

KIRKLAND & ELLIS LLP
Citigroup Center
153 East 53rd Street
New York, New York 10022-4675
Telephone: (212) 446-4800
Fax: (212) 446-4900
Matthew A. Cantor (MC-7727)
Jonathan S. Henes (JH-1979)

Attorneys for Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**MOTION OF THE DEBTORS PURSUANT TO SECTIONS 365(a)
AND 554 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULES
6006 AND 6007 FOR AN ORDER AUTHORIZING THE REJECTION OF A
CERTAIN UNEXPIRED LEASE OF NONRESIDENTIAL REAL PROPERTY AND THE
ABANDONMENT OF PERSONAL PROPERTY LOCATED IN PONTIAC, MICHIGAN**

TO THE HONORABLE ROBERT D. DRAIN,
UNITED STATES BANKRUPTCY JUDGE:

Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, “Allegiance” or the “Debtors”), respectfully represent:

Introduction

1. On May 14, 2003 (the “Commencement Date”), the Debtors each commenced with this Court a voluntary case under chapter 11 of title 11 of the United States Bankruptcy Code (the “Bankruptcy Code”). The Debtors are authorized to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. The Debtors’ chapter 11 cases have been consolidated for

procedural purposes only and are being jointly administered pursuant to rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”).

2. No trustee or examiner has been appointed in these chapter 11 cases. On May 28, 2003, pursuant to sections 1102 of the Bankruptcy Code, the United States Trustee for the Southern District of New York (the “U.S. Trustee”) appointed a statutory creditors’ committee (the “Creditors’ Committee”) in these chapter 11 cases.

Jurisdiction

3. This Court has subject matter jurisdiction to consider and determine this Motion pursuant to 28 U.S.C. § 1334. This is a core proceeding within the meaning of 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Background

4. Allegiance is a facilities-based national local exchange carrier that provides integrated telecommunications products and services to small and medium-sized business customers, large businesses (*i.e.*, national customers with multiple locations), governmental entities, wholesale customers and other institutional users. Allegiance offers its customers a variety of services, including:

- local and long distance voice services, including basic telephone services and advanced calling features;
- broadband and other Internet and data services, including high-speed Internet access, wide area network interconnection, domain name registration, web hosting, email and colocation services;
- integrated local long distance/Internet access offerings, which provide customers with integrated voice and Internet access over a single broadband line;

- wholesale services to other regional and national service providers, including equipment colocation, managed modem ports and Internet protocol traffic aggregation; and
- customer premise equipment sales and maintenance services.

5. As of the Commencement Date, Allegiance served more than 100,000

business customers in 36 markets. As of the Commencement Date, Allegiance employed approximately 3,560 people, of which approximately 97 employees were covered by collective bargaining agreements.

6. As of June 30, 2003, the Debtors had approximately \$269.2 million of cash on hand. As of June 30, 2003, the Debtors' consolidated books and records reflected assets totaling approximately \$1.292 billion and liabilities totaling approximately \$1.459 billion. For the six months ending June 30, 2003, the Debtors, on a consolidated basis, reported revenues of approximately \$401.2 million and net losses of approximately \$212.4 million.

Relief Requested

7. As of the Commencement Date, the Debtors were parties to approximately 126 unexpired leases of nonresidential real property. Since the Commencement Date, the Debtors have been engaged in the process of evaluating their unexpired leases to determine which are valuable to their estates and which are burdensome. To date, the Debtors have obtained Court approval, pursuant to section 365(a) of the Bankruptcy Code, to reject thirty-three (33) of the Debtors' unexpired leases of nonresidential real property. By this Motion, the Debtors seek Court approval to (a) reject the Pontiac Lease (as defined below) pursuant to section 365(a) of the Bankruptcy Code and (b) abandon certain personal property located at the Pontiac Premises (as defined below) pursuant to section 554 of the Bankruptcy Code.

