, law or custom to the contrary notwithstanding.

SECTION 20.11 QUIET ENJOYMENT Upon the observance and performance of all the covenants, terms and conditions on Tenant's part to be observed and performed and subject to the other provisions of this Lease, Tenant shall peaceably and quietly hold and enjoy the Premises and the other rights granted to Tenant hereunder for the Term without hindrance or interruption by Landlord or any other person claiming by or through Landlord.

SECTION 20.12 SURVIVAL All covenants of Landlord or Tenant which reasonably would be intended to survive the expiration or sooner termination of this Lease, including without limitation any warranty or indemnity hereunder, shall so survive and continue to be binding upon and inure to the benefit of the respective parties and their successors and assigns.

ARTICLE XXI EXECUTION AND RECORDING

SECTION 21 1 COUNTERPARTS This Lease may be executed in one or more counterparts each of which shall constitute an original and all of which shall be one and the same agreement

→ **SECTION 21 2 CORPORATE AND PARTNERSHIP AUTHORITY** Tenant shall at Landlord's request deliver a certified copy of its board of directors resolution or partnership agreement or certificate authorizing or evidencing the execution of this Lease

SECTION 21 3 EXECUTION OF LEASE NO OPTION OR OFFER The submission of this Lease to Tenant shall be for examination purposes only and shall not constitute an offer to or option for Tenant to lease the Premises Execution of this Lease by Tenant and its return to Landlord shall not be binding upon Landlord notwithstanding any time interval until Landlord has in fact executed and delivered this Lease to Tenant it being intended that this Lease shall only become effective upon execution by Landlord and delivery of a fully executed counterpart to Tenant

SECTION 21 4 RECORDING Tenant shall not record this Lease without the prior written consent of Landlord Tenant upon the request of Landlord shall execute and acknowledge a "short form memorandum of this Lease for recording purposes

SECTION 21 5 AMENDMENTS No amendment or mutual termination of this Lease shall be effective unless in writing signed by authorized signatories of Tenant and Landlord or by their respective successors in interest No actions policies oral or informal arrangements business dealings or other course of conduct by or between the parties shall be deemed to modify this Lease in any respect

ARTICLE XXII MISCELLANEOUS

SECTION 22 1 NONDISCLOSURE OF LEASE TERMS Tenant acknowledges and agrees that the terms of this Lease are confidential and constitute proprietary information of Landlord Disclosure of the terms could adversely affect the ability of Landlord to negotiate other leases and impair Landlord's relationship with other tenants Accordingly Tenant agrees that it and its partners officers directors employees and attorneys shall not intentionally and voluntarily disclose the terms and conditions of this Lease to any other tenant or apparent prospective tenant of the Building or Project either directly or indirectly without the prior written consent of Landlord provided however that Tenant may disclose the terms to prospective subtenants or assignees under this Lease

SECTION 22 2 REPRESENTATIONS BY TENANT The application financial statements and tax returns if any submitted and certified to by Tenant as an accurate representation of its financial condition have been prepared certified and submitted to Landlord as an inducement and consideration to Landlord to enter into this Lease The application and statements are represented and warranted by Tenant to be correct and to accurately and fully reflect Tenant's true financial condition as of the date of execution of this Lease by Tenant Tenant shall during the Term promptly furnish Landlord with annual financial statements reflecting Tenant's financial condition upon written request from Landlord

→ **SECTION 22 3 CHANGES REQUESTED BY LENDER** If in connection with obtaining financing for the Building the lender shall request reasonable modifications in this Lease as a condition to the financing Tenant will not unreasonably withhold or delay its consent provided that the modifications do not materially increase the obligations of Tenant materially decrease Tenant's rights hereunder or materially and adversely affect the leasehold interest created by this Lease


→ **SECTION 22 4 MORTGAGEE PROTECTION** No act or failure to act on the part of Landlord which would otherwise entitle Tenant to be relieved of its obligations hereunder or to terminate this Lease shall result in such a release or termination unless (a) Tenant has given notice by registered or certified mail to any beneficiary of a deed of trust or mortgage covering the Building whose address has been furnished to Tenant in writing and (b) such beneficiary is afforded a reasonable opportunity to cure the default by Landlord including if necessary to effect the cure time to obtain possession of the Building by power of sale or judicial foreclosure provided that such foreclosure remedy is diligently pursued

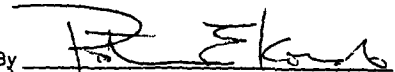
SECTION 22 5 DISCLOSURE STATEMENT Tenant acknowledges that it has read understands and if applicable shall comply with the provisions of Exhibit F to this Lease if that Exhibit is attached


SECTION 22.6 AGENT FOR SERVICE As of the date hereof Tenant has not provided evidence to Landlord that Tenant has formally qualified to conduct intrastate business in California which qualification would have designated an agent for service of process upon Tenant Accordingly in addition to any other manner of service of process upon Tenant that may be permitted by law Tenant acknowledges and agrees that CT Corporation Systems 818 West 7th Street Los Angeles California 90071 is irrevocably designated as an agent of Tenant for receipt of service of process and that service upon said individual shall be deemed service upon Tenant

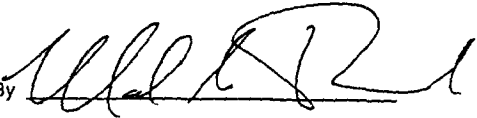
LANDLORD
THE IRVINE COMPANY

TENANT
ALLEGIANCE TELECOM INC

By 
William R. Halford President
Irvine Office Company
a division of The Irvine Company

By 
Printed Name Patricia E. Koide
Senior Vice President
Title _____

By 
Vincent P. Hayes
Assistant Secretary

By 
Printed Name Mark B. Szcynowski
Corporate Secretary
Title _____



MACARTHUR COURT



4675 MACARTHUR COURT
SECOND FLOOR

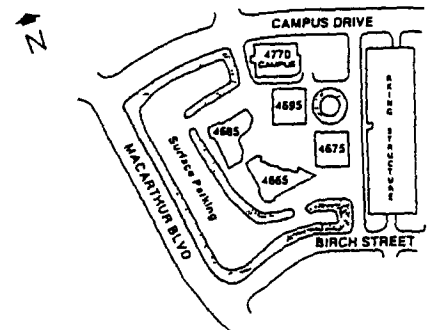
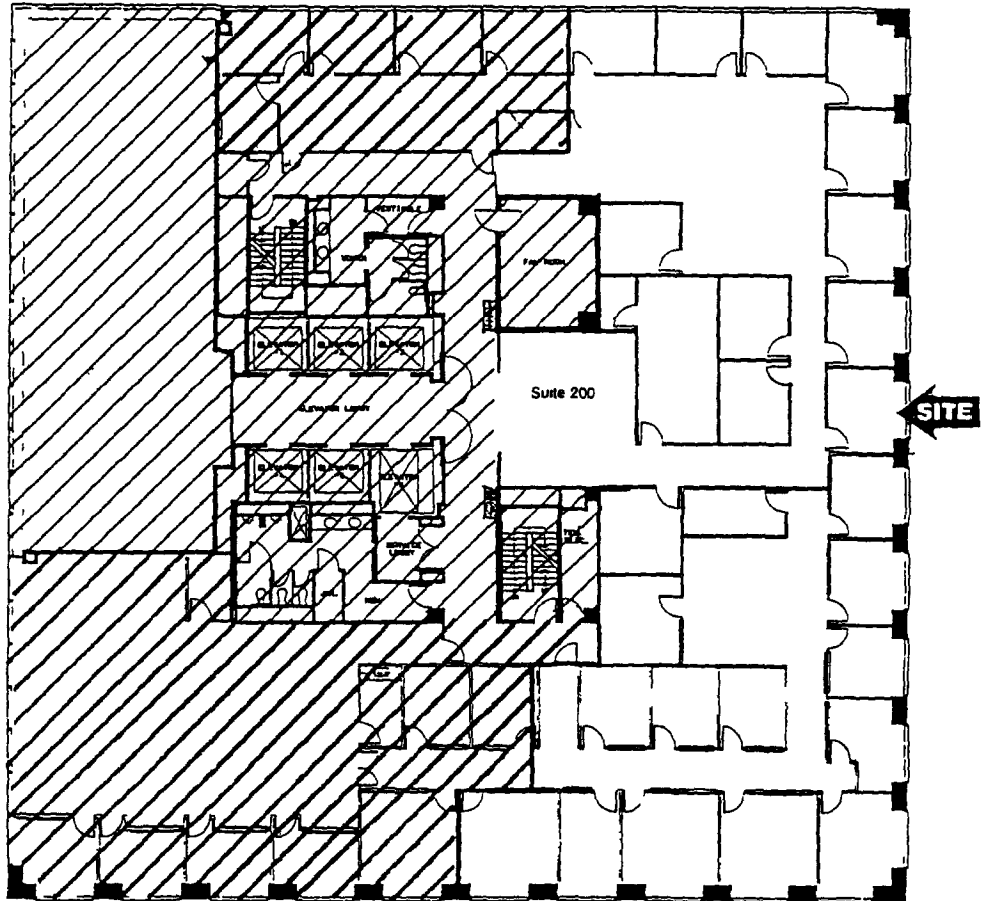


EXHIBIT A

EXHIBIT B

UTILITIES AND SERVICES

The following standards for utilities and services shall be in effect at the Building. Landlord reserves the right to adopt nondiscriminatory modifications and additions to these standards. In the case of any conflict between these standards and the Lease, the Lease shall be controlling. Subject to all of the provisions of the Lease, including but not limited to the restrictions contained in Section 6.1, the following shall apply:

1. Landlord shall furnish to the Premises during the hours of 8:00 a.m. to 6:00 p.m. Monday through Friday and 8:00 a.m. to 1:00 p.m. on Saturday generally recognized national holidays and Sundays, excepted, reasonable air conditioning, heating and ventilation services. Subject to the provisions set forth below, Landlord shall also furnish the Building with elevator service (if applicable), reasonable amounts of electric current for normal lighting by Landlord's standard overhead fluorescent and incandescent fixtures and for fractional horsepower office machines, and water for lavatory and drinking purposes. Tenant will not, without the prior written consent of Landlord, consume electricity in the Premises at a level in excess of 3 watts per square foot or otherwise increase the amount of electricity, gas or water usually furnished or supplied for use of the Premises as general office space, nor shall Tenant connect any apparatus, machine or device with water pipes or electric current (except through existing electrical outlets in the Premises) for the purpose of using electric current or water. This paragraph shall at all times be subject to applicable governmental regulations.

2. Upon written request from Tenant delivered to Landlord at least 24 hours prior to the period for which service is requested, but during normal business hours, Landlord will provide any of the foregoing building services to Tenant at such times when such services are not otherwise available. Tenant agrees to pay Landlord for those after-hour services at Landlord's standard rates in effect from time to time. If Tenant requires electric current in excess of that which Landlord is obligated to furnish under this Exhibit B, Tenant shall first obtain the consent of Landlord, and Landlord may cause an electric current meter to be installed in the Premises to measure the amount of electric current consumed. The cost of installation, maintenance and repair of the meter shall be paid for by Tenant, and Tenant shall reimburse Landlord promptly upon demand for all electric current consumed for any special power use as shown by the meter. The reimbursement shall be at the rates charged for electrical power by the local public utility furnishing the current, plus any additional expense incurred in keeping account of the electric current consumed.

3. If any lights, machines or equipment (including without limitation electronic data processing machines) are used by Tenant in the Premises which materially affect the temperature otherwise maintained by the air conditioning system, or generate substantially more heat in the Premises than would be generated by the building standard lights and usual fractional horsepower office equipment, Landlord shall have the right at its election to install or modify any machinery and equipment to the extent Landlord reasonably deems necessary to restore temperature balance. The cost of installation, and any additional cost of operation and maintenance, shall be paid by Tenant to Landlord promptly upon demand.

4. Landlord shall furnish water for drinking, personal hygiene and lavatory purposes only. If Tenant requires or uses water for any purposes in addition to ordinary drinking, cleaning and lavatory purposes, Landlord may, in its discretion, install a water meter to measure Tenant's water consumption. Tenant shall pay Landlord for the cost of the meter and the cost of its installation, and for consumption throughout the duration of Tenant's occupancy. Tenant shall keep the meter and installed equipment in good working order and repair at Tenant's own cost and expense, in default of which Landlord may cause the meter to be replaced or repaired at Tenant's expense. Tenant agrees to pay for water consumed as shown on the meter and when bills are rendered, and on Tenant's default in making that payment, Landlord may pay the charges on behalf of Tenant. Any costs or expenses or payments made by Landlord for any of the reasons or purposes stated above shall be deemed to be additional rent payable by Tenant to Landlord upon demand.

5. In the event that any utility service to the Premises is separately metered or billed to Tenant, Tenant shall pay all charges for that utility service to the Premises and the cost of furnishing the utility to tenant suites shall be excluded from the Operating Expenses as to which reimbursement from Tenant is required in the Lease. If any utility charges are not paid when due, Landlord may pay them, and any amounts paid by Landlord shall immediately become due to Landlord from Tenant as additional rent. If Landlord elects to furnish any utility service to the Premises, Tenant shall purchase its requirements of that utility from Landlord as long as the rates charged by Landlord do not exceed those which Tenant would be required to pay if the utility service were furnished directly by a public utility.

6. Landlord shall provide janitorial services five days per week, equivalent to that furnished in comparable buildings, and window washing as reasonably required, provided however that Tenant shall pay for any additional or unusual janitorial services required by reason of any nonstandard improvements in the Premises, including without limitation wall coverings and floor coverings installed by or for Tenant, or by reason of any use of Premises other than exclusively as offices. The cleaning services provided by Landlord shall also exclude refrigerators, eating utensils (plates, drinking containers and silverware) and interior glass partitions. Tenant shall pay to Landlord the cost of removal of any of Tenant's refuse and rubbish to the extent that they exceed the refuse and rubbish usually attendant with general office usage.

7 Tenant shall have access to the Building 24 hours per day 7 days per week 52 weeks per year provided that Landlord may install access control systems as it deems advisable for the Building. Such systems may but need not include full or part time lobby supervision the use of a sign in sign-out log a card identification access system building parking and access pass system closing hours procedures access control stations fire stairwell exit door alarm system electronic guard system mobile paging system elevator control system or any other access controls. In the event that Landlord elects to provide any or all of those services Landlord may discontinue providing them at any time with or without notice. Landlord may impose a reasonable charge for access control cards and/or keys issued to Tenant. Landlord shall have no liability to Tenant for the provision by Landlord of improper access control services for any breakdown in service or for the failure by Landlord to provide access control services. Tenant further acknowledges that Landlord's access systems may be temporarily inoperative during building emergency and system repair periods. Tenant agrees to assume responsibility for compliance by its employees with any regulations established by Landlord with respect to any card key access or any other system of building access as Landlord may establish. Tenant shall be liable to Landlord for any loss or damage resulting from its or its employees use of any access system.

EXHIBIT C

PARKING

The following parking regulations shall be in effect at the Building. Landlord reserves the right to adopt reasonable nondiscriminatory modifications and additions to the regulations by written notice to Tenant. In the case of any conflict between these regulations and the Lease, the Lease shall be controlling.