The Pontiac Lease and the Personal Property

8. In August, 2000, Coast to Coast Telecommunications Inc. (“Coast To Coast”), a Debtor in these chapter 11 cases, entered into that certain commercial property lease, dated August 1, 2000, with First Parker Realty LLC (“First Parker ”), as landlord, which governs the premises (the “Pontiac Premises”) located at 123/125 North Saginaw, Pontiac, Michigan 48346, a copy of which is annexed hereto as Exhibit “A” (the “Pontiac Lease”). The monthly rent under the Pontiac Lease is \$6,330.00. The Pontiac Lease is set to expire on July 31, 2005. The Debtors no longer need to conduct any business on the Pontiac Premises and, by September 15, 2003, the Debtors will have surrendered the Pontiac Premises to First Parker. Based on the foregoing, the Debtors have determined that the Pontiac Lease is burdensome to the Debtors’ estates and should be rejected, effective as of September 15, 2003 (i.e., the date by which the Debtors will have surrendered the Pontiac Premises), pursuant to section 365(a) of the Bankruptcy Code.

9. Currently, certain of the Debtors’ personal property, including obsolete telecommunications equipment, generators, rectifiers, batteries, billing tapes and miscellaneous racks (the “Personal Property”), is located on the Pontiac Premises. The Debtors do not need the Personal Property to operate their businesses. In addition, the Debtors believe that the Personal Property has little or no value to the Debtors’ estates as the cost of removing and selling the Personal Property would be greater than the proceeds that would be derived from a sale of the Personal Property. Accordingly, the Debtors submit that the Personal Property should be abandoned in accordance with section 554 of the Bankruptcy Code and such abandonment is in the best interests of the Debtors’ estates.

Applicable Law

10. Section 365(a) of the Bankruptcy Code provides that a debtor in possession, “subject to the court’s approval, may assume or reject any executory contract or unexpired lease of the debtor.” 11 U.S.C. § 365(a). The standard to be applied by a court to determine whether to authorize the rejection of an executory contract or an unexpired lease is the “business judgment” test, which is premised upon the debtor’s business judgment that rejection of the executory contract or unexpired lease would be beneficial to its estate. Orion Pictures Corp. v. Showtime Networks, Inc. (In re Orion Pictures Corp.), 4 F.3d 1095, 1098-99 (2d Cir. 1993).

11. Upon finding that a debtor has exercised its sound business judgment in determining that the rejection of a contract or lease is in the best interests of the debtor, its creditors, and all parties in interest, the court should approve the rejection under section 365(a) of the Bankruptcy Code. See, e.g., In re Riodizio, Inc., 204 B.R. 417, 424 (Bankr. S.D.N.Y. 1997); In re Bradlees Stores, Inc., 194 B.R. 555, 558 n.1 (Bankr. S.D.N.Y. 1996); In re G Survivor Corp., 171 B.R. 755, 757 (Bankr. S.D.N.Y. 1994); In re Child World, Inc., 142 B.R. 87, 89 (Bankr. S.D.N.Y. 1992); In re Ionosphere Clubs, Inc., 100 B.R. 670, 673 (Bankr. S.D.N.Y. 1989).

12. Section 554(a) of the Bankruptcy Code provides that a debtor may abandon, subject to bankruptcy court approval, “property of the estate that is burdensome to the estate or that is of inconsequential value and benefit to the estate.” Thus, in order to authorize the abandonment of property, the bankruptcy court must find either: (a) the property is burdensome to the estate or (b) the property is both of inconsequential value and inconsequential benefit to the estate. See, e.g., Midlantic Nat’l Bank v. N.J. Dep’t of Evtl. Prot., 474 U.S. 494,

497 (1986), reh'g denied, 475 U.S. 1091 (1986); In re Texaco, Inc., 90 B.R. 38, 44 (S.D.N.Y. 1988); In re Crowthers McCall Pattern, Inc., 114 B.R. 877, 882 n.7 (Bankr. S.D.N.Y. 1990).

**The Rejection of the Pontiac Lease and the Abandonment
of the Personal Property is in the Best Interests of the Estates**