1 Landlord agrees to maintain or cause to be maintained an automobile parking area (Parking Area) in reasonable proximity to the Building for the benefit and use of the visitors and patrons and except as otherwise provided employees of Tenant and other tenants and occupants of the Building. The Parking Area shall include whether in a surface parking area or a parking structure the automobile parking stalls driveways entrances exits sidewalks and attendant pedestrian passageways and other areas designated for parking. Landlord shall have the right and privilege of determining the nature and extent of the automobile Parking Area whether it shall be surface underground or other structure and of making such changes to the Parking Area from time to time which in its opinion are desirable and for the best interests of all persons using the Parking Area. Landlord shall keep the Parking Area in a neat clean and orderly condition and shall repair any damage to its facilities. Landlord shall not be liable for any damage to motor vehicles of visitors or employees for any loss of property from within those motor vehicles or for any injury to Tenant its visitors or employees unless ultimately determined to be caused by the sole active negligence or willful misconduct of Landlord. Unless otherwise instructed by Landlord every parker shall park and lock his or her own motor vehicle. Landlord shall also have the right to establish and from time to time amend and to enforce against all users of the Parking Area all reasonable rules and regulations (including the designation of areas for employee parking) as Landlord may deem necessary and advisable for the proper and efficient operation and maintenance of the Parking Area. Garage managers or attendants are not authorized to make or allow any exceptions to these regulations.

2 Landlord may if it deems advisable in its sole discretion charge for parking and may establish for the Parking Area a system or systems of permit parking for Tenant its employees and its visitors which may include but not be limited to a system of charges against nonvalidated parking verification of users a set of regulations governing different parking locations and an allotment of reserved or nonreserved parking spaces based upon the charges paid and the identity of users. In no event shall Tenant or its employees park in reserved stalls leased to other tenants or in stalls within designated visitor parking zones nor shall Tenant or its employees utilize more than the number of parking stalls allotted in this Lease to Tenant. It is understood that Landlord shall not have any obligation to cite improperly parked vehicles or otherwise attempt to enforce reserved parking rules during hours when parking attendants are not present at the Parking Area. Tenant shall comply with such system in its use (and in the use of its visitors patrons and employees) of the Parking Area provided however that the system and rules and regulations shall apply to all persons entitled to the use of the Parking Area and all charges to Tenant for use of the Parking Area shall be no greater than Landlord's then current scheduled charge for parking.

3 Tenant shall upon request of Landlord from time to time furnish Landlord with a list of its employees names and of Tenant's and its employees vehicle license numbers. Tenant agrees to acquaint its employees with these regulations and assumes responsibility for compliance by its employees with these parking provisions and shall be liable to Landlord for all unpaid parking charges incurred by its employees. Any amount due from Tenant shall be deemed additional rent. Tenant authorizes Landlord to tow away from the Building any vehicle belonging to Tenant or Tenant's employees parked in violation of these provisions and/or to attach violation stickers or notices to those vehicles. In the event Landlord elects or is required to limit or control parking by tenants employees visitors or invitees of the Building whether by validation of parking tickets parking meters or any other method of assessment Tenant agrees to participate in the validation or assessment program under reasonable rules and regulations as are established by Landlord and/or any applicable governmental agency.

4 Landlord may establish an identification system for vehicles of Tenant and its employees which may consist of stickers magnetic parking cards or other identification devices supplied by Landlord. All identification devices shall remain the property of Landlord shall be displayed as required by Landlord or upon request and may not be mutilated or obliterated in any manner. Those devices shall not be transferable and any such device in the possession of an unauthorized holder shall be void and may be confiscated. Landlord may impose a reasonable fee for identification devices and a replacement charge for devices which are lost or stolen. Each identification device shall be returned to Landlord promptly following the Expiration Date or sooner termination of this Lease. Loss or theft of parking identification devices shall be reported to Landlord or its Parking Area operator immediately and a written report of the loss filed if requested by Landlord or its Parking Area operator.

5 Persons using the Parking Area shall observe all directional signs and arrows and any posted speed limits. Unless otherwise posted in no event shall the speed limit of 5 miles per hour be exceeded. All vehicles shall be parked entirely within painted stalls and no vehicles shall be parked in areas which are posted or marked as no parking or on or in ramps driveways and aisles. Only one vehicle may be parked in a parking space. In no event shall Tenant interfere with the use and enjoyment of the Parking Area by other tenants of the Building or their employees or invitees.

6 Parking Areas shall be used only for parking vehicles. Washing waxing cleaning or servicing of vehicles or the parking of any vehicle on an overnight basis in the Parking Area (other than emergency services) by any parker or his or her agents or employees is prohibited unless otherwise

authorized by Landlord Tenant shall have no right to install any fixtures equipment or personal property (other than vehicles) in the Parking Area nor shall Tenant make any alteration to the Parking Area

7 It is understood that the employees of Tenant and the other tenants of Landlord within the Building and Project shall not be permitted to park their automobiles in the portions of the Parking Area which may from time to time be designated for patrons of the Building and/or Project and that Landlord shall at all times have the right to establish rules and regulations for employee parking Employees shall pay to Landlord or its agents for the use of employee parking spaces the amounts as Landlord shall from time to time determine Landlord may authorize persons other than those described above including occupants of other buildings to utilize the Parking Area In the event of the use of the Parking Area by other persons those persons shall pay for that use in accordance with the terms established above provided however Landlord may allow those persons to use the Parking Area on weekends holidays and at other non office hours

- without payment Notwithstanding any of the foregoing to the contrary neither Tenant nor its employees
- shall be assessed a monthly parking stall charge during the initial eighty-four (84) month Term for any of the
- spaces allotted to Tenant under Section 6.4 of the Lease

8 Notwithstanding the foregoing paragraphs 1 through 7 Landlord shall be entitled to pass on to Tenant its proportionate share of any charges or parking surcharge or transportation management costs levied by any governmental agency The foregoing parking provisions are further subject to any governmental regulations which limit parking or otherwise seek to encourage the use of carpools public transit or other alternative transportation forms or traffic reduction programs Tenant agrees that it will use its best efforts to cooperate including registration and attendance in programs which may be undertaken to reduce traffic Tenant acknowledges that as a part of those programs it may be required to distribute employee transportation information participate in employee transportation surveys allow employees to participate in commuter activities designate a liaison for commuter transportation activities distribute commuter information to all employees and otherwise participate in other programs or services initiated under a transportation management program

9 Should any parking spaces be allotted by Landlord to Tenant either on a reserved or nonreserved basis Tenant shall not assign or sublet any of those spaces either voluntarily or by operation of law without the prior written consent of Landlord except to a Tenant Affiliate or in connection with any other authorized assignment of this Lease or subletting of the Premises

EXHIBIT D

TENANT'S INSURANCE

The following standards for Tenant's insurance shall be in effect at the Building. Landlord reserves the right to adopt reasonable nondiscriminatory modifications and additions to those standards. Tenant agrees to obtain and present evidence to Landlord that it has fully complied with the insurance requirements.

1 Tenant shall at its sole cost and expense commencing on the date Tenant is given access to the Premises for any purpose and during the entire Term procure pay for and keep in full force and effect (i) commercial general liability insurance with respect to the Premises and the operations of or on behalf of Tenant in on or about the Premises including but not limited to personal injury nonowned automobile blanket contractual independent contractors broad form property damage fire legal liability products liability (if a product is sold from the Premises) liquor law liability (if alcoholic beverages are sold served or consumed within the Premises) and cross liability and severability of interest clauses which policy(ies) shall be written on an "occurrence" basis and for not less than \$2,000,000 combined single limit (with a \$50,000 minimum limit on fire legal liability) per occurrence for bodily injury death and property damage liability or the current limit of liability carried by Tenant whichever is greater and subject to such increases in amounts as Landlord may determine from time to time (ii) workers compensation insurance coverage as required by law together with employers liability insurance coverage (iii) with respect to improvements alterations and the like required or permitted to be made by Tenant under this Lease builder's all-risk insurance in amounts satisfactory to Landlord (iv) insurance against fire vandalism malicious mischief and such other additional perils as may be included in a standard all risk form insuring the leasehold improvements trade fixtures furnishings equipment and items of personal property in the Premises in an amount equal to not less than ninety percent (90%) of their actual replacement cost (with replacement cost endorsement) which policy shall also include loss of income/business interruption/extra expense coverage in an amount not less than nine months loss of income from Tenant's business in the Premises. Subject to Section 10.5 of the Lease in no event shall the limits of any policy be considered as limiting the liability of Tenant under this Lease.

2 All policies of insurance required to be carried by Tenant pursuant to this Exhibit shall be written by responsible insurance companies authorized to do business in the State of California and with a general policyholder rating of not less than "A" and financial rating of not less than "X" in the most current Best's Insurance Report. Any insurance required of Tenant may be furnished by Tenant under any blanket policy carried by it or under a separate policy. A certificate of insurance certifying that the policy has been issued provides the coverage required by this Exhibit and contains the required provisions together with endorsements acceptable to Landlord evidencing the waiver of subrogation and additional insured provisions required under Paragraph 3 below shall be delivered to Landlord prior to the date Tenant is given the right of possession of the Premises. Proper evidence of the renewal of any insurance coverage shall also be delivered to Landlord not less than thirty (30) days prior to the expiration of the coverage. Landlord may at any time and from time to time inspect and/or copy any and all insurance policies required by this Lease.

3 Unless otherwise provided below each policy evidencing insurance required to be carried by Tenant pursuant to this Exhibit shall contain the following provisions and/or clauses satisfactory to Landlord: (i) with respect to Tenant's commercial general liability insurance a provision that the policy and the coverage provided shall be primary and that any coverage carried by Landlord shall be excess and noncontributory together with a provision including Landlord and any other parties in interest designated by Landlord as additional insureds (ii) a waiver by the insurer of any right to subrogation against Landlord its agents employees contractors and representatives which arises or might arise by reason of any payment under the policy or by reason of any act or omission of Landlord its agents employees contractors or representatives and (iii) a provision that the insurer will not cancel or materially adversely change the coverage provided by the policy without first giving Landlord thirty (30) days prior written notice.

4 In the event that Tenant fails to procure maintain and/or pay for at the times and for the durations specified in this Exhibit any insurance required by this Exhibit or fails to carry insurance required by any governmental authority Landlord may at its election procure that insurance and pay the premiums in which event Tenant shall repay Landlord all sums paid by Landlord together with interest at the maximum rate permitted by law and any related costs or expenses incurred by Landlord within ten (10) days following Landlord's written demand to Tenant.

NOTICE TO TENANT IN ACCORDANCE WITH THE TERMS OF THIS LEASE TENANT MUST PROVIDE EVIDENCE OF THE REQUIRED INSURANCE TO LANDLORD'S MANAGEMENT AGENT PRIOR TO OCCUPANCY OF THE PREMISES

EXHIBIT E

RULES AND REGULATIONS

The following Rules and Regulations shall be in effect at the Building. Landlord reserves the right to adopt reasonable nondiscriminatory modifications and additions at any time. In the case of any conflict between these regulations and the Lease, the Lease shall be controlling.

1 Except with the prior written consent of Landlord, Tenant shall not sell or permit the retail sale of newspapers, magazines, periodicals, or theater tickets in or from the Premises, nor shall Tenant carry on or permit or allow any employee or other person to carry on the business of stenography, typewriting, or any similar business in or from the Premises for the service or accommodation of occupants of any other portion of the Building. Tenant shall not allow the Premises to be utilized for any manufacturing of any kind or the business of a public barber shop, beauty parlor, or a manicuring and chiropodist business, or any business other than that specifically provided for in the Lease.

2 The sidewalks, halls, passages, elevators, stairways, and other common areas shall not be obstructed by Tenant or used by it for storage or for any purpose other than for ingress to and egress from the Premises. The halls, passages, entrances, elevators, stairways, balconies, and roof are not for the use of the general public, and Landlord shall in all cases retain the right to control and prevent access to those areas of all persons whose presence in the judgment of Landlord shall be prejudicial to the safety, character, reputation, and interests of the Building and its tenants. Nothing contained in this Lease shall be construed to prevent access to persons with whom Tenant normally deals only for the purpose of conducting its business on the Premises (such as clients, customers, office suppliers, and equipment vendors and the like) unless those persons are engaged in illegal activities. Neither Tenant nor any employee or contractor of Tenant shall go upon the roof of the Building without the prior written consent of Landlord.

3 The sashes, sash doors, windows, glass lights, solar film, and/or screen, and any lights or skylights that reflect or admit light into the halls or other places of the Building shall not be covered or obstructed. The toilet rooms, water and wash closets, and other water apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign substance of any kind shall be thrown in those facilities, and the expense of any breakage, stoppage, or damage resulting from the violation of this rule shall be borne by Tenant.

4 No sign, advertisement, or notice visible from the exterior of the Premises shall be inscribed, painted, or affixed by Tenant on any part of the Building or the Premises without the prior written consent of Landlord. If Landlord shall have given its consent at any time, whether before or after the execution of this Lease, that consent shall in no way operate as a waiver or release of any of the provisions of this Lease, and shall be deemed to relate only to the particular sign, advertisement, or notice so consented to by Landlord, and shall not be construed as dispensing with the necessity of obtaining the specific written consent of Landlord with respect to any subsequent sign, advertisement, or notice. If Landlord, by a notice in writing to Tenant, shall object to any curtain, blind, tinting, shade, or screen attached to, or hung in, or used in connection with, any window or door of the Premises, the use of that curtain, blind, tinting, shade, or screen shall be immediately discontinued and removed by Tenant. No awnings shall be permitted on any part of the Premises.

5 Tenant shall not do or permit anything to be done in the Premises, or bring or keep anything in the Premises, which shall in any way increase the rate of fire insurance on the Building, or on the property kept in the Building, or obstruct or interfere with the rights of other tenants, or in any way injure or annoy them, or conflict with the regulations of the Fire Department or the fire laws, or with any insurance policy upon the Building, or any portion of the Building or its contents, or with any rules and ordinances established by the Board of Health or other governmental authority.

6 The installation and location of any unusually heavy equipment in the Premises, including without limitation file storage units, safes, and electronic data processing equipment, shall require the prior written approval of Landlord. Landlord may restrict the weight and position of any equipment that may exceed the weight load limits for the structure of the Building, and may further require, at Tenant's expense, the reinforcement of any flooring on which such equipment may be placed, and/or an engineering study to be performed to determine whether the equipment may safely be installed in the Building, and the necessity of any reinforcement. The moving of large or heavy objects shall occur only between those hours as may be designated by, and only upon previous written notice to, Landlord, and the persons employed to move those objects in or out of the Building must be reasonably acceptable to Landlord. No freight, furniture, or bulky matter of any description shall be received into or moved out of the lobby of the Building or carried in any elevator other than the freight elevator designated by Landlord, unless approved in writing by Landlord.

7 Landlord shall clean the Premises as provided in the Lease, and except with the written consent of Landlord, no person or persons other than those approved by Landlord will be permitted to enter the Building for that purpose. Tenant shall not cause unnecessary labor by reason of Tenant's carelessness and indifference in the preservation of good order and cleanliness. Landlord shall not be responsible to Tenant or its employees for loss or damage to property in connection with the provision of janitorial services by third party contractors.