13. In an effort to maximize the value of their estates, the Debtors have commenced the process of reviewing their overall operations and, in that regard, have determined, in their sound business judgment, that the Pontiac Lease is burdensome and provides no economic value to their estates. As noted above, the Debtors no longer have a need for the Pontiac Premises. Moreover, the Debtors do not believe that they would be able to assign the Pontiac Lease to a third party for value due to the terms of the Pontiac Lease and the depressed commercial real estate markets in Pontiac, Michigan. Due to the foregoing, as well as the continuing financial burden that the Debtors face as a result of the administrative expenses arising under the Pontiac Lease during these chapter 11 cases, the Debtors believe that any attempt to market and assign the Pontiac Lease would be significantly more costly than any potential value that might be realized by any future assignment or sublease thereof. However, the rejection of the Pontiac Lease will realize monthly savings of approximately \$6,330 and annual savings of approximately \$75,960 to the Debtors' estates. Accordingly, the Debtors submit that the decision to reject the Pontiac Lease is a product of the Debtors' sound business judgment and the rejection of the Pontiac Lease will inure to the direct benefit of the Debtors' estates. Accordingly, the Debtors seek authority, pursuant to section 365(a) of the Bankruptcy Code, to reject the Pontiac Lease effective as of September 15, 2003, the date by which the Debtors will have surrendered the Pontiac Premises to First Parker.

14. As discussed above, the Personal Property located at the Pontiac Premises is burdensome insofar as the costs of removal and storage of such property will exceed the net

proceeds realizable from its sale. Consistent with the provisions of the Bankruptcy Code, the abandonment of the Personal Property will terminate any and all of the Debtors' obligations related to or connected with the Personal Property as of the effective date of the abandonment. Accordingly, the Debtors seek authority, pursuant to section 554 of the Bankruptcy Code, to abandon the Personal Property effective as of September 15, 2003, the date by which the Debtors will have surrendered the Pontiac Premises to First Parker.

Waiver of Memorandum of Law

15. Because there are no novel issues of law presented herein, the Debtors respectfully request that the Court waive the requirement that the Debtors file a memorandum of law in support of this Motion pursuant to rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York.

Notice

16. Notice of this Motion has been provided to: (a) the Office of the U.S. Trustee; (b) attorneys for the Debtors' prepetition lenders; (c) attorneys for the Creditors' Committee; (d) First Parker; and (e) all the other parties on the Master Service List maintained in these chapter 11 cases;. In light of the nature of the relief requested herein, the Debtors submit that no other or further notice is required.

17. No prior motion for the relief requested herein has been made to this or any other court.

WHEREFORE, the Debtors respectfully request that the Court enter an order, substantially in the form annexed hereto, authorizing the Debtors to (i) reject the Pontiac Lease and (ii) abandon the Personal Property effective as of the date set forth herein and granting such other relief as is just and proper.

Dated: New York, New York
September 2, 2003

Respectfully submitted,

/s/ Jonathan S. Henes
Matthew A. Cantor (MC-7727)
Jonathan S. Henes (JH-1979)
KIRKLAND & ELLIS LLP
Citigroup Center
153 East 53rd Street
New York, New York 10022-4675
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

Attorneys for Debtors and Debtors in Possession

COMMERCIAL PROPERTY LEASE

COPY

for the property at

123/125 North Saginaw, Pontiac, Michigan

THIS LEASE, made this 14 day of August 2000, by and between FIRST PARKER REALTY L.L.C. c/o Post Office Box 163, Bloomfield Hills, Michigan 48303-0163, hereinafter referred to as the LESSOR, and COAST TO COAST TELECOMMUNICATIONS INC., a Delaware Corporation, 5850 Dixie Highway, Clarkston, Michigan 48346, hereinafter referred to as LESSEE.

WITNESSETH, LESSOR, in consideration of the rents to be paid and the covenants and agreements to be performed by the LESSEE, does hereby lease the following described premises situated in the City of Pontiac, County of Oakland, State of Michigan, described as; a commercial building located at 123/125 North Saginaw, containing approximately 9,364 square feet and an adjacent parking area of 3,000 square feet.

TERM: The term of the this Lease shall be for SIXTY (60) months from and after the first day of August 2000.

RENT: LESSEE shall pay to LESSOR during the continuance of this Lease for rent of said premises for said term, a base rental in the amount of THREE HUNDRED SEVENTY NINE THOUSAND EIGHT HUNDRED FIVE & 00/100 (\$ 379,805.00) in lawful money of the United States payable in monthly installments in advance, upon the first day of each and every month as follows:

Month 1 through 60	\$ 6,330.00
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All rental payments shall be mailed and made payable to:

FRANKLIN MANAGEMENT COMPANY
Post Office Box 44047
Detroit, Michigan 48244-0047

Furthermore, in the event any payments are not received by the first of the month, LESSOR may impose a late fee in the amount of \$200.00.