8 Tenant shall not sweep or throw, or permit to be swept or thrown, from the Premises any dirt or other substance into any of the corridors or halls or elevators, or out of the doors or windows or stairways of the Building, and Tenant shall not use, keep, or permit to be used or kept any foul or noxious gas or

substance in the Premises or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building by reason of noise odors and/or vibrations or interfere in any way with other tenants or those having business with other tenants nor shall any animals or birds be kept by Tenant in or about the Building Smoking or carrying of lighted cigars cigarettes pipes or similar products anywhere within the Premises or Building is strictly prohibited and Landlord may enforce such prohibition pursuant to Landlord's leasehold remedies Smoking is permitted outside the Building and within the project only in areas designated by Landlord

9 No cooking shall be done or permitted by Tenant on the Premises except pursuant to the normal use of a U L approved microwave oven and coffee maker for the benefit of Tenant's employees and invitees nor shall the Premises be used for the storage of merchandise or for lodging

10 Tenant shall not use or keep in the Building any kerosene gasoline or inflammable fluid or any other illuminating material or use any method of heating other than that supplied by Landlord

11 If Tenant desires telephone telegraph burglar alarm or similar connections Landlord will direct electricians as to where and how the wires are to be introduced No boring or cutting for wires or otherwise shall be made without directions from Landlord

12 Upon the termination of its tenancy Tenant shall deliver to Landlord all the keys to offices rooms and toilet rooms and all access cards which shall have been furnished to Tenant or which Tenant shall have had made

13 Tenant shall not mark drive nails screw or drill into the partitions woodwork or plaster or in any way deface the Premises except to install normal wall hangings Tenant shall not affix any floor covering to the floor of the Premises in any manner except by a paste or other material which may easily be removed with water the use of cement or other similar adhesive materials being expressly prohibited The method of affixing any floor covering shall be subject to approval by Landlord The expense of repairing any damage resulting from a violation of this rule shall be borne by Tenant

14 On Saturdays Sundays and legal holidays and on other days between the hours of 6 00 p m and 8 00 a m access to the Building or to the halls corridors elevators or stairways in the Building or to the Premises may be refused unless the person seeking access complies with any access control system that Landlord may establish Landlord shall in no case be liable for damages for the admission to or exclusion from the Building of any person whom Landlord has the right to exclude under Rules 2 or 18 of this Exhibit In case of invasion mob not public excitement or other commotion or in the event of any other situation reasonably requiring the evacuation of the Building Landlord reserves the right at its election and without liability to Tenant to prevent access to the Building by closing the doors or otherwise for the safety of the tenants and protection of property in the Building

15 Tenant shall be responsible for protecting the Premises from theft which includes keeping doors and other means of entry closed and securely locked Tenant shall cause all water faucets or water apparatus to be shut off before Tenant or Tenant's employees leave the Building and that all electricity gas or air shall likewise be shut off (to the extent Tenant can do so in the Premises) so as to prevent waste or damage and for any default or carelessness Tenant shall make good all injuries sustained by other tenants or occupants of the Building or Landlord

16 Tenant shall not alter any lock or install a new or additional lock or any bolt on any door of the Premises without the prior written consent of Landlord If Landlord gives its consent Tenant shall in each case promptly furnish Landlord with a key for any new or altered lock

17 Tenant shall not install equipment such as but not limited to electronic tabulating or computer equipment requiring electrical or air conditioning service in excess of that to be provided by Landlord under the Lease except in accordance with Exhibit B

18 Landlord shall have full and absolute authority to regulate or prohibit the entrance to the Premises of any vendor supplier purveyor petitioner proselytizer or other similar person In the event any such person is a guest or invitee of Tenant Tenant shall notify Landlord in advance of each desired entry and Landlord shall authorize the person so designated to enter the Premises provided that in the sole and absolute discretionary judgment of Landlord such person will not be involved in general solicitation activities or the proselytizing petitioning or disturbance of other tenants or their customers or invitees or engaged or likely to engage in conduct which may in Landlord's opinion distract from the use of the Premises for its intended purpose Notwithstanding the foregoing Landlord reserves the absolute right and discretion to limit or prevent access to the Buildings by any food or beverage vendor whether or not invited by Tenant and Landlord may condition such access upon the vendor's execution of an entry permit agreement which may contain provisions for insurance coverage and/or the payment of a fee to Landlord

19 Tenant shall be required to utilize the third party contractor designated by Landlord for the Building to provide any telephone wiring services from the minimum point of entry of the telephone cable in the Building to the Premises Notwithstanding the foregoing however in the event Tenant does not have a telephone switch within the Premises Tenant may with Landlord's approval and supervision use a trained contractor to provide such wiring services but only from the Premises to the telephone room on the floor on which the Premises are situated

20 Landlord may from time to time grant tenants individual and temporary variances from these Rules provided that any variance does not have a material adverse effect on the use and enjoyment of the Premises by Tenant

EXHIBIT X

WORK LETTER/BUILD TO SUIT

Landlord shall cause its contractor to construct the tenant improvements for the Premises as shown in the space plan (the Plan) prepared by Gensler dated December 8 1998 and the cost estimate (the Cost Estimate) prepared by Turek dated December 16 1998. Landlord's total contribution for the tenant improvements inclusive of space planning costs and Landlord's construction management fee shall not exceed One Hundred Nine Thousand One Hundred Eighty-Three Dollars (\$109 183 00) (Landlord's Contribution) and any additional cost shall be borne solely by Tenant and paid to Landlord prior to the commencement of construction. In addition to the foregoing Landlord agrees to complete at its sole cost and expense alternates A B C and D as described in the Cost Estimate.

Unless otherwise specified in the Plan or Cost Estimate or hereafter agreed in writing by Landlord all materials and finishes utilized in constructing the tenant improvements shall be Landlord's building standard. Should Landlord submit any additional plans equipment specification sheets or other matters to Tenant for approval or completion Tenant shall respond in writing as appropriate within five (5) working days unless a shorter period is provided herein. Tenant shall not unreasonably withhold its approval of any matter and any disapproval shall be limited to items not previously approved by Tenant in the Plan or otherwise.

In the event that Tenant requests in writing a revision in the Plan or in any other plans hereafter approved by Tenant then provided such change request is acceptable to Landlord Landlord shall advise Tenant by written change order of any additional cost and/or Tenant Delay (as defined below) such change would cause. Tenant shall approve or disapprove such change order in writing within three (3) business days following its receipt. Tenant's approval of a change order shall not be effective unless accompanied by payment in full of the additional cost of the tenant improvement work resulting from the change order. It is understood that Landlord shall have no obligation to interrupt or modify the tenant improvement work pending Tenant's approval of a change order.

Notwithstanding any provision in the Lease to the contrary if Tenant fails to comply with any of the time periods specified in this Work Letter requests any changes to the work furnishes inaccurate or erroneous specifications or other information or otherwise delays in any manner the completion of the tenant improvements or the issuance of an occupancy certificate (any of the foregoing being referred to in this Lease as a "Tenant Delay") then Tenant shall bear any resulting additional construction cost or other expenses and the Commencement Date shall be deemed to have occurred for all purposes, including Tenant's obligation to pay rent as of the date Landlord reasonably determines that it would have been able to deliver the Premises to Tenant but for the collective Tenant Delays. In no event however shall such date be earlier than the Estimated Commencement Date set forth in the Basic Lease Provisions.

Landlord shall permit Tenant and its agents to enter the Premises prior to the Commencement Date of the Lease in order that Tenant may perform any work to be performed by Tenant hereunder through its own contractors subject to Landlord's prior written approval and in a manner and upon terms and conditions and at times satisfactory to Landlord's representative. The foregoing license to enter the Premises prior to the Commencement Date is however conditioned upon Tenant's contractors and their subcontractors and employees working in harmony and not interfering with the work being performed by Landlord. If at any time that entry shall cause disharmony or interfere with the work being performed by Landlord this license may be withdrawn by Landlord upon twenty-four (24) hours written notice to Tenant. That license is further conditioned upon the compliance by Tenant's contractors with all requirements imposed by Landlord on third party contractors including without limitation the maintenance by Tenant and its contractors and subcontractors of workers compensation and public liability and property damage insurance in amounts and with companies and on forms satisfactory to Landlord with certificates of such insurance being furnished to Landlord prior to proceeding with any such entry. The entry shall be deemed to be under all of the provisions of the Lease except as to the covenants to pay rent. Landlord shall not be liable in any way for any injury loss or damage which may occur to any such work being performed by Tenant the same being solely at Tenant's risk. In no event shall the failure of Tenant's contractors to complete any work in the Premises extend the Commencement Date of the Lease beyond the date that Landlord has completed its tenant improvement work and tendered the Premises to Tenant.

Tenant hereby designates Ken Close Telephone No (708) 836-5215 as its representative agent and attorney-in-fact for the purpose of receiving notices approving submittals and issuing requests for changes and Landlord shall be entitled to rely upon authorizations and directives of such person(s) as if given by Tenant. Tenant may amend the designation of its construction representative(s) at any time upon delivery of written notice to Landlord.

FIRST AMENDMENT TO LEASE

I PARTIES AND DATE

This First Amendment to Lease (the First Amendment) dated September 22 2000 is by and between THE IRVINE COMPANY (Landlord) and ALLEGIANCE TELECOM INC a Delaware corporation ("Tenant")

II RECITALS

On February 25 1999 Landlord and Tenant entered into an office space lease ("Lease") for space in a building located at 4675 MacArthur Court Suite 200 Newport Beach California (Premises)

Landlord and Tenant each desire to modify the Lease to add approximately 3 560 rentable square feet (Suite 150) for a term coterminous with the Term of the Lease adjust the Basic Rent and make such other modifications as are set forth in "III MODIFICATIONS next below

III MODIFICATIONS

A Basic Lease Provisions The Basic Lease Provisions are hereby amended as follows

1 Effective as of the Commencement Date for Suite 150 Item 2 shall be amended by adding Suite 150 * The actual Commencement Date for Suite 150 shall be established in accordance with the provisions of Sections 3 1 and 3 2 of the Lease

2 Item 4 is hereby amended by adding the following

Estimated Commencement Date for Suite 150 October 1 2000

3 Effective as of the Commencement Date for Suite 150 Item 6 shall be amended by adding the following

*Basic Rent for Suite 150 Ten Thousand Seventy-Five Dollars (\$10 075 00) per month

Rental Adjustments for Suite 150 Commencing twelve (12) months following the Commencement Date for Suite 150 the Basic Rent for Suite 150 shall be Ten Thousand Four Hundred Thirty-One Dollars (\$10 431 00) per month

Commencing twenty four (24) months following the Commencement Date for Suite 150 the Basic Rent for Suite 150 shall be Ten Thousand Seven Hundred Eighty Seven Dollars (\$10 787 00) per month

Commencing thirty six (36) months following the Commencement Date for Suite 150 the Basic Rent for Suite 150 shall be Eleven Thousand One Hundred Seven Dollars (\$11 107 00) per month

Commencing forty eight (48) months following the Commencement Date for Suite 150 the Basic Rent for Suite 150 shall be Eleven Thousand Four Hundred Ninety Nine Dollars (\$11 499 00) per month

Commencing sixty (60) months following the Commencement Date for Suite 150 the Basic Rent for Suite 150 shall be Eleven Thousand Eight Hundred Fifty-Five Dollars (\$11 855 00) per month

4 Effective as of the Commencement Date for Suite 150 Item 7 shall be amended by adding the following

*Property Tax Base for Suite 150 The Property Taxes per rentable square foot incurred by Landlord and attributable to the twelve (12) month period ending June 30 2001

Building Cost Base for Suite 150 The Building Costs per rentable square foot incurred by Landlord and attributable to the twelve month period ending June 30 2001 "

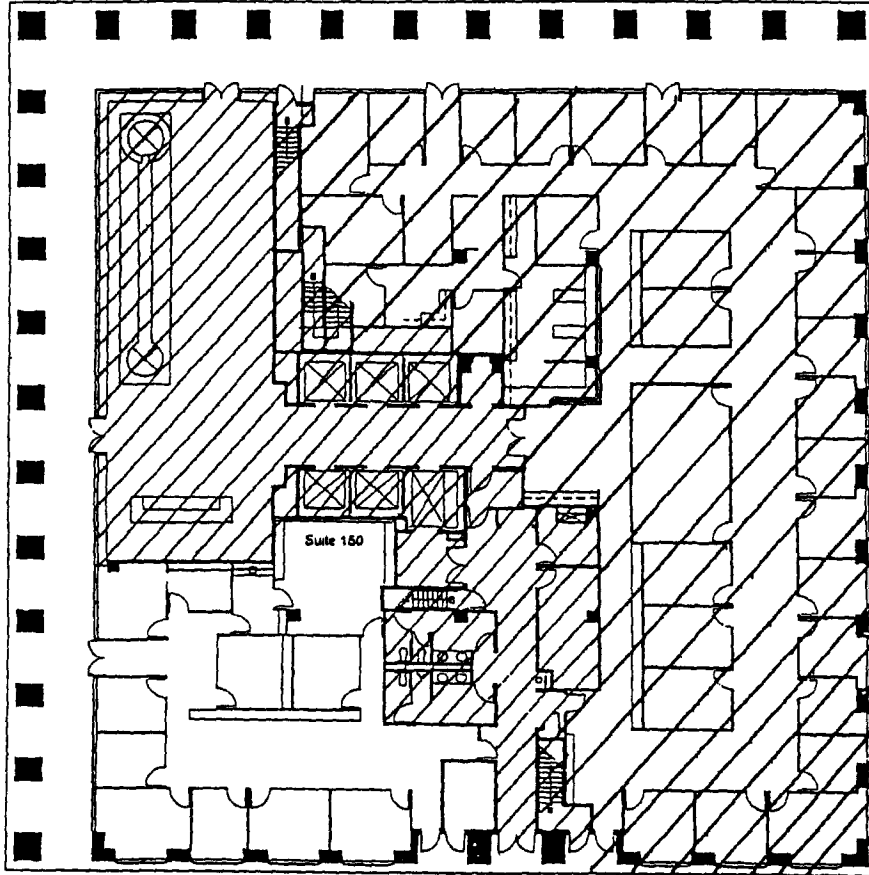
5 Effective as of the Commencement Date for Suite 150 Item 8 shall be deleted in its entirety and the following shall be substituted in lieu thereof

8 Floor Area of Premises approximately 11 398 rentable square feet comprising approximately 7 838 rentable square feet in Suite 200 and approximately 3 560 rentable square feet in Suite 150

MACARTHUR COURT



4675 MACARTHUR COURT
FIRST FLOOR



6 Item 9 is hereby deleted in its entirety and the following shall be substituted in lieu thereof

9 Security Deposit \$34 901 00

B Security Deposit Concurrently with Tenant's delivery of this First Amendment Tenant shall deliver the sum of Twelve Thousand One Hundred Forty Dollars (\$12 140 00) to Landlord which sum shall be added to the Security Deposit presently being held by Landlord in accordance with Section 4 3 of the Lease

C Floor Plan of Premises Effective as of the Commencement Date for Suite 150 Exhibit A attached to this First Amendment shall be added to the Lease

D Parking Effective as of the Commencement Date for Suite 150 Landlord shall provide to Tenant, and Tenant shall lease from Landlord twelve (12) additional parking spaces (the Additional Spaces) three (3) of which shall be reserved stalls and nine (9) of which shall be unreserved stalls Notwithstanding the provisions of Exhibit C to the Lease during the ~~sixty (60)~~ ^{and ending} ~~month~~ ^{May 31, 2001,} period following the Commencement Date for Suite 150 ~~only~~, the monthly stall charge for the Additional Spaces shall be waived Thereafter the stall charges shall be at Landlord's scheduled parking rates from time to time