The LESSEE hereby hires the said premises for the said term as above mentioned and covenants well and truly to pay or cause to be paid, without any deduction or set-off whatsoever, unto LESSOR at the dates and times above mentioned.

INSURANCE: In addition to the base rental hereinbefore specified, LESSEE agrees to pay as additional rental any increase of premiums for insurance against loss by fire that may be charged during the term of this lease on the amount of insurance now carried by LESSOR on the premises and on the improvements situated on said premises, resulting from the business carried on in the leased premises by LESSEE or the character of its occupancy, whether or not LESSOR has consented to the same.

INDEMNIFICATION BY LESSEE: LESSEE agrees to indemnify and hold harmless LESSOR from any liability for damages to any person or property in, on or about said leased premises from any cause whatsoever; and LESSEE will procure and keep in effect during the term hereof public liability and property damage insurance for the benefit of LESSOR in the sum of Five Hundred Thousand & 00/100 (\$500,000.00) for damages resulting to one person and One Million & 00/100 (\$1,000,000.00) for damages resulting from one casualty, and Five Hundred Thousand & 00/100 (\$500,000.00) property damage insurance resulting from one occurrence. LESSEE shall deliver said policies to LESSOR and upon LESSEE'S failure to do so LESSOR may at his option obtain such insurance and the cost thereof shall be paid as additional rent due and payable upon the next ensuing rent day.

REAL ESTATE TAXES: In addition to the base monthly rental herein before specified and beginning at the third year of the lease term, LESSEE agrees to pay as additional rental any increase above base year 2000, of any and all real property taxes and assessments without limitation during each subsequent lease year.

ASSIGNMENT: LESSEE covenants not to assign or transfer this Lease or hypothecate or mortgage the same or sublet said premises or any part thereof without the written consent of the LESSOR. Any assignment, transfer, hypothecation, mortgage or without said written consent shall give the LESSOR the right to terminate this Lease and to re-enter and repossess the leased premises. LESSOR agrees not to unreasonably withhold consent, reserving however, the right to determine the reasonable conditions that shall be imposed with respect to same. LESSOR hereby agrees that LESSEE may enter into co-location agreements with third parties with or without installation charges or monthly recurring fees payable solely and exclusively to LESSEE, from time to time, and such third parties may locate their electronic equipment in such premises, without prior notice to LESSOR.

BANKRUPTCY OR INSOLVENCY: LESSEE agrees that if the estate created hereby shall be taken in execution, or by other process of law, or if LESSEE shall be declared bankrupt or insolvent, according to law, or any receiver be appointed for the business and property of LESSEE, or if any assignment shall be made of LESSEE'S property for the benefit of creditors, then and in such event this Lease may be cancelled at the option of LESSOR.

RIGHT TO MORTGAGE: LESSOR reserves the right to subject and subordinate this Lease at all times to the lien of any mortgage or mortgages now or hereafter placed upon LESSOR'S interest in the said premises and on the land and buildings of which the said premises are a part or upon any buildings hereafter placed upon the land of which the leased premises form a part. And LESSEE covenants and agrees to execute and deliver upon demand such further instrument or instruments subordinating this Lease to the lien of any such mortgage or mortgages as shall be desired by LESSOR and any mortgagees or proposed mortgagees and hereby appoints LESSOR the attorney-in-fact of LESSEE to execute and deliver any such instrument or instruments for and in the name of LESSEE. This paragraph shall be self-operative and no further instrument required.

USE AND OCCUPANCY: It is understood and agreed between the parties hereto that said premises during the continuance of this Lease shall be used and occupied for office, telephone switching center, and warehouse and for no other purpose or purposes without the written consent of LESSOR, and that LESSEE will not use the premises for any purpose in violation of any law, municipal ordinance or regulation, and that on any breach of this agreement, LESSOR may at his option terminate this Lease forthwith and re-enter and repossess the leased premises.