E Tenant Improvements for Suite 150 Landlord shall cause its contractor to make the following improvements (i) install new carpet in Suite 150 and (ii) repaint Suite 150 ("Tenant Improvements") Landlord's total contribution for the Tenant Improvements inclusive of Landlord's construction management fee shall not exceed Fifteen Thousand Two Hundred Eighty Dollars (\$15 280 00) ("Landlord's Contribution") and any additional cost shall be borne solely by Tenant and paid to Landlord prior to the commencement of construction If the actual cost of completion of the Tenant Improvements is less than the maximum amount provided for the Landlord's Contribution such savings may be utilized by Tenant at any time prior to the expiration of the sixth (6th) Lease month following the Commencement Date for Suite 150 for additional improvements requested by Tenant and approved by Landlord Any such additional work shall be undertaken in accordance with Section 7 3 of the Lease and in no event shall the Commencement Date for Suite 150 be extended nor shall Tenant be entitled to a rental abatement as a result thereof Tenant understands and agrees that any portion of the Landlord's Contribution not timely utilized by Tenant as aforesaid shall be considered forfeited by Tenant and Tenant shall not be entitled to any credit or payment Unless otherwise agreed in writing by Landlord all materials and finishes utilized in constructing the Tenant Improvements shall be Landlord's building standard Should Landlord submit any additional plans equipment specification sheets or other matters to Tenant for approval or completion Tenant shall respond in writing as appropriate, within three (3) business days unless a shorter period is provided herein Tenant shall not unreasonably withhold its approval of any matter and any disapproval shall be with reasons specified

Initial
PK
MK

Notwithstanding any provision to the contrary if Tenant fails to comply with any of the time periods specified in this Paragraph requests any changes to the work fails to make timely payment of any sum due hereunder furnishes inaccurate or erroneous specifications or other information or otherwise delays in any manner the completion of the Tenant Improvements or the issuance of an occupancy certificate (any of the foregoing being referred to herein as a "Tenant Delay") then Tenant shall bear any resulting additional construction cost or other expenses and the Commencement Date for Suite 150 shall be deemed to have occurred for all purposes including Tenant's obligation to pay rent as of the date Landlord reasonably determines that it would have been able to deliver Suite 150 to Tenant but for the collective Tenant Delays In no event however shall such date be earlier than the Estimated Commencement Date for Suite 150 as set forth in Paragraph III A(2) above

Landlord shall permit Tenant and its agents to enter Suite 150 prior to the Commencement Date for Suite 150 in order that Tenant may perform any work to be performed by Tenant hereunder through its own contractors subject to Landlord's prior written approval and in a manner and upon terms and conditions and at times satisfactory to Landlord's representative The foregoing license to enter Suite 150 prior to the Commencement Date for Suite 150 is however conditioned upon Tenant's contractors and their subcontractors and employees working in harmony and not interfering with the work being performed by Landlord If at any time that entry shall cause disharmony or interfere with the work being performed by Landlord this license may be withdrawn by Landlord upon twenty-four (24) hours written notice to Tenant That license is further conditioned upon the compliance by Tenant's contractors with all requirements imposed by Landlord on third party contractors including without limitation the maintenance by Tenant and its contractors and subcontractors of workers compensation and public liability and property damage insurance in amounts and with companies and on forms satisfactory to Landlord with certificates of such insurance being furnished to Landlord prior to proceeding with any such entry The entry shall be deemed to be under all of the provisions of the Lease except as to the covenants to pay rent Landlord shall not be liable in any way for any injury loss or damage which may occur to any such work being performed by Tenant the same being solely at Tenant's risk In no event shall the failure of Tenant's contractors to complete any work in Suite 150 extend the Commencement Date for Suite 150 beyond the date that Landlord has completed its Tenant Improvement work and tendered Suite 150 to Tenant

Tenant hereby designates Ken Close Telephone No (708) 836 5215 as its representative agent and attorney in fact for the purpose of receiving notices approving submittals and issuing requests for Changes and Landlord shall be entitled to rely upon authorizations and directives of such person(s) as if given by Tenant Tenant may amend the designation of its construction representative(s) at any time upon delivery of written notice to Landlord

IV GENERAL

A Effect of Amendments The Lease shall remain in full force and effect except to the extent that it is modified by this Amendment

B Entire Agreement This Amendment embodies the entire understanding between Landlord and Tenant with respect to the modifications set forth in III MODIFICATIONS above and can be changed only by a writing signed by Landlord and Tenant

C Counterparts If this Amendment is executed in counterparts each is hereby declared to be an original all however shall constitute but one and the same amendment. In any action or proceeding any photographic photostatic or other copy of this Amendment may be introduced into evidence without foundation

D Defined Terms All words commencing with initial capital letters in this Amendment and defined in the Lease shall have the same meaning in this Amendment as in the Lease unless they are otherwise defined in this Amendment

E Authority If Tenant is a corporation limited liability company or partnership or is comprised of any of them each individual executing this Amendment for the corporation, limited liability company or partnership represents that he or she is duly authorized to execute and deliver this Amendment on behalf of such entity and that this Amendment is binding upon such entity in accordance with its terms

F Attorneys Fees The provisions of the Lease respecting payment of attorneys fees shall also apply to this Amendment

V EXECUTION

Landlord and Tenant executed this Amendment on the date as set forth in "I PARTIES AND DATE" above

LANDLORD

TENANT

THE IRVINE COMPANY

ALLEGIANCE TELECOM INC

By William R Hatford
William R Hatford President
Irvine Office Company
a division of The Irvine Company

By Patricia E Koide
Patricia E Koide
Senior Vice President

By Vincent P Hayes
Vincent P Hayes
Assistant Secretary

By Mark B Ptasnowski
Mark B Ptasnowski
Senior Vice President (General
Council and Secretary)



MONTH TO MONTH
OFFICE SPACE LEASE

THIS LEASE is made as of the 17th day of February 1999 between THE IRVINE COMPANY ("Landlord") and ALLEGIANCE TELECOM OF CALIFORNIA INC a Delaware corporation ("Tenant")

1 **PREMISES** Landlord hereby leases to Tenant and Tenant hereby rents from Landlord those certain premises (the Premises) mutually agreed to contain the floor area set forth in Item 3 of Exhibit B attached hereto known by the suite number identified in Item 2 of Exhibit B and shown in the drawing attached hereto as Exhibit A located in that certain office building also identified in Item 2 of Exhibit B (which together with the underlying real property is herein called the Building) Except as may otherwise be specifically provided herein Tenant shall accept the Premises in their existing condition as of the date hereof Tenant agrees that it shall reimburse Landlord for the cost incurred by Landlord to rekey the Premises for Tenant's use

2 **TENANCY** This Lease shall commence on the date set forth in Item 4 of Exhibit B and shall continue thereafter from month to month until terminated by either party giving to the other at least thirty (30) days written notice of its intent to terminate this tenancy or until sooner terminated for default or breach of the terms covenants or conditions hereinafter provided It is understood that Landlord and Tenant are contemplating entering into a term lease for Suite 200 in the Building (the Term Lease) Notwithstanding the foregoing provisions in this Paragraph 2 Tenant understands and agrees that this Lease shall terminate not later than the commencement date of the Term Lease Tenant further agrees that in the event the Term Lease is not executed by Tenant in form acceptable to Landlord by no later than March 15 1999 then Tenant's monthly rent payable hereunder shall be increased to Eleven Thousand Six Hundred Dollars (\$11 600 00) per month effective as of March 16 1999 In addition Tenant understands and agrees that in the event Landlord enters into a new third party lease for the Premises Landlord shall have the right to relocate Tenant to other space in the MacArthur Court office project by providing Tenant with not less than fifteen (15) days prior written notice The cost of any such relocation shall be borne solely by Tenant

3 **USE** The Premises shall be occupied and used by Tenant solely for the purpose stated in Item 7 of Exhibit B and for no other business or purpose Tenant shall comply with all applicable laws and governmental requirements pertaining to its use of the Premises and shall not generate handle store or dispose of hazardous or toxic materials (as such materials may be identified in any federal state or local law or regulation) within the Premises or Building without the prior written consent of Landlord provided that the foregoing shall not be deemed to proscribe the use by Tenant of customary office supplies in normal quantities so long as such use comports with all applicable laws During the term hereof Tenant shall at its expense maintain the Premises in good condition and repair excepting ordinary wear and tear

4 **RENT** Tenant shall pay to Landlord monthly rent in the amount stated in Item 5 of Exhibit B in advance on the first day of each and every calendar month without notice or offset the first monthly payment to be made concurrently with the execution hereof All rental and other payments shall be made to Landlord at the address stated in Item 8 of Exhibit B or such other place as Landlord shall from time to time designate in writing Rent for the first partial month shall be prorated on the basis of the number of days in such month and thereafter shall be payable on the first day of each month All payments hereunder shall be paid in lawful money of the United States

5 **LANDLORD'S SERVICES** Provided Tenant is not in default of any of the terms covenants and conditions of this Lease Landlord shall furnish to the Premises during generally recognized business hours and days the following services at Landlord's sole expense

(a) Heat and air conditioning during the customary periods of the year and when and to the same extent Landlord furnishes heat and air conditioning for other portions of the Building of which the Premises are a part

(b) Elevator service if applicable consisting of automatically operated elevators for the use of all tenants and occupants of the Building and the invitees of said tenants and occupants

(c) Electric current for lighting and ordinary business appliances at levels consistent with normal office uses and

(d) Usual janitorial and maintenance service including sweeping and waxing floors periodic window cleaning emptying of wastebaskets and replacement of fluorescent tubes in the building standard lighting fixtures installed in the Premises by Landlord Landlord shall also maintain and keep lighted the common stairs entries and toilet rooms in the Building

Landlord however shall not be liable for failure to furnish any of the foregoing where such failure is caused by conditions beyond the reasonable control of Landlord or by accidents repairs or strikes nor shall such failure constitute a constructive eviction nor shall Landlord be liable under any

circumstances for loss of or damage to property occurring through or in connection with or incidental to the furnishing of any of the foregoing

6 **INSPECTION** Tenant shall permit Landlord and its agents to enter into and upon the Premises at all reasonable times for the purpose of inspecting same cleaning windows and performing other janitorial services or for the purpose of maintaining the Building in which the Premises are situated or for the purpose of making repairs alterations or additions to any other portion of the Building including the erection of scaffolding props or other mechanical devices or for the purpose of posting notices of non responsibility for alterations additions or repairs without any abatement or rebate of rent to Tenant or damages for any loss of occupation or quiet enjoyment of the Premises thereby occasioned Landlord and its agents may during the last thirty (30) days of the term of this Lease at reasonable hours enter upon the Premises and exhibit same to prospective tenants

7 **RULES AND REGULATIONS** The rules and regulations attached hereto as Exhibit E as well as such rules and regulations as may be hereafter adopted by Landlord for the safety care and cleanliness of the Premises and Building and the preservation of good order therein are hereby expressly made a part hereof and Tenant agrees to obey all such rules and regulations

8 **PARKING** Landlord hereby leases to Tenant and Tenant hereby agrees to lease from Landlord for the term of this Lease the number of vehicle parking spaces set forth in Item 8 of Exhibit B The parking spaces shall be provided in accordance with the provisions set forth in Exhibit C attached hereto

9 **SECURITY DEPOSIT** Concurrently with Tenant's delivery of this Lease Tenant shall deposit with Landlord the sum if any stated in Item 6 of Exhibit B to be held by Landlord as security for the full and faithful performance of Tenant's obligations under this Lease to pay any rent as and when due including without limitation such additional rent as may be owing under any provision hereof and to maintain the Premises as required by Sections 3 and 11 Upon any breach of those obligations by Tenant Landlord may (but shall not be required to) apply all or any part of this security deposit as full or partial compensation If any portion of said deposit is so applied Tenant shall within five (5) days after written demand therefor deposit cash with Landlord in an amount sufficient to restore the security deposit to its original amount Tenant's failure to do so shall be a material breach of this Lease Landlord shall not be required to keep this security deposit separate from its general funds and Tenant shall not be entitled to interest on such deposit If Tenant shall fully perform the foregoing obligations under this Lease the security deposit or any balance thereof shall be returned to Tenant (or at Landlord's election to any assignee of Tenant's interest in this Lease) following the expiration of the lease term Should Landlord sell its interest in the Premises during the term hereof and if Landlord deposits with the purchaser thereof the then unappropriated funds deposited by Tenant as aforesaid thereupon Landlord shall be discharged from any further liability with respect to such deposit

10 **ALTERATIONS** Tenant shall make no alterations additions or improvements to the Premises without the prior written consent of Landlord and Landlord may impose as a condition to such consent such requirements as Landlord in its sole discretion may deem reasonable or desirable including but not limited to a requirement that all work be covered by a lien and completion bond satisfactory to Landlord and requirements as to the manner time and contractor or contractors by which such work shall be done Landlord shall be entitled to a supervision fee in the amount of five percent (5%) of the cost of the work Any request for Landlord's consent shall be made in writing and shall contain architectural plans describing such work in detail reasonably satisfactory to Landlord Failure of Landlord to respond to such request within thirty (30) days shall be deemed a denial of such request Unless Landlord otherwise agrees in writing all such alterations additions or improvements affixed or built into the Premises (but excluding moveable trade fixtures and furniture) shall become the property of Landlord as provided in Paragraph 11 below and shall be surrendered with the Premises as a part thereof at the end of this Lease term except that Landlord may require Tenant to remove all or any alterations decorations additions improvements and the like installed by Tenant and to repair the Premises or at Landlord's option to pay all costs relating to any damage to the Premises arising from such removal

11 **SURRENDER OF PREMISES, REMOVAL OF PROPERTY** Upon the expiration of the term of this Lease or upon any earlier termination of this Lease Tenant shall quit and surrender possession of the Premises to Landlord in as good order condition and repair as when received or as hereafter may be improved by Landlord or Tenant reasonable wear and tear and repairs which are Landlord's obligation excepted and shall without expense to Landlord remove or cause to be removed from the Premises all wall coverings and voice and/or data transmission cabling installed by or for Tenant together with all debris and rubbish all furniture equipment business and trade fixtures freestanding cabinet work and other articles of personal property owned by Tenant or installed or placed by Tenant at its expense in the Premises and all similar articles of any other persons claiming under Tenant unless Landlord exercises its option to have any subleases or subtenancies assigned to it Tenant shall repair all damage to the Premises resulting from such removal which repair shall include the patching and filling of holes and repair of structural damage In the event that Tenant shall fail to comply with the provisions of this Paragraph Landlord may make such repairs and the cost thereof shall be additional rent payable by Tenant upon demand If requested by Landlord Tenant shall execute acknowledge and deliver to Landlord an instrument in writing releasing and quitclaiming to Landlord all right title and interest of Tenant in and to the Premises

12 SUBLETTING OR ASSIGNMENT Tenant shall not assign this Lease or any interest therein or sublet the Premises or any part thereof or allow any other person (the agents and servants of Tenant excepted) to occupy or use the Premises or any portion thereof without the prior written consent of Landlord which consent may be given or withheld by Landlord in its discretion Any such assignment or subletting without Landlord's consent shall be void and shall at the option of Landlord terminate this Lease This Lease shall not nor shall any interest therein be assignable as to the interest of Tenant by operation of law without the written consent of Landlord

13 NOTICES Any notice election demand consent approval or other communication to be given or other document to be delivered by either party to the other hereunder shall be in writing and shall be delivered by personal service or telegram telecopier or other electronic facsimile transmission or by any courier or overnight express mailing service or by deposit in the United States mail postage prepaid to the other party at the address set forth in Item 9 of Exhibit B Either party may from time to time by written notice to the other served in the manner herein provided designate a different address If any notice or other document is sent by mail the same shall be deemed served or delivered three (3) business days after the mailing or if sooner upon receipt If more than one tenant is named under this Lease service of any notice upon any one of said tenants shall be deemed as service upon all of them

14 ATTORNEYS FEES Should either party institute legal proceedings against the other arising out of this Lease the prevailing party shall be entitled to recover reasonable attorneys fees and costs to be fixed by the court in said action

15 REMEDIES The waiver by Landlord of any breach of any term covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other term covenant or condition The acceptance of rent hereunder shall not be construed to be a waiver of any breach by Tenant of any term covenant or condition of this Lease No payment by Tenant of a lesser amount than the rent and other sums required by this Lease shall be deemed to be other than a partial payment on account of the earliest due sums notwithstanding any check endorsement or letter to the contrary It is understood and agreed that the remedies herein given to Landlord and those available at law shall be cumulative and the exercise of any one remedy by Landlord shall not be to the exclusion of any other remedy

16 LATE PAYMENTS

(a) Any installment of rent due under this Lease or any other sum not paid to Landlord within five (5) days of the date when due shall bear interest at the maximum legal rate permitted by law from the date due until the same shall have been fully paid The payment of such interest shall not excuse or cure any default by Tenant under this Lease

(b) Tenant hereby acknowledges that the late payment by Tenant to Landlord of rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease the exact amount of which will be extremely difficult to ascertain Such costs may include but are not limited to administrative processing and accounting charges and late charges which may be imposed on Landlord by the terms of any ground lease mortgage or trust deed covering the Premises Accordingly if any installment of rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee within five (5) days after the date due then Tenant shall pay to Landlord in addition to the interest provided above a late charge in the amount of One Hundred Dollars (\$100.00) The parties agree that such late charge represents a fair and reasonable estimate of the cost Landlord will incur by reason of late payment by Tenant Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount nor prevent Landlord from exercising any of its other rights and remedies

17 TENANT'S INSURANCE Tenant at its sole cost and expense shall provide and maintain in effect the insurance described in Exhibit D attached hereto Evidence of that insurance must be delivered to Landlord prior to the commencement of the lease term

18 TENANT'S INDEMNITY

(a) Tenant shall defend indemnify and hold harmless Landlord its agents employees lenders and any and all affiliates of Landlord from and against any and all claims or liabilities arising from Tenant's use or occupancy of the Premises the Building or the Common Areas (as hereinafter defined) or the conduct of its business or from any activity work or thing done permitted or suffered by Tenant in or about the Premises and the Building or Common Areas arising from any breach or default in the performance of any obligation on Tenant's part to be performed hereunder or arising from any act or negligence of Tenant or of its agents employees visitors patrons guests invitees or licensees including vendors servicing Tenant and from and against all costs attorneys fees expenses and liabilities incurred or any actions or proceedings brought thereon In case Landlord its agents or affiliates shall be made a party to any litigation commenced by or against Tenant then Tenant shall protect and hold Landlord harmless and shall pay all costs expenses and reasonable attorneys fees legal expenses expenses of discovery proceedings travel and fees for expert witnesses incurred or paid by Landlord in connection with such litigation Landlord may at its option require Tenant to assume Landlord's defense in any action covered by this Section through counsel satisfactory to Landlord

(b) The term Common Areas shall mean all areas within the exterior boundaries of the Building or appurtenant thereto which are not now or hereafter held for exclusive use by Tenant or any other party and other areas and improvements provided by Landlord for the common use of Landlord and tenants and their respective employees and invitees including without limiting the generality of the foregoing parking areas driveways truckways delivery passages loading docks sidewalks ramps landscaped and planted areas exterior stairways hallways and interior stairwells not located within the premises of any tenant common entrances and lobbies elevators retaining walls and restrooms not located within the premises of any tenant Building and/or project identification signs irrigation systems and controllers drains and sewers

19 WAIVER OF JURY TRIAL/RIGHT TO ARBITRATE

(a) LANDLORD AND TENANT EACH ACKNOWLEDGES THAT IT IS AWARE OF AND HAS HAD THE ADVICE OF COUNSEL OF ITS CHOICE WITH RESPECT TO ITS RIGHTS TO TRIAL BY JURY AND EACH PARTY DOES HEREBY EXPRESSLY AND KNOWINGLY WAIVE AND RELEASE ALL SUCH RIGHTS TO TRIAL BY JURY IN ANY ACTION PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER PARTY HERETO AGAINST THE OTHER (AND/OR AGAINST ITS OFFICERS DIRECTORS EMPLOYEES AGENTS, OR SUBSIDIARY OR AFFILIATED ENTITIES) ON ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE TENANT'S USE OR OCCUPANCY OF THE PREMISES AND/OR ANY CLAIM OF INJURY OR DAMAGE

(b) SHOULD A DISPUTE ARISE BETWEEN THE PARTIES REGARDING ANY MATTER DESCRIBED ABOVE THEN EXCEPT WITH RESPECT TO ACTIONS FOR UNLAWFUL OR FORCIBLE DETAINER EITHER PARTY MAY CAUSE THE DISPUTE TO BE SUBMITTED TO JAMS/ENDISPUTE OR ITS SUCCESSOR (JAMS) IN ORANGE COUNTY CALIFORNIA, FOR BINDING ARBITRATION BEFORE A SINGLE ARBITRATOR HOWEVER EACH PARTY RESERVES THE RIGHT TO SEEK A PROVISIONAL REMEDY BY JUDICIAL ACTION NO ARBITRATION ELECTION BY EITHER PARTY PURSUANT TO THIS SUBSECTION SHALL BE EFFECTIVE IF MADE LATER THAN THIRTY (30) DAYS FOLLOWING SERVICE OF A JUDICIAL SUMMONS AND COMPLAINT BY OR UPON SUCH PARTY CONCERNING THE DISPUTE THE ARBITRATION SHALL BE CONDUCTED IN ACCORDANCE WITH THE RULES OF PRACTICE AND PROCEDURE OF JAMS AND OTHERWISE PURSUANT TO THE CALIFORNIA ARBITRATION ACT (CODE OF CIVIL PROCEDURE SECTIONS 1280 ET SEQ) NOTWITHSTANDING THE FOREGOING THE ARBITRATOR IS SPECIFICALLY DIRECTED TO LIMIT DISCOVERY TO THAT WHICH IS ESSENTIAL TO THE EFFECTIVE PROSECUTION OR DEFENSE OF THE ACTION AND IN NO EVENT SHALL SUCH DISCOVERY BY EITHER PARTY INCLUDE MORE THAN ONE NON EXPERT WITNESS DEPOSITION UNLESS BOTH PARTIES OTHERWISE AGREE THE ARBITRATOR SHALL APPORTION THE COSTS OF THE ARBITRATION, TOGETHER WITH THE ATTORNEYS FEES OF THE PARTIES IN THE MANNER DEEMED EQUITABLE BY THE ARBITRATOR IT BEING THE INTENTION OF THE PARTIES THAT THE PREVAILING PARTY ORDINARILY BE ENTITLED TO RECOVER ITS REASONABLE COSTS AND FEES JUDGMENT UPON ANY AWARD RENDERED BY THE ARBITRATOR MAY BE ENTERED BY ANY COURT HAVING JURISDICTION

20 LANDLORD'S NONLIABILITY Landlord its agents and/or employees shall not be liable to Tenant and Tenant hereby waives all claims against Landlord for any injury or damage to any person or property in or about the Premises or Building or from any cause whatsoever except to the extent caused by Landlord's sole negligence or willful misconduct and not covered by the insurance carried (or required herein to be carried) by Tenant Specifically Landlord or its agents or employees shall not be liable for any damage to property entrusted to Landlord's employees in the Building nor for loss of or damage to any property by theft or otherwise nor for any injury or damage to persons or property or loss or interruption of business or loss of income resulting from but not limited to the following causes fire explosion falling plaster steam gas electricity water or rain which may leak or flow from or into any part of the Premises or from the breakage leakage obstruction or other defects of the pipes sprinklers wires appliances or plumbing or air conditioning or electrical works therein whether such damage or injury results from conditions arising in the Premises or in other portions of the Building Neither Landlord nor its agents shall be liable for interference with the light or other incorporeal hereditaments nor shall Landlord be liable for any latent defect in the Premises or in the Building Tenant shall give prompt notice to Landlord in case of fire or accidents in the Premises or in the Building and of defects therein or in the fixtures or equipment Tenant understands that Landlord will not carry insurance of any kind on Tenant's furniture or furnishings fixtures or equipment and that Landlord shall not be obligated to repair any damage thereto or replace the same Landlord shall have the right to change the name number or designation of the Building or to make alterations to the Building and/or Common Areas without liability to Tenant

21 SIGNS Tenant upon obtaining the approval of Landlord in writing may affix a sign (restricted solely to Tenant's name as set forth herein or such other name as Landlord may consent to in writing) adjacent to the entry door of the Premises and shall maintain the sign in good condition and repair during the term The sign shall conform to the criteria for signs established by Landlord and shall be ordered through Landlord Tenant shall not place or allow to be placed any other sign decoration or advertising matter of any kind that is visible from the exterior of the Premises Any violating sign or decoration may be immediately removed by Landlord at Tenant's expense

22 MECHANIC S LIENS Tenant shall keep the Premises free from any liens arising out of any work performed materials furnished or obligations incurred by or for Tenant Upon request by Landlord Tenant shall promptly cause any such lien to be released by posting a bond in accordance with California Civil Code Section 3143 or any successor statute In the event that Tenant shall not within thirty (30) days following the imposition of any lien cause the lien to be released of record by payment or posting of a proper bond Landlord shall have in addition to all other available remedies the right to cause the lien to be released by any means it deems proper including payment of or defense against the claim giving rise to the lien All expenses so incurred by Landlord including Landlord s attorneys fees shall be reimbursed by Tenant promptly following Landlord s demand together with interest from the date of payment by Landlord at the maximum rate permitted by law until paid Tenant shall give Landlord no less than twenty (20) days prior notice in writing before commencing construction of any kind on the Premises so that Landlord may post and maintain notices of nonresponsibility on the Premises

23 PERSONAL PROPERTY TAXES Tenant shall be liable for and shall pay before delinquency all taxes and assessments levied against all personal property of Tenant located in the Premises When possible Tenant shall cause its personal property to be assessed and billed separately from the real property of which the Premises form a part If any taxes on Tenant s personal property are levied against Landlord or Landlord s property and if Landlord pays the same or if the assessed value of Landlord s property is increased by the inclusion of a value placed upon the personal property of Tenant and if Landlord pays the taxes based upon the increased assessment Tenant shall pay to Landlord the taxes so levied against Landlord or the proportion of the taxes resulting from the increase in the assessment

24 RIGHT OF LANDLORD TO PERFORM All covenants and agreements to be performed by Tenant under this Lease shall be performed at Tenant s sole cost and expense and without any abatement of rent or right of set off If Tenant fails to pay any sum of money or fails to perform any other act on its part to be performed under this Lease then in addition to any other available remedies Landlord may at its election make the payment or perform the other act on Tenant s part Tenant shall promptly upon demand by Landlord reimburse Landlord for all sums paid by Landlord and all necessary incidental costs together with interest at the maximum rate permitted by law from the date of the payment by Landlord

25 HOLDING OVER If Tenant holds over for any period after the term of this Lease ends Landlord may at its option treat Tenant as a tenant at sufferance only commencing on the first (1st) day following the termination of this Lease Any such hold over by Tenant shall be subject to all of the terms of this Lease except that the monthly rental shall be two hundred percent (200%) of the total monthly rental for the month immediately preceding the date of termination If Tenant fails to surrender the Premises upon the expiration of this Lease despite demand to do so by Landlord Tenant shall indemnify and hold Landlord harmless from all loss or liability including without limitation any claims made by any succeeding tenant relating to such failure to surrender

26 TRANSFER BY LANDLORD In the event of any transfer of Landlord s interest in the Premises the transferor shall be automatically relieved of all obligations on the part of Landlord accruing under this Lease from and after the date of the transfer provided that any funds held by the transferor in which Tenant has an interest shall be turned over subject to that interest to the transferee and Tenant is notified of the transfer as required by law It is intended that the covenants and obligations contained in this Lease on the part of Landlord shall subject to the foregoing be binding on Landlord its successors and assigns only during and in respect to their respective successive periods of ownership

27 JOINT AND SEVERAL LIABILITY If more than one person or entity is named as Tenant the obligations imposed upon each shall be joint and several and the act of or notice from or notice or refund to or the signature of any one or more of them shall be binding on all of them with respect to the tenancy of this Lease including but not limited to any renewal extension termination or modification of this Lease

28 CONTROLLING LAW This Lease shall be governed by and interpreted in accordance with the laws of the State of California

29 INABILITY TO PERFORM In the event that either party shall be delayed or hindered in or prevented from the performance of any work or in performing any act required under this Lease by reason of any cause beyond the reasonable control of that party then the performance of the work or the doing of the act shall be excused for the period of the delay and the time for performance shall be extended for a period equivalent to the period of the delay The provisions of this Section shall not operate to excuse Tenant from the prompt payment of rent

30 ENTIRE AGREEMENT This Lease and its exhibits and other attachments cover in full each and every agreement of every kind between the parties concerning the Premises and all preliminary negotiations oral agreements understandings and/or practices except those contained in this Lease are superseded and of no further effect Tenant waives its rights to rely on any representations or promises made by Landlord or others which are not contained in this Lease No verbal agreement or implied covenant shall be held to modify the provisions of this Lease any statute law or custom to the contrary notwithstanding

31 SURVIVAL All covenants of Landlord or Tenant which reasonably would be intended to survive the expiration or sooner termination of this Lease including without limitation any warranty or indemnity

hereunder shall so survive and continue to be binding upon and inure to the benefit of the respective parties and their successors and assigns

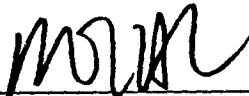
32 COUNTERPARTS This Lease may be executed in one or more counterparts each of which shall constitute an original and all of which shall be one and the same agreement


33 DISCLOSURE STATEMENT Tenant acknowledges that it has read understands and if applicable shall comply with the provisions of Exhibit F to this Lease if that Exhibit is attached

IN WITNESS WHEREOF the parties hereto have executed this Lease as of the day and year first hereinabove set forth

LANDLORD

THE IRVINE COMPANY


By 
William R Halford President
Irvine Office Company
a division of The Irvine Company

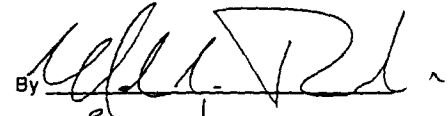
By 
Vincent P Hayes
Assistant Secretary



TENANT

ALLEGIANCE TELECOM OF CALIFORNIA INC

By 
Title S. V. P.