FIRE: It is understood and agreed that if the premises hereby leased be damaged or destroyed in whole or in part by fire or other casualty during the term thereof, LESSOR will repair and restore the same to good tenable condition with reasonable dispatch, and that the rent herein provided for shall abate entirely in case the entire premises are untenable and pro rata for the portion rendered untenable, in case a part only is untenable, until the same shall be restored to a tenable condition; provided, however, that if LESSEE shall fail to adjust his own insurance or to remove his damaged goods, wares, equipment or property within a reasonable time, and as a result thereof the repairing and restoration is delayed, there shall be no abatement of rental during the period of such resulting delay, and provided further that there shall be no abatement of rental if such fire or other cause damaging or destroying the leased premises shall result from the negligence or willful act of LESSEE, his agents or employees, and provided further that if LESSEE shall use any part of the leased premises for storage during the period of repair a reasonable charge shall be made thereof against LESSEE, and provided further that in case the leased premises, or the building of which they are a part, shall be destroyed to the extent of more than one-half of the value thereof, LESSOR may at his option terminate this Lease forthwith by written notice to LESSEE.

REPAIRS AND ALTERATIONS: LESSOR after receiving written notice from LESSEE and having reasonable opportunity to obtain the necessary workmen therefor agrees to keep in good order and repair the roof and the four outer walls of the demised premises, but not the doors, door frames, the window glass, window casings, window frames and windows or any of the appliances or appurtenances of said doors or window casings, window frames and windows, or any attachment thereto or attachments to said building or premises used in connection therewith, including all electrical devices, heating and cooling equipment and plumbing fixtures within the demised premises. LESSEE further covenants and agrees that he will, at his expense, during the continuation of this Lease, keep the said premises and every part thereof in as good repair and at the expiration of the term yield and deliver up the same in like condition as when taken, reasonable use and wear thereof and damage by the elements excepted. LESSOR hereby agrees that all equipment installed in and improvements made to the premises by LESSEE shall be and at all times remain the sole and exclusive property of LESSEE or such co-location third parties, and shall not under any circumstances be deemed to become a fixture or addition to the premises. LESSEE does, however, agree to remove all such items at the end of any applicable lease term, or within 30 days of any earlier termination, and if any damage to the premises is caused thereby, repair and restore the premises to its original condition, reasonable wear and tear excepted, including drill core holes and structural modifications. LESSEE shall cause to be discharged any liens of record that may be filed against the demised premises resulting from actions of LESSEE, his agents or employees. *LESSOR AGREES TO SIGN SUCH DOCUMENTS AS IS REASONABLY REQUESTED BY LESSEE'S EQUIPMENT VENDORS OR CO-LOCATORS CONFIRMING SAME.*

(Handwritten initials)

CARE OF PREMISES BY LESSEE: LESSEE shall not perform any acts or carry on any practices which may injure the building or be a nuisance or menace to other lessees in the building and shall keep the premises under his control (including adjoining sidewalks, drives, streets, alleys, or yards) clean and free from rubbish, dirt, snow

and ice at all times, and it is further agreed that in the event LESSEE shall not comply with these provisions, LESSOR may enter upon said premises and have rubbish, dirt and ashes removed and the side walks cleaned in which event LESSEE agrees to pay all charges that LESSOR shall pay for hauling rubbish, ashes and dirt, or cleaning walks. Said charges shall be paid to LESSOR by LESSEE as soon as bill is presented to him. LESSEE shall at his own expense under penalty of forfeiture and damages promptly comply with all lawful laws, orders, regulations or ordinances of all municipal, County and State authorities affecting the premises hereby leased and the cleanliness, safety, occupation and use of same. LESSOR shall not be responsible or liable to LESSEE for any loss or damage that may be occasioned by or through the acts or omissions of persons occupying adjoining premises or any part of the premises adjacent to or connected with the premises hereby leased or any part of the building of which the leased premises are a part or for any loss or damage resulting to LESSEE or his property from bursting, stoppage or leaking of water, gas, sewer or steam pipes. LESSEE shall keep and maintain the demised premises free and clear from contamination and will fully indemnify and hold LESSOR harmless therefrom. As used herein, the term "Contamination" shall mean any alleged or actual release, spill or discharge of Hazardous Material, any condition created by, or arising from, in whole or in part, by LESSEE, its officers, directors, employees, agents or contractors. As used herein, the term "Hazardous Materials" shall mean any substances, including, but not limited to, chemical and radioactive substances and asbestos, the management, packaging, labeling, handling, discharge, release, emission, removal, storage, transport, treatment, disposal, use or reuse of which is regulated or required to be regulated under the provision of any federal, state, or local law, ordinance, rule or regulation, including, but not limited to, hazardous substances as defined under the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Federal Solid Waste Disposal Act, the Federal Toxic Substance Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Michigan Environmental Response Act, the Michigan Hazardous Waste Management Act, the Michigan Solid Waste Management Act, and the Michigan Water Resources Commission Act, or any other law or ordinance or regulation of any material and substance that may impose a threat or risk of harm to human health or the environment or of contamination of soils, geologic materials or air, or the surface or groundwaters, at, under or about the demised premises.