By 
Title Secretary

MACARTHUR COURT



4675 MACARTHUR COURT
ELEVENTH FLOOR

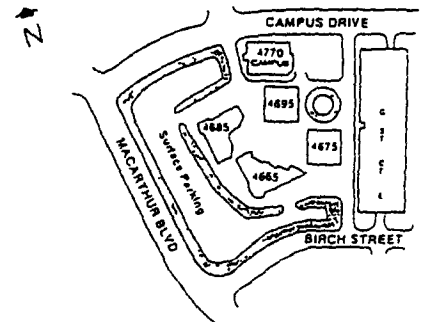
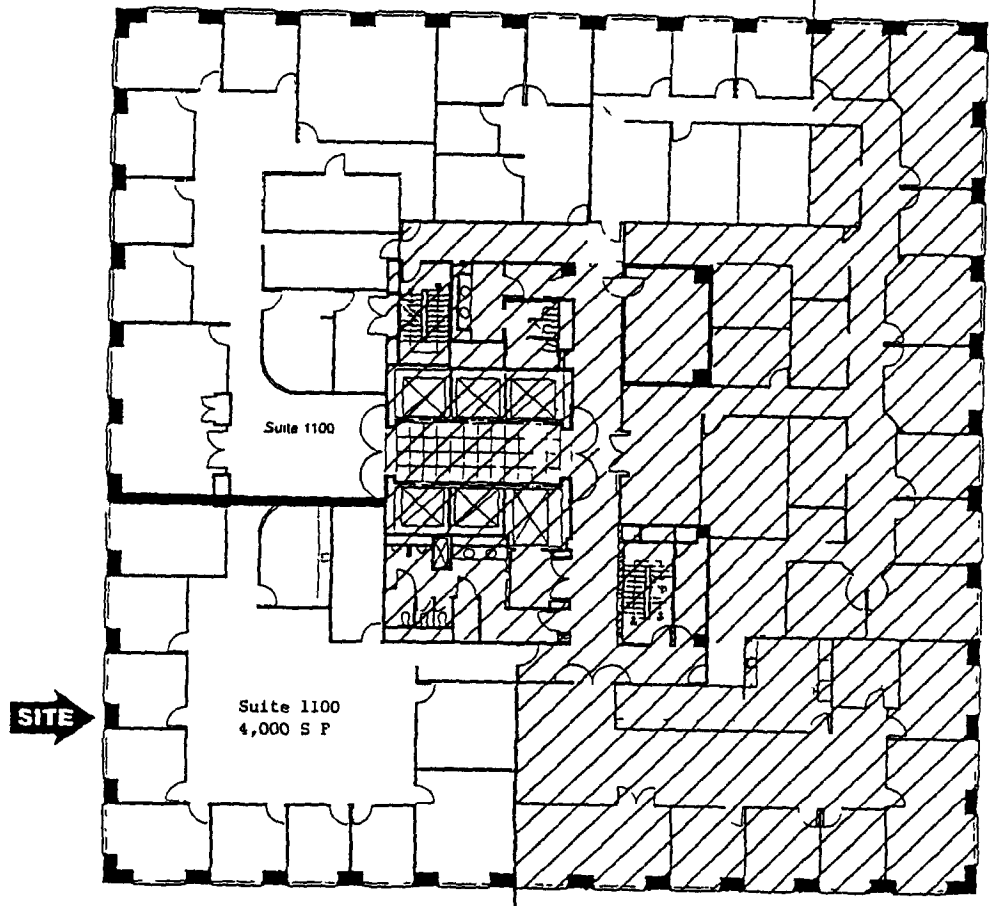


EXHIBIT A

EXHIBIT B

In the event of any conflict inconsistency or ambiguity created by or between this Exhibit B and the Lease to which it is attached which Tenant acknowledges it has read in full the terms and conditions of the Lease shall govern

- 1 Tenant ALLEGIANCE TELECOM OF CALIFORNIA INC
- 2 Address including Building Name and Suite No 4675 MacArthur Court Suite 1100 Newport Beach CA 92660
- 3 Rentable Area approximately 4 000 square feet \
- 4 Term commences February 15 1999
- 5 Rental \$6 000 00 per month (See Paragraph 2 of the Lease)
- 6 Security Deposit None
- 7 Permitted Use General office and for no other use
- 8 Parking Twenty-Four (24) unreserved vehicle parking spaces
- 9 Address for Payments and Notices

LANDLORD

The Irvine Company
c/o PM Realty Group
4695 MacArthur Court Suite 480
Newport Beach CA 92660
Attn Property Manager

with a copy of notices to

IRVINE OFFICE COMPANY
P O Box 6370
Newport Beach CA 92658-6370
Attn Vice President Asset Management

TENANT

Allegiance Telecom of
California Inc
~~4675 MacArthur Court~~
~~Suite 1100~~
~~Newport Beach CA 92660~~

4 WESTEROK CORPORATE CENTER
SUITE 400
WESTCHESTER ILLINOIS 60154

EXHIBIT C

PARKING

The following parking regulations shall be in effect at the Building. Landlord reserves the right to adopt reasonable nondiscriminatory modifications and additions to the regulations by written notice to Tenant. In the case of any conflict between these regulations and the Lease, the Lease shall be controlling.

1 Landlord agrees to maintain or cause to be maintained an automobile parking area ("Parking Area") in reasonable proximity to the Building for the benefit and use of the visitors and patrons and except as otherwise provided employees of Tenant and other tenants and occupants of the Building. The Parking Area shall include whether in a surface parking area or a parking structure the automobile parking stalls, driveways, entrances, exits, sidewalks and attendant pedestrian passageways and other areas designated for parking. Landlord shall have the right and privilege of determining the nature and extent of the automobile Parking Area, whether it shall be surface, underground or other structure, and of making such changes to the Parking Area from time to time which in its opinion are desirable and for the best interests of all persons using the Parking Area. Landlord shall keep the Parking Area in a neat, clean and orderly condition and shall repair any damage to its facilities. Landlord shall not be liable for any damage to motor vehicles of visitors or employees for any loss of property from within those motor vehicles or for any injury to Tenant, its visitors or employees unless ultimately determined to be caused by the sole active negligence or willful misconduct of Landlord. Unless otherwise instructed by Landlord, every parker shall park and lock his or her own motor vehicle. Landlord shall also have the right to establish and from time to time amend and to enforce against all users of the Parking Area all reasonable rules and regulations (including the designation of areas for employee parking) as Landlord may deem necessary and advisable for the proper and efficient operation and maintenance of the Parking Area. Garage managers or attendants are not authorized to make or allow any exceptions to these regulations.

2 Landlord may, if it deems advisable in its sole discretion, charge for parking and may establish for the Parking Area a system or systems of permit parking for Tenant, its employees and its visitors, which may include but not be limited to a system of charges against nonvalidated parking, verification of users, a set of regulations governing different parking locations, and an allotment of reserved or nonreserved parking spaces based upon the charges paid and the identity of users. In no event shall Tenant or its employees park in reserved stalls leased to other tenants or in stalls within designated visitor parking zones, nor shall Tenant or its employees utilize more than the number of parking stalls allotted in this Lease to Tenant. It is understood that Landlord shall not have any obligation to cite improperly parked vehicles or otherwise attempt to enforce reserved parking rules during hours when parking attendants are not present at the Parking Area. Tenant shall comply with such system in its use (and in the use of its visitors, patrons and employees) of the Parking Area provided, however, that the system and rules and regulations shall apply to all persons entitled to the use of the Parking Area and all charges to Tenant for use of the Parking Area shall be no greater than Landlord's then current scheduled charge for parking.

3 Tenant shall, upon request of Landlord from time to time, furnish Landlord with a list of its employees' names and of Tenant's and its employees' vehicle license numbers. Tenant agrees to acquaint its employees with these regulations and assumes responsibility for compliance by its employees with these parking provisions and shall be liable to Landlord for all unpaid parking charges incurred by its employees. Any amount due from Tenant shall be deemed additional rent. Tenant authorizes Landlord to tow away from the Building any vehicle belonging to Tenant or Tenant's employees parked in violation of these provisions, and/or to attach violation stickers or notices to those vehicles. In the event Landlord elects or is required to limit or control parking by tenants' employees, visitors or invitees of the Building, whether by validation of parking tickets, parking meters or any other method of assessment, Tenant agrees to participate in the validation or assessment program under reasonable rules and regulations as are established by Landlord and/or any applicable governmental agency.

4 Landlord may establish an identification system for vehicles of Tenant and its employees which may consist of stickers, magnetic parking cards or other identification devices supplied by Landlord. All identification devices shall remain the property of Landlord, shall be displayed as required by Landlord or upon request and may not be mutilated or obliterated in any manner. Those devices shall not be transferable and any such device in the possession of an unauthorized holder shall be void and may be confiscated. Landlord may impose a reasonable fee for identification devices and a replacement charge for devices which are lost or stolen. Each identification device shall be returned to Landlord promptly following the Expiration Date or sooner termination of this Lease. Loss or theft of parking identification devices shall be reported to Landlord or its Parking Area operator immediately and a written report of the loss filed if requested by Landlord or its Parking Area operator.

5 Persons using the Parking Area shall observe all directional signs and arrows and any posted speed limits. Unless otherwise posted, in no event shall the speed limit of 5 miles per hour be exceeded. All vehicles shall be parked entirely within painted stalls and no vehicles shall be parked in areas which are posted or marked as "no parking" or on or in ramps, driveways and aisles. Only one vehicle may be parked in a parking space. In no event shall Tenant interfere with the use and enjoyment of the Parking Area by other tenants of the Building or their employees or invitees.

6 Parking Areas shall be used only for parking vehicles. Washing, waxing, cleaning or servicing of vehicles, or the parking of any vehicle on an overnight basis in the Parking Area (other than emergency services) by any parker or his or her agents or employees is prohibited unless otherwise authorized by Landlord. Tenant shall have no right to install any fixtures, equipment or personal property (other than vehicles) in the Parking Area, nor shall Tenant make any alteration to the Parking Area.

7 It is understood that the employees of Tenant and the other tenants of Landlord within the Building and Project shall not be permitted to park their automobiles in the portions of the Parking Area which may from time to time be designated for patrons of the Building and/or Project and that Landlord shall at all times have the right to establish rules and regulations for employee parking. Employees shall pay to Landlord or its agents for the use of employee parking spaces the amounts as Landlord shall from time to time determine. Landlord may authorize persons other than those described above, including occupants of other buildings, to utilize the Parking Area. In the event of the use of the Parking Area by other persons, those persons shall pay for that use in accordance with the terms established above, provided, however, Landlord may allow those persons to use the Parking Area on weekends, holidays, and at other non office hours without payment. Notwithstanding the foregoing:

- provided Tenant is not in default under the Lease, the monthly stall charge for the unreserved parking
- spaces allotted herein to Tenant's employees shall be waived until the commencement date of the Term
- Lease (as defined in Paragraph 2 of the Lease)

8 Notwithstanding the foregoing paragraphs 1 through 7, Landlord shall be entitled to pass on to Tenant its proportionate share of any charges or parking surcharge or transportation management costs levied by any governmental agency. The foregoing parking provisions are further subject to any governmental regulations which limit parking or otherwise seek to encourage the use of carpools, public transit or other alternative transportation forms or traffic reduction programs. Tenant agrees that it will use its best efforts to cooperate, including registration and attendance in programs which may be undertaken to reduce traffic. Tenant acknowledges that as a part of those programs, it may be required to distribute employee transportation information, participate in employee transportation surveys, allow employees to participate in commuter activities, designate a liaison for commuter transportation activities, distribute commuter information to all employees, and otherwise participate in other programs or services initiated under a transportation management program.

9 Should any parking spaces be allotted by Landlord to Tenant, either on a reserved or nonreserved basis, Tenant shall not assign or sublet any of those spaces, either voluntarily or by operation of law, without the prior written consent of Landlord, except in connection with an authorized assignment of this Lease or subletting of the Premises.

EXHIBIT D

TENANT'S INSURANCE

The following standards for Tenant's insurance shall be in effect at the Building. Landlord reserves the right to adopt reasonable nondiscriminatory modifications and additions to those standards. Tenant agrees to obtain and present evidence to Landlord that it has fully complied with the insurance requirements.

1. Tenant shall, at its sole cost and expense, commencing on the date Tenant is given access to the Premises for any purpose and during the entire Term, procure, pay for and keep in full force and effect: (i) commercial general liability insurance with respect to the Premises and the operations of or on behalf of Tenant in, on or about the Premises, including but not limited to personal injury, nonowned automobile, blanket contractual, independent contractors, broad form property damage, fire, legal liability, products liability (if a product is sold from the Premises), liquor law liability (if alcoholic beverages are sold, served or consumed within the Premises) and cross liability and severability of interest clauses, which policy(ies) shall be written on an "occurrence" basis and for not less than \$1,000,000 combined single limit (with a \$500,000 minimum limit on fire legal liability) per occurrence for bodily injury, death and property damage liability, or the current limit of liability carried by Tenant, whichever is greater, and subject to such increases in amounts as Landlord may determine from time to time; (ii) workers' compensation insurance coverage as required by law, together with employers' liability insurance coverage; (iii) with respect to improvements, alterations and the like required or permitted to be made by Tenant under this Lease, builder's all risk insurance, in amounts satisfactory to Landlord; (iv) insurance against fire, vandalism, malicious mischief and such other additional perils as may be included in a standard "all risk" form, insuring the leasehold improvements, trade fixtures, furnishings, equipment and items of personal property in the Premises, in an amount equal to not less than ninety percent (90%) of their actual replacement cost (with replacement cost endorsement), which policy shall also include loss of income/business interruption/extra expense coverage in an amount not less than nine months loss of income from Tenant's business in the Premises. In no event shall the limits of any policy be considered as limiting the liability of Tenant under this Lease.

2. All policies of insurance required to be carried by Tenant pursuant to this Exhibit shall be written by responsible insurance companies authorized to do business in the State of California and with a general policyholder rating of not less than "A" and financial rating of not less than "X" in the most current Best's Insurance Report. Any insurance required of Tenant may be furnished by Tenant under any blanket policy carried by it or under a separate policy. A certificate of insurance certifying that the policy has been issued, provides the coverage required by this Exhibit and contains the required provisions, together with endorsements acceptable to Landlord, evidencing the waiver of subrogation and additional insured provisions required under Paragraph 3 below, shall be delivered to Landlord prior to the date Tenant is given the right of possession of the Premises. Proper evidence of the renewal of any insurance coverage shall also be delivered to Landlord not less than thirty (30) days prior to the expiration of the coverage. Landlord may at any time, and from time to time, inspect and/or copy any and all insurance policies required by this Lease.

3. Unless otherwise provided below, each policy evidencing insurance required to be carried by Tenant pursuant to this Exhibit shall contain the following provisions and/or clauses satisfactory to Landlord: (i) with respect to Tenant's commercial general liability insurance, a provision that the policy and the coverage provided shall be primary and that any coverage carried by Landlord shall be excess and noncontributory, together with a provision including Landlord and any other parties in interest designated by Landlord as additional insureds; (ii) a waiver by the insurer of any right to subrogation against Landlord, its agents, employees, contractors and representatives, which arises or might arise by reason of any payment under the policy or by reason of any act or omission of Landlord, its agents, employees, contractors or representatives; and (iii) a provision that the insurer will not cancel or change the coverage provided by the policy without first giving Landlord thirty (30) days prior written notice.

4. In the event that Tenant fails to procure, maintain and/or pay for, at the times and for the durations specified in this Exhibit, any insurance required by this Exhibit, or fails to carry insurance required by any governmental authority, Landlord may at its election procure that insurance and pay the premiums, in which event Tenant shall repay Landlord all sums paid by Landlord, together with interest at the maximum rate permitted by law and any related costs or expenses incurred by Landlord, within ten (10) days following Landlord's written demand to Tenant.

NOTICE TO TENANT: IN ACCORDANCE WITH THE TERMS OF THIS LEASE, TENANT MUST PROVIDE EVIDENCE OF THE REQUIRED INSURANCE TO LANDLORD'S MANAGEMENT AGENT PRIOR TO OCCUPANCY OF THE PREMISES.

EXHIBIT E
RULES AND REGULATIONS

The following Rules and Regulations shall be in effect at the Building. Landlord reserves the right to adopt reasonable nondiscriminatory modifications and additions at any time. In the case of any conflict between these regulations and the Lease, the Lease shall be controlling.

1 Except with the prior written consent of Landlord, Tenant shall not sell or permit the retail sale of newspapers, magazines, periodicals or theater tickets in or from the Premises, nor shall Tenant carry on or permit or allow any employee or other person to carry on the business of stenography, typewriting or any similar business in or from the Premises for the service or accommodation of occupants of any other portion of the Building. Tenant shall not allow the Premises to be utilized for any manufacturing of any kind or the business of a public barber shop, beauty parlor or a manicuring and chiropodist business or any business other than that specifically provided for in the Lease.