CONDITION OF PREMISES: LESSEE acknowledges that he has examined the said leased premises prior to the making of this Lease, and knows the condition thereof, and that no representations as to the condition or state of repairs thereof have been made by LESSOR, or his agent, which are not herein expressed, and LESSEE hereby accepts the leased premises in their present condition at the date of execution of this Lease.

OPTION TO RENEW: Providing that LESSEE has not been in a non-curred default of this Lease, LESSOR hereby grants to LESSEE the option to renew this Lease for three(3) additional five year terms at the same terms and conditions except that the monthly base rental shall be adjusted to reflect the increase in the U.S. Consumer Price Index from the date of Lease inception to the date of any renewal or extension. Provided that the maximum increase in any given year shall not exceed three percent (3%) LESSEE shall notify LESSOR in writing of their intent to exercise each option period at least ninety(90) days prior to end of any current lease term.

RE-RENTING: LESSEE hereby agrees that for a period commencing 90 days prior to the termination of this lease, LESSOR may show the premises to prospective Tenants, and 60 days prior to the termination of this Lease, may display in and about said premises and in the windows thereof, the usual and ordinary "TO RENT" signs.

HOLDING OVER: It is hereby agreed that in the event of LESSEE herein holding over after the termination of this lease, thereafter the tenancy shall be from month to month in the absence of a written agreement to the contrary.

GAS, WATER, HEAT, ELECTRICITY: LESSEE will pay all charges made against said leased premises for gas, water, heat and electricity during the continuance of this lease, as the same shall become due commencing the date LESSOR tenders possession to LESSEE.

ADVERTISING DISPLAY: It is further agreed that all signs and advertising displayed in and about the premises shall be such only as advertise the business carried on upon said premises, and that LESSOR shall control the character and size thereof, and that no sign shall be displayed excepting such as shall be approved in writing by LESSOR, and that no awning shall be installed or used on the exterior of said building unless approved in writing by LESSOR.

ACCESS TO PREMISES: LESSOR shall have the right to enter upon the leased premises at all reasonable hours for the purpose of inspecting the same. If LESSOR deems any repairs necessary he may demand that LESSEE make the same and if LESSEE refuses or neglects forthwith to commence such repairs and complete the same with reasonable dispatch LESSOR may make or cause to be made such repairs and shall not be responsible to LESSEE for any loss or damage that may accrue to this stock or business by reason thereof, and if LESSOR make or causes to be made such repairs LESSEE agrees that he will forthwith on demand pay to the LESSOR the cost thereof together with a 15% administrative fee.

DEFAULT BY TENANT; LESSOR may pursue its remedies for default by LESSEE, only if the following conditions occur. If LESSEE shall default in payment of any rental payments as provided in this Lease and shall not cure such default within ten (10) days after LESSOR's written demand therefore, or if LESSEE shall default in the performance of any other terms, conditions, or covenants as provided in this Lease and shall not cure, or initiate a diligent effort to cure, such default within thirty (30) days after LESSOR'S written demand therefore. Notwithstanding anything else in this agreement to the contrary, LESSOR shall give LESSEE written notice of any claimed default specifying the agreement language that LESSEE claims is in default and those steps that if taken by LESSEE will constitute a cure acceptable to LESSOR.

RE-ENTRY: In case any rent shall be due and unpaid or if default by made in any of the covenants herein contained, or if said leased premises shall be deserted or vacated, then it shall be lawful for LESSOR, his certain attorney, heirs, representatives and assigns, to re-enter into, re-possess the said premises and LESSEE and each and every occupant to remove and put out.

QUIET ENJOYMENT: LESSOR covenants that the said LESSEE, on payment of all the aforesaid installments and performing all the covenants aforesaid, shall and may peacefully and quietly have, hold and enjoy the said demised premises for the term aforesaid.

EXPENSES-DAMAGES RE-ENTRY: In the event that LESSOR shall, during the period covered by this lease, obtain possession of said premises by re-entry, summary proceedings, or otherwise, LESSEE hereby agrees to pay LESSOR the expense incurred in obtaining possession of said premises, and also all expenses and commissions which may be paid in and about the letting of the same, and all other damages including legal fees and attorney fees.

REMEDIES NOT EXCLUSIVE: It is agreed that each and every of the rights, remedies and benefits provided by this lease shall be cumulative, and shall not be exclusive of any other of said rights, remedies and benefits, or of any other rights, remedies and benefits allowed by law.

WAIVER: One or more waivers of any covenant or condition by LESSOR shall not be construed as a waiver of a further breach of the same covenant or condition.

DELAY OF POSSESSION: It is understood that if LESSEE shall be unable to enter into and occupy the premises hereby leased at the time above provided, by reason of the said premises not being ready for occupancy, or by reason of the holding over of any previous occupant of said premises, or as a result of any cause or reason beyond the direct control of LESSOR, LESSOR shall not be liable in damages to LESSEE therefor, but during the period the LESSEE shall be unable to occupy said premises as hereinbefore provided, the rental therefor shall be abated and LESSOR is to be the sole judge as to when the premises are ready for occupancy. Understanding that LESSEE is in possession of the premises, except for an area of 3,324 square feet, currently occupied by a department of the State of Michigan, a monthly rental credit of \$2,797 shall be given by LESSOR until this space is vacated.

NOTICES: Whenever under this Lease a provision is made for notice of any kind it shall be deemed sufficient notice and service thereof if such notice to LESSEE is in writing addressed to the Office of the President of LESSEE at his last known Post Office Address or at the leased premises and deposited in the mail with postage prepaid and if such notice to LESSOR is in writing addressed to the last known Post Office Address of LESSOR and deposited in the mail with postage prepaid and faxed to (248) 623-1469. Notice need be sent to only one LESSEE or LESSOR where LESSEE or LESSOR is more than one person.

This Lease agreement is in replacement of all prior agreements between the parties believed to be dated September 1, 1996 and amended May 5, 1998.

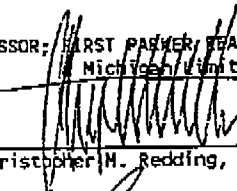
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It is agreed that in this Lease the word "he", "they", and the word "his" synonymous with the word "she", "it" and "its" *actually 9-1-95.*

The covenants, conditions and agreements made a part of this Lease and the exhibits thereto are declared binding on the parties and their heirs, successors, representatives and assigns.

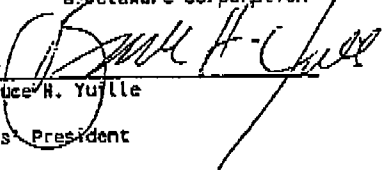
IN WITNESS WHEREOF, the parties have hereunto set their hands and seals the day and year first above written.

LESSOR: ~~FIRST PARKER REALTY L.L.C.,
Michigan Limited Liability Company~~



Christopher M. Redding, Member

LESSEE: COAST TO COAST TELECOMMUNICATION INC.,
a Delaware Corporation



by Bruce R. Yulle
Its President

KIRKLAND & ELLIS LLP
 Citigroup Center
 153 East 53rd Street
 New York, New York 10022-4675
 Telephone: (212) 446-4800
 Fax: (212) 446-4900
 Matthew A. Cantor (MC-7727)
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Attorneys for Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
 SOUTHERN DISTRICT OF NEW YORK

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

**NOTICE OF HEARING ON MOTION OF
 THE DEBTORS PURSUANT TO SECTIONS 365(a)
 AND 554 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULES
 6006 AND 6007 FOR AN ORDER AUTHORIZING THE REJECTION OF A
 CERTAIN UNEXPIRED LEASE OF NONRESIDENTIAL REAL PROPERTY AND THE
ABANDONMENT OF PERSONAL PROPERTY LOCATED IN PONTIAC, MICHIGAN**

PLEASE TAKE NOTICE that upon the annexed motion, dated September 2, 2003 (the “Motion”), of Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the “Debtors”), seeking entry of an order authorizing the (a) rejection of the Pontiac Lease¹ pursuant to section 365 of the Bankruptcy Code and (b) abandonment of certain personal property located at the Pontiac Premises pursuant to section 554 of the Bankruptcy Code, as more fully set forth in the Motion, a hearing will be held before the Hon. Robert D. Drain, United States Bankruptcy Judge, in Room 610 of the

¹ Unless otherwise defined herein, capitalized terms shall have the meaning ascribed to them in the Motion.