2 The sidewalks, halls, passages, elevators, stairways and other common areas shall not be obstructed by Tenant or used by it for storage or for any purpose other than for ingress to and egress from the Premises. The halls, passages, entrances, elevators, stairways, balconies and roof are not for the use of the general public, and Landlord shall in all cases retain the right to control and prevent access to those areas of all persons whose presence, in the judgment of Landlord, shall be prejudicial to the safety, character, reputation and interests of the Building and its tenants. Nothing contained in this Lease shall be construed to prevent access to persons with whom Tenant normally deals only for the purpose of conducting its business on the Premises (such as clients, customers, office suppliers and equipment vendors and the like) unless those persons are engaged in illegal activities. Neither Tenant nor any employee or contractor of Tenant shall go upon the roof of the Building without the prior written consent of Landlord.

3 The sashes, sash doors, windows, glass lights, solar film and/or screen and any lights or skylights that reflect or admit light into the halls or other places of the Building shall not be covered or obstructed. The toilet rooms, water and wash closets and other water apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign substance of any kind shall be thrown in those facilities, and the expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by Tenant.

4 No sign, advertisement or notice visible from the exterior of the Premises shall be inscribed, painted or affixed by Tenant on any part of the Building or the Premises without the prior written consent of Landlord. If Landlord shall have given its consent at any time, whether before or after the execution of this Lease, that consent shall in no way operate as a waiver or release of any of the provisions of this Lease and shall be deemed to relate only to the particular sign, advertisement or notice so consented to by Landlord and shall not be construed as dispensing with the necessity of obtaining the specific written consent of Landlord with respect to any subsequent sign, advertisement or notice. If Landlord, by a notice in writing to Tenant, shall object to any curtain, blind, tinting, shade or screen attached to or hung in or used in connection with any window or door of the Premises, the use of that curtain, blind, tinting, shade or screen shall be immediately discontinued and removed by Tenant. No awnings shall be permitted on any part of the Premises.

5 Tenant shall not do or permit anything to be done in the Premises or bring or keep anything in the Premises which shall in any way increase the rate of fire insurance on the Building or on the property kept in the Building or obstruct or interfere with the rights of other tenants or in any way injure or annoy them or conflict with the regulations of the Fire Department or the fire laws or with any insurance policy upon the Building or any portion of the Building or its contents or with any rules and ordinances established by the Board of Health or other governmental authority.

6 The installation and location of any unusually heavy equipment in the Premises, including without limitation file storage units, safes and electronic data processing equipment, shall require the prior written approval of Landlord. Landlord may restrict the weight and position of any equipment that may exceed the weight load limits for the structure of the Building and may further require, at Tenant's expense, the reinforcement of any flooring on which such equipment may be placed and/or an engineering study to be performed to determine whether the equipment may safely be installed in the Building and the necessity of any reinforcement. The moving of large or heavy objects shall occur only between those hours as may be designated by, and only upon previous written notice to Landlord and the persons employed to move those objects in or out of the Building must be reasonably acceptable to Landlord. No freight, furniture or bulky matter of any description shall be received into or moved out of the lobby of the Building or carried in any elevator other than the freight elevator designated by Landlord unless approved in writing by Landlord.

7 Landlord shall clean the Premises as provided in the Lease, and except with the written consent of Landlord, no person or persons other than those approved by Landlord will be permitted to enter the Building for that purpose. Tenant shall not cause unnecessary labor by reason of Tenant's carelessness and indifference in the preservation of good order and cleanliness. Landlord shall not be responsible to Tenant or its employees for loss or damage to property in connection with the provision of janitorial services by third party contractors.

8 Tenant shall not sweep or throw or permit to be swept or thrown from the Premises any dirt or other substance into any of the corridors or halls or elevators or out of the doors or windows or stairways of the Building and Tenant shall not use keep or permit to be used or kept any foul or noxious gas or substance in the Premises or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building by reason of noise odors and/or vibrations or interfere in any way with other tenants or those having business with other tenants nor shall any animals or birds be kept by Tenant in or about the Building Smoking or carrying of lighted cigars cigarettes pipes or similar products anywhere within the Premises or Building is strictly prohibited and Landlord may enforce such prohibition pursuant to Landlord's leasehold remedies Smoking is permitted outside the Building and within the project only in areas designated by Landlord

9 No cooking shall be done or permitted by Tenant on the Premises except pursuant to the normal use of a U L approved microwave oven and coffee maker for the benefit of Tenant's employees and invitees nor shall the Premises be used for the storage of merchandise or for lodging

10 Tenant shall not use or keep in the Building any kerosene gasoline or inflammable fluid or any other illuminating material or use any method of heating other than that supplied by Landlord

11 If Tenant desires telephone telegraph burglar alarm or similar connections Landlord will direct electricians as to where and how the wires are to be introduced No boring or cutting for wires or otherwise shall be made without directions from Landlord

12 Upon the termination of its tenancy Tenant shall deliver to Landlord all the keys to offices rooms and toilet rooms and all access cards which shall have been furnished to Tenant or which Tenant shall have had made

13 Tenant shall not mark drive nails screw or drill into the partitions woodwork or plaster or in any way deface the Premises except to install normal wall hangings Tenant shall not affix any floor covering to the floor of the Premises in any manner except by a paste or other material which may easily be removed with water the use of cement or other similar adhesive materials being expressly prohibited The method of affixing any floor covering shall be subject to approval by Landlord The expense of repairing any damage resulting from a violation of this rule shall be borne by Tenant

14 On Saturdays Sundays and legal holidays and on other days between the hours of 6 00 p m and 8 00 a m access to the Building or to the halls corridors elevators or stairways in the Building or to the Premises may be refused unless the person seeking access complies with any access control system that Landlord may establish Landlord shall in no case be liable for damages for the admission to or exclusion from the Building of any person whom Landlord has the right to exclude under Rules 2 or 18 of this Exhibit In case of invasion mob riot public excitement or other commotion or in the event of any other situation reasonably requiring the evacuation of the Building Landlord reserves the right at its election and without liability to Tenant to prevent access to the Building by closing the doors or otherwise for the safety of the tenants and protection of property in the Building

15 Tenant shall be responsible for protecting the Premises from theft which includes keeping doors and other means of entry closed and securely locked Tenant shall cause all water faucets or water apparatus to be shut off before Tenant or Tenant's employees leave the Building and that all electricity gas or air shall likewise be shut off so as to prevent waste or damage and for any default or carelessness Tenant shall make good all injuries sustained by other tenants or occupants of the Building or Landlord

16 Tenant shall not alter any lock or install a new or additional lock or any bolt on any door of the Premises without the prior written consent of Landlord If Landlord gives its consent Tenant shall in each case promptly furnish Landlord with a key for any new or altered lock

17 Tenant shall not install equipment such as but not limited to electronic tabulating or computer equipment requiring electrical or air conditioning service in excess of that to be provided by Landlord under the Lease except in accordance with Exhibit B

18 Landlord shall have full and absolute authority to regulate or prohibit the entrance to the Premises of any vendor supplier purveyor petitioner proselytizer or other similar person In the event any such person is a guest or invitee of Tenant Tenant shall notify Landlord in advance of each desired entry and Landlord shall authorize the person so designated to enter the Premises provided that in the sole and absolute discretionary judgment of Landlord such person will not be involved in general solicitation activities or the proselytizing petitioning or disturbance of other tenants or their customers or invitees or engaged or likely to engage in conduct which may in Landlord's opinion distract from the use of the Premises for its intended purpose Notwithstanding the foregoing Landlord reserves the absolute right and discretion to limit or prevent access to the Buildings by any food or beverage vendor whether or not invited by Tenant and Landlord may condition such access upon the vendor's execution of an entry permit agreement which may contain provisions for insurance coverage and/or the payment of a fee to Landlord

19 Tenant shall be required to utilize the third party contractor designated by Landlord for the Building to provide any telephone wiring services from the minimum point of entry of the telephone cable in the Building to the Premises Notwithstanding the foregoing however in the event Tenant does not have a telephone switch within the Premises Tenant may with Landlord's approval and supervision

use a trained contractor to provide such wiring services but only from the Premises to the telephone room on the floor on which the Premises are situated

20 Landlord may from time to time grant tenants individual and temporary variances from these Rules provided that any variance does not have a material adverse effect on the use and enjoyment of the Premises by Tenant

1 **SHORT TITLE: In re: Allegiance Telecom**
2 **CASE NO.: 03-13057(RDD)**

3 **PROOF OF SERVICE**

4 **STATE OF CALIFORNIA, COUNTY OF ORANGE**

5 I am employed in the City of Santa Ana, County of Orange, State of California I am over
6 the age of 18 years and not a party to the within action My business address is 201 East
7 Sandpointe, Suite 220, Santa Ana, CA 92707-5742 On October 7, 2004, I served the
8 documents named below on the parties in this action as follows

9 **DOCUMENTS(S) SERVED AMENDED PROOF OF CLAIM**

10 **SERVED UPON "SEE ATTACHED SERVICE LIST"**

11 XX (BY MAIL) By placing a true copy in a separate envelope for each addressee name
12 above, with the name and address of each person served shown on the envelope as set
13 forth above, and by causing each such envelope, with postage thereon fully prepaid
14 to be placed in the United States mail at Santa Ana, California I am readily familiar
15 with the practice of the Law Office of Dean P Sperleng for collection and processing
16 of correspondence for mailing with the United States Postal Service, said practice
17 being that in the ordinary course of business, mail is deposited in the United States
18 Postal Service the same day as it is placed for collection

19 _____ (BY FACSIMILE) My business address is located in the county where the facsimile
20 machine transmission described below took place On the above date, I caused
21 facsimile machine transmission from facsimile machine telephone number (714
22 438-8088 of the above documents to be sent to the parties whose facsimile number
23 are listed (below/on the attached service list) Upon completion of the said facsimile
24 machine transmission(s), the transmitting machine issued a transmission report
25 showing the transmission(s) was/were complete and without error

26 XX (FEDERAL) I declare that I am employed in the office of a member of the bar of this
27 court, at whose direction this service was made.

28 Executed on October 7, 2004, at Santa Ana, California



Lori Ruiz

SERVICE LIST

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Allegiance Telecom, Inc
9201 N Central Expressway
Dallas, TX 75231
(Debtor)

Matthew A Cantor
Jonathan S Henes
KIRKLAND & ELLIS LLP
Citigroup Center
153 E 53rd St
New York, New York 10022
(Attorney for Debtor)

Albert Togut
Togut, Segal & Segal LLP
One Penn Plaza
Suite 3335
New York, New York 10119
(Attorney for Debtor)

Ira S Dizengoff, Esq
Phillip C Dublin
Colin M Adams
Jeffrey M Anapolsky
Akin Gump Strauss Hauer & Field LLP
590 Madison Avenue
New York, New York, 10022
(Attorney for Allegiance Telecom Liquidating Trust and
Official Committee of Unsecured Creditors)

Pamela J Lustrin
Office of the United States Trustee
33 Whitehall St , 21st Floor
New York, NY 10004
(Trustee)

LAW OFFICE

DEAN P SPERLING

201 EAST SANDPOINTE SUITE 220
SANTA ANA CALIFORNIA 92707-5742

TELEPHONE 714 438 8090
FACSIMILE 714 438 8088

October 7, 2004

United States Bankruptcy Court
Southern District of New York
Alexander Hamilton Custom House
One Bowling Green
New York, NY 10004
ATTN CLERK OF COURT

VIA FEDERAL EXPRESS

**Re: In re: Allegiance Telecom
Case No. 03-13057(RDD)**

Dear Sir/Madam

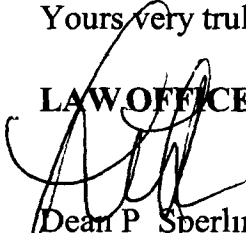
Enclosed you will find an original, a face sheet, and a copy of the Amended Proof of Claim in the above-entitled matter

Please file the Amended Proof of Claim, and return a conformed copy to this office in the self-addressed stamped envelope provided

If you should have any questions or comments, please do not hesitate to contact my office. Thank you for your courtesy and cooperation in connection with this matter

Yours very truly,

LAW OFFICE OF DEAN P. SPERLING



Dean P Sperling

DPS/ck
Enclosure

emp 464389 150CT04

TRK# 8412 0237 3600 FORM 0200

Deliver By 180CT04 A1

90245 -CA-US LAX XH AVXA



FedEx USA Airbill Express

FedEx Tracking Number 841202373600

1 From Date 10/15/04

Sender's Name USBC, SDNY Phone 310 321-5545

Company ALLEGIANCE TELECOM # 38

Address 1330 E FRANKLIN AVE

City EL SEGUNDO State CA ZIP 90245

2 Your Internal Billing Reference ALLEGIANCE TELECOM # 386

3 To Recipient's Name LISA RUPPNER Phone 310 321-5545

Company BMC Corp

Address 1330 E. Franklin Ave

Address EL SEGUNDO State CA ZIP 90245



Insert airbill here

4a Express Package Service

FedEx Priority Overnight Next business morning, FedEx Standard Overnight Next business afternoon, FedEx First Overnight Earliest next business morning delivery to select locations

FedEx 2Day Second business day, FedEx Express Saver Third business day

4b Express Freight Service

FedEx 1Day Freight* Next business day, FedEx 2Day Freight Second business day, FedEx 3Day Freight Third business day

5 Packaging

FedEx Envelope*, FedEx Pak* Includes FedEx Small Pak, FedEx Large Pak, and FedEx Sturdy Pak, Other

Special Handling

SATURDAY Delivery Available only for FedEx Priority Overnight and FedEx 2Day to select ZIP codes, HOLD Weekday at FedEx Location Not available for FedEx Priority Overnight and FedEx 2Day to select locations, HOLD Saturday at FedEx Location Available only for FedEx Priority Overnight and FedEx 2Day to select locations

Does this shipment contain dangerous goods? One box must be checked. NO, YES As per attached Shipper's Declaration, YES Shipper's Declaration not required, Dry Ice Dry Ice 9, UN 1845, Cargo Aircraft Only

7 Payment Bill to

Sender Acct. No. in Section 1 will be billed, Recipient, Third Party, Credit Card, Cash/Check

Summary table with columns: Total Packages (1), Total Weight, Total Declared Value (\$ 00), Total Charges, Credit Card Auth.