United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”), Alexander Hamilton Custom House, One Bowling Green, New York, New York, 10004-1408, on September 15, 2003, at 10:00 a.m., prevailing Eastern Time, or as soon thereafter as the Debtors are heard.

PLEASE TAKE FURTHER NOTICE that objections, if any, to the relief requested in the Motion shall be in writing, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules of the Southern District of New York, shall set forth the name of the objectant, the nature and amount of claims or interests held or asserted by the objectant against the Debtors’ estates or property, the basis for the objection, and the specific grounds therefore, and shall be filed with the Bankruptcy Court electronically in accordance with General Order M-242 (which can be found at www.nysb.uscourts.gov) by registered users of the Bankruptcy Court’s case filing system and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), WordPerfect, or any other Windows-based word processing format (with a hard copy delivered directly to Chambers) and served in accordance with General Order M-242, and shall further be served upon (a) Kirkland & Ellis, 153 East 53rd Street, New York, New York 10022 (Attn. Samuel S. Kohn, Esq.); (b) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn. Pamela J. Lustrin, Esq.); (c) Paul, Hastings, Janofsky & Walker LLP, 600 Peachtree Street, N.E., 24th

Floor, Atlanta, Georgia 30308 (Attn. Jesse Austin, III, Esq.); and (d) Akin Gump Strauss Hauer Feld LLP, 590 Madison Avenue, New York, New York 10022 (Attn. Ira S. Dizengoff, Esq.), so as to be actually received no later than September 10, 2003, at 4:00 p.m. (prevailing Eastern Time).

Dated: New York, New York
September 2, 2003

Respectfully submitted,

/s/ Jonathan S. Henes
Matthew A. Cantor (MC-7727)
Jonathan S. Henes (JH-1979)
KIRKLAND & ELLIS LLP
Citigroup Center
153 East 53rd Street
New York, New York 10022-4675
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

Attorneys for Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

ORDER PURSUANT TO SECTIONS 365(a) AND 554 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULES 6006 AND 6007 AUTHORIZING THE REJECTION OF A CERTAIN UNEXPIRED LEASE OF NONRESIDENTIAL REAL PROPERTY AND THE ABANDONMENT OF PERSONAL PROPERTY LOCATED IN PONTIAC, MICHIGAN

Upon the motion (the “Motion”), dated September 2, 2003, of Allegiance Telecom, Inc. and its direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the “Debtors”), seeking entry of an order authorizing the (a) rejection of the Pontiac Lease¹ pursuant to section 365 of the Bankruptcy Code and (b) abandonment of certain personal property located at the Pontiac Premises pursuant to section 554 of the Bankruptcy Code, as more fully set forth in the Motion; and it appearing that this Court has jurisdiction to consider and determine the Motion as a core proceeding pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that the relief requested in the Motion is in the best interests of the Debtors’ estates and creditors; and due and proper notice of the Motion having been given; and good and sufficient cause appearing therefor; it is

ORDERED that the Motion is granted; and it is further

ORDERED that, pursuant to section 365 of the Bankruptcy Code, the Pontiac Lease shall be deemed rejected as of September 15, 2003; and it is further

¹ Unless otherwise defined herein, capitalized terms shall have the meaning ascribed to them in the Motion.

ORDERED that, pursuant to section 554 of the Bankruptcy Code, the Personal Property shall be deemed abandoned as of September 15, 2003; and it is further

ORDERED that nothing herein shall constitute a waiver by the Debtors of any claims they may have against the lessor under the Pontiac Lease, whether or not such claims are directly related to the Pontiac Lease; and it is further

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

Dated: New York, New York
_____, 2003

UNITED STATES BANKRUPTCY JUDGE