8 Release Signature

By signing you authorize us to deliver this shipment without obtaining a signature and agree to indemnify and hold us harmless from any resulting claims. Questions? Visit our Web site at fedex.com

446



November 16, 2004

*Via Registered Mail
Return Receipt Requested*

The Irvine Company
Law Office Of Dean P Sperleng
201 E Sandpointe #220
Santa Ana, CA 92707

Re Allegiance Telecom, Inc ,
Case No (03-13057 RDD) (Southern District of New York)

Dear Mr Sperleng,

BMC is the claims agent in the above-referenced case

Our records indicate that on September 2, 2004, your firm was served with notice of October 13 hearing on objections to claim nos 2113 and 2224 Absent timely response to the claims objections, those claims have been expunged¹

Please be advised that we have received two amended Proofs of Claim (Claim Nos 2991 and 2992), signed and dated 10/7/2004 We have designated these claims as inactive on the claims register as a result of the disallowance of the original underlying claims (Claim Nos 2113 and 2224)

Please feel free to contact me in our New York office at (212) 837 7925

Regards,

Rich Reilly

cc Jeffrey M Anapolsky
Attorney At Law
Akin Gump Strauss Hauer & Feld LLP
1111 Louisiana Street
44th Floor
Houston, TX 77002-5200

Seattle

Pacific Building 23rd Floor
720 Third Avenue
Seattle WA 98104
(206) 725 5405
(206) 374 2727 fax

Los Angeles

1330 E Franklin Ave
El Segundo CA 90245
(310) 321 5555
(310) 640 8071 fax

New York

80 Broad Street
New York NY 10004
(212) 344 0444
(888) 316 2354 fax

Kansas City

712 Broadway Suite 100
Kansas City MO 64105
(816) 472 4262
(816) 472 4321 fax

San Francisco

564 Market Street Suite 602A
San Francisco CA 94104
(415) 834 9942

(800) 655 1129

www.bmcgroup.com

¹ Bankruptcy Court Order dated October 13, 2004, docket No 1829

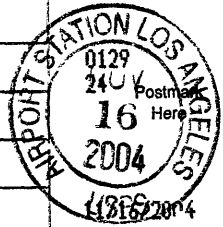
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Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$ 4.42



Sent To Jeffrey M Anapolsky
Attorney At Law
Akin Gump Strauss Hauer & Feld LLP
1111 Louisiana Street
44th Floor
Houston TX 77002 5200

Street Apt No or PO Box No
City State ZIP+4

PS Form 3800, June 2002 See Reverse for Instructions

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Total Postage & Fees	\$ 4.42



Sent To The Irvine Company
Law Office Of Dean P Sperling
201 E Sandpointe #220
Santa Ana CA 92707

Street Apt No or PO Box No
City State ZIP+4

PS Form 3800, June 2002 See Reverse for Instructions

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

**In re Allegiance Telecom, Inc , et al
Case No 03-13057-(RDD)-11**

DOCUMENTS APPENDED TO CLAIM

On October 26, 2005 document(s) were appended to Claim Number **2224, 2113, 2629, 2632, 2992 and 2991** for the following reason(s)

- Stipulation and Agreed Order
- New Supporting Documents
- Change of Address
- Notice of Withdrawal
- Other Docket Number 2302 EOD 10/24/05

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

_____ X

In re

Allegiance Telecom, Inc , et al.,

Debtors

_____ X

Chapter 11 Case No
03-13057 (RDD)

Jointly Administered

**STIPULATION AND AGREED ORDER RESOLVING CLAIMS OF
THE IRVINE COMPANY**

This STIPULATION AND AGREED ORDER is by and between the Allegiance Telecom Liquidating Trust (the “ATLT”), as successor to the Debtors (as defined below), and the Irvine Company (“Claimant”) The parties hereby stipulate and agree as follows

WHEREAS, on or about February 25, 1999, Claimant, as landlord, and Allegiance Telecom, Inc (“ATP”), as tenant, entered into a lease for office space located at 4675 MacArthur Court, Newport Beach, CA (the “Newport Lease”), and

WHEREAS, on or about August 19, 1999, Claimant, as landlord, and ATI, as tenant, entered into a lease for office space located at 677 Palomar Avenue, Sunnyvale, CA (the “Sunnyvale Lease”), and

WHEREAS, on May 14, 2003, ATI and its direct and indirect subsidiaries (collectively, the “Debtors”) commenced voluntary cases (the “Chapter 11 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”), and

WHEREAS, the Chapter 11 Cases were consolidated for procedural purposes only and were jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and

WHEREAS, on or about September 23, 2003, the Bankruptcy Court entered an order, pursuant to Bankruptcy Rule 3003(c)(3), establishing, among other things, November 26, 2003 (the "Bar Date") as the last date for all persons and entities holding or wishing to assert pre-petition and certain other "Claims" (as such term is defined in 11 U S C § 101(5)) against the Debtors to file a proof of claim form with respect to each such Claim, and

WHEREAS, on or about November 25, 2003, Claimant filed a proof of claim numbered 2224 (the "First Newport Proof of Claim") against ATI in the amount of \$1,106,839.43 with respect to claims relating to the Newport Lease (the "Newport Claims"), and

WHEREAS, on or about November 25, 2003, Claimant filed a proof of claim numbered 2113 (the "First Sunnyvale Proof of Claim") against ATI in the amount of \$1,841,394.00 with respect to claims relating the Sunnyvale Lease (the "Sunnyvale Claims"), and

WHEREAS, on or about December 17, 2003, the First Sunnyvale Proof of Claim was assigned a duplicative claim number 2629 (the "Second Sunnyvale Proof of Claim"), and the First Newport Proof of Claim was assigned a duplicative claim number 2632 (the "Second Newport Proof of Claim"), and

WHEREAS, the Debtors filed their Third Amended Joint Plan of Reorganization dated June 8, 2004 (the "Plan") with the Bankruptcy Court and the Court entered its Findings of Fact, Conclusions of Law, and Order Confirming Debtors' Third Amended Joint Plan of Reorganization on

June 10, 2004 (the “Confirmation Order”), and

WHEREAS, pursuant to section 6.1 of the Plan, the Debtors rejected the Newport Lease and the Sunnyvale Lease, and

WHEREAS, in accordance with the terms of the Plan, on the Initial Effective Date (as defined in the Plan), the ATLT was created, and

WHEREAS, pursuant to the Plan, Eugene I. Davis was appointed as the plan administrator (the “Plan Administrator”) for the ATLT, and

WHEREAS, among other things, the purpose of the ATLT is to (i) wind-down the Debtors’ affairs, including making distributions as contemplated in the Plan, (ii) investigate, enforce and prosecute avoidance and other causes of action, (iii) object to, settle, compromise, dispute and/or prosecute disputed claims, and (iv) administer the Plan and take such actions as are necessary to effectuate the terms of the Plan, and

WHEREAS, the ATLT, as the successor to the rights of the Debtors, and the Plan Administrator have the authority to, *inter alia*, perform the duties, exercise the powers, and assert the rights of a trustee under Sections 704 and 1106 of the Bankruptcy Code, and

WHEREAS, on or about June 23, 2004, the Bankruptcy Court entered an order that, among other things, disallowed and expunged the Second Newport Proof of Claim and the Second Sunnyvale Proof of Claim pursuant to the Debtors’ First Omnibus Objection to Certain Proofs of Claims (the “First Omnibus Objection”) filed on or about April 6, 2004, and

WHEREAS, on or about September 2, 2004, the ATLT filed the Eleventh Omnibus Objection to Certain Lease Rejection Damages Claims (the “Eleventh Omnibus Objection”), seeking,

among other things, to disallow and expunge the First Newport Proof of Claim and the First Sunnyvale Proof of Claim, and

WHEREAS, on or about October 8, 2004, Claimant filed a proof of claim numbered 2992 (the "Third Newport Proof of Claim") against ATI in the amount of \$619,608 78 to amend the First Newport Proof of Claim, and

WHEREAS, on or about October 8, 2004, Claimant filed a proof of claim numbered 2991 (the "Third Sunnyvale Proof of Claim," and, collectively with the First Newport Proof of Claim, the Second Newport Proof of Claim, the Third Newport Proof of Claim, the First Sunnyvale Proof of Claim and the Second Sunnyvale Proof of Claim, the "Irvine Proofs of Claim") against ATI in the amount of \$291,488 00 to amend the First Sunnyvale Proof of Claim, and

WHEREAS, Claimant did not respond to the Eleventh Omnibus Objection, and

WHEREAS, on or about October 13, 2004, the Bankruptcy Court entered an order (the "Eleventh Omnibus Order") that, among other things, expunged the First Newport Proof of Claim and the First Sunnyvale Proof of Claim pursuant to the Eleventh Omnibus Objection, and

WHEREAS, on or about March 28, 2005, the ATLT filed its Nineteenth Omnibus Objection to Certain Proofs of Claim (the "Nineteenth Omnibus Objection"), seeking to, among other things, expunge the Third Newport Proof of Claim and the Third Sunnyvale Proof of Claim on the grounds that such claims were filed after the Bar Date, and

WHEREAS, Claimant has not filed any proofs of claim in the Chapter 11 Cases besides the Irvine Proofs of Claim, and

WHEREAS, the ATLT disputes the amounts sought by Claimant in the Irvine Proofs of

Claim, and

WHEREAS, on or about April 26, 2005, Claimant filed its Opposition to the Nineteenth Omnibus Objection to Certain Proofs of Claim and Cross Motion to Vacate the Order Disallowing Claims 2113 and [2224] and Permitting Amendments Thereto (the "Irvine Pleading"), seeking to (i) vacate the Eleventh Omnibus Order with respect to the First Newport Proof of Claim and the First Sunnyvale Proof of Claim and (ii) effectively object to the Nineteenth Omnibus Objection by seeking authority to file the Third Newport Proof of Claim and the Third Sunnyvale Proof of Claim as amendments to the First Newport Proof of Claim and the First Sunnyvale Proof of Claim, respectively, and

WHEREAS, on or about May 16, 2005, the ATLT filed its reservation of rights with respect to the Irvine Pleading, and

WHEREAS, the ATLT and Claimant have negotiated in good faith at arm's length and have reached a consensual resolution, as set forth below, with respect to the Irvine Proofs of Claim, the First Omnibus Objection, the Eleventh Omnibus Objection, the Nineteenth Omnibus Objection and the Irvine Pleading to avoid incurring significant additional litigation expenses that would necessarily be incurred in litigating this matter to an uncertain conclusion

ACCORDINGLY, IT IS HEREBY STIPULATED AND AGREED AS FOLLOWS

1 For the purposes of this Stipulation and Agreed Order, the term "Final Order" shall mean an order approving this Stipulation and Agreed Order that has not been stayed, reversed or amended and the time, as computed under the Bankruptcy Rules, to appeal or seek review or rehearing

of such order (or any revision, modification or amendment thereof) has expired and no appeal or petition for review or rehearing of such order was filed, or if filed, remains pending

2 Within fifteen (15) business days of the entry of a Final Order, the ATLT is hereby authorized and directed to pay to Claimant \$50,000.00 in full and complete satisfaction of all Claims held by Claimant with respect to the Debtors, the Debtors' estates, and/or the ATLT, including, but not limited to, the Newport Claims and the Sunnyvale Claims

3 Upon the entry of a Final Order, the ATLT is hereby authorized and directed to expunge from the ATLT's claims register all proofs of claims, including the Irvine Proofs of Claim, filed by Claimant and/or related to the (i) Newport Claims and/or (ii) Sunnyvale Claims

4 Upon entry of a Final Order, Claimant hereby irrevocably, unconditionally and without reservation of any kind waives, releases and forever discharges the ATLT, Debtors, and the Debtors' estates, and their respective parent firms, predecessors and affiliates, and their officers, directors, employees, attorneys, professionals, and agents (collectively, the "Estate Parties") from and against any and all past, present and future actions, causes of action, Claims, liabilities, suits, debts, judgments, and damages, of any kind whatsoever, whether matured or unmatured, at law or in equity, known or unknown, liquidated or unliquidated, foreseen or unforeseen, discoverable or undiscoverable, contingent or non-contingent, which Claimant has, had, or may have in the future against the Estate Parties, including, but not limited to, the Newport Claims and the Sunnyvale Claims

5 Upon entry of a Final Order, the Estate Parties hereby irrevocably, unconditionally and without reservation of any kind waive, release and forever discharge the Claimant and its officers, directors, employees, attorneys, professionals, and agents (collectively, the "Claimant

Parties”) from and against any and all past, present and future actions, causes of action, Claims, liabilities, suits, debts, judgments, and damages, of any kind whatsoever, whether matured or unmatured, at law or in equity, known or unknown, liquidated or unliquidated, foreseen or unforeseen, discoverable or undiscoverable, contingent or non-contingent, which the Estate Parties have, had, or may have in the future against the Claimant Parties, including, but not limited to, the Newport Claims and the Sunnyvale Claims

6 Claimant agrees not to file any proofs of claim or requests for the payment of administrative expenses against the ATLT, the Debtors, or the Debtors’ estates, whether in the Chapter 11 cases or otherwise

7 This Stipulation and Agreed Order shall be governed by New York law, excluding its conflicts of laws principles, and the Bankruptcy Court shall retain jurisdiction to resolve any disputes between the parties arising with respect to this Stipulation and Agreed Order

8 The undersigned on behalf of the ATLT and Claimant each represents and warrants that he or she has been duly authorized and empowered to execute and deliver this Stipulation and Agreed Order on behalf of such party Claimant represents and warrants to the ATLT that, as of the date hereof, it is the sole holder of all Claims against the Debtors, the Debtors’ estates and the ATLT related to the Newport Claims and/or the Sunnyvale Claims and Claimant has not assigned, sold, or otherwise transferred any Claims against the Debtors, the Debtors’ estates or the ATLT Claimant represents and warrants that it has had an opportunity to consult with its own attorney and fully understands the meaning of the provisions in this Stipulation and Agreed Order, including, but not limited to, the releases included herein

9 This Stipulation and Agreed Order is subject to approval by the Bankruptcy Court and the entry of a Final Order by the Bankruptcy Court, provided, however, that the parties shall support such Bankruptcy Court approval and comply with this Stipulation and Agreed Order pending the Bankruptcy Court's entry of a Final Order approving or disapproving this Stipulation and Agreed Order

10 Nothing in this Stipulation and Agreed Order or any negotiations or proceedings in connection herewith shall constitute or be deemed to be evidence of an admission by any party of any liability or wrongdoing whatsoever, or the truth or untruth, or merit or lack of merit, of any claim or defense of any party Neither this Stipulation and Agreed Order nor any negotiations or proceedings in connection herewith may be used in any proceeding against any party for any purpose whatsoever except with respect to effectuation and enforcement of this Stipulation and Agreed Order

11 This Stipulation and Agreed Order contains the entire agreement of the parties with respect to its subject matter and supersedes any prior or contemporaneous oral or written agreements The parties acknowledge that no promise, inducement, or agreement not stated herein has been made to them in connection with this Stipulation and Agreed Order The parties understand and agree that this Stipulation and Agreed Order may not be altered, amended, modified, or otherwise changed in any respect whatsoever except by a writing duly executed by both parties The parties agree and acknowledge that they will make no claim at any time or place that this Stipulation and Agreed Order has been orally altered or modified or otherwise changed by oral communication of any kind or character Each party agrees that any rule of construction to the effect that ambiguities are to be

resolved against the drafting party will not be employed in the interpretation, construction, or enforcement of this Stipulation and Agreed Order

12 This Stipulation and Agreed Order may be executed simultaneously or in one or more counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument. A facsimile copy of a signature page is the equivalent of an original signature page.

13 This Stipulation and Agreed Order shall be binding upon (i) the ATLT, as successor to the Debtors, (ii) Claimant and (iii) their respective predecessors, successors, heirs, subsidiaries, affiliates, assignees, agents, directors, officers, employees, the Plan Administrator, and any trustee appointed under Chapter 7 of the Bankruptcy Code.

Dated New York, New York
October 6, 2005

ALLEGIANCE TELECOM LIQUIDATING TRUST **DUANE MORRIS LLP**

By /s/ Lois A Mannon
Lois A Mannon
Allegiance Telecom Liquidating Trust
1405 S Beltline Road, Suite 100
Coppell, Texas 75019

By /s/ Robert M Hirsh
Robert M Hirsh, Esq (RH-5499)
380 Lexington Avenue
New York, New York 10168
Telephone (212) 692-1000
and

and

DEAN P SPERLING

AKIN GUMP STRAUSS HAUER & FELD LLP

By /s/ Jeffrey M Anapolsky
Ira S Dizengoff, Esq (ID-9980)
Phil C Dublin, Esq (PD-4919)
Kenneth A Davis, Esq (KD-9070)
Jeffrey M Anapolsky, Esq (JA-8867)
590 Madison Avenue
New York, New York 10022
Telephone (212) 872-1000

By /s/ Dean P Sperling
Dean P Sperling, Esq
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SO ORDERED, this 24th day of October 2005

/s/Robert D Dram

UNITED STATES BANKRUPTCY JUDGE